

LAWYERS FOR DRIVERS SAY FEDEX MAY OWE \$1 BILLION IN BACK TAXES IN WAKE OF IRS RULING
IRS fines company \$319 Million; joins others in finding drivers are employees, not contractors

WASHINGTON, D.C. (December 22, 2007) - The U.S. Internal Revenue Service delivered the latest massive blow – which could wind up costing upwards of \$1 billion - to FedEx's scheme of misclassifying thousands of Ground and Home Delivery drivers as independent contractors rather than employees, lawyers for the drivers said today.

FedEx disclosed the IRS decision, including the \$319 million levy in fines and penalties, in its most recent filing with the Securities and Exchange Commission (SEC). It also revealed that while the decision only involves the tax year 2002, the IRS is looking at subsequent tax years. It is likely that the IRS assessment will top \$1 billion after more recent years are added to the 2002 tally. The IRS ruling came during a week in which the Massachusetts Attorney General issued an opinion stating that FedEx ground/home delivery drivers in that state should be reclassified as employees and fined the company \$190,000 in penalties. Its investigation continues.

FedEx's practice of avoiding tax liabilities and foisting its operating costs onto its drivers has been under continuous attack at the state and federal level for several years. The IRS and the Massachusetts rulings are just the latest.

Class-actions lawsuits by drivers who have been victimized by FedEx's practices have been multiplying across the country. Over 50 suits have been consolidated already in federal court in South Bend, Indiana. Lynn Rossman Faris, Esq., a lead counsel for the drivers in these actions said, "The IRS decision is another milestone in this long battle. It is wholly justified and totally consistent with every thorough investigation of the FedEx "independent contractor" model. The IRS action is further validation that FedEx has been perpetuating a sham to conceal the fact that the drivers are actually FedEx employees who have been exploited to the huge monetary benefit of the company."

Faris added, "The drivers have been shouldering FedEx's tax burden for far too long. We hope that the government continues to vigorously pursue justice for the drivers, all American taxpayers and responsible employers."

The continuing spate of legal setbacks for FedEx accelerated last month when the California Supreme Court had the final word in the landmark *Estrada vs. FedEx Ground* case, upholding the Appeals Court finding that the drivers were

misclassified and setting the stage for reimbursement of significant, wide-ranging business expenses to the drivers. In its oft-quoted opinion, the appellate court said, "The essence of the trial court's statement of decision is that if it looks like a duck, walks like a duck, swims like a duck and quacks like a duck, it is a duck."

Consistent with rulings by the IRS, Massachusetts and California are a growing number of state and federal agencies, such as the National Labor Relations Board, which have found the drivers to be employees and not independent contractors, as FedEx continues to argue

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