

# **SAMPLE**

## Independent Service Provider (ISP) Transition Workbook

**This generic sample workbook is for illustrative purposes only, and does not set forth specific information for each district's transition. Please note that this workbook will be modified to reflect district-specific information and any changes in the ISP Agreement.**

**Contracted service providers will receive additional updated materials when the CSP's district transition is announced, including a district-specific workbook, containing updated material and information unique to that district's transition.**





# ISP Transition Timeline

This is a sample district timeline for illustrative purposes only. A district-specific timeline will be provided for each district prior to its transition.

**Key Dates** (dates will vary for each district — transition typically takes 9 – 24 months for an entire district)

DATE	<ul style="list-style-type: none"> <li>Limited Release and Operating Agreement Modification is available</li> <li>Financial growth incentives are available for acquiring eligible PSAs</li> </ul>
DATE	<ul style="list-style-type: none"> <li>Signed Limited Release and Operating Agreement Modification due</li> </ul>
DATE	<ul style="list-style-type: none"> <li>Operating Agreements expire for CSPs that signed a Limited Release and Operating Agreement Modification</li> <li>Date by which all CSPs pursuing an ISP Agreement will need to:             <ul style="list-style-type: none"> <li><b>Be registered and in good standing in the state[s] in which they do business *</b>,</li> <li><b>Have achieved minimum transition “scale,” *</b></li> <li><b>Have established a CSP Profile on MyGroundBizAccount *,</b> and</li> <li><b>Have completed the Initial Compliance Disclosure Process *</b></li> </ul> </li> </ul>
DATE	<ul style="list-style-type: none"> <li>Date by which CSPs will need to have finalized and acknowledged their CSA definition</li> </ul>
DATE	<ul style="list-style-type: none"> <li><b>Date by which CSPs agree to submit an RFI Response, and signed Confidentiality and Non-Disclosure Agreement *</b></li> </ul>
DATE	<ul style="list-style-type: none"> <li><b>First Proposal due *</b></li> </ul>
DATE	<ul style="list-style-type: none"> <li><b>ISP Agreement negotiations end *</b></li> </ul>
DATE	<ul style="list-style-type: none"> <li>ISP Agreements go into effect</li> </ul>

\* CSPs will lose the exclusive right to negotiate for CSAs if any of the items above in bold are not completed by the associated deadlines.

# ISP Transition Workbook

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# INTRODUCTION TO THE ISP AGREEMENT

The transition to the ISP Agreement will result in changes to the way contractual agreements are reached, the definition of service areas, and the structure of the relationship between FedEx Ground and businesses. A brief overview of the ISP Agreement and of some of the changes that will occur during the transition are summarized here.

## ISP Agreement

The ISP Agreement is a negotiated contract between a business and FedEx Ground that includes a range of negotiable financial and non-financial terms that are unique to the CSP's business and service area, with a term of up to three years. A sample ISP Agreement is provided on MyGroundBiz.com. CSPs will receive a copy of the current fiscal-year sample ISP Agreement when their district transitions.

ISP Agreement negotiations is a multi-step process explained in the Negotiations section of the Workbook.

## ISP Agreement terms

Under the terms of an ISP Agreement, a CSP agrees to provide service in its defined service area and is responsible for the manner, means and methods of operating the business as relating to the pickup and delivery of packages during the negotiated contract term. The CSP has flexibility and freedom to make all business decisions related to vehicles, equipment, staffing and personnel scheduling, among other matters, per the mutually agreed-upon terms of an ISP Agreement and as referenced on <http://mygroundbiz.com>.

### Notable Provisions not in an ISP Agreement

Some of the provisions in the Operating Agreement not in an ISP Agreement include:

- **Flexing** – FedEx Ground will not offer company-coordinated flexing, meaning CSPs agree to ensure resources are in place to handle surges and variances in daily package volumes (such as Peak).
- **Equipment Registration** – Items such as base plates will no longer be obtained by FedEx Ground and charged back to the CSP. CSPs agree to obtain plates and pay for them directly, as well as fulfill other registration requirements.
- **Fuel Expenses and Fees** – Fuel cards are not provided. CSPs that choose to purchase fuel from FedEx Ground fuel islands agree to utilize an EFS (formerly T-Chek) fuel card and will be responsible for paying the vendor directly for their fuel purchases. Information on EFS (and other) fuel cards is available on <http://mygroundbiz.com>.
- **Fuel Taxes** – FedEx Ground will not report and pay fuel taxes on behalf of CSPs. CSPs agree to bear responsibility for these items. Resources on reporting and paying fuel taxes are available on <http://mygroundbiz.com>.
- **Permits** – CSPs agree to obtain all applicable state vehicle permits.

### Contracted Service Area

Under an ISP Agreement, Contracted Service Areas, or CSAs, are larger and denser than traditional Primary Service Area(s) (PSAs).

For transition purposes, a CSA comprises any combination of Ground and/or Home Delivery PSAs that operate out of a single station — as long as, combined, the proposed CSA meets station-specific “minimum transition scale” guidelines.

A “single station,” as referenced above, can be a FedEx Ground station, a Home Delivery station, or a FedEx Ground and Home Delivery co-location — current or planned.

In addition, certain stand-alone Ground and Home Delivery stations in close proximity to one another, generally with overlapping service areas, may also be considered co-locations for the purposes of this transition. These close locations will be referred to as “designated close-locations” and will be identified as each district’s transition gets underway.

### Scale Guidelines

Businesses must meet “minimum transition scale” in order to enter negotiations for an ISP Agreement. Minimum transition scale is generally five PSAs or 500 stops in a single station, co-location or designated close-location (as described above).

See example of existing PSAs operating out of a co-location or designated close-location that, combined, form a CSA at minimum transition scale:

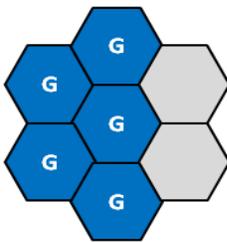
#### A CSA can exist within one of the following:

- Stand-alone FedEx Ground station (current or planned)
- Stand-alone FedEx Home Delivery station (current or planned)
- FedEx Ground and Home Delivery co-location (current or planned)
- Certain stand-alone FedEx Ground and stand-alone FedEx Home Delivery stations that are in close proximity to one another, with overlapping service areas — referred to as “designated close-locations”

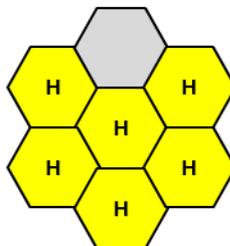
#### Minimum transition scale:

- Five PSAs or 500 stops in a station, co-location or designated close-location
- May be fewer PSAs or stops in certain smaller stations
- Tractor PSAs and spots do not count toward scale

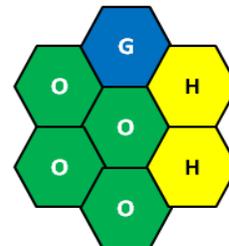
Existing Ground PSAs



Existing Home Delivery PSAs



Ground and Home Delivery overlap in future CSA



Co-locations and designated close-locations provide opportunities for achieving minimum transition scale with both Ground and Home Delivery PSAs. By operating overlapping service areas, potential added benefits can include increased stop density, improved productivity and a reduction in total number of vehicles and miles per vehicle.

The number of stops a business operates is determined by using:

- Historical data for the previous 12 months excluding November and December; and
- All completed stops (pickups and deliveries) a CSP performs within the service areas that will make up its CSA.

Keep in mind:

- The number of PSAs, or stops, to reach minimum scale may be fewer in certain smaller stations (see station manager for additional information).
- Tractor PSAs and spots do not count toward the PSAs/stops needed to reach minimum scale.
- CSPs that achieve minimum transition scale by the date communicated (see page 2), and then later fall below minimum transition scale, may no longer meet the conditions to pursue an ISP Agreement.

A business that currently operates fewer than five PSAs can inquire with station management 90 days before deadline to reach minimum scale (see page 2) to determine whether it operates the number of stops needed to achieve minimum transition scale.

### **Achieving Minimum Scale**

Businesses that are not currently operating at minimum transition scale in a single station can acquire PSA(s) or stops from other businesses. Businesses may be eligible to receive financial growth incentives for acquiring eligible PSA(s) on or after their district's transition announcement date.

Refer to the Options and Incentives section (see table of contents) of the Workbook for information about the Asset Transfer Request process. See the Options and Incentives section (table of contents provided) of the Workbook for details on Financial Growth Incentives and eligible PSAs. The process for defining, optimizing, and acknowledging a CSA is explained in greater detail in the Conversion, CSA Optimization, and Preparing for Agreement Negotiations sections of the ISP Transition Workbook.

Minimum transition scale must be achieved by the date communicated (see page 2) in order to pursue an ISP Agreement. Businesses pursuing agreements in multiple stations (i.e., separate stations not considered co- or close-locations) will need to achieve minimum transition scale in each station by that date.

### **Minimum scale when station relocations or spin-offs are planned**

In situations where station relocations or spin-offs are planned, CSPs may find that a portion of their business will move from their current location to a new station. These CSPs are considered as operating out of **both the current and future** stations. This scenario impacts the way minimum transition scale and financial growth incentive payments (described in the Growth Incentive section of this Workbook) are determined, as each station is considered separately.

For example, <b>ABC Trucking:</b>			
	<u>Currently operates:</u>	<u>As a result of station relocation or spinoff:</u>	<u>To meet minimum transition scale in <u>each</u> station in order to pursue ISP Agreements in <u>both</u> stations:</u>
	5 PSAs out of station A	2 PSAs moving to future station B (separate station)	Acquires 2 PSAs in station A and 3 PSAs in future station B
<b>Current station A</b>			
<b>Future station B</b>		 <p>(The two PSAs operated by the CSP would become “eligible” PSAs for which, if acquired, a financial growth incentive would potentially be paid to the acquiring CSP(s).)</p>	

CSPs can contact station management to determine if they have PSAs moving to a future station.

### Business Relationship

FedEx Ground will:

- Conduct business with the designated **authorized officer (AO)** for binding decisions on behalf of the CSP, such as signing contractual documents and responding to requests to modify or terminate an ISP Agreement.
- Work with the designated **business contact(s) (BC)** for day-to-day operational issues in relation to results agreed to in an ISP Agreement.

### ISP Agreement Obligations

Under an ISP Agreement, a CSP agrees to provide pickup and delivery services through its own personnel. The CSP is also responsible for making all decisions related to its business, including:

#### Vehicles

- Choosing the number and type of vehicles that best fit the CSP’s volume expectations and that are consistent with agreed-upon vehicle terms as outlined in the ISP Agreement and on <http://mygroundbiz.com>.
- Determining if any of its vehicles will participate in the optional Brand Promotion Program.
- Incurring vehicle and equipment operating expenses, including acquisition, maintenance, repairs, fuel, tolls, taxes, titles, financing, registration fees, and licenses.
- Complying with the U.S. Department of Transportation (DOT) requirements for vehicles since CSPs operate under FedEx Ground’s DOT operating authority.

### Staffing

- Employing a staff of workers and assigning them to provide services.
- Designating a CSP employee to serve as the business contact to manage the business's operations, including assigning work and determining when and how ISP personnel will complete it. CSPs agree that its designated business contact will serve as the business contact for only one CSP.
- Recruiting, training, and assigning staff.
- Determining schedules, compensation, benefits and other employment terms and conditions for its personnel.
- Complying with all applicable local, state and federal employment and tax laws and requirements, including those related to unemployment insurance and workers' compensation coverage.
  - *Note: CSPs agree to obtain Workers' Compensation coverage for all personnel, including AOs, performing services under the ISP Agreement.*
- Treating all personnel who provide services under the ISP Agreement as its employees, which include collecting and paying appropriate federal and state withholding taxes.
- Complying with wage and hour laws including but not limited to minimum wage payment, keeping required records of hours worked by its personnel, keeping records of meal and rest periods (when required), and appropriately paying overtime when applicable. Reliance on FedEx Ground records, including scanner records, is not an appropriate method of recording compensable time.
  - *Note: ISPs agree that they will use temporary staffing agencies or Professional Employer Organizations only in accordance with the terms of the ISP Agreement.*
- Complying with all federal, state and local laws and regulations including anti-corruption and requirements relating to government contractors and subcontractors.

### Scheduling

- Establishing and managing work, leave, and vacation schedules for its personnel.
- Planning for surges in volume, such as to meet the demands of the Peak season, Valentine's Day and other volume surges.

### Business Operations

- Deciding whether to expand its business.

### **Sample ISP Transition Workbook**

This generic sample workbook is for illustrative purposes only, and does not set forth specific information for each district's transition. Please note that this workbook will be modified to reflect district-specific information and any changes in the ISP Agreement. Contracted service providers will receive additional updated materials when the CSP's district transition is announced, including a district-specific workbook, containing updated material and information unique to that district's transition.

The Workbook is divided into six main categories that correspond to transition phases: Options and Incentives, Conversion, CSA Optimization, Preparing for Negotiations, Negotiations, and Operations.

Supplemental information will also include ISP Agreement terms and definitions, key dates to meet throughout the transition process, answers to frequently asked questions, and sample legal documents. FedEx Ground will also provide information through videos, business forum discussions, <http://mygroundbiz.com>, and MyGroundBizAccount Technical Guide.

All impacted AOs are encouraged to review the information available and use it as reference during the transition process. Station staff will also be a valuable resource and will ensure AOs receive adequate information throughout the process to make the best decisions for their businesses.

# OPTIONS AND INCENTIVES

## OPTIONS AND INCENTIVES TOPICS

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# OPTIONS AND INCENTIVES

Authorized officers (AOs) will have ample time to review the available options and incentives to decide whether to pursue an ISP Agreement, or assign or transfer their service areas and pursue other opportunities.

## BUSINESS OPTIONS

Businesses impacted by this transition have the following options:

### 1. Pursue an ISP Agreement

Pursuing an ISP Agreement is an important decision that may require an investment, such as acquiring the necessary PSA(s), or stops, to achieve minimum transition scale by the date communicated.

If a business pursuing an ISP Agreement does not achieve minimum transition scale or otherwise assign its Operating Agreement or PSA(s) by the date communicated (see page 2), its Operating Agreement will expire according to its terms.

