

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

FORM 10-K

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

For the fiscal year ended December 29, 2019

OR

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

For the transition period from _____ to _____

Commission file number 0-1088

KELLY SERVICES, INC.

(Exact Name of Registrant as specified in its Charter)

Delaware

(State or other jurisdiction of incorporation or organization)

38-1510762

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

999 West Big Beaver Road, Troy, Michigan 48084

(Address of principal executive offices) (Zip Code)

(248) 362-4444

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Class A Common	KELYA	NASDAQ Global Market
Class B Common	KELYB	NASDAQ Global Market

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter, was approximately \$873.3 million.

Registrant had 35,690,197 shares of Class A and 3,427,518 of Class B common stock, par value \$1.00, outstanding as of February 02, 2020.

Documents Incorporated by Reference

The proxy statement of the registrant with respect to its 2020 Annual Meeting of Stockholders is incorporated by reference in Part III.

PART I

Unless the context otherwise requires, throughout this Annual Report on Form 10-K the words “Kelly,” “Kelly Services,” “the Company,” “we,” “us” and “our” refer to Kelly Services, Inc. and its consolidated subsidiaries.

ITEM 1. BUSINESS.

History and Development of Business

Founded by William R. Kelly in 1946, Kelly Services® pioneered an industry that connects people to work in ways that enrich their lives. At our inception we helped usher in and embolden a workforce of women, opening doors and creating opportunities where none had existed. As work evolved we equipped people with the skills to master the technologies of the day: launching the first-of-its-kind online learning center for scientists; creating testing and training packages for new office programs; and launching skill builders to align with new light industrial protocols. With each advance we have empowered people to meet the needs of a changing marketplace, and enabled companies to access skilled talent that can move their businesses forward.

As work has evolved so has our range of solutions, growing over the years to reflect the changing needs of our customers and the changing nature of work itself. We have progressed from a traditional office staffing company into a workforce solutions leader delivering expertise in a portfolio of specialty services. We rank as one of the world’s largest scientific and clinical staffing providers and place talent at all levels in engineering, IT and finance. We are also the leading provider in the K-12 educational staffing market in the U.S., while also providing talent in early childhood education, non-instructional roles and adjunct professors. These services complement our expertise in professional office services, contact center, light industrial and electronic assembly staffing. As work has evolved and talent management has become more complex, we have also developed innovative solutions to help many of the world’s largest companies plan for and manage their workforce through outsourcing, consulting, recruitment, talent advisory, career transition and supplier management services.

Geographic Breadth of Services

Headquartered in Troy, Michigan, Kelly provides workforce solutions to a diversified group of customers in three regions: the **Americas; Europe, the Middle East, and Africa (“EMEA”)**; and **Asia Pacific (“APAC”)**. Our customer base spans a variety of industries and includes 90 percent of the *Fortune 100™* companies.

In 2019, we assigned approximately 440,000 temporary employees to a variety of customers around the globe.

Description of Business Segments

Our operations are divided into three business segments: **Americas Staffing, Global Talent Solutions (“GTS”) and International Staffing**. In July 2016, we expanded our joint venture with Persol Holdings (formerly Temp Holdings) to form PersolKelly Asia Pacific (the “JV”) and moved our APAC staffing operations into the JV. We provide staffing solutions through our branch networks, on-site staff and virtual teams in our Americas and International operations. In addition to staffing solutions, we also provide a suite of innovative talent fulfillment and outcome-based solutions through our GTS segment, which delivers integrated talent management solutions to meet customer needs across the entire spectrum of talent categories. Using talent supply chain strategies, GTS helps customers design, execute, and manage workforce programs that enable them to connect with talent across all work styles (full-time, independent contractor, temporary, etc.) and gain access to a vast network of qualified service providers.

Americas Staffing

Our Americas Staffing segment represents the Company’s branch-delivered staffing business in the U.S., Puerto Rico, Canada, Mexico and Brazil. This segment delivers temporary staffing, as well as direct-hire placement services, in a number of specialty staffing services, including: *Office*, providing trained employees for data entry, clerical and administrative support roles across numerous industries; *Education*, supplying schools nationwide with instructional and non-instructional employees; *Marketing*, providing support staff for seminars, sales and trade shows; *Electronic Assembly*, providing assemblers, quality control inspectors and technicians; *Light Industrial*, placing maintenance workers, material handlers and assemblers; *Science*, providing all levels of scientists and scientific and clinical research workforce solutions; *Engineering*, supplying engineering professionals across all disciplines, including 5G, aeronautical, chemical, civil/structural, electrical/instrumentation, environmental, industrial, mechanical, petroleum, pharmaceutical, quality and telecommunications; *Information Technology*, placing IT specialists across all disciplines; and *Finance and Accounting*, serving the needs of corporate finance departments,

accounting firms and financial institutions with all levels of financial professionals. We also offer direct-hire placement services across all of these specialties.

International Staffing

Our International Staffing segment represents the Company's branch-delivered staffing business in the EMEA region. International Staffing provides a similar range of staffing services as described for our Americas Staffing segment above, including: Office, Engineering, Finance and Accounting, IT and Science. Additional service areas include: *Catering and Hospitality*, providing chefs, porters and hospitality representatives; and *Industrial*, supplying manual workers to semi-skilled professionals in a variety of trade, non-trade and operational positions.

GTS

Our GTS segment combines the delivery structure of the Company's outsourcing and consulting group and centrally delivered staffing business. It reflects the trend of customers towards the adoption of holistic talent supply chain solutions which combine contingent labor, full-time hiring and outsourced services. Services in this segment include: Centrally delivered staffing for large accounts; *Contingent Workforce Outsourcing ("CWO")*, delivering contingent labor to customers using a managed service provider model; *Recruitment Process Outsourcing ("RPO")*, offering end-to-end talent acquisition solutions, including customized recruitment projects; *Business Process Outsourcing ("BPO")*, offering full staffing and operational management of non-core functions or departments; *Payroll Process Outsourcing ("PPO")*, providing centralized payroll processing solutions for our customers, and *KellyConnect*, offering contact center staffing solutions which focus on delivering talent to a customer's call center operations. This segment also provides career transition/outplacement services and talent advisory services.

Financial information regarding our industry segments is included in the Segment Disclosures footnote in the notes to our consolidated financial statements presented in Part II, Item 8 of this report.

Business Objectives

Kelly's philosophy as a talent company is rooted in the conviction that our business makes a difference on a daily basis—in the lives of our employees and talent networks, for our customers, in the local communities we serve and in the broader economy. We aspire to be a destination for top talent and a strategic business partner for our customers. Our solutions are designed to connect with talent across targeted specialties and a variety of flexible work styles, and to offer customers access to workforce solutions that can be customized as they seek to operate more efficient and competitive organizations. To achieve these goals, we continue to adopt forward-looking technologies and innovative business practices that can drive success in a dynamic market.

With more than one-third of the world's workforce now participating as independent workers, more companies are adopting strategies that recognize contingent labor, consultants and project-based work as keys to their ongoing success. We continue to refine our core competencies to help them connect with talent and realize their business objectives. Kelly offers world-class staffing on a temporary and direct placement basis, as well as a comprehensive array of outsourcing, consulting and talent advisory services. Kelly continues to target areas of investment and expertise to solve our customers' workforce challenges and create opportunity for talent in the changing marketplace.

Business Operations

Service Marks

We own numerous service marks that are registered with the United States Patent and Trademark Office, the European Union Community Trademark Office and numerous individual country trademark offices.

Seasonality

Our quarterly operating results are affected by the seasonality of our customers' businesses. With the exception of our education business, demand for staffing services historically has been lower during the first quarter, and typically increases during the remainder of the year.

Working Capital

Our working capital requirements are primarily generated from employee payroll and customer accounts receivable. Since receipts from customers generally lag payroll to temporary employees, working capital requirements increase substantially in periods of growth. Conversely, when economic activity slows, working capital requirements may substantially decrease.

Customers

Kelly's client portfolio spans companies of all sizes, ranging from local and mid-sized businesses to the Fortune 500. In 2019, an estimated 51% of total Company revenue was attributed to our largest 100 customers. Our largest single customer accounted for approximately six percent of total revenue in 2019.

Government Contracts

Although we conduct business under various federal, state, and local government contracts, no single one accounts for more than three percent of total Company revenue in 2019.

Competition

The worldwide workforce solutions industry is competitive and highly fragmented. In the United States, we compete with other firms that operate nationally, and with thousands of smaller companies that compete in varying degrees at local levels. Additionally, several similar staffing companies compete globally. In 2019, our largest competitors were Randstad, Adecco Group, ManpowerGroup Inc., Recruit Holdings and Allegis Group.

Key factors that influence our success are quality of service, price and breadth of service.

Quality of service is highly dependent on the availability of qualified, competent talent, and our ability to recruit, screen, train, retain and manage a pool of employees who match the skills required by particular customers. During an economic downturn, we must balance competitive pricing pressures with the need to retain a qualified workforce. Price competition in the staffing industry is intense, particularly for office clerical and light industrial personnel, and pricing pressure from customers and competitors continues to be significant.

Breadth of service, or ability to manage staffing suppliers, has become more critical as customers seek a single supplier to manage all their staffing needs. Kelly's talent supply chain management approach seeks to address this requirement for our larger customers, enabling us to deliver talent wherever and whenever they need it around the world.

Corporate Sustainability

As a leading specialty talent and workforce solutions provider, we connect people with employment opportunities and make a difference in the communities in which we live and work. Given the worldwide span of our workers, clients, suppliers, and partners, we recognize the global reach of our business practices and our public accountability. We will continue to advocate on behalf of the global workforce, improve our workplaces, contribute to the communities we serve, and ensure our actions are socially, ethically, and environmentally responsible. However, as a service business, we are not materially impacted by federal, state, or local laws that regulate the discharge of materials into the environment.

Employees

We employ approximately 1,000 people at our corporate headquarters in Troy, Michigan, and approximately 6,700 staff members in our U.S. and international network of branch offices. In 2019, we recruited approximately 440,000 temporary employees on behalf of customers around the globe.

While services may be provided inside the facilities of customers, we remain the employer of record for our temporary employees. We retain responsibility for employee assignments, including workers' compensation insurance, the employer's share of all applicable payroll taxes and the administration of the employee's share of these taxes. We offer access to various health and other benefit programs to our employees.

Foreign Operations

For information regarding sales, earnings from operations and long-lived assets by domestic and foreign operations, please refer to the information presented in the Segment Disclosures footnote in the notes to our consolidated financial statements, presented in Part II, Item 8 of this report.

Access to Company Information

We electronically file our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports with the Securities and Exchange Commission ("SEC"). The public may read and copy any of the reports that are filed with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically.

We make available, free of charge, through our website, and by responding to requests addressed to our senior vice president of investor relations, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports. These reports are available as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Our website address is: www.kellyservices.com. The information contained on our website, or on other websites linked to our website, is not part of this report.

ITEM 1A. RISK FACTORS.

We operate in a highly competitive industry with low barriers to entry and may be unable to compete successfully against existing or new competitors.

The worldwide staffing services market is highly competitive with limited barriers to entry. We compete in global, national, regional and local markets with full-service and specialized temporary staffing and consulting companies. Randstad, Adecco Group, ManpowerGroup Inc., Recruit Holdings and Allegis Group, are considerably larger than we are and have more substantial marketing and financial resources. Additionally, the emergence of online staffing platforms or other forms of disintermediation may pose a competitive threat to our services, which operate under a more traditional staffing business model. Price competition in the staffing industry is intense, particularly for the provision of office clerical and light industrial personnel. We expect that the level of competition will remain high, which could limit our ability to maintain or increase our market share or profitability.

The number of customers distributing their staffing service purchases among a broader group of competitors continues to increase which, in some cases, may make it more difficult for us to obtain new customers, or to retain or maintain our current share of business, with existing customers. We also face the risk that our current or prospective customers may decide to provide similar services internally. As a result, there can be no assurance that we will not encounter increased competition in the future.

Our business is significantly affected by fluctuations in general economic conditions.

Demand for staffing services is significantly affected by the general level of economic activity and employment in the United States and the other countries in which we operate. When economic activity increases, temporary employees are often added before full-time employees are hired. As economic activity slows, however, many companies reduce their use of temporary employees before laying off full-time employees. Significant swings in economic activity historically have had a disproportionate impact on staffing industry volumes. We may not fully benefit from times of increased economic activity should we experience shortages in the supply of temporary employees. We may also experience more competitive pricing pressure and slower customer payments during periods of economic downturn. A substantial portion of our revenues and earnings are generated by our business operations in the United States. Any significant economic downturn in the United States or certain other countries in which we operate could have a material adverse effect on our business, financial condition and results of operations.

Technological advances may significantly disrupt the labor market and weaken demand for human capital at a rapid rate.

Our success is directly dependent on our customers' demands for talent. As technology continues to evolve, more tasks currently performed by people may be replaced by automation, robotics, machine learning, artificial intelligence and other technological advances outside of our control. This trend poses a risk to the staffing industry as a whole, particularly in lower-skill job categories that may be more susceptible to such replacement.

Our business strategy may be insufficient or not achieve its intended effects.

Our business strategy focuses on driving profitable growth in key specialty areas. We are making targeted investments in our chosen specialties, focusing on growth platforms and developing a more robust operating model to bridge our strategy to execution. If we are unsuccessful in executing our strategy, we may not achieve either our stated goal of revenue growth or the intended productivity improvements, which could negatively impact profitability. Even if effectively executed, our strategy may prove insufficient in light of changes in market conditions, technology, competitive pressures or other external factors.

We are at risk of damage to our brand, which is important to our success.

Our success depends, in part, on the goodwill associated with our brand. Because we assign employees to work under the direction and supervision of our customer at work locations not under Kelly's control, we are at risk of our employees engaging in unauthorized conduct that could harm our reputation. Moreover, significant disputes with clients or suppliers, compliance violations, cyberattacks, customer dissatisfaction, social media incidents, media reports, or corporate sustainability issues could harm our reputation. Our Kelly Education product is particularly susceptible to this exposure. An occurrence that damages Kelly's reputation could cause the loss of current and future customers, additional regulatory scrutiny and liability to third parties, which could negatively impact profitability.

Our intellectual property assets could be infringed upon or compromised, and there are limitations to our ability to protect against such events.

Our success is dependent in part on our proprietary business processes, our intellectual property and our thought leadership. To protect those rights, we depend upon protections afforded by the laws of the various countries in which we operate, as well as contractual language and our own enforcement initiatives. These defenses may not be sufficient to fully protect us or to deter infringement or other misappropriation of our trade secrets and other intellectual property. In addition, third parties may challenge the validity or enforceability of our intellectual property rights. We also face the risk that third parties may allege that the operation of our business infringes or otherwise misappropriates intellectual property rights that they own or license. Losses or claims of this nature could cause us to incur significant expense, harm our reputation, reduce our competitive advantages or prevent us from offering certain services or solutions. The remedies available to us may be limited or leave us without full compensation.

If we fail to successfully develop new service offerings, we may be unable to retain our current customers and gain new customers and our revenues would decline.

The process of developing new service offerings requires accurate anticipation of customers' changing needs and emerging technological trends. This may require that we make long-term investments and commit significant resources before knowing whether these investments will eventually result in service offerings that achieve customer acceptance and generate the revenues required to provide desired returns. If we fail to accurately anticipate and meet our customers' needs through the development of new service offerings or do not successfully deliver new service offerings, our competitive position could be weakened and that could materially adversely affect our results of operations and financial condition.

As we increasingly offer services outside the realm of traditional staffing, including business process outsourcing and services intended to connect talent to independent work, we are exposed to additional risks which could have a material adverse effect on our business.

Our business strategy focuses on driving profitable growth in key specialty areas, including through business process outsourcing arrangements, where we provide operational management of our customers' non-core functions or departments. This could expose us to certain risks unique to that business, including product liability or product recalls. In addition, as the nature of work changes, we deliver services that connect talent to independent work with our customers and expect that such services will continue to expand. Although we have internal vetting processes intended to control such risks, there is no assurance that these processes will be effective or that we will be able to identify these potential risks in a timely manner. Additionally, while we maintain insurance in types and amounts we believe are appropriate in light of the aforementioned exposures, there can also be no assurance that such insurance policies will remain available on reasonable terms or be sufficient in amount or scope of coverage.

We are increasingly dependent on third parties for the execution of critical functions.

We leverage many cloud-based services in our business operations, including vendor management, customer relationship management, and applicant tracking systems. We have elected to enter into supplier partnerships rather than establishing or maintaining our own operations in some of the territories where our customers require our services. We do not maintain a controlling interest in our expanded staffing joint venture in Asia Pacific (PersolKelly Asia Pacific) and have elected to rely on the joint venture to provide certain back office and administrative services to our GTS operations in the region. The failure or inability to perform on the part of one or more of these critical suppliers or partners could cause significant disruptions and increased costs.

Past and future acquisitions may not be successful.

From time to time, we acquire and invest in companies throughout the world. Acquisitions involve a number of risks, including the diversion of management's attention from its existing operations, the failure to retain key personnel or customers of an acquired business, the failure to realize anticipated benefits such as cost savings and revenue enhancements, the potentially substantial transaction costs associated with acquisitions, the assumption of unknown liabilities of the acquired business and the inability to successfully integrate the business into our operations. Potential impairment losses could result if we overpay for an acquisition. There can be no assurance that any past or future acquired businesses will generate anticipated revenues or earnings.

Investments in equity affiliates expose us to additional risks and uncertainties.

We participate, or may participate in the future, in certain investments in equity affiliates, such as joint ventures or other equity method investments with strategic partners, including PersolKelly Asia Pacific. These arrangements expose us to a number of risks, including the risk that the management of the combined venture may not be able to fulfill their performance obligations under the management agreements or that the joint venture parties may be incapable of providing the required financial support. Additionally, improper, illegal or unethical actions by the venture management could have a negative impact on the reputation of the venture and our company.

A loss of major customers or a change in such customers' buying behavior could have a material adverse effect on our business.

We serve many large corporate customers through high volume global service agreements. While we intend to maintain or increase our revenues and earnings from our major corporate customers, we are exposed to risks arising from the possible loss of major customer accounts. The deterioration of the financial condition or business prospects of these customers could reduce their need for our services and result in a significant decrease in the revenues and earnings we derive from these customers. Continuing merger and acquisition activity involving our large corporate customers could put existing business at risk or impose additional pricing pressures. Since receipts from customers generally lag payroll to temporary employees, the bankruptcy of a major customer could have a material adverse impact on our ability to meet our working capital requirements. Additionally, most of our customer contracts can be terminated by the customer on short notice without penalty. This creates uncertainty with respect to the revenues and earnings we may recognize with respect to our customer contracts.

Our business with large customer accounts reflects a market-driven shift in buying behaviors in which reliance on a small number of staffing partners has shifted to reliance upon a network of talent providers. The movement from single-sourced to competitively sourced staffing contracts may also substantially reduce our future revenues from such customers. While Kelly has sought to address this trend, including providing Contingent Workforce Outsourcing ("CWO") services within our GTS segment, we may not be selected or retained as the CWO service provider by our large customers. This may result in a material decrease in the revenue we derive from providing staffing services to such customers. In addition, revenues may be materially impacted from our decision to exit customers due to pricing pressure or other business factors.

Our business with the federal government and government contractors presents additional risk considerations. We must comply with laws and regulations relating to the formation, administration and performance of federal government contracts. Failure to meet these obligations could result in civil penalties, fines, suspension of payments, reputational damage, disqualification from doing business with government agencies and other sanctions or adverse consequences. Government procurement practices may change in ways that impose additional costs or risks upon us or pose a competitive disadvantage. Our employees may be unable to obtain or retain the security clearances necessary to conduct business under certain contracts, or we could lose or be unable to secure or retain a necessary facility clearance. Government agencies may temporarily or permanently lose funding for awarded contracts, or there could be delays in the start-up of projects already awarded and funded.

We conduct a significant portion of our operations outside of the United States and we are subject to risks relating to our international business activities, including fluctuations in currency exchange rates and numerous legal and regulatory requirements.

We conduct our business in most major staffing markets throughout the world. Our operations outside the United States are subject to risks inherent in international business activities, including:

- fluctuations in currency exchange rates;
- restrictions or limitations on the transfer of funds;
- government intrusions including asset seizures, expropriations or de facto control;
- varying economic and political conditions;
- differences in cultures and business practices;
- differences in employment and tax laws and regulations;
- differences in accounting and reporting requirements;
- differences in labor and market conditions;
- compliance with trade sanctions;
- changing and, in some cases, complex or ambiguous laws and regulations; and
- litigation, investigations and claims.

Our operations outside the United States are reported in the applicable local currencies and then translated into U.S. dollars at the applicable currency exchange rates for inclusion in our consolidated financial statements. Exchange rates for currencies of these countries may fluctuate in relation to the U.S. dollar and these fluctuations may have an adverse or favorable effect on our operating results when translating foreign currencies into U.S. dollars.

Our investment in Persol Holdings exposes us to potential market and currency exchange risks.

We are exposed to market and currency risks on our investment in Persol Holdings. The investment is stated at fair value and is marked to market through net earnings. Changes in the market price are based on the Persol Holdings stock price as listed in the Tokyo stock exchange, and such changes may be material. Foreign currency fluctuations on this yen-denominated investment are reflected as a component of other comprehensive income and, accordingly, the exchange rate fluctuations may have a material adverse or favorable effect on our financial statements.

Our international operations subject us to potential liability under anti-corruption, trade protection, and other laws and regulations.

The Foreign Corrupt Practices Act and other anti-corruption laws and regulations (“Anti-Corruption Laws”) prohibit corrupt payments by our employees, vendors, or agents. While we devote substantial resources to our global compliance programs and have implemented policies, training, and internal controls designed to reduce the risk of corrupt payments, our employees, vendors, or agents may violate our policies. Our failure to comply with Anti-Corruption Laws could result in significant fines and penalties, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business, and damage to our reputation. Operations outside the U.S. may be affected by changes in trade protection laws, policies and measures, and other regulatory requirements affecting trade and investment. As a result, we may be subject to legal liability and reputational damage.

We depend on our ability to attract, develop and retain qualified permanent full-time employees.

As we aim to expand the number of clients utilizing our higher margin specialty solutions in support of our growth strategy, we are highly reliant on individuals who possess specialized knowledge and skills to lead related specialty solutions and operations. There can be no assurance that qualified personnel will continue to be available. Our success is increasingly dependent on our ability to attract, develop and retain these experts.

We depend on our ability to attract and retain qualified temporary personnel (employed directly by us or through third-party suppliers).

We depend on our ability to attract qualified temporary personnel who possess the skills and experience necessary to meet the staffing requirements of our customers. We must continually evaluate our base of available qualified personnel to keep pace with changing customer needs. Competition for individuals with proven professional skills is intense, and demand for these individuals is expected to remain strong for the foreseeable future. There can be no assurance that qualified personnel will continue to be available in sufficient numbers and on terms of employment acceptable to us and our customers. Our success is substantially dependent on our ability to recruit and retain qualified temporary personnel.

We may be exposed to employment-related claims and losses, including class action lawsuits and collective actions, which could have a material adverse effect on our business.

We employ and assign personnel in the workplaces of other businesses. The risks of these activities include possible claims relating to:

- discrimination and harassment;
- wrongful termination or retaliation;
- violations of employment rights related to employment screening or privacy issues;
- apportionment between us and our customer of legal obligations as an employer of temporary employees;
- classification of workers as employees or independent contractors;
- employment of unauthorized workers;
- violations of wage and hour requirements;
- retroactive entitlement to employee benefits, including health insurance;
- failure to comply with leave policy requirements; and
- errors and omissions by our temporary employees, particularly for the actions of professionals such as attorneys, accountants, teachers and scientists.

We are also subject to potential risks relating to misuse of customer proprietary information, misappropriation of funds, death or injury to our employees, damage to customer facilities due to negligence of temporary employees, criminal activity and other similar occurrences. We may incur fines and other losses or negative publicity with respect to these risks. In addition, these occurrences may give rise to litigation, which could be time-consuming and expensive. In the U.S. and certain other countries in which we operate, new employment and labor laws and regulations have been proposed or adopted that may increase the potential exposure of employers to employment-related claims and litigation. In addition, such laws and regulations are arising with increasing frequency at the state and local level in the U.S. and the resulting inconsistency in such laws and regulations results in additional complexity. There can be no assurance that the corporate policies and practices we have in place to help reduce our exposure to these risks will be effective or that we will not experience losses as a result of these risks. Although we maintain insurance in types and amounts we believe are appropriate in light of the aforementioned exposures, there can also be no assurance that such insurance policies will remain available on reasonable terms or be sufficient in amount or scope of coverage. Additionally, should we have a material inability to produce records as a consequence of litigation or a government investigation, the cost or consequences of such matters could become much greater.

A failure to maintain the privacy of information entrusted to us could have significant adverse consequences.

In the normal course of business we control, we process or have access to personal information regarding our own employees or employment candidates, as well as that of many of our customers or managed suppliers. Information concerning our employees and candidates may also reside in systems controlled by third parties for purposes such as employee benefits and payroll administration. The legal and regulatory environment concerning data privacy is becoming more complex and challenging, and the potential consequences of non-compliance have become more severe. Changes in the regulatory environment, such as the European Union's General Data Protection Regulation and the California Consumer Privacy Act, impose additional compliance requirements related to the collection, use, processing, transfer, disclosure, and retention of personal information, which can increase operating costs and resources to accomplish. Any failure to abide by these regulations or to protect such personal information from inappropriate access or disclosure, whether through social engineering or by accident or other cause, could have severe consequences including fines, litigation, regulatory sanctions including loss of our status as a subscriber to the EU-U.S. Privacy Shield Framework, reputational damage and loss of customers or employees. Although we have a program designed to preserve the privacy of the personal data that we control or process, as well as personal data that we entrust to third parties, there can be no assurance that our program will meet all current and future regulatory requirements, anticipate all potential methods of unauthorized access, or prevent all inappropriate disclosures. Our insurance coverage may not be sufficient to cover all such costs or consequences, and there can be no assurance that any insurance that we now maintain will remain available under acceptable terms.

Cyberattacks or other breaches of network or information technology security could have an adverse effect on our systems, services, reputation and financial results.

We rely upon multiple information technology systems and networks, some of which are web-based or managed by third parties, to process, transmit and store electronic information and to manage or support a variety of critical business processes and activities. Our networks and applications are increasingly accessed from locations and by devices not within our physical control, and the specifics of our technology systems and networks may vary by geographic region. In the course of ordinary business, we may store or process proprietary or confidential information concerning our business and financial performance and current, past or prospective employees, customers, vendors and managed suppliers. The secure and consistent operation of these systems, networks and processes is critical to our business operations. Moreover, our temporary employees may be exposed to, or have access to, similar information in the course of their customer assignments. We routinely experience cyberattacks, which may include the use of malware, computer viruses, phishing, social engineering schemes and other means of attempted disruption or unauthorized access.

The actions we take to reduce the risk of impairments to our operations or systems and breaches of confidential or proprietary data may not be sufficient to prevent or repel future cyber events or other impairments of our networks or information technologies. An event involving the destruction, modification, accidental or unauthorized release, or theft of sensitive information from systems related to our business, or an attack that results in damage to or unavailability of our key technology systems or those of critical vendors, could result in damage to our reputation, fines, regulatory sanctions or interventions, contractual or financial liabilities, additional compliance and remediation costs, loss of employees or customers, loss of payment card network privileges, operational disruptions and other forms of costs, losses or reimbursements, any of which could materially adversely affect our operations or financial condition. Our cyber security and business continuity plans, and those of our third party vendors, may not be effective in anticipating, preventing and effectively responding to all potential cyber risk exposures. Our insurance coverage may not be sufficient to cover all such costs or consequences, and there can be no assurance that any insurance that we now maintain will remain available under acceptable terms.

Damage to our key data centers could affect our ability to sustain critical business applications.

Many business processes critical to our continued operation are hosted in outsourced facilities in America and Europe. Certain other processes are hosted at our corporate headquarters complex or occur in cloud-based computer environments. These critical processes include, but are not limited to, payroll, customer reporting and order management. Although we have taken steps to protect all such instances by establishing robust data backup and disaster recovery capabilities, the loss of these data centers or access to the cloud-based environments could create a substantial risk of business interruption which could have a material adverse effect on our business, financial condition and results of operations.

Our information technology projects may not yield their intended results.

We have a number of information technology projects in process or in the planning stages, including improvements to applicant onboarding and tracking systems, order management, and improvements to financial processes such as billing and accounts payable through system consolidation and upgrades. Although the technology is intended to increase productivity and operating efficiencies, these projects may not yield their intended results. Any delays in completing, or an inability to successfully complete, these technology initiatives or an inability to achieve the anticipated efficiencies could adversely affect our operations, liquidity and financial condition. In our information technology projects we rely on our own project work as well as those of third party vendors. If our vendors are unable to provide these services, or if the vendor is replaced by another vendor, we could be subject to business interruptions or data loss which could have a material adverse effect on our business, financial condition and results of operations.

In addition, our information technology investments and strategy may not provide the ability to keep up with evolving industry trends and customer expectations which could weaken our competitive position. We also do not currently utilize a single enterprise resource planning system, which limits our ability and increases the amount of investment and effort necessary to provide global service integration to our customers.

Failure to maintain adequate financial and management processes and controls could lead to errors in our financial reporting.

Failure to maintain adequate financial and management processes and controls could lead to errors in our financial reporting. If our management is unable to certify the effectiveness of our internal controls or if our independent registered public accounting firm cannot render an opinion on the effectiveness of our internal controls over financial reporting, or if material weaknesses in our internal controls are identified, we could be subject to regulatory scrutiny and a loss of public confidence. In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to accurately report our financial performance on a timely basis, which could have a negative effect on our stock price.

Impairment charges relating to our goodwill, intangibles and long-lived assets, including equity method investments, could adversely affect our results of operations.

We regularly monitor our goodwill, long-lived assets and equity method investments for impairment indicators. In conducting our goodwill impairment testing, we compare the fair value of each of our reporting units with goodwill to the related net book value. In conducting our impairment analysis of long-lived assets and intangibles, we compare the undiscounted cash flows expected to be generated from the long-lived assets and intangibles to the related net book values. We review our equity method investment for indicators of impairment on a quarterly basis or whenever events or circumstances indicate the carrying amount may be other-than-temporarily impaired. Changes in economic or operating conditions impacting our estimates and assumptions could result in the impairment of our goodwill, intangibles, long-lived assets and equity method investments. In the event that we determine that there is an impairment, we may be required to record a significant non-cash charge to earnings that could adversely affect our results of operations.

Unexpected changes in claim trends on our workers' compensation, unemployment, disability and medical benefit plans may negatively impact our financial condition.

We self-insure, or otherwise bear financial responsibility for, a significant portion of expected losses under our workers' compensation program, disability and medical benefits claims. Unexpected changes in claim trends, including the severity and frequency of claims, actuarial estimates and medical cost inflation, could result in costs that are significantly different than initially reported. If future claims-related liabilities increase due to unforeseen circumstances, or if we must make unfavorable adjustments to accruals for prior accident years, our costs could increase significantly. In addition, unemployment insurance costs are dependent on benefit claims experience from employees which may vary from current levels and result in increased costs. There can be no assurance that we will be able to increase the fees charged to our customers in a timely manner and in a sufficient amount to cover increased costs as a result of any changes in claims-related liabilities.

Our business is subject to extensive government regulation, which may restrict the types of employment services we are permitted to offer or result in additional or increased taxes, including payroll taxes or other costs that reduce our revenues and earnings.

The temporary employment industry is heavily regulated in many of the countries in which we operate. Changes in laws or government regulations may result in prohibition or restriction of certain types of employment services we are permitted to offer or the imposition of new or additional benefit, licensing or tax requirements that could reduce our revenues and earnings. In particular, we are subject to state unemployment taxes in the U.S., which typically increase during periods of increased levels of unemployment. We also receive benefits, such as the work opportunity income tax credit in the U.S., that regularly expire and may not be reinstated. There can be no assurance that we will be able to increase the fees charged to our customers in a timely manner and in a sufficient amount to fully cover increased costs as a result of any changes in laws or government regulations. Any future changes in laws or government regulations, or interpretations thereof, including additional laws and regulations enacted at a local level may make it more difficult or expensive for us to provide staffing services and could have a material adverse effect on our business, financial condition and results of operations.

Government litigation and regulatory activity relating to competition rules may limit how we structure and market our services.

As a leading staffing and recruiting company, we are closely scrutinized by government agencies under U.S. and foreign competition laws. An increasing number of governments are regulating competition law activities, leading to increased scrutiny. Some jurisdictions also allow competitors or consumers to assert claims of anti-competitive conduct.

The European Commission and its various competition authorities have targeted industry trade associations in which we participate. Any government regulatory actions may hamper our ability to provide the cost-effective benefits to consumers and businesses, reducing the attractiveness of our services and the revenue that come from them. New competition law actions could be initiated. The outcome of such actions, or steps taken to avoid them, could adversely affect us in a variety of ways, including:

- We may have to choose between withdrawing certain services from certain geographies to avoid fines or designing and developing alternative versions of those services to comply with government rulings, which may entail a delay in a service delivery.
- Adverse rulings may act as precedent in other competition law proceedings.

We may have additional tax or unclaimed property liabilities that exceed our estimates.

We are subject to a multitude of federal, state and local taxes in the jurisdictions we operate in, including the tax provisions of the U.S. Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. We are also subject to unclaimed or abandoned property (escheat) laws. Our tax expense could be materially impacted by changes in tax laws in these jurisdictions, changes in the valuation of deferred tax assets and liabilities or changes in the mix of income by country. The demographics of our workforce and the visibility of our industry may make it more likely we become a target of government investigations, and we are regularly subject to audit by tax authorities. Although we believe our tax and unclaimed property estimates are reasonable, the final determination of audits and any related litigation could be materially different from our historical tax provisions and accruals. The results of an audit or litigation could materially harm our business.

We may not be able to realize value from, or otherwise preserve and utilize, our tax credit and net operating loss carryforwards.

Provisions in U.S. and foreign tax law could limit the use of tax credit and net operating loss carryforwards in the event of an ownership change. In general, an ownership change occurs under U.S. tax law if there is a change in the corporation's equity ownership that exceeds 50% over a rolling three-year period. If we experience an ownership change, inclusive of our Class A and Class B common stock, our tax credit and net operating loss carryforwards generated prior to the ownership change may be subject to annual limitations that could reduce, eliminate or defer the utilization. Such limitation could materially impact our financial condition and results of operations.

Failure to maintain specified financial covenants in our bank credit facilities, or credit market events beyond our control, could adversely restrict our financial and operating flexibility and subject us to other risks, including risk of loss of access to capital markets.

Our bank credit facilities contain covenants that require us to maintain specified financial ratios and satisfy other financial conditions. During 2019 we met all of the covenant requirements. Our ability to continue to meet these financial covenants, particularly with respect to interest coverage (see Debt footnote in the notes to our consolidated financial statements), may not be assured. If we default under this or any other of these requirements, the lenders could declare all outstanding borrowings, accrued interest and fees to be due and payable or significantly increase the cost of the facility. In these circumstances, there can be no assurance that we would have sufficient liquidity to repay or refinance this indebtedness at favorable rates or at all. Events beyond our control could result in the failure of one or more of our banks, reducing our access to liquidity and potentially resulting in reduced financial and operating flexibility. If broader credit markets were to experience dislocation, our potential access to other funding sources would be limited.

Our controlling stockholder exercises voting control over our company and has the ability to elect or remove from office all of our directors.

The Terence E. Adderley Revocable Trust K ("Trust K") which became irrevocable upon the death of Terence E. Adderley on October 9, 2018, is the controlling stockholder. In accordance with the provisions of Trust K, William U. Parfet, David M. Hempstead and Andrew H. Curoe were appointed as successor trustees of the trust. Mr. Parfet is the brother of Donald R. Parfet, the Chairman of the board of directors of the Company. The trustees, acting by majority vote, have sole investment and voting power over the shares of Class B common stock held by Trust K, which represent approximately 91.5% of the outstanding Class B shares. The voting rights of our Class B common stock are perpetual and our Class B common stock is not subject to transfer restrictions or mandatory conversion obligations under our certificate of incorporation or bylaws.

Our Class B common stock is the only class of our common stock entitled to voting rights. The trustees of Trust K are therefore able to exercise voting control with respect to all matters requiring stockholder approval, including the election or removal from office of all members of the Company's board of directors.

We are not subject to certain of the listing standards that normally apply to companies whose shares are quoted on the NASDAQ Global Market.

Our Class A and Class B common stock are quoted on the NASDAQ Global Market. Under the listing standards of the NASDAQ Global Market, we are deemed to be a "controlled company" by virtue of the fact that Trust K has voting power with respect to more than fifty percent of our outstanding voting stock. A controlled company is not required to have a majority of its board of directors comprised of independent directors. Director nominees are not required to be selected or recommended for the board's selection by a majority of independent directors or a nominations committee comprised solely of independent directors, nor do the NASDAQ Global Market listing standards require a controlled company to certify the adoption of a formal written charter or board resolution, as applicable, addressing the nominations process. A controlled company is also exempt from NASDAQ Global Market's requirements regarding the determination of officer compensation by a majority of independent directors or a compensation committee comprised solely of independent directors. A controlled company is required to have an audit committee composed of at least three directors who are independent as defined under the rules of both the Securities and Exchange Commission and the NASDAQ Global Market. The NASDAQ Global Market further requires that all members of the audit committee have the ability to read and understand fundamental financial statements and that at least one member of the audit committee possess financial sophistication. The independent directors must also meet at least twice a year in meetings at which only they are present.

