

NEWS RELEASE

FOR IMMEDIATE RELEASE

Contact: Beth Ross, Esq. / 415.771.6400

FedEx Ground Could Be Out Nearly \$100 Million from Recent Employment-Related Legal Actions and Tax Assessments
Most recent rebuke a \$7.8 million California employment tax levy

Sacramento, CA (June 20, 2006) - California's Employment Development Department (EDD) has found that FedEx Ground/Home Delivery, a subsidiary of FedEx Corporation (**NYSE:FDX**) owes the state nearly \$8 million in back employment taxes after finding that thousands of its contracted drivers are actually employees who have been wrongly classified as independent operators and required to pay their own expenses, including employment taxes. The decision increases to nearly \$100 Million the amount FedEx Ground has been either assessed or ordered to pay since December in damages as a result of challenges to its employment practices.

The California EDD finding applies to a three-year period ending in mid-2004, so the total amount of taxes owed the state may be significantly higher than the \$7.888 million assessment. Its ruling is being appealed by FedEx before the California Unemployment Insurance Appeals Board, which resumes public hearings July 11 in San Bruno. In determining its assessment, the EDD concluded that the FedEx Ground drivers in California are subject to the complete and authoritative control over the manner and means by which they operate. Its ruling was consistent with California court decisions finding that the drivers are entitled to benefits as if they were classified as employees like other FedEx workers, including pick-up and delivery drivers. California is believed to represent approximately 20% of FedEx Ground's national business.

"The EDD finding validates the position of drivers in California -- and we think ultimately nationally -- that FedEx should be required to contribute to the state unemployment compensation, provide workers compensation, disability, and other employment benefits that protect these working men and women and their families," said Lynn Rossman Faris, the Oakland, California-based lawyer who represents drivers there and in the nationwide class-action lawsuit. "We think these recent cases only scratch the surface of what ultimately could cost the company hundreds of millions of dollars." Besides the California tax assessment, the following are recent cases decided since last December in which the misclassification of workers has been a significant issue:

- *Estrada v FedEx Ground*, \$5.3 Million State Superior Court award (plus \$12.5 in court-imposed fees) for misclassifying California drivers as independent contractors.
- *Wieber v. FedEx Ground*, \$7.35 million awarded to a Portland, Oregon driver who was defrauded and unjustly terminated.

- *Issa v. FedEx Ground*, \$61 million awarded two California-based, Lebanese-American drivers for ethnic discrimination and harassment while maintaining a hostile workplace.
- *Vincent v. FedEx Ground*, \$3.75 million California jury verdict in a personal injury case in which the plaintiff demonstrated that the FedEx Ground driver was an agent of the company and not an independent contractor.

Faris also noted that earlier this month a Federal judge upheld the ERISA count in the nationwide class-action suit which is being litigated before the U.S. District Court in South Bend, Indiana. For further information, visit www.fedexdriverslawsuit.com.