Also, only those businesses that accept Operating Agreement changes and settlement modifications that may be offered before the transition (depending on timing of each district's transition), will be eligible to pursue an ISP Agreement.

A business becomes an ISP candidate once it successfully achieves minimum transition scale, progresses through CSA Optimization, and enters the Negotiation Preparation phase of transition, to be described later in this Workbook.

### 2. Pursue Other Opportunities

A business that decides not to pursue transition to an ISP Agreement may assign its Operating Agreement(s) and PSA(s). It can also choose to continue to provide service under its non-renewed Operating Agreement until it expires.

Personnel employed by a business pursuing other opportunities can seek employment with another ISP. Except for DOT requirements and other safety terms noted in the ISP Agreement, all terms and conditions of employment, including hours, compensation and benefits, are arranged with the ISP, and not with FedEx Ground.

**REFERENCE: See Introduction to ISP Agreement**

**Minimum transition scale:**

- Five PSAs or 500 stops in a station, co-location or designated close-location
- May be fewer PSAs or stops in certain smaller stations
- Tractor PSAs and spots do not count toward scale

## ECCS AND SCS

Throughout the transition, businesses will continue to be eligible to receive Enhanced Contractor Customer Service (ECCS) and Service Capacity Settlement (SCS) payments as outlined in the Operating Agreement. The following outlines how final ECCS and SCS payments will be made during the transition.

### Business pursuing ISP Agreement

A business pursuing an ISP Agreement will receive its final ECCS and SCS payments once its Operating Agreement expires and its ISP Agreement goes into effect.

If the ISP Agreement effective date does not coincide with the end of the quarter, the business will receive a prorated SCS payment.

### Business pursuing other opportunities

A business pursuing other opportunities will receive its final ECCS payment for the last full month it provided service once its Operating Agreement expires.

Additionally, if the business operated two or more PSAs for an entire quarter, it will receive its final SCS payment for the number of PSAs it operated during the quarter once its Operating Agreement expires.

## FINANCIAL TRANSITION INCENTIVES

A financial transition incentive will be offered to all eligible P&D businesses that are impacted by their district's transition to the ISP Agreement and that:

- Have a current Operating Agreement as of their district's transition, and
- Have accepted the most recent Operating Agreement and settlement changes.

The first half of the incentive will be paid to businesses that agree to execute an optional Limited Release and Operating Agreement Modification (Limited Release), which includes a limited release of claims involving the transition, and which also includes an agreement to modify the termination date of the business's Operating Agreement to correspond with the deadline to achieve minimum transition scale (absent a further written contract extension).

The second half of the incentive is paid to CSPs that agree to sign the Supplemental Limited Release once their current Operating Agreements expire or terminate.

While signing the Limited Release or Supplemental Limited Release is optional, CSPs that do not sign the documents will not receive the incentive. However, CSPs that do not sign the Limited Release or Supplemental Limited Release have the same transition options as CSPs that do sign the documents. CSPs that do not sign the Limited Release that choose to pursue an ISP Agreement will need to achieve minimum transition scale by the date communicated (page 2) or before its OA expires, whichever date comes first.

A copy of the Limited Release and Supplemental Limited Release will be provided when the district transition begins, and there will be ample time to review prior to the deadline to execute the release.

### ***Important Legal Note: Release of Claims***

**In exchange for the financial transition incentive, FedEx Ground is asking businesses impacted by the transition announcement for a release of certain potential claims related to the transition.**

**The Limited Release is not intended to settle all claims a business may assert against FedEx Ground. The Limited Release is limited to potential claims concerning announcement of this transition by FedEx Ground, the termination, non-renewal or assignment of the current Operating Agreement, any sale, assignment, loss or other disposition of an Operating Agreement and/or PSA(s). FedEx Ground cannot advise businesses on individual circumstances.**

**A copy of the Limited Release and Supplemental Limited Release will be provided when the district transition begins, and there will be ample time to review prior to the deadline to execute the release.**

***Pending lawsuits will be referenced in the Limited Release included with each district's information.***

Payment of the financial transition incentive will be issued as follows:

#### **Installment #1 – Initial Financial Transition Incentive**

A signed Limited Release must be received by the date communicated (see page 2) in order to meet the conditions to receive the initial financial transition incentive payment. Eligible businesses will receive this initial payment within 15 business days of submitting the signed Limited Release to station management.

#### **Installment #2 – Remaining Financial Transition Incentive**

A business will receive the remaining payment within 15 business days of submitting, upon termination of its Operating Agreement, a signed Supplemental Limited Release, after it either:

- **Sells or transfers all PSAs** by the deadline for achieving minimum transition scale (see page 2).

or

- **Chooses not to pursue an ISP Agreement** and allows its Operating Agreement to expire

or

- **Operates at or above the minimum transition scale** by the deadline for achieving minimum transition scale (see page 2), and expresses its intent to pursue an ISP Agreement — whether or not it ultimately executes an ISP Agreement — with payment made once the business's Operating Agreement terminates and the ISP Agreement goes into effect at the station.

The Supplemental Limited Release needs to be submitted within 21 days from the effective date of Operating Agreement termination to receive the second half of the financial transition incentive.

## **ASSET TRANSFER PROCESS**

Similar to the process currently in place, businesses assigning or acquiring a PSA(s) agree to submit, in advance, a Notice of Proposed Assignment or Transfer form to FedEx Ground at least one month before the proposed assignment or transfer effective date.

#### **Asset Transfer Process components:**

1. Assigning and acquiring businesses submit a Notice of Proposed Assignment or Transfer form provided by station management
2. 30-day period for FedEx Ground to consent to the proposed assignment

The station senior manager will use the 30-day period to review the proposed transfer, including any Request for Information (RFI) Response that the acquiring business may submit in conjunction with the asset transfer, along with the business's results. Given this review period, any proposed PSA assignment or transfer should be submitted to FedEx Ground at least 30 days in advance of the deadline to achieve minimum transition scale.

#### **Vehicles associated with PSAs**

Businesses acquiring PSAs through this process agree to associate a vehicle with the PSA and have that vehicle qualified by FedEx Ground before consent can be given for the asset transfer.

#### **Consideration of ISP Transition impact on proposed assignment**

Notice of the impact of the transition to the ISP Agreement on the contract and contractual interests of the proposed assignment must be provided to acquiring businesses. Per the Operating Agreement, consent or lack thereof will be indicated on the Proposed Assignment or Transfer form, which will be provided to the assigning and acquiring businesses.

## Request For Information (RFI)

The Request for Information (RFI) Response is part of the Asset Transfer Process. RFI Responses help FedEx Ground determine whether the acquiring business can meet the contracted-for results. A business submitting an RFI Response should include any information it believes will assist FedEx Ground in evaluating the transfer request.

Providing an RFI Response in conjunction with an asset transfer is optional, but submitting an RFI Response may be factored into the decision whether to consent to a proposed transaction.

Businesses acquiring PSA(s) will need to submit only **one** RFI Response for all asset transfer requests. The RFI Response must be submitted early enough to give FedEx Ground time to evaluate it and process the request. If FedEx Ground consents to this initial RFI Response, a business may then submit additional asset transfer requests without submitting an additional RFI Response, subject to the condition that FedEx Ground not become unduly reliant on one ISP in a station/geographic area.

Once submitted, the station senior manager will review and evaluate the RFI Response and make one of the following decisions:

- **Consent to the Asset Transfer** - determination that the business can meet the contracted-for results; or
- **Request clarification/ask questions** - further clarification needed to determine if the business can meet the contracted-for results; or
- **Does not consent to the Asset Transfer** - determination that the business does not have the capability to meet the contracted-for results.

## Asset transfers vs. ISP candidacy

If FedEx Ground consents to the asset transfer request, this does not guarantee the acquiring business will automatically become eligible to negotiate an ISP Agreement. In order to be eligible to negotiate an ISP Agreement, the business must operate at minimum transition scale by the date communicated (see page 2) and meet all other conditions outlined in this Workbook

Businesses that successfully achieve minimum transition scale must complete a second RFI Response to demonstrate the ability to meet the obligations of an ISP Agreement. Refer to the Preparing for Negotiations section (see table of contents) of the Workbook for more information.

### Access to MGBA

*Authorized officers that require access to MyGroundBizAccount on behalf of their businesses after contract termination may still do so for a limited period of time by going to <https://mybizaccount.fedex.com> and logging in with their ID and password. Please see station management if you have questions.*

## FINANCIAL GROWTH INCENTIVES

In addition to the financial transition incentive described above, financial growth incentives are available to impacted businesses that choose to acquire “eligible PSAs” once the transition begins and until the deadline to achieve minimum transition scale (see page 2).

P&D Ground or Home Delivery PSAs are considered to be eligible PSAs if acquired from businesses that:

- Operate one PSA under an active Operating Agreement in the same station (station, co-location, or designated close-location — current or planned) as the acquiring business once the transition begins
- Operate two PSAs under an active Operating Agreement in the same station (station, co-location, or designated close-location — current or planned) as the acquiring business once the transition begins

PSAs are not considered to be eligible PSAs if the PSA is:

- An Open PSAs
- Being acquired from a business that operates three or more PSAs in the same station (current or planned)
- A P&D tractor PSA
- A partial PSA transfer (e.g., supplemental business)

As the chart below illustrates, tiered incentives are available to businesses choosing to acquire eligible PSAs in the same station, co-location or designated close-location — current or planned — with a maximum of \$100,000 in available growth incentive payments.

First Eligible PSA	Second Eligible PSA	Third Eligible PSA	Fourth Eligible PSA	Fifth Eligible PSA
\$10,000	\$15,000	\$20,000	\$25,000	\$30,000

The above amounts are for illustrative purposes.

### Factors for receiving a Financial Growth Incentive

Various factors may impact whether a business will receive a financial growth incentive payment, or the amount of the payment, if a PSA is acquired. For instance:

- The acquisition of an eligible PSA must result in the acquiring business operating at least three PSAs in the same station, co-location or designated close-location — current or planned.
- There must be no plans by FedEx Ground to move an acquired PSA(s) to another station.

**REFERENCE: See Introduction to ISP Agreement**

#### Designated close-locations

- Are certain stand-alone FedEx Ground and stand-alone FedEx Home Delivery stations that are in close proximity to one another, with overlapping service areas
- Will be identified as each district's transition gets underway

- A business that assigns a PSA and then later acquires an eligible PSA will not be eligible to receive a financial growth incentive payment for returning to the number of PSAs for which it previously contracted.
  - For example, if a business that contracts for five PSAs assigns a PSA and then acquires an eligible PSA, that business will not receive the financial growth incentive payment for returning to five PSAs.
  - However, if that business were to acquire an eligible PSA, in addition to the five, it would receive the applicable financial growth incentive payment for that PSA.
- Acquisitions of PSAs must occur within the defined time period.

Businesses interested in acquiring eligible PSAs can reach out to station management to help determine the amount of potential financial growth incentive payment(s) for proposed acquisitions.

Payment of financial growth incentive(s) will be made within 15 business days of completion of the PSA acquisition in CDAS. Businesses should allow 30 days for processing of Asset Transfer Requests.

### New businesses that begin contracting with FedEx Ground

A business not already contracting with FedEx Ground when the transition begins must enter the network at minimum transition scale in order to pursue an ISP Agreement. That business would be eligible for its first financial growth incentive for acquiring an eligible PSA after it enters the network. New businesses that begin contracting with FedEx Ground after the transition begins are not eligible to receive the financial transition incentive.

# CONVERSION

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# CONVERSION

Businesses that choose to pursue an ISP Agreement have decisions to make and actions to take in preparing to operate under an ISP Agreement. Some topics to consider and important steps to undertake when pursuing an ISP Agreement are covered below.

## SMART GROWTH

Businesses interested in negotiating an ISP Agreement may seek to acquire or transfer service areas to reach minimum transition scale or simply to grow their business. Anticipating how new stops and service areas will fit geographically with existing areas is key to achieving an optimal contracted service area (CSA) that will help to promote efficiency, economies and long-term success.

### **Achieving greater overlap of Ground and Home Delivery service areas**

The evolving market — including booming residential delivery growth and sophisticated logistics needs — are driving the need to achieve greater overlap of FedEx Ground and FedEx Home Delivery stops. In recognition of these dynamics, overlapping services areas is part of the strategic outlook for FedEx Ground.

Overlapped Ground and Home Delivery stops within a CSA will be a positive differentiator for businesses moving forward. FedEx Ground may consider the mix and overlap of stops as a factor when contracting decisions are made. Additional considerations include the capacity of businesses and vehicles to handle anticipated volume, especially with rising residential pickups and deliveries.

Feedback and experience from previous transitions have shown that businesses operating bordering and/or overlapping Ground and Home Delivery areas have seen operational and financial benefits. An increased stop density has resulted in reduced miles and driving time, reduced fuel use, more efficient use of vehicles and personnel, and increased flexibility for serving customer needs.

Additionally, businesses operating both Ground and Home Delivery service areas can do so under one ISP Agreement. There is only one service area to manage, in which all stops and packages are paid the same negotiated rate.

The operational flexibility and service capacity that overlapping service areas provide are necessary to handle continuing market growth.

CSA design information, volume trends, maps and other data will be available from station management as businesses explore options for smart growth. In addition, financial growth incentives will be available during the specified timeframe to businesses that are impacted by the transition. (See Options and Incentives section of the Workbook.)

**Businesses have shared their experiences with overlapped Ground and Home Delivery service areas in a testimonial video on [MyGroundBiz.com](https://www.fedex.com/MyGroundBiz.com).**

## FORMING A CONTRACTED SERVICE AREA

In anticipation of acknowledging its contracted service area (CSA) definition as a later step in the process, an ISP candidate can begin forming its CSA.

A CSA can be formed from a combination of Ground and/or Home Delivery PSAs that operate out of a single station, co-location or designated close-location — current or planned — as long as the new CSA meets station-specific minimum transition scale guidelines.