We currently comply with certain of the listing standards of the NASDAQ Global Market that do not apply to controlled companies. Our compliance is voluntary, however, and there can be no assurance that we will continue to comply with these standards in the future.

Provisions in our certificate of incorporation and bylaws and Delaware law may delay or prevent an acquisition of our company.

Our restated certificate of incorporation and bylaws contain provisions that could make it harder for a third party to acquire us without the consent of our board of directors. For example, if a potential acquirer were to make a hostile bid for us, the acquirer would not be able to call a special meeting of stockholders to remove our board of directors or act by written consent without a meeting. The acquirer would also be required to provide advance notice of its proposal to replace directors at any annual meeting, and would not be able to cumulate votes at a meeting, which would require the acquirer to hold more shares to gain representation on the board of directors than if cumulative voting were permitted.

Our board of directors also has the ability to issue additional shares of common stock which could significantly dilute the ownership of a hostile acquirer. In addition, Section 203 of the Delaware General Corporation Law limits mergers and other business combination transactions involving 15 percent or greater stockholders of Delaware corporations unless certain board or stockholder approval requirements are satisfied. These provisions and other similar provisions make it more difficult for a third party to acquire us without negotiation.

Our board of directors could choose not to negotiate with an acquirer that it did not believe was in our strategic interests. If an acquirer is discouraged from offering to acquire us or prevented from successfully completing a hostile acquisition by these or other measures, our shareholders could lose the opportunity to sell their shares at a favorable price.

The holders of shares of our Class A common stock are not entitled to voting rights.

Under our certificate of incorporation, the holders of shares of our Class A common stock are not entitled to voting rights, except as otherwise required by Delaware law. As a result, Class A common stockholders do not have the right to vote for the election of directors or in connection with most other matters submitted for the vote of our stockholders, including mergers and certain other business combination transactions involving the Company.

Our stock price may be subject to significant volatility and could suffer a decline in value.

The market price of our common stock may be subject to significant volatility. We believe that many factors, including several which are beyond our control, have a significant effect on the market price of our common stock. These include:

- actual or anticipated variations in our quarterly operating results;
- announcements of new services by us or our competitors;
- announcements relating to strategic relationships or acquisitions;
- changes in financial estimates by securities analysts;
- changes in general economic conditions;
- actual or anticipated changes in laws and government regulations;
- commencement of, or involvement in, litigation;
- any major change in our board or management;
- changes in industry trends or conditions; and
- sales of significant amounts of our common stock or other securities in the market.

In addition, the stock market in general, and the NASDAQ Global Market in particular, have experienced significant price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of listed companies. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. In the past, securities class action litigation has often been instituted following periods of volatility in the market price of a company's securities. A securities class action suit against us could result in substantial costs, potential liabilities and the diversion of our management's attention and resources. Further, our operating results may be below the expectations of securities analysts or investors. In such event, the price of our common stock may decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our headquarters is located in Troy, Michigan, where corporate, subsidiary and divisional offices are currently located. The original headquarters building was purchased in 1977. Headquarters operations were expanded into additional buildings purchased in 1991, 1997 and 2001, providing approximately 345,000 square feet of combined usable floor space. As of December 29, 2019, three of our headquarters properties, totaling approximately 310,000 square feet, are held for sale, with the sale expected to take place in the first quarter of 2020. The main headquarters building included in the sale will be leased back.

Branch office business is conducted in leased premises with the majority of leases being fixed for terms of generally three to five years in the U.S. and Canada and five to ten years outside the U.S. and Canada. We own virtually all of the office furniture and the equipment used in our corporate headquarters and branch offices.

ITEM 3. LEGAL PROCEEDINGS.

The Company is continuously engaged in litigation, threatened litigation, or investigations arising in the ordinary course of its business, such as matters alleging employment discrimination, wage and hour violations, claims for indemnification or liability or violations of privacy rights, anti-competition regulations, breach of contract and claims or actions related to customer or supplier bankruptcy proceedings or insolvency actions, which could result in a material adverse outcome. We record accruals for loss contingencies when we believe it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Such accruals are recorded in accounts payable and accrued liabilities and in accrued workers' compensation and other claims in the consolidated balance sheet. The Company maintains insurance coverage which may cover certain claims. When claims exceed the applicable policy deductible and realization of recovery of the claim from existing insurance policies is deemed probable, the Company records receivables from the insurance company for the excess amount, which are included in prepaid expenses and other current assets in the consolidated balance sheet.

While the outcome of these matters cannot be predicted with certainty, we believe that the resolution of any such proceedings will not have a material adverse effect on our financial condition, results of operations or cash flows.

We are also currently engaged in litigation with a customer over a disputed accounts receivable balance for services rendered, which is recorded as a long-term receivable in other assets in the consolidated balance sheet. While we believe the balance is collectible, there is a reasonably possible risk of an unfavorable outcome.

In January 2018, the Hungarian Competition Authority initiated proceedings against the Company, along with a local industry trade association and its members, due to alleged infringement of national competition regulations. We are fully cooperating with the investigation, and are supplying materials and information to comply with the Authority's undertakings. The Company does not believe that resolution of this matter will have a material adverse effect upon the Company's competitive position, results of operations, cash flows or financial position.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information and Dividends

Our Class A and Class B common stock is traded on the NASDAQ Global Market under the symbols "KELYA" and "KELYB," respectively. The high and low selling prices for our Class A common stock and Class B common stock as quoted by the NASDAQ Global Market and the dividends paid on the common stock for each quarterly period in the last two fiscal years are reported in the table below. Our ability to pay dividends is subject to compliance with certain financial covenants contained in our debt facilities, as described in the Debt footnote in the notes to our consolidated financial statements.

	Per share amounts (in dollars)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2019					
Class A common					
High	\$ 25.63	\$ 26.39	\$ 28.91	\$ 25.09	\$ 28.91
Low	20.00	22.03	23.50	20.74	20.00
Class B common					
High	24.68	25.49	29.43	23.46	29.43
Low	20.91	25.49	23.59	20.66	20.66
Dividends	0.075	0.075	0.075	0.075	0.30
2018					
Class A common					
High	\$ 30.99	\$ 32.31	\$ 26.57	\$ 25.00	\$ 32.31
Low	26.65	21.44	22.23	19.21	19.21
Class B common					
High	29.07	34.30	34.30	23.40	34.30
Low	27.00	22.00	21.50	22.01	21.50
Dividends	0.075	0.075	0.075	0.075	0.30

Holders

The number of holders of record of our Class A and Class B common stock were approximately 8,200 and 300, respectively, as of January 31, 2020.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

During the fourth quarter of 2019, we reacquired shares of our Class A common stock as follows:

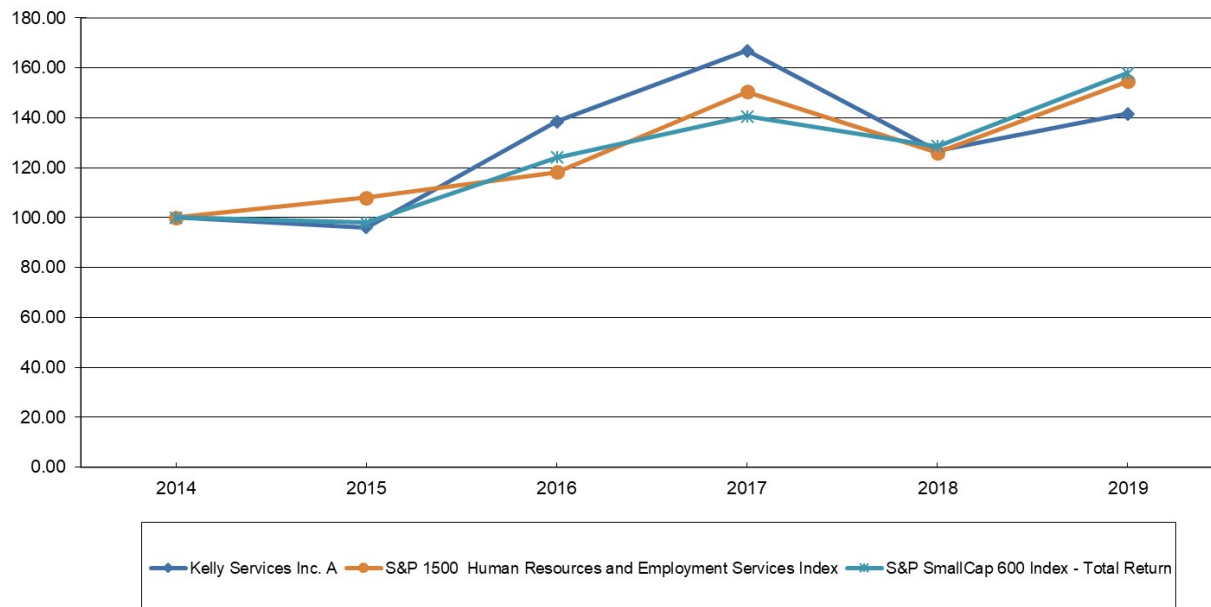
Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs
September 30, 2019 through November 3, 2019	5,578	\$ 23.58	—	\$ —
November 4, 2019 through December 1, 2019	210	21.18	—	—
December 2, 2019 through December 29, 2019	—	—	—	—
Total	5,788	\$ 23.49	—	—

We may reacquire shares sold to cover employee tax withholdings due upon the vesting of restricted stock held by employees. Accordingly, 5,788 shares were reacquired during the Company's fourth quarter.

Performance Graph

The following graph compares the cumulative total return of our Class A common stock with that of the S&P SmallCap 600 Index and the S&P 1500 Human Resources and Employment Services Index for the five years ended December 31, 2019. The graph assumes an investment of \$100 on December 31, 2014 and that all dividends were reinvested.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN
Assumes Initial Investment of \$100
December 31, 2014 – December 31, 2019



	2014	2015	2016	2017	2018	2019
Kelly Services, Inc.	\$ 100.00	\$ 96.05	\$ 138.40	\$ 166.88	\$ 126.85	\$ 141.59
S&P SmallCap 600 Index	\$ 100.00	\$ 98.03	\$ 124.06	\$ 140.48	\$ 128.56	\$ 157.85
S&P 1500 Human Resources and Employment Services Index	\$ 100.00	\$ 107.96	\$ 118.15	\$ 150.39	\$ 125.92	\$ 154.62

ITEM 6. SELECTED FINANCIAL DATA.

The following table summarizes selected financial information of Kelly Services, Inc. and its subsidiaries for each of the most recent five fiscal years. This table should be read in conjunction with the other financial information, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements included elsewhere in this report. The statement of earnings data for the 2016 and 2015 fiscal years as well as the balance sheet data as of 2017, 2016 and 2015 are derived from consolidated financial statements previously on file with the SEC.

(In millions except per share amounts)	2019	2018	2017	2016	2015 ⁽¹⁾
Revenue from services	\$ 5,355.6	\$ 5,513.9	\$ 5,374.4	\$ 5,276.8	\$ 5,518.2
Gain on sale of assets ⁽²⁾	12.3	—	—	—	—
Asset impairment charge ⁽³⁾	15.8	—	—	—	—
Earnings from operations	81.8	87.4	83.3	63.2	66.7
Gain (loss) on investment in Persol Holdings ⁽⁴⁾	35.8	(96.2)	—	—	—
Gain on investment in PersolKelly Asia Pacific ⁽⁵⁾	—	—	—	87.2	—
Net earnings	112.4	22.9	71.6	120.8	53.8
Basic earnings per share	2.85	0.59	1.84	3.10	1.39
Diluted earnings per share	2.84	0.58	1.81	3.08	1.39
Dividends per share					
Classes A and B common	0.30	0.30	0.30	0.275	0.20
Working capital ⁽⁶⁾	521.6	503.0	458.1	443.5	411.3
Total assets	2,480.6	2,314.4	2,378.2	2,028.1	1,939.6
Total noncurrent liabilities	332.0	257.4	300.5	245.0	228.4

(1) Fiscal year included 53 weeks.

(2) Gain on sale of assets primarily represents the excess of the proceeds over the cost of an unused parcel of land located near the Company headquarters sold during the second quarter of 2019.

(3) Asset impairment charge represents the write-off of previously capitalized costs associated with a new U.S. front and middle office technology development project which management determined would not be completed but replaced by an enhanced and expanded use of an existing technology platform.

(4) Represents the change in fair value of the investment in the common stock of Persol Holdings.

(5) Represents the fair value of the Company's investment in PersolKelly Asia Pacific in addition to the cash received less the carrying value of assets transferred to the joint venture.

(6) Working capital is calculated as current assets minus current liabilities.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Executive Overview

The Talent Solutions Industry

Labor markets are in the midst of change due to automation, secular shifts in labor supply and demand and skills gaps. Global demographic trends are reshaping and redefining the way in which companies find and use talent. In response, the talent solutions industry is adjusting how it sources, recruits, trains and places talent.

Our industry is evolving to meet businesses’ growing demand for talent, whether delivered as a single individual or as part of a total workforce solution. Companies in our industry are using novel sourcing approaches—including gig platforms, independent contractors and other talent pools—to create workforce solutions that are flexible, responsive to the labor market and tailored to meet clients’ needs.

In addition, today’s companies are elevating their commitment to talent, with the growing realization that meeting the changing needs and requirements of talent is essential to remain competitive. The ways in which people view, find and conduct work are undergoing fundamental shifts. And as the demand for skilled talent continues to climb, workers’ changing ideas about the integration of work into life are becoming more important. In this increasingly talent-driven market, a diverse set of workers, empowered by technology, is seeking to take greater control over their career trajectories.

Our Business

Kelly Services is a talent and global workforce solutions company serving customers of all sizes in a variety of industries. We offer innovative outsourcing and consulting services, as well as staffing on a temporary, temporary-to-hire and direct-hire basis. We provide commercial and professional/technical staffing through our branch networks in our Americas Staffing and International Staffing segments and, in APAC, we provide staffing solutions to customers through PersolKelly Asia Pacific, our joint venture with Persol Holdings, a leading provider of HR solutions in Japan. For the U.S. education market, Kelly Education is the leading provider of substitute teachers to more than 7,000 schools nationwide.

We also provide a suite of talent fulfillment and outcome-based solutions through our Global Talent Solutions (“GTS”) segment, which delivers integrated talent management solutions on a global basis. GTS provides Contingent Workforce Outsourcing (“CWO”), Recruitment Process Outsourcing (“RPO”), Business Process Outsourcing (“BPO”), Advisory and Talent Fulfillment solutions to help customers plan for, manage and execute their acquisition of contingent labor, full-time labor and free agents, and gain access to service providers and qualified talent quickly, at competitive rates, with minimized risk.

We earn revenues from customers that procure the services of our temporary employees on a time and materials basis, that use us to recruit permanent employees, and that rely on our talent advisory and outsourcing services. Our working capital requirements are primarily generated from temporary employee payroll and customer accounts receivable. The nature of our business is such that trade accounts receivable are our most significant asset. Average days sales outstanding varies within and outside the U.S. but was 58 days on a global basis as of the 2019 year end and 55 days as of the 2018 year end. Since receipts from customers generally lag temporary employee payroll, working capital requirements increase substantially in periods of growth.

Our Strategic Intent and Outlook

Kelly is committed to being a leading talent solutions provider among the talent with whom we choose to specialize and in the markets in which we choose to compete, which is the foundation of our strategy in 2019 and beyond. This strategic intent is underpinned by our Noble Purpose, “We connect people to work in ways that enrich their lives,” and is brought to life by our expected behaviors and actions:

- Employ a talent-first mentality
- Relentlessly deliver for customers
- Grow through discipline and focus
- Deliver efficiency and effectiveness in everything we do

By aligning ourselves with our Noble Purpose, executing against these strategic pillars and investing in additional innovation, we intend to reap the benefits of operating as a more agile and focused organization and we expect to achieve new levels of growth and profitability as we develop further specializations across our portfolio of businesses.

We have continued our progress as a talent solutions company and identified several specialty growth platforms for investment. We expanded our engineering portfolio with the January 2, 2019 acquisition of Global Technology Associates, LLC (“GTA”) and NextGen Global Resources LLC (“NextGen”), leaders in the growing 5G telecommunications market. These position Kelly as one of the leading engineering workforce solutions companies in this fast-growing market. On January 14, 2020, we acquired Insight Workforce Solutions LLC, an educational staffing company, to expand our leadership position in the U.S. education talent solutions industry. We intend to further accelerate our efforts to drive revenue and earnings growth through additional inorganic growth platforms, making smart acquisitions that align with Kelly's focus on specialization.

We continue to make investments in technology, particularly those which support greater efficiency in finding talent to answer customer needs. We are accelerating the implementation of our front office platforms, which, when fully deployed in mid-2020, will streamline the processes and workflows associated with recruiting, onboarding and reassigning workers. This investment will create the platform from which we will deploy additional operational improvements over the next several years that will enhance the experience of the hundreds of thousands of job seekers who interact and work with Kelly each year.

We completed a review of our commercial staffing operations delivered by our U.S. branch network in the first quarter of 2019 and reorganized our operations to improve geographic coverage and operational efficiency. The new structure will allow us to refine our focus on specialties within the commercial staffing portfolio, including light industrial, electronic assembly, office professionals and contact center staffing. During 2019, we recorded total restructuring charges of \$5.5 million as a result of these actions. While we have already gained efficiency from the restructure, the growth we anticipated has not yet occurred. We remain committed to delivering revenue growth in our U.S. market and have initiated further actions to modernize our operations and deliver on that commitment.

While faced with market conditions that may hamper our efforts, including a sluggish manufacturing sector and a tight labor market, Kelly continues to focus on accelerating the execution of our strategic plan and making the necessary investments and adjustments to advance that strategy. Our objective is to become an even more agile, consultative and profitable company, and we are reshaping our business to make that goal a reality. We will measure our progress using financial measures, including:

- Revenue growth (both organic and inorganic);
- Gross profit rate improvement; and
- Conversion rate and EBITDA margin.

Financial Measures

The constant currency (“CC”) change amounts in the following tables refer to the year-over-year percentage changes resulting from translating 2019 financial data into U.S. dollars using the same foreign currency exchange rates used to translate financial data for 2018. We believe that CC measurements are a useful measure, indicating the actual trends of our operations without distortion due to currency fluctuations. We use CC results when analyzing the performance of our segments and measuring our results against those of our competitors. Additionally, substantially all of our foreign subsidiaries derive revenues and incur cost of services and selling, general and administrative (“SG&A”) expenses within a single country and currency which, as a result, provides a natural hedge against currency risks in connection with their normal business operations.

CC measures are non-GAAP (Generally Accepted Accounting Principles) measures and are used to supplement measures in accordance with GAAP. Our non-GAAP measures may be calculated differently from those provided by other companies, limiting their usefulness for comparison purposes. Non-GAAP measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP.

Reported and CC percentage changes in the following tables were computed based on actual amounts in thousands of dollars.

Return on sales (earnings from operations divided by revenue from services) and conversion rate (earnings from operations divided by gross profit) in the following tables are ratios used to measure the Company’s operating efficiency.

Days sales outstanding (“DSO”) represents the number of days that sales remain unpaid for the period being reported. DSO is calculated by dividing average net sales per day (based on a rolling three-month period) into trade accounts receivable, net of allowances at the period end. Although secondary supplier revenues are recorded on a net basis (net of secondary supplier expense), secondary supplier revenue is included in the daily sales calculation in order to properly reflect the gross revenue amounts billed to the customer.

Results of Operations
2019 versus 2018

Total Company

(Dollars in millions except per share data)

	2019	2018	Change	CC Change
Revenue from services	\$ 5,355.6	\$ 5,513.9	(2.9) %	(1.9) %
Gross profit	968.4	972.2	(0.4)	0.5
SG&A expenses excluding restructuring charges	877.6	884.8	(0.8)	0.1
Restructuring charges	5.5	—	NM	NM
Total SG&A expenses	883.1	884.8	(0.2)	0.7
Gain on sale of assets	12.3	—	NM	
Asset impairment charge	15.8	—	NM	
Earnings from operations	81.8	87.4	(6.5)	
Earnings from operations excluding restructuring charges	87.3	87.4	(0.2)	
Diluted earnings per share	\$ 2.84	\$ 0.58	389.7	
Staffing fee-based income (included in revenue from services)	60.1	68.6	(12.5)	(10.6)
Gross profit rate	18.1 %	17.6 %	0.5 pts.	
Conversion rate	8.4	9.0	(0.6)	
Conversion rate excluding restructuring charges	9.0	9.0	—	
Return on sales	1.5	1.6	(0.1)	
Return on sales excluding restructuring charges	1.6	1.6	—	

Total Company revenue from services for 2019 declined 2.9% in comparison to the prior year and 1.9% on a CC basis. As noted in the following discussions, revenue decreases in Americas Staffing and International Staffing were partially offset by an increase in GTS revenue. Revenue from services for 2019 includes the results of NextGen and GTA acquisitions, which added approximately 250 basis points to the total revenue growth rate.

The gross profit rate increased by 50 basis points from the prior year. As noted in the following discussions, the gross profit rate increased in all segments. The NextGen and GTA acquisitions accounted for approximately 30 basis points of the gross profit rate growth.

Total SG&A expenses decreased 0.2% on a reported basis, due primarily to the effect of currency exchange rates. On a CC basis, SG&A expenses increased 0.7% due primarily to the addition of SG&A expenses from the NextGen and GTA acquisitions. Also included in SG&A expenses for 2019 are restructuring charges of \$5.5 million, related primarily to the U.S. branch-based staffing operations.

Gain on sale of assets primarily represents the excess of the proceeds over the cost of an unused parcel of land located near the Company headquarters sold during the second quarter of 2019. Asset impairment charge represents the write-off of previously capitalized costs associated with a new U.S. front and middle office technology development project which management determined would not be completed but replaced by an enhanced and expanded use of an existing technology platform.

Diluted earnings per share for 2019 were \$2.84, as compared to diluted earnings per share of \$0.58 for 2018. Diluted earnings per share for 2019 were favorably impacted by a gain, net of tax, of approximately \$0.63 per share related to the investment in Persol Holdings, a gain, net of tax, of approximately \$0.23 per share related to the sale of assets and a gain, net of tax, of approximately \$0.22 per share related to acquisitions. Diluted earnings per share for 2019 were unfavorably impacted by approximately \$0.30 per share related to the asset impairment charge, net of tax, and approximately \$0.10 per share related to restructuring charges, net of tax. Diluted earnings per share for 2018 were unfavorably impacted by a loss, net of tax, of approximately \$1.69 per share related to the investment in Persol Holdings.

Americas Staffing
(Dollars in millions)

	2019	2018	Change	CC Change
Revenue from services	\$ 2,320.1	\$ 2,417.7	(4.0) %	(3.8) %
Gross profit	429.5	441.3	(2.7)	(2.5)
SG&A expenses excluding restructuring charges	367.2	364.2	0.8	1.0
Restructuring charges	5.5	—	NM	NM
Total SG&A expenses	372.7	364.2	2.3	2.6
Earnings from operations	56.8	77.1	(26.3)	
Earnings from operations excluding restructuring charges	62.3	77.1	(19.2)	
Gross profit rate	18.5 %	18.3 %	0.2 pts.	
Conversion rate	13.2	17.5	(4.3)	
Conversion rate excluding restructuring charges	14.5	17.5	(3.0)	
Return on sales	2.4	3.2	(0.8)	
Return on sales excluding restructuring charges	2.7	3.2	(0.5)	

Americas Staffing includes the impact of the January 2019 NextGen acquisition. Excluding NextGen, Americas Staffing revenue from services reflects a 10% decrease in hours volume and a 2.1% increase in average bill rates (2.3% on a CC basis). The decrease in hours volume was primarily due to the disruption resulting from the restructure of the U.S. branch-based staffing in the first quarter of 2019 and slower achievement of the related benefits. The increase in average bill rates was the result of wage increases and stronger revenue growth in our service lines with higher pay rates. Americas Staffing represented 43% of total Company revenue in 2019 and 44% in 2018.

From a staffing specialty perspective, the change in revenue reflects decreases in volume in our light industrial and office services specialties. These decreases were partially offset by an increase in engineering (due primarily to the NextGen acquisition), educational staffing and science specialties.

The Americas Staffing gross profit rate increased in comparison to the prior year. The gross profit rate was positively impacted by the addition of NextGen.

Total SG&A expenses increased 2.3% from the prior year, due primarily to the addition of NextGen SG&A expenses during 2019. Also included in total SG&A expenses for 2019 are restructuring charges primarily related to U.S. branch-based staffing operations of \$5.5 million, representing primarily severance costs.

GTS
(Dollars in millions)

	2019	2018	Change	CC Change
Revenue from services	\$ 2,024.5	\$ 1,997.4	1.4 %	1.6 %
Gross profit	400.5	381.1	5.1	5.6
Total SG&A expenses	293.1	296.5	(1.2)	(0.6)
Earnings from operations	107.4	84.6	26.9	
Gross profit rate	19.8 %	19.1 %	0.7 pts.	
Conversion rate	26.8	22.2	4.6	
Return on sales	5.3	4.2	1.1	

Revenue from services increased 1.4% compared to last year, due primarily to the increase in revenue from the GTA acquisition, combined with program expansion in our BPO and KellyConnect products. These increases were partially offset by lower demand from a number of customers in centrally delivered staffing. GTS revenue represented 38% of total Company revenue in 2019 and 36% in 2018.

The increase in the GTS gross profit rate was due to improving product mix coupled with lower employee-related costs.

Total SG&A expenses decreased 1.2% from the prior year on a reported basis and 0.6% on a CC basis, due to proactive cost management in a growth environment, as we continue to align our resources and spending levels with volumes and gross profit in our products. These decreases were partially offset by an increase in SG&A expenses related to the January 2019 acquisition of GTA.

International Staffing
(Dollars in millions)

	2019	2018	Change	CC Change
Revenue from services	\$ 1,025.9	\$ 1,116.6	(8.1) %	(4.0) %
Gross profit	140.5	152.3	(7.7)	(3.6)
Total SG&A expenses	125.3	132.3	(5.3)	(1.2)
Earnings from operations	15.2	20.0	(24.1)	
Gross profit rate	13.7 %	13.6 %	0.1 pts.	
Conversion rate	10.8	13.2	(2.4)	
Return on sales	1.5	1.8	(0.3)	

In comparison to the prior year, International Staffing revenue from services decreased 8.1% on a reported basis and 4.0% on a CC basis. The decline was primarily due to revenue declines in France and Germany, reflecting current staffing market conditions. These decreases were partially offset by increased revenue in Russia, due to higher hours volume. International Staffing represented 19% of total Company revenue in 2019 and 20% in 2018.

The International Staffing gross profit decreased 7.7% on a reported basis and 3.6% on a CC basis as a result of declining revenue.

Total SG&A expenses decreased 5.3% on a reported basis and 1.2% on a CC basis due to continued effective cost management to align to revenue trends.

Results of Operations
2018 versus 2017

Total Company
(Dollars in millions except per share data)

	2018	2017	Change	CC Change
Revenue from services	\$ 5,513.9	\$ 5,374.4	2.6 %	2.2 %
Gross profit	972.2	954.1	1.9	1.6
SG&A expenses excluding restructuring charges	884.8	868.4	1.9	1.6
Restructuring charges	—	2.4	NM	NM
Total SG&A expenses	884.8	870.8	1.6	1.4
Earnings from operations	87.4	83.3	5.0	
Earnings from operations excluding restructuring charges	87.4	85.7	2.1	
Diluted earnings per share	\$ 0.58	\$ 1.81	(68.0)	
Staffing fee-based income (included in revenue from services)	68.6	57.3	19.6	19.0
Gross profit rate	17.6 %	17.8 %	(0.2) pts.	
Conversion rate	9.0	8.7	0.3	
Conversion rate excluding restructuring charges	9.0	9.0	—	
Return on sales	1.6	1.5	0.1	
Return on sales excluding restructuring charges	1.6	1.6	—	

Total Company revenue from services for 2018 was up 2.6% in comparison to 2017 on a reported basis, and up 2.2% on a CC basis, reflecting the weakening of the U.S. dollar against several currencies, primarily the Euro in the first half of 2018. As more fully described in the following discussions, revenue increased in Americas Staffing and International Staffing, while GTS revenue was relatively flat.

The gross profit rate decreased 20 basis points year over year. As more fully described in the following discussions, a decline in the gross profit rate in International Staffing was partially offset by an increase in the GTS gross profit rate. The Americas Staffing gross profit rate was unchanged.

Total SG&A expenses increased 1.6% on a reported basis (1.4% on a CC basis), due primarily to increases in Americas Staffing SG&A expenses, as described in the following discussion. Included in total SG&A expenses for 2017 are restructuring charges of \$2.4 million, relating primarily to an initiative to optimize our GTS service delivery models.

Diluted earnings per share for 2018 were \$0.58, as compared to \$1.81 for 2017. Diluted earnings per share for 2018 were impacted by a loss, net of tax, of approximately \$1.69 per share related to the investment in Persol Holdings. Diluted earnings per share for 2017 were impacted by approximately \$0.35 per share related to the impact of revaluing net deferred tax assets as a result of the U.S. Tax Cuts and Jobs Act and approximately \$0.04 per share related to restructuring charges.

Americas Staffing
(Dollars in millions)

	2018	2017	Change	CC Change
Revenue from services	\$ 2,417.7	\$ 2,345.9	3.1 %	3.4 %
Gross profit	441.3	429.1	2.9	3.1
SG&A expenses excluding restructuring charges	364.2	346.0	5.2	5.5
Restructuring charges	—	0.4	NM	NM
Total SG&A expenses	364.2	346.4	5.1	5.4
Earnings from operations	77.1	82.7	(6.7)	
Earnings from operations excluding restructuring charges	77.1	83.1	(7.1)	
Gross profit rate	18.3 %	18.3 %	— pts.	
Conversion rate	17.5	19.3	(1.8)	
Conversion rate excluding restructuring charges	17.5	19.3	(1.8)	
Return on sales	3.2	3.5	(0.3)	
Return on sales excluding restructuring charges	3.2	3.5	(0.3)	

The change in Americas Staffing revenue from services reflects the impact of a 2% increase in average bill rates (a 3% increase on a CC basis), combined with the impact of the September 2017 acquisition of TOC, and partially offset by a 1% decrease in hours volume. The increase in average bill rates was the result of wage increases and stronger revenue growth in our service lines with higher pay rates. Americas Staffing represented 44% of total Company revenue in both 2018 and 2017.

From a product perspective, the increase in revenue reflects an increase in commercial, including light industrial and educational staffing (due primarily to the TOC acquisition) and professional/technical, including engineering, science and IT products. These increases were partially offset by a decrease in our commercial office services volume.

The Americas Staffing gross profit rate was unchanged from 2017. Increases related to higher staffing fee-based income and lower payroll taxes were offset by unfavorable customer mix.

The increase in total SG&A expenses was due primarily to higher costs for recruiting and sales resources and additional effort to attract and place candidates in the current talent environment, combined with SG&A expenses related to TOC.

GTS
(Dollars in millions)

	2018	2017	Change	CC Change
Revenue from services	\$ 1,997.4	\$ 1,998.9	(0.1) %	(0.1) %
Gross profit	381.1	373.7	2.0	1.8
SG&A expenses excluding restructuring charges	296.5	294.7	0.6	0.4
Restructuring charges	—	2.0	NM	NM
Total SG&A expenses	296.5	296.7	—	0.2
Earnings from operations	84.6	77.0	9.8	
Earnings from operations excluding restructuring charges	84.6	79.0	7.1	
Gross profit rate	19.1 %	18.7 %	0.4 pts.	
Conversion rate	22.2	20.6	1.6	
Conversion rate excluding restructuring charges	22.2	21.1	1.1	
Return on sales	4.2	3.9	0.3	
Return on sales excluding restructuring charges	4.2	4.0	0.2	

Revenue from services was flat in comparison to 2017. Lower demand in specific customers in centrally delivered staffing and PPO was offset by increased revenue in BPO, KellyConnect and CWO from program expansions and new customer wins in each product. GTS revenue represented 36% of total Company revenue in 2018 and 37% in 2017.

The increase in the GTS gross profit rate was due to improving product mix, partially offset by increases in employee-related healthcare costs.

Total SG&A expenses were flat in comparison to 2017. Increased headcount and costs related to new programs and expansion of programs in the CWO, BPO and KellyConnect practices were partially offset by lower salary costs in centrally delivered staffing and PPO. Additionally, the year-over-year change in total SG&A expenses was impacted by restructuring charges of \$2.0 million in 2017, representing severance relating to an initiative to optimize our GTS service delivery models.

International Staffing
(Dollars in millions)

	2018	2017	Change	CC Change
Revenue from services	\$ 1,116.6	\$ 1,048.2	6.5 %	4.0 %
Gross profit	152.3	153.7	(0.9)	(3.2)
Total SG&A expenses	132.3	131.6	0.5	(1.4)
Earnings from operations	20.0	22.1	(9.5)	
Gross profit rate	13.6 %	14.7 %	(1.1) pts.	
Conversion rate	13.2	14.4	(1.2)	
Return on sales	1.8	2.1	(0.3)	

The change in International Staffing revenue from services reflects primarily a 6% increase in average bill rates (a 3% increase on a CC basis), due to customer and country mix. Hours volume was flat in comparison to 2017. International Staffing represented 20% of total Company revenue in both 2018 and 2017.

The International Staffing gross profit rate decreased primarily due to unfavorable customer mix and the effect of French payroll tax adjustments. These decreases were partially offset by an increase in staffing fee-based income.

The increase in total SG&A expenses was due to the effect of currency exchange rates. On a constant currency basis, SG&A expenses decreased due to effective cost control in expenses across the region.

Results of Operations Financial Condition

Historically, we have financed our operations through cash generated by operating activities and access to credit markets. Our working capital requirements are primarily generated from temporary employee payroll and customer accounts receivable. Since receipts from customers generally lag payroll to temporary employees, working capital requirements increase substantially in periods of growth. Conversely, when economic activity slows, working capital requirements may substantially decrease. This may result in an increase in our operating cash flows; however, any such increase would not be sustainable in the event that an economic downturn continued for an extended period. As highlighted in the consolidated statements of cash flows, our liquidity and available capital resources are impacted by four key components: cash, cash equivalents and restricted cash, operating activities, investing activities and financing activities.

Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash totaled \$31.0 million at year-end 2019, compared to \$40.1 million at year-end 2018. As further described below, during 2019, we generated \$102.2 million of cash from operating activities, used \$94.3 million of cash for investing activities and used \$16.1 million of cash for financing activities.

Operating Activities

In 2019, we generated \$102.2 million of net cash from operating activities, as compared to generating \$61.4 million in 2018 and \$70.8 million in 2017. The change from 2018 to 2019 was primarily driven by working capital changes. The change from 2017 to 2018 was primarily driven by working capital changes and an increase in performance-based compensation payments.

Trade accounts receivable totaled \$1.3 billion at year-end 2019 and 2018. Global DSO for the fourth quarter was 58 days for 2019, compared to 55 days for 2018. The increase in DSO reflects both increasing pressure to extend payment terms from our large customers and the timing of customer payments at year end.

Our working capital position (total current assets less total current liabilities) was \$521.6 million at year-end 2019, an increase of \$18.6 million from year-end 2018. The current ratio (total current assets divided by total current liabilities) was 1.6 at year-end 2019 and 2018.

Investing Activities

In 2019, we used \$94.3 million of net cash for investing activities, compared to using \$29.8 million in 2018 and using \$61.0 million in 2017. Included in cash used for investing activities in 2019 is \$50.8 million for the acquisition of NextGen in January 2019, net of cash received, \$35.6 million for the acquisition of GTA in January 2019, net of cash received, and \$4.4 million for loans to PersolKelly Asia Pacific to fund working capital requirements. These uses of cash were partially offset by proceeds of \$13.8 million primarily from the sale of unused land during the second quarter of 2019.

Included in cash used for investing activities in 2018 is \$7.0 million for loans to PersolKelly Asia Pacific to fund working capital requirements as a result of their sustained revenue growth and \$5.0 million for an investment in equity securities relating to the Company's investment in Business Talent Group, LLC, partially offset by \$7.9 million for proceeds from company-owned life insurance. Included in cash used for investing activities in 2017 is \$37.2 million for the acquisition of Teachers On Call, net of the cash received.

Capital expenditures, which totaled \$20.0 million in 2019, \$25.6 million in 2018 and \$24.6 million in 2017, were primarily related to the Company's technology programs in 2019 and primarily related to the Company's technology programs, IT infrastructure and headquarters building improvements in 2018 and 2017.

Financing Activities

In 2019, we used \$16.1 million of cash for financing activities, as compared to using \$26.5 million in 2018 and using \$3.4 million in 2017. Changes in net cash from financing activities were primarily related to dividend payments in 2019, 2018 and 2017. Dividends paid per common share were \$0.30 in 2019, 2018 and 2017. Payments of dividends are restricted by the financial covenants contained in our debt facilities. Details of this restriction are contained in the Debt footnote in the notes to our consolidated financial statements.

