

**sample**

**FEDEX GROUND PACKAGE SYSTEM, INC.**

**PICK-UP AND DELIVERY CONTRACTOR OPERATING AGREEMENT**

June/2007

Contract Number: SAMPLE  
FedEx Id: 000001  
Terminal Number: 00258  
Name: LAST\_NAME, FIRST\_N  
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**FEDEX GROUND PACKAGE SYSTEM, INC.**  
**PICK-UP AND DELIVERY CONTRACTOR OPERATING AGREEMENT**

**BACKGROUND STATEMENT.** FedEx Ground Package System, Inc. is a duly licensed motor carrier engaged in providing a small package information, transportation and delivery service throughout the United States, with connecting international service. Contractor is an owner-operator of one or more pieces of trucking equipment suitable for use in such a service. Contractor wants to make this equipment available, together with a qualified operator for each piece of equipment, to provide daily pick-up and delivery service on behalf of FedEx Ground. FedEx Ground wants to provide for package pick-up and delivery services through a network of independent contractors and, subject to the number of packages tendered to FedEx Ground for shipment, will seek to manage its business so that it can provide sufficient volume of packages to Contractor to make full use of Contractor's equipment. Contractor wants the advantage of operating within a system that will provide access to national accounts and the benefits of added revenues associated with shipments picked up and delivered by other contractors throughout the FedEx Ground system. In order to get that advantage, Contractor is willing to commit to provide daily pick-up and delivery service, and to conduct his/her business so that it can be identified as being a part of the FedEx Ground system. Both FedEx Ground and Contractor intend that Contractor will provide these services strictly as an independent contractor, and not as an employee of FedEx Ground for any purpose. Therefore, this Agreement will set forth the mutual business objectives of the two parties intended to be served by this Agreement -- which are the results the Contractor agrees to seek to achieve -- but the manner and means of reaching these results are within the discretion of the Contractor, and no officer or employee of FedEx Ground shall have the authority to impose any term or condition on Contractor or on Contractor's continued operation which is contrary to this understanding.

**1. EQUIPMENT AND OPERATIONS.**

**1.1 Power Equipment.** In conjunction with providing to FedEx Ground transportation services as herein provided, Contractor will provide and utilize the vehicular equipment identified in the most recent Addendum 1 to

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this Agreement (hereinafter called the "Equipment"). Contractor certifies that the Equipment meets the requirements of all applicable federal, state and municipal laws and regulations, and, subject to the determination of FedEx Ground of its suitability for the service called for in this Agreement, the selection and replacement of the Equipment is within the discretion of Contractor.

**1.2 Equipment Maintenance.** Contractor agrees, at Contractor's expense, to maintain the Equipment in accordance with the safety and equipment standards specified in applicable federal, state and municipal laws and any rules, regulations and orders of any applicable agency. In particular, Contractor agrees to provide FedEx Ground with proof of timely maintenance and inspection of the Equipment in accordance with the periodic mandatory vehicle maintenance and inspection regulations administered or required by any federal, state or municipal agency with jurisdiction over the operations described in this Agreement. The periodic maintenance schedule recommended by the equipment manufacturer shall be deemed to meet these requirements, absent specific federal, state, or municipal regulations. In the event the Equipment is found to be deficient under any law or regulation, Contractor agrees to remove the Equipment from service with FedEx Ground until it is brought into compliance. During such interim period, Contractor shall, at Contractor's expense, provide alternative equipment suitable for use in carrying out Contractor's obligations under this Agreement.

**1.3 Operating Expenses.** Contractor agrees to bear all costs and expenses incidental to operation of the Equipment, whether empty or loaded, including, without limitation, all risks of depreciation, all maintenance (including cleaning and washing), fuel, oil, tires, repairs, business taxes, consumption and sales taxes, personal property taxes, ad valorem taxes, fuel and road-use taxes, ton-mile taxes, insurance coverage as provided herein, workers compensation assessments, licenses, vehicle registration renewal fees, base plates, and all highway, bridge and ferry tolls. To facilitate payment of licenses, taxes and fees, where mutually convenient or otherwise required by statute or regulation, Contractor hereby authorizes FedEx Ground to pay these charges on Contractor's behalf and to charge Contractor for any such payments, together with any direct expenses incurred by FedEx Ground in connection with their payment. Contractor agrees that unless strictly prohibited by law, any

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licenses, permits, assessments and taxes paid by FedEx Ground on behalf of Contractor pursuant to this paragraph may be charged back against and deducted from any compensation owed Contractor by FedEx Ground.

**1.4 Operation of the Equipment.** Contractor agrees to direct the operation of the Equipment and to determine the methods, manner and means of performing the obligations specified in this Agreement. FedEx Ground shall be considered to have such exclusive possession, use and control of the Equipment required by D.O.T. regulation at 49 CFR Part 376.12(c), or other applicable regulations, but shall have no right or authority, without the express permission of Contractor, to operate the Equipment for any purpose (except for incidental yard movement and positioning) unless the Equipment is driven either by Contractor or by an operator engaged by Contractor. While the Equipment is in the service of FedEx Ground, it shall be used by Contractor exclusively for the carriage of the goods of FedEx Ground, and for no other purpose. If the Equipment is operated in the service of anyone other than FedEx Ground, including any separate business activities of Contractor, Contractor agrees to hold FedEx Ground harmless from any liability arising from operation of the Equipment that may be asserted against FedEx Ground by any person.

**1.5 Equipment Identification while in FedEx Ground's Service.** Contractor agrees to mark Equipment while in FedEx Ground's service with such identifying colors, logos, numbers, marks and insignia as may be required either under applicable regulations, including 49 CFR Part 390, or to identify the Equipment as a part of the FedEx Ground system. Contractor may use the Equipment for other commercial or personal purposes when it is not in the service of FedEx Ground, with the understanding that all such identifying numbers, marks, logos and insignia will be removed or masked (by paper or plastic overlay) when the Equipment is so used.

**1.6 Licensing.** If necessary to comply with the vehicle registration requirements of applicable state regulations or laws, the base plate portion of the Equipment registration shall be in the name of FedEx Ground. If, at any time during the term of this Agreement, applicable state regulations require Contractor to obtain an owner/driver operating authority in order to serve intrastate customers, Contractor agrees, at his/her own expense, to acquire

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and maintain such operating authority and to cooperate with FedEx Ground in altering the arrangements set out in this Agreement to the extent necessary to ensure compliance by Contractor and FedEx Ground with any such state regulations, practices and procedures.

**1.7 Logs and Reports.** Contractor agrees to prepare daily driver logs and daily inspection reports, along with fuel receipts, shipping documents, and other documents as required by law or regulation, and to file the originals with FedEx Ground upon the conclusion of each business day.

**1.8 Shipping Documents and Collections.** Contractor agrees to prepare and present for the signature of shippers and recipients such shipping documents as FedEx Ground may from time to time designate, and to complete and return these documents to FedEx Ground at the end of each business day. Contractor further agrees to collect any charges owed by shippers and recipients and to return all collected charges to FedEx Ground at the end of each business day.

**1.9 Contractor Performance Escrow Account.** Contractor agrees to deposit with FedEx Ground at such time and in such manner as FedEx Ground may specify the sum of \$1,000, which deposit shall be held by FedEx Ground in an account (hereinafter called the "Contractor Performance Escrow Account"). FedEx Ground agrees to handle the Contractor Performance Escrow Account as follows:

- (a) Amounts held by FedEx Ground in the Contractor Performance Escrow Account shall be applied only for the purposes described in subparagraph (d) below.
  
- (b) FedEx Ground agrees to pay (by credit to Contractor's weekly Settlement Statement at quarterly intervals) interest on the daily balance in the Contractor Performance Escrow Account. Such interest shall be at a rate equal to the average annual yield of 13-week U.S. Treasury bills at the rate established at the beginning of each quarter for the funds held on deposit during such quarter.



- (c) FedEx Ground agrees to provide Contractor with an accounting of all credits to or subtractions from Contractor's balance in such Account as part of Contractor's weekly Settlement Statement.
- (d) Upon termination of this Agreement, Contractor agrees that any balance attributable to Contractor in the Contractor Performance Escrow Account shall be applied to reduce any indebtedness of Contractor to FedEx Ground as reflected on Contractor's Settlement Statements or other instruments. Contractor shall remain liable for any remaining indebtedness which exceeds Contractor's balance in such Account.
- (e) Upon Contractor's fulfillment of the obligations due to FedEx Ground upon termination, FedEx Ground shall, after making such deductions from the Contractor Performance Escrow Account as are permitted herein, provide Contractor with a final accounting of all final transactions involving Contractor's balance in such Account and remit to Contractor any remaining balance within 45 days from the date of termination.

**1.10 Agreed Standard of Service.** FedEx Ground has represented to shippers and recipients that, in arranging transportation of packages within the FedEx Ground system, it will provide a standard of service that is fully competitive with that offered by other national participants in the industry. Contractor acknowledges the benefits to his/her business of participation in the FedEx Ground national system, and agrees to conduct activities under the terms of this Agreement to achieve the results represented to shippers and recipients. To achieve these business objectives, Contractor agrees to:

- (a) Provide daily pick-up and delivery service to shippers and recipients on days and at times which are compatible with their schedules and requirements within

Contractor's Primary Service Area, as that term is defined in this Agreement, and in such other areas as Contractor may be asked to provide service in the event Contractor elects to participate in the Flex Program described in Paragraph 9 of this Agreement, all consistent with the competitive standards within the industry (provided, however, that on any day where the volume of packages available for pick-up or delivery in Contractor's Primary Service Area exceeds the volume that Contractor can reasonably be expected to handle on such day, FedEx Ground may reassign a portion of such packages to another contractor);

- (b) Make reasonable efforts to retain and increase the base of shippers and recipients served and the number of packages handled per shipper within Contractor's Primary Service Area;
- (c) Handle, load, unload and transport packages using methods that are designed to avoid theft, loss and damage;
- (d) Cooperate with FedEx Ground's employees, customers and other contractors, to achieve the goal of efficient pick-up, delivery, handling, loading and unloading of packages and equipment, and provide such electronic and/or manual data pertaining to package handling as is reasonably necessary to achieve this goal;
- (e) Foster the professional image and good reputation of FedEx Ground and Contractor with shippers and recipients, including adhering to the vehicle identification and operator appearance standards specified in Paragraphs 1.5 and 1.12 of this Agreement;
- (f) Conform to all applicable federal, state and local laws, regulations and ordinances;

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- (g) Cause the Equipment to be operated safely and in compliance with all applicable laws and regulations; and,
- (h) Conduct all business activities with integrity and honesty, in a professional manner, and with proper decorum at all times.

**1.11 Refused or Returned Shipments.** If a package cannot be delivered on the day it is tendered to Contractor for delivery, Contractor agrees to return the package to FedEx Ground that same day at the terminal facility where it was tendered for delivery, and to inscribe on the package and to provide by electronic and/or manual means whatever notational references FedEx Ground may from time to time reasonably require in order to document the package location and the reason for non-delivery (i.e., service cross).