Current Addendum 4 information is available so that ISP candidates can review the accuracy of information and ensure proper CSA definition:

- FedEx Ground PSAs are defined on Addendum 4 of the Ground Operating Agreement.
- FedEx Home Delivery PSAs are defined by the ZIP Code(s) listed on Addendum 4 of the Home Delivery Operating Agreement.
- FedEx Ground will work with Home Delivery businesses to allocate non-Addendum 4 areas based, in part, on which business serviced the area on [DATE] and/or on service history.
- FedEx Ground will evaluate all Outside Service Area ZIP codes based on customer demand. This evaluation means that some ZIP codes previously serviced by Ground may convert back to Home Delivery.
- Any non-Addendum 4 ZIP codes serviced by both Ground and Home Delivery businesses will be considered as part of the proposed CSA of the business that services the ZIP code the majority of time.

Schedule A, Attachment A-1 of the ISP Agreement will list ZIP codes that are entirely within a single CSA, as well as information about street address ranges where a ZIP code is split among multiple CSAs.

## INITIAL QUALIFICATION STEPS

As part of the transition process, ISP candidates agree to take several initial qualification steps to ensure they meet the terms of an ISP Agreement and comply with all state and federal laws and regulations. Some steps are one-time occurrences, while others need to be completed on an annual basis.

Initial Qualification Steps can be completed simultaneously and in no particular order. Some steps will take several weeks to complete.

All steps must be completed by the date communicated (see page 2) to maintain exclusive negotiations rights.

### CSP Profile

Prior to accessing the CSP Profile, an ISP candidate's proposed authorized officer (AO) will need to complete or update an Information Sheet at the FedEx Ground station where the CSP is domiciled. The Information Sheet requires the following information to be entered:

- Name
- Address
- Valid CSP email address
- Business name as it exists on its Articles of Incorporation

The AO's driving experience, accident history and criminal history will also need to be updated if the AO intends to perform pickup and delivery services.

The AO must verify that all information on the Information Sheet is both current and accurate. Falsification and/or omission of any information may be considered a breach of the agreement.

**REFERENCE: See Introduction to ISP Agreement**

### Designated close-locations

- Are certain stand-alone FedEx Ground and stand-alone FedEx Home Delivery stations that are in close proximity to one another, with overlapping service areas
- Will be identified as each district's transition gets underway

Once the Information Sheet is complete, the AO may complete or update the CSP Profile through MyGroundBizAccount by the date communicated (see page 2).

Details on updating the CSP Profile are covered in the **MyGroundBizAccount Technical Guide**.

The CSP Profile contains important company information, including:

- CSP ID number, name and status (pre-populated)
- AO and other officer information
- Business's address, phone number and AO's email address
- Key corporate information, including Federal Employer ID Number (EIN) and name, incorporation information, number of employees and insurance information
- Company performance
- Optional diversity information (such as if the business qualifies as a minority vendor)

Since FedEx Ground uses both MyGroundBizAccount and email to communicate with and provide notices to CSPs, this information should be kept up to date.

The user can enter only the CSP's address, tax ID number (EIN) and name the first time it completes the CSP Profile. If this information needs to be changed, a CSP's AO should speak with a FedEx Ground manager at the station.

### Initial Compliance Disclosure Form

*For ISP Candidates using the same corporation with the same EIN as previously*

ISP candidates using the same tax ID number (EIN) as previously will need only to update the CSP Profile and submit the Initial Compliance Disclosure (ICD) form to FedEx Ground by the date communicated (see page 2). The ICD form may be downloaded from MyGroundBizAccount.

*CSPs using a different corporation than previously, with a new EIN*

CSPs using a new business name and/or EIN must complete the following steps by the date communicated (see page 2).

1. Establish or update a CSP Profile on MyGroundBizAccount.
  - Completing a CSP Profile requires the AO to complete or update an Information Sheet.
2. Submit six supporting documents with the ICD form.
  - **Articles of Incorporation** – It is the CSP's choice as to which state in which to incorporate.
  - **Proof of registration and good standing** – CSP agrees to register in all states in which it does business and submit proof to FedEx Ground that it is registered in the state in which it is incorporated and the state in which it is domiciled. A CSP should consult a legal or financial advisor to determine if it needs to register in additional states as well. In certain states, a business must be incorporated before it can register.
  - **E-verify Company Information Page** – Use E-Verify (<http://www.dhs.gov/e-verify>) to electronically determine that all personnel are eligible to work in the United States. As part of the transition, ISP candidates will submit to FedEx Ground a printed Company Information Page as proof of enrollment in E-Verify. ISP candidates must register with E-Verify to complete this requirement.
  - **IRS Form W-9** – As a part of the transition, an ISP candidate agrees to submit a copy of its IRS Form W-9. This form is available online at [www.irs.gov/pub/irs-pdf/fw9.pdf](http://www.irs.gov/pub/irs-pdf/fw9.pdf) (ISP candidates agree to incorporate and obtain an EIN before this requirement can be completed).
  - **Proof of State Unemployment Number**
  - **Verification of State Registration Number**
3. Complete the Initial Compliance Disclosure form.

The Negotiations process cannot begin until all of these steps are completed.

**ISP candidates that do not complete the steps above by the associated deadlines will forfeit the rights to exclusive negotiations for their proposed CSAs, and FedEx Ground may negotiate with other CSPs for the CSAs.**

Refer to the **Conversion** section of the Workbook for information about Multiple Candidate Negotiations.

## MYGROUNDBIZACCOUNT OVERVIEW

MyGroundBizAccount is the primary interface between ISP candidates and FedEx Ground for all transition information and resources. The many features on MyGroundBizAccount include the functionality to:

- **Create and update the CSP Profile** - Each business's information on MyGroundBizAccount is password protected and can be accessed by only the authorized officer (AO) or business contact (BC) (if delegated).
- **View CSA opportunities and historical data** – Available CSAs for any state, as well as historical pickup and delivery data for CSAs.
- **Submit an RFI Response** (to enter into ISP Agreement negotiations) – An RFI Response can be submitted once the initial qualifications have been reviewed and verified, the CSP Profile has been updated, and the CSA definition has been acknowledged. Additional details about the RFI are provided in the Preparing for Negotiations section.
- **Submit Proposals to FedEx Ground during Negotiations** – An AO (or designated employee) may submit proposals/counter-proposals to FedEx Ground.
- **Associate/disassociate ISP Personnel** – CSPs can add or delete personnel to its business. Details on how to associate / disassociate ISP-personnel are provided in the ISP Operations section of the Workbook.
- **Print compliance forms.**
- **Set up Electronic Funds Transfer (EFT)** – CSPs must enter account information to set up EFT for charge payments.
- **Qualify vehicles in the ISP fleet** – CSPs will need to request that vehicles that will be used in their vehicle fleets be qualified in accordance with the ISP Agreement and applicable government regulations.
- **Finalize the ISP Agreement** – Once all ISP qualifications have been verified and a final proposal is agreed upon by FedEx Ground and the ISP candidate, the AO can review and accept the resulting proposed ISP Agreement.

### Resources: MyGroundBizAccount Technical Guides

Two MyGroundBizAccount Technical Guides are available to provide an overview of major MyGroundBizAccount functionality:

1. **MyGroundBizAccount Technical Guide for ISP Candidates** – Details on the transition-related processes above are covered in the MyGroundBizAccount Technical Guide for ISP Candidates, which is available on <http://mygroundbiz.com>.
2. **MyGroundBizAccount Technical Guide for ISPs** – Additional information on MyGroundBizAccount processes that CSPs may use when operating under the ISP Agreement is available in the MyGroundBizAccount Technical Guide for ISPs, posted on <http://mygroundbiz.com>. The document provides an overview of the following processes:
  - **ISP Agreement Schedule Changes** – including requesting a schedule change and requesting a change to the Schedule of Amendments
  - **ISP Agreement Renegotiations** – including requesting a renegotiation and submitting and viewing a proposal
  - **ISP Results** – including ISP Discussions, Right to Decline and Right to Ensure, and providing ISP feedback
  - **ISP Reports and Data** – including the Daily Service Worksheet, and other operational reports such as the Inbound Package Reports and DOT Hours of Service Reports

The MyGroundBizAccount Technical Guide also addresses processes for updating the CSP Profile, associating/disassociating personnel, printing compliance forms and qualifying vehicles. A copy of the Technical Guide is available to the AO on MyGroundBizAccount.

## MULTIPLE CANDIDATE NEGOTIATIONS/LOSS OF EXCLUSIVE RIGHTS

AOs will be provided ample time to review and decide whether to pursue an ISP Agreement or pursue other opportunities. There are, however, certain deadlines and transition responsibilities that have been established to facilitate a smooth transition to the ISP Agreement.

### Missed Deadlines Leading to Loss of Exclusive Right

It is critical that an AO understand that if any of the bolded transition deadlines outlined in the “Key Dates” document are missed, the business will lose its exclusive right to negotiate for the CSA, and the now “open CSA” will be posted in the station and/or surrounding stations and on BuildaGroundBiz (<http://buildagroundbiz.com>).

### Pursuing an “Open CSA”

CSPs interested in pursuing an “open CSA” will first need to submit an RFI Response. (Information about the RFI process is provided in Preparing for Negotiations section of the Workbook.) Keep in mind:

- An ISP candidate currently in active negotiations for its original CSA can submit an RFI Response to express interest in an “open CSA.”
- RFI Responses for “open CSAs” from ISP candidates currently negotiating for another CSA cannot be submitted through MyGroundBizAccount, but can be submitted in any other written format to station management.

Station management will review each RFI Response for, among other things, whether an additional service area for the CSP would result in FedEx Ground’s undue reliance for service on a single CSP within that station or district.

ISP candidates for which an RFI Response is accepted by FedEx Ground will move on to ISP Agreement negotiations for the “open CSA.” Keep in mind:

- An ISP candidate can negotiate only one CSA per station at a time. Therefore, an ISP candidate must finish negotiations and reach tentative agreement on its original CSA before it can enter into Multiple Candidate Negotiations for the “open CSA.” The ISP will then negotiate on a “blended CSA” consisting of both the open CSA and the original CSA.

Once negotiations are complete, an ISP candidate will be selected from the ISP candidates that successfully completed negotiations. The selected ISP candidate can then execute its ISP Agreement for the open or blended CSA (or original CSA if blended CSA negotiations were unsuccessful).

**All other steps and deadlines for pursuing an “open CSA” remain the same as for any business transitioning to the ISP Agreement.**

# CSA OPTIMIZATION

## CSA OPTIMIZATION

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# CSA OPTIMIZATION

The CSA Optimization phase provides ISP candidates the opportunity to assess additional benefits and operational efficiencies in their proposed CSAs and make any necessary adjustments. This phase ends when an ISP candidate acknowledges its CSA definition.

While ISP candidates have discretion in pursuing any adjustments to their proposed CSAs, experience has shown that an efficient CSA design typically includes the following characteristics:

- **Contiguous** – CSAs comprised of ZIP Codes that border each other typically provide improved efficiencies, such as reduced driving time, fuel usage, and adjacent dock space, as well as operational flexibility.
- **Overlap of Ground and Home Delivery Service Areas** – CSAs that include overlapping Ground and Home Delivery ZIP Codes allow for increased stop density, improved productivity and a reduction in miles per vehicle or in the total number of vehicles needed. Additionally, CSAs that include overlapping service areas will be a positive differentiator for CSPs moving forward. FedEx Ground may consider the mix and overlap of stops as a factor in future contracting.

ISP candidates are encouraged to use this time to examine if any of these adjustments might be right for their businesses.

Maps of ISP candidates' existing service areas will be available to assist in this process. Additionally, station senior managers and field staff are available to discuss volume trends and related information with AOs as they weigh their business's options.

# PREPARING FOR NEGOTIATIONS

## PREPARING FOR NEGOTIATIONS TOPICS

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- Confidentiality & Non-Disclosure Agreement ..... 27
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# PREPARING FOR NEGOTIATIONS

Once an ISP candidate achieves minimum transition scale, preparations for the Negotiations Process begin. To advance to negotiations, ISP candidates need to complete three important processes:

- Acknowledge CSA Definition
- Request for Information to Enter Agreement Negotiations
- Execute Confidentiality and Non-Disclosure Agreement

**An ISP candidate that does not complete these three processes by the associated deadlines will forfeit its exclusive opportunity to negotiate for its proposed CSA.** In that case, FedEx Ground may begin negotiating with other CSPs, as described in the Conversion section (see table of contents) of the Workbook.

## ACKNOWLEDGE CSA DEFINITION

Once an ISP candidate defines its CSA, station senior managers will meet with the AO to review and discuss the proposed CSA definition. During this process, the AO may propose changes to its CSA definition for FedEx Ground consideration.

Instructions on acknowledging a CSA in MyGroundBizAccount are provided in the **MyGroundBizAccount Technical Guide**.

Once the AO is satisfied the CSA definition is accurate, it must acknowledge the definition in MyGroundBizAccount by the date communicated (see page 2).

## REQUEST FOR INFORMATION (RFI) TO ENTER AGREEMENT NEGOTIATIONS

The RFI process helps FedEx Ground to assess whether an ISP candidate can fulfill the obligations of an ISP Agreement. The RFI process is critical, as ISP candidates cannot advance to ISP Agreement negotiations until the process is complete.

RFI Responses must be submitted by the date communicated (see page 2). However, successful completion of an RFI Response does not guarantee that FedEx Ground and the ISP candidate will execute an ISP Agreement.

The RFI Response is the opportunity for an ISP candidate to demonstrate that it can meet the obligations of a vendor relationship with FedEx Ground, by providing any and all information that it considers important for FedEx Ground to evaluate. An ISP candidate may work with a third party, such as a legal or business advisor, to complete its RFI Response. ISP candidates that have already had an RFI Response accepted and agreed upon through the Asset Transfer Process can enter “RFI already accepted and agreed by station management” in the response.

FedEx Ground will evaluate RFI Responses based on a number of considerations, such as:

### Safety commitment and history

- Safety and compliance program
- Historical safety performance

### Customer service approach

- Ability to meet customer needs and address concerns

### Business experience

- References and relevant experience in the transportation industry

### ISP Personnel

- Ensuring personnel understand the CSP's obligations and regulatory requirements

#### Service continuity and contingency situations

- Ability to provide consistent and continuous customer service

#### Recruiting and retention

- Ability to recruit and retain personnel

#### Security (Loss and Damage Avoidance)

- Historical damage trends
- Minimizing package damage and loss, and historical damage trends

#### Compliance

- Ensuring all appropriate tax withholdings are made from every ISP Personnel who provides service for the CSP and remitted to the tax authorities
- Ensuring compliance with wage and hour laws including but not limited to minimum wage payment, keeping required records of hours worked by its personnel, keeping records of meal and rest periods (when required), and appropriately paying overtime when applicable.