Changes in net cash from financing activities are also impacted by short-term borrowing activities. Debt totaled \$1.9 million at year-end 2019 and was \$2.2 million at year-end 2018. Debt-to-total capital (total debt reported in the consolidated balance sheet divided by total debt plus stockholders' equity) is a common ratio to measure the relative capital structure and leverage of the Company. Our ratio of debt-to-total capital was 0.1% at year-end 2019 and 0.2% at year-end 2018.

In 2019, the net change in short-term borrowings was primarily due to payments on local lines of credit. In 2018, the net change in short-term borrowings was primarily due to payments on our revolving credit facility. In 2017, the net change in short-term borrowings was primarily due to borrowings on our revolving credit facility.

Contractual Obligations and Commercial Commitments

Summarized below are our obligations and commitments to make future payments as of year-end 2019:

	Total	Payment due by period			
		Less than 1 year	1-3 Years	3-5 Years	More than 5 years
(In millions of dollars)					
Leases	\$ 74.4	\$ 24.6	\$ 33.6	\$ 11.8	\$ 4.4
Short-term borrowings	1.9	1.9	—	—	—
Accrued workers' compensation	71.5	25.7	21.5	8.6	15.7
Accrued retirement benefits	207.7	20.4	40.7	40.9	105.7
Other liabilities	8.9	2.2	3.8	1.1	1.8
Uncertain income tax positions	1.1	0.5	0.2	0.1	0.3
Purchase obligations	45.6	19.5	14.6	11.5	—
Total	\$ 411.1	\$ 94.8	\$ 114.4	\$ 74.0	\$ 127.9

Purchase obligations above represent unconditional commitments relating primarily to technology services and online tools which we expect to utilize generally within the next two fiscal years, in the ordinary course of business. We have no material, unrecorded commitments, losses, contingencies or guarantees associated with any related parties or unconsolidated entities.

Liquidity

We expect to meet our ongoing short-term and long-term cash requirements principally through cash generated from operations, available cash and equivalents, securitization of customer receivables and committed unused credit facilities. We are reviewing other potential sources of liquidity, such as wage subsidy receivables outside the U.S., in an effort to potentially monetize such sources. Additional funding sources could include asset-based lending or additional bank facilities. In addition, on December 4, 2019, we entered into an agreement to sell three headquarters properties. See the Assets Held for Sale footnote in the notes to our consolidated financial statements for more information.

We utilize intercompany loans, dividends, capital contributions and redemptions to effectively manage our cash on a global basis. We periodically review our foreign subsidiaries' cash balances and projected cash needs. As part of those reviews, we may identify cash that we feel should be repatriated to optimize the Company's overall capital structure. As of the 2019 year end, these reviews have not resulted in any specific plans to repatriate a majority of our international cash balances. We expect much of our international cash will be needed to fund working capital growth in our local operations. The majority of our international cash is concentrated in a cash pooling arrangement (the "Cash Pool") and is available to fund general corporate needs internationally. The Cash Pool is a set of cash accounts maintained with a single bank that must, as a whole, maintain at least a zero balance; individual accounts may be positive or negative. This allows countries with excess cash to invest and countries with cash needs to utilize the excess cash.

We manage our cash and debt very closely to optimize our capital structure. As our cash balances build, we tend to pay down debt as appropriate. Conversely, when working capital needs grow, we tend to use corporate cash and cash available in the Cash Pool first, and then access our borrowing facilities.

At year-end 2019, we had \$200.0 million of available capacity on our \$200.0 million revolving credit facility and \$97.7 million of available capacity on our \$150.0 million securitization facility. The securitization facility had no short-term borrowings and \$52.3 million of standby letters of credit related to workers' compensation. Together, the revolving credit and securitization facilities provide the Company with committed funding capacity that may be used for general corporate purposes. While we believe these facilities will cover our working capital needs over the short term, if economic conditions or operating results change significantly, we may need to seek additional sources of funds. Throughout 2019 and as of the 2019 year end, we met the debt covenants related to our revolving credit facility and securitization facility.

At year-end 2019, we also had additional unsecured, uncommitted short-term credit facilities totaling \$11.1 million, under which we had \$1.1 million of borrowings. Details of our debt facilities as of the 2019 year end are contained in the Debt footnote in the notes to our consolidated financial statements.

On January 14, 2020, we acquired the membership interests of a company for \$34.5 million, using cash on hand. See the Subsequent Event footnote in the notes to our consolidated financial statements for more information.

We monitor the credit ratings of our major banking partners on a regular basis and have regular discussions with them. Based on our reviews and communications, we believe the risk of one or more of our banks not being able to honor commitments is insignificant. We also review the ratings and holdings of our money market funds and other investment vehicles regularly to ensure high credit quality and access to our invested cash.

Critical Accounting Estimates

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States. In this process, it is necessary for us to make certain assumptions and related estimates affecting the amounts reported in the consolidated financial statements and the attached notes. Actual results can differ from assumed and estimated amounts.

Critical accounting estimates are those that we believe require the most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Judgments and uncertainties affecting the application of those estimates may result in materially different amounts being reported under different conditions or using different assumptions. We consider the following estimates to be most critical in understanding the judgments involved in preparing our consolidated financial statements.

Workers' Compensation

In the U.S., we have a combination of insurance and self-insurance contracts under which we effectively bear the first \$1.0 million of risk per single accident. There is no aggregate limitation on our per-accident exposure under these insurance and self-insurance programs. We establish accruals for workers' compensation utilizing actuarial methods to estimate the undiscounted future cash payments that will be made to satisfy the claims, including an allowance for incurred-but-not-reported claims. We retain an independent consulting actuary to establish ultimate loss forecasts for the current and prior accident years of our insurance and self-insurance programs. The consulting actuary establishes loss development factors, based on our historical claims experience as well as industry experience, and applies those factors to current claims information to derive an estimate of our ultimate claims liability. In preparing the estimates, the consulting actuary may consider factors such as the nature, frequency and severity of the claims; reserving practices of our third party claims administrators; performance of our medical cost management and return to work programs; changes in our territory and business line mix; and current legal, economic and regulatory factors such as industry estimates of medical cost trends. Where appropriate, multiple generally accepted actuarial techniques are applied and tested in the course of preparing the loss forecast. We use the ultimate loss forecasts, as developed by the consulting actuary, to establish total expected program costs for each accident year by adding our estimates of non-loss costs such as claims handling fees and excess insurance premiums. When claims exceed the applicable loss limit or self-insured retention and realization of recovery of the claim from existing insurance policies is deemed probable, we record a receivable from the insurance company for the excess amount.

We evaluate the accrual quarterly and make adjustments as needed. The ultimate cost of these claims may be greater than or less than the established accrual. While we believe that the recorded amounts are reasonable, there can be no assurance that changes to our estimates will not occur due to limitations inherent in the estimation process. In the event we determine that a smaller or larger accrual is appropriate, we would record a credit or a charge to cost of services in the period in which we made such a determination. The accrual for workers' compensation, net of related receivables which are included in prepaid expenses

and other current assets and other assets in the consolidated balance sheet, was \$59.5 million and \$61.4 million at year-end 2019 and 2018, respectively.

Business Combinations

We account for business combinations using the acquisition method of accounting, in which the purchase price is allocated for assets acquired and liabilities assumed and recorded at the estimated fair values at the date of acquisition. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Management is required to make significant assumptions and estimates in determining the fair value of the assets acquired, particularly intangible assets. Purchased intangible assets are primarily comprised of acquired trade names and customer relationships that are recorded at fair value at the date of acquisition. We utilize third-party valuation specialists to assist us in the determination of the fair value of the intangibles. The fair value of trade name intangibles is determined using the relief-from-royalty method, which relies on the use of estimates and assumptions about projected revenue growth and discount rates. The fair value of customer relationship intangibles is determined using the multi-period excess earnings method, which relies on the use of estimates and assumptions about projected revenue growth, customer attrition, and discount rates. Determining the useful lives of intangible assets also requires judgment and are inherently uncertain. There is a measurement period of up to one year in which to finalize the fair value determinations and preliminary fair value estimates may be revised if new information is obtained during this period.

Income Taxes

Income tax expense is based on expected income and statutory tax rates in the various jurisdictions in which we operate. Judgment is required in determining our income tax expense. We establish accruals for uncertain tax positions under generally accepted accounting principles, which require that a position taken or expected to be taken in a tax return be recognized in the consolidated financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) the position would be sustained upon examination by tax authorities who have full knowledge of all relevant information. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

Our effective tax rate includes the impact of accruals and changes to accruals that we consider appropriate, as well as related interest and penalties. A number of years may lapse before a particular matter, for which we have or have not established an accrual, is audited and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe that our accruals are appropriate under generally accepted accounting principles. Favorable or unfavorable adjustments of the accrual for any particular issue would be recognized as an increase or decrease to our income tax expense in the period of a change in facts and circumstances. Our current tax accruals are presented in income and other taxes in the consolidated balance sheet and long-term tax accruals are presented in other long-term liabilities in the consolidated balance sheet.

Tax laws require items to be included in the tax return at different times than the items are reflected in the consolidated financial statements. As a result, the income tax expense reflected in our consolidated financial statements is different than the liability reported in our tax return. Some of these differences are permanent, which are not deductible or taxable on our tax return, and some are temporary differences, which give rise to deferred tax assets and liabilities. We establish valuation allowances for our deferred tax assets when the amount of expected future taxable income is not likely to support the use of the deduction or credit. Our net deferred tax asset is recorded using currently enacted tax laws, and may need to be adjusted in the event tax laws change.

The U.S. work opportunity credit is allowed for wages earned by employees in certain targeted groups. The actual amount of creditable wages in a particular period is estimated, since the credit is only available once an employee reaches a minimum employment period and the employee's inclusion in a targeted group is certified by the applicable state. As these events often occur after the period the wages are earned, judgment is required in determining the amount of work opportunity credits accrued for in each period. We evaluate the accrual regularly throughout the year and make adjustments as needed.

Equity Method Investment

We account for our investment in PersolKelly Asia Pacific under the equity method of accounting on a one quarter lag. We review our equity method investment for indicators of impairment on a quarterly basis or whenever events or circumstances indicate the carrying amount may be other-than-temporarily impaired. An impairment assessment requires the exercise of judgment related to financial trends, forecasts, relevant events, as well as any operating, economic, legal or regulatory changes that may have an impact on the investment. There were no indicators of an other-than-temporary impairment in 2019 or 2018.

As of year-end 2019 and 2018, the equity method investment was \$117.2 million and \$121.3 million, respectively. See the Investment in PersolKelly Asia Pacific footnote in the notes to our consolidated financial statements.

Goodwill

We test goodwill for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred. Generally accepted accounting principles require that goodwill be tested for impairment at a reporting unit level. We have determined that our reporting units are the same as our operating and reportable segments based on our organizational structure. Goodwill is tested for impairment by comparing the estimated fair value of a reporting unit to its carrying value. If the estimated fair value of a reporting unit exceeds the carrying value of the net assets assigned to a reporting unit, goodwill is not considered impaired and no further testing is required. If the carrying value of the net assets assigned to a reporting unit exceeds the estimated fair value of a reporting unit, goodwill is deemed impaired and is written down to the extent of the difference.

To derive the estimated fair value of reporting units, we primarily relied on an income approach. We also utilized various market approaches to validate the fair value determined using the income approach. Under the income approach, estimated fair value is determined based on estimated future cash flows discounted by an estimated market participant weighted-average cost of capital, which reflects the overall level of inherent risk of the reporting unit being measured. Estimated future cash flows are based on our internal projection model and reflects management's outlook for the reporting units. Assumptions and estimates about future cash flows and discount rates are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts.

We completed our annual impairment test for all reporting units with goodwill in the fourth quarter for the fiscal year ended 2019 and 2018 and determined that goodwill was not impaired. In 2019 and 2018, we performed a step one quantitative assessment for the Americas Staffing and GTS reporting units.

Our analysis used significant assumptions by segment, including: expected future revenue and expense growth rates, profit margins, cost of capital, discount rate and forecasted capital expenditures. Although we believe the assumptions and estimates we have made are reasonable and appropriate, different assumptions and estimates could materially impact our reported financial results. Different assumptions of the anticipated future results and growth from these businesses could result in an impairment charge, which would decrease operating income and result in lower asset values on our consolidated balance sheet. As a measure of sensitivity, both reporting units have an estimated fair value more than 150% of the carrying value in 2019 and reducing our revenue growth rate assumptions by 45% would not result in the estimated fair value falling below carrying value for both reporting units.

At year-end 2019 and 2018, total goodwill amounted to \$127.8 million and \$107.3 million, respectively. See the Goodwill and Intangible Assets footnote in the notes to our consolidated financial statements for more information.

Litigation

Kelly is subject to legal proceedings, investigations and claims arising out of the normal course of business. Kelly routinely assesses the likelihood of any adverse judgments or outcomes to these matters, as well as ranges of probable losses. A determination of the amount of the accruals required, if any, for these contingencies is made after analysis of each known issue. Development of the analysis includes consideration of many factors including: potential exposure, the status of proceedings, negotiations, discussions with our outside counsel and results of similar litigation. The required accruals may change in the future due to new developments in each matter. For further discussion, see the Contingencies footnote in the notes to our consolidated financial statements. At year-end 2019 and 2018, the gross accrual for litigation costs amounted to \$9.9 million and \$12.8 million, respectively, which are included in accounts payable and accrued liabilities and in accrued workers' compensation and other claims in the consolidated balance sheet.

NEW ACCOUNTING PRONOUNCEMENTS

See New Accounting Pronouncements footnote in the notes to our consolidated financial statements presented in Part II, Item 8 of this report for a description of new accounting pronouncements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this report are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements which are predictive in nature, which depend upon or refer to future events or conditions, or which include words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates,” or variations or negatives thereof or by similar or comparable words or phrases. In addition, any statements concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future actions by us that may be provided by management, including oral statements or other written materials released to the public, are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are subject to risks, uncertainties and assumptions about our Company and economic and market factors in the countries in which we do business, among other things. These statements are not guarantees of future performance, and we have no specific intention to update these statements.

Actual events and results may differ materially from those expressed or forecasted in forward-looking statements due to a number of factors. The principal important risk factors that could cause our actual performance and future events and actions to differ materially from such forward-looking statements include, but are not limited to, competitive market pressures including pricing and technology introductions and disruptions, changing market and economic conditions, our ability to achieve our business strategy, the risk of damage to our brand, the risk our intellectual property assets could be infringed upon or compromised, our ability to successfully develop new service offerings, our exposure to risks associated with services outside traditional staffing, including business process outsourcing and services connecting talent to independent work, our increasing dependency on third parties for the execution of critical functions, the risks associated with past and future acquisitions, exposure to risks associated with investments in equity affiliates including PersolKelly Asia Pacific, material changes in demand from or loss of large corporate customers as well as changes in their buying practices, risks particular to doing business with the government or government contractors, risks associated with conducting business in foreign countries, including foreign currency fluctuations, the exposure to potential market and currency exchange risks relating to our investment in Persol Holdings, risks associated with violations of anti-corruption, trade protection and other laws and regulations, availability of qualified full-time employees, availability of temporary workers with appropriate skills required by customers, liabilities for employment-related claims and losses, including class action lawsuits and collective actions, risks arising from failure to preserve the privacy of information entrusted to us or to meet our obligations under global privacy laws, the risk of cyberattacks or other breaches of network or information technology security, our ability to sustain critical business applications through our key data centers, our ability to effectively implement and manage our information technology projects, our ability to maintain adequate financial and management processes and controls, risk of potential impairment charges triggered by adverse industry developments or operational circumstances, unexpected changes in claim trends on workers’ compensation, unemployment, disability and medical benefit plans, the impact of changes in laws and regulations (including federal, state and international tax laws), competition law risks, the risk of additional tax or unclaimed property liabilities in excess of our estimates, our ability to realize value from our tax credit and net operating loss carryforwards, our ability to maintain specified financial covenants in our bank facilities to continue to access credit markets, and other risks, uncertainties and factors discussed in this report and in our other filings with the Securities and Exchange Commission. Actual results may differ materially from any forward-looking statements contained herein, and we have no intention to update these statements. Certain risk factors are discussed more fully under “Risk Factors” in Part I, Item 1A of this report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to foreign currency risk primarily related to our foreign subsidiaries. Exchange rates impact the U.S. dollar value of our reported earnings, our investments in and held by subsidiaries, local currency denominated borrowings and intercompany transactions with and between subsidiaries. Our foreign subsidiaries primarily derive revenues and incur expenses within a single country and currency which, as a result, provide a natural hedge against currency risks in connection with normal business operations. Accordingly, changes in foreign currency rates vs. the U.S. dollar generally do not impact local cash flows. Intercompany transactions which create foreign currency risk include services, royalties, loans, contributions and distributions.

In addition, we are exposed to interest rate risks through our use of the multi-currency line of credit and other borrowings. A hypothetical fluctuation of 10% of market interest rates would not have had a material impact on 2019 earnings.

We are exposed to market and currency risks on our investment in Persol Holdings, which may be material. The investment is stated at fair value and is marked to market through net earnings. Foreign currency fluctuations on this yen-denominated investment are reflected as a component of other comprehensive income. See Fair Value Measurements footnote in the notes to our consolidated financial statements of this Annual Report on Form 10-K for further discussion.

We are exposed to market risk as a result of our obligation to pay benefits under our nonqualified deferred compensation plan and our related investments in company-owned variable universal life insurance policies. The obligation to employees increases and decreases based on movements in the equity and debt markets. The investments in mutual funds, as part of the company-owned variable universal life insurance policies, are designed to mitigate, but not eliminate, this risk with offsetting gains and losses.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements and supplementary data required by this Item are set forth in the accompanying index on page 44 of this filing and are presented in pages 45-90.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Based on their evaluation as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective at a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Management's report on internal control over financial reporting is presented preceding the consolidated financial statements on page 45 of this report.

Attestation Report of Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP, independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of December 29, 2019, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

Information required by Part III with respect to Directors, Executive Officers and Corporate Governance (Item 10), Executive Compensation (Item 11), Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters (Item 12), Certain Relationships and Related Transactions, and Director Independence (Item 13) and Principal Accounting Fees and Services (Item 14), except as set forth under the titles "Executive Officers of the Registrant," which is included on page 40, and "Code of Business Conduct and Ethics," which is included on page 41, (Item 10), and except as set forth under the title "Equity Compensation Plan Information," which is included on pages 41-42, (Item 12), is to be included in a definitive proxy statement filed not later than 120 days after the close of our fiscal year and the proxy statement, when filed, is incorporated in this report by reference.

ITEM 10. EXECUTIVE OFFICERS OF THE REGISTRANT.

The following individuals serve as executive officers of the Company as of December 29, 2019:

<u>Name/Office</u>	<u>Age</u>	<u>Served as an Officer Since</u>	<u>Business Experience During Last 5 Years</u>
Peter W. Quigley President and Chief Executive Officer	58	2004	Served as officer of the Company.
Olivier G. Thirot Executive Vice President and Chief Financial Officer	58	2008	Served as officer of the Company.
Peter M. Boland Senior Vice President Chief Marketing Officer	55	2018	January 2018 - Present Served as officer of the Company. January 2012 - June 2017 SVP Brand Marketing - Charles Schwab & Co., San Francisco, CA
James H. Bradley Senior Vice President, Global Business Services and Global Talent Solutions	55	1996	Served as officer of the Company.
Hannah S. Lim-Johnson Senior Vice President and Chief Legal Officer	48	2017	September 2017 - Present Served as officer of the Company. October 2016 - April 2017 Deputy General Counsel, Chief Litigation Counsel & Assistant Corporate Secretary - PSEG, Newark, NJ June 2012 - September 2016 VP, Chief Litigation & Chief Compliance Counsel - ADT Corp, Boca Raton, FL
Laura S. Lockhart Vice President, Corporate Controller and Chief Accounting Officer	50	2008	Served as officer of the Company.

CODE OF BUSINESS CONDUCT AND ETHICS.

We have adopted a Code of Business Conduct and Ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer or controller or persons performing similar functions. The Code of Business Conduct and Ethics is included as Exhibit 14 in the Index to Exhibits on page 91. We have posted our Code of Business Conduct and Ethics on our website at www.kellyservices.com. We intend to post any changes in or waivers from our Code of Business Conduct and Ethics applicable to any of these officers on our website.

ITEM 12. SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS.

Equity Compensation Plan Information

The following table shows the number of shares of our Class A common stock that may be issued upon the exercise of outstanding options, warrants and rights, the weighted-average exercise price of outstanding options, warrants and rights, and the number of securities remaining available for future issuance under our equity compensation plans as of the fiscal year end for 2019.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders - Evergreen provision ^{(1), (2)}	—	\$ —	—
Equity compensation plans approved by security holders - Fixed Share provision ^{(1), (3)}	—	—	3,448,495
Equity compensation plans not approved by security holders ⁽⁴⁾	—	—	—
Total	—	\$ —	3,448,495

(1) The equity compensation plan approved by our stockholders is our Equity Incentive Plan.

(2) The Evergreen provision applied to shares granted prior to May 10, 2017, and the Equity Incentive Plan provided that the maximum number of shares available for grants, including restricted stock, was 15 percent of the outstanding Class A common stock, adjusted for plan activity over the preceding five years. The Company has no plans to issue additional shares under the Evergreen provision that was in effect prior to May 10, 2017.

The number of shares to be issued upon exercise of outstanding options, warrants and rights under the Evergreen provision excludes: 31,109 shares of restricted stock; performance shares that have been earned but not yet vested totaling 48,680 shares of financial measure performance awards, zero shares of total shareholder return performance awards, and 12,701 shares of single financial measure performance awards.

(3) The Fixed Share provision applies to shares granted on and after May 10, 2017, and the amended Equity Incentive Plan provides that the maximum number of shares available for grants is 4,700,000.

The number of shares to be issued upon exercise of outstanding options, warrants and rights under the Fixed Share provision excludes: 328,351 shares of restricted stock; performance shares that have been earned but not yet vested totaling 20,232 of financial measure performance awards, zero total shareholder return performance awards, and 78,208 single financial measure performance awards; and performance shares granted to employees and not yet earned or vested totaling 570,980 shares of financial measure performance awards and 103,684 shares of total shareholder

return performance awards, each calculated using an assumed maximum award performance level of 200%, at December 29, 2019.

- (4) The Non-Employee Directors Deferred Compensation Plan is an equity compensation plan that has not been approved by our stockholders. This plan provides non-employee directors with the opportunity to defer all or a portion of the fees they receive. Participants may elect to have director fees that are paid in either cash or common stock, deferred into the plan. Participants choose from a list of investment funds as determined by the Company for their deferrals of cash. Deferrals of common stock must remain in common stock. Amounts deferred under the plan are subject to applicable tax withholding. The plan is intended to be a non-qualified deferred compensation arrangement in compliance with Section 409A of the Code. Shares acquired by participants in this plan will be issued from the share reserve stated in the EIP.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as part of this report:

(i) Financial statements:

Management's Report on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Earnings for the three fiscal years ended December 29, 2019

Consolidated Statements of Comprehensive Income for the three fiscal years ended December 29, 2019

Consolidated Balance Sheets at December 29, 2019 and December 30, 2018

Consolidated Statements of Stockholders' Equity for the three fiscal years ended December 29, 2019

Consolidated Statements of Cash Flows for the three fiscal years ended December 29, 2019

Notes to Consolidated Financial Statements

(ii) Financial Statement Schedule -

For the three fiscal years ended December 29, 2019:

Schedule II - Valuation Reserves

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(iii) The Exhibits are listed in the Index to Exhibits included beginning at page 91, which is incorporated herein by reference.

(b) The Index to Exhibits and required Exhibits are included following the Financial Statement Schedule beginning at page 91 of this filing.

(c) None.

ITEM 16. FORM 10-K SUMMARY.

None.

KELLY SERVICES, INC. AND SUBSIDIARIES

**INDEX TO FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULE**

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Management's Report on Internal Control Over Financial Reporting

The management of Kelly Services, Inc. (the "Company"), is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company;
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may change.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 29, 2019. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013).

Based on our assessment, management determined that, as of December 29, 2019, the Company's internal control over financial reporting was effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of December 29, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on pages 46-48.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Kelly Services, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Kelly Services, Inc. and its subsidiaries (the “Company”) as of December 29, 2019 and December 30, 2018, and the related consolidated statements of earnings, comprehensive income, stockholders’ equity and cash flows for the years ended December 29, 2019, December 30, 2018, and December 31, 2017, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 29, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 29, 2019 and December 30, 2018, and the results of its operations and its cash flows for the years ended December 29, 2019, December 30, 2018, and December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 29, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Changes in Accounting Principles

As discussed in Note 25 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019 and the manner in which it accounts for revenues from contracts with customers and investments in equity securities in 2018.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the

company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Workers' Compensation

As described in Note 1 to the consolidated financial statements, in the U.S., the Company has a combination of insurance and self-insurance contracts under which they effectively bear the first \$1.0 million of risk per single accident. Management establishes the accrual for workers' compensation claims utilizing actuarial methods to estimate the undiscounted future cash payments that will be made to satisfy the claims, including an allowance for incurred-but-not-reported claims. As of December 29, 2019, the accrual for workers' compensation, net of related receivables, is \$59.5 million. Management retains an independent consulting actuary to establish loss development factors, based on historical claims experience as well as industry experience, and applies those factors to current claims information to derive an estimate of the ultimate claims liability. In preparing the estimates, the consulting actuary considers a number of assumptions and multiple generally accepted actuarial methods in the course of preparing the loss forecast for claims. When claims exceed the applicable loss limit or self-insured retention and realization of recovery of the claim from existing insurance policies is deemed probable, management records a receivable from the insurance company for the excess amount. Management evaluates the accrual quarterly throughout the year and makes adjustments as needed.

The principal considerations for our determination that performing procedures relating to workers' compensation is a critical audit matter are (i) there was significant judgment by management when determining the actuarial methods and the significant assumptions to use in establishing the accrual for workers' compensation claims, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing our procedures and evaluating management's actuarial methods and significant assumptions, including the loss development factors and (ii) the audit effort included the involvement of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's accrual for workers' compensation, including controls over the actuarial methods and development of significant assumptions. These procedures also included, among others, obtaining and evaluating the Company's workers' compensation plan documents and testing the completeness and accuracy of data used in management's accrual, including incurred and paid claims. Testing management's process included evaluating the actuarial methods and significant assumptions, including the loss development factors used by management to estimate the workers' compensation accrual, and using professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Acquisitions of NextGen Global Resources and Global Technology Associates –Valuation of Intangible Assets

As described in Notes 1 and 4 to the consolidated financial statements, in 2019, the Company completed acquisitions of NextGen Global Resources LLC (NextGen) for \$54.3 million and Global Technology Associates, LLC (GTA) for \$35.7 million, for which approximately \$21.5 million and \$17.3 million of intangible assets were recorded, respectively. The fair value of trade name intangibles is determined using the relief-from-royalty method, which relies on the use of estimates and assumptions about projected revenue growth and discount rates. The fair value of customer relationship intangibles is determined using the multi-period excess earnings method, which relies on the use of estimates and assumptions about projected revenue growth, customer attrition, and discount rates.

The principal considerations for our determination that performing procedures relating to the acquisitions of NextGen and GTA and the related valuation of intangible assets is a critical audit matter are (i) there was a high degree of auditor subjectivity in applying our procedures relating to the fair value measurement of the intangible assets due to the significant judgment by management when developing these estimates, (ii) significant audit effort and auditor judgment was required in assessing the

significant assumptions used in the valuation of the intangible assets, including the revenue growth rates, the customer attrition rates, and the discount rates, and (iii) the audit effort included the involvement of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the acquisition accounting, including controls over management's valuation of the intangible assets and controls over development of the significant assumptions related to the valuation of the intangible assets, including the revenue growth rates, the customer attrition rates, and the discount rates. These procedures also included, among others, reading the purchase agreements and testing management's process for estimating the fair value of the intangible assets. Testing management's process included evaluating the appropriateness of the valuation methods, testing the completeness, accuracy, and relevance of underlying data used in calculating the estimates, and the reasonableness of significant assumptions, including the revenue growth rates, the customer attrition rates, and the discount rates, including using professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained. Evaluating the reasonableness of the revenue growth rates and customer attrition rates involved considering the past performance of the acquired businesses, as well as economic and industry forecasts. The discount rates were evaluated by considering the cost of capital of comparable businesses and other industry factors.

/s/ PricewaterhouseCoopers LLP
Detroit, Michigan
February 13, 2020

We have served as the Company's auditor since 1960.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	2019	2018	2017
	(In millions of dollars except per share items)		
Revenue from services	\$ 5,355.6	\$ 5,513.9	\$ 5,374.4
Cost of services	4,387.2	4,541.7	4,420.3
Gross profit	968.4	972.2	954.1
Selling, general and administrative expenses	883.1	884.8	870.8
Gain on sale of assets	(12.3)	—	—
Asset impairment charge	15.8	—	—
Earnings from operations	81.8	87.4	83.3
Gain (loss) on investment in Persol Holdings	35.8	(96.2)	—
Other income (expense), net	(1.2)	(0.6)	(1.6)
Earnings (loss) before taxes and equity in net earnings (loss) of affiliate	116.4	(9.4)	81.7
Income tax expense (benefit)	0.4	(27.1)	12.8
Net earnings before equity in net earnings (loss) of affiliate	116.0	17.7	68.9
Equity in net earnings (loss) of affiliate	(3.6)	5.2	2.7
Net earnings	\$ 112.4	\$ 22.9	\$ 71.6
Basic earnings per share	\$ 2.85	\$ 0.59	\$ 1.84
Diluted earnings per share	\$ 2.84	\$ 0.58	\$ 1.81
Average shares outstanding (millions):			
Basic	39.1	38.8	38.3
Diluted	39.2	39.1	39.0

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2019	2018	2017
	(In millions of dollars)		
Net earnings	\$ 112.4	\$ 22.9	\$ 71.6
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments, net of tax benefit of \$0.1 million, tax benefit of \$0.4 million and tax expense of \$0.2 million, respectively	2.5	(8.4)	16.4
Less: Reclassification adjustments included in net earnings	—	(0.4)	—
Foreign currency translation adjustments	2.5	(8.8)	16.4
Unrealized gains (losses) on investment, net of tax expense of \$0.0 million, \$0.0 million and \$30.2 million, respectively	—	—	56.2
Pension liability adjustments, net of tax benefit of \$0.3 million, tax expense of \$0.2 million and tax benefit of \$0.1 million, respectively	(1.3)	0.8	(0.6)
Less: Reclassification adjustments included in net earnings	0.1	0.1	0.1
Pension liability adjustments	(1.2)	0.9	(0.5)
Other comprehensive income (loss)	1.3	(7.9)	72.1
Comprehensive income	<u>\$ 113.7</u>	<u>\$ 15.0</u>	<u>\$ 143.7</u>

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	2019	2018
(In millions of dollars)		
Assets		
Current Assets		
Cash and equivalents	\$ 25.8	\$ 35.3
Trade accounts receivable, less allowances of \$12.9 million and \$13.2 million, respectively	1,282.2	1,293.3
Prepaid expenses and other current assets	76.5	71.9
Properties held for sale	21.2	—
Total current assets	1,405.7	1,400.5
Noncurrent Assets		
Property and equipment:		
Property and equipment	225.8	294.7
Accumulated depreciation	(182.7)	(208.4)
Net property and equipment	43.1	86.3
Operating lease right-of-use assets	60.4	—
Deferred taxes	229.1	198.7
Goodwill, net	127.8	107.3
Investment in Persol Holdings	173.2	135.1
Investment in equity affiliate	117.2	121.3
Other assets	324.1	265.2
Total noncurrent assets	1,074.9	913.9
Total Assets	\$ 2,480.6	\$ 2,314.4

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	2019	2018
(In millions of dollars)		
Liabilities and Stockholders' Equity		
Current Liabilities		
Short-term borrowings	\$ 1.9	\$ 2.2
Accounts payable and accrued liabilities	503.6	540.6
Operating lease liabilities	20.1	—
Accrued payroll and related taxes	267.6	266.0
Accrued workers' compensation and other claims	25.7	26.0
Income and other taxes	65.2	62.7
Total current liabilities	884.1	897.5
Noncurrent Liabilities		
Operating lease liabilities	43.3	—
Accrued workers' compensation and other claims	45.8	50.5
Accrued retirement benefits	187.4	162.9
Other long-term liabilities	55.5	44.0
Total noncurrent liabilities	332.0	257.4
Commitments and contingencies (See Commitments and Contingencies footnotes)		
Stockholders' Equity		
Capital stock, \$1.00 par value		
Class A common stock, 100.0 million shares authorized; 36.6 million shares issued at 2019 and 2018	36.6	36.6
Class B common stock, 10.0 million shares authorized; 3.5 million shares issued at 2019 and 2018	3.5	3.5
Treasury stock, at cost		
Class A common stock, 1.0 million shares at 2019 and 1.2 million at 2018	(20.3)	(25.4)
Class B common stock	(0.6)	(0.6)
Paid-in capital	22.5	24.4
Earnings invested in the business	1,238.6	1,138.1
Accumulated other comprehensive income (loss)	(15.8)	(17.1)
Total stockholders' equity	1,264.5	1,159.5
Total Liabilities and Stockholders' Equity	\$ 2,480.6	\$ 2,314.4

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	2019	2018	2017
	(In millions of dollars)		
Capital Stock			
Class A common stock			
Balance at beginning of year	\$ 36.6	\$ 36.6	\$ 36.6
Conversions from Class B	—	—	—
Balance at end of year	<u>36.6</u>	<u>36.6</u>	<u>36.6</u>
Class B common stock			
Balance at beginning of year	3.5	3.5	3.5
Conversions to Class A	—	—	—
Balance at end of year	<u>3.5</u>	<u>3.5</u>	<u>3.5</u>
Treasury Stock			
Class A common stock			
Balance at beginning of year	(25.4)	(34.6)	(38.4)
Net issuance of stock awards	5.1	9.2	3.8
Balance at end of year	<u>(20.3)</u>	<u>(25.4)</u>	<u>(34.6)</u>
Class B common stock			
Balance at beginning of year	(0.6)	(0.6)	(0.6)
Net issuance of stock awards	—	—	—
Balance at end of year	<u>(0.6)</u>	<u>(0.6)</u>	<u>(0.6)</u>
Paid-in Capital			
Balance at beginning of year	24.4	32.2	28.6
Net issuance of stock awards	(1.9)	(7.8)	3.6
Balance at end of year	<u>22.5</u>	<u>24.4</u>	<u>32.2</u>
Earnings Invested in the Business			
Balance at beginning of year	1,138.1	983.6	923.6
Cumulative-effect adjustment from adoption of ASU 2016-01, Financial Instruments	—	140.0	—
Cumulative-effect adjustment from adoption of ASU 2014-09, Revenue	—	3.4	—
Net earnings	112.4	22.9	71.6
Dividends	(11.9)	(11.8)	(11.6)
Balance at end of year	<u>1,238.6</u>	<u>1,138.1</u>	<u>983.6</u>
Accumulated Other Comprehensive Income (Loss)			
Balance at beginning of year	(17.1)	130.8	58.7
Cumulative-effect adjustment from adoption of ASU 2016-01, Financial Instruments	—	(140.0)	—
Other comprehensive income (loss), net of tax	1.3	(7.9)	72.1
Balance at end of year	<u>(15.8)</u>	<u>(17.1)</u>	<u>130.8</u>
Stockholders' Equity at end of year	<u>\$ 1,264.5</u>	<u>\$ 1,159.5</u>	<u>\$ 1,151.5</u>

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	2019	2018	2017
	(In millions of dollars)		
Cash flows from operating activities:			
Net earnings	\$ 112.4	\$ 22.9	\$ 71.6
Adjustments to reconcile net earnings to net cash from operating activities:			
Depreciation and amortization	31.6	26.2	22.7
Operating lease asset amortization	22.3	—	—
Provision for bad debts	4.1	3.0	5.6
Stock-based compensation	5.6	8.1	9.1
Deferred income taxes	(18.3)	(47.5)	(5.9)
(Gain) loss on investment in Persol Holdings	(35.8)	96.2	—
(Gain) on sale of assets	(12.3)	—	—
Asset impairment charge	15.8	—	—
Equity in net (earnings) loss of PersolKelly Asia Pacific	3.6	(5.2)	(2.7)
Other, net	(0.4)	(0.8)	0.2
Changes in operating assets and liabilities, net of acquisitions	(26.4)	(41.5)	(29.8)
Net cash from operating activities	102.2	61.4	70.8
Cash flows from investing activities:			
Capital expenditures	(20.0)	(25.6)	(24.6)
Acquisition of companies, net of cash received	(86.4)	—	(37.2)
Investment in equity securities	(1.0)	(5.0)	—
Loans to equity affiliate	(4.4)	(7.0)	0.6
Proceeds from sale of assets	13.8	—	—
Proceeds from company-owned life insurance	3.0	7.9	—
Other investing activities	0.7	(0.1)	0.2
Net cash used in investing activities	(94.3)	(29.8)	(61.0)
Cash flows from financing activities:			
Net change in short-term borrowings	(0.3)	(7.8)	10.1
Financing lease payments	(0.7)	—	—
Dividend payments	(11.9)	(11.8)	(11.6)
Payments of tax withholding for restricted shares	(2.5)	(6.9)	(1.8)
Other financing activities	(0.7)	—	(0.1)
Net cash used in financing activities	(16.1)	(26.5)	(3.4)
Effect of exchange rates on cash, cash equivalents and restricted cash	(0.9)	(1.9)	(3.8)
Net change in cash, cash equivalents and restricted cash	(9.1)	3.2	2.6
Cash, cash equivalents and restricted cash at beginning of year	40.1	36.9	34.3
Cash, cash equivalents and restricted cash at end of year ⁽¹⁾	\$ 31.0	\$ 40.1	\$ 36.9

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

⁽¹⁾ The following table provides a reconciliation of cash, cash equivalents and restricted cash to the amounts reported in our consolidated balance sheet:

	2019	2018	2017
(In millions of dollars)			
Reconciliation of cash, cash equivalents and restricted cash:			
Current assets:			
Cash and cash equivalents	\$ 25.8	\$ 35.3	\$ 32.5
Restricted cash included in prepaid expenses and other current assets	0.2	0.1	—
Noncurrent assets:			
Restricted cash included in other assets	5.0	4.7	4.4
Cash, cash equivalents and restricted cash at end of year	\$ 31.0	\$ 40.1	\$ 36.9

See accompanying Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

Nature of Operations Kelly Services, Inc. is a specialty talent and workforce solutions provider operating throughout the world.