**1.12 Operator and Equipment Appearance Standard.** Contractor acknowledges that the presentation of a consistent image and standard of service to customers throughout the system is essential in order to be competitive with other alternatives available to shippers and recipients and to permit recognition and prompt access to customers' places of business. Accordingly, each person having contact with the public under the provisions of this Agreement will wear a FedEx Ground-approved uniform, maintained in good condition, and will otherwise keep his/her personal appearance consistent with reasonable standards of good order as maintained by competitors and promulgated from time to time by FedEx Ground. In addition, the Equipment shall be maintained in a clean and presentable fashion free of body damage and extraneous markings, in accordance with the standards of the industry.

**1.13 Communications Equipment.** Contractor shall, at Contractor's expense, purchase or lease the electronic communications equipment necessary to fulfill the obligations specified in Paragraph 1.10 (d) above and which complies with specifications promulgated from time to time by FedEx Ground. Alternatively, at Contractor's option, Contractor may acquire such equipment from FedEx Ground through the Business Support Package described in Addendum 7 of this Agreement.

**1.14 Contractor's Obligation to Meet Standards of Customer Service.** Contractor shall have the obligation to assure that all persons who operate the Equipment are fully trained and capable of meeting the customer service standards set forth in this Agreement. FedEx Ground shall, during the first 30 days of the term of this Agreement, familiarize Contractor with various quality service procedures developed by FedEx Ground. In addition, qualified FedEx Ground terminal personnel may, at their option, visit customer locations with Contractor four times annually to verify that Contractor is meeting the standards of customer service provided in this Agreement.

**1.15 Discretion of Contractor to Determine Method and Means of Meeting Business Objectives.**

It is specifically understood and agreed by both parties that Contractor shall be responsible for exercising independent discretion and judgment to achieve the business objectives and results specified above, and no officer, agent or employee of FedEx Ground shall have the authority to direct Contractor as to the manner or means employed to achieve such objectives and results. For example, no officer, agent or employee of FedEx Ground shall have the authority to prescribe hours of work, whether or when the Contractor is to take breaks, what route the Contractor is to follow, or other details of performance.

**2. VEHICLE OPERATION.**

**2.1 Additional Vehicles; Safe Operation Required.** Contractor may, with the consent of FedEx Ground and consistent with the capacity of the terminal serviced by Contractor, own and operate more than one vehicle, with any such additional vehicles to be driven by qualified operators employed by Contractor, as described in subparagraph 2.2 below. The FedEx Ground Safe Driving Standards are attached hereto and made a part of this Agreement. No vehicle may be operated pursuant to this Agreement by any operator who is not in compliance with such standards.

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**2.2 Employment of Qualified Persons.** Contractor may employ or provide person(s) to assist Contractor in performing the obligations specified by this Agreement. All persons so employed or provided by Contractor shall be qualified pursuant to applicable federal, state and municipal safety standards and the FedEx Ground Safe Driving Standards, and shall be fully trained, at Contractor's expense, to operate the Equipment. Contractor understands and agrees that such persons shall not be considered employees of FedEx Ground and that it is Contractor's responsibility to assure that such persons conform fully to the applicable obligations undertaken by Contractor pursuant to this Agreement. Contractor further agrees to:

- (a) Bear all expenses associated with qualifying such persons to perform the services agreed to be provided herein, including, without limitation, the cost of physical examinations and drug screen tests;
- (b) Bear all expenses associated with the employment of such persons, including, without limitation, wages, salaries, employment taxes, workers compensation coverage, health care, retirement benefits and insurance coverages;
- (c) Assume sole responsibility for compliance with all applicable laws, rules, regulations and orders respecting payroll deductions and maintenance of payroll and employment records; and,
- (d) Hold FedEx Ground harmless from any liability and claims by others or by governments arising from Contractor's relationship with Contractor's employees or substitutes whether under industrial accident prevention laws or any other federal, state or municipal laws applicable to the relationship between employers and employees.

**3. INSURANCE AND INDEMNITIES.**

**3.1 Non-Trucking Liability Coverage -- Contractor Responsibility.** Contractor agrees to obtain and keep in force at all times a policy(ies) of public liability (automobile/truckers bodily injury and property damage insurance coverage), issued by an insurance company qualified to write such coverage in the state(s) where the Equipment is operated, and rated A, Class VII or better by A.M. Best Co., to cover all costs, losses and expenses arising from operation of the Equipment while it is in operation without packages on board (empty mile coverage) in amounts not less than \$1,000,000 per occurrence. Contractor shall provide FedEx Ground Certificate(s) of Insurance evidencing such coverage naming FedEx Ground an additional insured and providing FedEx Ground 30 days' prior written notice of cancellation or material change. Minimum coverage requirements are listed in Addendum 2.

**3.2 Public Liability -- FedEx Ground's Responsibility.** FedEx Ground agrees to self-retain and maintain insurance coverages for public liability (general and automobile/truckers personal injury and property damage insurance coverage), and cargo loss and damage risks in amounts sufficient to meet its legal obligations under 49 CFR Part 387 and, subject to the exception described in subparagraph 3.5, will indemnify Contractor and Contractor's drivers against liability for operation of Equipment when any package is on board while on FedEx Ground's business subject to the following exceptions and conditions, the occurrence of any one of which will void this indemnity:

- (a) As to the involved Equipment operator, if the operator has engaged in intentional misconduct or reckless or willfully negligent operation of the Equipment;
- (b) As to the Contractor, if the Contractor is not the involved Equipment operator, but has knowledge of or reason to anticipate such operator's intentional misconduct or reckless or willfully negligent operation of the Equipment; or
- (c) As to Contractor and operator(s), when FedEx Ground has elected to discontinue its indemnity hereunder pursuant to the provisions of subparagraph 3.3.

**3.3 Public Liability -- Contractor's Responsibility.** At any time that FedEx Ground discovers that Contractor or an operator engaged by Contractor to drive the Equipment fails to meet FedEx Ground's Safe Driving Standards as published from time to time, all as determined by FedEx Ground in its sole discretion, FedEx Ground may elect to terminate its indemnity for liability to Contractor and Contractor's drivers (hereinafter referred to as "indemnity termination"). Any such election of indemnity termination shall be given in writing to Contractor not less than 30 days before the effective date thereof, as specified in such election. In such event (unless Contractor cures such violation to FedEx Ground's sole and complete satisfaction before such effective date), Contractor shall obtain, effective not later than such specified date, and continually thereafter maintain, a policy of public liability (automobile/truckers bodily injury and property damage insurance coverage) for a combined single limit of not less than \$2,000,000 naming FedEx Ground as an additional insured, issued by an insurance company qualified to write such coverage in the state(s) where the Equipment is operated and rated A, Class VII or better by A.M. Best Co. Such insurance coverage shall be evidenced by a Certificate of Insurance provided to showing FedEx Ground as an additional insured and providing FedEx Ground 30 days' prior written notice of cancellation or material change. In addition, Contractor will obtain and continually thereafter maintain a policy of insurance for cargo loss and damage risk for an amount not less than \$40,000 per vehicle, with deductibles not greater than \$250, to be issued by an insurance company meeting the same qualifications provided above. Such insurance coverage shall be evidenced by a Certificate of Insurance provided to FedEx Ground naming FedEx Ground as an additional insured and providing FedEx Ground 30 days' prior written notice of cancellation or material change.

**3.4 FedEx Ground's Non-Liability for Equipment.** Contractor agrees that FedEx Ground shall not be liable to Contractor for any depreciation, loss or damage that may occur to the Equipment by collision, fire, theft or similar occurrence, excepting such loss or damage as may be caused by FedEx Ground, its agents, servants and employees.

**3.5 Contractor's Responsibility for Certain Losses.** The following indemnities constitute an exception to the provision for risk protection to Contractor provided in subparagraph 3.2. During the term of this Agreement and thereafter, Contractor agrees to indemnify and save FedEx Ground harmless against liabilities as follows:

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- (a) The first \$1,000 arising from each claim brought against FedEx Ground and all liabilities incurred by FedEx Ground for or on the account of bodily injury and/or property damage in any manner caused by, incidental to or growing out of any act or omission of Contractor or Contractor's agents, servants or employees arising out of the ownership, maintenance, use or operation of the Equipment and/or FedEx Ground-provided equipment, or out of the conduct of Contractor's business;
- (b) After one year of continuous safe operation of the Equipment under the terms of this Agreement, the Contractor's responsibility under this subparagraph shall be reduced to \$500; after two years, to \$250; and after three years to zero (provided, however, in the event the Equipment is involved in an at-fault accident while in the service of FedEx Ground, the Contractor's responsibility shall revert to \$1,000 until, by passage of time without a further at-fault accident, the modifications of this subparagraph (b) again apply);
- (c) The first \$1,000 of each claim for loss or damage to packages tendered for shipment or handling hereunder while such packages are in the possession of Contractor or Contractor's agents, servants or employees;
- (d) Any or all claims brought against FedEx Ground and liabilities incurred by FedEx Ground arising from the Contractor's relationship with Contractor's employees, whether under industrial accident prevention laws, or any other federal, state or municipal laws, rules, regulations and orders applicable to the relationship between employers and employees;



- (e) Any and all claims brought against FedEx Ground or liabilities incurred by FedEx Ground for or on account of Contractor's failure or failure of Contractor's agents, servants or employees to comply with any laws, rules, regulations or orders applicable to Contractor's business; and,
- (f) Any and all claims brought against FedEx Ground or liabilities incurred by FedEx Ground in the event the Contractor or the involved Equipment operator fails to assist FedEx Ground in securing and giving evidence, attending hearings and trials, obtaining the attendance of witnesses, or otherwise fails to cooperate with FedEx Ground in such matters.

**3.6 Work Accident and Workers Compensation.** Contractor agrees to obtain and keep in force at all times during the term of this Agreement work accident and/or workers compensation insurance insuring Contractor and all of Contractor's employees. At Contractor's option, such coverage may be obtained either under a policy negotiated by FedEx Ground, through an applicable state sponsored program, or through a policy providing comparable benefits and issued by an insurance company qualified to write such coverage in the state(s) where the Equipment is operated, and rated A, Class VII or better by A.M. Best Co. Such insurance coverage shall be evidenced by a Certificate of Insurance provided to FedEx Ground and providing FedEx Ground 30 days' prior written notice of cancellation or material change. Minimum coverage requirements are as listed in Addendum 2.

**4. SETTLEMENT WITH CONTRACTOR.**

**4.1 Settlement for Services Performed.** FedEx Ground agrees to settle on a weekly basis with Contractor for services provided in accordance with the settlement schedule set forth in Addendum 3, from which settlement shall be deducted charges for items which are authorized in writing or required by law. The settlement to Contractor shall consist of the following parts:

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- (a) **Package Pick-Up and Delivery Settlement**, which amount shall be a payment for stops made and packages handled.
  
- (b) **Contractor and Van Availability Settlement**, which amount shall be payable to Contractor with respect to each business day that Contractor provides services under this Agreement, in consideration of Contractor making available to FedEx Ground at the start of such day a clean, properly maintained van, driven by a qualified and uniformed operator. In order to encourage van availability on business days falling immediately before and immediately after certain national holidays, the Contractor and Van Availability Settlement shall be enhanced on such days, as shown in Addendum 3.
  