### **Steps to complete before submitting an RFI Response**

An RFI Response will not be considered unless an ISP candidate has completed the following steps:

1. Achieved minimum transition scale
2. Completed the Information Sheet/CSP Profile
3. Acknowledged its CSA definition
4. Executed the Confidentiality and Non-Disclosure Agreement (see below)

### **Submitting an RFI Response**

While an ISP candidate can submit its RFI Response in written format to station management, it must go to MyGroundBizAccount to enter the method of submission into the RFI text box.

Guidelines on how to submit an RFI Response via MyGroundBizAccount are provided in the **MyGroundBizAccount Technical Guide**.

### **Acceptance or Rejection of RFI Response**

Once the RFI Response is submitted, the station senior manager will evaluate the RFI Response and make one of the following determinations:

- **Advance to negotiations** – the ISP candidate can fulfill the obligations of the vendor relationship;
- **Request clarification / ask questions** – further clarification is needed to determine if the ISP candidate is capable of fulfilling the obligations of the vendor relationship; or
- **Do not advance to negotiations** – the ISP candidate does not have the capability to fulfill the obligations of the vendor relationship.

## **CONFIDENTIALITY & NON-DISCLOSURE AGREEMENT**

Before an ISP candidate can electronically submit its RFI Response through MyGroundBizAccount or advance to negotiations, the Confidentiality and Non-Disclosure Agreement (CNDA) must be reviewed and executed by the ISP candidate's authorized officer.

The CNDA will automatically load for review and execution on MyGroundBizAccount prior to the electronic submission of the RFI Response.

A CNDA protects confidential information, including information exchanged during and in connection with negotiations, and establishes certain conditions to negotiations, including the following:

- The parties agree that negotiations will be conducted by the AO or a duly authorized employee of the ISP candidate business; and
- ISP candidates agree that their representatives and/or agents will not engage in discussions or the like for the purpose of undertaking joint or combined negotiations with other ISP candidates and FedEx Ground.

The CNDA recognizes the need for confidentiality, the uniqueness of each CSA and the unique terms involved in the negotiations of each ISP Agreement. Agreements to protect confidentiality are a standard business practice across industries. Both parties should carefully review the CNDA. A breach of the CNDA may result in suspension or termination of negotiations or even rescission of an agreement.

## LOOKING AHEAD: FINAL QUALIFICATIONS

It is recommended that ISP candidates also begin to consider and plan for the final qualification steps that must be completed before an ISP Agreement may be executed or before it begins operating under its ISP Agreement.

All final qualification steps may begin while negotiations are underway and, as some qualification steps require a long lead time, beginning these while in negotiations may help ensure they are completed in a timely fashion.

Steps that must be completed before executing an ISP Agreement:

1. Secure vehicle and Workers Comp insurance coverage.
2. Establish an Electronic Funds Transfer (EFT) Account.
3. Accept a Proposal and review a draft ISP Agreement.

Steps must be completed before operating under the ISP Agreement:

1. Confirm that vehicles meet all safety, regulatory, and other agreed-upon terms.
2. Add vehicles to Schedule B.
3. Associate ISP Personnel to the ISP.

Detailed information about each of these qualification steps is provided in the Negotiations section of the Workbook.

# NEGOTIATIONS

## NEGOTIATIONS TOPICS

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# ISP AGREEMENT NEGOTIATIONS

The ISP Agreement is a negotiated, legally-binding contract between the contracted service provider (CSP) and FedEx Ground. It includes a range of individually negotiated financial and non-financial terms that are unique to the CSP's business, with a term of up to three years. An ISP Agreement outlines the service-level results that CSPs agree to provide and the regulatory compliance requirements they agree to meet for the term of the agreement. In return, FedEx Ground compensates CSPs for services rendered as mutually agreed upon during ISP Agreement negotiations.

It is strongly recommended that while negotiations are ongoing, the ISP candidate continues to focus on completing the Final Qualification Steps described in this section of the Workbook.

## NOTABLE COMPONENTS OF AN ISP AGREEMENT

Negotiations will focus on terms for the proposed CSA. The process provides an ISP candidate the flexibility to negotiate contract terms that best fit its business needs.

For example, a higher Service Charge (see below) may be negotiated for a higher percentage of non-variable revenue, or higher stop and package rates for a higher percentage of variable revenue potential if volumes increase. CSPs may also participate in the Brand Promotion Program and utilize FedEx Ground and/or Home Delivery logos on all or some of their vehicles, and/or outfit all CSP personnel who interact with customers in FedEx Ground apparel in exchange for negotiated brand promotion fees.

The following is a list of some, although not all, key financial and non-financial terms that may be negotiated:

### **Key Financial Terms & Elections**

- **Package Charge** — Charge paid to an ISP for each package picked up or delivered when the ISP makes a stop.
- **Stop Charge** — Charge paid to an ISP for each stop to a customer location where a package is picked up or delivered.
- **Surge Stop Charge** – Charge paid weekly to an ISP for any stop performed above the negotiated “Daily Stop Threshold” during the period defined as Peak from the Saturday immediately preceding Thanksgiving through the Friday that falls on or immediately after December 31.
- **Per Stop Fuel Surcharge** – Surcharge, indexed to the price of fuel, paid weekly to an ISP for each daily stop to a customer location where a package is picked up or delivered. Additional information about Per Stop Fuel Surcharge is in the Workbook Appendix.
- **Service Charge** — Charge paid weekly to an ISP for providing service.
- **Shuttle Charges** — Charge(s) paid to an ISP for providing “Shuttle” service.
- **New Account Start-up** — Fee paid to an ISP for an initial visit to a new customer that has been requested by FedEx Ground and appears on the ISP's pickup listing.
- **Customer Service Incentive (CSI)** — Incentive paid to an ISP for providing superior customer service performance. Additional information about CSI is in the Workbook Appendix.
- **Period Safety Incentive (PSI)** — Incentive paid to an ISP based on agreed-upon Safety performance results. Additional information about PSI is in the Workbook Appendix.
- **Brand Promotion Program** — Weekly fee paid to an ISP that chooses to have all of its personnel assigned to provide services wear apparel that meets agreed-upon terms. Additionally, an ISP can elect to have some or all of its vehicles display logos that meet agreed-upon terms. Additional information about the Brand Promotion Program is in the Workbook.

### **Key Non-Financial Terms**

- **Daily Stop Threshold** — The negotiated number of stops for which an ISP agrees to provide service. An ISP can exercise its Right to Decline for stops above the Daily Stop Threshold. During Peak, an ISP may be eligible to receive the negotiated Surge Stop Charge for servicing stops above its Daily Stop Threshold.

- **Number of Load Positions** — Dedicated vehicle loading positions that will be available to the ISP in each station from which the ISP provides service.
- **Length of Agreement** — Length of an initial term for an ISP Agreement typically will be up to three years, but an ISP and FedEx Ground may agree on a shorter or longer term.
- **Expiration Date** — End date of an ISP Agreement as determined by the negotiated length of term.

#### ***Other Notable Provisions of an ISP Agreement***

The following is a list of some of the notable provisions of the ISP Agreement.

- **Overpayments** – In the event of an overpayment by FedEx Ground, CSPs agree to repay the overpayment amount, which will be invoiced by FedEx Ground.
- **Payment of Charges** – As outlined in Section 4 of the ISP Agreement, FedEx Ground and CSPs agree to make and receive payment of charges through electronic funds transfer (EFT). ISPs will receive settlement the Friday morning after the end of the period.
- **Right to Decline** – CSPs have the contractual right to decline certain requests, such as delayed-sort packages past the set station cut-off time, pickups that the customer has not scheduled to be tendered until after 6:30 p.m. and stops above the negotiated Daily Stop Threshold.
- **Alternative Dispute Resolution** — FedEx Ground and CSPs agree to submit all disputes to binding arbitration and on a business-to-business basis, rather than collectively. The arbitration process also allows for enhanced discovery with up to three depositions, and upon written request, FedEx Ground to cover a portion of a CSP's initial filing fees.
- **Scanner and Associated Equipment** – CSPs may lease scanners through FedEx Ground or choose to acquire them from other vendors. CSPs that elect to lease scanners through FedEx Ground will do so through a lease agreement and will be invoiced for scanner used. CSPs purchasing scanners agree to stay current with scanner specifications, which are posted on <http://mygroundbiz.com>. For more information about scanners, please refer to the ISP Operations section of the Workbook.
- **Service Terms** – CSPs agree to maintain service terms such as service days, pickup and delivery services, collection and return of COD charges and service results, which include: meet customer expectations, avoid theft, loss, damage and delays; conduct all business with honesty and integrity; achieve Inbound Local Service level of at least 98.5 percent of the daily average Inbound Local Service attained by either the FedEx Ground station from which the CSA is serviced or the FedEx Ground District in which the station is located, whichever is higher.
- **Vehicles** – CSPs agree their vehicles will meet regulatory requirements, are white in color, have heights that are flush with conveyor walkways in the station, and have a size that allows for the station doors to close and allow for vehicle maneuverability in the station. A CSP opting for the Vehicle Brand Promotion Program charge agrees to additional vehicle terms. Additional information about vehicles and equipment are in the ISP Operations section of the Workbook.
- **Alternative Maintenance Schedule** — ISP candidates may elect to use either the manufacturers' Periodic Maintenance Schedule or an alternative maintenance schedule. Qualified vehicles may be acknowledged through the PCAT (see further below in this section).
- **Vehicle Insurance** – CSPs agree to ensure proper insurance coverage is in place before an ISP Agreement is executed. CSPs must acquire vehicle insurance coverage, including Non-Trucking Liability and Physical Damage, for each of its vehicles listed on Schedule B of the ISP Agreement, including rental vehicles. CSPs may secure insurance coverage from the provider of their choice, though Marsh will confirm that proper insurance has been secured before the vehicle is qualified to be placed on Schedule B. CSPs should contact their insurance carrier of choice prior to negotiations to determine if this transition will impact insurance premiums once they operate under an ISP Agreement. CSPs that choose to obtain insurance through Marsh will be billed by Marsh directly. CSPs that obtain insurance otherwise agree to submit, or have their agents submit, the certificate of insurance to Marsh.

Verification that vehicle and workers' compensation insurance coverage is in place with effective dates on or before the ISP Agreement effective date takes place is necessary before CSPs can execute their ISP Agreements.

## NEGOTIATIONS PROCESS

The process for negotiating an ISP Agreement begins once an ISP candidate's CNDA is executed and its RFI Response is accepted. A FedEx Ground Negotiator will be assigned and will contact the ISP Negotiator (the authorized officer or other employee of the corporation authorized to negotiate on behalf of the ISP candidate).

What to Expect	What Not to Expect
FedEx Ground seeks proposals in line with market values.	FedEx Ground guidance on the "right" answer – there is not just one acceptable approach.
The need to set aside dedicated time to complete negotiations.	FedEx Ground guidance on volume forecasts.
Professional interaction between ISP candidates and FedEx Ground.	Senior manager participation in Negotiations Process.

### First Proposal

The CSP will need to decide whether to prepare and submit a Proposal or have FedEx Ground make the first Proposal. The Proposal is an initial offer on the key financial, non-financial, and elections of an ISP Agreement and any other terms an ISP candidate wishes to propose. The first offer submitted may or may not be the final offer, just as the first counter offer submitted may or may not be a final offer.

## PROPOSAL CAPTURE AND ANALYSIS TOOL (PCAT)

FedEx Ground will evaluate each Proposal utilizing the Proposal Capture and Analysis Tool (PCAT), an online application available to ISP candidates on MyGroundBizAccount. This optional tool is available after an ISP candidate establishes or updates its CSP Profile on MyGroundBizAccount and acknowledges its CSA.

The PCAT calculates estimated revenues for an ISP candidate based on variable negotiable financial terms such as Per Stop Charge, Per Stop Fuel Surcharge based on the ISP candidate's forecasted volume, and fixed financial components such as Service Charge and the optional Brand Promotion Programs.

The PCAT is pre-populated with the CSA's historical information (estimated revenue and volume data) for the previous 12 months. This data may help in future business planning, though past performance is not necessarily an indicator of future performance or volume. FedEx Ground cannot guarantee that the historical data supplied will be available for a CSA's predecessor PSAs, or that the data is an exact match to the scope of a CSA, since it is a new area.

### Using the PCAT to submit a Proposal

Although optional, using the PCAT is one way to ensure negotiable components of an ISP Agreement are included in a Proposal. ISP candidates are responsible for making sure all negotiable components of a Proposal are represented. Additionally, FedEx Ground will use the PCAT to submit any counterproposals.

A CSP cannot submit a Proposal using the PCAT until its RFI Response has been accepted and agreed upon by station management, its CNDA is executed and all other prerequisites are met. Instructions on how to use the PCAT can be found in the MyGroundBizAccount Technical Guide or on <http://mygroundbiz.com>.

### How negotiations work

Negotiations between the ISP Negotiator and FedEx Ground are conducted electronically and by phone over the course of a few days or several weeks, giving both parties time to submit and evaluate proposals and counter proposals.

Negotiations will end in one of two ways:

1. If an agreement is reached, the parties will execute an ISP Agreement provided all other conditions are met.
2. If an agreement cannot be reached by the deadline or if the parties reach impasse, FedEx Ground may seek Proposals from multiple CSPs in addition to the CSP currently operating the proposed CSA. If the CSP currently operating the proposed CSA is not able to reach an agreement before its current Operating Agreement expiration date, the Operating Agreement will expire according to its terms.

### **End of agreement negotiations**

As an ISP Agreement nears expiration, the CSP servicing the CSA may obtain the first opportunity to negotiate a new ISP Agreement for a CSA if certain standards are met. In other instances, FedEx Ground may negotiate with multiple CSPs for a CSA.

## **FINAL QUALIFICATIONS TO EXECUTE AN ISP AGREEMENT**

There are several important steps that must be completed before an ISP Agreement may be executed and before a CSP may operate under its ISP Agreement. Each of these steps may begin while negotiations are underway. As many of the steps may require a long lead time, initiating the final qualification steps while in negotiations may help ensure they are completed in a timely fashion.