Fiscal Year The Company's fiscal year ends on the Sunday nearest to December 31. The three most recent years ended on December 29, 2019 (2019), December 30, 2018 (2018) and December 31, 2017 (2017), all of which contained 52 weeks. Period costs included in selling, general and administrative ("SG&A") expenses are recorded on a calendar-year basis. The Company's operations in Brazil are accounted for on a one-month lag. The Company's equity method investment in PersolKelly Asia Pacific are accounted for on a one-quarter lag (see Investment in PersolKelly Asia Pacific footnote). Any material transactions in the intervening period are disclosed or accounted for in the current reporting period.

Principles of Consolidation The consolidated financial statements include the accounts and operations of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Investment in Persol Holdings The Company's investment in Persol Holdings, as further described in the Investment in Persol Holdings footnote, is carried at fair value with the changes in fair value recognized in net earnings. The fair value of the investment is based on the quoted market price.

Investment in PersolKelly Asia Pacific The Company has a 49% ownership interest in its equity affiliate, PersolKelly Asia Pacific, which is accounted for under the equity method. The operating results of the equity affiliate are recorded on a one-quarter lag and included in equity in net earnings (loss) of affiliate in the consolidated statements of earnings.

Foreign Currency Translation All of the Company's international subsidiaries use their local currency as their functional currency, which is the currency in which they transact the majority of their activities. Revenue and expense accounts of foreign subsidiaries are translated to U.S. dollars at average exchange rates, while assets and liabilities are translated to U.S. dollars at year-end exchange rates. Resulting translation adjustments, net of tax, where applicable, are reported as accumulated foreign currency translation adjustments in stockholders' equity and are recorded as a component of accumulated other comprehensive income (loss).

Revenue Recognition Revenues are recognized when control of the promised services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services. Our revenues are recorded net of any sales, value added, or similar taxes collected from our customers. We generate revenue from: the hourly sales of services by our temporary employees to customers ("staffing solutions" revenue), the recruiting of permanent employees for our customers ("permanent placement" revenue), and through our talent fulfillment and outcome-based activities ("talent solutions" and "outcome-based services" revenue).

We record revenues from sales of services and the related direct costs in accordance with the accounting guidance on reporting revenue gross as a principal versus net as an agent. When Kelly is the principal, we demonstrate control over the service by being the employer of record for the individuals performing the service, by being primarily responsible to our customers and by having a level of discretion in establishing pricing in which the gross amount is recorded as revenues. When Kelly arranges for other contingent labor suppliers and/or service providers to perform services for the customer, we do not control those services before they are transferred, and therefore, the amounts billed to our customers are net of the amounts paid to the secondary suppliers/service providers and the net amount is recorded as revenues.

Staffing Solutions Revenue

Staffing solutions contracts are short-term in nature. Billings are generally negotiated and invoiced on a per-hour or per-unit basis as the temporary staffing services are transferred to the customer. Revenue from the majority of our staffing solutions services continues to be recognized over time as the customer simultaneously receives and consumes the services we provide. We have applied the practical expedient to recognize revenue for these services over the term of the agreement in proportion to the amount we have the right to invoice the customer.

Permanent Placement Revenue

Permanent placement revenue is recorded at the point in time the permanent placement candidate begins full-time employment. On the candidate start date, the customer accepts the candidate and can direct the use of the candidate as well as obtains the significant risk and rewards of the candidate. We consider this the point the control transfers to the customer.

Talent Solutions and Outcome-Based Services Revenue

Billings are generally negotiated and invoiced on a measure of time (hours, weeks, months) or per-unit basis for our services performed. We continue to recognize revenue from the majority of our talent solutions services and our outcome-based services over time as the customer simultaneously receives and consumes the services we provide. We have applied the practical expedient to recognize revenue for these services over the term of the agreement in proportion to the amount we have the right to invoice the customer.

Variable Consideration

Certain customers may receive cash-based incentives or credits, which are accounted for as a form of variable consideration. We estimate these amounts based on the expected or likely amount to be provided to customers and reduce revenues recognized to the extent that it is probable that a significant reversal of such adjustment will not occur. Provisions for sales allowances (billing adjustments related to errors, service issues and compromises on billing disputes), based on historical experience, are recognized at the time the related sale is recognized as a reduction in revenue from services.

Payment Terms

Customer payments are typically due within 60 days of invoicing, but may be shorter or longer depending on contract terms. Management does not assess whether a contract has a significant financing component if the expectation at contract inception is that the period between payment by the customer and the transfer of the services to the customer will be less than one year. We do not have any significant financing components or extended payment terms.

Deferred Revenue

Items which are billed to the customer at a point in time, rather than billed over time as the services are delivered to the customer, are assessed for potential revenue deferral. At this time, the balance of the contract liability as well as the amount of revenue recognized in the reporting period that was included in the deferred revenue balance at the beginning of the period is not material.

Deferred Costs

Sales commissions paid at initial contract inception and upon contract renewal by our sales team are considered incremental and recoverable costs of obtaining a contract with a customer. The sales commissions (and related fringe benefits such as taxes and benefits) are deferred and then amortized on a straight-line basis over an appropriate period of benefit that we have determined to be contract duration. We determined the period of benefit by taking into consideration our customer contracts and other relevant factors. Anticipated renewal periods are not included in the amortization period of the initial commission. Amortization expense is included in SG&A expenses in the consolidated statements of earnings. As a practical expedient, sales commissions with amortization periods of 12 months or less are expensed as incurred. These costs are recorded in SG&A expenses in the consolidated statements of earnings.

Occasionally, fulfillment costs are incurred after obtaining a contract in order to generate a resource that will be used to provide our services. These costs are considered incremental and recoverable costs to fulfill our contract with the customer. These costs to fulfill a contract are deferred and then amortized on a straight-line basis over a period of benefit that we have determined to be the average length of assignment of the employees. We determined the period of benefit by taking into consideration our customer contracts, attrition rates and other relevant factors. Amortization expense is included in SG&A expenses in the consolidated statements of earnings.

Unsatisfied Performance Obligations

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

Allowance for Uncollectible Accounts Receivable The Company records an allowance for uncollectible accounts receivable based on historical loss experience, customer payment patterns and current economic trends. The reserve for sales allowances, as discussed above, is also included in the allowance for uncollectible accounts receivable. The Company reviews the adequacy of the allowance for uncollectible accounts receivable on a quarterly basis and, if necessary, increases or decreases the balance by recording a charge or credit to SG&A expenses for the portion of the adjustment relating to uncollectible accounts receivable, and a charge or credit to revenue from services for the portion of the adjustment relating to sales allowances.

Cost of Services Cost of services are those costs directly associated with the earning of revenue. The primary examples of these types of costs are temporary employee wages, along with other employee related costs, including associated payroll taxes, temporary employee benefits, such as service bonus and holiday pay, and workers' compensation costs. These costs differ

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

fundamentally from SG&A expenses in that they arise specifically from the action of providing our services to customers whereas SG&A costs are incurred regardless of whether or not we place temporary employees with our customers.

Advertising Expenses Advertising expenses, which are expensed as incurred and are included in SG&A expenses, were \$9.4 million in 2019, \$8.7 million in 2018 and \$7.9 million in 2017.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Estimates are used for, but not limited to, the accounting for the allowance for uncollectible accounts receivable, workers' compensation, goodwill and long-lived asset impairment, valuation of acquired intangibles, impairment of equity affiliates, litigation costs and income taxes. Actual results could differ materially from those estimates.

Cash and Equivalents Cash and equivalents are stated at fair value. The Company considers securities with original maturities of three months or less to be cash and equivalents.

Property and Equipment Property and equipment are stated at cost and are depreciated on a straight-line basis over their estimated useful lives. Cost and estimated useful lives of property and equipment by function are as follows:

Category	2019		2018		Life
	(In millions of dollars)				
Land	\$	—	\$	3.8	—
Work in process		2.7		12.2	—
Buildings and improvements		13.0		65.3	15 to 40 years
Computer hardware and software		153.1		153.3	3 to 12 years
Equipment, furniture and fixtures		34.1		34.6	5 years
Leasehold improvements		22.9		25.5	The lesser of the life of the lease or 5 years.
Total property and equipment	\$	225.8	\$	294.7	

The Company capitalizes external costs and internal payroll costs directly incurred in the development of software for internal use as required by the Internal-Use Software Subtopic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). Work in process represents capitalized costs for internal use software not yet in service. Depreciation expense was \$25.3 million for 2019, \$24.0 million for 2018 and \$21.8 million for 2017.

Leases See Leases footnote for a description of the accounting policy related to leases.

Goodwill and Other Intangible Assets Goodwill represents the excess of the purchase price over the acquisition date fair value of net assets acquired. Purchased intangible assets are primarily comprised of acquired trade name and customer relationships that are recorded at fair value at the date of acquisition. The fair value of trade name intangibles is determined using the relief-from-royalty method, which relies on the use of estimates and assumptions about projected revenue growth and discount rates. The fair value of customer relationship intangibles is determined using the multi-period excess earnings method, which relies on the use of estimates and assumptions about projected revenue growth, customer attrition, and discount rates.

Purchased intangible assets with definite lives are amortized over their respective useful lives (from 4 to 15 years) on a straight-line basis or, if appropriate, on an accelerated basis commensurate with the related cash flows.

Impairment of Long-Lived Assets, Intangible Assets, Goodwill, Equity Method Investments and Equity Securities The Company evaluates long-lived assets and intangible assets with definite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When estimated undiscounted future cash flows will not be sufficient to recover the carrying amount of the asset group, in which the long-lived asset being tested for impairment resides, the asset is written down to its estimated fair value. Assets to be disposed of by sale, if any, are reported at the lower of the carrying amount or estimated fair value less cost to sell.

We test goodwill for impairment at the reporting unit level annually in the fourth quarter and whenever events or circumstances make it more likely than not that an impairment may have occurred. We have determined that our reporting units are the same as our operating and reportable segments based on our organizational structure. Goodwill is tested for impairment by comparing the estimated fair value of a reporting unit to its carrying value. To derive the estimated fair value of reporting units, we primarily relied on an income approach. We also utilized various market approaches to validate the fair value determined using the income approach. Under the income approach, estimated fair value is determined based on estimated future cash flows discounted by an estimated market participant weighted-average cost of capital, which reflects the overall level of inherent risk of the reporting unit being measured. Estimated future cash flows are based on our internal projection model and reflects management's outlook for the reporting units.

If the estimated fair value of a reporting unit exceeds the carrying value of the net assets assigned to a reporting unit, goodwill is not considered impaired and no further testing is required. If the carrying value of the net assets assigned to a reporting unit exceeds the estimated fair value of a reporting unit, goodwill would be deemed impaired and would be written down to the extent of the difference.

We evaluate our equity method investment on a quarterly basis or whenever events or circumstances indicate the carrying amount may be other-than-temporarily impaired. If we conclude that there is an other-than-temporary impairment of our equity method investment, we will adjust our carrying amount of our investment to the adjusted fair value.

We evaluate our equity securities measured under the measurement alternative for indicators of impairment on a quarterly basis and whenever observable price changes occur. The measurement alternative represents cost, less impairment, plus or minus observable price changes. Quarterly, we also confirm the securities still qualify to be measured in accordance with the measurement alternative. The value of the securities will be adjusted for any increases or decreases as a result of an observable price change.

Accounts Payable Included in accounts payable are book overdrafts, which are outstanding checks in excess of funds on deposit. Such amounts totaled \$5.9 million and \$7.3 million at year-end 2019 and 2018.

Accrued Payroll and Related Taxes Included in accrued payroll and related taxes are book overdrafts, which are outstanding checks in excess of funds on deposit. Such amounts totaled \$21.9 million and \$22.9 million at year-end 2019 and 2018, respectively. Payroll taxes for temporary employees are recognized proportionately to direct wages for interim periods based on expected full-year amounts.

Income Taxes The Company accounts for income taxes using the liability method. Under this method, deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Valuation allowances are provided against deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The U.S. work opportunity credit is allowed for wages earned by employees in certain targeted groups. The actual amount of creditable wages in a particular period is estimated, since the credit is only available once an employee reaches a minimum employment period and the employee's inclusion in a targeted group is certified by the applicable state. As these events often occur after the period the wages are earned, judgment is required in determining the amount of work opportunity credits accrued for in each period. We evaluate the accrual regularly throughout the year and make adjustments as needed.

Uncertain tax positions that are taken or expected to be taken in a tax return are recognized in the financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities that have full knowledge of all relevant information. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

Interest and penalties related to income taxes are classified as income tax expense. U.S. taxes on global intangible low-taxed income ("GILTI") are accounted for as incurred.

Stock-Based Compensation The Company may grant restricted stock awards and units (collectively, "restricted stock") and performance awards to key employees associated with the Company's Class A stock. The Company utilizes the market price on the date of grant as the fair value for restricted stock and the market price on the date of grant less the present value of the expected dividends not received during the vesting period for performance awards. The Company also estimates the fair value of performance awards related to relative total shareholder return or awards with a total shareholder return modifier using a Monte Carlo simulation model. The value of awards is recognized as expense, net of forfeitures as they occur, over the requisite service periods in SG&A expense in the Company's consolidated statements of earnings.

Earnings Per Share Restricted stock that entitle their holders to receive nonforfeitable dividends before vesting are considered participating securities and, therefore, are included in the calculation of earnings per share using the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. Under this method, earnings from continuing operations (or net earnings) is reduced by the amount of dividends declared, and the remaining undistributed earnings is allocated to common stock and participating securities based on the proportion of each class's weighted average shares outstanding to the total weighted average shares outstanding. The calculation of diluted earnings per share includes the effect of potential common shares outstanding in the average weighted shares outstanding.

Workers' Compensation In the U.S., the Company has a combination of insurance and self-insurance contracts under which we effectively bear the first \$1.0 million of risk per single accident. The Company establishes accruals for workers' compensation claims utilizing actuarial methods to estimate the undiscounted future cash payments that will be made to satisfy the claims, including an allowance for incurred-but-not-reported claims. The Company retains an independent consulting actuary to establish loss development factors, based on historical claims experience as well as industry experience, and applies those factors to current claims information to derive an estimate of the ultimate claims liability.

In preparing the estimates, the consulting actuary considers a number of assumptions and multiple generally accepted actuarial methods in the course of preparing the loss forecast for claims. When claims exceed the applicable loss limit or self-insured retention and realization of recovery of the claim from existing insurance policies is deemed probable, the Company records a receivable from the insurance company for the excess amount. The receivable is included in prepaid expenses and other current assets and other assets in the consolidated balance sheet at year end. The Company evaluates the accrual quarterly throughout the year and makes adjustments as needed, and the ultimate cost of these claims may be greater than or less than the established accrual.

2. Revenue

Adoption of ASC Topic 606, Revenue from Contracts with Customers

On January 1, 2018, we adopted ASC Topic 606, Revenue from Contracts with Customers ("ASC 606"), using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 605.

We recorded a net increase to opening earnings invested in the business of \$3.4 million as of January 1, 2018 due to the cumulative impact of adopting ASC 606. The impact is primarily driven by the deferral of contract costs related to our customer contracts of \$5.2 million, partially offset by deferring revenue billed at a point in time for services performed over time of \$0.6 million and a deferred tax liability of \$1.2 million. As of and for year to date 2018, the consolidated financial statements were not materially impacted as a result of the application of Topic 606 compared to Topic 605.

Revenue Disaggregated by Service Type

Staffing solutions can be branch-delivered (Americas and EMEA regions) or centrally delivered (within Global Talent Solutions ("GTS")). Our Americas Staffing segment is organized to deliver services in a number of specialty staffing solutions, which are summarized as: commercial, specialized professional/technical ("PT") and educational staffing. Permanent placement solutions can be branch-delivered (Americas and EMEA regions) or centrally delivered (within GTS). In addition to centrally delivered staffing services, our GTS segment also includes talent solutions (contingent workforce outsourcing "CWO," payroll process outsourcing "PPO," and recruitment process outsourcing "RPO,") and outcome-based services (business process outsourcing "BPO," KellyConnect, career transition/outplacement services and talent advisory services).

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The table below presents our segment revenues disaggregated by service type (in millions).

	December Year to Date	
	2019	2018
Branch-Delivered Staffing		
Americas Staffing		
Staffing Solutions		
Commercial	\$ 1,502.3	\$ 1,679.6
Education	451.9	428.0
Professional/Technical	332.4	272.2
Permanent Placement	33.5	37.9
Total Americas Staffing	2,320.1	2,417.7
International Staffing		
Staffing Solutions	1,001.1	1,087.7
Permanent Placement	24.8	28.9
Total International Staffing	1,025.9	1,116.6
Global Talent Solutions		
Talent Fulfillment		
Staffing Solutions	1,015.5	1,117.6
Permanent Placement	1.8	1.9
Talent Solutions	365.8	362.8
Total Talent Fulfillment	1,383.1	1,482.3
Outcome-Based Services	641.4	515.1
Total Global Talent Solutions	2,024.5	1,997.4
Total Intersegment	(14.9)	(17.8)
Total Revenue from Services	\$ 5,355.6	\$ 5,513.9

Revenue Disaggregated by Geography

Our operations are subject to different economic and regulatory environments depending on geographic location. Our GTS segment operates in Americas, EMEA and APAC regions. For 2019 and 2018, GTS made up \$1,955.5 million and \$1,929.3 million in total Americas, respectively, \$42.1 million and \$45.9 million in total EMEA, respectively, and the entire balance in APAC.

The below table presents our revenues disaggregated by geography (in millions):

	December Year to Date	
	2019	2018
Americas		
United States	\$ 3,892.5	\$ 3,930.0
Canada	136.1	142.4
Mexico	123.6	125.0
Puerto Rico	74.6	96.6
Brazil	34.1	35.2
Total Americas	<u>4,260.9</u>	<u>4,329.2</u>
EMEA		
France	248.6	278.9
Switzerland	200.7	212.7
Portugal	179.8	196.9
Russia	117.6	100.4
United Kingdom	103.1	108.8
Italy	75.9	77.5
Germany	41.6	57.1
Ireland	33.1	44.6
Other	67.5	85.6
Total EMEA	<u>1,067.9</u>	<u>1,162.5</u>
Total APAC	<u>26.8</u>	<u>22.2</u>
Total Kelly Services, Inc.	<u>\$ 5,355.6</u>	<u>\$ 5,513.9</u>

Deferred Costs

Deferred sales commissions, which are included in other assets in the consolidated balance sheet, were \$1.5 million as of year-end 2019 and \$2.3 million as of 2018. Amortization expense for the deferred costs was \$1.6 million for 2019 and \$1.7 million for 2018. As of year-end 2019, there was no impairment loss in relation to the costs capitalized.

Deferred fulfillment costs, which are included in prepaid expenses and other current assets in the consolidated balance sheet, were \$3.6 million as of year-end 2019 and \$3.0 million as of 2018. Amortization expense for the deferred costs was \$14.6 million for 2019 and \$13.0 million for 2018. As of year-end 2019, there was no impairment loss in relation to the costs capitalized.

3. Assets Held for Sale

Upon approval of the Company's board of directors, Kelly Properties, LLC, a wholly owned subsidiary of the Company, entered into an agreement on December 4, 2019 to sell three headquarters properties in Troy, Michigan. Accordingly, during the fourth quarter of 2019, the transaction met the criteria to classify the properties as held for sale. The properties held for sale include the parcels of land, together with all rights and easements, in addition to all improvements located on the land, including buildings. Assets held for sale are recorded at the lower of their carrying value or fair value less estimated costs to sell and

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

depreciation is suspended on assets upon classification to held for sale. The combined net carrying amount of the properties held for sale as of year-end 2019 is \$21.2 million, which is less than the sales price in the purchase agreement, less costs to sell. The proceeds of the sale are expected to be approximately \$51 million, net of taxes and transaction expenses. The Company has presented these assets as current assets held for sale on the consolidated balance sheet as of year-end 2019, as the properties will be sold in the first quarter of 2020 per terms of the purchase agreement. The main headquarters building included in the sale will be leased back.

4. Acquisitions

In the first quarter of 2019, the Company acquired NextGen Global Resources LLC (“NextGen”) and Global Technology Associates, LLC (“GTA”), as detailed below. We have accounted for these acquisitions under Accounting Standards Update (“ASU”) 2017-01, Business Combinations.

NextGen Global Resources

On January 2, 2019, the Company acquired 100% of the membership interests of NextGen, a leading provider of telecommunications staffing solutions, for a purchase price of \$51.0 million. Under terms of the purchase agreement, the purchase price was adjusted for cash held by NextGen at the closing date and estimated working capital adjustments resulting in the Company paying cash of \$54.3 million. As of year-end 2019, the purchase price allocation is final.

This acquisition will increase our presence and market share in the telecommunications industry within the engineering staffing solutions market. NextGen’s results of operations are included in the Americas Staffing segment in 2019.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the date of the acquisition (in millions of dollars):

Cash	\$	3.5
Trade accounts receivable		19.7
Other current assets		0.3
Goodwill		13.7
Intangibles		21.5
Other noncurrent assets		0.5
Current liabilities		(4.9)
Purchase price paid, including working capital adjustments	\$	54.3

Included in the assets purchased in the NextGen acquisition was approximately \$21.5 million of intangible assets, made up of \$12.9 million in customer relationships, \$8.1 million associated with NextGen’s trade name and \$0.5 million for non-compete agreements. The customer relationships will be amortized over 10 years with no residual value, the trade name will be amortized over 15 years with no residual value and the non-compete agreements will be amortized over five years with no residual value. Goodwill generated from this acquisition is primarily attributable to the market potential as a staffing solutions provider to the expanding telecommunications industry, and is assigned to the Americas Staffing reporting unit (see Goodwill and Intangible Assets footnote). All of the goodwill is deductible for tax purposes.

Global Technology Associates

On January 2, 2019, in a separate transaction, the Company acquired 100% of the membership interests of GTA, a leading provider of engineering, technology and business consulting solutions in the telecommunications industry, for a purchase price of \$34.0 million. Under terms of the purchase agreement, the purchase price was adjusted for cash held by GTA at the closing date and estimated working capital adjustments resulting in the Company paying cash of \$35.7 million. As of year-end 2019, the purchase price allocation is final.

This acquisition will increase our presence and market share in the telecommunications industry within the engineering outcome-based solutions market. GTA’s results of operations are included in the GTS segment in 2019.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the date of the acquisition (in millions of dollars):

Cash	\$	0.1
Trade accounts receivable		13.9
Other current assets		0.1
Goodwill		6.8
Intangibles		17.3
Other noncurrent assets		0.4
Current liabilities		(2.9)
Purchase price paid, including working capital adjustments	\$	<u>35.7</u>

Included in the assets purchased in the GTA acquisition was approximately \$17.3 million of intangible assets, made up of \$12.1 million in customer relationships, \$4.0 million associated with GTA's trade name and \$1.2 million for non-compete agreements. The customer relationships will be amortized over 10 years with no residual value, the trade name will be amortized over 15 years with no residual value and the non-compete agreements will be amortized over five years with no residual value. Goodwill generated from this acquisition is primarily attributable to the market potential as a solutions provider to the expanding telecommunications industry, and is assigned to the GTS reporting unit (see Goodwill and Intangible Assets footnote). All of the goodwill is deductible for tax purposes.

Pro Forma Information

Our consolidated revenues and net earnings for the year ended 2019 included \$78.3 million and \$4.5 million, respectively, from NextGen and \$62.8 million and \$4.5 million, respectively, from GTA. The following unaudited pro forma information presents a summary of the operating results as if the NextGen and GTA acquisitions had been completed as of January 1, 2018 (in millions of dollars, except per share data):

	December Year to Date	
	2019	2018
Pro forma revenues	\$ 5,355.6	\$ 5,624.2
Pro forma net earnings	112.4	29.8
Pro forma basic earnings per share	2.85	0.76
Pro forma diluted earnings per share	2.84	0.75

Due to the date of the acquisitions, the 2019 actual results represent the 2019 pro forma results. For December year to date 2018, NextGen pro forma revenues and net earnings were \$67.8 million and \$3.0 million, respectively, and GTA pro forma revenues and net earnings were \$42.5 million and \$3.3 million, respectively.

The pro forma results for December year to date 2018 reflect amortization of the intangible assets, applicable taxes, adjustments for the accounting for revenue under ASC 606, and transaction expenses, none of which had a material impact on the pro forma results. The unaudited pro forma information presented has been prepared for comparative purposes only and is not necessarily indicative of the results of operations as they would have been had the acquisitions occurred on the assumed dates, nor is it necessarily an indication of future operating results.

Teachers On Call

On September 5, 2017, Kelly Services USA, LLC, a wholly owned subsidiary of the Company, acquired 100% of the issued and outstanding shares of Teachers On Call, Inc. ("TOC"), an educational staffing firm in the U.S. for a purchase price of \$41.0 million. Under terms of the purchase agreement, the purchase price was adjusted for cash held by TOC at the closing date less an estimated working capital adjustment resulting in the Company paying cash of \$39.0 million at closing. In the first quarter of 2018, the Company paid a working capital adjustment of \$0.2 million, resulting in an increase of goodwill.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Pro forma results of operations for this acquisition have not been presented as it is not material to the consolidated statements of earnings. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the date of the acquisition (in millions of dollars):

Cash	\$	1.8
Other current assets		3.6
Goodwill		18.7
Intangibles		18.3
Other noncurrent assets		0.5
Current liabilities		(3.9)
Purchase price paid at closing	\$	<u>39.0</u>

Goodwill generated from this acquisition is primarily attributable to expected synergies from combining operations and expanding market potential, and is assigned to the Americas Staffing reporting unit. The amount of goodwill deductible for tax purposes is approximately \$18.8 million as of year-end 2019. An indemnification asset of \$2.8 million was recognized as of the acquisition date related to pre-acquisition tax liabilities. The indemnification asset was zero as of year-end 2019 and \$0.1 million as of year-end 2018, with the change driven by cash received from the seller to pay pre-acquisition tax liabilities.

5. Investment in Persol Holdings

The Company has a yen-denominated investment in the common stock of Persol Holdings, the Company's joint venture partner in PersolKelly Asia Pacific. As our investment is a noncontrolling interest in Persol Holdings, this investment is recorded at fair value based on the quoted market price of Persol Holdings stock on the Tokyo Stock Exchange as of the period end (see Fair Value Measurements footnote). The Company adopted ASU 2016-01 and as a result, effective January 1, 2018, all changes in fair value on the investment are recognized in net earnings which previously were recorded in other comprehensive income. A cumulative catch-up adjustment of the prior net unrealized gains previously recorded in other comprehensive income, and in accumulated other comprehensive income (loss), a component of stockholders' equity, was recorded in earnings invested in the business as of January 1, 2018 for \$140.0 million, net of \$69.9 million of taxes.

For the year ended 2019, a gain on the investment of \$35.8 million was recorded entirely in the gain (loss) on investment in Persol Holdings in the consolidated statements of earnings. For the year ended 2018, a loss on the investment of \$96.2 million was recorded entirely in the gain (loss) on investment in Persol Holdings in the consolidated statements of earnings.

6. Investment in PersolKelly Asia Pacific

The Company has a 49% ownership interest in PersolKelly Asia Pacific, a staffing solutions business operating in more than 10 countries in the Asia-Pacific region. The operating results of the Company's interest in PersolKelly Asia Pacific are accounted for on a one-quarter lag under the equity method and are reported in equity in net earnings (loss) of affiliate in the consolidated statements of earnings, which amounted to a loss of \$3.6 million in 2019, and earnings of \$5.2 million in 2018 and \$2.7 million in 2017. This investment is evaluated for indicators of impairment on a periodic basis or whenever events or circumstances indicate the carrying amount may be other-than-temporarily impaired. If we conclude that there is an other-than-temporary impairment of this equity method investment, we will adjust the carrying amount of the investment to the current fair value.

The investment in equity affiliate on the Company's consolidated balance sheet totaled \$117.2 million as of year-end 2019 and \$121.3 million as of year-end 2018. The net amount due from PersolKelly Asia Pacific, a related party, was \$10.9 million as of year-end 2019 and \$10.2 million as of year-end 2018. The Company made loans, proportionate to its 49% ownership, to PersolKelly Asia Pacific for \$7.0 million in 2018 and an additional \$4.4 million in the third quarter of 2019 to fund working capital requirements as a result of their sustained revenue growth. The loans, which are outstanding as of year-end 2019, are included in other assets in the consolidated balance sheet and included in the net amounts due from PersolKelly Asia Pacific. The carrying value of the loans approximates the fair value based on market interest rates. The amount included in trade accounts payable for staffing services provided by PersolKelly Asia Pacific as a supplier to secondary supplier programs was \$0.2 million as of year-end 2019 and 2018. In 2017, TS Kelly Workforce Solutions, a previous joint venture which was transferred to PersolKelly Asia Pacific in the first quarter of 2017, made a loan repayment of \$0.6 million to the Company.

7. Fair Value Measurements

Trade accounts receivable, accounts payable, accrued liabilities, accrued payroll and related taxes and short-term borrowings approximate their fair values due to the short-term maturities of these assets and liabilities.

Assets Measured at Fair Value on a Recurring Basis

The following tables present assets measured at fair value on a recurring basis as of year-end 2019 and 2018 in the consolidated balance sheet by fair value hierarchy level, as described below.

Level 1 measurements consist of unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 measurements include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 3 measurements include significant unobservable inputs.

Description	Fair Value Measurements on a Recurring Basis As of Year-End 2019			
	Total	Level 1	Level 2	Level 3
	(In millions of dollars)			
Money market funds	\$ 4.9	\$ 4.9	\$ —	\$ —
Investment in Persol Holdings	173.2	173.2	—	—
Total assets at fair value	<u>\$ 178.1</u>	<u>\$ 178.1</u>	<u>\$ —</u>	<u>\$ —</u>

Description	Fair Value Measurements on a Recurring Basis As of Year-End 2018			
	Total	Level 1	Level 2	Level 3
	(In millions of dollars)			
Money market funds	\$ 4.6	\$ 4.6	\$ —	\$ —
Investment in Persol Holdings	135.1	135.1	—	—
Total assets at fair value	<u>\$ 139.7</u>	<u>\$ 139.7</u>	<u>\$ —</u>	<u>\$ —</u>

Money market funds as of year-end 2019 and 2018 represent investments in money market accounts, all of which are restricted as to use and are included in other assets in the consolidated balance sheet. The money market funds that are restricted as to use account for the majority of our restricted cash balance and represents cash balances that are required to be maintained to fund disability claims in California. The valuations of money market funds were based on quoted market prices of those accounts as of the respective period end.

The valuation of the investment in Persol Holdings is based on the quoted market price of Persol Holdings stock on the Tokyo Stock Exchange as of the period end, and the related changes in fair value are recorded in the consolidated statements of earnings (see Investment in Persol Holdings footnote). In 2017, changes in fair value were recorded in other comprehensive income, and in accumulated other comprehensive income (loss), a component of stockholders' equity. The cost of this yen-denominated investment, which fluctuates based on foreign exchange rates, was \$18.9 million at year-end 2019 and \$18.8 million at year-end 2018.

Equity Investments Without Readily Determinable Fair Value

The Company has a minority investment in Business Talent Group, LLC, which is included in other assets in the consolidated balance sheet. This investment is measured using the measurement alternative for equity investments without a readily determinable fair value. The carrying amount of \$5.0 million as of year-end 2019 and 2018 represents the purchase price. There have been no adjustments to the carrying amount or impairments on the investment.

During the second quarter of 2019, the Company made an additional \$1.0 million minority investment in Kenzie Academy Inc., which is included in other assets in the consolidated balance sheet. This investment is also measured using the measurement

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

alternative for equity investments without a readily determinable fair value as described above. As of year-end 2019, the investment totaled \$1.3 million, representing total cost plus observable price changes to date.

Assets Measured at Fair Value on a Nonrecurring Basis

We completed our annual impairment test of goodwill for all reporting units in the fourth quarter for the fiscal years ended 2019 and 2018 and determined that goodwill was not impaired.

In 2019 and 2018, we performed a step one quantitative test for all of our reporting units with goodwill. For both years, the estimated fair value of each reporting unit tested exceeded its related carrying value. As a result of these quantitative assessments, we determined it was more likely than not that the fair value of each of the reporting units was more than its carrying value.

8. Restructuring

In the first quarter of 2019, the Company took restructuring actions to transform operations in order to drive growth and operational effectiveness primarily in the U.S. branch-based staffing operations.

Restructuring costs incurred in 2019 totaled \$5.5 million, all of which is within the Americas Staffing segment. The restructuring costs, which are all severance related, were recorded in SG&A expenses in the consolidated statements of earnings.

A summary of our global restructuring balance sheet accrual, included in accrued payroll and related taxes, is detailed below (in millions of dollars).

Balance as of year-end 2018	\$	—
Additions charged to Americas Staffing		6.3
Reductions for cash payments		(5.2)
Accrual adjustments		(0.8)
Balance as of year-end 2019	\$	<u>0.3</u>

The remaining balance of \$0.3 million as of year-end 2019 primarily represents severance costs and the majority is expected to be paid during the first quarter of 2020. No material adjustments are expected to be recorded.

9. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the fiscal year 2019 are included in the table below. See Acquisitions footnote for a description of the additions to goodwill in 2019.

	As of Year-End 2018	Additions to Goodwill	As of Year-End 2019
	(In millions of dollars)		
Americas Staffing	\$ 44.8	\$ 13.7	\$ 58.5
Global Talent Solutions	62.5	6.8	69.3
International Staffing	—	—	—
	<u>\$ 107.3</u>	<u>\$ 20.5</u>	<u>\$ 127.8</u>

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Intangible assets, excluding fully-amortized intangibles, are included within other assets on our consolidated balance sheet and consist of the following (in millions of dollars):

	Useful lives	2019			2018		
		Gross Carrying amount	Less: Accumulated Amortization	Net	Gross Carrying amount	Less: Accumulated Amortization	Net
Customer relationships	10 years	\$ 40.1	\$ 8.3	\$ 31.8	\$ 15.2	\$ 4.5	\$ 10.7
Candidate database	4 years	1.5	0.9	0.6	1.5	0.5	1.0
Trade names	15 years	12.1	0.8	11.3	—	—	—
Non-compete agreements	5 years	1.7	0.3	1.4	—	—	—
Trademarks	Indefinite	4.8	—	4.8	4.8	—	4.8
Total		\$ 60.2	\$ 10.3	\$ 49.9	\$ 21.5	\$ 5.0	\$ 16.5

The year-over-year change in total intangible assets was due to the intangibles purchased in connection with the NextGen and GTA acquisitions (see Acquisitions footnote). Intangible amortization expense, which is included in SG&A expense in the consolidated statements of earnings, was \$5.4 million, \$1.8 million and \$0.9 million in 2019, 2018 and 2017, respectively. The amortization expense will be \$5.2 million in 2020, \$5.1 million in 2021, \$4.8 million in 2022 and 2023 and \$4.5 million in 2024.

10. Other Assets

Included in other assets are the following:

	2019	2018
	(In millions of dollars)	
Life insurance cash surrender value (see Retirement Benefits footnote)	\$ 200.6	\$ 172.5
French CICE ⁽¹⁾	18.2	26.4
Intangibles, net of accumulated amortization of \$24.7 million in 2019 and \$19.6 million in 2018 ⁽²⁾	49.9	16.5
Long-term customer receivable	12.4	12.4
Workers' compensation and other claims receivable ⁽³⁾	7.7	8.6
Other ⁽⁴⁾	35.3	28.8
Other assets	\$ 324.1	\$ 265.2

⁽¹⁾ French CICE is a wage subsidy receivable related to a law to enhance the competitiveness of businesses in France.

⁽²⁾ See Goodwill and Intangible Assets footnote for a detailed listing of intangible assets and related accumulated amortization.

⁽³⁾ Workers' compensation and other claims receivable represents receivables from the insurance company for U.S. workers' compensation and automobile liability claims in excess of the applicable loss limits.

⁽⁴⁾ The increase in Other as of year-end 2019 is primarily due to \$4.4 million related to loans to our equity affiliate (see Investment in PersolKelly Asia Pacific footnote) and \$1.0 million related to an additional minority investment in Kenzie Academy Inc. (see Fair Value Measurements footnote).