- (c) **Temporary Core Zone Density Settlement**, which amount shall be payable to Contractor with respect to each business day that Contractor provides services under this Agreement in Contractor's Primary Service Area, in consideration of Contractor agreeing to provide daily package pick-up and delivery service during such period of time when the customer density and package volume in such Primary Service Area is still developing. In the event Contractor provides service in another contractor's Primary Service Area pursuant to the Flex Program, Contractor shall also receive a proportionate share of any Temporary Core Zone Density Settlement applicable to such other Primary Service Area. The intention of Contractor and FedEx Ground is to cooperate in increasing the customer density and package volume in Contractor's Primary Service Area to such an extent that the Temporary Core Zone Density Settlement will be reduced or eliminated, and Contractor agrees that, as such density and/or package volume increases, FedEx Ground may reduce or eliminate the Temporary Core Zone

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Density Settlement. Except where the Contractor's Primary Service Area is reconfigured, with a resulting increase in customer density and/or package volume, or in the case of a new terminal opening or other major increase in customer density and/or package volume in Contractor's Primary Service Area, such settlement amount shall not be decreased by more than \$10 per day in any six month period, and then only with 30 days' prior written notice to Contractor.

- (d) **Flex Fee**, which amount shall be payable to Contractor with respect to each business day that Contractor provides services under this Agreement, provided Contractor has agreed to participate in the Flex Program offered by FedEx Ground.
- (e) **Quarterly Performance Settlement**, which amount shall be paid in the first settlement of each quarter, beginning after Contractor has completed one year as an FedEx Ground Contractor and shall be equal to that percentage specified in Addendum 3 of the aggregate amounts credited to Contractor in the immediately preceding quarter, pursuant to subparagraphs (a)-(d) above.

**4.2 Settlement Statements.** FedEx Ground agrees to issue Settlement Statements and settlement checks to Contractor on a weekly basis (except when this Agreement is terminated as provided herein, in which case a final Settlement Statement and settlement check shall be issued within 45 days of termination). Settlement Statements shall contain a computation of the settlement Contractor is entitled to receive and an itemized listing of all deductions from Contractor's settlement. FedEx Ground shall have no responsibility to make deductions for, or to pay wages, benefits, health, welfare and pension costs, withholding for income taxes, unemployment insurance premiums, payroll taxes, disability insurance premiums, social security taxes, or any other similar charges with respect to Contractor or Contractor's employees. To facilitate prompt settlement, Contractor agrees to prepare

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such settlement documents and records as FedEx Ground may from time to time require in order to compute such settlement. Upon written request, Contractor shall be provided copies of those documents which are necessary to determine the validity of all deductions from Contractor's settlement. Settlement Statements and the entries thereon shall be deemed conclusive and binding on Contractor, unless written objections to entries on a questioned Settlement Statement are received by FedEx Ground within 30 days from the date of issuance of the Settlement Statement to which the objections apply.

**5. CONTRACTOR PRIMARY SERVICE AREA.**

**5.1 Definition.** Contractor shall be responsible for the daily pick-up and delivery of packages in Contractor's Primary Service Area, as assigned to Contractor from time to time by FedEx Ground, and as shown in Addendum 4 to this Agreement.

**5.2 Mutual Intention to Reduce Geographic Size of Primary Service Area.** Contractor recognizes that, as the customer base and package volume in the Primary Service Area increases, the geographic size of the area which Contractor will be able to serve with the Equipment can be expected to decrease. Contractor acknowledges that the increased concentration in customer base and package volume which results from a decrease in the geographic size of Contractor's Primary Service Area is in the interest of Contractor, since Contractor will thereby have the opportunity to complete a greater number of package pick-ups and deliveries with less expense, and Contractor agrees to cooperate with the reasonable efforts of FedEx Ground in gathering data necessary to evaluate Contractor's Primary Service Area, including permitting FedEx Ground personnel to ride with Contractor from time to time in connection with these efforts. FedEx Ground shall have the authority, upon five work days of prior written notice to Contractor, to reconfigure Contractor's Primary Service Area to take account of customer service requirements. During such notice period, FedEx Ground shall give Contractor the opportunity, using means satisfactory to FedEx Ground, to continue to provide in such Primary Service Area the level of service called for in this Agreement. In the event Contractor is not able to provide reasonable means to continue to service the Primary Service Area, FedEx Ground may, in its sole discretion, reconfigure such area.

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**5.3 Recognition of Contractor's Proprietary Interest in Customers Served.** This Agreement is based on the concept that Contractor and FedEx Ground are each engaged in an undertaking to operate an efficient package delivery service which is fully competitive with the standards of other national participants in the industry. FedEx Ground and Contractor recognize that, because of the reciprocal benefits which flow from participation in an interrelated, national service, they have a mutual interest in increasing package volume and the number of customers both in Contractor's Primary Service Area and in the service areas of other contractors who have entered into substantially identical agreements with FedEx Ground. Contractor specifically acknowledges that the intentions set forth in this Agreement to provide a national delivery service cannot be met -- either nationwide or in the service area served by the terminal (the "Terminal Service Area") which includes Contractor's Primary Service Area -- without the participation of a network of contractors. Therefore this Agreement contemplates the recognition both by the parties hereto and by other contractors in the FedEx Ground system of a proprietary interest by Contractor in the customer accounts in his/her Primary Service Area as that area is configured from time to time, and a consequent right of Contractor to receive payment in the event his/her Primary Service Area is reconfigured with the result that customers previously served by the Contractor are reassigned. Depending on the circumstance, as provided below, such payments may be from other contractors or from FedEx Ground. In consideration of the mutual obligations contained herein and in substantially similar agreements with other contractors, the parties hereto agree as follows:

In the event Contractor's Primary Service Area is reconfigured so that the Contractor gains customer accounts, the Contractor hereby authorizes FedEx Ground to deduct from Contractor's settlement and to pay to the Contractor relinquishing such accounts the payments calculated as provided below; and

In the event Contractor's Primary Service Area is reconfigured so that customer accounts which had been serviced by the Contractor are reassigned to another contractor or to a spotted trailer, the Contractor shall receive payments, calculated and made as provided below.

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Payments to or from Contractor for customer accounts gained or relinquished when Contractor's Primary Service Area is reconfigured shall be calculated and made as follows:

**First**, the average number of package deliveries per day gained or relinquished by Contractor shall be determined by reference to the average number of package deliveries in the area relinquished in the three most recent complete FedEx Ground accounting periods;

**Second**, the average number of package pick-ups per day gained or relinquished by the Contractor shall be determined by reference to the average number of package pick-ups in the area relinquished in the three most recent complete accounting periods;

**Third**, the Contractor shall be entitled to a payment of the dollar amount specified in Addendum 5, multiplied by the average number of package deliveries relinquished, and the dollar amount specified in Addendum 5, multiplied by the average number of package pick-ups relinquished;

**Fourth**, the Contractor shall make payments calculated using the same formula as set forth in the preceding paragraph to relinquishing contractor(s) for package deliveries and pick-ups gained;

**Fifth**, in the event, in connection with the reconfiguration, package deliveries or pick-ups previously in Contractor's Primary Service Area are reassigned to another contractor, FedEx Ground shall remit payment to Contractor, but only as to the extent FedEx Ground receives payments from the contractor to whom the package deliveries or pick-ups were reassigned;

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Sixth, in the event package pick-ups or deliveries are permanently reassigned to a spotted trailer, FedEx Ground itself shall have the obligation to make the payments to the Contractor called for herein; and

Seventh, if contractors so request, and if FedEx Ground in its sole discretion agrees, payments provided hereunder may be made by credits to and deductions from the affected Contractor's weekly settlement, as shown on such Contractor's Settlement Statement.

**6. CONTRACTOR CUSTOMER SERVICE (CCS) PAYMENTS.** In addition to the payments listed above in Paragraph 4, beginning with the first day of the second full FedEx Ground accounting period, Contractor shall be eligible to receive performance-based Contractor Customer Service (CCS) payments each period in the amounts specified in Addendum 6. Payment shall be based on Contractor meeting individual customer service and safety goals, as well as Contractor's terminal meeting it's service goals, all as determined by FedEx Ground.

**7. BUSINESS SUPPORT PACKAGE.** Contractor shall not be required to purchase or rent any products, equipment, or services from FedEx Ground as a condition to entering into this Agreement. At Contractor's election (which election shall be as indicated on Addendum 7, and may be changed annually during the first FedEx Ground accounting period and as provided below) FedEx Ground will provide a Business Support Package to Contractor at a per van charge to Contractor as set out in the current version of Addendum 7, which amount shall be deducted from Contractor's weekly settlement. The Business Support Package shall include uniforms, communications and data processing equipment, D.O.T. inspections, equipment washing, drug tests meeting D.O.T. requirements, and other items and services found in the current version of Addendum 7. The cost of the Business Support Package may be changed once annually to reflect changes in the cost to FedEx Ground of providing such package. In the event FedEx Ground proposes to implement any such change, it shall provide Contractor with 30 days' prior written notice, during which period Contractor may elect to discontinue participation.

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**8. SERVICE GUARANTEE PROGRAM.** FedEx Ground and Contractor recognize the mutual benefits to each party of keeping the Equipment, together with a qualified operator, in continuous daily service pursuant to the terms of this Agreement. The expenses of both maintenance and engaging a substitute operator during periods when Contractor is ill or does not desire to drive are, pursuant to the terms of this Agreement, borne by Contractor. In order to encourage Contractor to accumulate a fund from which these and other unusual costs of operation can be paid when they arise, FedEx Ground agrees to maintain an interest-bearing fund, a Service Guarantee Account (with interest calculated and applied the same way as with respect to the Contractor Performance Escrow) to account for contributions to the Service Guarantee Account. Contractor may from time to time, and solely at Contractor's discretion, make contributions to such Account. Each quarter, FedEx Ground shall credit matching contributions to the Account as follows:

<u>Contractor Average Balance in Preceding Quarter</u>	<u>Quarterly Matching Contribution</u>
\$ 500 or more	\$100
\$ 750 or more	\$150
\$1,000 or more	\$200

In addition, if Contractor has more than one year as a P&D contractor for FedEx Ground, FedEx Ground shall, on the anniversary of the date Contractor first became a P&D Contractor for FedEx Ground, credit the Service Guarantee Account with a Service Bonus. The amount of this Service Bonus shall be in accordance with the settlement schedule set forth in Addendum 3. The Contractor may withdraw amounts credited to the Service Guarantee Account at any time and for any purpose. FedEx Ground may, at its discretion and taking into account the credit history of Contractor, make a loan to Contractor to fund maintenance costs in excess of the balance in the Contractor's Service Guarantee Account. The maximum amount of any such loan is as follows: if the aggregate balance in Contractor's Service Guarantee Account is between \$500 and \$1,000, the maximum loan is the amount of such aggregate balance; if such aggregate balance is in excess of \$1,000, the

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maximum loan is twice the amount of such aggregate balance, up to a maximum loan of \$5,000. Loans must be repaid within one year, and shall bear interest at the same rate as then applicable to interest payments by FedEx Ground on balances held in the Contractor Performance Escrow Account.