The steps listed below must be completed before an ISP Agreement can be executed. Station management will notify the AO when the ISP Agreement is available for review.

1. **Secure insurance coverage.**  
ISP candidates must acquire insurance coverage, including Non-Trucking Liability and Physical Damage (for all vehicles listed on Schedule B of the ISP Agreement) as well as workers' compensation insurance (as required by state law and the ISP Agreement) for all personnel, including officers and managers, providing service under the ISP Agreement. ISP candidates may secure insurance coverage from the provider of their choice. but need to contact Marsh to confirm that proper insurance has been secured.
2. **Establish an Electronic Funds Transfer (EFT) Account.**  
ISP candidates agree to set up an EFT Account under Workforce Information in MyGroundBizAccount. An existing EFT Account should also remain active to receive payment under the current Operating Agreement. The process of confirming bank account and routing information can take up to three weeks to complete.
3. **Accept a Proposal and review a draft ISP Agreement.**

The following are the final qualification steps to operate under the ISP Agreement, and can be completed either before or after the ISP Agreement is executed:

1. **Qualify vehicles in VMS.**  
All vehicles a CSP intends to use to provide services under the ISP Agreement must be listed on its Schedule B. The first step is to qualify the vehicles in FedEx Ground's Vehicle Maintenance System (VMS) on MyGroundBizAccount. FedEx Ground will then verify the vehicles meet the agreed-to established minimum vehicle terms. After the vehicles are qualified and the ISP Agreement is executed, the CSP can use <http://mygroundbiz.com> to request to add the vehicles to the Schedule B. Information on how to add or delete vehicles is provided in the MyGroundBizAccount Technical Guide.

Vehicle standards under the ISP Agreement are available in the "ISP Vehicle Standards" document, which is posted in the "Maintenance" tab on MyGroundBiz.com.

2. **Associate personnel to the ISP.**

CSPs can request to associate ISP Personnel – including AOs – to provide services under an ISP Agreement on MyGroundBizAccount. CSPs agree to ensure that all of their personnel with access to FedEx Ground systems and/or FedEx Ground property, interact with FedEx Ground customers or handle FedEx Ground packages pass a criminal background check before being assigned by the CSP. CSPs agree to continue to ensure workforce compliance by assigning only those personnel authorized to work in the United States and by maintaining an I-9 employment authorization form for all personnel.

This process can take several weeks to complete. Additional information about associating or disassociating personnel is in the ISP Operations section of the Workbook and in the MyGroundBizAccount Technical Guide.

## EXECUTING AN ISP AGREEMENT

After the AO and FedEx Ground tentatively accept a Proposal, the ISP Agreement will be available for review and signature on MyGroundBizAccount. The ISP Agreement can be reviewed but not executed until the applicable final qualification steps – detailed in the Workbook – are complete. Once these steps are complete, the AO will electronically sign the document on behalf of the CSP and the station senior manager will then electronically sign the ISP Agreement on behalf of FedEx Ground.

### **Reviewing the Proposed ISP Agreement**

The AO will receive an email notification that the proposed ISP Agreement is available to review and sign. This notification will also appear in the “Pending Actions” list on MyGroundBizAccount. As the ISP candidate’s MyGroundBizAccount user, the AO can select the CSA number link to review the draft ISP Agreement. The AO may also access the draft ISP Agreement from the PCAT on MyGroundBizAccount.

If an AO accepts all of the terms as outlined in the ISP Agreement, he/she must log into MyGroundBizAccount and digitally sign the agreement via an electronic signature. Additional information on reviewing and executing an ISP Agreement are provided in the MyGroundBizAccount Technical Guide.

The final ISP Agreement will reside on MyGroundBizAccount until it expires. Both the AO and station management will be able to view it online.

# ISP OPERATIONS

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# ISP OPERATIONS

Highlighted below are some of the operational processes and contractual obligations of an ISP Agreement.

## SERVICE

The following are the service level expectations in an ISP Agreement:

### **Service Days**

Service Days are the same under the ISP Agreement as the Operating Agreement: Monday through Friday for FedEx Ground service; Tuesday through Saturday for Home Delivery service.

The Saturdays and Mondays beginning with the Saturday before Thanksgiving Day and the Friday on or after December 31 are service days for both FedEx Ground and FedEx Home Delivery. Additionally, CSPs agree that FedEx Ground may modify Service Days based upon customer or market demands.

### **Services**

CSPs agree to provide a range of pickup and delivery services to customers, as outlined in its ISP Agreement. These include, but are not limited to:

- Collection and loading, if necessary, of packages for delivery.
- Transportation and delivery of packages consistent with customer-selected service offerings and subject to the Right to Decline.
- Timely collection and transmission of customer signatures, scanner results and package tracking data.
- Collection and return of COD charges to FedEx Ground at the end of the service day, unless otherwise mutually agreed upon.
- Pickup of customer packages and timely delivery of the packages in time to meet service commitments, subject to the Right to Decline.
- Return of undelivered packages, according to mutually agreed-upon terms.
- Performance of additional services mutually agreed upon in the Additional Services Schedule.
- Preparation of any legally-required documents (logs, vehicle inspection reports, etc.) and submission to FedEx Ground at the end of each service day (or for FedEx Home Delivery the next business day, unless otherwise mutually agreed upon).

CSPs agree that FedEx Ground may modify the services, service days, or offerings based on customer, market or competitive demands. CSPs also agree such modifications will become effective upon reasonable notice.

### **Service Results**

Service results terms as set forth in an ISP Agreement are as follows:

- Provide services to customers that are compatible with customers' schedules, expectations and pickup and delivery requirements, subject to the Right to Decline.
- Achieve daily Inbound Local Service level of at least 98.5 percent of the daily average attained by either the FedEx Ground station from which the CSA is serviced or the FedEx Ground District in which the FedEx Ground station is located, whichever is higher.
- Provide "Service Offerings" outlined in Attachment A-3 of an ISP Agreement.
- Take measures to avoid theft, loss, damage, destruction, and delay in the handling, loading, unloading, transporting, and pickup and delivery of packages in the CSA.
- Conduct all business activities with honesty and integrity and in a professional and safe manner.

### **Service Failures**

Service failures will be documented and discussed with the business contact during an ISP Discussion. The CSP will have the opportunity to cure service failures. Continued service failures may be considered a material breach of the ISP Agreement and may result in the termination of the ISP Agreement according to its terms.

### **Service Results Breaches**

The station senior manager will provide prompt notice of service results breaches (those involving Service or Safety) to the business contact. An opportunity to discuss and cure any breach(es) will occur in most cases. If breaches continue without cure, termination of the ISP Agreement in accordance with its terms may be warranted. Additional information on ISP Discussions is in the ISP Operations section of the Workbook.

### **Customer Service Incentive**

A negotiable incentive is paid to the CSP for superior customer service performance using two criteria:

- On-time pickups/customer complaint avoidance
- Inbound Local Service.

Each criterion is weighted differently and is used to determine the portion of the negotiated CSI charge the CSP will receive. At the end of each four-week subject period, CSI attainment is determined based on information from the four-week subject period that is received, collected and analyzed over the next three weeks. After this three-week evaluation, the incentive is then paid within seven days.

Additional information on CSI is in the appendix of the Workbook.

### **Right to Decline & Right to Ensure**

As outlined in section 3 in Attachment A-2 to Schedule A of the ISP Agreement, a CSP has the Right to Decline services in certain situations without impacting service results, such as:

- Specific customer requests, such as:
  - Pickups the customer has not scheduled until 6:30 p.m., or later.
  - Pickup or delivery stops with package counts over 200.
  - Service requiring modification of equipment.
- Daily pickup and delivery volume above its Daily Stop Threshold.
- Non-service days.
- New account start-ups.
- Delayed sort after the contracted cut-off time.
- Station or CSA relocation longer than 60 days.

When the Right to Decline is exercised, the CSP is no longer contractually obligated to service the declined packages and is not responsible for any service failures and will not receive compensation for the service. FedEx Ground can then exercise its Right to Ensure service and may reassign volume or services in order to meet customer service expectations.

The AO and business contact will then receive e-mail notification when either the Right to Decline or Right to Ensure has been exercised. CSPs can review ISP Results including Right to Decline and Right to Ensure and provide ISP Feedback under the “Collaborate with FedEx Ground” option on MyGroundBizAccount in the ISP Review Dashboard.

### **Subcontracting**

As outlined in the ISP Agreement, CSPs can subcontract any services within its CSA to other CSPs operating under an ISP Agreement. FedEx Ground will attempt to accommodate any CSP-directed Load Plan changes within the station submitted by the business contact(s) in advance of implementation.

ISPs that subcontract services will remain responsible for maintaining service levels to ensure that customers' schedules, expectations and requirements for pickup and delivery are met, as well as any claims that may arise. However, only the CSP performing the service will receive payment of charges for the subcontracted activity, and the subcontracted packages will count toward the Inbound Local Service of the CSP performing the service as it relates to CSI attainment.

CSPs that accept subcontracted services agree to treat the personnel that perform the services as their personnel and utilize vehicles identified on their respective agreements.

### **Load Plan Changes**

FedEx Ground will try to accommodate CSP-requested load plan changes that result from subcontracting. To simplify the process, FedEx Ground created the following forms – available from station management – for CSPs to use to request volume and package movement in the station:

- Independent Service Provider Temporary Load Plan Change, I11942 (requires agreement and acceptance by the CSP and the subcontractor)
- Independent Service Provider Vehicle Capacity Adjustment Form, I11938
- Independent Service Provider VRP Change Form, I11936

If a CSP does not use any of these forms, it still needs to communicate, in writing, the requested load plan changes. All subcontracted packages will be updated with accurate van assignments and will receive proper delivery or exception scans.

## **SAFETY**

FedEx Ground believes maintaining safe operations are fundamental to running a successful business. All safety terms and operating practices in the ISP Agreement are mandated by the Department of Transportation (DOT). Some of these safety terms and operating practices are outlined below.

### **ISP Personnel**

CSPs agree that all ISP Personnel (including the AO) who require access to FedEx Ground systems or property, interact with customers, and handle FedEx Ground packages submit to background reviews (up to the previous ten years or other applicable period as provided by state law) .

This applies to those previously verified to provide services under an Operating Agreement. Under the law and the terms of an ISP Agreement, CSPs agree to employ only persons who are legally authorized to work in the United States and to maintain a Form I-9 for each ISP Personnel. CSPs agree to provide evidence of compliance upon request by FedEx Ground.

### **ISP Personnel-Operators**

ISPs agree to ensure that Personnel assigned to operate vehicles under an ISP Agreement comply with the standards in 49 CFR 391.11, the standards detailed in the Federal Motor Carrier Safety Regulations (FMCSR 49 CFR, Part 383.51, Tables 1-4, 391, and other applicable parts) and the terms in the ISP Agreement.

FedEx Ground will communicate with the business contact about any ISP Personnel who do not comply with the terms set forth in the ISP Agreement. The reason(s) will be provided to the business contact(s) unless otherwise prohibited by law. As an exception, unsafe activity may be addressed directly with an ISP personnel-operator as reasonably required to abate any imminent threats to safety and where time is of the essence. Any such exception will be promptly communicated by FedEx Ground to the business contact(s) and the CSP agrees to cooperate with FedEx Ground in any related investigations.

### **Physical / Medical Exam**

Per DOT requirements, CSPs agree to ensure that all ISP Personnel assigned to operate commercial motor vehicles receive a medical examination from a certified medical examiner listed on the National Registry of Certified Medical Examiners. If a CSP chooses to utilize a FedEx Ground qualified medical examiner, FedEx Ground will pay for the initial exam.

### **Drug Screening**

To satisfy DOT requirements, CSPs agree to ensure that all ISP Personnel assigned to operate vehicles under an ISP Agreement pass a controlled substance screen prior to assignment. If a CSP chooses to use a FedEx Ground-qualified collection site, FedEx Ground will pay for screenings. ISP personnel-operators are subject to random controlled substance testing unless prohibited by law. FedEx Ground will pay for random drug screening by a FedEx Ground qualified medical examiner for any ISP Personnel assigned to operate under the FedEx Ground Motor Carrier Certificate. *Note: If alcohol screening is applicable, this applies to that screening as well.*

### **Road Test**

Under DOT regulations and the ISP Agreement, an ISP personnel-operator is considered a “qualified” driver after successfully completing a road test in a vehicle similar to the vehicle the personnel-operator will be assigned to operate. The CSP provides the vehicle for the road test. The road test does not expire provided the ISP personnel-operator maintains active driver qualification status. CSPs agree to a re-test for ISP personnel-operators who lose qualification.

### **Personnel-Operator Qualification File (DQF) & Non-Driving Workforce File (NDWF)**

Per DOT regulations, FedEx Ground will maintain a Personnel-Operator Qualification File (DQF) for each ISP personnel-operator. The file also contains documents pertaining to the Occupational Safety and Health Administration (OSHA).

### **Safety Information Guide (SIG), SF-920P**

CSPs agree to provide safety training to ISP Personnel. To complete the employee association process, CSPs can obtain and review the Safety Information Guide with ISP Personnel through <http://mygroundbiz.com>. After reviewing the materials with the ISP Personnel, the AO or business contact acknowledges that all ISP Personnel have received the Safety Information Guide via MyGroundBizAccount.

CSPs also have the option to print and have their personnel acknowledge and submit a paper form to station management for entry into CDAS.

### **Hours of Service**

CSPs agree to comply with 49 CFR Part 395 relating to hours of service. *Personnel-operators assigned to operate a vehicle that does not require a commercial driver's license to operate under 49 CFR Part 383 may be eligible for the exemptions identified at 49 CFR 395.1(e)(2).* Hours of service information is available to AOs or business contact(s) at <http://www.fmcsa.dot.gov/regulations/hours-of-service>.