11. Leases

At the beginning of the first quarter of 2019, we adopted ASC 842, Leases, using an optional transition method which allowed us to adopt the new lease standard at the adoption date, as compared to the beginning of the earliest period presented, and recognize a cumulative-effect adjustment to the beginning balance of earnings invested in the business in the period of adoption. We elected the package of practical expedients permitted under the transition guidance, which allowed us to carry forward our historical lease classification, our assessment on whether a contract is or contains a lease, and our initial direct costs for any leases that existed prior to adoption of the new standard. We also elected to combine lease and non-lease components, to keep leases with an initial term of 12 months or less off the consolidated balance sheet and recognize the associated lease payments in the consolidated statements of earnings on a straight-line basis over the lease term.

The Company has operating and financing leases for field offices and various equipment. Our leases have remaining lease terms of one year to 10 years. We determine if an arrangement is a lease at inception.

We recorded \$74.1 million of right-of-use (“ROU”) assets within operating lease right-of-use assets, \$19.8 million of current lease liabilities within operating lease liabilities, current and \$54.3 million of noncurrent lease liabilities within operating lease liabilities, noncurrent in the consolidated balance sheet on the date of adoption. No adjustment to the beginning balance of earnings invested in the business was necessary as a result of adopting this standard.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Since most of the Company’s leases do not have an implicit borrowing rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Our leases may include options allowing us in our sole discretion to extend or terminate the lease, and when it is reasonably certain that we will exercise those options, we will include those periods in our lease term. Variable costs, such as payments for insurance and tax payments, are expensed when the obligation for those payments is incurred.

The components of lease expense were as follows (in millions of dollars):

Description	Statements of Earnings Location	December Year to Date 2019
Operating:		
Operating lease cost	Selling, general and administrative expenses	\$ 26.7
Short-term lease cost	Selling, general and administrative expenses	3.5
Variable lease cost	Selling, general and administrative expenses	6.7
Financing:		
Amortization of ROU assets	Selling, general and administrative expenses	0.4
Interest on lease liabilities	Other income (expense), net	0.2
Total lease cost		\$ 37.5

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Supplemental consolidated balance sheet information related to leases was as follows (in millions of dollars):

Description	Balance Sheet Location	As of Year-End 2019
ROU Assets:		
Operating	Operating lease right-of-use assets	\$ 60.4
Financing	Property and equipment	4.1
Total lease assets		<u>\$ 64.5</u>
ROU Liabilities:		
Operating - current	Operating lease liabilities, current	\$ 20.1
Financing - current	Accounts payable and accrued liabilities	1.3
Operating - noncurrent	Operating lease liabilities, noncurrent	43.3
Financing - noncurrent	Other long-term liabilities	2.1
Total lease liabilities		<u>\$ 66.8</u>

Weighted average remaining lease terms and discount rates were as follows:

	December Year to Date 2019
Weighted average remaining lease term (years):	
Operating leases	3.9
Financing leases	3.6
Weighted average discount rate:	
Operating leases	5.7 %
Financing leases	4.9 %

Other information related to leases was as follows (in millions of dollars):

	December Year to Date 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 26.0
Financing cash flows from financing leases	0.7
ROU assets obtained in exchange for new lease obligations:	
Operating leases	\$ 9.2
Financing leases	4.1

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Maturities of lease liabilities as of year-end 2019 were as follows (in millions of dollars):

	Operating Leases	Financing Leases
2020	\$ 23.1	\$ 1.5
2021	18.3	1.2
2022	13.0	1.1
2023	7.5	—
2024	4.3	—
Thereafter	4.4	—
Total future lease payments	70.6	3.8
Less: Imputed interest	7.2	0.4
Total	\$ 63.4	\$ 3.4

Maturities of operating leases accounted for under ASC 840 as of year-end 2018 were as follows (in millions of dollars):

Fiscal year:	
2019	\$ 26.7
2020	20.4
2021	15.2
2022	9.8
2023	4.7
Later years	4.9
Total	\$ 81.7

Lease expense for fiscal years 2018 and 2017 amounted to \$31.4 million and \$31.3 million, respectively.

12. Debt

Short-Term Debt

On December 5, 2019, the Company entered into an agreement with its lenders to amend and restate its existing \$150.0 million, five-year revolving credit facility (the "Facility"). The amendment increased the size to \$200.0 million and changed certain of the terms and conditions, with a new maturity date of December 5, 2024. The Facility allows for borrowings in various currencies and is available to be used to fund working capital, acquisitions and general corporate needs. On December 5, 2019, the Company also entered into an Amended and Restated Pledge and Security Agreement under which the Company pledges certain assets as security for this credit facility, excluding U.S. trade accounts receivable.

At year-end 2019, there were no borrowings under the Facility and a remaining borrowing capacity of \$200.0 million. At year-end 2018, there were no borrowings under the Facility and the remaining borrowing capacity was \$150.0 million. To maintain availability of the funds, we pay a facility fee on the full amount of the Facility, regardless of usage. The facility fee varies based on the Company's leverage ratio as defined in the agreement. The Facility, which contains a cross-default clause that could result in termination if defaults occur under our other loan agreements, had a facility fee of 15.0 basis points at year-end 2019 and 17.5 basis points at year-end 2018. The Facility's financial covenants and restrictions are described below, all of which were met at year-end 2019:

- We must maintain a certain minimum ratio of earnings before interest, taxes, depreciation, amortization and certain cash and non-cash charges that are non-recurring in nature ("EBITDA") to interest expense ("Interest Coverage Ratio") as of the end of any fiscal quarter.
- We must maintain a certain maximum ratio of total indebtedness to the sum of net worth and total indebtedness at all times.

- Dividends, stock buybacks and similar transactions are limited to certain maximum amounts.
- We must adhere to other operating restrictions relating to the conduct of business, such as certain limitations on asset sales and the type and scope of investments.

On December 5, 2019, the Company and Kelly Receivables Funding, LLC, a wholly owned bankruptcy remote special purpose subsidiary of the Company (the "Receivables Entity"), amended the Receivables Purchase Agreement related to the \$200.0 million securitization facility (the "Securitization Facility"). The amendment decreased the size to \$150.0 million and changed certain of the terms and conditions, with a new maturity date of December 5, 2022, unless terminated earlier pursuant to its terms.

Under the Securitization Facility, the Company will sell certain trade receivables and related rights ("Receivables"), on a revolving basis, to the Receivables Entity. The Receivables Entity may from time to time sell an undivided variable percentage ownership interest in the Receivables. The Securitization Facility, which contains a cross-default clause that could result in termination if defaults occur under our other loan agreements, also allows for the issuance of standby letters of credit ("SBLC") and contains certain restrictions based on the performance of the Receivables.

As of year-end 2019, the Securitization Facility had no short-term borrowings, SBLCs of \$52.3 million related to workers' compensation at a rate of 0.90% and a remaining capacity of \$97.7 million. As of year-end 2018, the Securitization Facility had no short-term borrowings, SBLCs of \$55.0 million related to workers' compensation at a rate of 0.90% and a remaining capacity of \$145.0 million. The rate for short-term borrowings includes the LIBOR interest rate and a utilization rate on the amount of our borrowings. The rates for the SBLCs represent a utilization rate on the outstanding amount of the SBLCs. In addition, we pay a commitment fee of 40 basis points on the unused capacity.

The Receivables Entity's sole business consists of the purchase or acceptance through capital contributions of trade accounts receivable and related rights from the Company. As described above, the Receivables Entity may retransfer these receivables or grant a security interest in those receivables under the terms and conditions of the Receivables Purchase Agreement. The Receivables Entity is a separate legal entity with its own creditors who would be entitled, if it were ever liquidated, to be satisfied out of its assets prior to any assets or value in the Receivables Entity becoming available to its equity holders, the Company. The assets of the Receivables Entity are not available to pay creditors of the Company or any of its other subsidiaries, until the creditors of the Receivables Entity have been satisfied. The assets and liabilities of the Receivables Entity are included in the consolidated financial statements of the Company.

The Company had total unsecured, uncommitted short-term local credit facilities of \$11.1 million as of year-end 2019. There were \$1.1 million borrowings under these lines at year-end 2019, compared to \$2.2 million at year-end 2018. The weighted average interest rate for these borrowings, which were related to Malaysia, Brazil and India at year-end 2019 and primarily related to India at year-end 2018, was 6.76% at year-end 2019 and 8.42% at year-end 2018. Included in short-term borrowings at year-end 2019 was \$0.8 million of bank overdrafts.

13. Retirement Benefits

U.S. Defined Contribution Plans

The Company provides a qualified defined contribution plan covering substantially all U.S.-based full-time employees, except officers and certain other employees. The plan offers a savings feature with Company matching contributions. Assets of this plan are held by an independent trustee for the sole benefit of participating employees.

A nonqualified plan is provided for officers and certain other employees. This plan includes provisions for salary deferrals and Company matching contributions.

In addition to the plans above, the Company also provides a qualified plan and a nonqualified plan to certain U.S.-based temporary employees.

The liability for the nonqualified plans was \$202.7 million and \$174.8 million as of year-end 2019 and 2018, respectively, and is included in current accrued payroll and related taxes and noncurrent accrued retirement benefits in the consolidated balance sheet. The cost of participants' earnings or loss on this liability, which were included in SG&A expenses in the consolidated statements of earnings, were earnings of \$32.5 million in 2019, a loss of \$8.6 million in 2018 and earnings of \$22.3 million in 2017.

In connection with the administration of these plans, the Company has purchased company-owned variable universal life insurance policies insuring the lives of certain current and former officers and key employees. The cash surrender value of these policies, which is based primarily on investments in mutual funds and can only be used for payment of the Company's obligations related to the nonqualified deferred compensation plan noted above, was \$200.6 million and \$172.5 million at year-end 2019 and 2018, respectively. The cash surrender value of these insurance policies is included in other assets in the consolidated balance sheet. During 2019 and 2018, proceeds of \$3.0 million and \$7.9 million, respectively, were received in connection with these policies. Tax-free earnings or loss on these assets, which were included in SG&A expenses in the consolidated statements of earnings and which offset the related earnings or loss on the liability, were earnings of \$32.2 million in 2019, a loss of \$8.8 million in 2018 and earnings of \$22.3 million in 2017.

The net expense for retirement benefits for the qualified and nonqualified plans, including Company matching contributions for full-time employees, totaled \$9.1 million in 2019, \$9.5 million in 2018 and \$8.6 million in 2017. This expense is included in total SG&A expenses in the consolidated statements of earnings. The expense related to retirement plan contributions for temporary employees, which is included in cost of services, is reimbursed by our customers.

International Defined Benefit Plans

The Company has several defined benefit pension plans in locations outside of the United States. The total projected benefit obligation, assets and unfunded liability for these plans as of year-end 2019 were \$14.8 million, \$9.8 million and \$5.0 million, respectively. The total projected benefit obligation, assets and unfunded liability for these plans as of year-end 2018 were \$11.7 million, \$7.9 million and \$3.8 million, respectively. Total pension expense for these plans was \$0.3 million in 2019, \$0.5 million in 2018 and \$0.4 million in 2017. Pension contributions and the amount of accumulated other comprehensive income expected to be recognized in 2020 are not significant.

14. Stockholders' Equity

Common Stock

The authorized capital stock of the Company is 100,000,000 shares of Class A common stock and 10,000,000 shares of Class B common stock. Class A shares have no voting rights and are not convertible. Class B shares have voting rights and are convertible by the holder into Class A shares on a share-for-share basis at any time. Both classes of stock have identical rights in the event of liquidation. The voting rights of Class B shares are perpetual and Class B shares are not subject to transfer restrictions or mandatory conversion obligations under the Company's certificate of incorporation or bylaws.

Class A shares and Class B shares are both entitled to receive dividends, subject to the limitation that no cash dividend on the Class B shares may be declared unless the board of directors declares an equal or larger cash dividend on the Class A shares. As a result, a cash dividend may be declared on the Class A shares without declaring a cash dividend on the Class B shares.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component, net of tax, during 2019, 2018 and 2017 are included in the table below. Amounts in parentheses indicate debits. See Investment in Persol Holdings footnote for a description of the cumulative-effect adjustment from the adoption of ASU 2016-01.

	2019	2018	2017
	(In millions of dollars)		
Foreign currency translation adjustments:			
Beginning balance	\$ (15.7)	\$ (6.9)	\$ (23.3)
Other comprehensive income (loss) before classifications	2.5	(8.4)	16.4
Amounts reclassified from accumulated other comprehensive income	— ⁽¹⁾	(0.4) ⁽¹⁾	— ⁽¹⁾
Net current-period other comprehensive income (loss)	<u>2.5</u>	<u>(8.8)</u>	<u>16.4</u>
Ending balance	(13.2)	(15.7)	(6.9)
Unrealized gains and losses on investment:			
Beginning balance	—	140.0	83.8
Cumulative-effect adjustment from adoption of ASU 2016-01, Financial Instruments	—	(140.0)	—
Other comprehensive income (loss) before classifications	—	—	56.2
Amounts reclassified from accumulated other comprehensive income	—	—	—
Net current-period other comprehensive income (loss)	<u>—</u>	<u>(140.0)</u>	<u>56.2</u>
Ending balance	—	—	140.0
Pension liability adjustments:			
Beginning balance	(1.4)	(2.3)	(1.8)
Other comprehensive income (loss) before classifications	(1.3)	0.8	(0.6)
Amounts reclassified from accumulated other comprehensive income	0.1 ⁽²⁾	0.1 ⁽²⁾	0.1 ⁽²⁾
Net current-period other comprehensive income (loss)	<u>(1.2)</u>	<u>0.9</u>	<u>(0.5)</u>
Ending balance	(2.6)	(1.4)	(2.3)
Total accumulated other comprehensive income (loss)	<u><u>\$ (15.8)</u></u>	<u><u>\$ (17.1)</u></u>	<u><u>\$ 130.8</u></u>

(1) Amount was recorded in the other expense, net line item in the consolidated statements of earnings.

(2) Amount was recorded in the SG&A expenses line item in the consolidated statements of earnings.

15. Earnings Per Share

The reconciliation of basic earnings per share on common stock for the year-end 2019, 2018 and 2017 follows (in millions of dollars except per share data).

	2019	2018	2017
Net earnings	\$ 112.4	\$ 22.9	\$ 71.6
Less: Earnings allocated to participating securities	(1.1)	(0.2)	(1.1)
Net earnings available to common shareholders	<u>\$ 111.3</u>	<u>\$ 22.7</u>	<u>\$ 70.5</u>
Average common shares outstanding (millions):			
Basic	39.1	38.8	38.3
Dilutive share awards	0.1	0.3	0.7
Diluted	<u>39.2</u>	<u>39.1</u>	<u>39.0</u>
Basic earnings per share	\$ 2.85	\$ 0.59	\$ 1.84
Diluted earnings per share	\$ 2.84	\$ 0.58	\$ 1.81

Potentially dilutive shares outstanding are primarily related to performance shares for 2019, 2018, and 2017.

We have presented earnings per share for our two classes of common stock on a combined basis. This presentation is consistent with the earnings per share computations that result for each class of common stock utilizing the two-class method as described in ASC Topic 260, "Earnings Per Share". The two-class method is an earnings allocation formula which determines earnings per share for each class of common stock according to the dividends declared (or accumulated) and participation rights in the undistributed earnings.

In applying the two class method, we have determined that the undistributed earnings should be allocated to each class on a pro rata basis after consideration of all of the participation rights of the Class B shares (including voting and conversion rights) and our history of paying dividends equally to each class of common stock on a per share basis.

The Company's Restated Certificate of Incorporation allows the board of directors to declare a cash dividend to Class A shares without declaring equal dividends to the Class B shares. Class B shares' voting and conversion rights, however, effectively allow the Class B shares to participate in dividends equally with Class A shares on a per share basis.

The Class B shares are the only shares with voting rights. The Class B shareholders are therefore able to exercise voting control with respect to all matters requiring stockholder approval, including the election of or removal of directors. The board of directors has historically declared and the Company historically has paid equal per share dividends on both the Class A and Class B shares. Each class has participated equally in all dividends declared since 1987.

In addition, Class B shares are convertible, at the option of the holder, into Class A shares on a one-for-one basis. As a result, Class B shares can participate equally in any dividends declared on the Class A shares by exercising their conversion rights.

Dividends paid per share for Class A and Class B common stock were \$0.30 for December year to date 2019, 2018, and 2017.

16. Stock-Based Compensation

Under the Equity Incentive Plan, amended and restated February 15, 2017 and approved by the stockholders of the Company on May 10, 2017 (the "EIP"), the Company may grant restricted stock and performance awards to key employees associated with the Company's Class A stock. For shares granted prior to May 10, 2017, the EIP provides that the maximum number of shares available for grants is 15% of the outstanding Class A Stock, adjusted for EIP activity over the preceding five years. For shares granted after May 10, 2017, the amended EIP provides that the maximum number of shares available for grants is 4.7 million. The Company has no plans to issue additional shares under the provision that was in effect prior to May 10, 2017. Under the provision that was in effect for shares granted after May 10, 2017, shares available for future grants at year-end 2019 were 3.4 million. The Company issues shares out of treasury stock to satisfy stock-based awards. The Company presently has no intent to repurchase additional shares for the purpose of satisfying stock-based awards.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Company recognized stock-based compensation cost of \$5.6 million in 2019, \$8.1 million in 2018 and \$9.1 million in 2017, as well as related tax benefits of \$1.3 million in 2019, \$4.4 million in 2018 and \$4.2 million in 2017.

Restricted Stock

Restricted stock, which typically vests over four years, is issued to certain key employees and is subject to forfeiture until the end of an established restriction period. The Company utilizes the market price of its Class A stock on the date of grant as the fair value of restricted stock and expenses the fair value on a straight-line basis over the vesting period.

A summary of the status of nonvested restricted stock under the EIP as of year-end 2019 and changes during this period is presented as follows below (in thousands of shares except per share data):

	Restricted Stock	Weighted Average Grant Date Fair Value
Nonvested at year-end 2018	356	\$ 23.44
Granted	185	24.76
Vested	(134)	21.23
Forfeited	(47)	23.65
Nonvested at year-end 2019	<u>360</u>	<u>\$ 24.92</u>

As of year-end 2019, unrecognized compensation cost related to unvested restricted stock totaled \$6.5 million. The weighted average period over which this cost is expected to be recognized is approximately 1.8 years. The weighted average grant date fair value per share of restricted stock granted during 2019, 2018 and 2017 was \$24.76, \$28.79 and \$21.97, respectively. The total fair value of restricted stock, which vested during 2019, 2018 and 2017, was \$3.3 million, \$4.9 million and \$5.8 million, respectively.

Performance Shares

During 2019, 2018 and 2017, the Company granted performance awards associated with the Company's Class A stock to certain senior officers. The payment of performance awards, which will be satisfied with the issuance of shares out of treasury stock, is contingent upon the achievement of specific gross profit and operating earnings performance goals ("financial measure performance awards") over a stated period of time or may be earned based on the Company's total shareholder return ("TSR") relative to the S&P SmallCap 600 Index ("TSR performance awards"). Both financial measure performance awards and TSR performance awards have a performance period of three years and will cliff-vest after the approval by the Compensation Committee, if not forfeited by the recipient. No dividends are paid on these performance shares. Additionally, the Company also granted single financial measure performance shares to certain senior officers, which will be satisfied with the issuance of shares out of treasury stock, and is contingent upon the achievement of one performance measure with a one-year performance period. These single financial measure performance shares vest over four years and earn dividends, which are not paid until the awards vest.

2019 Grant

For the 2019 performance share grant ("2019 grant"), the total target number of performance shares granted is 260,000 of which 207,000 shares are eligible to earn up to the maximum number of performance shares of 413,000, which assumes 200% of the target shares originally granted, and may be earned upon achievement of two financial goals. The 2019 financial measure performance awards were granted with a market condition in the form of a relative TSR modifier, which could impact the number of shares earned as determined at the end of the performance period. The number of shares earned based on financial measures' results will be reduced, increased or remain the same based on the Company's TSR relative to the S&P SmallCap 600 Index. The maximum number of performance shares that may be earned is 200% of the target shares originally granted and the TSR modifier will not increase payouts above the maximum. The 2019 grant also included 53,000 single financial measure performance shares.

The 2019 financial measure performance awards have a weighted average grant date fair value of \$25.54 per share, which was determined using a Monte Carlo valuation model incorporating assumptions for inputs of expected stock price volatility, dividend yield and risk-free interest rate. The total nonvested shares at maximum level (200%) related to 2019 financial measure performance awards at year-end 2019 is 364,000.

2018 Grant

For the 2018 performance share grant (“2018 grant”), the total target number of performance shares granted was 222,000, of which 177,000 shares (118,000 of financial measure performance awards and 59,000 of TSR performance awards) are eligible to earn up to the maximum number of performance shares of 355,000, which assumes 200% of the target shares originally granted. The 2018 grant also included 45,000 single financial measure performance shares.

The financial measure performance awards have a weighted average grant date fair value of \$28.40. For each of the two financial measures, there are annual goals set in February of each year, with the total award payout based on a cumulative average of the 2018, 2019, and 2020 goals. Accordingly, the Company remeasures the fair value of the 2018 financial measure performance shares each reporting period until the 2020 goals are set, after which the fair value will be fixed for the remaining performance period. As of year-end 2019, the current fair value for the 2018 financial measure performance shares was \$21.38. The TSR performance awards have an estimated fair value of \$31.38, which was computed using a Monte Carlo simulation model incorporating assumptions for inputs of expected stock price volatility, dividend yield and risk-free rate.

The total nonvested shares at maximum level (200%) related to 2018 financial measure performance awards and TSR performance awards at year-end 2019 are 207,000 and 104,000, respectively.

2017 Grant

For the 2017 performance share grant (“2017 grant”), the total target number of performance shares granted was 387,000, of which 304,000 shares (203,000 of financial measure performance awards and 101,000 of TSR performance awards) are eligible to earn up to the maximum number of performance shares of 609,000, which assumes 200% of the target shares originally granted. The 2017 grant also included 83,000 single financial measure performance shares.

The financial measure performance shares have a weighted average grant date fair value of \$21.07. For each of the two financial measures, there are annual goals set in February of each year, with the total award payout based on a cumulative average of the 2017, 2018 and 2019 goals. During the first quarter of 2019, the final year of goals was set and the grant date fair value for the 2017 financial measure performance shares was set at \$23.76, and remained fixed for the remaining performance period. The TSR performance shares have an estimated fair value of \$20.16, which was computed using a Monte Carlo simulation model incorporating assumptions for inputs of expected stock price volatility, dividend yield and risk-free interest rate.

Based upon the level of achievement of specific financial performance goals and the Company's relative to the S&P SmallCap 600 Index for the 2017 grant, participants had the ability to receive up to 200% of the target number of shares originally granted. On February 11, 2020, the Compensation Committee approved the actual performance achievement of the financial measure performance awards, which resulted in achieving approximately 55% of target. These shares will cliff-vest after the approval by the Compensation Committee, which will be no later than March 15, 2020, if not forfeited by the recipient. The actual achievement of the TSR performance awards was below the threshold level and resulted in no payout for the 2017 grant.

The total nonvested shares related to the 2017 financial measure performance awards and TSR performance awards at year-end 2019 are 69,000 and 0, respectively.

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A summary of the status of all nonvested performance shares at target for 2019 is presented as follows below (in thousands of shares except per share data). The majority of the vested shares below is related to the 2016 performance share grant, which cliff-vested after approval from the Compensation Committee during the first quarter of 2019.

	Financial Measure Performance Shares		TSR Performance Shares	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested at year-end 2018	481	\$ 23.58	173	\$ 23.56
Granted	260	25.34	—	—
Vested	(188)	28.05	(55)	19.73
Forfeited	(51)	25.14	(4)	28.99
Nonvested at year-end 2019	502	\$ 24.21	114	\$ 25.24

As of year-end 2019, unrecognized compensation cost related to all unvested financial measure performance shares and TSR performance shares totaled \$1.0 million and \$0.5 million, respectively. The weighted average period over which the costs are expected to be recognized is approximately 1.9 years for financial measure performance shares and 1.0 year for TSR performance shares. The total fair value of financial measure performance shares and TSR performance shares, which vested during 2019, was \$3.4 million and \$1.4 million, respectively.

17. Sale of Assets

During the second quarter of 2019, the Company sold unused land located near the Company headquarters. The gain on the sale of assets in the consolidated statements of earnings for 2019 includes the excess of the \$11.7 million sale proceeds over the cost of the parcel. The gain on sale of assets also includes proceeds of \$2.1 million from the transfer of customer contracts related to the Company's legal specialty operations to a third party during the second quarter of 2019.

18. Asset Impairment Charge

During the fourth quarter of 2019, a triggering event for the evaluation of a certain long-lived asset for impairment occurred related to our corporate U.S. front and middle office technology development project. We determined that we would not complete a technology project for which we had previously capitalized certain development costs in order to enhance and expand a technology platform already in existence. This approach should accelerate our solution implementation in mid-2020 and is expected to deliver similar benefits as the original project.

To determine the amount of the impairment charge, we aggregated all capitalized costs related to the project that could not be transferred to the expansion and enhancement of the existing platform. As a result, we recorded a \$15.8 million asset impairment charge on the 2019 consolidated statements of earnings.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Other Expense, Net

Included in other expense, net are the following:

	2019	2018	2017
	(In millions of dollars)		
Interest income	\$ 1.1	\$ 0.8	\$ 0.7
Interest expense	(4.2)	(3.1)	(2.7)
Dividend income	2.5	1.6	1.5
Foreign exchange gains (losses)	(0.8)	0.3	(1.1)
Other	0.2	(0.2)	—
Other expense, net	\$ (1.2)	\$ (0.6)	\$ (1.6)

Dividend income includes dividends earned on the Company's investment in Persol Holdings (see Investment in Persol Holdings footnote).

20. Income Taxes

Earnings (loss) before taxes and equity in net earnings (loss) of affiliate for the years 2019, 2018 and 2017 were taxed under the following jurisdictions:

	2019	2018	2017
	(In millions of dollars)		
Domestic	\$ 46.6	\$ 53.1	\$ 55.2
Foreign	69.8	(62.5)	26.5
Total	\$ 116.4	\$ (9.4)	\$ 81.7

The provision for income taxes was as follows:

	2019	2018	2017
	(In millions of dollars)		
Current tax expense:			
U.S. federal	\$ 4.7	\$ 6.1	\$ 6.6
U.S. state and local	3.0	3.1	2.4
Foreign	11.0	11.2	9.7
Total current	18.7	20.4	18.7
Deferred tax (benefit) expense:			
U.S. federal	(19.4)	(15.6)	0.4
U.S. state and local	(1.6)	1.0	0.1
Foreign	2.7	(32.9)	(6.4)
Total deferred	(18.3)	(47.5)	(5.9)
Total provision	\$ 0.4	\$ (27.1)	\$ 12.8

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Deferred income taxes reflect the temporary differences between the asset and liability basis for financial reporting purposes and the amounts used for income tax purposes, at the relevant tax rate. The deferred tax assets and liabilities are comprised of the following:

	2019	2018
	(In millions of dollars)	
Depreciation and amortization	\$ (13.3)	\$ (15.6)
Employee compensation and benefit plans	58.4	52.0
Workers' compensation	14.8	15.0
Unrealized gain on securities	(42.5)	(30.9)
Investment in equity affiliate	(13.8)	(15.8)
Loss carryforwards	30.4	30.8
Credit carryforwards	167.1	155.6
Other, net	3.9	3.9
Valuation allowance	(19.0)	(27.8)
Net deferred tax assets	<u>\$ 186.0</u>	<u>\$ 167.2</u>

The deferred tax balance is classified in the consolidated balance sheet as:

	2019	2018
	(In millions of dollars)	
Deferred tax asset	\$ 229.1	\$ 198.7
Other long-term liabilities	(43.1)	(31.5)
	<u>\$ 186.0</u>	<u>\$ 167.2</u>

The Company has U.S. general business credit carryforwards of \$160.9 million which will expire from 2033 to 2039, foreign tax credit carryforwards of \$6.0 million which will expire from 2022 to 2029 and \$0.2 million of state credit carryforwards which will expire from 2026 to 2039, or have no expiration. The net tax effect of state and foreign loss carryforwards at year-end 2019 totaled \$30.4 million, which will expire as follows (in millions of dollars):

	Year	Amount
2020-2021		\$ 0.5
2022-2036		0.8
No expiration		29.1
Total		<u>\$ 30.4</u>

The Company has established a valuation allowance for loss carryforwards and future deductible items in certain foreign jurisdictions, and for U.S. foreign tax credit carryforwards. The valuation allowance is determined in accordance with the provisions of ASC 740, which requires an assessment of both negative and positive evidence when measuring the need for a valuation allowance. The Company's recent losses in these foreign jurisdictions, and its recent lack of adequate U.S. foreign source income to fully utilize foreign tax credit carryforwards, represented sufficient negative evidence to require a valuation allowance under ASC 740. The Company intends to maintain a valuation allowance until sufficient positive evidence exists to support realization of the foreign deferred tax assets.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The differences between income taxes from continuing operations for financial reporting purposes and the U.S. statutory rate of 21% in 2019 and 2018 and 35% in 2017 as follows:

	2019	2018	2017
	(In millions of dollars)		
Income tax based on statutory rate	\$ 24.4	\$ (2.0)	\$ 28.6
State income taxes, net of federal benefit	1.1	3.2	1.6
Foreign tax rate differential	4.6	(8.3)	(1.5)
General business credits	(16.7)	(22.6)	(18.1)
Life insurance cash surrender value	(6.5)	2.1	(7.4)
Foreign items	0.8	1.9	(1.3)
GILTI, net of foreign tax credit	0.5	0.5	—
Foreign-derived intangible income	(0.9)	(0.9)	—
Foreign business taxes	3.8	4.2	4.0
Non-deductible expenses	0.7	2.6	1.3
Tax law change	(0.2)	(0.5)	13.9
Change in deferred tax realizability	(10.6)	(4.3)	(7.8)
Stock compensation	(0.6)	(3.0)	(0.7)
Other, net	—	—	0.2
Total	\$ 0.4	\$ (27.1)	\$ 12.8

Our tax benefit or expense is affected by recurring items, such as the amount of pretax income and its mix by jurisdiction, U.S. work opportunity credits and the change in cash surrender value of non-taxable investments in life insurance policies. It is also affected by discrete items that may occur in any given period but are not consistent from period to period, such as tax law changes, changes in judgment regarding the realizability of deferred tax assets, or the tax effects of stock compensation. With the Company's adoption of ASU 2016-01 in the first quarter of 2018, changes in the fair value of the Company's investment in Persol Holdings are now recognized in the consolidated statements of earnings. These investment gains or losses are treated as discrete since they cannot be estimated.

Several items have contributed to the variance in our income tax benefit or expense over the last three years. Income tax expense for 2019 included a \$11.0 million expense from the gain on our investment in Persol Holdings, in addition to a \$3.9 million charge to establish valuation allowances in Germany. These charges were offset by a \$6.5 million benefit from tax-exempt income on life insurance policies, and a \$14.3 million benefit on the release of valuation allowances in the United Kingdom. Income tax benefit for 2018 included a \$29.4 million benefit from the loss on our investment in Persol Holdings, a lower U.S. income tax rate, and a benefit on the release of valuation allowances in Australia, offset by non-deductible losses on life insurance policies. Income tax expense for 2017 included a \$13.9 million charge to revalue net deferred tax assets due to the U.S. Tax Cuts and Jobs Act ("the Act"), which reduced the U.S. federal corporate income tax rate from 35% to 21%. This charge was offset by a benefit from tax-exempt income on life insurance policies, and a benefit from the release of valuation allowances in Norway, Germany and France.

General business credits primarily represent U.S. work opportunity credits. Foreign items include foreign tax credits, foreign non-deductible expenses and non-taxable income. Foreign business taxes include the French business tax and other taxes based on revenue less certain expenses and are classified as income taxes under ASC Topic 740 ("ASC 740"), Income Taxes. Non-deductible expenses include executive compensation and business meals and entertainment. For 2017, tax law change represents the revaluing of net deferred tax assets as a result of the Act. Among other things, the Act reduced the U.S. federal corporate tax rate from 35% to 21%, effective January 1, 2018, and imposed a one-time transition tax on the Company's accumulated foreign earnings. For year-end 2017, the Company anticipated that the one-time transition tax under the Act would be zero. In accordance with SEC Staff Accounting Bulletin 118, a provisional amount of zero was recorded due to the need for additional analysis of historical data. During the third quarter of 2018, we completed our analysis of foreign subsidiary earnings and profits and finalized our transition tax calculation. Consistent with our estimate at year-end 2017, the transition tax was zero.

The work opportunity credit program generates a significant tax benefit. It is a temporary provision in the U.S. tax law and expires for employees hired after 2020. While the work opportunity credit has routinely been extended, it is uncertain whether

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

it will again be extended. In the event the program is not renewed, we will continue to receive credits for qualified employees hired prior to 2021.

Provision has not been made for additional income taxes on an estimated \$135.3 million of undistributed earnings which are indefinitely reinvested. If these earnings were to be repatriated, the Company could be subject to foreign withholding tax, federal and state income tax, net of federal benefit, and income taxes on foreign exchange gains or losses, of \$9.1 million.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2019	2018	2017
	(In millions of dollars)		
Balance at beginning of the year	\$ 1.1	\$ 1.2	\$ 1.4
Additions for prior years' tax positions	—	—	—
Reductions for prior years' tax positions	—	—	—
Additions for settlements	—	—	—
Reductions for settlements	—	—	—
Reductions for expiration of statutes	(0.2)	(0.1)	(0.2)
Balance at end of the year	<u>\$ 0.9</u>	<u>\$ 1.1</u>	<u>\$ 1.2</u>

If the \$0.9 million in 2019, \$1.1 million in 2018 and \$1.2 million in 2017 of unrecognized tax benefits were recognized, they would have a favorable effect of \$0.8 million in 2019, \$0.9 million in 2018 and \$1.0 million in 2017 on income tax expense.

The Company recognizes both interest and penalties as part of the income tax provision. Interest and penalties expense in 2019, 2018 and 2017 were not significant. Accrued interest and penalties were \$0.2 million at year-end 2019 and 2018.

The Company files income tax returns in the U.S. and in various states and foreign countries. The tax periods open to examination by the major taxing jurisdictions to which the Company is subject include the U.S. for fiscal years 2016 through 2019, Canada for fiscal years 2012 through 2019, France for fiscal years 2013 through 2019, Mexico for fiscal years 2014 through 2019, Portugal for fiscal years 2016 through 2019, Russia for fiscal years 2017 through 2019, Switzerland for fiscal years 2010 through 2019, and the United Kingdom for fiscal years 2002 through 2019.

The Company and its subsidiaries have various income tax returns in the process of examination. The unrecognized tax benefit and related interest and penalty balances include approximately \$0.5 million for 2019, related to tax positions which are reasonably possible to change within the next twelve months due to income tax audits, settlements and statute expirations.

21. Supplemental Cash Flow Information

Changes in operating assets and liabilities, net of acquisitions, as disclosed in the statements of cash flows, for the fiscal years 2019, 2018 and 2017, respectively, were as follows:

	2019	2018	2017
	(In millions of dollars)		
(Increase) decrease in trade accounts receivable	\$ 46.0	\$ (32.0)	\$ (126.2)
(Increase) decrease in prepaid expenses and other assets	6.0	(9.5)	(14.2)
(Increase) decrease in ROU assets	0.7	—	—
Increase (decrease) increase in accounts payable and accrued liabilities	(43.0)	17.0	63.9
Increase (decrease) in operating lease liabilities	(21.6)	—	—
Increase (decrease) in accrued payroll and related taxes	(13.2)	(21.0)	32.9
Increase (decrease) in accrued workers' compensation and other claims	(1.9)	1.9	6.7
Increase (decrease) in income and other taxes	0.6	2.1	7.1
Total changes in operating assets and liabilities, net of acquisitions	\$ (26.4)	\$ (41.5)	\$ (29.8)

The Company paid interest of \$3.2 million in 2019, \$1.6 million in 2018 and \$1.9 million in 2017. The Company paid income taxes of \$17.7 million in 2019, \$18.3 million in 2018 and \$20.1 million in 2017.

Non-cash capital expenditures totaled \$1.6 million, \$1.8 million and \$3.0 million at year-end 2019, 2018 and 2017, respectively.

22. Commitments

In addition to lease agreements (see Leases footnote), the Company has entered into noncancelable purchase obligations totaling \$45.6 million. These obligations relate primarily to technology services and online tools which the Company expects to utilize generally within the next two fiscal years, in the ordinary course of business. The Company has no material unrecorded commitments, losses, contingencies or guarantees associated with any related parties or unconsolidated entities. See the Debt and Retirement Benefits footnotes for commitments related to debt and pension obligations.

23. Contingencies

The Company is continuously engaged in litigation, threatened litigation, or investigations arising in the ordinary course of its business, such as matters alleging auto liability, employment discrimination, wage and hour violations, claims for indemnification or liability, or violations of privacy rights, anti-competition regulations, breach of contract and claims or actions related to customer or supplier bankruptcy proceedings or insolvency actions, which could result in a material adverse outcome.

We record accruals for loss contingencies when we believe it is probable that liability has been incurred and the amount of loss can be reasonably estimated. Such accruals are recorded in accounts payable and accrued liabilities and in accrued workers' compensation and other claims in the consolidated balance sheet. At year-end 2019 and 2018, the gross accrual for litigation costs amounted to \$9.9 million and \$12.8 million, respectively.