**9. FLEX PROGRAM.** At Contractor's election (which election shall be as indicated on Addendum 3, and may be changed annually during the first FedEx Ground accounting period), Contractor may participate in the FedEx Ground Flex Program. By electing to participate, Contractor agrees to accept packages from outside Contractor's Primary Service Area for pick-up and delivery, up to daily pick-up and delivery capacity (determined by reference to time required, mileage, and van capacity), when requested to do so by FedEx Ground terminal management. In consideration of Contractor's election to participate, Contractor shall receive, in addition to other components of the settlement provided in Paragraph 4 of this Agreement, a daily flex fee as specified in Addendum 3 for each piece of vehicular equipment in service under this Agreement. Such payments shall be made with respect to each business day that Contractor has also become entitled to the Contractor and Van Availability Settlement, regardless of whether Contractor is called upon to pick up or deliver packages outside Contractor's Primary Service Area. P&D contractors who utilize a tractor/trailer to perform P&D work, may elect to participate in the flex program, but will only receive the daily flex fee as specified in Addendum 3, on days they actually make a live pickup or delivery stop. P&D trailer spots do not qualify for the daily flex fee.

**10. HR 10 PLAN.** At Contractor's election (which election shall be and may be changed annually during January of each year), Contractor may, provided Contractor meets the eligibility requirements for participation, adopt the Prototype Defined Contribution Retirement Plan created and sponsored by Merrill Lynch for self-employed individuals such as Contractor (hereinafter referred to as the "Plan"). Any contributions by Contractor shall be in such amounts as Contractor shall specify, not to exceed 15 percent of the "covered compensation," as that term is used in the Internal Revenue Code of 1986, as amended, of Contractor and his/her employees, shall be subject to any applicable limitations contained in the Plan, and shall be allocated to participant accounts as provided in the Plan.

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**11. TERM OF AGREEMENT.**

**11.1 Initial Term.** This Agreement shall, at the election of Contractor, as indicated by Contractor's initials below, continue in full force and effect for an initial term ranging from one to three years from the date this Agreement is signed. Contractor hereby elects a term by initialing next to the term:

- a) one year       X
- b) two years
- c) three years

**11.2 Renewal Terms.** This Agreement shall automatically renew for successive terms of one year each after expiration of the initial term unless Contractor or FedEx Ground provides the other party notice of non-renewal in writing at least 30 days prior to the expiration of the initial term or any successive renewal term.

**12. TERMINATION PROVISIONS.**

**12.1 Termination.** This Agreement may be terminated during the initial term or during any renewal term hereof, as follows:

- (a) At any time, by mutual agreement of Contractor and FedEx Ground;
- (b) By FedEx Ground in the event that Paragraphs 3.2(a) or 3.2(b) apply;
- (c) By Contractor or FedEx Ground if the other party breaches or fails to perform the contractual obligations imposed by this Agreement;
- (d) By either party in the event that FedEx Ground:
  - (1) ceases to do business in all or part of the Terminal Service Area; or,
  - (2) as a result of a decline in business, reduces operations in all or part of the Terminal Service Area; or

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- (e) By Contractor, upon 30 days' prior written notice to FedEx Ground. The parties hereto specifically recognize the damage to FedEx Ground, which is difficult to quantify, but which includes the cost of engaging and qualifying temporary operators and replacement equipment to service Contractor's Primary Service Area, if Contractor should terminate his/her service obligations hereunder without first giving notice as provided in this paragraph. Therefore, in the event of such unauthorized termination by Contractor (except if such termination is caused by the death or disability of Contractor) Contractor shall pay to FedEx Ground, as liquidated damages, and not as a penalty, the sum of \$1,000. FedEx Ground may withhold such amount from Contractor's final settlement or from Contractor's Performance Escrow Account.

**12.2 Obligations Upon Termination.** Upon termination of this Agreement for any reason, Contractor agrees promptly to:

- (a) Return to FedEx Ground's terminal facility any trailers furnished by FedEx Ground for use in connection with the Equipment. If Contractor fails to return FedEx Ground's trailers to FedEx Ground's terminal facilities, FedEx Ground shall be entitled to a rental charge of \$50 per day per trailer until said trailer is returned (each 24-hour period or fraction thereof being considered one day), and may deduct any such charges from Contractor's final settlement, or from Contractor's Performance Escrow Account;
- (b) Return to FedEx Ground any packages tendered for pickup and/or delivery and any shipping papers, documents, collections, or other property of FedEx Ground in Contractor's possession;

- (c) Return to FedEx Ground any property of FedEx Ground furnished to Contractor pursuant to the Business Support Package; and
- (d) Remove and return or permanently mask (such as by painting over) all of FedEx Ground's vehicle identification from the Equipment.

FedEx Ground may withhold the return of any monies owed Contractor, including any balance remaining in Contractor's Performance Escrow Account, until Contractor completes the return of the items listed above.

**12.3 Arbitration of Asserted Wrongful Termination.** In the event FedEx Ground acts to terminate this Agreement (which acts shall include any claim by Contractor of constructive termination) and Contractor disagrees with such termination or asserts that the actions of FedEx Ground are not authorized under the terms of this Agreement, then each such disagreement (but no others) shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (AAA) and judgment upon the award of the arbitrator may be rendered in any court having jurisdiction thereof, according to the following:

- (a) Written notice of a demand for arbitration must be mailed by Contractor to FedEx Ground and to the AAA by certified mail within 90 days of the occurrence of the claimed wrongful termination. Failure to mail written notice of a demand for arbitration within such 90 day period and comply with all procedural requirements set forth in the Commercial Arbitration Rules of the AAA shall constitute an absolute bar to the institution of any proceedings and a waiver of the claimed wrongful termination. The copy of the demand sent to the American Arbitration Association will be addressed to 230 South Broad Street, 12th Floor, Philadelphia, PA 19102, with a request that the demand be forwarded to the appropriate AAA Regional Office.

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- (b) The dispute shall be heard and determined by a single arbitrator, chosen pursuant to the procedures of the AAA.
- (c) The arbitrator shall set the date, time, and place for each hearing, and shall schedule the hearing and make his or her determination in an expeditious manner. Neither party shall be entitled to written or deposition discovery from the other, except with respect to damages.
- (d) As to any dispute or controversy which under the terms hereof is made subject to arbitration, no suit at law or in equity based on such dispute or controversy shall be instituted by either party hereto, other than a suit to confirm, enforce, vacate, modify or correct the award of the arbitrator as provided by law; provided, however, that this clause shall not limit FedEx Ground's right to obtain any provisional remedy including, without limitation, injunctive relief, writ for recovery or possession or similar relief, from any court of competent jurisdiction, as may be necessary in FedEx Ground's sole subjective judgment to protect its property rights.
- (e) The arbitrator shall have the authority only to conclude whether the termination of Contractor was within the terms of this Agreement, to determine damages if required to do so under this subparagraph, and to provide for the division of the AAA fees and AAA assessed expenses of the arbitration between the parties; provided, however, each party shall bear the cost of attorneys, expert witnesses, or other expenses incurred by that party, and the arbitrator shall have no authority to allocate or apportion such costs. If the arbitrator concludes the termination was within the terms of this Agreement, the termination shall be effective on the date specified in the notice of termination from FedEx Ground to Contractor.

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If the arbitrator concludes the termination was not within the terms of this Agreement, then, at the option of FedEx Ground: (1) the Contractor shall be reinstated within a reasonable period of time, not to exceed 90 days from the Company's receipt of the abitrator's decision, and in that event shall be entitled to damages equal to the arbitrator's determination of what Contractor's net earnings (after payment of all expenses which are borne by Contractor pursuant to this Agreement) would have been during the period between the date of termination and the date of reinstatement; or (2) Contractor shall nevertheless be terminated, and, in that event, shall be entitled to damages equal to the arbitrator's determination of what Contractor's net earnings (after payment of all expenses which are borne by Contractor pursuant to this Agreement) would have been during the period between the date of termination to the last day of the term of this Agreement (without any renewals). Contractor shall have no claim for damages in any other amount, and the arbitrator shall have no power to award punitive or any other damages.

- (f) The arbitrator shall provide the parties with only a written determination of the outcome of the arbitration, without accompanying opinion, and shall have no authority to alter, amend or modify any of the terms and conditions of this Agreement, and further, the arbitrator may not enter any award which alters, amends or modifies the terms or conditions of this Agreement in any form or manner.

**13. MERGER OF UNDERSTANDING.** This Agreement, the Addenda hereto, and the Attachments to the Addenda, constitute the entire agreement and understanding between the parties and, when executed, shall constitute a revocation of any earlier Contractor Operating Agreement between the parties. This Agreement, the Addenda and Attachments shall not be modified, altered, changed or amended in any respect unless in writing and signed by both parties .

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**14. CAPTIONS.** Captions appearing in this Agreement are for convenience only and do not in any way limit, amplify, modify or otherwise affect the terms and provisions of this Agreement.

**15. SAVINGS CLAUSE.** If any part of this Agreement is declared unlawful or unenforceable, the remainder of this Agreement shall remain in full force and effect.

**16. FAILURE TO ENFORCE.** Failure of either party to enforce strictly any provision of this Agreement shall not be construed as a waiver thereof or as excusing the other party from future performance.

**17. FORCE MAJEURE.** The performance of the obligations of this Agreement on the part of either FedEx Ground or the Contractor shall be excused by reason of closing of public highways, changes in customer shipping and/or receiving requirements, strikes or work stoppages, weather conditions which make operations unsafe or impractical, Acts of God, or temporary or permanent cessation of business by FedEx Ground within the Terminal Service Area.

**18. ASSIGNMENT** This Agreement shall be binding upon and enure to the benefit of the parties to this Agreement and their assignees. FedEx Ground shall have the right to assign its rights and obligations hereunder to an affiliate of FedEx Ground. Provided Contractor is in good standing hereunder, Contractor shall, with 30 days' prior written notice to FedEx Ground, have the right to assign his/her rights and obligations hereunder to a replacement contractor acceptable to FedEx Ground as being qualified to provide the services of Contractor under this Agreement (the "Replacement Contractor"), and, provided Contractor or Contractor's representative continues to provide service under this Agreement up to the effective date of such assignment, FedEx Ground shall thereupon enter into a new agreement with Replacement Contractor on substantially the same terms and conditions as herein contained. In addition, in the event of the death or disability of Contractor, Contractor or his/her representative shall have a period of 30 days from and after such death or disability to secure a qualified Replacement Contractor to whom Contractor's rights and obligations may be assigned. Any consideration to be paid by Replacement Contractor on account of such assignment shall be strictly a matter of agreement between

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Contractor (or Contractor's representative) and Replacement Contractor. As a matter of accommodation to Contractor, FedEx Ground at its sole discretion, may agree, upon receipt of written instructions from Contractor and Replacement Contractor, to collect such consideration from Replacement Contractor by means of deductions from Replacement Contractor's weekly settlements for a period not to exceed one year, and promptly to remit such amounts to Contractor or his/her representative. FedEx Ground shall have no other obligations whatsoever either to secure a Replacement Contractor for the benefit of Contractor, or to assure any payment to Contractor on account of Contractor's assignment of this Agreement.