### **Safety Responsibilities**

CSPs agree that all ISP Personnel, where applicable, meet certain safety responsibilities as they relate to:

- **Pre-trip and Post-trip Inspections** – Conduct inspections of vehicles per 49 CFR Part 396.
- **Annual Inspections** – Ensure annual vehicle inspections per 49 CFR Part 396.
- **Hours of Service** – Comply with DOT regulations per 49 CFR 395 and contractual obligations on hours of service. Personnel operating tractors should report hours of service via ELDs compatible with FedEx Ground’s systems.
- **Use of Electronic Communication Devices** – Agree to not communicate using electronic devices while the vehicle is in motion or on a roadway.
- **Compliance, Safety, and Accountability Enforcement Compliance** – Submit inspection reports in compliance with 49 CFR 396.9(d)(1) and comply with all violation and enforcement actions.
- **Accident Reporting** – Report all accidents immediately to FedEx Ground to comply with 49 CFR 390.15 and use the Accident Packet provided by FedEx Ground to assist in reporting accident-related information.

- **Violations and License Suspension Reporting** – Report all traffic citations or suspensions to FedEx Ground, per 49 CFR 383.31, 383.33 and 391.15(b)(2).
- **Hazardous Material, Fuel and Waste Spillage Reporting** – Comply with all federal, state and municipal laws and regulations governing the handling and transportation of hazardous material, fuel, and waste.

To handle Hazardous Material (HazMat), the AO, business contact, and all ISP Personnel providing services under the ISP Agreement agree to read and sign the Safety Information Guide, SF-920P, and carry and/or post all necessary markings and permits.

### **Safety**

CSPs agree to the training and safety responsibilities outlined in Schedule I, Safe Operating Practices, of the ISP Agreement.

### **Period Safety Incentive**

Period Safety Incentive (PSI) is a negotiated incentive paid to CSPs for agreed-upon safety performance results. The amount of the payment is based on the number of preventable accidents (if any) by the CSP and the number of vehicles on its Schedule B at the end of a four-week subject period.

At the end of each four-week subject period, PSI attainment is determined based on information from the four-week subject period that is received, collected and analyzed over the next three weeks. After this three-week evaluation, the incentive is then paid within seven days.

FedEx Ground will make a good faith determination of the preventability of each accident by applying the criteria in *Trucking Industry Guidelines for Recording Fleet Vehicle Accidents and Determining Preventability* published by the American Trucking Associations.

### **DOT Comprehensive Safety Accountability**

CSP operations and personnel may be subject to a government enforcement action related to a DOT/FMCSA Comprehensive Safety Analysis motor carrier intervention. This intervention enforcement may include a requirement that may prohibit at a minimum the motor carrier from allowing an individual to operate under FedEx Ground's operating authority. The business contact(s) will be notified if any ISP Personnel are no longer qualified to be assigned to provide services to FedEx Ground as a result of motor carrier enforcement actions by the DOT.

## **OPERATIONAL REPORTS AND PROCESSES**

"Driver Data Collection" and "ISP Data Review" will replace the existing Check-In Process. Additionally, CSA-level data and reports, as well as personnel-operator-level data on business operations, are available to AOs (and business contact(s) if delegated) on MyGroundBizAccount. Details on the reports and categories of data available are outlined below.

### **Data Collection Process**

The ISP Data Collection Report prints at the station after the ISP personnel-operator completes the final stop on the STAR Scanner. This information (scanner data, paperwork, CODs, and P&D activity captured in the FedEx Ground system) will be entered by FedEx Ground personnel and will be used to create the ISP Charge Statement.

The ISP Data Collection Report contains "pickup and delivery activity" (similar to the current Daily Settlement Report). The ISP personnel-operator will receive the ISP Data Collection Report upon return to the station. CSPs agree to ensure that their personnel-operators review and sign reports, confirming they are accurate. FedEx Ground will not address any procedure or service-related issues with ISP personnel-operators. This information will be reviewed with the business contact(s) during the ISP Data Review process.

The ISP Data Collection Report includes information such as:

- CSP and vehicle information
- Number of packages picked up and delivered
- Number of completed pickup and delivery stops
- Pickup reconciliation (shipper information, pickup times, etc.)
- Collect stop statistics
- Department of Transportation Hours of Service
- Vehicle mileage information
- Driver's Vehicle Inspection Report

Information mentioned above should be submitted upon return to the station, unless otherwise agreed.

### ***ISP Data Review***

Information submitted by ISP personnel-operators will be reviewed regularly with the business contact(s). FedEx Ground will use this information to address any operational or contractual issues from the previous day such as:

- ISP Data Confirmation Report
- P&D Quality Reports
- Inbound Local Service
- Claims Investigation
- Complaints
- Scanning
- Non-delivered packages
- Premium service failures
- High profile van scans

Other daily reports and data will be shared directly with the business contact(s) and/or sent electronically to the CSP via MyGroundBizAccount. Additional functionality within the "ISP Reports and Data" section includes printing the ISP Agreement and Schedules.

The meeting may also be used to address any future CSP requests, such as:

- ISP Load Plan changes
- New Account Start-ups
- CSP-directed vehicle assignment

Meetings will occur as often as needed, either at the request of FedEx Ground or the CSP. FedEx Ground would like to conduct the meetings in person, though other requested formats may occur.

### ***Real-Time Operational Reports***

Users are able to view real-time reports through the "Operational Reports-Real Time" tab under "ISP Reports and Data." Information available includes:

- **ISP Ground Pickup Information** (Ground only) – Daily scanner data, including:
  - Regular/Scheduled Pickups (at least one pickup per day)
  - Actual Pickup Activity
- **ISP Daily Service Worksheet** – Scanning information for a selected CSA, including data from preload scans, STAR scans captured on-road, and Van Service Audit scans. The Worksheet links to two different reports:
  - ISP Daily Service Worksheet (default view); broken into four sections:
    - CSA Information
    - P&D Planning/AM Preload
    - P&D Results/Van Service Audit
    - SQI Impact

- Call Tag Summary; the user can view the number of call tags:
  - Dispatched
  - Picked Up
  - Not Picked Up
  - Unreconciled
  - Refused

Users can select the desired search parameters to narrow search results. Users should note that the term “Previous Day” refers to any day in the past. Data from previous days may be actual historical data and the “Back” button cannot be used in the ISP Daily Service Worksheet.

### **Formatted Operational Reports**

After selecting “Operational Reports – Formatted” under “ISP Reports and Data,” the user is prompted to enter search criteria. The reports include:

- **ISP Data Review** – Summary information on Pickup Performance and Signature Service Compliance. Reports in this section include:
  - Signature Service Report (DEL352RL)
  - SQI CSA Weekly Early/Late Scheduled Pickup Summary Report (APS695)
  - SQI CSA Daily Early/Late Scheduled Pickup Summary Report (APS690)
  - APS Live Pickup Adjustment Report-Daily (APS607)
  - APS Live Pickup Adjustment Report-Weekly (APS606)
  - FedEx Home Delivery Signature Service Report (HPS032)
  - P&D Quality Report (EAS513)
  - P&D Validation Report (EAS705RL)
- **Inbound Package Reports** – Each CSA’s estimated number of packages and stops, including oversized packages per ZIP, calculated per service area within the CSA. Reports in this section include:
  - Inbound Packages Estimated for Delivery (IBP030)
  - Inbound Package Report for High Volume Shippers by Zip Code (IBP044)

### **Other Options**

Additional functionality within the “ISP Reports and Data” section includes printing the ISP Agreement and Schedules.

### **ISP Charge Statement**

The ISP Charge Statement is an itemized list of compensation components based on the negotiated terms agreed in the ISP Agreement. Examples of terms include:

- Package and Stop Charges
- Service Charge
- Period Safety Incentive
- Customer Service Incentive
- Brand Promotion Program (if elected)
- Surge Stop Charge
- Per Stop Fuel Surcharge

The ISP Charge Statement will detail any discrepancies between scanned packages and stops versus summed totals used for ISP Charge purposes. Discrepancies may include hand-sheet totals updated during the Driver Data Collection Process or double stops reported as part of ISP Charge calculations. The ISP Charge Statement will detail the components used to calculate Period Safety Incentive and Customer Service Incentive and will display the Daily Stop Threshold, the base fuel price, and the current average weekly fuel price as reported by Oil Price Information Service (OPIS).

MyGroundBizAccount may be used to view an ISP Charge Statement, which is available in PDF and/or CSV formats.

## ISP WORKFORCE

### **Workforce Association & Disassociation**

A CSP agrees to associate all personnel issued a FedEx Ground badge and require access to FedEx Ground facilities or leased scanners, including those who are currently assigned by a business to provide service under an agreement on MyGroundBizAccount prior to operating under its ISP Agreement. Additional information on associating or disassociating personnel and workforce documentation verification is in the MyGroundBizAccount Technical Guide.

### **Workers' Compensation Insurance**

A CSP agrees to obtain workers' compensation insurance coverage per Section 11.2(C) of the ISP Agreement. The CSP can obtain workers' compensation insurance from any provider of its choice, or it can use Marsh for coverage by contacting them directly at 1-866-814-7515. Marsh can provide a quote for workers' compensation insurance once FedEx Ground accepts and agrees to the CSP's RFI Response. Quotes from other insurance carriers may be obtained at any time.

A CSP may bind coverage through Marsh once it has reached a tentative agreement with FedEx Ground, usually up to 30 days prior to the ISP Agreement effective date. If the CSP chooses to obtain workers' compensation insurance with another provider, it will need to reach out to Marsh to verify its coverage using its certificate of insurance. CSPs should give Marsh sufficient time to verify coverage.

Confirmation that workers' compensation insurance is in place must be received by FedEx Ground before a CSP can sign an ISP Agreement. FedEx Ground station management is not involved in the process of obtaining or verifying that proper insurance coverage has been secured. CSPs can direct questions about obtaining insurance coverage to Marsh directly at 1-866-814-7515 or to their carrier of choice.

### **Apparel Display**

A CSP agrees its personnel will visibly wear a FedEx Ground-provided identification badge and will display the business name on apparel while providing services under the ISP Agreement. Display terms are posted on <http://mygroundbiz.com>.

## VEHICLES & EQUIPMENT

CSPs agree that all vehicles and equipment used to provide service under an ISP Agreement meet applicable terms and ensure its appearance is consistent with reasonable customer expectations, some of which are outlined below.

### **Vehicles**

CSPs agree their equipment should, for identification purposes, consist of white vehicles with bed heights flush with conveyors, walkways or other negotiated load/unload positions within the station. Additionally, vehicles should be sized to allow the closure of the exterior doors and maneuverability within the station. Vehicles currently in service under a contract with FedEx Ground may be granted exceptions as they relate to the vehicle color and shelving.

CSPs agree that vehicles assigned to operate under FedEx Ground's operating authority meet all DOT or safety requirements imposed by law and display all FedEx Ground-required placards and unit numbers, and other such identifying logos, numbers, marks and insignia as are required under applicable federal, state and municipal regulations, including 49 CFR Part 390. Required safety equipment in a vehicle includes a three-point seat belt, a fire extinguisher Type 5 BC, and three reflective triangles.

Vehicle terms are based on the Department of Transportation (DOT) federally mandated minimum specifications and are available in "Independent Service Provider Vehicle Standards" on <http://mygroundbiz.com>.

CSPs agree to display its business name on the equipment while providing services under the ISP Agreement. The identification and display terms are posted on <http://mygroundbiz.com>.

### ***Adding Vehicles to Schedule B***

CSPs agree to add the vehicles and equipment it will use to provide services under an ISP Agreement to its Schedule B. This process includes:

- Submit request to add vehicle(s) through the Vehicle Management System (VMS) via MyGroundBizAccount (“Vehicle Information” link) to provide service.
- FedEx Ground will confirm that vehicles meet agreed upon terms.
- Once confirmed, AO will receive email notification the vehicle can be added to Schedule B.
- AO selects and submits the vehicle(s) for addition to Schedule B through MyGroundBizAccount (only after ISP Agreement is executed by the ISP candidate and FedEx Ground).
- The process is complete when the AO and station senior manager sign the updated Schedule B.

Additional information is available in the MyGroundBizAccount Technical Guide for ISP Candidates.

### ***Vehicle Insurance***

Insurance must be in place before a vehicle can be added to Schedule B. CSPs have the option to insure vehicles through an insurance provider of their choice as long as that coverage meets the minimum insurance obligations of the ISP Agreement. CSPs agree to verify vehicle insurance by completing and submitting the Insurance Verification Document Questionnaire to Marsh.

### ***Fines & Penalties***

A CSP is responsible for payment of all fines, including parking and traffic fines and penalties, imposed for violation of any law, regulation, or Department of Transportation (DOT) standard.

### ***Rentals & Spares***

FedEx Ground will not arrange for third-party vehicles. Additionally, CSPs agree to not use rental vehicles for more than 30 business days in accordance with DOT regulations and the ISP Agreement.

### ***Vehicle Maintenance***

CSPs agree to provide proof of maintenance for all vehicles.

### ***Inspections***

CSPs agree that its vehicles will undergo periodic inspections, subject to the standards of 49 CFR 393 and 396. CSPs also agree to provide proof of all inspections to FedEx Ground to verify compliance with any municipal, state, or federal regulations. Any vehicle not in compliance cannot be dispatch under FedEx Ground’s operating authority until it meets these regulatory standards.

CSPs agree to let FedEx Ground perform a quarterly vehicle verification to ensure compliance with applicable vehicle terms, which are available <http://mygroundbiz.com>. A signed copy of the Quarterly Vehicle Review form will be provided to the business contact. If any discrepancies exist, an ISP Discussion will be held to determine a plan of action and timeline to cure.

A Federal Annual Inspection is required for vehicles with a GVWR of 10,000 lbs. or less that are not subject to a DOT equivalent state inspection. This ensures all vehicles will undergo a safety inspection at least once a year even if not required by state law or federal regulation.

CSPs agree that vehicles not meeting applicable terms will not be put into service until the terms are met. During this time, the CSP can use other qualified vehicles or rentals. Rentals can be used for up to 30 days.

FedEx Ground will pay an incentive for each “Clean Inspection” a CSP receives from the U.S. Department of Transportation that does not result in any personnel-operator or equipment-related violations, citations, and Compliance, Safety and Accountability points being assessed to FedEx Ground if the vehicle listed on its Schedule B. Either Party may terminate this provision upon 15 days’ written notice to the other Party.