The Company maintains insurance coverage which may cover certain claims. When claims exceed the applicable policy deductible and realization of recovery of the claim from existing insurance policies is deemed probable, the Company records receivables from the insurance company for the excess amount, which are included in prepaid expenses and other current assets in the consolidated balance sheet. At year-end 2019 and 2018, the related insurance recoveries amounted to \$4.1 million and \$6.1 million, respectively.

The Company estimates the aggregate range of reasonably possible losses, in excess of amounts accrued, is zero to \$2.6 million as of year-end 2019. This range includes matters where a liability has been accrued but it is reasonably possible that the ultimate loss may exceed the amount accrued and for matters where a loss is believed to be reasonably possible, but a liability has not been accrued. The aggregate range only represents matters in which we are currently able to estimate a range of loss and does not represent our maximum loss exposure. The estimated range is subject to significant judgment and a variety of

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

assumptions and only based upon currently available information. For other matters, we are currently not able to estimate the reasonably possible loss or range of loss.

While the ultimate outcome of these matters cannot be predicted with certainty, we believe that the resolution of any such proceedings will not have a material adverse effect on our financial condition, results of operations or cash flows.

We are also currently engaged in litigation with a customer over a disputed accounts receivable balance for services rendered, which is recorded as a long-term receivable in other assets in the consolidated balance sheet. While we believe the balance of approximately \$10 million is collectible, there is a reasonably possible risk of an unfavorable outcome.

24. Segment Disclosures

The Company's segments are based on the organizational structure for which financial results are regularly evaluated by the CODM (the Company's CEO) to determine resource allocation and assess performance. The Company's three reportable segments, (1) Americas Staffing, (2) GTS and (3) International Staffing, reflect how the Company delivers services to customers and how its business is organized internally. Intersegment revenue represents revenue earned between the reportable segments and is eliminated from total segment revenue from services.

Americas Staffing represents the Company's branch-delivered staffing business in the U.S., Canada, Puerto Rico, Mexico and Brazil. International Staffing represents the EMEA region branch-delivered staffing business. Americas Staffing and International Staffing both deliver temporary staffing, as well as direct-hire placement services, in office/clerical, light industrial and professional and technical specialties within their geographic regions. Americas Staffing also includes educational staffing in the U.S.

GTS combines the delivery structure of the Company's outsourcing and consulting group and centrally delivered staffing business. It reflects the trend of customers towards the adoption of holistic talent supply chain solutions which combine contingent labor, full-time hiring and outsourced services. GTS includes centrally delivered staffing, RPO, CWO, BPO, PPO, KellyConnect, career transition/outplacement services and talent advisory services.

Corporate expenses that directly support the operating units have been allocated to Americas Staffing, GTS and International Staffing based on work effort, volume or, in the absence of a readily available measurement process, proportionately based on gross profit realized. Unallocated corporate expenses include those related to incentive compensation, law and risk management, certain finance and accounting functions, executive management, corporate campus facilities, IT production support, certain legal costs and expenses related to corporate initiatives that do not benefit a specific operating segment.

The following tables present information about the reported revenue from services and gross profit of the Company by segment, along with a reconciliation to consolidated earnings (loss) before taxes and equity in net earnings (loss) of affiliate, for 2019, 2018 and 2017. Asset information by reportable segment is not presented, since the Company does not produce such information internally nor does it use such data to manage its business.

	2019	2018	2017
	(In millions of dollars)		
Revenue from Services:			
Americas Staffing	\$ 2,320.1	\$ 2,417.7	\$ 2,345.9
Global Talent Solutions	2,024.5	1,997.4	1,998.9
International Staffing	1,025.9	1,116.6	1,048.2
Less: Intersegment revenue	(14.9)	(17.8)	(18.6)
Consolidated Total	\$ 5,355.6	\$ 5,513.9	\$ 5,374.4

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2019	2018	2017
	(In millions of dollars)		
Earnings from Operations:			
Americas Staffing gross profit	\$ 429.5	\$ 441.3	\$ 429.1
Americas Staffing SG&A expenses	(372.7)	(364.2)	(346.4)
Americas Staffing Earnings from Operations	56.8	77.1	82.7
Global Talent Solutions gross profit	400.5	381.1	373.7
Global Talent Solutions SG&A expenses	(293.1)	(296.5)	(296.7)
Global Talent Solutions Earnings from Operations	107.4	84.6	77.0
International Staffing gross profit	140.5	152.3	153.7
International Staffing SG&A expenses	(125.3)	(132.3)	(131.6)
International Staffing Earnings from Operations	15.2	20.0	22.1
Less: Intersegment gross profit	(2.1)	(2.5)	(2.4)
Less: Intersegment SG&A expenses	2.1	2.5	2.4
Net Intersegment Activity	—	—	—
Corporate	(97.6)	(94.3)	(98.5)
Consolidated Total	81.8	87.4	83.3
Gain (loss) on investment in Persol Holdings	35.8	(96.2)	—
Other expense, net	(1.2)	(0.6)	(1.6)
Earnings (loss) before taxes and equity in net earnings (loss) of affiliate	\$ 116.4	\$ (9.4)	\$ 81.7

A summary of revenue from services by geographic area for 2019, 2018 and 2017 follows:

	2019	2018	2017
	(In millions of dollars)		
Revenue from Services:			
United States	\$ 3,892.5	\$ 3,930.0	\$ 3,894.6
International	1,463.1	1,583.9	1,479.8
Total	\$ 5,355.6	\$ 5,513.9	\$ 5,374.4

Foreign revenue is based on the country in which the legal subsidiary is domiciled. No single foreign country's revenue represented more than 10% of the consolidated revenues of the Company. No single customer represented more than 10% of the consolidated revenues of the Company.

A summary of long-lived assets information by geographic area as of year-end 2019 and 2018 follows:

	2019	2018
	(In millions of dollars)	
Long-Lived Assets:		
United States	\$ 73.1	\$ 76.8
International	30.4	9.5
Total	\$ 103.5	\$ 86.3

Long-lived assets represent property and equipment. No single foreign country's long-lived assets represented more than 10% of the consolidated long-lived assets of the Company.

25. New Accounting Pronouncements

Recently Adopted

In June 2018, the FASB issued ASU 2018-07 simplifying the accounting for nonemployee share-based payment awards by expanding the scope of ASC Topic 718, Compensation - Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. Under the new standard, most of the guidance on stock compensation payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The ASU is effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within those annual reporting periods, with early adoption permitted. The adoption of this guidance did not have a material impact on our consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04 simplifying the accounting for goodwill impairment for all entities. The new guidance eliminates the requirement to calculate the implied fair value of goodwill (Step 2 of the current two-step goodwill impairment test under ASC 350). Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value (Step 1 of the current two-step goodwill impairment test). The ASU is effective prospectively for reporting periods beginning after December 15, 2019, with early adoption permitted for annual and interim goodwill impairment testing dates after January 1, 2017. We elected to early adopt ASU 2017-04 as of year-end 2018 and the adoption of this ASU did not have an impact on our goodwill impairment testing process or our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 amending the existing accounting standards for lease accounting and requiring lessees to recognize lease assets and lease liabilities for all leases with lease terms of more than 12 months, including those classified as operating leases. Both the asset and liability will initially be measured at the present value of the future minimum lease payments, with the asset being subject to adjustments such as initial direct costs. Consistent with current U.S. GAAP, the presentation of expenses and cash flows will depend primarily on the classification of the lease as either a finance or an operating lease. The new standard also requires additional quantitative and qualitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases in order to provide additional information about the nature of an organization's leasing activities. An additional optional transition method to adopt the new lease standard at the adoption date, as compared to the beginning of the earliest period presented, and recognize a cumulative-effect adjustment to the beginning balance of retained earnings in the period of adoption is allowed. We adopted this guidance with the optional transition method effective December 31, 2018. See Leases footnote for the impact on the consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01 amending the current guidance for how entities measure certain equity investments, the accounting for financial liabilities under the fair value option, and the presentation and disclosure requirements relating to financial instruments. The new guidance requires entities to use fair value measurement for equity investments in unconsolidated entities, excluding equity method investments, and to recognize the changes in fair value in net income at the end of each reporting period. Under the new standard, for any financial liabilities in which the fair value option has been elected, the changes in fair value due to instrument-specific credit risk must be recognized separately in other comprehensive income. Presentation and disclosure requirements under the new guidance require public business entities to use the exit price when measuring the fair value of financial instruments measured at amortized cost. In addition, financial assets and liabilities must now be presented separately in the notes to the financial statements and grouped by measurement category and form of financial asset. This ASU was effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption was only permitted for the financial liability provision. We adopted this guidance effective January 1, 2018. See Investment in Persol Holdings footnote for the impact on the financial statements.

In May 2014, the FASB issued new revenue recognition guidance under ASU 2014-09 that superseded the existing revenue recognition guidance under U.S. GAAP. The new standard focused on creating a single source of revenue guidance for revenue arising from contracts with customers for all industries. The objective of the new standard was for companies to recognize revenue when it transfers the promised goods or services to its customers at an amount that represents what the company expects to be entitled to in exchange for those goods or services. In July 2015, the FASB deferred the effective date by one year (ASU 2015-14). This ASU was effective for annual periods, and interim periods within those annual periods, beginning on or after December 15, 2017. Since the issuance of the original standard, the FASB issued several other subsequent updates including the following: 1) clarification of the implementation guidance on principal versus agent considerations (ASU 2016-08); 2) further guidance on identifying performance obligations in a contract as well as clarifications on the licensing implementation guidance (ASU 2016-10); 3) rescission of several SEC Staff Announcements that are codified in Topic 605

(ASU 2016-11); 4) additional guidance and practical expedients in response to identified implementation issues (ASU 2016-12); and 5) technical corrections and improvements (ASU 2016-20). We adopted this guidance with the modified retrospective approach effective January 1, 2018. See Revenue footnote for the impact on the financial statements.

Not Yet Adopted

In January 2020, the FASB issued ASU 2020-01 which clarifies the interaction of rules for equity securities, the equity method of accounting, and forward contracts and purchase options on certain types of securities. The guidance clarifies how to account for the transition into and out of the equity method of accounting when considering observable transactions under the measurement alternative. The ASU is effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those annual periods, with early adoption permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12 simplifying various aspects related to the accounting for income taxes. The guidance removes exceptions to the general principles in Topic 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The ASU is effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those annual periods, with early adoption permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-15, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The ASU is effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within those annual periods, with early adoption permitted. Entities have the option to apply the guidance prospectively to all implementation costs incurred after the date of adoption or retrospectively. We are currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13 which eliminates, adds and modifies certain fair value measurement disclosures. The ASU is effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within those annual periods, with early adoption permitted. We do not expect the adoption of this standard to have a material impact to our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, as clarified in ASU 2019-04, ASU 2019-05 and ASU 2019-11, amending how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance requires the application of a current expected credit loss model, which is a new impairment model based on expected losses. Under this model, an entity recognizes an allowance for expected credit losses based on historical experience, current conditions and forecasted information rather than the current methodology of delaying recognition of credit losses until it is probable a loss has been incurred. This ASU is effective for interim and annual reporting periods beginning after December 15, 2019 with early adoption permitted for annual reporting periods beginning after December 15, 2018. We performed a broad assessment of all of our financial assets and other instruments not measured at fair value through net income and determined that trade accounts receivable is still the most significant financial asset subject to the current expected credit loss model. Under the new standard, we will continue to use an aging method to calculate the allowance for uncollectible accounts for the majority of our trade accounts receivables. Other financial assets measured at amortized cost will use the aging method or another acceptable method to measure credit losses. As we finalize our review of financial assets measured at amortized cost, accounting policies and business practices, we will continue to evaluate the impact of this guidance on our consolidated financial statements, disclosures and internal controls. Our preliminary assessments are subject to change. We expect to implement the standard with a cumulative effect adjustment in retained earnings effective December 30, 2019, which recognizes the cumulative effect of application recognized on that date. The cumulative effect adjustment is not expected to be material.

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have a significant impact on our consolidated financial statements and related disclosures.

26. Related Party Transactions

Prior to October 9, 2018, Terence E. Adderley, the former Executive Chairman and Chairman of the Board of our board of directors, and certain trusts with respect to which he acts as trustee or co-trustee, controlled approximately 91.5% of the outstanding shares of Kelly Class B common stock, which is the only class of our common stock entitled to voting rights. Mr. Adderley received compensation relative to his services as executive chairmen of the Company prior to his retirement. There were no material transactions between the Company and Terence E. Adderley in 2018 or 2017.

The Terence E. Adderley Revocable Trust K ("Trust K"), which became irrevocable upon the death of Terence E. Adderley on October 9, 2018, now controls approximately 91.5% of the outstanding shares of Kelly Class B common stock. There were no material transactions between the Company and Trust K or its trustees in 2019, 2018 or 2017.

See Investment in PersolKelly Asia Pacific footnote for a description of related party activity with PersolKelly Asia Pacific.

27. Subsequent Event

On January 14, 2020, the company acquired 100% of the membership interests of Insight Workforce Solutions LLC and Insight EDU LLC ("Insight") for \$34.5 million of cash, subject to working capital adjustments, plus possible future contingent earn-out consideration of up to \$11.4 million if future performance conditions are met per an agreement dated January 14, 2020. Insight is an educational staffing company in the U.S. and will serve to expand the Company's leadership position in the education workforce solutions industry. The related acquisition costs, which are included in other income (expense), net in the 2019 consolidated statements of earnings, were not material. The initial accounting for the business combination is incomplete at the time of this filing due to the limited amount of time since the acquisition date and the ongoing status of the valuation. Therefore, it is impracticable for the Company to provide the major classes of assets acquired and liabilities and contingent liabilities assumed or pro forma revenue and earnings.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Selected Quarterly Financial Data (unaudited)

	Fiscal Year 2019				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
	(In millions of dollars except per share data)				
Revenue from services	\$ 1,382.6	\$ 1,367.5	\$ 1,267.7	\$ 1,337.8	\$ 5,355.6
Gross profit	251.6	244.0	227.7	245.1	968.4
SG&A expenses	234.8	221.5	210.6	216.2	883.1
Restructuring charges included in SG&A expenses	6.3	(0.6)	(0.1)	(0.1)	5.5
Gain on sale of assets ⁽²⁾	—	12.3	—	—	12.3
Asset impairment charge ⁽³⁾	—	—	—	15.8	15.8
Gain (loss) on investment in Persol Holdings	13.2	61.2	(39.3)	0.7	35.8
Net earnings (loss)	22.1	83.8	(10.5)	17.0	112.4
Basic earnings (loss) per share ⁽¹⁾	0.56	2.12	(0.27)	0.43	2.85
Diluted earnings (loss) per share ⁽¹⁾	0.56	2.12	(0.27)	0.43	2.84
Dividends per share	0.075	0.075	0.075	0.075	0.30

	Fiscal Year 2018				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
	(In millions of dollars except per share data)				
Revenue from services	\$ 1,369.9	\$ 1,386.9	\$ 1,342.4	\$ 1,414.7	\$ 5,513.9
Gross profit	238.2	240.5	239.1	254.4	972.2
SG&A expenses	226.2	220.1	217.2	221.3	884.8
Gain (loss) on investment in Persol Holdings	23.7	(52.5)	15.8	(83.2)	(96.2)
Net earnings (loss)	29.1	(15.4)	33.1	(23.9)	22.9
Basic earnings (loss) per share ⁽¹⁾	0.74	(0.40)	0.84	(0.62)	0.59
Diluted earnings (loss) per share ⁽¹⁾	0.74	(0.40)	0.84	(0.62)	0.58
Dividends per share	0.075	0.075	0.075	0.075	0.30

- (1) Earnings per share amounts for each quarter are required to be computed independently and may not equal the amounts computed for the total year.
- (2) Gain on sale of assets primarily represents the excess of the proceeds over the cost of an unused parcel of land located near the Company headquarters sold during the second quarter of 2019.
- (3) Asset impairment charge represents the write-off of previously capitalized costs associated with a new U.S. front and middle office technology development project which management determined would not be completed but replaced by an enhanced and expanded use of an existing technology platform.

KELLY SERVICES, INC. AND SUBSIDIARIES
SCHEDULE II - VALUATION RESERVES
(In millions of dollars)

Description	Balance at beginning of year	Additions		Currency exchange effects	Deductions from reserves	Balance at end of year
		Charged to costs and expenses	Charged to other accounts			
Fiscal year ended December 29, 2019						
Reserve deducted in the balance sheet from the assets to which it applies -						
Allowance for doubtful accounts	\$ 13.2	3.4	0.7 ⁽¹⁾	—	(4.4)	\$ 12.9
Deferred tax assets valuation allowance	\$ 27.8	6.1	—	(0.3)	(14.6)	\$ 19.0
Fiscal year ended December 30, 2018						
Reserve deducted in the balance sheet from the assets to which it applies -						
Allowance for doubtful accounts	\$ 12.9	3.5	(0.5) ⁽¹⁾	(0.4)	(2.3)	\$ 13.2
Deferred tax assets valuation allowance	\$ 34.6	2.6	—	(1.8)	(7.6)	\$ 27.8
Fiscal year ended December 31, 2017						
Reserve deducted in the balance sheet from the assets to which it applies -						
Allowance for doubtful accounts	\$ 12.5	5.3	0.3 ⁽¹⁾	0.6	(5.8)	\$ 12.9
Deferred tax assets valuation allowance	\$ 42.1	1.7	—	3.3	(12.5)	\$ 34.6

⁽¹⁾ Adjustment to provision for sales allowances charged to revenue from services.

**INDEX TO EXHIBITS
REQUIRED BY ITEM 601
REGULATIONS S-K**

<u>Exhibit No.</u>	<u>Description</u>
<u>3.1</u>	Amended and Restated Certificate of Incorporation, effective May 9, 2018 (Reference is made to Exhibit 3.1 to the Form 8-K filed with the Commission on May 11, 2018, which is incorporated herein by reference).
<u>3.2</u>	By-laws, effective November 6, 2018 (Reference is made to Exhibit 3.1 to the Form 8-K filed with the Commission on November 7, 2018, which is incorporated herein by reference).
<u>4</u>	Description of Securities.
<u>10.1*</u>	Kelly Services, Inc. Short-Term Incentive Plan, as amended and restated February 12, 2015 (Reference is made to Exhibit 10.1 to the Form 10-Q filed with the Commission on August 5, 2015, which is incorporated herein by reference).
<u>10.2*</u>	Kelly Services, Inc. Equity Incentive Plan (Reference is made to Exhibit 10.1 to the Form 8-K filed with the Commission on May 12, 2017, which is incorporated herein by reference).
<u>10.3*</u>	Kelly Services, Inc. Senior Executive Severance Plan (Reference is made to Exhibit 10.3 to the Form 10-Q filed with the Commission on May 11, 2017, which is incorporated herein by reference).
<u>10.4*</u>	Kelly Services, Inc. Non-Employee Directors Deferred Compensation Plan (Reference is made to Exhibit 10.4 to the Form 10-K filed with the Commission on February 20, 2018, which is incorporated herein by reference).
<u>10.5*</u>	First Amendment to the Kelly Services, Inc. Non-Employee Directors Deferred Compensation Plan.
<u>10.6</u>	Third Amended and Restated Credit Agreement, dated December 5, 2019 (Reference is made to Exhibit 10.6 to the Form 8-K filed with the Commission on December 9, 2019, which is incorporated herein by reference).
<u>10.7</u>	Agreement of Purchase and Sale, A.F.J. Development Company and Kelly Properties, LLC.
<u>10.12*</u>	Kelly Services, Inc. 2008 Management Retirement Plan – Post 2004 (Reference is made to Exhibit 10.12 to the Form 10-Q filed with the Commission on November 7, 2012, which is incorporated herein by reference).
<u>10.13*</u>	First Amendment to the Kelly Services, Inc. 2008 Management Retirement Plan (Reference is made to Exhibit 10.13 to the Form 10-Q filed with the Commission on November 7, 2012, which is incorporated herein by reference).
<u>10.14</u>	Amended and Restated Pledge and Security Agreement, dated December 5, 2019 (Reference is made to Exhibit 10.14 to the Form 8-K filed with the Commission on December 9, 2019, which is incorporated herein by reference).
<u>10.15</u>	First Amended and Restated Receivables Purchase Agreement Amendment No. 1, dated December 5, 2019 (Reference is made to Exhibit 10.15 to the Form 8-K filed with the Commission on December 9, 2019, which is incorporated herein by reference).
<u>10.21*</u>	Amendment to Kelly Services, Inc. 2008 Management Retirement Plan. (Reference is made to Exhibit 10.21 to the Form 8-K filed with the commission on August 11, 2014, which is incorporated herein by reference.)

**INDEX TO EXHIBITS
REQUIRED BY ITEM 601
REGULATION S-K (continued)**

<u>Exhibit No.</u>	<u>Description</u>
<u>14</u>	Code of Business Conduct and Ethics, revised August 2019. (Reference is made to Exhibit 14 to the Form 10-Q filed with the commission on November 6, 2019 which is incorporated herein by reference.)
<u>21</u>	Subsidiaries of Registrant.
<u>23</u>	Consent of Independent Registered Public Accounting Firm.
<u>24</u>	Power of Attorney.
<u>31.1</u>	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as amended.
<u>31.2</u>	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as amended.
<u>32.1</u>	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
<u>32.2</u>	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.

* Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 13, 2020

KELLY SERVICES, INC.

Registrant

By /s/ Olivier G. Thiot

Olivier G. Thiot

Executive Vice President and Chief Financial Officer

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.

Date: February 13, 2020

* /s/ P. W. Quigley

P. W. Quigley

President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: February 13, 2020

* /s/ D. R. Parfet

D. R. Parfet

Chairman of the Board and Director

Date: February 13, 2020

* /s/ C. M. Adderley

C. M. Adderley

Director

Date: February 13, 2020

* /s/ G. S. Adolph

G. S. Adolph

Director

Date: February 13, 2020

* /s/ G. S. Corona

G. S. Corona

Director

Date: February 13, 2020

* /s/ R. S. Cubbin

R. S. Cubbin

Director

Date: February 13, 2020

* /s/ J. E. Dutton

J. E. Dutton

Director

Date: February 13, 2020

* /s/ T. B. Larkin

T. B. Larkin

Director

Date: February 13, 2020

* /s/ L. A. Murphy

L. A. Murphy

Director

Date: February 13, 2020

* /s/ T. Wada

T. Wada

Director

SIGNATURES (continued)

Date: February 13, 2020

/s/ O. G. Thiot

O. G. Thiot

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

Date: February 13, 2020

/s/ L. S. Lockhart

L. S. Lockhart

Vice President, Corporate Controller and Chief Accounting Officer

(Principal Accounting Officer)

Date: February 13, 2020

*By /s/ O.G. Thiot

O.G. Thiot

Attorney-in-Fact

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Kelly Services, Inc. ("we", "us" or "our") has two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): Class A common stock and Class B common stock.

DESCRIPTION OF CAPITAL STOCK

The following summary of the terms of our capital stock is based upon our amended and restated certificate of incorporation and bylaws. The summary does not purport to be complete, and is subject to and qualified by reference to our amended and restated certificate of incorporation and bylaws, which are included as exhibits to this Annual Report on Form 10-K filed with the Securities and Exchange Commission and are incorporated by reference herein. For additional information, please read our amended and restated certificate of incorporation, our bylaws and the applicable provisions of the Delaware General Corporation Law.

Authorized Capital Stock

Our authorized capital stock consists of 100,000,000 shares of Class A common stock and 10,000,000 shares of Class B common stock.

Voting, Conversion and Redemption Rights

Shares of our Class A common stock have no voting rights and are not convertible. Shares of our Class B common stock have voting rights and are convertible into shares of Class A common stock on a share-for-share basis at any time at the option of the holder. The holders of our Class B common stock are not entitled to cumulative voting rights for the election of our directors. Our amended and restated certificate of incorporation and bylaws do not contain provisions permitting us to redeem shares of our common stock or permitting holders of common stock to require us to redeem their shares.

Dividend, Liquidation and Preemptive Rights

Holders of both classes of our common stock are entitled to participate on a share-for-share basis in any dividends declared by our board of directors. Both classes of our common stock have identical rights in the event of liquidation. The holders of our Class B common stock have preemptive rights to subscribe for additional shares of Class B common stock, shares of any other voting stock or any security convertible into shares of Class B common stock or other voting stock issued by us. The holders of our Class A common stock are not entitled to preemptive rights. All of the outstanding shares of our common stock are fully paid and nonassessable.

Restrictions on Transfer

Our amended and restated certificate of incorporation and bylaws do not contain provisions restricting the transfer of shares of our common stock. The voting rights of shares of our Class A common stock are not affected by the transfer of such shares.

Antitakeover Provisions

Our amended and restated certificate of incorporation and bylaws contain provisions that could make it harder for a third party to acquire us without the consent of our board of directors. For example, if a potential acquirer were to make a hostile bid for us, the acquirer would not be able to call a special meeting of stockholders to remove our board of directors or act by written consent without a meeting. The acquirer would also be required to provide advance notice of its proposal to replace directors at any annual meeting, and would not be able to cumulate votes at a meeting, which would require the acquirer to hold more shares to gain representation on the board of directors than if cumulative voting were permitted.

Our board of directors also has the ability to issue additional shares of common stock that could significantly dilute the ownership of a hostile acquirer. In addition, Section 203 of the Delaware General Corporation Law limits mergers and

other business combination transactions involving 15 percent or greater stockholders of Delaware corporations unless certain board or stockholder approval requirements are satisfied. These provisions and other similar provisions make it more difficult for a third party to acquire us without negotiation.

Listing

Our Class A common stock and Class B common stock are listed on the Nasdaq Global Market and trade under the symbols “KELYA” and “KELYB.”

Transfer Agent

Computershare is the transfer agent and registrar for our common stock.

FIRST AMENDMENT TO THE KELLY SERVICES, INC. NON-EMPLOYEE DIRECTORS DEFERRED COMPENSATION PLAN

WHEREAS, KELLY SERVICES, INC permits its directors to defer all of a portion of their Annual Retainer pursuant to its NON-EMPLOYEE DIRECTORS DEFERRED COMPENSATION PLAN (the “Plan”) and that a director can elect to credit any portion of such Deferred Compensation to Common Stock Units in accordance with Article 5 of the Plan.

WHEREAS, Section 11(b) of the KELLY SERVICES, INC. EQUITY INCENTIVE PLAN (the “EIP”) provides that the portion of the Annual Retainer to be paid in Common Stock will be issued pursuant to the EIP.

WHEREAS, the Board of Directors clarifies that any additional shares of Common Stock issued pursuant to the Plan and an election made in accordance with Section 5.2 of the Plan will also be issued from the share reserve stated in the EIP.

WHEREAS, the following provisions adopted pursuant to this Amendment are consistent with the operation of the Plan and ratify the manner that the Plan has been administered.

NOW, THEREFORE, THE BOARD OF DIRECTORS (the “Board”) OF KELLY SERVICES, INC HEREBY AUTHORIZES AND ADOPTS THE FOLLOWING AMENDMENTS:

RESOLVED, New Section 5.4 is added to read as follows,

To the extent that a Participant makes an election to invest Deferred Compensation into Common Stock Units, the Common Stock distributed pursuant to this Plan from such Account shall be issued from, and shall count against the share reserve of, the Kelly Services, Inc. Equity Incentive Plan (“EIP”) or a successor shareholder-approved equity compensation plan of the Company. For purpose of applying the \$500,000 annual limit of Company Stock that can be granted pursuant to EIP Section 5(c)(vi) to any single Director during the twelve-month period beginning with each annual shareholder meeting, the Fair Market Value (as defined in the EIP) of the Company Stock on the following dates shall be used and such amount will be aggregated with the Company Stock granted to a Director pursuant to EIP Section 11(b),

(a) with respect to an investment election that first applies to Deferred Compensation credited to an Account at the next annual meeting of stockholder, the Fair Market Value of a share of Company Stock on the first business day next following the annual meeting will be used, provided that with respect to a Director elected to the Board between annual meetings, the Fair Market Value on the first business day following his or her election to the Board will be used, and

(b) with respect to an investment election that applies to Deferred Compensation later than the period referenced in (a), the Fair Market Value as of the date the investment election is effective will be used.

In the event that the \$500,000 annual limit of Company Stock that can be granted pursuant to EIP Section 5(c)(vi) is inadvertently exceeded, the investment election to credit an Account with Common Stock Units that exceeds such amount will be ineffective and void to the extent of such excess amount.

RESOLVED, Section 6.2 is revised to add the following sentence at the end thereof,

The fraction determined pursuant to this Section 6.2 to reflect installment payments will be applied against the amounts in each investment category in a Participant’s Account proportionately, whether payable in cash or in Common Stock, and distributed accordingly.

IN WITNESS WHEREOF, these amendments have been and will continue to be applied to the operation of the Plan.

KELLY SERVICES, INC.

By /s/ James M. Polehna

Title: Senior Vice President and Corporate Secretary

A.F.J. DEVELOPMENT COMPANY L.L.C.

AND

KELLY PROPERTIES, LLC

AGREEMENT OF PURCHASE AND SALE

999 W. BIG BEAVER, 911 W. BIG BEAVER AND 2690 CROOKS ROAD

TROY, MICHIGAN

THIS AGREEMENT is made and entered into this 4th day of December, 2019, (“**Contract Date**”) by and between KELLY PROPERTIES, LLC, a Delaware limited liability company (“**Seller**”), and A.F.J. DEVELOPMENT COMPANY L.L.C., a Michigan limited liability company (“**Purchaser**”).

RECITALS:

A. Seller is the current owner of the Project (as defined below).

B. Seller desires to sell the Project to Purchaser and Purchaser desires to buy the Project from Seller.

C. Seller’s parent, Kelly Services, Inc. (“**Kelly**”) and Purchaser shall enter into several leases for Kelly’s continued occupation of portions of the Project (the “**Kelly Leases**”).

NOW, THEREFORE, Seller and Purchaser agree as follows

1. SALE. Seller agrees to sell and convey to Purchaser, and Purchaser agrees to purchase from Seller, for the purchase price set forth below, and on the terms and conditions set forth in this Agreement, the Project (as hereinafter defined), including those certain buildings containing that approximate number of square feet specified on **Exhibit A-1** attached hereto (the “**Buildings**”). The Buildings are commonly known by the street addresses described on **Exhibit A-1**. For purposes of this Agreement the term “**Project**” or “**Property**” shall be deemed to mean, on a collective basis: (a) the parcels of land described in **Exhibit A** attached hereto (the “**Land**”), together with all rights, easements and interests appurtenant thereto including, but not limited to, any streets or other public ways adjacent to said Land and any water or mineral rights owned by, or leased to, Seller; (b) all improvements located on the Land, including, but not limited to, the Buildings, and all other structures, systems, and utilities associated with, and utilized by Seller in, the ownership and operation of the Buildings, including all fixtures and capital improvements (such as the HVAC, freezers and coolers) but specifically excluding all racking and shelving systems, inventory, other operating equipment, conveyor systems and the like (all such improvements being collectively referred to as the “**Improvements**”); and (c) all, if any, development rights and entitlements and other intangible property related to the Land or Building owned by Seller (the “**Intangible Personal Property**”).

2. PURCHASE PRICE. The total purchase price to be paid to Seller by Purchaser for the Project shall be Fifty Eight Million Five Hundred Thousand and 00/100 Dollars (\$58,500,000.00) (the “**Purchase Price**”). Provided that all conditions precedent to Purchaser and Seller’s obligations to close as set forth in this Agreement (“**Conditions Precedent**”) have been satisfied and fulfilled, or waived in writing by Purchaser, the Purchase Price shall be paid to Seller at Closing, plus or minus prorations and other adjustments hereunder [including all Earnest Money (hereinafter defined) credited against the Purchase Price] by federal wire transfer of immediately available funds, to the Closing escrow account at the Title Company, at or prior to Closing.

3. **CLOSING.** The purchase and sale contemplated herein shall be consummated at a closing (“**Closing**”) to take place at a location reasonably and mutually agreed by the parties, on the basis of a “New York-style” closing with a representative of the Title Company (as hereinafter defined) in attendance. The Closing shall occur during the first quarter of 2020, but in no event later than March 13, 2020, on or before the close of business, or at such other time as the parties may agree upon in writing (the “**Closing Date**”). The Closing shall be effective as of 12:01 A.M. on the Closing Date. Notwithstanding the foregoing, the risk of loss of all or any portion of the Project shall be borne by Seller up to and including the actual time of the Closing and wire transfer of the Purchase Price to Seller, and thereafter by Purchaser, subject, however, to the terms and conditions of **Section 15** below.

4. **EARNEST MONEY.**

4.1 **Escrowee.** On the Contract Date, the parties shall enter into an escrow agreement in the form attached hereto as **Exhibit B** (the “**Escrow Agreement**,” the escrow created thereby being referred to herein as the “**Escrow**”), designating ATA National Title Group as the escrowee thereunder (“**Escrowee**”). The parties hereby authorize their respective attorneys to execute the Escrow Agreement and to make such amendments thereto as they shall deem necessary or convenient to close the transaction contemplated hereby.

4.2 **Earnest Money Deposit.** Not later than two (2) business days following the Contract Date, Purchaser shall deposit into the Escrow, in accordance with the terms of the Escrow Agreement, and as its earnest money deposit (the “**Earnest Money**”), the sum of Seven Hundred Fifty Thousand and 00/100 Dollars (\$750,000.00). The Earnest Money shall be nonrefundable, except in the event of a Seller default or the failure of the Lease Condition (defined below). At Closing, the Earnest Money shall be delivered to Seller and credited against the Purchase Price. All interest (if any) earned on the Earnest Money shall be paid to Purchaser.

5. **SELLER’S DELIVERIES.** Pursuant to the terms of the that certain Access and Due Diligence Agreement dated November 18, 2019 (the “**Access Agreement**”), Seller has delivered to Purchaser, to the extent in Seller’s possession or control, the documents listed as “**Seller’s Deliveries**” on **Exhibit C**, attached hereto. The terms of the Access Agreement are hereby incorporated into this Agreement, and shall govern Purchaser’s further inspections of the Project. Seller makes no representation or warranty of any kind or nature (and expressly disclaims any and all representations and warranties) regarding the accuracy or completeness of any and all documents prepared by third parties, provided by Seller to Purchaser, it being expressly acknowledged and agreed that any such documents are provided as an accommodation to Purchaser and shall not be binding upon Seller.

6. **INSPECTION PERIOD.**

6.1 **Basic Project Inspection.** Seller has provided Purchaser access to complete Purchaser’s due diligence of the Project, pursuant to the terms of the Access Agreement. At all times prior to Closing, the terms of the Access Agreement shall be extended and Purchaser shall continue to have the right to access the Project pursuant to the terms set

forth in the Access Agreement; however, Purchaser acknowledges that Purchaser shall not have any right to terminate this Agreement as a result of the “**Purchaser Investigation**” (as defined in the Access Agreement). The parties hereto acknowledge that Purchaser may expend material sums of money in reliance on Seller’s obligations under this Agreement, in connection with negotiating and executing this Agreement, furnishing the Earnest Money, conducting the inspections contemplated by the Access Agreement, and preparing for Closing, and that Purchaser would not have entered into this Agreement without the availability of the right to complete the Purchaser Investigation. The parties therefore agree that adequate consideration exists to support Seller’s obligations hereunder.

6.2 Municipal Inspections. To the extent that the municipality, county or state in which the Project is located requires a pre-Closing inspection of the Project or any part thereof, Purchaser shall: (i) timely order the inspection to not delay Closing; (ii) pay the cost of the inspection; (iii) perform any repairs, maintenance or replacements required as a result of the inspection; and (iv) post a performance bond or other security, if required.

7. TITLE AND SURVEY MATTERS.

7.1 Conveyance of Title. At Closing, Seller agrees to deliver to Purchaser a covenant deed (“**Covenant Deed**”), in recordable form, conveying the Project to Purchaser or Purchaser’s assignee or designee, free and clear of all liens, claims and encumbrances except for the Permitted Exceptions (as hereinafter defined).

7.2 Title Commitment. Purchaser has received Stewart Title Commitment File No. 63-19650824-SCM dated September 3, 2019 (the “**Title Commitment**”), issued by Stewart Title Guaranty Company (the “**Title Company**”), for an owner’s title insurance policy (the “**Title Policy**”), in the full amount of the Purchase Price, together with copies of all recorded documents evidencing title exceptions raised in Schedule B of the Title Commitment. As a Condition Precedent, the Title Policy shall have all standard and general printed exceptions (except the standard exception for taxes for the current year, which are not yet due and payable at the time of Closing) deleted so as to afford full “extended form coverage”. As a further Condition Precedent, the Title Commitment shall be later dated to cover the Closing and the recording of the Covenant Deed, and the Title Company shall deliver the Title Policy (or a “marked-up” Title Commitment) to Purchaser concurrently with the Closing, which Title Policy (or “marked-up” Title Commitment, as the case may be) shall evidence fee simple title to the Project in Purchaser, subject only to the Permitted Exceptions, and shall include the coverages and endorsements described in the preceding sentence. Purchaser acknowledges and agrees that unless a new matter is disclosed on a reissued or updated Title Commitment (the “**Title Commitment Update**”), Purchaser shall not have the right object to the matters set forth in Schedule B of the Title Commitment (the “**Schedule B Exceptions**”). Such matters are more particularly described on **Exhibit D** and shall be part of the definition of “Permitted Exceptions” defined in **Section 7.4**.