**19. GOVERNING LAW** This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

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CONTRACTOR ACKNOWLEDGES AND REPRESENTS THAT CONTRACTOR HAS READ AND FULLY UNDERSTANDS THE PROVISIONS OF THIS AGREEMENT, AND HAS HAD SUFFICIENT TIME AND OPPORTUNITY TO CONSULT WITH PERSONAL FINANCIAL, TAX AND LEGAL ADVISORS PRIOR TO EXECUTING THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto enter into and execute this Agreement this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, at \_\_\_\_\_.

FedEx Ground Package System, Inc.:

Contractor:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

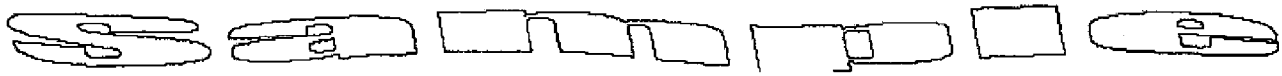
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ADDENDUM 1  
 PICK-UP AND DELIVERY CONTRACTOR OPERATING AGREEMENT  
 IDENTIFICATION OF LEASED EQUIPMENT \*

FedEx Ground Unit Number	Vehicle Make	Vehicle Year	Body Type	VIN	Number Axles
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Pursuant to Section 13 of the FedEx Ground Package System, Inc. Pick-up and Delivery Contractor Operating Agreement ("Agreement") entered into between FedEx Ground and the undersigned Contractor, Contractor and FedEx Ground hereby amend the Agreement as follows:  
 Notwithstanding anything to the contrary in Section 1.2 of the Agreement, Contractor may specify systematic vehicle-specific maintenance intervals different from the periodic maintenance schedule recommended by the equipment manufacturer, which shall be accepted by FedEx Ground, provided maintenance intervals comply with applicable D.O.T. safety regulations, including 49 C.F.R. §§396.5 and 396.7, which require all vehicles to be properly lubricated and free of oil and fuel leaks, and which forbid operation of a vehicle in such a condition as to likely cause an accident or breakdown. Any such alternative vehicle maintenance intervals shall be specified on Contractor's Monthly Maintenance Record submissions.

\* This listing should include all primary vehicles and supplemental vehicles.  
 For the specific settlement items applicable to primary and supplemental vehicles, see Addendum 3.

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By execution of this Addendum to the current Pickup and Delivery Contractor Operating Agreement (the "Agreement"), FedEx Ground and Contractor each agree that effective 06/04/2007, this revised Addendum supersedes the same previously executed Addenda and, except for the changes and additions in this revised Addendum, the Agreement remains in full force and effect, and each party agrees to continue to be bound by the terms of that Agreement.

FedEx Ground Package System, Inc. :

Contractor:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Email Address

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P&D US Operating Agent

ADD 1

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ADDENDUM 2

PICK-UP AND DELIVERY CONTRACTOR OPERATING AGREEMENT

WORK ACCIDENT, WORKERS' COMPENSATION AND NON-TRUCKING LIABILITY

MINIMUM INSURANCE COVERAGE REQUIREMENT

Pursuant to Section 13 of the FedEx Ground Package System, Inc. Pick-Up and Delivery Contractor Operating Agreement ("Agreement") entered into between FedEx Ground and the undersigned Contractor, Contractor and FedEx Ground hereby amend the Agreement as follows:

**3.1 Non-Trucking Liability Coverage - Contractor Responsibility.** Contractor agrees to obtain and keep in force at all times a policy of public liability (automobile/truckers/bodily injury and property damage insurance) insurance with deductible limits no greater than \$500 per occurrence, to cover all costs, losses and expenses arising from operation of the Equipment, unless used in the business of anyone to whom the Equipment is rented or while used to carry property in any business, in amounts not less than \$1,000,000 per occurrence. Contractor shall provide FedEx Ground with Certificate(s) of Insurance evidencing such coverage naming FedEx Ground an additional insured and providing FedEx Ground 30 days' prior written notice of cancellation or material change. Minimum coverage requirements are listed below in this Addendum 2. Nothing herein shall be interpreted as limiting Contractor's liability only to the damage amounts covered by the insurance policy.

**3.3 Public Liability - Contractor's Responsibility.** At any time that FedEx Ground discovers that the Contractor or an operator engaged by Contractor to drive the Equipment fails to meet FedEx Ground's Safe Driving Standards as published from time to time and made part of this Agreement, as determined by FedEx Ground, Contractor shall obtain, effective not later than 30 days after receiving notice from FedEx Ground, and continually thereafter maintain, an additional policy of public liability automobile/truckers bodily injury and property damage insurance coverage with deductible limits no greater than \$500, that indemnifies and reimburses FedEx Ground for a combined single limit of not less than \$2,000,000. Additionally, Contractor shall obtain and continually thereafter maintain a policy of insurance for cargo loss and damage risk that indemnifies FedEx Ground, for an amount not less than \$40,000 per vehicle, with deductible limits of not greater than \$250. Contractor shall provide FedEx Ground with Certificate(s) of Insurance evidencing all such coverage naming FedEx Ground an additional insured and providing FedEx Ground 30 days' prior written notice of cancellation or material change.

**3.5 Contractor's Responsibility for Certain Losses.** The first paragraph of Article 3.5 of the Agreement is amended to read as follows: "The following indemnities constitute an exception to the provision for risk protection to Contractor provided in subsection 3.2. Indemnities set forth below shall be made via settlement deduction. Any deduction authorized here shall be made based on the actual amount of damages paid or incurred by FedEx Ground and such deductions pursuant to this paragraph and Addendum 3 shall be itemized and explained by FedEx Ground. During the term of this Agreement and thereafter, Contractor agrees to indemnify and save FedEx Ground harmless against liabilities as follows:"

**3.6 Work Accident and Workers' Compensation.** Contractor agrees to obtain and keep in force at all times during this Agreement worker's compensation insurance covering Contractor and all of Contractor's employees. As an alternative, but only to the extent allowed under law, Contractor may obtain work accident insurance to cover Contractor (but not Contractor's employees), provided the applicable worker's compensation law entitles Contractor the option to remain without worker's compensation insurance. However, Contractor domiciled in or otherwise subject to the workers' compensation laws of Colorado, Nevada and North Carolina must obtain workers' compensation insurance for both their employees and themselves. At Contractor's option, the required work accident and/or workers' compensation insurance may be obtained under a policy facilitated by FedEx Ground (to the extent made available by the insurer) or through a separate source. All work accident and/or workers' compensation insurance shall be, at minimum, written by an insurance carrier or state monopolistic fund licensed to provide and providing such coverage in the state where the Contractor is domiciled and any other state as required by law. All work accident insurance shall include an endorsement, contractual promise or companion policy issued by the insurer or its affiliate covering workers' compensation risks, if any, of the Contractor. Contractor shall provide FedEx Ground with a Certificate of Insurance evidencing such coverage naming FedEx Ground an additional insured and providing FedEx Ground 30 days' prior written notice of cancellation or material change. Minimum coverage requirements are listed below in this Addendum 2.

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**3.7 Minimum Insurance Qualifications.** The parties agree, regardless of any conflicting provisions in the Agreement, that all insurance provided pursuant to this Agreement shall be provided by an insurance company qualified to write such coverage in the state(s) where the Equipment is operated, and rated A- Class IX or better by A.M. Best Co.

**3.8 Coverage Facilitated by FedEx Ground.** Contractor may, if Contractor and FedEx Ground mutually agree, have FedEx Ground facilitate, on the Contractor's behalf, the insurance coverages required or made optional by the Agreement. In such case, Contractor authorizes FedEx Ground to deduct, from Contractor's settlement, amounts reflecting all of FedEx Ground's expense and cost in obtaining and administering such coverage. Contractor recognizes that FedEx Ground is not in the business of selling insurance, and any insurance coverage requested by Contractor and facilitated by FedEx Ground is subject to all of the terms, conditions and exclusions of the actual policy issued by the insurance underwriter. FedEx Ground shall ensure that Contractor is provided with a certificate of insurance (as required by 49 C.F.R. § 376.12(j)(2)) for each insurance policy under which the Contractor has authorized FedEx Ground to facilitate insurance coverage from the insurance underwriter (each such certificate to include the name of the insurer, the policy number, the effective dates of the policy, the amounts and types of coverage, the cost to Contractor for each type of coverage, and the deductible amount for each type of coverage for which Contractor may be liable), and FedEx Ground shall ensure that Contractor is provided with a copy of each policy upon request.

**3.9 Other Insurance.** In addition to the insurance coverages required under the Agreement, it is Contractor's responsibility to procure, carry, and maintain any fire, theft, uninsured and/or underinsured motorist, physical damage (collision), and any other insurance coverage that Contractor may desire for the Equipment or for Contractor's life, health care, dental care, vision care, or other needs. Contractor holds FedEx Ground harmless with respect to loss of or damage to Contractor's Equipment or other property, and FedEx Ground has no responsibility to procure, carry or maintain any insurance coverage covering loss of or damage to Contractor's Equipment or other property. Contractor acknowledges that FedEx Ground may, and Contractor hereby authorizes FedEx Ground to, waive, reject, or reduce no-fault, uninsured and underinsured motorist coverage from FedEx Ground's insurance policies to the full extent allowed under applicable law, and Contractor shall cooperate in the completion of all necessary documentation for such waiver, election, rejection, or reduction.

Contract Number: SAMPLE

Terminal Number: 00258

P&D US Operating Agmt

FedEx Id: 0000001

Name: LAST\_NAME, FIRST N

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WORK ACCIDENT INSURANCE	
COVERAGE	LIMITS
Disability	66 2/3 % of net earnings payable weekly as defined in the policy.
Disability Benefit Period	10 years, with \$208,000 maximum payout
Medical	\$750,000 maximum payout, reasonable and customary expenses
Medical Benefit Period	10 years, with \$750,000 maximum payout, reasonable and customary expenses
Loss of Life	55 % of net earnings payable weekly as defined in the policy.
Loss of Life Benefit Period	10 years
Loss of Life Amount	\$166,400
Co-insurance	0
Deductible	0
Contingent Workers' Compensation	Full statutory benefits required, except in monopoly states
Minimum A.M. Best Co. Rating	A-, Class IX or better
Alternative Coverage	Workers compensation coverage through a state fund or by an insurer rated A-, Class IX or better by A.M. Best Co. and licensed in Contractor's domicile state(s)

NON-TRUCKING LIABILITY AND PHYSICAL DAMAGE	
COVERAGE	LIMITS
Auto liability	\$1,000,000 combined single unit
Non-trucking liability	Required
Physical Damage	Stated value or actual cash value, whichever is less
Comprehensive Deductible	\$500.00
Collision Deductible	\$500.00
Additional Insured	FedEx Ground must be named
Minimum A.M. Best Co. Rating	A-, Class IX or better

Contract Number: SAMPLE

Terminal Number: 00258

P&D US Operating Agmt

FedEx Id: 000001

Name: LAST\_NAME, FIRST LN

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By execution of this Addendum to the current Pickup and Delivery Contractor Operating Agreement (the "Agreement"), FedEx Ground and Contractor each agree that effective 06/04/2007, this revised Addendum supersedes the same previously executed Addenda and, except for the changes and additions in this revised Addendum, the Agreement remains in full force and effect, and each party agrees to continue to be bound by the terms of that Agreement.