### **Fuel Purchases**

CSPs can use fuel cards from EFS (formerly T-Chek) to purchase fuel from FedEx Ground fuel islands and will be eligible to receive fuel discounts at participating retail locations. CSPs will be responsible for obtaining an EFS fuel card and will be billed directly for any fuel purchases. CSPs that purchase fuel from FedEx Ground fuel islands can obtain an EFS fuel card before they begin operating under their ISP Agreements.

CSPs can also use a separate credit card of their choice for fuel purchases. CSPs that use other credit cards will not be eligible to fuel at FedEx Ground fueling stations or receive FedEx Ground-negotiated discounts at retail fueling stations.

### **Electronic Data**

In addition to ISP Charge Statements, other web-based reports, workforce and fleet management capabilities, and CSA operational planning data is available on MyGroundBizAccount.

### **Van Washing**

CSPs agree to be responsible for washing their vehicles. CSPs may also select a van washing vendor and request that the washing be performed on FedEx Ground property. Any van washing vendor may be used, subject to the vendor's agreement to comply with FedEx Ground's insurance and environmental terms. Costs associated with vehicle washing and maintenance is the responsibility of the CSP and it will pay the vendor directly.

### **Brand Promotion Program**

A CSP participating in the vehicle Brand Promotion Program agrees that participating vehicles will meet the terms of the program, including:

- Vehicle color(s)
- Fleet graphics installation
- Proper title, registration, inspection and insurance
- Cargo area windows
- Shelving

Each vehicle in the Brand Promotion Program will be identified on Schedule B and only those vehicles included will be compensated for Brand Promotion Program. The Vehicle Brand Promotion charge will be paid weekly for each vehicle identified on the ISP's Schedule B.

The CSP and FedEx Ground will mutually agree to vehicles included in the Brand Promotion Program. Sport Utility Vehicles (SUVs) and mini-vans are not eligible. Additional details regarding vehicle terms are available on <http://mygroundbiz.com>.

Vehicles currently in service will be granted exceptions as they relate to color and shelving as long as no other issues exist.

CSPs should allow adequate time to ensure that all vehicles comply with the vehicle terms and make any necessary repairs or upgrades.

### Vehicle Decals for the Brand Promotion Program

During transition, CSPs electing to participate in the Brand Promotion Program agree to install FedEx Ground-provided decals.

Once under an ISP Agreement, FedEx Ground will pay for the decal installation costs as long as the CSP utilizes a qualified third-party vendor. A list of qualified vendors is available from station management or on [www.uasg.org](http://www.uasg.org).

Additional details are available on <http://mygroundbiz.com>.

## Scanners

CSPs in co-locations will have the option to use either FedEx Ground or FedEx Home Delivery scanners based on their unique business needs. Home Delivery scanners will now have the capability to perform CODs and pickups. CSPs agree to return COD funds to the Ground station the same day, unless otherwise agreed. CSPs also agree to ensure that picked up packages are returned to the FedEx Ground station in time to meet service commitments.

### Scanner functionality

<b>FedEx Ground Scanners</b>	<b>FedEx Home Delivery Scanners</b>
Electronic Pickup Listing on Scanner.	No Electronic Pickup Listing on Scanner.
Pickups returned to the Ground Station each evening.	May perform Pickups, but all packages picked up to be returned to the Ground station at end of service day, unless service exceptions exist (e.g., residential returns).
Automated Manifest Verification (AMV) and Vehicle Route Plan (VRP) functionality not available.	Automated Manifest Verification (AMV) at beginning of service day.
Return to station at end of service day for Van Service Audit (VSA), including Saturday.	No obligation to return to station, unless performing services outlined in ISP Agreement. Van Service Audit performed in AM.
No prompts for Home Delivery Premium Service Stops/Packages.	Prompts for Home Delivery Premium Service Stops/Packages.

CSPs may choose to lease scanners from FedEx Ground through a separate scanner leasing agreement. A sample of this separate scanner leasing agreement is with the sample ISP Agreement.

CSPs can also obtain their own scanners as long as they agree to:

- Use scanners that are compatible with current FXG hardware specifications to meet the agreed upon service obligations under the ISP Agreement;
- Make scanners available for software updates as they occur; and
- Meet new scanner conditions within 12 months of introduction by FedEx Ground.

### Scanner Pricing

CSPs are able to negotiate the number of leased scanners they choose to lease. Currently, each leased scanner costs \$13.75 per week, regardless of whether it is used that week. CSPs currently can request additional scanners for temporary use through MyGroundBizAccount for a cost of \$3.80 per service day, plus applicable sales tax. CSPs leasing additional scanners will get an updated Scanner Lease and Software License Agreement to reflect the additional scanners.

FedEx Ground will invoice a CSP for all scanner lease charges once a month. CSPs can review and accept all scanner charges on MyGroundBizAccount. The CSP may authorize a direct withdrawal from a bank account. The CSP will also be invoiced for charges associated with loss of or damage to a leased scanner as outlined in the Scanner Lease and Software License Agreement.

### Scanner Software

FedEx Ground will provide all software and software upgrades for purchased or leased scanners to ensure the proper interface and functionality of the scanner.

Additional information on scanners is available in Section 9 of the sample ISP Agreement and the sample Scanner Lease and Software License Agreement.

## PEAK PLANNING

CSPs are responsible for planning Peak operations. FedEx Ground will offer its best projections of anticipated Peak volume and will work with the CSP to identify the estimated number of stops at or above the CSP's Daily Stop Threshold that it plans on servicing during Peak and for FedEx Ground to establish plans to exercise its Right to Ensure Service. FedEx Ground continues to review Peak programs and modify existing programs or offer new programs in the future.

## ISP DISCUSSIONS

FedEx Ground, an AO or business contact(s) may initiate an ISP Discussion for any reason, including but not limited to matters relating to safety, operations (either the CSP's or the station's), service, Right to Decline, customer service, or agreement breaches. An ISP Discussion is a business discussion documented by FedEx Ground. Some key items to note relating to ISP Discussions are outlined below.

### ***FedEx Ground Discussion Records***

FedEx Ground documents ISP Discussions in an ISP Discussion Record. The AO or business contact(s) has the opportunity to provide feedback after the ISP Discussion Record is created but will not have access to the ISP Discussion Record.

### ***ISP Feedback***

After an ISP Discussion, an AO or business contact(s) has the option to provide feedback on the ISP Discussion through MyGroundBizAccount. The user must select if the feedback should be directed to the station and/or Contractor Relations; general feedback will go to Contractor Relations.

### ***Right to Decline, Right to Ensure, and Acceptance of Redirect***

If a CSP exercises its Right to Decline or Accepts a Redirect of packages, it agrees to provide notice to FedEx Ground. FedEx Ground will document the Right to Decline, Right to Ensure and/or Acceptance of Redirect. An email to the AO and business contact will be generated notifying them that Right to Decline, Right to Ensure and/or Acceptance of Redirect instance has been documented. The AO or business contact can then log into MyGroundBizAccount to view that information. Notes or feedback can also be provided at that time.

### ***Opportunity to Cure***

If a non-material breach of an ISP Agreement is not resolved as a result of an ISP Discussion, FedEx Ground may give the CSP an Opportunity to Cure letter. The letter will identify breaches of the ISP Agreement and will provide for a minimum of seven days for the CSP to cure any breach(es) before initiating formal dispute resolution or ISP Agreement termination in accordance with its terms.

## AGREEMENT SCHEDULE CHANGES & RENEGOTIATIONS

There are instances when a CSP may request a modification to its ISP Agreement, including one of its Schedules, before the agreement expires. Most changes can be initiated through MyGroundBizAccount and become active upon agreement by the AO and FedEx Ground. Outlined below are the processes associated with modifying a schedule and/or the Schedule of Amendments.

### ***Overview of Change Requests***

Schedule changes can be initiated by the AO or business contact(s), if the authorized officer chooses to delegate. However, only the AO can accept and agree to ISP Agreement schedule changes. After the change is requested, FedEx Ground will review and agree, propose new language, or reject the request. The change is not effective until the AO completes his/her final review, acknowledges, and provides a digital signature.

The following is a list of the Schedules and elements of the Schedules that may be requested to be changed. Renegotiations are required in order to change the financial terms of an ISP Agreement. More information on renegotiations is addressed below.

<b>ISP Agreement Schedule Change Request</b>	
<b>Schedule</b>	<b>Changes</b>
<b>Attachment A-1 to Schedule A “Contracted Service Area, Services and Service Results”</b>	<ul style="list-style-type: none"> <li>• Load Position(s)</li> <li>• CSA Definition</li> </ul>
<b>Schedule B “Leased Equipment”</b>	<ul style="list-style-type: none"> <li>• Add/Delete a Vehicle</li> <li>• Change Brand Promotion for a Vehicle</li> <li>• Request to Transfer a Vehicle to a Different ISP Agreement</li> <li>• Change Base Plate Registration (if election is available through the ISP’s Agreement)</li> <li>• Change Fuel Tax Reporting (if election is available through the ISP’s Agreement)</li> <li>• Add/Modify Alternative Maintenance Schedule for a Vehicle</li> </ul>
<b>Attachment C-2 to Schedule C* “Additional Services”</b>	<ul style="list-style-type: none"> <li>• Propose Additional Services*</li> </ul>
<b>Schedule F “Daily Stop Threshold”</b>	<ul style="list-style-type: none"> <li>• Change Daily Stop Threshold</li> </ul>
<b>Or “Scanner Lease and Software License Requirement” Scanner Lease</b>	<ul style="list-style-type: none"> <li>• Change Scanner Allocation</li> </ul>
<b>Schedule of Amendments</b>	<ul style="list-style-type: none"> <li>• Make other Non-Financial Agreement Changes</li> </ul>

### **Schedule Changes**

A similar process is followed for most Schedule Changes. Before initiating the change, the authorized officer selects the correct ISP and ISP Agreement (if multiple Agreements exist). Users can initiate a Schedule change through several navigational paths in MyGroundBizAccount, including:

- “Operations Information,
- “Workforce Information”
- “Request an Agreement Change”

The user then chooses the appropriate schedule and selects “Change Schedule.” After submitting the request, it will be reviewed by FedEx Ground. The AO will receive email notification after the change request is accepted and ready for final review or not accepted. If the request is accepted, it will also be displayed on the user’s “Pending Actions” page.

The user will then view the draft schedule in PDF format by selecting “View Draft.” The AO selects “Acknowledge” and digitally signs it. Only one change per schedule can be submitted at a time. If a change request is not accepted, it must be resubmitted to be reinitiated.

Prerequisites exist to initiate some change requests, including a change to the CSA definition, and processing of vehicles in the Vehicle Maintenance System (VMS) before adding them.

Additional information about using MyGroundBizAccount to request, review and finalize schedule changes can be found in the MyGroundBizAccount Technical Guide.

***Renegotiation***

An AO can request to renegotiate the financial terms of an ISP Agreement at any time. FedEx Ground, however, will generally entertain a request only in certain instances, such as:

- Station relocation
- CSA relocation
- CSA merger or acquisition
- Unique results or occurrence

# TERMS & DEFINITIONS

# ISP AGREEMENT TERMS & DEFINITIONS

**Asset Transfer Process** – A formal process to transfer PSA(s) between businesses.

**Authorized Officer** – A CSP-designated officer who signs an ISP Agreement and assumes responsibilities for contractual obligations such as requesting modifications to or termination of the ISP Agreement.

**Business Contact** – A CSP-designated employee responsible for managing day-to-day operations and dealing with FedEx Ground on day-to-day operational issues. More than one business contact may be designated if operational needs require. An employee can serve as the business contact for only one CSA at a time.

**Charges Statement** – A weekly statement detailing a CSP's charges and pickup and delivery activity. This replaces the weekly settlement statement.

**Contracted Service Area (CSA)** – An agreed upon area, defined in an ISP Agreement, for which the CSP agrees to provide services.

**Data Collection Report** – A daily package data report based on service provided by each ISP personnel-operator.

**Data Confirmation Report** – A daily report that details package data for each CSA. The ISP Data Confirmation Report may be reviewed with station management and the business contact each morning.

**Driver Data Collection Process** – Daily collection of information from an ISP personnel-operator which is then entered into FedEx Ground's system.

**Driver Qualification** – The process by which FedEx Ground is required to document personnel-operator credentials for compliance with DOT regulations and/or an ISP Agreement.

**Electronic Funds Transfer (EFT)** – The method of payment for services rendered.

**ISP Agreement** – A legal contract negotiated between an ISP and FedEx Ground.

**ISP Data Review** – A daily assessment between FedEx Ground and the business contact of the prior day's activities and issues, as well as any future operational plans.

**ISP Personnel** – An individual employed by a CSP operating under an ISP Agreement. ISP Personnel may include (but are not limited to) officers, business contacts, drivers, helpers, or administrative support.

**ISP Negotiator** – An officer or other CSP employee authorized to negotiate an ISP Agreement on the CSP's behalf.

**Minimum Transition Scale** – Operating the minimum number of PSAs (or stop-based equivalent) in a station, which includes Ground, Home Delivery or designated co-location — current or planned — by the associated deadline, according to station-specific guidelines.

**Negotiations Process** – A process by which FedEx Ground and CSPs confer about and attempt to reach agreement on various financial and non-financial terms of an ISP Agreement.

**FedEx Ground Negotiator** – A FedEx Ground employee who negotiates on behalf of FedEx Ground.

**Proposal** – An offer on the key financial and non-financial terms as well as elections included in an ISP Agreement.

**Proposal Capture & Analysis Tool (PCAT)** – A tool used by FedEx Ground to evaluate Proposals during the Negotiations Process and is available to CSPs to prepare Proposals and calculate estimated revenues based on historical data.

**Request for Information (RFI)** – A request, issued to CSPs by FedEx Ground, which seeks to ascertain the capabilities of prospective CSPs to provide service under an ISP Agreement.

**RFI Response** – A CSP's reply to FedEx Ground's RFI that outlines its capabilities relative to the contractual obligations of the ISP Agreement.

# QUESTIONS & ANSWERS

# Transition Q&A

District-specific Q&A will be supplied in advance of each district's transition, containing information unique to that transition.

## GENERAL

### 1. What is an Independent Service Provider (ISP) Agreement?

An ISP Agreement is a negotiated contract between a business (ISP) and FedEx Ground that includes a range of negotiable financial and non-financial terms.