7.3 Survey. Purchaser shall order, at Purchaser's sole cost and expense, an as-built survey of the Project (the "**Survey**"), prepared by a surveyor duly registered in the State of Michigan, and certified by said surveyor as having been prepared in accordance with the most currently available minimum detail and classification requirements of the land survey standards of the American Land Title Association. The Survey shall be dated as of a date on or after the Contract Date, and certified to Purchaser and its assigns, Purchaser's designated lender(s), if any, and the Title Company. The Survey shall show any encroachments of the Improvements onto adjoining properties, easements, set-back lines or right-of-way, and any encroachments of adjacent improvements onto the Project, and shall comply with any requirements imposed by the Title Company as a condition to the removal of the survey exception from the standard printed exceptions in Schedule B of the Title Commitment. Without limitation of the foregoing, the Survey shall state the legal description of the Land, the square footage of the Land and each Building, the number and location of all parking spaces on the Land, and whether the Land is located in an area designated by an agency of the United States as being subject to flood hazards or flood risks. Should the Survey indicate the presence of any encroachments by or upon the Project, or other matters that do or could adversely affect the value or marketability of title to such Project, or other matters that do or could adversely affect Purchaser's use, operation or financing of such Project, such matters shall be considered Defects (as defined in **Section 7.4**), and the cure provisions set forth in **Section 7.4** shall apply.

7.4 Defects and Cure. The Survey, the Title Commitment and any Title Commitment Update are collectively referred to as "**Title Evidence**." Except with respect to the Permitted Exceptions (including the Schedule B Exceptions), if the Title Evidence discloses any matters to which Purchaser, in its reasonable discretion, shall object (the "**Defects**"), Purchaser shall notify Seller thereof (the "**Defect Notice**"), in writing, within five (5) business days following the receipt by Purchaser of either the Survey or any Title Commitment Update and thereafter Seller shall have the right (but not the obligation) to cure and remove, or obtain title insurance for, such Defects prior to Closing. Within ten (10) days after Seller's receipt of the Defect Notice, Seller shall notify Purchaser ("**Seller's Response Notice**") as to those Defect(s), if any, that Seller shall attempt to cure or obtain title insurance for prior to Closing, if any. If Seller fails to deliver such Seller's Response Notice to Purchaser within ten (10) days, Seller shall be deemed to have notified Purchaser that Seller shall not attempt to cure or obtain title insurance for any Defect(s) raised in the Defect Notice. If Seller notifies Purchaser (or is deemed to notify Purchaser) that it will not attempt to cure or obtain title insurance for any or all Defect(s), then Purchaser may (1) terminate this Agreement by written notice to Seller given within five (5) days after Purchaser receives (or is deemed to receive) Seller's Response Notice, in which event the Earnest Money, shall be released to Seller and neither party shall have any further liability to the other hereunder, except as provided in this Agreement; or (2) proceed to close with no reduction in or offset against the Purchase Price, and thereafter Purchaser shall be deemed to have accepted such Defect(s) as Permitted Exceptions, and Purchaser shall be deemed to automatically and forever waive any and all claims and liabilities against Seller with respect to such Defect(s). To the extent that Purchaser fails to timely and properly notify Seller

(pursuant to this **Section 7**) of any such Defect(s), Purchaser shall be deemed to have accepted the same and to automatically and forever waive its right to terminate this Agreement pursuant to this **Section 7.4** and such Defect(s) shall be deemed Permitted Exceptions for all purposes hereunder. For purposes of this Agreement, the term, “**Permitted Exceptions**,” shall mean (1) taxes not yet due and payable; (2) the Schedule B Exceptions (3) those matters that may be specifically approved, in writing, by Purchaser or deemed accepted by Purchaser pursuant to this **Section 7.4**; (3) the rights of Kelly under the Kelly Leases; and (4) matters arising out of any act of Purchaser or its agents, employees or representatives. Any item contained in a Title Commitment Update or the Survey to which Purchaser does not object in a Defect Notice shall be deemed a Permitted Exception. Notwithstanding anything herein to the contrary, Purchaser shall not be required to object to any mortgage lien, construction lien or other lien or encumbrance created by or through Seller, which may be discharged by payment of a specified or ascertainable amount of money, and all such liens or encumbrances shall not be or become Permitted Exceptions and shall be discharged by Seller at or before Closing.

8. SELLER’S REPRESENTATIONS AND WARRANTIES. Seller represents and warrants to Purchaser that the following matters are true as of the Contract Date and such representations and warranties (the “**Seller’s Representations**”) shall survive the Closing for a period of six (6) months (the “**Survival Period**”):

8.1 Authority. The execution and delivery of this Agreement by Seller, and the performance of this Agreement by Seller, have been duly authorized by Seller, and this Agreement is binding on Seller and enforceable against Seller in accordance with its terms. No consent of any governmental authority, or other governmental body or agency asserting jurisdiction over the Project (collectively, “**Governmental Authority**”), creditor, investor, judicial or administrative body, or other party to such execution, delivery and performance by Seller is required.

8.2 Seller’s Deliveries. The Seller Deliveries provided by Seller to Purchaser are true copies of the Seller Deliveries in Seller’s possession or control.

8.3 Contracts. There are no Contracts (as defined in Exhibit C) of any kind entered into by Seller or known to Seller relating to the management, leasing, operation, maintenance or repair of the Project, except those “**Contracts**” listed on **Exhibit E**. Seller has not received any written notice alleging that it has failed to timely perform all of the obligations required to be performed by it, nor alleging that Seller is otherwise in default under, any of such Contracts. Seller shall not assign any Contracts to Purchaser and shall remain liable for all obligations under the Contracts through Seller’s continued operation of the Project pursuant to the Kelly Leases.

8.4 Employees. No employees of Seller shall become employees of Purchaser upon the consummation of the transaction contemplated herein; provided, however, Purchaser has agreed to employ the maintenance and security employees of Kelly at the Project to continue providing those services by “Landlord” under the Kelly Leases.

8.5 Compliance with Laws and Codes. Seller has not received any written notice that the entirety of the Project (including the Improvements), and the use and operation thereof, are not in compliance with all applicable municipal and other governmental laws, ordinances, rules, regulations, codes (including environmental laws).

8.6 Litigation. Seller, to its actual knowledge, has not received any written notice of any pending, or threatened, judicial, municipal or administrative proceedings materially affecting the Project, or in which Seller is or will be a party by reason of Seller's ownership or operation of the Project or any portion thereof.

8.7 Bankruptcy. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending, or, to Seller's actual knowledge, threatened, against Seller, nor are any of such proceedings contemplated by Seller.

8.8 Re-Zoning. Seller is not a party to, nor does Seller have any actual knowledge of, any threatened proceeding for the rezoning of the Project,

8.9 No Conflict. Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will (i) result in a breach of, default under, or acceleration of, any agreement to which Seller is a party or by which Seller or the Project are bound; or (ii) violate any restriction, court order, agreement or other legal obligation to which Seller and/or the Project is subject.

8.10 Real Estate Taxes. Seller has received no notice of, nor does Seller have any actual knowledge of any proposed assessments or any public improvements affecting the Property which have been ordered to be made and/or which have not heretofore been completed, assessed and paid for.

8.11 Hazardous Materials. Seller has not received written notice of and has no knowledge that the Project is in violation of any Environmental Requirements. Seller has not received any written notice or report alleging any release of Hazardous Materials at the Project.

8.12 United States Person. Seller is a "United States Person" within the meaning of **Section 1445(f)(3)** of the Internal Revenue Code of 1986, as amended, and shall execute and deliver an "Entity Transferor" certification at Closing.

8.13 Condemnation. Seller has not received any written notice advising it of any pending or threatened condemnation or other governmental taking proceedings affecting all or any part of the Project.

As used herein, the term "to Seller's knowledge" and "to Seller's actual knowledge" shall mean only the "current actual knowledge" (as defined below) of Brian Mioduszewski who is the person with the most knowledge and experience in connection with the ownership and operation of the Property by Seller. As used herein, the term "current actual knowledge" shall mean only

the actual, current, conscious and not constructive, imputed or implied knowledge of such designee after having made a review of his files but no other inquiry. Anything herein to the contrary notwithstanding, such designee shall not have any personal liability or obligation whatsoever with respect to any of the matters set forth in this Agreement or any of the Seller's representation herein being or becoming untrue, inaccurate or incomplete in any respect. Notwithstanding anything to the contrary contained in this Agreement, Seller shall have no liability for any breach of a Seller representation to the extent that Purchaser knew such representation was false or otherwise had knowledge that such representation had been breached by Seller on or before the Contract Date.

Notwithstanding anything to the contrary in this Agreement, no claim for a breach of any Seller Representations, or the failure or default of a covenant or agreement of Seller that survives Closing, shall be actionable or payable unless (a) the breach in question results from, or is based on, a condition, state of facts or other matter which was not actually disclosed to, or actually known by, Purchaser prior to Closing, (b) the valid claims for all such breaches collectively aggregate more than One Hundred Thousand and 00/100 Dollars (\$100,000.00), in which event the full amount of such claims shall be actionable, and (c) written notice containing a description of the specific nature of such breach shall have been delivered by Purchaser to Seller prior to the expiration of the Survival Period, and an action with respect to such breach(es) shall have been commenced by Purchaser against Seller within nine (9) months after Closing. Notwithstanding anything contained herein to the contrary, the maximum amount that Purchaser shall be entitled to collect from Seller in connection with all suits, litigation or administrative proceedings resulting from all breaches by Seller of any Seller Representations or any covenants of Seller shall in no event exceed One Million and 00/100 Dollars (\$1,000,000.00) in the aggregate. Notwithstanding anything to the contrary contained herein, if Purchaser is notified in any document, or in writing by Seller, or otherwise obtains actual (as opposed to deemed, imputed or constructive) knowledge, that any Seller Representation made by Seller is not true or correct as of the Contract Date, or that such Seller Representation is not true or correct on or before the Closing, or is notified in any document, or in writing by Seller, or otherwise obtains actual (as opposed to deemed, imputed or constructive) knowledge that Seller has failed to perform any covenant and agreement herein contained, and Purchaser shall nevertheless acquire the Project notwithstanding such fact, Purchaser shall not be entitled to commence any action after Closing to recover damages from Seller due to such Seller Representation(s) failing to be true or correct (and Purchaser shall not be entitled to rely on such Seller Representation) or such covenant(s) and agreement(s) having failed to be performed by Seller. The terms of this paragraph shall survive Closing and shall not be merged into any document of conveyance.

9. PURCHASER'S COVENANTS AND REPRESENTATIONS. Purchaser represents and warrants to Seller that the following matters are true as of the Contract Date:

9.1 Authority. The execution and delivery of this Agreement by Purchaser, and the performance of this Agreement by Purchaser, have been duly authorized by Purchaser, and this Agreement is binding on Purchaser and enforceable against Purchaser in accordance with its terms. No consent of any creditor, investor, judicial or administrative body, governmental authority, or other governmental body or agency, or other party to such execution, delivery and performance by Purchaser is required.

9.2 No Conflict. To Purchaser's knowledge, the execution and delivery of, and consummation of the transactions contemplated by this Agreement is not prohibited by, and will not conflict with, constitute grounds for termination of, or result in the breach of any of the agreements or instruments to which Purchaser is now party or by which it is bound, or to Purchaser's knowledge, any order, rule or regulation of any court or other governmental agency or official.

Purchaser's representations and warranties contained in this **Section 9** shall survive Closing for a period of six (6) months.

10. COVENANTS OF SELLER. Effective as of the Contract Date, Seller hereby covenants with Purchaser as follows:

10.1 New Leases. During the term of this Agreement and except for the Kelly Leases, Seller shall not execute any leases, licenses, or other agreements affecting the ownership or operation of the Project, without Purchaser's prior written approval.

10.2 New Contracts. Seller shall provide to Purchaser copies of any new Contracts entered into prior to Closing, and in no event shall Seller enter into any Contracts that would result in any liability or obligations for the fee owner of the Project without the prior written consent of Purchaser.

10.3 Insurance. The Insurance Policies shall remain continuously in force through and including the Closing Date.

10.4 Operation of Project. Seller shall operate and manage the Project in the same manner in which it is being operated as of the Contract Date, maintaining present services, and shall maintain the Project in its same repair and working order. Between the Contract Date and the Closing Date, Seller shall not take or omit to take any action that would cause any of the warranties or representations set forth in **Section 8** hereof to be untrue as of the Closing Date in any material respect. Except as otherwise specifically provided herein, at Closing, Seller shall deliver the Project in substantially the same condition as exists on the Contract Date, reasonable wear and tear and damage by casualty or condemnation excepted.

10.5 No Assignment. After the Contract Date and prior to Closing, except as otherwise provided herein, Seller shall not assign, alienate, lien, encumber or otherwise transfer all or any part of the Project or any interest therein.

10.6 Change in Conditions. Seller shall, to the extent Seller obtains actual knowledge thereof, promptly notify Purchaser of any change in any condition with respect to the Project, or of the occurrence of any event or circumstance, that makes any representation or warranty of Seller to Purchaser under this Agreement untrue or misleading, or any covenant of Seller under this Agreement incapable of being performed, it being understood that Seller's obligation to provide notice to Purchaser under this **Section 10.6** shall in no way abrogate Purchaser's right to terminate this Agreement or relieve Seller of

any liability for a breach by Seller of any of its representations, warranties or covenants under this Agreement, except as may otherwise be expressly provided herein.

10.7 Additional Encumbrances. From and after the Contract Date, Seller shall not further lien or otherwise encumber the Project.

10.8 Marketing. From and after the Contract Date, Seller shall not market the Project.

11. ADDITIONAL CONDITION PRECEDENT TO CLOSING. In addition to the other conditions enumerated in this Agreement, the following shall be an additional Condition Precedent to the parties obligation to close hereunder:

11.1 Kelly Leases. Prior to Closing, Purchaser and Seller shall negotiate the Kelly Leases for 999 West Big Beaver Road, 911 West Big Beaver Road and 2690 Crooks Road (each a “**Kelly Lease**” and collectively, the “**Kelly Leases**”), the principal terms of which are set forth on **Exhibit F**. On or before January 20, 2019, Purchaser and Seller shall agree upon (and confirm to one-another in writing) the form of the Kelly Leases (the “**Lease Condition**”). Each parties obligation to close the transaction hereunder is contingent upon the satisfaction of the Lease Condition. If the parties do not timely satisfy the Lease Condition, then until the Lease Condition is satisfied, either party may terminate this Agreement by written notice to the other, in which event the Earnest Money shall be returned to Purchaser. Possession of the Project shall not be delivered to Purchaser prior to Closing, and after Closing, Kelly shall retain possession of the Project under the terms of the Kelly Leases.

12. CLOSING DELIVERIES.

12.1 At Closing (or such other times as may be specified below), Seller shall deliver or cause to be delivered to Purchaser the following, in form and substance acceptable to Purchaser:

12.1.1 Deed. Covenant Deed, executed by Seller, in recordable form conveying the Project to Purchaser warranting only that Seller has not sold or encumbered the Project during its period of ownership, subject to the Permitted Exceptions.

12.1.2 General Assignment. An assignment, executed by Seller, to Purchaser of all right, title and interest of Seller and its agents in and to the Intangible Personal Property.

12.1.3 Keys. Keys to all locks located in the Project, to the extent in Seller’s possession or control; provided, however, Kelly shall be permitted to hold copies of such keys in connection with Kelly’s continued occupation of the Project pursuant to the Kelly Leases.

12.1.4 Kelly Leases. Kelly Leases, executed by Kelly.

12.1.5 ALTA Statement. If required by the Title Company, an ALTA (or comparable) Statement, each executed by Seller and in form and substance acceptable to the Title Company.

12.1.6 Title Policy. The Title Policy (or a “marked-up” Title Commitment) issued by the Title Company, dated as of the date of the recordation of the Covenant Deed in the amount of the Purchase Price, with the ALTA 34 Endorsement.

12.1.7 Closing Statement. A closing statement conforming to the proration and other relevant provisions of this Agreement.

12.1.8 Entity Transfer Certificate. Entity Transfer Certification confirming that Seller is a “United States Person” within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended.

12.1.9 Closing Certificate. A certificate, signed by Seller, certifying that all covenants required to be performed by Seller prior to the Closing Date have been performed, in all material respects.

12.1.10 Other. Such other documents and instruments as may reasonably be required by the Title Company and that may be reasonably necessary or appropriate to consummate this transaction and to otherwise effect the agreements of the parties hereto.

12.2 At Closing, Purchaser shall deliver or cause to be delivered to Seller the following:

12.2.1 Closing Statement. A closing statement conforming to the proration and other relevant provisions of this Agreement.

12.2.2 Kelly Leases. Kelly Leases, executed by Purchaser.

12.2.3 Purchase Price. The Purchase Price, subject to closing costs and prorations provided in this Agreement.

13. PRORATIONS AND ADJUSTMENTS. The following shall be prorated and adjusted between Seller and Purchaser as of the Closing Date in accordance with the custom for the locale of the Project:

(a) Purchaser and Seller shall divide the cost of any earnest money and closing escrows hereunder equally between them (except for any escrow established solely to accommodate Purchaser’s lender, if any, and for any incremental cost of such lender’s participation in any escrow established by the parties).

(b) All real estate taxes, personal property taxes, ad valorem taxes and all assessments applicable to the Project shall be prorated on a “due date” basis.

(c) Amounts paid or payable under the Contracts being assumed by Purchaser, if any, shall be prorated.

(d) Such other items that are customarily prorated in transactions of this nature for the locale of the Project shall be ratably prorated.

(e) If any information is unavailable at the Closing that prevents Purchaser and Seller from finalizing adjustments and prorations pursuant to this Agreement, then Purchaser and Seller agree to allocate such items on a fair and equitable basis at the Closing, and then as soon as such information is available, final adjustments shall promptly be made. Payments in connection with the final adjustments shall be due within thirty (30) days of written notice. Notwithstanding the foregoing, all such rights and obligations shall survive the Closing until nine (9) months after the Closing Date.

14. CLOSING EXPENSES. Seller will pay for: (i) subject to **Section 13(a)** above, one-half of the cost of any escrows hereunder, (ii) the cost of the premium for the base Title Policy and the ALTA 34 Endorsement, (iii) any fees or premiums, of any nature, associated with prepayment of debt encumbering the Project, and (iv) any local, county, or state transfer taxes payable upon or in connection with the recording of the Covenant Deed. Purchaser will pay for (i) subject to **Section 13(a)** hereof, one-half of any escrow costs hereunder, (ii) the cost of recording the Covenant Deed, (iii) the cost of any “extended form coverage” for the title policy, (iv) the cost of any additional endorsements to the Title Policy (other than the ALTA 34), and (v) the cost of the Survey. Each party will be responsible for paying its own attorneys’ fees.

15. DESTRUCTION, LOSS OR DIMINUTION OF PROJECT. If, prior to Closing, all or any portion of the Project is damaged by fire or other natural casualty (collectively “**Damage**”), or is taken or made subject to condemnation, eminent domain or other governmental acquisition proceedings (collectively “**Eminent Domain**”), then the following procedures shall apply:

- (a) If the aggregate cost of repair or replacement of the Damage (collectively, “**repair and/or replacement**”) is \$200,000.00 or less, in the opinion of Purchaser’s and Seller’s respective engineering consultants, Purchaser shall close and take the Project as diminished by such events with an assignment by Seller of any casualty insurance or condemnation proceeds and the payment by Seller to Purchaser of any applicable deductible amounts.
- (b) If the aggregate cost of repair and/or replacement is greater than \$200,000.00, in the opinion of Purchaser’s and Seller’s respective engineering consultants, then Purchaser, at its sole option, may elect either to (i) terminate this Agreement by written notice to Seller in which event the provisions of **Subsection 22.7** governing a permitted termination by Purchaser shall apply; or (ii) proceed to close and take the Project as diminished by such events; together with an assignment of the proceeds of Seller’s casualty insurance for all Damage (or condemnation awards for

any Eminent Domain) and the payment by Seller to Purchaser of any applicable deductible amounts. In such event, Seller shall fully cooperate with Purchaser in the adjustment and settlement of the insurance claim.

- (c) In the event of a dispute between Seller and Purchaser with respect to the cost of repair and/or replacement with respect to the matters set forth in this **Section 15**, an engineer designated by Seller and an engineer designated by Purchaser shall select an independent engineer licensed to practice in the jurisdiction where the Project is located who shall resolve such dispute. All fees, costs and expenses of such third engineer so selected shall be shared equally by Purchaser and Seller.

16. DEFAULT.

16.1 Default by Seller.

16.1.1 If Seller shall have failed (prior to a material default by Purchaser hereunder) to perform any of the covenants and agreements contained herein to be performed by Seller within the time for performance as specified herein prior to Closing, and such failure continues until the earlier of: (a) five (5) days following written notice of default from Purchaser; or (b) the Closing Date, or if Seller shall have failed to fulfill its obligation to close the transaction by the Closing Date (in which event no notice shall be necessary), Purchaser may either (i) terminate Purchaser's obligations under this Agreement by written notice to Seller with a copy to Escrowee, in which event the Earnest Money shall be returned to Purchaser and Seller shall pay Purchaser an amount equal to Purchaser's out of pocket expenses incurred in connection with the negotiation or implementation of this Agreement (including, without limitation, due diligence costs and reasonable attorneys' fees) up to an amount not to exceed Thirty Five Thousand and 00/100 Dollars (\$35,000.00); (ii) Purchaser may file an action for specific performance of this Agreement, or (iii) waive said failure or breach and proceed to Closing. If the Closing has not occurred and Purchaser elects (ii) above, then Seller agrees that Purchaser shall not be required to post a bond or any other collateral with the court or any other party as a condition to Purchaser's pursuit of an action. Purchaser shall have no other remedy for any default by Seller, including any right to damages.

16.1.2 If Purchaser discovers a breach of Seller's representations, warranties or covenants set forth in **Sections 8** or **10** of this Agreement and delivers written notice to Seller of such breach of a representation, warranty or covenant during the Survival Period, then, in lieu of the remedies set forth in **Section 16.1.1** above, then subject to the limitations set forth in **Section 8**, Purchaser shall have the right to pursue all remedies available at law or in equity. To the extent Purchaser has knowledge of a breach of a representation, warranty or covenant set forth in this Agreement and still proceeds to close, Purchaser shall be deemed to have waived all rights and remedies against Seller as a result of such breach.

16.2 Default by Purchaser. In the event Purchaser defaults in its obligations defaults in any material respect in its obligations to perform any of the covenants and agreements contained herein to be performed by Purchaser within the time for performance as specified herein (including Purchaser's obligation to close), then Seller's sole and exclusive remedy shall be to cause the Escrowee to deliver the Earnest Money, together with all interest earned thereon, to Seller, the amount thereof being fixed and liquidated damages, it being understood that Seller's actual damages in the event of such default are difficult to ascertain and that such proceeds represent the parties' best current estimate of such damages. Seller shall have no other remedy for any default by Purchaser; provided, however that, notwithstanding the foregoing, in the event Purchaser defaults in any of its post-closing obligations under this Agreement, Seller shall have all of its remedies at law or in equity on account of such default.

17. SUCCESSORS AND ASSIGNS; TAX-DEFERRED EXCHANGE.

17.1 Assignment. Neither party shall assign this Agreement without the prior written consent, except that (a) either party may assign to an Intermediary (as defined below), and (b) Purchaser may assign its interest in and obligations under this Agreement to any entity controlling, controlled by, or under common control with Purchaser, (any such entity, an "Affiliate") so long as Purchaser notifies Seller of the assignment at least three (3) business days prior to Closing; provided that no such assignment by Purchaser shall relieve Purchaser of its obligations and liabilities under this Agreement.

17.2 Tax-Deferred Exchange. Either party may assign all or any of its right, title and interest under this Agreement to any third party intermediary (an "Intermediary") in connection with a tax-deferred exchange pursuant to Section 1031 of the Internal Revenue Code (an "Exchange"), In the event a party elects to assign this Agreement to an Intermediary, the other party shall reasonably cooperate with the assigning party (without incurring any additional liability or any additional third party expenses, however) in connection with such election and the consummation of the Exchange, including without limitation, by executing an acknowledgment of the assigning party's assignment of this Agreement to the Intermediary.

18. LITIGATION. In the event of litigation between the parties with respect to the Project, this Agreement, the Escrow Agreement, the performance of their respective obligations hereunder or the effect of a termination under this Agreement or the Escrow Agreement, the losing party shall pay all costs and expenses incurred by the prevailing party in connection with such litigation, including, but not limited to, reasonable attorneys' fees of counsel selected by the prevailing party. Notwithstanding any provision of this Agreement to the contrary, the obligations of the parties under this **Section 18** shall survive termination of this Agreement.

19. NOTICES. Any notice, demand or request which may be permitted, required or desired to be given in connection therewith shall be given in writing and directed to Seller and Purchaser as follows:

Seller: Kelly Properties, LLC
999 W. Big Beaver Road
Troy, Michigan 48084-4782
Attn: Hannah Lim-Johnson
Email: Hannah.lim@kellyservices.com

With a copy to Kelly Properties, LLC
999 W. Big Beaver Road
Troy, Michigan 48084-4782
Attn: Brian Mioduszewski
Email: BRIM681@kellyservices.com

with a copy to
its attorneys: Dykema Gossett PLLC
39577 Woodward Avenue
Suite 300
Bloomfield Hills, Michigan 48304
Attn: Kyle R. Hauberg, Esq.
Email: khauberg@dykema.com

Purchaser: A.F.J. Development Company L.L.C.
4036 Telegraph Road, Suite 201
Bloomfield Hills, Michigan 48302
Attn: Jordan Jonna
Email: jjonna@afjonna.com

with a copy to
its attorneys: David W. Yaldo, PC
4036 Telegraph Road, Suite 204
Bloomfield Hills, Michigan 48302
Attn: David Yaldo, Esq.
Email: dyaldo@sypclaw.com

Notices shall be deemed properly delivered and received (i) the same day when personally delivered; or (ii) one day after deposit with Federal Express or other commercial overnight courier; or (iii) the same day when sent by confirmed email with a copy sent by Federal Express or other commercial overnight courier.

20. **BENEFIT.** This Agreement is for the benefit only of the parties hereto and their nominees, successors, beneficiaries and assignees as permitted in **Section 17** and no other person or entity shall be entitled to rely hereon, receive any benefit herefrom or enforce against any party hereto any provision hereof.

21. **BROKERAGE.** Each party hereto represents and warrants to the other that it has dealt with no brokers or finders in connection with this transaction, except for Cushman & Wakefield (“**Seller’s Broker**”). Upon Closing of the transaction which is the subject of this Agreement, Seller shall pay the brokers’ commission due to Seller’s Broker pursuant to the terms of a separate agreement between Seller and Seller’s Broker. Seller and Purchaser each hereby indemnify, protect and defend and hold the other harmless from and against all losses, claims, costs, expenses, damages (including, but not limited to, attorneys’ fees of counsel selected by the indemnified party) resulting from the claims of any broker, finder, or other such party, other than Seller’s Broker, claiming by, through or under the acts or agreements of the indemnifying party. The obligations of the parties pursuant to this **Section 21** shall survive the Closing or any earlier termination of this Agreement.

22. **MISCELLANEOUS.**

22.1 **Entire Agreement.** This Agreement constitutes the entire understanding between the parties with respect to the transaction contemplated herein, and all prior or contemporaneous oral agreements, understandings, representations and statements, and all prior written agreements, understandings, letters of intent and proposals, in each case with respect to the transaction contemplated herein, are hereby superseded and rendered null and void and of no further force and effect and are merged into this Agreement. Neither this Agreement nor any provisions hereof may be waived, modified, amended, discharged or terminated except by an instrument in writing signed by the party against which the enforcement of such waiver, modification, amendment, discharge or termination is sought, and then only to the extent set forth in such instrument.

22.2 **Time of the Essence.** Time is of the essence of this Agreement.

22.3 **Legal Holidays.** If any date herein set forth for the performance of any obligations by Seller or Purchaser or for the delivery of any instrument or notice as herein provided should be on a Saturday, Sunday or legal holiday, the compliance with such obligations or delivery shall be deemed acceptable on the next business day following such Saturday, Sunday or legal holiday. As used herein, the term “**legal holiday**” means any state or federal holiday for which financial institutions or post offices are generally closed for observance thereof in the State in which the Project is located.

22.4 **Construction.** The headings of various sections in this Agreement are for convenience only, and are not to be utilized in construing the content or meaning of the substantive provisions hereof.

22.5 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the state in which the Project is located.

22.6 Partial Invalidity. The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or enforceability of any one provision shall not affect the validity of enforceability of any other provision hereof.

22.7 Permitted Termination. In the event that Purchaser exercises any right it may have hereunder to terminate this Agreement, the Earnest Money, together with all interest earned thereon, shall be immediately released to Seller (except in the event of a Seller default) and neither party shall have any further liability under this Agreement except as otherwise expressly provided hereunder.

22.8 No Reliance. This Agreement represents the full and complete agreement between Seller and Purchaser. Any representations, warranties, promises or conditions, whether written or oral, not specifically incorporated (by reference or otherwise) into this Agreement shall not be binding upon either of the parties hereto, and each of the parties hereto acknowledges that it has not relied upon, in entering into this Agreement, any representation, warranty, promise or condition not specifically set forth in this Agreement. All discussions, negotiations and writings have been and are merged into this Agreement.

22.9 No Recordation. Seller and Purchaser hereby acknowledge that neither this Agreement nor any memorandum or affidavit thereof shall be recorded of public record of the county where the Property is located, or any other county. Should Purchaser ever record or attempt to record this Agreement, or a memorandum or affidavit thereof, or any other similar document, then, notwithstanding anything herein to the contrary, said recordation or attempt at recordation shall constitute a default by Purchaser hereunder, and, in addition to the other remedies provided for herein, Seller shall have the express right to terminate this Agreement by filing a notice of said termination in the county in which the Property is located.

22.10 Jury Waiver. PURCHASER AND SELLER DO HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE THEIR RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, OR UNDER OR IN CONNECTION WITH THIS AGREEMENT, THE DOCUMENTS DELIVERED BY PURCHASER AT CLOSING OR SELLER AT CLOSING, OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ANY ACTIONS OF EITHER PARTY ARISING OUT OF OR RELATED IN ANY MANNER WITH THIS AGREEMENT OR THE PROPERTY (INCLUDING WITHOUT LIMITATION, ANY ACTION TO RESCIND OR CANCEL THIS AGREEMENT OR ANY CLAIMS OR DEFENSES ASSERTING THAT THIS AGREEMENT WAS FRAUDULENTLY INDUCED OR IS OTHERWISE VOID OR VOIDABLE). THIS WAIVER IS A MATERIAL INDUCEMENT FOR SELLER TO ENTER INTO AND ACCEPT THIS AGREEMENT AND THE DOCUMENT DELIVERED BY PURCHASER AT CLOSING AND SHALL SURVIVE THE CLOSING OR TERMINATION OF THIS AGREEMENT.

22.11 Disclaimer. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, THE DEED OR ANY OF THE CLOSING DOCUMENTS, PURCHASER ACKNOWLEDGES AND AGREES THAT SELLER HAS NOT MADE, DOES NOT MAKE AND SPECIFICALLY NEGATES AND DISCLAIMS ANY REPRESENTATIONS, WARRANTIES, PROMISES, COVENANTS, AGREEMENTS OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE, OF, AS TO, CONCERNING OR WITH RESPECT TO (A) THE VALUE, NATURE, QUALITY OR CONDITION OF THE PROPERTY, INCLUDING, WITHOUT LIMITATION, THE WATER, SOIL AND GEOLOGY, (B) THE INCOME TO BE DERIVED FROM THE PROPERTY, (C) THE SUITABILITY OF THE PROPERTY FOR ANY AND ALL ACTIVITIES AND USES WHICH PURCHASER OR ANY TENANT MAY CONDUCT THEREON, (D) THE COMPLIANCE OF OR BY THE PROPERTY OR ITS OPERATION WITH ANY LAWS, RULES, ORDINANCES OR REGULATIONS OF ANY APPLICABLE GOVERNMENTAL AUTHORITY OR BODY, (E) THE HABITABILITY, MERCHANTABILITY, MARKETABILITY, PROFITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTY, (F) THE MANNER OR QUALITY OF THE CONSTRUCTION OR MATERIALS, IF ANY, INCORPORATED INTO THE PROPERTY, (G) THE MANNER, QUALITY, STATE OF REPAIR OR LACK OF REPAIR OF THE PROPERTY, OR (H) COMPLIANCE WITH ANY ENVIRONMENTAL PROTECTION, POLLUTION OR LAND USE LAWS, RULES, REGULATIONS, ORDERS OR REQUIREMENTS, INCLUDING THE EXISTENCE IN OR ON THE PROPERTY OF HAZARDOUS MATERIALS (AS DEFINED BELOW) OR (I) ANY OTHER MATTER WITH RESPECT TO THE PROPERTY. ADDITIONALLY, NO PERSON ACTING ON BEHALF OF SELLER IS AUTHORIZED TO MAKE, AND BY EXECUTION HEREOF OF PURCHASER ACKNOWLEDGES, THAT, EXCEPT AS OTHERWISE SET FORTH HEREIN, NO PERSON HAS MADE, ANY REPRESENTATION, AGREEMENT, STATEMENT, WARRANTY, GUARANTY OR PROMISE REGARDING THE PROPERTY OR THE TRANSACTION CONTEMPLATED HEREIN; AND NO SUCH REPRESENTATION, WARRANTY, AGREEMENT, GUARANTY, STATEMENT OR PROMISE IF ANY, MADE BY ANY PERSON ACTING ON BEHALF OF SELLER SHALL BE VALID OR BINDING UPON SELLER UNLESS EXPRESSLY SET FORTH HEREIN. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT AND ANY OTHER CLOSING DOCUMENT, PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT HAVING BEEN GIVEN THE OPPORTUNITY TO INSPECT THE PROPERTY, PURCHASER IS RELYING SOLELY ON ITS OWN INVESTIGATION OF THE PROPERTY AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY SELLER AND AGREES TO ACCEPT THE PROPERTY AT THE CLOSING AND, EXCEPT AS OTHERWISE SET FORTH HEREIN, WAIVE ALL OBJECTIONS OR CLAIMS AGAINST SELLER ARISING FROM OR RELATED TO THE PROPERTY OR TO ANY HAZARDOUS MATERIALS ON THE PROPERTY. PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT ANY INFORMATION PROVIDED OR TO BE PROVIDED WITH RESPECT TO THE

PROPERTY WAS OBTAINED FROM A VARIETY OF SOURCES AND THAT SELLER HAS NOT MADE ANY INDEPENDENT INVESTIGATION OR VERIFICATION OF SUCH INFORMATION AND, EXCEPT AS SET FORTH HEREIN, MAKES NO REPRESENTATIONS AS TO THE ACCURACY, TRUTHFULNESS OR COMPLETENESS OF SUCH INFORMATION. EXCEPT AS OTHERWISE SET FORTH HEREIN, SELLER IS NOT LIABLE OR BOUND IN ANY MANNER BY ANY VERBAL OR WRITTEN STATEMENT, REPRESENTATION OR INFORMATION PERTAINING TO THE PROPERTY, OR THE OPERATION THEREOF, FURNISHED BY ANY REAL ESTATE BROKER, CONTRACTOR, AGENT, EMPLOYEE, SERVANT OR OTHER PERSON. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT AND ANY OTHER CLOSING DOCUMENT, PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE SALE OF THE PROPERTY AS PROVIDED FOR HEREIN IS MADE ON AN "AS IS" CONDITION AND BASIS WITH ALL FAULTS. IT IS UNDERSTOOD AND AGREED THAT THE PURCHASE PRICE HAS BEEN ADJUSTED BY PRIOR NEGOTIATION TO REFLECT THAT ALL OF THE PROPERTY IS SOLD BY SELLER AND PURCHASED BY PURCHASER SUBJECT TO THE FOREGOING. THE PROVISIONS OF THIS SECTION 22.13 SHALL SURVIVE THE CLOSING OR ANY TERMINATION HEREOF.

PURCHASER, FOR PURCHASER AND PURCHASER'S SUCCESSORS AND ASSIGNS, HEREBY RELEASES SELLER FROM AND WAIVES ANY AND ALL CLAIMS AND LIABILITIES AGAINST SELLER FOR, RELATED TO, OR IN CONNECTION WITH, ANY ENVIRONMENTAL CONDITION AT THE PROJECT (OR THE PRESENCE OF ANY MATTER OR SUBSTANCE RELATING TO THE ENVIRONMENTAL CONDITION OF THE PROJECT), INCLUDING, BUT NOT LIMITED TO, CLAIMS AND/OR LIABILITIES RELATING TO (IN ANY MANNER WHATSOEVER) ANY HAZARDOUS, TOXIC OR DANGEROUS MATERIALS OR SUBSTANCES LOCATED IN, AT, ABOUT OR UNDER THE PROJECT, OR FOR ANY AND ALL CLAIMS OR CAUSES OF ACTION (ACTUAL OR THREATENED) BASED UPON, IN CONNECTION WITH OR ARISING OUT OF CERCLA (THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT OF 1980, 42 U.S.C. '9601 ET SEQ., AS AMENDED BY THE SUPERFUND AMENDMENT AND REAUTHORIZATION ACT OF 1986, AND AS MAY BE FURTHER AMENDED FROM TIME TO TIME), THE RESOURCE CONSERVATION AND RECOVERY ACT OF 1976, 42 U.S.C. '6901 ET SEQ., OR ANY OTHER CLAIM OR CAUSE OF ACTION (INCLUDING ANY FEDERAL OR STATE BASED STATUTORY, REGULATORY OR COMMON LAW CAUSE OF ACTION) RELATED TO ENVIRONMENTAL MATTERS OR LIABILITY WITH RESPECT TO OR AFFECTING THE PROJECT.