FedEx Ground Package System, Inc. :

Contractor:

Signature

Signature

Printed Name

Printed Name

Title

Email Address

Contract Number: SAMPLE

Terminal Number: 00258

P&D US Operating Agmt

FedEx Id: 000001

Name: LAST\_NAME, FIRST N

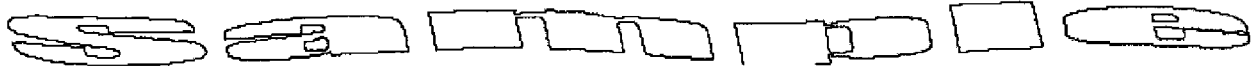
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Class A



Terminal Number: 00258

**ADDENDUM 3  
PICK-UP AND DELIVERY CONTRACTOR OPERATING AGREEMENT  
SETTLEMENT**

FedEx Ground agrees to settle with Contractor at terminal 00258 for performance of the contractual obligations imposed by this Agreement as follows:

**I. Package Pick-Up and Delivery Settlement**

A. Delivery Settlement per stop at each recipient or other authorized location for the purpose of delivering a package(s).

**Vehicle Type:**

Van: \$1.40 per stop, \$0.25 per package delivered  
 Straight Truck: \$1.31 per stop, \$0.31 per package delivered  
 Tractor Trailer: \$1.40 per stop, \$0.32 per package delivered

B. Package Pick-up Settlement per stop at each shipper or other authorized location for the purpose of picking up a package(s) for delivery elsewhere.

**Vehicle Type:**

Van: \$1.59 per stop  
 Straight Truck: \$1.40 per stop  
 Tractor Trailer: \$1.40 per stop

	<u>Van:</u>	<u>Straight Truck:</u>	<u>Tractor-Trailer:</u>
1st - 50th package per stop	\$0.220	\$0.220	\$0.160
51st - 100th package per stop	\$0.180	\$0.160	\$0.130
101st - 200th package per stop	\$0.148	\$0.050	\$0.050
201st - 300th package per stop	\$0.136	\$0.050	\$0.050
301st - 400th package per stop	\$0.124	\$0.050	\$0.050
401st - 500th package per stop	\$0.112	\$0.050	\$0.050
501st - 9999th package per stop	\$0.100	\$0.050	\$0.050

- Each package picked up on a van or straight truck must be scanned to qualify for the applicable package settlement, unless an exception has been approved by FedEx Ground.
- Small Shipper settlement will be paid to package vans only for each pick-up stop based on the chart below.

<u>Packages per pick-up stop:</u>	<u>Additional settlement per stop:</u>
1-5	\$0.50
6	\$0.28
7	\$0.06

3. \$1.50 minimum pick-up settlement for straight truck and tractor-trailers, when zero packages exist at pick-up.

Contract Number: SAMPLE

Terminal Number: 00258

P&D US Operating Agmt

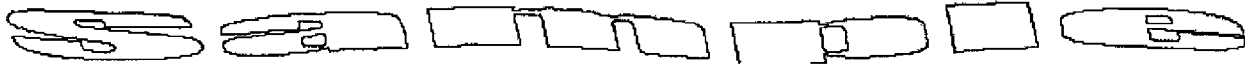
FedEx Id: 000001

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C. Late Scheduled Pick-up Stop Premium Settlement  
(scheduled at 6:00pm or later and completed by Contractor at 6:00pm or later)

Straight Truck: \$1.00 per stop  
Package Van: \$1.00 per stop

D. Pick-up of International packages:

The pick-up settlement for international packages is the same as the pick-up settlement for domestic packages, as listed above, plus a \$0.05 premium, per package.

Stop Settlement will be as otherwise described in this agreement with no additional stop pay for pick-up or delivery of International packages in conjunction with domestic package pick-up and delivery service.

E. Combination Delivery and Pick-up -- If a combination stop is made, for the purpose of both delivering and picking up packages, a combination rate will be paid, as follows:

Package Van: \$2.21 per stop  
Straight Truck: \$2.15 per stop  
Tractor Trailer: \$2.05 per stop

Package rates will be paid in addition, as shown in paragraphs A, B, and D above. The minimum pick-up stop rate may or may not have a positive effect on the above rate.

F. Oversize Packages -- Contractor will be paid \$.07 for each package designated by FedEx as "Oversize 1", when delivered in a van, straight truck, or tractor-trailer. Contractor will be paid \$.40 for each package designated by FedEx as "Oversize 2", when delivered in a van, straight truck, or tractor-trailer. Contractor will be paid \$1.00 for each package designated by FedEx as "Oversize 3", when delivered in a van, straight truck, or tractor-trailer. "Oversize 1" includes packages greater than 84 inches in length and girth combined, and less than 30 pounds in weight. "Oversize 2" includes packages greater than 108 but less than 130 inches in length and girth combined, and less than 50 pounds in weight. "Oversize 3" includes packages greater than 130 but less than 165 inches in length and girth combined, and less than 90 pounds in weight.

G. Customer Pick-up of Signature Required Package Settlement -- Under the following criteria, stop and package settlement will be paid to Contractor, in accordance of Section I.-A. of this Addendum 3:

- Two or more delivery attempts by same Contractor (Residential Signature Required Packages Only) and Customer picks up package(s) at the terminal.
- Premium settlement is not included.

H. C.O.D. Delivery Settlement -- \$0.30 for each delivery of a package bearing a valid C.O.D. label.

Additional settlement will be paid for delivery of shipper designated CASH C.O.D. packages, in the amount of 1.00% of the CASH C.O.D. amount collected or \$2.50, which ever is greater, to a maximum of \$7.50.

Delivery stop settlement for the first C.O.D. "no money" stop will be paid, provided that stop is scanned and logged and the recipient's signature is obtained.

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I. Premium Service Settlement. (Shipper designated service)

Residential Signature Required - \$1.00/stop, in addition to Delivery Settlement.

J. Call Tag Settlement -- \$0.50 for each Call Tag package picked up in response to a validly issued Call Tag.

Delivery stop settlement for the first Call Tag "not ready" stop will be paid, provided that stop is scanned and logged and the recipient's signature is obtained.

K. One Hundred Plus -- \$1.00 for each delivered 100+ pound package and \$0.50 for each 100+ pound package picked up.

L. Daily Mileage Settlement -- For each mile driven daily in excess of 200 miles the following settlement will be paid:

201 -	250 Miles	\$0.3200 per mile
251 -	300 Miles	\$0.3850 per mile
301	Plus Miles	\$0.4400 per mile

Does not apply to shuttle vehicles, supplemental vehicles, straight trucks, or tractors.

M. Spotted Trailer Settlement -- See Attachment 3.1 to this Addendum.

N. At a designated contractor sort terminal, Contractor will be paid at the following rates per package for each package processed on the specified sort in which Contractor participates, prorated based on the number of participants in the sort.

IB Sort Pkg. Rate	<u>                    \$0.1535</u>	OB Sort Pkg. Rate	<u>                    \$0.0947</u>
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Contract Number: SAMPLE

Terminal Number: 00258

P&D US Operating Agmt

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O. Fuel/Mileage Settlement: Contractors with company issued fuel cards (e.g., T-Chek cards) are presumed to be fueling at hub or terminals with fueling stations and will not be paid this mileage settlement component.

Contractors without T-Chek cards will be paid an additional mileage settlement corresponding to fuel price increases as determined from the table(s) shown below. If the fuel price per gallon (and corresponding settlement per mile) go beyond the figures shown in the table(s) below, the price per gallon and corresponding settlement per mile will continue to increase incrementally.

Fuel Price per Gallon:	\$1.25	\$1.35	\$1.45	\$1.55	\$1.65	\$1.75	\$1.85	\$1.95	\$2.05	\$2.15	\$2.25
Settlement per Mile: +	\$0.01	\$0.02	\$0.03	\$0.04	\$0.05	\$0.06	\$0.07	\$0.08	\$0.09	\$0.10	\$0.11
Fuel Price per Gallon:	\$2.35	\$2.45	\$2.55	\$2.65	\$2.75	\$2.85	\$2.95	\$3.05	\$3.15	\$3.25	\$3.35
Settlement per Mile: +	\$0.12	\$0.13	\$0.14	\$0.15	\$0.16	\$0.17	\$0.18	\$0.19	\$0.20	\$0.21	\$0.22

The mileage of supplemental vehicle(s), listed on Addendum 1, will be included in the calculation of this additional fuel/mileage settlement.

For purposes of calculating the Contractor's mileage settlement, the terminal's fuel price per gallon will be the weekly average self-service cash price in the Zip Code in which the terminal is physically located based on the weekly fuel price data provided by Oil Price Information Source (OPIS is a third party vendor) for the terminal.

If the average self-service cash price for the Zip Code in which the contractor's terminal is physically located cannot be determined from the weekly fuel price data provided by OPIS, the terminal's fuel price per gallon will be the weekly average self-service cash price for all Zip Codes serviced by the terminal, for which the weekly fuel price data is provided by OPIS for the terminal.

If the average self-service cash price cannot be determined using either of the two methods set forth above, the terminal's fuel price per gallon will be the lowest self-service cash price available in the Zip Code in which the terminal is located, as monitored and provided weekly by terminal management to Contractor Settlement.

- P. Shuttle Settlement -- See Attachment 3.2 to this Addendum 3.
- Q. Miscellaneous payments for Special Services.

FedEx Ground may reimburse Contractor for certain expenses incurred when FedEx Ground requests services beyond those identified in the Agreement and Contractor chooses to provide such services.

## II. Contractor and Van Availability Settlement

- A. Van availability settlement of \$45 for each business day that Contractor makes a van or straight truck and a qualified driver available and provides services under the Agreement. Tractors and supplemental vans are not eligible for this daily van availability.
- B. A holiday van availability bonus of \$50.00 if Contractor makes the Vehicle (excluding supplemental vehicles), including P&D tractors, and a qualified driver available on both the work day falling immediately before and the work day falling immediately after the following national holidays:

Fourth of July      Labor Day      Memorial Day      New Years Day

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Terminal Number: 00258

P&D US Operating Agmt

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- C. A holiday van availability bonus of \$100 if Contractor makes the Vehicle (excluding supplemental vehicles), including P&D tractors, and a qualified driver available on both the work day falling immediately before and the work day falling immediately after the Thanksgiving, Christmas Eve and Christmas Day holidays.
- D. The Company reserves the right to name the work days preceding and following any holiday falling on or in conjunction with a weekend.