As used in this Agreement, "Hazardous Materials" shall mean any substance which is or contains (1) any "hazardous substance" as now or hereafter defined in §101(14) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended

(42 U.S.C. §9601 et seq.) (“CERCLA”) or any regulations promulgated under CERCLA; (ii) any “hazardous waste” as now or hereafter defined in the Resource Conservation and Recovery Act (42 U.S.C. §6901 et seq.) (“RCRA”) or regulations promulgated under RCRA; (iii) any substance regulated by the Toxic Substances Control Act (15 U.S.C. §2601 et seq.); (iv) gasoline, diesel fuel, or other petroleum hydrocarbons; (v) asbestos and asbestos containing materials, in any form, whether friable or non-friable; (vi) polychlorinated biphenyls; (vii) radon gas; and (viii) any additional substances or materials which are now or hereafter classified or considered to be hazardous or toxic under Environmental Requirements as defined below, or the common law, or any other applicable laws relating to the Property. Hazardous Materials shall include, without limitation, any substance, the presence of which on the Property, (A) requires reporting, investigation or remediation under Environmental Requirements; (B) causes or threatens to cause a nuisance on the Property or adjacent property or poses or threatens to pose a hazard to the health or safety of persons on the Property or adjacent property; or (C) which, if it emanated or migrated from the Property, could constitute a trespass.

As used in this Agreement, “Environmental Requirements” shall mean all laws, ordinances, statutes, codes, rules, regulations, agreements, judgments, orders, and decrees, now or hereafter enacted, promulgated, or amended, of the United States, the states, the counties, the cities, or any other political subdivisions in which the Property is located, and any other political subdivision, agency or instrumentality exercising jurisdiction over the owner of the Property, the Property, or the use of the Property, relating to pollution, the protection or regulation of human health, natural resources, or the environment, or the emission, discharge, release or threatened release of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or waste or Hazardous Materials into the environment (including, without limitation, ambient air, surface water, ground water or land or soil).

IN WITNESS WHEREOF, the parties hereto have executed this Agreement of Purchase and Sale on the date first above written.

SELLER:

KELLY PROPERTIES, LLC, a Delaware limited liability company

By: /s/ Olivier Thiot
Name: Olivier Thiot
Its: EVP, CFO Kelly Services

PURCHASER:

A.F.J. DEVELOPMENT COMPANY L.L.C., a Michigan limited liability company _____

By: /s/ Jordan Jonna
Name: Jordan Jonna
Its: Manager

SCHEDULE OF EXHIBITS

A Land

A-1 Address and Size of Building

B Escrow Agreement

C Seller's Deliveries

D Permitted Exceptions

E Contracts

F Kelly Lease Terms

EXHIBIT A

Legal Description of the Land

The land referred to in this commitment is described as follows: City of Troy, County of Oakland, State of Michigan

Parcel 1:

Part of the Northwest 1/4, Section 28, Town 2 North, Range 11 East, City of Troy, Oakland County, Michigan, beginning at point distant South 02 degrees 21 minutes 41 seconds East 400 feet from Northwest Section corner; thence North 87 degrees 34 minutes 19 seconds East 60 feet; thence North 02 degrees 25 minutes 41 seconds West 340.09 feet; thence North 87 degrees 28 minutes 55 seconds East 410 feet; thence South 02 degrees 31 minutes 05 seconds East 452 feet; thence North 87 degrees 28 minutes 55 seconds East 355 feet; thence South 02 degrees 31 minutes 05 seconds East 115 feet; thence South 87 degrees 28 minutes 55 seconds West 825.89 feet; thence North 02 degrees 25 minutes 41 seconds West 227 feet to beginning, EXCEPT that part taken for Big Beaver Road described as beginning at point distant South 02 degrees 25 minutes 41 seconds East 60 feet and North 87 degrees 28 minutes 55 seconds East 60 feet from Northwest Section corner; thence North 87 degrees 28 minutes 55 seconds East 410 feet; thence South 02 degrees 31 minutes 05 seconds East 42 feet; thence South 87 degrees 28 minutes 55 seconds West 410.07 feet; thence North 02 degrees 25 minutes 41 seconds West 42 feet to beginning, also EXCEPT that part taken for Crooks Road described as beginning at point distant South 02 degrees 25 minutes 41 seconds East 400 feet and North 87 degrees 34 minutes 19 seconds East 33 feet from Northwest Section corner; thence North 87 degrees 37 minutes 58 seconds East 27 feet; thence South 02 degrees 25 minutes 41 seconds East 226.91 feet; thence South 87 degrees 28 minutes 55 seconds West 27 feet; thence North 02 degrees 25 minutes 41 seconds West 226.95 feet to the point of beginning.

Parcel 2:

Part of the Northwest 1/4 of Section 28, Town 2 North, Range 11 East, City of Troy, Oakland County, Michigan, being more particularly described as follows: Beginning at a point distant South 02 degrees 25 minutes 41 seconds East 60 feet and North 87 degrees 28 minutes 55 seconds East 470 feet from the Northwest corner of Section 28; thence North 87 degrees 28 minutes 55 seconds East 240 feet; thence South 02 degrees 31 minutes 05 seconds East 452 feet; thence South 87 degrees 28 minutes 55 seconds West 240 feet; thence North 02 degrees 31 minutes 05 seconds West 452 feet to the point of beginning, EXCEPT the North 42 feet deeded for highway purposes, as recorded in Liber 6029, Page 776, Oakland County Records.

Together with the following Easements:

A six (6) foot private easement for sanitary sewer, being a part of the Northwest 1/4 of Section 28, Town 2 North, Range 11 East, City of Troy, Oakland County, Michigan, being more particularly described as: Beginning at a point distant South 02 degrees 25 minutes 41 seconds East 60.00 feet, North 87 degrees 28 minutes 55 seconds East 710 feet and South 02 degrees 31

minutes 05 seconds East 446.00 feet from the Northwest corner of said Section 28; thence North 87 degrees 28 minutes 55 seconds East 115.00 feet; thence South 02 degrees 31 minutes 05 seconds East 6.00 feet; thence South 87 degrees 28 minutes 55 seconds West 115.00 feet; thence North 02 degrees 31 minutes 05 seconds West 6.00 feet to the point of beginning.

AND

A twelve (12) foot private easement for public sanitary sewer, being a part of the Northwest 1/4 of Section 28, Town 2 North, Range 11 East, City of Troy, Oakland County, Michigan, being more particularly described as: Beginning at a point distant South 02 degrees 25 minutes 41 seconds East 60.00 feet, North 87 degrees 28 minutes 55 seconds East 710.00 feet, South 02 degrees 31 minutes 05 seconds East 446.00 feet and North 87 degrees 28 minutes 55 seconds East 115.00 feet from the Northwest corner of said Section 28; thence North 87 degrees 28 minutes 55 seconds East 12.00 feet; thence South 02 degrees 21 minutes 05 seconds East 121.00 feet; thence South 87 degrees 28 minutes 55 seconds West 12.00 feet; thence North 02 degrees 31 minutes 05 seconds West 121.00 feet to the point of beginning.

AND

A twelve (12) foot private easement for public storm sewer, being a part of the Northwest 1/4 of Section 28, Town 2 North, Range 11 East, City of Troy, Oakland County, Michigan, being more particularly described as: Beginning at a point distant South 2 degrees 25 minutes 41 seconds East 60 feet and North 87 degrees 28 minutes 55 seconds East 470 feet and South 2 degrees 31 minutes 5 seconds East 452 feet and North 87 degrees 28 minutes 55 seconds East 228 feet from the Northwest corner of Section 28; thence North 87 degrees 28 minutes 55 seconds East 12 feet; thence South 2 degrees 31 minutes 5 seconds East 115 feet; thence South 87 degrees 28 minutes 55 seconds West 12 feet; thence North 2 degrees 31 minutes 5 seconds West 115 feet to the point of beginning in favor of grantees property.

Parcel 3:

A part of the Northwest ¹/₄ of Section 28, Town 2 North, Range 11 East, City of Troy, Oakland County, Michigan, being more particularly described as beginning at a point on the East line of Crooks Road (120 feet wide) distant South 02 degrees 25 minutes 41 seconds East 626.91 feet and North 87 degrees 34 minutes 19 seconds East 60.00 feet from the Northwest corner of said Section 28; thence North 87 degrees 28 minutes 55 seconds East 528.89 feet; thence South 02 degrees 31 minutes 05 seconds East 306.70 feet; thence South 87 degrees 23 minutes 39 seconds West 529.37 feet to a point on the East line of Crooks Road; thence along said East line of Crooks Road North 02 degrees 25 minutes 41 seconds West 307.51 feet to the point of beginning.

Parcel 4:

The East 484 feet of the West 544 feet of the South 400 feet of the North 1/2 of the Northwest 1/4 corner of Section 28, Town 2 North, Range 11 East, City of Troy, Oakland County, Michigan.

Commonly Known as: 999 and 911 W. Big Beaver and 2690 Crooks Road, Troy, MI

Tax ID: 20-28-101-034; 20-280101-032; 20-28-101-047; and 20-28-101-003

111803.000006 4820-2222-5323.4 **A-3** Big Beaver PSA

EXHIBIT A-1

Address and Size of Building

1. 999 W. Big Beaver, Troy, MI 48084 with Parcel IDs of 20-28-101-034 and 20-28-101-047, including approximately 180,500 square foot office building.
2. 911 W. Big Beaver, Troy, MI 48084 with Parcel ID of 20-28-101-032, including approximately 50,010 square foot office building.
3. 2690 Crooks Road, Troy, MI 48084, with Parcel ID of 20-28-101-003, including approximately 80,000 square foot office building.

EXHIBIT B

Earnest Money Escrow Instructions

These Earnest Money Escrow Instructions (“**Instructions**”) are entered into as of this _____ day of December, 2019 by and among KELLY PROPERTIES, LLC, a Delaware limited liability company (“**Seller**”), A.F.J. DEVELOPMENT COMPANY L.L.C., a (“**Purchaser**”), and ATA NATIONAL TITLE GROUP (“**Escrowee**”).

WHEREAS, Purchaser and Seller entered into an Agreement of Purchase and Sale, dated December __, 2019 (the “**Agreement**”), for the purchase and sale of the Project (as defined in the Agreement and hereinafter collectively referred to as the “**Property**”); and

-WHEREAS, the parties desire to enter into escrow instructions with Escrowee pursuant to which Purchaser shall deposit earnest money, as required under the Agreement (the “**Escrow**”).

NOW, THEREFORE, in consideration of the mutual covenants contained in these Instructions, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Deposit.

1.1 Earnest Money. Pursuant to the terms and provisions of the Agreement, and within five (5) business days of the date of the Agreement, Purchaser has deposited or will deposit with Escrowee earnest money in the sum of Seven Hundred Fifty Thousand and 00/100 Dollars (\$750,000.00) [the “**Earnest Money**”].

1.2 Investment of Earnest Money. Escrowee shall invest the Earnest Money in interest-bearing securities, bank deposits and/or so-called “money market funds” established and managed by nationally recognized firms, as selected by Purchaser. All interest earned on the Earnest Money shall be paid as specifically provided in these Instructions.

2. Application of Earnest Money at Closing.

2.1 At Closing. At Closing (as defined in the Agreement), (i) the Earnest Money shall be delivered by Escrowee to Seller and credited against the payment of the Purchase Price, and (ii) all interest earned thereon shall be delivered by Escrowee to Purchaser, whereupon the Escrow shall terminate.

2.2 Intentionally Omitted.

3. Default.

3.1 Purchaser's Default. In the event that Purchaser breaches or defaults under the obligations imposed on it under the Agreement, and Seller desires to obtain the Earnest Money from Escrowee (pursuant to the terms of the Agreement), Seller shall be required to present to Escrowee: Seller's affidavit of default (the "**Default Affidavit**"), executed under penalty of perjury by an authorized representative of Seller, certifying to Purchaser and Escrowee that Purchaser is in default under the Agreement and, therefore, Seller is entitled to the Earnest Money proceeds. Upon receipt of the Default Affidavit from Seller, Escrowee shall (i) deliver a copy of the Default Affidavit to Purchaser, in the manner as provided in **Section 5** below and (ii) if, within five (5) business days after the date on which the Default Affidavit is deemed to be delivered to Purchaser (pursuant to **Section 5** below), Escrowee has not received from Purchaser a notice ("**Objection Notice**") objecting to Escrowee's compliance with the Default Affidavit, Escrowee shall deliver the Earnest Money, together with all interest earned thereon, to Seller.

3.2 Seller's Default. In the event that Seller breaches or defaults under the obligations imposed on it under the Agreement, and Purchaser desires the return of the Earnest Money from Escrowee (pursuant to the terms of the Agreement), Purchaser shall be required to present to Escrowee: its own Default Affidavit executed under penalty of perjury by an authorized representative of Purchaser certifying to Seller and Escrowee that Seller is in default under the Agreement and, therefore, Purchaser is entitled to return of the Earnest Money proceeds. Upon receipt of the Default Affidavit from Purchaser, Escrowee shall (i) deliver a copy of the Default Affidavit to Seller as provided in **Section 5** below, and (ii) if, within five (5) business days after the date on which the Default Affidavit is deemed to be delivered to Seller (pursuant to **Section 5** below), Escrowee has not received from Seller an Objection Notice, objecting to Escrowee's compliance with the Default Affidavit, Escrowee shall deliver the Earnest Money, together with all interest earned thereon, to Purchaser.

4. Objection Notices. If Escrowee receives an Objection Notice from either Seller or Purchaser within the time period set forth in **Section 3** above, then Escrowee shall refuse to comply with the Default Affidavit then in question ("**Objectionable Default Affidavit**") until Escrowee receives (a) joint written instructions executed by both Purchaser and Seller, or (b) a final non-appealable order with respect to the disposition of the Earnest Money from a federal or state court of competent jurisdiction ("**Court Order**"), in either of which events Escrowee shall then disburse the Earnest Money and all interest earned thereon, in accordance with such direction or Court Order, as the case may be. Notwithstanding the immediately preceding sentence, if the party that delivers the Objection Notice does not (i) commence litigation with respect to the Earnest Money by filing a complaint or action for a declaratory judgment in an appropriate court of competent jurisdiction ("**Litigation**"), and (ii) provide notice and a file-stamped copy of such complaint or action for declaratory judgment to Escrowee and the other party to these Instructions within thirty (30) days after delivery of the then-applicable Objection Notice, then Escrowee shall disburse the Earnest Money in accordance with the Objectionable Default Affidavit.

Notwithstanding anything to the contrary in the Agreement or these Instructions, Seller and Purchaser hereby agree that in the event that (A) either or both of them delivers a Default Affidavit pursuant to **Section 3**; (B) the recipient of a Default Affidavit delivers an Objection

Notice in response thereto; (C) the party delivering an Objection Notice commences Litigation; (D) the Litigation is ultimately resolved by the issuance of a Court Order; and (E) the Court Order authorizes the disbursement of the Earnest Money to the party that delivered the Default Affidavit that gave rise to the Objection Notice and ensuing Litigation (the “**Initiating Party**”), then the party that delivered such Objection Notice shall be required to pay to the Initiating Party interest on the Earnest Money, from the date on which the Initiating Party delivered its Default Affidavit through the date on which the Escrowee disburses the Earnest Money (and all interest accrued thereon) to the Initiating Party, which interest shall be at the per annum rate of five percent (5.0%) in excess of the per annum rate publicly announced, from time to time, by Bank One, N.A. (or its successor) as its “prime” or “base” or “reference” rate of interest.

5. Notices. Any notice, demand or request which may be permitted, required or desired to be given in connection therewith shall be given in writing and directed to the parties hereto as follows:

Seller: Kelly Properties, LLC
999 W. Big Beaver Road
Troy, Michigan 48084-4782
Attn: Hannah Lim-Johnson
Email: Hannah.lim@kellyservices.com

With a copy to Kelly Properties, LLC
999 W. Big Beaver Road
Troy, Michigan 48084-4782
Attn: Brian Mioduszewski
Email: BRIM681@kellyservices.com

with a copy to
its attorneys: Dykema Gossett PLLC
39577 Woodward Avenue
Suite 300
Bloomfield Hills, Michigan 48304
Attn: Kyle R. Hauberg, Esq.
Email: khauberg@dykema.com

Purchaser: A.F.J. Development Company L.L.C.
4036 Telegraph Road, Suite 201
Bloomfield Hills, Michigan 48302
Attn: Jordan Jonna
Email: jjonna@afjonna.com

with a copy to
its attorneys:

David W. Yaldo, PC
4036 Telegraph Road, Suite 204
Bloomfield Hills, Michigan 48302
Attn: David Yaldo, Esq.
Email: dyaldo@sypclaw.com

To: Escrowee:

ATA National Title Group
42651 Woodward Ave
Bloomfield Hills, MI 48304
Attn: David Barris
Email: dbarris@seavertitle.com

Notices shall be deemed properly delivered and received when and if either (i) the same day when personally delivered prior to 5:00 p.m. (Detroit time); or (ii) one (1) business day after deposits with Federal Express or other overnight courier; or (iii) the same day when sent by confirmed email at or prior to 5:00 p.m. (Detroit time).

6. Escrowee Obligations. The parties agree that, except as otherwise expressly provided in **Section 4** above, the actions of, and the relationship between, Purchaser and Seller shall be governed by the terms of the Agreement. In all events and under all circumstances (except as otherwise expressly provided in **Section 4** above), the ultimate rights and obligations of Seller and Purchaser shall be strictly governed and controlled by the terms and provisions of the Agreement, rather than these Instructions. In the event of any conflict between the terms and provisions of the Agreement and these Instructions, the terms and provisions of the Agreement shall control in all events and circumstances except as otherwise expressly provided in **Section 4** above. Notwithstanding the existence of the Agreement or any references herein to the Agreement, the parties agree that Escrowee (but not Seller and Purchaser) shall be governed solely by the terms and provisions of these Instructions. The parties furthermore agree that, except as otherwise specifically provided in **Section 4** above, Escrowee is hereby expressly authorized to regard, comply with, and obey any and all orders, judgments or decrees entered or issued by any court, and, in case Escrowee obeys and complies with any such order, judgment or decree of any court, it shall not be liable to either of the parties hereto or to any other person, firm or corporation by reason of such compliance.

7. Litigation. In the event of litigation between the parties with respect to these Instructions, the performance of their respective obligations hereunder, or the effect of a termination under the Agreement or these Instructions, the losing party shall pay all costs and expenses incurred by the prevailing party in connection with such litigation, including, but not limited to, court costs and reasonable fees of counsel selected by the prevailing party. Notwithstanding any provision of the

Agreement or these Instructions to the contrary, the obligations of the parties under this **Section 7** shall survive a termination of either or both of the Agreement and these Instructions.

8. Time of the Essence. Time is of the essence of these Instructions. If any date herein set forth for the performance of any obligations by Seller, Escrowee or Purchaser or for the delivery of any instrument or notice as herein provided should be on a Saturday, Sunday or legal holiday, the compliance with such obligations or delivery shall be deemed acceptable on the next business day following such Saturday, Sunday or legal holiday.

9. Counterparts. These Instructions may be executed in counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument.

SELLER:

KELLY PROPERTIES, LLC, a Delaware limited liability company

By: /s/ Olivier Thiot
Name: Olivier Thiot
Its: EVP, CFO Kelly Services

PURCHASER:

A.F.J. DEVELOPMENT COMPANY L.L.C., a Michigan limited liability company

By: /s/ Jordan Jonna
Name: Jordan Jonna
Its: Manager

AGREED AND ACCEPTED:

ATA NATIONAL TITLE GROUP

By: /s/ David A. Barris

David A. Barris

Its: Vice President / Corporate Counsel

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EXHIBIT C

Seller's Deliveries

1. Copies of any bills and other notices pertaining to any real estate taxes or personal property taxes applicable to the Project (collectively, "**Tax Bills**") for the current year and the two (2) years immediately preceding the date of the Agreement.
2. Copies of all operating budgets prepared by Seller in connection with the Project for the current year and the two (2) years immediately preceding the date of the Agreement.
3. Copies of all brokerage commission, management, leasing, maintenance, landscaping repair, pest control, and other service and/or supply contracts, and any other contracts or agreements relating to or affecting the Project (collectively, "**Contracts**").
4. Copies of certificates of insurance for all hazard, rent loss, liability and other insurance policies currently in force with respect to the Project and/or Seller's business.
5. Copies of all written third-party reports, any documents, and/or data regarding soil conditions, ground water, wetlands, underground storage tanks, subsurface conditions and/or other environmental or physical conditions relating to the Project, in Seller's possession or control.
6. Copies of all engineering and architectural plans and specifications, drawings, studies and surveys relating to the Project, in Seller's possession or control, and copies of all records pertaining to the repair, replacement and maintenance of the mechanical systems at the Project, the roof and the structural components of the Project within the last two (2) years.
7. A schedule listing all repairs, replacements or items of maintenance costing in excess of \$1,000.00 per occurrence or per item, performed at the Project, at any time or from time to time, during the two (2) years immediately preceding the Contract Date, together with supporting invoices, purchase orders and billing statements for each such item of repair, replacement or maintenance.
8. Copies of Seller's most recent owner's title policy issued in connection with the Project and the most recent survey of the Project.
9. Copies of all, if any, of the following in Seller's possession or control: subdivision plans or plats, variances, parcel maps or development agreements relating to the Project; and licenses, permits, certificates, authorizations, or approvals issued by any governmental authority in connection with the construction, ownership, use and occupancy of the Project (collectively, "**Governmental Approvals**").

EXHIBIT D

Permitted Exceptions

1. The lien, if any, of real estate taxes, assessments, and/or water and sewer charges, not yet due and payable or that are not shown as existing liens in the records of any taxing authority that levies taxes or assessments on real property or in the Public Records; including the lien for taxes, assessments, and/or water and sewer charges, which may be added to the tax rolls or tax bill after the effective date.
2. Easement granted to the Oakland County Department of Public Works for construction, operation and maintenance of sanitary sewer recorded in Liber 4609, Page 780, Oakland County Records (affects Parcels 1, 2 and 3).
3. Easement granted to the City of Troy for construction, operation and maintenance of storm sewer recorded in Liber 5583, Page 451, Oakland County Records (affects Parcel 2).
4. Terms, provisions, covenants, restrictions and other matters contained in Restrictions, Covenants and Agreements Relating to Land recorded in Liber 5614, Page 70, Oakland County Records (affects Parcels 1, 2 and 3).
5. Right of Way granted to the Master Drain Drainage District for construction, operation and maintenance of Master Drain recorded in Liber 6141, Page 542, Oakland County Records (affects Parcels 1, 2 and 3).
6. Sanitary Sewer Easement recorded in Liber 6144, Page 853 and Ratification of Easement recorded in Liber 11819, Page 21, Oakland County Records (affects Parcel 2).
7. Easement granted to the City of Troy for construction, operation and maintenance of sanitary sewer recorded in Liber 6144, Page 856 and Ratification of Easement recorded in Liber 11819, Page 26, Oakland County Records (affects Parcel 2).
8. Easement granted to Consumers Power Company for construction, operation and maintenance of gas mains recorded in Liber 6173, Page 516, Oakland County Records (affects Parcel 1).
9. Easement granted to Consumers Power Company for construction, operation and maintenance of gas mains recorded in Liber 6248, Page 216, Oakland County Records (affects Parcel 2).
10. Storm Sewer Easement granted to Kimberly Scott Corporation recorded in Liber 6348, Page 194, Oakland County Records (affects Parcels 1 and 2).

11. Easement granted to Consumers Power Company for construction, operation and maintenance of gas mains recorded in Liber 10447, Page 61, Oakland County Records (affects Parcel 2).
12. Permanent Easement granted to the City of Troy for construction, operation and maintenance of sidewalk recorded in Liber 17099, Page 354, Oakland County Records (affects Parcel 1).
13. Terms and provisions contained in Voluntary Agreement for Landscape Installation and Maintenance recorded in Liber 17099, Page 443, Oakland County Records (affects Parcels 1).
14. Terms, conditions, provisions and stipulations contained in Declaration of Taking recorded in Liber 37688, Page 64 and Partial Consent Judgment entered December 29, 1994 in Oakland County Circuit Court Case No. 94-480120-CC entitled, "City of Troy, a Michigan municipal corporation, Plaintiff vs. Kelly Properties, Inc., a Michigan corporation; Andries-Butler Properties, a Michigan registered co-partnership; and the Mastin Drain Drainage District, Defendants" (affects Parcels 1 and 2).
15. Easement granted to the City of Troy for construction, operation and maintenance of watermain recorded in Liber 6279, Page 509, Oakland County Records (affects Parcel 3).
16. Water Main Easement granted to the City of Troy recorded in Liber 8558, Page 310, Oakland County Records (affects Parcel 3).
17. Easement for Gas Pipeline granted to the City of Troy recorded in Liber 8558, Page 312, Oakland County Records (affects Parcel 3).
18. Storm Drain Easement granted to the City of Troy recorded in Liber 8558, Page 315, Oakland County Records (affects Parcel 3).
19. Sanitary Sewer Easement granted to the City of Troy recorded in Liber 8558, Page 317, Oakland County Records (affects Parcel 3).
20. Underground Easement granted to The Detroit Edison Company and Michigan Bell Telephone Company for construction, operation and maintenance of utility line and communications facilities recorded in Liber 8561, Page 278, Oakland County Records.
21. Terms and provisions contained within, and easements created by Cross-Access or Joint-Drive Easement recorded in Liber 9386, Page 804, Oakland County Records (affects Parcels 4).

22. Terms and provisions contained within, and easements created by Cross-Access or Joint-Drive Easement recorded in Liber 9630, Page 559, Oakland County Records (affects Parcels 4).
23. Any rights, title, interest or claim thereof to that portion of the land taken, used or granted for streets, roads or highways.
24. Rights of tenants in possession or pursuant to unrecorded leases.

Exhibit E
Contracts

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Exhibit F

Kelly Lease Terms

The principal terms of the Kelly Leases are set forth below:

(a) **999 West Big Beaver Lease:**

- (i) 15 Year Initial Term, with four (4) 5-year options;
- (ii) \$18.00 per sq. ft., triple net, with 1.25% annual increases; options at fair market value rent;
- (iii) “As is” delivery;
- (iv) Minimum Parking: Greater of (A) 650 parking spaces and (B) number of legally required parking area; and
- (v) Mutually agreeable “Tenant Control Area” to insure parking and access rights.

(b) **911 West Big Beaver Lease:**

- (i) Three (3) month Term;
- (ii) Zero Dollars (\$0.00) per sq. ft., triple net; Tenant to only pay operating expenses during lease term; and
- (iii) “As is” delivery.

(c) **2690 Crooks Lease:**

- (i) One (1) year Term;
- (ii) 100% occupancy for initial three (3) months of Term; 50% occupancy for remaining nine (9) months of Term;
- (ii) \$16.00 per sq. ft., triple net;
- (iii) “As is” delivery.

Purchaser acknowledges and agrees that Purchaser as landlord under the Kelly Leases, will agree to comply with Kelly’s Corporate Sustainability Strategy, External Assessments and Customer Requests, in the future operation of the leased premises pursuant to the terms of the Kelly Leases. Purchaser acknowledges that it has received Kelly’s Corporate Sustainability Strategy, External Assessments and Customer Requests.

SUBSIDIARIES OF REGISTRANT

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Kelly Services (Canada), Ltd.	Canada	Kelly Services
Kelly Global Business Services, LLC	Michigan	Kelly Services
Kelly Services, Global, LLC	Michigan	Kelly Services
Kelly Services, USA, LLC	Michigan	Kelly Services
Teachers On Call, Inc. (a subsidiary of Kelly Services, USA, LLC)	Minnesota	Teachers On Call
Global Technology Associates, LLC	Virginia	Global Technology Associates
NextGen Global Resources, LLC	Delaware	NextGen Global Resources
Kelly Properties, LLC	Delaware	Kelly Properties
Kelly Innovation Fund, LLC (a subsidiary of Kelly Properties, LLC)	Michigan	Kelly Innovation Fund
Kelly Receivables Funding, LLC	Delaware	Kelly Receivables Funding
Kelly Outsourcing and Consulting Group Australia, Ltd.	Delaware	Kelly Services
Kelly Services of Denmark, Inc.	Delaware	Kelly Services
Kelly Services (Ireland), Ltd. (a subsidiary of Kelly Properties, LLC)	Delaware	Kelly Services
Kelly Services Management Sarl (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Switzerland	Kelly Services
Kelly Services (Suisse), SA (a subsidiary of Kelly Services Management Sarl)	Switzerland	Kelly Services
Kelly Services Outsourcing and Consulting Group Sarl (a subsidiary of Kelly Services (Suisse), SA)	Switzerland	Kelly Services
Kelly Services (UK) Limited (a subsidiary of Kelly Services Management Sarl)	United Kingdom	Kelly Services, Ltd.
Kelly Payroll Services Limited (a subsidiary of Kelly Services (UK) Limited)	United Kingdom	Kelly Services, Ltd.

SUBSIDIARIES OF REGISTRANT (continued)

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Toner Graham Limited (a subsidiary of Kelly Services (UK) Limited)	United Kingdom	Toner Graham
Kelly Services (Nederland) B.V.	Netherlands	Kelly Services
Kelly Administratiekantoor, B.V. (a subsidiary of Kelly Services (Nederland) B.V.)	Netherlands	Kelly Services
Kelly Managed Services (Nederland) B.V. (a subsidiary of Kelly Services (Nederland) B.V.)	Netherlands	Kelly Services
Kelly Services Norge AS (a subsidiary of Kelly Services Management Sarl)	Norway	Kelly Services
Kelly Services Management AS (a subsidiary of Kelly Services Norge AS)	Norway	Kelly Services
Kelly Services Mexico, S.A. de C. V. (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Mexico	Kelly Services
Opciones De Servicio En Mexico, S.A. de C.V. (a subsidiary of Kelly Services Mexico, S.A. de C.V. and Kelly Properties, LLC)	Mexico	Kelly Services
QSM, S.A. de C.V. (a subsidiary of Kelly Services Mexico, S.A. de C.V. and Kelly Properties, LLC)	Mexico	Kelly Services
Kelly Services France S.A.S. (a subsidiary of Kelly Services Management Sarl)	France	Kelly Services
Kelly Services, S.A.S. (a subsidiary of Kelly Services France, S.A.S.)	France	Kelly Services
Kelly OCG Sarl (a subsidiary of Kelly Services France S.A.S.)	France	Kelly Services
Kelly Services Luxembourg, S.a.r.l.	Luxembourg	Kelly Services
Kelly Outsourcing & Consulting Group, S.a.r.l. (a subsidiary of Kelly Services Luxembourg, S.a.r.l.)	Luxembourg	Kelly Services
Kelly Services S.p.A. (a subsidiary of Kelly Services Management Sarl)	Italy	Kelly Services

SUBSIDIARIES OF REGISTRANT (continued)

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Kelly Management Services, S.r.l. (a subsidiary of Kelly Services S.p.A.)	Italy	Kelly Management Services
LLC Kelly Services CIS (a subsidiary of Kelly Services Management Sarl)	Russia	Kelly Services
LLC Kelly Services IT solutions (a subsidiary of LLC Kelly Services CIS and Kelly Services Management Sarl)	Russia	Kelly Services
Kelly Outsourcing and Consulting Group (Germany) GmbH (a subsidiary of Kelly Services Management Sarl)	Germany	access
Kelly Services GmbH (a subsidiary of Kelly Outsourcing and Consulting Group (Germany) GmbH)	Germany	Kelly Services
Kelly Outsourcing and Consulting Group (Austria) GmbH (a subsidiary of Kelly Outsourcing and Consulting Group (Germany) GmbH)	Austria	access
Kelly Services Interim (Belgium) SPRL (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Belgium	Kelly Services
Kelly Services Outsourcing and Consulting Group SA/NV (a subsidiary of Kelly Services Interim (Belgium) SPRL and Kelly Properties, LLC)	Belgium	Kelly Services
Kelly Services – Empresa De Trabalho Temporario, Unipessoal, Lda. (a subsidiary of Kelly Services Management Sarl)	Portugal	Kelly Services
Kelly Services – Gestao De Processos, Lda. (a subsidiary of Kelly Services – Empresa De Trabalho Temporario, Unipessoal, Lda. and Kelly Services, Inc.)	Portugal	Kelly Services
Kelly Services Healthcare Unipessoal, Lda. (a subsidiary of Kelly Services – Gestao De Processos, Lda.)	Portugal	Kelly Services

SUBSIDIARIES OF REGISTRANT (continued)

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Kelly Services Hungary Staffing Limited Liability Company (a subsidiary of Kelly Services Management Sarl)	Hungary	Kelly Services
Kelly Services Poland Sp.zo.o.	Poland	Talents
Kelly OCG Singapore Pte. Ltd	Singapore	Kelly OCG Singapore
Kelly OCG Malaysia Sdn. Bhd. (a subsidiary of Kelly OCG Singapore Pte. Ltd)	Malaysia	Kelly Services
Agensi Pekerjaan Kelly OCG Sdn. Bhd. (a subsidiary of Kelly OCG Malaysia Sdn. Bhd.)	Malaysia	Kelly Services
Kelly Outsourcing and Consulting Group India Pte. Ltd. (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	India	Kelly Services
Kelly Services Japan, Inc.	Japan	Kelly Services
Kelly Services Brasil Investimentos E Participacoes Ltda. (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Brazil	Kelly Services
Kelly Services Brasil Investimentos E Participacoes II Ltda. (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Brazil	Kelly Services
Kelly Services Do Brasil Recursos Humanos Ltda (a subsidiary of Kelly Services Brasil Investimentos E Participacoes II Ltda. and Kelly Services Brasil Investimentos E Participacoes Ltda.)	Brazil	Kelly Services
Kelly Services Recursos Humanos Ltda. (a subsidiary of Kelly Services Do Brasil Recursos Humanos Ltda and Kelly Services Brasil Investimentos E Participacoes II Ltda.)	Brazil	Kelly Services

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3/A (No. 333-216428) and Form S-8 (Nos. 333-218039, 333-114837, 333-125091, 333-166798 and 333-201165) of Kelly Services, Inc. of our report dated February 13, 2020 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Detroit, Michigan
February 13, 2020

POWER OF ATTORNEY

Each of the undersigned directors of Kelly Services, Inc. does hereby appoint Olivier G. Thiroit and Hannah S. Lim-Johnson, signing singly, his or her true and lawful attorneys, to execute for and on behalf of the undersigned Form 10-K Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ending December 29, 2019, to be filed with the Securities and Exchange Commission in Washington, D.C. under the provisions of the Securities Exchange Act of 1934, as amended, and any and all amendments to said Form 10-K whether said amendments add to, delete from, or otherwise alter the Form 10-K, or add to or withdraw any exhibit or exhibits, schedule or schedules to be filed therewith, and any and all instruments necessary or incidental in connection therewith, hereby granting unto said attorneys and each of them full power and authority to do and perform in the name and on behalf of each of the undersigned, and in any and all capacities, every act and thing whatsoever required or necessary to be done in the exercise of any of the rights and powers herein granted, as fully and to all intents and purposes as each of the undersigned might or could do in person, hereby ratifying and approving the acts of said attorneys and each of them.

IN WITNESS WHEREOF the undersigned have caused this Power of Attorney to be executed as of this 13th day of February, 2020.

/s/ Donald R. Parfet

Donald R. Parfet

/s/ Peter W. Quigley

Peter W. Quigley

/s/ Carol M. Adderley

Carol M. Adderley

/s/ Gerald S. Adolph

Gerald S. Adolph

/s/ George S. Corona

George S. Corona

/s/ Robert S. Cubbin

Robert S. Cubbin

/s/ Jane E. Dutton

Jane E. Dutton

/s/ Terrence B. Larkin

Terrence B. Larkin

/s/ Leslie A. Murphy

Leslie A. Murphy

/s/ Takao Wada

Takao Wada

CERTIFICATIONS

I, Peter W. Quigley, certify that:

1. I have reviewed this annual report on Form 10-K of Kelly Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 13, 2020

/s/ Peter W. Quigley
Peter W. Quigley

President and
Chief Executive Officer

CERTIFICATIONS

I, Olivier G. Thiot, certify that:

1. I have reviewed this annual report on Form 10-K of Kelly Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 13, 2020

/s/ Olivier G. Thiot
Olivier G. Thiot

Executive Vice President and
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Kelly Services, Inc. (the "Company") on Form 10-K for the period ended December 29, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter W. Quigley, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 13, 2020

/s/ Peter W. Quigley
Peter W. Quigley

President and
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Kelly Services, Inc. and will be retained by Kelly Services, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Kelly Services, Inc. (the “Company”) on Form 10-K for the period ended December 29, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Olivier G. Thiot, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 13, 2020

/s/ Olivier G. Thiot
Olivier G. Thiot

Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Kelly Services, Inc. and will be retained by Kelly Services, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.