III. **Temporary Core Zone Density Settlement.** See Attachment 3.3 to this Addendum 3.

IV. **Flex Program.** Daily flex fee of \$7.50, payable as provided in the Agreement. P&D Contractors operating a tractor/trailer to perform P&D work may elect to participate in the Flex Program but will only receive the daily flex fee on days they actually make a live pick-up or delivery stop. P&D trailer spots do not qualify for the daily flex fee. By initialing the appropriate space below, Contractor

\_\_\_\_\_ elects

\_\_\_\_\_ elects not

to participate in the Flex Program.

Contract Number: SAMPLE

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**V. Quarterly Performance Settlement.**

- A. After Contractor has been a Contractor one full year, FedEx Ground agrees to provide additional settlement to Contractor for overall performance of the obligations imposed by this Agreement, on a quarterly basis, in accordance with the following provisions:
  - 1. The Quarterly Performance Settlement shall be fixed at 2.25 percent of the gross P&D settlement for the quarter on each one of Contractor's approved PSA (Primary Service Area), including settlement earned in support of linehaul operations.
  - 2. Quarterly Performance Settlement shall not exceed \$2,000 per PSA each year.
  - 3. Supplemental equipment is not eligible for separate Quarterly Performance Settlement. Settlement earned by supplemental equipment shall be included in Contractor's gross P&D settlement subject to the 2.25 percent computation.
  - 4. To qualify for this settlement, Contractor must be an active contractor for the entire quarter. Quarterly Performance Settlement will not be paid if Contractor terminates, for any reason, during the quarter, and will not be paid on gross settlement earned by any PSA that is terminated during the quarter.
  - 5. The Quarterly Performance Settlement shall be paid in the period following the end of the quarter.
  - 6. During the 1-st month of each fiscal quarter, Contractor may elect to have this settlement deposited to Contractor's interest-bearing Service Guarantee Account, added to a previously established HR-10 Plan, or paid as cash settlement. The allocation may be split between HR-10 Plan and Service Guarantee Account or HR-10 and cash settlement.

**VI. Service Bonus.**

- A. A Contractor with more than one, but less than five, years as a P&D Contractor shall receive a Service Bonus of \$500; credited to the Service Guarantee Account on the anniversary of the date Contractor first became a P&D Contractor for FedEx Ground.
- B. If a Contractor has five or more years as a P&D Contractor , the Service Bonus shall be \$1,000.
- C. If a Contractor has ten or more years as a P&D Contractor , the Service Bonus shall be \$1,500.
- D. If a Contractor has fifteen or more years as a P&D Contractor , the Service Bonus shall be \$2,000.
- E. If a Contractor has twenty or more years as a P&D Contractor , the Service Bonus shall be \$2,500.

Contract Number: SAMPLE

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F. A FedEx Ground approved contracted PSAs (excluding supplemental vehicles and short term swing PSAs) will receive a Service Bonus, credited to the Service Guarantee Account on the anniversaries and in the amounts specified above.

- VII. **Added Service Settlement.** -- See Attachment 3.4 to this Addendum 3.
- VIII. **Performance of Linehaul Work** -- See Attachment 3.5 to this Addendum 3.
- IX. **Primary Plus** -- See Attachment 3.6 to this Addendum 3.
- X. **PEAK Performance Bonus Program** -- See Attachment 3.8 to this Addendum 3.
- XI. **FHD PEAK Package Delivery Bonus** -- See Attachment 3.9 to this Addendum 3.
- XII. **Saturday PEAK Package Premium Bonus** -- See Attachment 3.10 to this Addendum 3.

By execution of this Addendum to the current Pickup and Delivery Contractor Operating Agreement (the "Agreement"), FedEx Ground and Contractor each agree that effective 6/4/2007, this revised Addendum supersedes the same previously executed Addenda and, except for the changes and additions in this revised Addendum, the Agreement remains in full force and effect, and each party agrees to continue to be bound by the terms of that Agreement.

FedEx Ground Package System, Inc.:

Contractor:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Email Address

Contract Number: SAMPLE

Terminal Number: 00258

P&D US Operating Agmt

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Class B



Terminal Number: 00253

ADDENDUM 3  
 PICK-UP AND DELIVERY CONTRACTOR OPERATING AGREEMENT  
 SETTLEMENT

FedEx Ground agrees to settle with Contractor at terminal 00253 for performance of the contractual obligations imposed by this Agreement as follows:

**I. Package Pick-Up and Delivery Settlement**

A. Delivery Settlement per stop at each recipient or other authorized location for the purpose of delivering a package(s).

**Vehicle Type:**

Van:	\$1.42 per stop, \$0.25 per package delivered
Straight Truck:	\$1.31 per stop, \$0.31 per package delivered
Tractor Trailer:	\$1.40 per stop, \$0.32 per package delivered

B. Package Pick-up Settlement per stop at each shipper or other authorized location for the purpose of picking up a package(s) for delivery elsewhere.

**Vehicle Type:**

Van:	\$1.62 per stop
Straight Truck:	\$1.40 per stop
Tractor Trailer:	\$1.40 per stop

	<u>Van:</u>	<u>Straight Truck:</u>	<u>Tractor-Trailer:</u>
1st - 50th package per stop	\$0.220	\$0.220	\$0.160
51st - 100th package per stop	\$0.180	\$0.160	\$0.130
101st - 200th package per stop	\$0.148	\$0.050	\$0.050
201st - 300th package per stop	\$0.136	\$0.050	\$0.050
301st - 400th package per stop	\$0.124	\$0.050	\$0.050
401st - 500th package per stop	\$0.112	\$0.050	\$0.050
501st - 99999th package per stop	\$0.100	\$0.050	\$0.050

- Each package picked up on a van or straight truck must be scanned to qualify for the applicable package settlement, unless an exception has been approved by FedEx Ground.
- Small Shipper settlement will be paid to package vans only for each pick-up stop based on the chart below.

<u>Packages per pick-up stop:</u>	<u>Additional settlement per stop:</u>
1-5	\$0.50
6	\$0.28
7	\$0.06

3. \$1.50 minimum pick-up settlement for straight truck and tractor-trailers, when zero packages exist at pick-up.

Contract Number: SAMPLE

Terminal Number: 00253

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C. Late Scheduled Pick-up Stop Premium Settlement  
(scheduled at 6:00pm or later and completed by Contractor at 6:00pm or later)

Straight Truck: \$1.00 per stop  
Package Van: \$1.00 per stop

D. Pick-up of International packages:

The pick-up settlement for international packages is the same as the pick-up settlement for domestic packages, as listed above, plus a \$0.05 premium, per package.

Stop Settlement will be as otherwise described in this agreement with no additional stop pay for pick-up or delivery of International packages in conjunction with domestic package pick-up and delivery service.

E. Combination Delivery and Pick-up -- If a combination stop is made, for the purpose of both delivering and picking up packages, a combination rate will be paid, as follows:

Package Van: \$2.27 per stop  
Straight Truck: \$2.15 per stop  
Tractor Trailer: \$2.05 per stop

Package rates will be paid in addition, as shown in paragraphs A, B, and D above. The minimum pick-up stop rate may or may not have a positive effect on the above rate.

F. Oversize Packages -- Contractor will be paid \$.07 for each package designated by FedEx as "Oversize 1", when delivered in a van, straight truck, or tractor-trailer. Contractor will be paid \$.40 for each package designated by FedEx as "Oversize 2", when delivered in a van, straight truck, or tractor-trailer. Contractor will be paid \$1.00 for each package designated by FedEx as "Oversize 3", when delivered in a van, straight truck, or tractor-trailer. "Oversize 1" includes packages greater than 84 inches in length and girth combined, and less than 30 pounds in weight. "Oversize 2" includes packages greater than 108 but less than 130 inches in length and girth combined, and less than 50 pounds in weight. "Oversize 3" includes packages greater than 130 but less than 165 inches in length and girth combined, and less than 90 pounds in weight.

G. Customer Pick-up of Signature Required Package Settlement -- Under the following criteria, stop and package settlement will be paid to Contractor, in accordance of Section I.-A. of this Addendum 3:

- Two or more delivery attempts by same Contractor (Residential Signature Required Packages Only) and Customer picks up package(s) at the terminal.
- Premium settlement is not included.

H. C.O.D. Delivery Settlement -- \$0.30 for each delivery of a package bearing a valid C.O.D. label.

Additional settlement will be paid for delivery of shipper designated CASH C.O.D. packages, in the amount of 1.00% of the CASH C.O.D. amount collected or \$2.50, which ever is greater, to a maximum of \$7.50.

Delivery stop settlement for the first C.O.D. "no money" stop will be paid, provided that stop is scanned and logged and the recipient's signature is obtained.

Contract Number: SAMPLE

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I. Premium Service Settlement. (Shipper designated service)

Residential Signature Required - \$1.00/stop, in addition to Delivery Settlement.

J. Call Tag Settlement -- \$0.50 for each Call Tag package picked up in response to a validly issued Call Tag.

Delivery stop settlement for the first Call Tag "not ready" stop will be paid, provided that stop is scanned and logged and the recipient's signature is obtained.

K. One Hundred Plus -- \$1.00 for each delivered 100+ pound package and \$0.50 for each 100+ pound package picked up.

L. Daily Mileage Settlement -- For each mile driven daily in excess of 200 miles the following settlement will be paid:

201 -	250 Miles	\$0.3200 per mile
251 -	300 Miles	\$0.3850 per mile
301	Plus Miles	\$0.4400 per mile

Does not apply to shuttle vehicles, supplemental vehicles, straight trucks, or tractors.

M. Spotted Trailer Settlement -- See Attachment 3.1 to this Addendum.

N. At a designated contractor sort terminal, Contractor will be paid at the following rates per package for each package processed on the specified sort in which Contractor participates, prorated based on the number of participants in the sort.

IB Sort Pkg. Rate	<u>                    \$0.0000</u>	OB Sort Pkg. Rate	<u>                    \$0.0000</u>
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Contract Number: SAMPLE

Terminal Number: 00253

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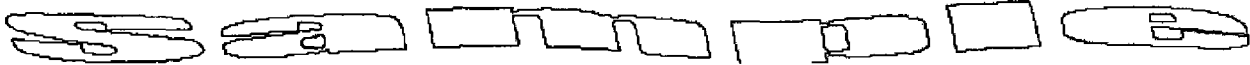
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O. Fuel/Mileage Settlement: Contractors with company issued fuel cards (e.g., T-Check cards) are presumed to be fueling at hub or terminals with fueling stations and will not be paid this mileage settlement component.

Contractors without T-Check cards will be paid an additional mileage settlement corresponding to fuel price increases as determined from the table(s) shown below. If the fuel price per gallon (and corresponding settlement per mile) go beyond the figures shown in the table(s) below, the price per gallon and corresponding settlement per mile will continue to increase incrementally.

Fuel Price per Gallon:		\$1.25	\$1.35	\$1.45	\$1.55	\$1.65	\$1.75	\$1.85	\$1.95	\$2.05	\$2.15	\$2.25
Settlement per Mile:	+	\$0.01	\$0.02	\$0.03	\$0.04	\$0.05	\$0.06	\$0.07	\$0.08	\$0.09	\$0.10	\$0.11
Fuel Price per Gallon:		\$2.35	\$2.45	\$2.55	\$2.65	\$2.75	\$2.85	\$2.95	\$3.05	\$3.15	\$3.25	\$3.35
Settlement per Mile:	+	\$0.12	\$0.13	\$0.14	\$0.15	\$0.16	\$0.17	\$0.18	\$0.19	\$0.20	\$0.21	\$0.22

The mileage of supplemental vehicle(s), listed on Addendum 1, will be included in the calculation of this additional fuel/mileage settlement.

For purposes of calculating the Contractor's mileage settlement, the terminal's fuel price per gallon will be the weekly average self-service cash price in the Zip Code in which the terminal is physically located based on the weekly fuel price data provided by Oil Price Information Source (OPIS is a third party vendor) for the terminal.

If the average self-service cash price for the Zip Code in which the contractor's terminal is physically located cannot be determined from the weekly fuel price data provided by OPIS, the terminal's fuel price per gallon will be the weekly average self-service cash price for all Zip Codes serviced by the terminal, for which the weekly fuel price data is provided by OPIS for the terminal.

If the average self-service cash price cannot be determined using either of the two methods set forth above, the terminal's fuel price per gallon will be the lowest self-service cash price available in the Zip Code in which the terminal is located, as monitored and provided weekly by terminal management to Contractor Settlement.

P. Shuttle Settlement -- See Attachment 3.2 to this Addendum 3.

Q. Miscellaneous payments for Special Services.

FedEx Ground may reimburse Contractor for certain expenses incurred when FedEx Ground requests services beyond those identified in the Agreement and Contractor chooses to provide such services.

**II. Contractor and Van Availability Settlement**

A. Van availability settlement of \$45 for each business day that Contractor makes a van or straight truck and a qualified driver available and provides services under the Agreement. Tractors and supplemental vans are not eligible for this daily van availability.

B. A holiday van availability bonus of \$50.00 if Contractor makes the Vehicle (excluding supplemental vehicles), including P&D tractors, and a qualified driver available on both the work day falling immediately before and the work day falling immediately after the following national holidays:

Fourth of July      Labor Day      Memorial Day      New Years Day

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- C. A holiday van availability bonus of \$100 if Contractor makes the Vehicle (excluding supplemental vehicles), including P&D tractors, and a qualified driver available on both the work day falling immediately before and the work day falling immediately after the Thanksgiving, Christmas Eve and Christmas Day holidays.
- D. The Company reserves the right to name the work days preceding and following any holiday falling on or in conjunction with a weekend.

III. **Temporary Core Zone Density Settlement.** See Attachment 3.3 to this Addendum 3.

IV. **Flex Program.** Daily flex fee of \$7.50, payable as provided in the Agreement. P&D Contractors operating a tractor/trailer to perform P&D work may elect to participate in the Flex Program but will only receive the daily flex fee on days they actually make a live pick-up or delivery stop. P&D trailer spots do not qualify for the daily flex fee. By initialing the appropriate space below, Contractor

\_\_\_\_\_ elects

\_\_\_\_\_ elects not

to participate in the Flex Program.

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**V. Quarterly Performance Settlement.**

- A. After Contractor has been a Contractor one full year, FedEx Ground agrees to provide additional settlement to Contractor for overall performance of the obligations imposed by this Agreement, on a quarterly basis, in accordance with the following provisions:
  - 1. The Quarterly Performance Settlement shall be fixed at 2.25 percent of the gross P&D settlement for the quarter on each one of Contractor's approved PSA (Primary Service Area), including settlement earned in support of linehaul operations.
  - 2. Quarterly Performance Settlement shall not exceed \$2,000 per PSA each year.
  - 3. Supplemental equipment is not eligible for separate Quarterly Performance Settlement. Settlement earned by supplemental equipment shall be included in Contractor's gross P&D settlement subject to the 2.25 percent computation.
  - 4. To qualify for this settlement, Contractor must be an active contractor for the entire quarter. Quarterly Performance Settlement will not be paid if Contractor terminates, for any reason, during the quarter, and will not be paid on gross settlement earned by any PSA that is terminated during the quarter.
  - 5. The Quarterly Performance Settlement shall be paid in the period following the end of the quarter.
  - 6. During the 1-st month of each fiscal quarter, Contractor may elect to have this settlement deposited to Contractor's interest-bearing Service Guarantee Account, added to a previously established HR-10 Plan, or paid as cash settlement. The allocation may be split between HR-10 Plan and Service Guarantee Account or HR-10 and cash settlement.

**VI. Service Bonus.**

- A. A Contractor with more than one, but less than five, years as a P&D Contractor shall receive a Service Bonus of \$500; credited to the Service Guarantee Account on the anniversary of the date Contractor first became a P&D Contractor for FedEx Ground.
- B. If a Contractor has five or more years as a P&D Contractor , the Service Bonus shall be \$1,000.
- C. If a Contractor has ten or more years as a P&D Contractor , the Service Bonus shall be \$1,500.
- D. If a Contractor has fifteen or more years as a P&D Contractor , the Service Bonus shall be \$2,000.
- E. If a Contractor has twenty or more years as a P&D Contractor , the Service Bonus shall be \$2,500.

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F. A FedEx Ground approved contracted PSAs (excluding supplemental vehicles and short term swing PSAs) will receive a Service Bonus, credited to the Service Guarantee Account on the anniversaries and in the amounts specified above.

VII. Added Service Settlement. -- See Attachment 3.4 to this Addendum 3.

VIII. Performance of Linehaul Work -- See Attachment 3.5 to this Addendum 3.

IX. Primary Plus -- See Attachment 3.6 to this Addendum 3.

X. PEAK Performance Bonus Program -- See Attachment 3.8 to this Addendum 3.

XI. FHD PEAK Package Delivery Bonus -- See Attachment 3.9 to this Addendum 3.

XII. Saturday PEAK Package Premium Bonus -- See Attachment 3.10 to this Addendum 3.

By execution of this Addendum to the current Pickup and Delivery Contractor Operating Agreement (the "Agreement"), FedEx Ground and Contractor each agree that effective 6/4/2007, this revised Addendum supersedes the same previously executed Addenda and, except for the changes and additions in this revised Addendum, the Agreement remains in full force and effect, and each party agrees to continue to be bound by the terms of that Agreement.

FedEx Ground Package System, Inc.:

Contractor:

Signature

Signature

Printed Name

Printed Name

Title

Email Address

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Class C



Terminal Number: 00402

**ADDENDUM 3  
PICK-UP AND DELIVERY CONTRACTOR OPERATING AGREEMENT  
SETTLEMENT**

FedEx Ground agrees to settle with Contractor at terminal 00402 for performance of the contractual obligations imposed by this Agreement as follows:

**I. Package Pick-Up and Delivery Settlement**

- A. Delivery Settlement per stop at each recipient or other authorized location for the purpose of delivering a package(s).

**Vehicle Type:**

Van:	\$1.48 per stop, \$0.25 per package delivered
Straight Truck:	\$1.31 per stop, \$0.31 per package delivered
Tractor Trailer:	\$1.40 per stop, \$0.32 per package delivered

- B. Package Pick-up Settlement per stop at each shipper or other authorized location for the purpose of picking up a package(s) for delivery elsewhere.

**Vehicle Type:**

Van:	\$1.68 per stop
Straight Truck:	\$1.40 per stop
Tractor Trailer:	\$1.40 per stop

	<u>Van:</u>	<u>Straight Truck:</u>	<u>Tractor-Trailer:</u>
1st - 50th package per stop	\$0.220	\$0.220	\$0.160
51st - 100th package per stop	\$0.180	\$0.160	\$0.130
101st - 200th package per stop	\$0.148	\$0.050	\$0.050
201st - 300th package per stop	\$0.136	\$0.050	\$0.050
301st - 400th package per stop	\$0.124	\$0.050	\$0.050
401st - 500th package per stop	\$0.112	\$0.050	\$0.050
501st - 9999th package per stop	\$0.100	\$0.050	\$0.050

- 1. Each package picked up on a van or straight truck must be scanned to qualify for the applicable package settlement, unless an exception has been approved by FedEx Ground.
- 2. Small Shipper settlement will be paid to package vans only for each pick-up stop based on the chart below.

<u>Packages per pick-up stop:</u>	<u>Additional settlement per stop:</u>
1-5	\$0.50
6	\$0.28
7	\$0.06

- 3. \$1.50 minimum pick-up settlement for straight truck and tractor-trailers, when zero packages exist at pick-up.

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C. Late Scheduled Pick-up Stop Premium Settlement  
(scheduled at 6:00pm or later and completed by Contractor at 6:00pm or later)

Straight Truck: \$1.00 per stop  
Package Van: \$1.00 per stop

D. Pick-up of International packages:

The pick-up settlement for international packages is the same as the pick-up settlement for domestic packages, as listed above, plus a \$0.05 premium, per package.

Stop Settlement will be as otherwise described in this agreement with no additional stop pay for pick-up or delivery of International packages in conjunction with domestic package pick-up and delivery service.

E. Combination Delivery and Pick-up -- If a combination stop is made, for the purpose of both delivering and picking up packages, a combination rate will be paid, as follows:

Package Van: \$2.39 per stop  
Straight Truck: \$2.15 per stop  
Tractor Trailer: \$2.05 per stop

Package rates will be paid in addition, as shown in paragraphs A, B, and D above. The minimum pick-up stop rate may or may not have a positive effect on the above rate.

F. Oversize Packages -- Contractor will be paid \$.07 for each package designated by FedEx as "Oversize 1", when delivered in a van, straight truck, or tractor-trailer. Contractor will be paid \$.40 for each package designated by FedEx as "Oversize 2", when delivered in a van, straight truck, or tractor-trailer. Contractor will be paid \$1.00 for each package designated by FedEx as "Oversize 3", when delivered in a van, straight truck, or tractor-trailer. "Oversize 1" includes packages greater than 84 inches in length and girth combined, and less than 30 pounds in weight. "Oversize 2" includes packages greater than 108 but less than 130 inches in length and girth combined, and less than 50 pounds in weight. "Oversize 3" includes packages greater than 130 but less than 165 inches in length and girth combined, and less than 90 pounds in weight.

G. Customer Pick-up of Signature Required Package Settlement -- Under the following criteria, stop and package settlement will be paid to Contractor, in accordance of Section I.-A. of this Addendum 3:

- Two or more delivery attempts by same Contractor (Residential Signature Required Packages Only) and Customer picks up package(s) at the terminal.
- Premium settlement is not included.

H. C.O.D. Delivery Settlement -- \$0.30 for each delivery of a package bearing a valid C.O.D. label.

Additional settlement will be paid for delivery of shipper designated CASH C.O.D. packages, in the amount of 1.00% of the CASH C.O.D. amount collected or \$2.50, which ever is greater, to a maximum of \$7.50.

Delivery stop settlement for the first C.O.D. "no money" stop will be paid, provided that stop is scanned and logged and the recipient's signature is obtained.

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