An ISP is an incorporated business that contracts with and is compensated by FedEx Ground for providing pickup and delivery services. The ISP is responsible for hiring personnel, providing vehicles and maintenance, determining the best way to achieve the contracted-for results, and complying with applicable federal, state and local laws and regulations. An ISP operates under an ISP Agreement with a term of up to three years and individually negotiated components that are unique to its business and contracted service area.

### 2. What is a CSA?

Unlike Primary Service Areas within which businesses provide service under the terms of an Operating Agreement, a Contracted Service Area, or CSA, is a generally larger geographic area within which a business under an ISP Agreement agrees to provide service and manage all aspects of pickup and delivery.

For transition purposes, a CSA comprises any combination of Ground and/or Home Delivery PSAs that operate out of a single station – current or planned – as long as the new CSA meets station-specific “minimum transition scale” guidelines.

A “single station,” as referenced above, can be a FedEx Ground station, a Home Delivery station, or a FedEx Ground and FedEx Home Delivery co-location that are either current or planned stations. Certain stand-alone Ground and Home Delivery stations in close proximity to one another, generally with overlapping service areas, may also be considered co-locations for the purposes of this transition. These close locations will be referred to as “designated close-locations” and will be identified as each district's transition gets underway.

### 3. Can any business pursue an ISP Agreement as long as that business meets all transition-associated conditions and deadlines?

Any business that achieves minimum transition scale by the date communicated will have the exclusive opportunity to negotiate an ISP Agreement, providing all other transition conditions and deadlines are met. However, if the CSP's Operating Agreement is terminated, for whatever reason, it will lose this exclusive opportunity to negotiate and the CSA will be opened for multiple candidates to bid. If this occurs, the current candidate as well as other candidates will have the opportunity to pursue the CSA.

### 4. What is the process for a business to transition from an Operating Agreement to the ISP Agreement?

Transition to an ISP Agreement typically takes 9-24 months for an entire station/district and consists of several key phases and milestones, including:

- Conversion (reaching the required number of PSAs or stops – or minimum transition scale – required by FedEx Ground);
- Preparing for Negotiations;
- the ISP Agreement Negotiations Process (FedEx Ground typically allows 5 weeks for the Negotiations Process); and
- ISP Operations (this is the actual date that the business begins operating under an ISP Agreement, which has a length up to three years, typically two years).

**5. What is meant by “minimum transition scale”?**

Minimum transition scale is defined as operating the minimum number of PSAs (or minimum stop-based equivalent) in a single station, co-location or designated close-location (as determined by FedEx Ground) that are either current or planned stations. Minimum transition scale is generally five PSAs or 500 stops. The number of PSAs, or stops, may be fewer in certain smaller stations.

Tractor PSAs do not count toward the minimum required number of PSAs needed to reach minimum transition scale.

**6. How is a business’s stop-based equivalent determined?**

For the purposes of transition, the number of stops a business operates is determined by:

- Historical data for the previous 12 months excluding November and December; and
- All completed stops (pickups and deliveries) a CSP performs within the service areas that will make up its CSA.

**7. When can a business request that FedEx Ground evaluate its work areas to determine if it meets the stop equivalent to achieve minimum transition scale?**

FedEx Ground will evaluate a business’s work areas after the transition to the ISP Agreement is announced in that business’s particular district. CSPs can begin requesting stop evaluations 90 days before the deadline to achieve minimum transition scale.

**8. Can multiple businesses form a single corporation in order to achieve “minimum transition scale”?**

It is up to each business to determine how it wants to structure its business. Businesses can seek legal, financial and business advice when doing so. However, FedEx Ground will contract only with businesses that are incorporated, in good standing, and are registered with the state(s) in which they do business.

Additionally, only one authorized officer can be designated to act on behalf of the corporation. Businesses can designate one business contact per station per service type.

**9. If a business has an Operating Agreement in multiple states or locations, will it need to negotiate an ISP Agreement in each location?**

Businesses interested in pursuing ISP Agreements in multiple stations (i.e., separate stations not considered co- or close-locations) will need to pursue separate agreements for each station, which includes achieving minimum transition scale in each station by the date communicated for that station/district.

**10. What happens if a business does not want to pursue an ISP Agreement?**

A business that does not pursue transition to the ISP Agreement may assign its Operating Agreement(s) and PSA(s) and pursue other opportunities. It also may choose to continue to provide service under the non-renewed Operating Agreement(s) until it expires.

**11. Can an individual be a shareholder for more than one business operating under an ISP Agreement?**

Yes, as long as the individual discloses the name(s) of all the businesses in which he or she is a shareholder to FedEx Ground.

**12. Does FedEx Ground expect any service disruptions as a result of these announced transitions to the ISP Agreement?**

Service disruptions are not anticipated.

## FINANCIAL INCENTIVES

### 13. What financial incentives are available during a transition to the ISP Agreement?

While each transition is unique, FedEx Ground has typically offered financial incentives in exchange for execution of a Limited Release and Operating Agreement Modification, as well as growth incentives for businesses that acquire eligible PSAs. Additional details about your district's incentives will be made available in the district's workbook.

## SMART GROWTH AND SERVICE AREA DESIGN

### 14. What factors have businesses considered when designing contracted service areas (CSAs)?

Many businesses consider how new stops and service areas will fit together geographically, as well as the financial and efficiency advantages that may result. Businesses operating bordering and/or overlapping Ground and Home Delivery service areas within a six-day operation have typically experienced more efficient use of vehicles, fuel and personnel, as well as greater operational capacity and flexibility for meeting customer needs.

### 15. Can a business operate both Ground and Home Delivery PSAs under an ISP Agreement?

Yes. ISP candidates can choose to operate any combination of Ground and/or Home Delivery PSAs or stops in the same station, co-location – current or planned – or designated stand-alone stations that are in close proximity to each other (as determined by FedEx Ground) under an ISP Agreement, as long as minimum scale guidelines are met.

While a CSA may include non-contiguous (non-adjointing) service areas, a higher level of operational efficiency will likely be achieved through contiguous (adjoining) service areas and by overlapping Ground and Home Delivery areas. Network resources, such as co-locations and P&D systems, are being aligned to fully support these six-day operations.

### 16. Why are Ground and Home Delivery overlap and six-day operations a priority?

Rapidly evolving market conditions and customer demand – including the growth of e-commerce and residential deliveries – necessitate a move toward increased service capacity and operational flexibility. These two factors help meet customer expectations and enable businesses operating under ISP Agreements to quickly address and adapt to volume surges, particularly during Peak and special holidays. Overlapping Ground and Home Delivery service areas help to address these factors and are mutually beneficial for both FedEx Ground and contracted service providers.

### 17. What are some of the benefits in operating overlapping Ground and Home Delivery service areas?

Businesses that incorporate Ground and Home Delivery overlap into their CSAs have the best opportunity to realize increased stop density, improved productivity and a reduction in miles per vehicle or in the total number of vehicles needed. In recognition of these dynamics, servicing overlapping Ground and Home Delivery stops within a CSA will be a positive differentiator for businesses moving forward. FedEx Ground may consider the overlap of stops as a factor when contracting decisions are made.

Additionally, businesses operating both Ground and Home Delivery service areas can do so under one ISP Agreement. There is only one service area to manage, in which all stops and packages are paid the same negotiated rate.

## **NEGOTIATIONS**

### **18. How do FedEx Ground and ISP candidates negotiate?**

Negotiations are conducted electronically and by phone between each ISP candidate's negotiator and a negotiator based at FedEx Ground's headquarters, giving each party time to evaluate proposals and counterproposals. The Negotiations Process continues (typically five weeks) until an agreement is reached or negotiations reach impasse. Negotiations need to be completed no later than the station-specific date established by FedEx Ground. ISP Agreements take effect upon the station-specific date established.

## **OPERATING AS AN ISP**

### **19. Are businesses operating under an ISP Agreement limited in doing other business?**

Businesses are free to conduct other business in accordance with applicable laws provided there is no breach of the ISP Agreement.

# APPENDICES

## APPENDIX 1 - Period Safety Incentive

FedEx Ground believes safety is fundamental to running a successful business. As part of its commitment to safety, FedEx Ground will pay a negotiated “Period Safety Incentive” to CSPs based on the number of *preventable* accidents (if any) by the CSP and the number of vehicles listed on Schedule B at the end of the Safety “Period”.

### How does the Period Safety Incentive work?

FedEx Ground will pay CSPs a negotiated Period Safety Incentive payment. Unlike the safety incentive paid to CSPs under the Operating Agreement, the amount of the Period Safety Incentive paid to CSPs is negotiable. Under the terms of the ISP Agreement, a “Period” will consist of four consecutive weeks.

FedEx Ground will make a good faith determination of the preventability of each accident by applying the criteria in *Trucking Industry Guidelines for Reporting Fleet Vehicle Accidents and Determining Preventability* published by the American Trucking Associations.

The CSP will propose a Period Safety Incentive amount that will be the maximum it would receive if no preventable accidents occur during a Safety Period. FedEx Ground and the CSP will negotiate the final Period Safety Incentive.

At the end of each four-week subject period, PSI attainment is determined based on information from the four-week subject period that is received, collected and analyzed over the following three weeks. After this three-week evaluation, each incentive is then paid within seven days. A full Period Safety Incentive will be paid if the CSP successfully completes a four-week period with no preventable accidents.

The reduction in dollars will be determined by:

- Dividing the Period Safety Incentive by the number of vehicles listed on Schedule B at the period’s end, and
- Multiplying the result by the number of preventable accidents during the period.

### Period Safety Incentive Examples

**Scenario 1** –The CSP has 5 vans on Schedule B of its ISP Agreement and it negotiated \$3,000 for the “Period Safety Incentive.” CSP has 1 preventable accident in period 1.

Period	1	2	3	4
Period Safety Incentive	\$3,000	\$3,000	\$3,000	\$3,000
Number of Vehicles	/ 5	/ 5	/ 5	/ 5
Period Safety Incentive per vehicle	\$600	\$600	\$600	\$600
Period Safety Incentive per vehicle	\$600	\$600	\$600	\$600
Number of Accidents	X 1	X 1	X 1	X 0
Reduction in Period Safety Incentive	\$600	\$600	\$600	\$0
Period Safety Incentive	\$3,000	\$3,000	\$3,000	\$3,000
Reduction in Period Safety Incentive	- \$600	- \$600	- \$600	- \$0
<b>Period Safety Incentive Received</b>	<b>\$2,400</b>	<b>\$2,400</b>	<b>\$2,400</b>	<b>\$3,000</b>

**Scenario 2** - The CSP has 1 preventable accident and 5 vehicles at the end of the period. The next period, the ISP has another preventable accident and the CSP added one vehicle.

<b>Period</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Period Safety Incentive	\$3,000	\$3,000	\$3,000	\$3,000
Number of Vehicles	/ 5	/ 6	/ 6	/ 6
Period Safety Incentive per vehicle	\$600	\$500	\$500	\$500
Period Safety Incentive per vehicle -Period 1 Accident	\$600	\$600	\$600	
Period Safety Incentive per vehicle -Period 2 Accident		\$500	\$500	\$500
Reduction in Period Safety Incentive	\$600	\$1,100	\$1,100	\$500
Period Safety Incentive	\$3,000	\$3,000	\$3,000	\$3,000
Reduction in Period Safety Incentive	-\$600	-\$1,100	-\$1,100	-\$500
<b>Period Safety Incentive Received</b>	<b>\$2,400</b>	<b>\$1,900</b>	<b>\$1,900</b>	<b>\$2,500</b>

## APPENDIX 2 - Fuel Surcharge, Surge Stop & Daily Stop Threshold

As part of the ISP Agreement, CSPs may choose to negotiate a “Per Stop Fuel Surcharge.” The negotiated Per Stop Fuel Surcharge provides compensation to CSPs based on each stop performed on a given day. The Per Stop Fuel Surcharge supplements the fuel cost and is not intended to compensate for the total fuel cost. The following provides background information on the Per Stop Fuel Surcharge as well as information on the indexing of the Per Stop Fuel Surcharge, should fuel prices rise or fall.

### Documentation and Information Sources

The Per Stop Fuel Surcharge is a value negotiated between FedEx Ground and the CSP. The following information could be useful to CSPs when negotiating the Per Stop Fuel Surcharge:

- Miles-per-gallon (MPG) ratings for each vehicle as determined by the US Environmental Protection Agency (EPA)
- Total miles driven each day by a vehicle as documented by the CSP
- Total stops performed each day as documented by the CSP or by FedEx Ground

Current fuel prices will be determined by information provided by a third-party vendor, the Oil Price Information Service (OPIS).

### Calculating the Per Stop Fuel Surcharge

ISP Agreements will contain a Base Pump Price established at the start of negotiation according to the OPIS reported price for that week. OPIS fuel data will be provided by FedEx Ground to the CSP at the time the PCAT is available (OPIS information is also available at any time on MyGroundBizAccount). The Base Pump Price is the price per gallon of self-service diesel fuel available within the ZIP Code of the CSP’s station. With a Base Pump Price in hand, the Per Stop Fuel Surcharge can be calculated using any formula chosen by the CSP. Several examples, for illustration purposes only, are provided below.

One formula utilizes a vehicle’s historical daily fuel consumption volumes and costs. To develop a Per Stop Fuel Surcharge value, the vehicle’s historical daily fuel consumption and cost information is divided by total daily stops performed by that vehicle.

An alternative formula estimates a vehicle’s daily fuel consumption by dividing the total daily driven miles by the EPA-determined MPG rating of the vehicle. That number could then be multiplied by the Base Pump Price to determine total daily fuel cost. Finally, the total daily fuel cost could be divided by the number of the total daily stops for the vehicle to determine a Per Stop Fuel Surcharge value.

For illustration purposes only, the following graphic shows the calculation of a Per Stop Fuel Surcharge for a fictional vehicle with an MPG of 10, 500 daily driven miles, 250 total stops and a Base Pump Price of \$3.00 per gallon:

500 Miles per day
÷ 10 MPG
= 50 Gallons used per day

50 Gallons used a day
X \$3.00 Price per gallon
= \$150 Daily cost of fuel

\$150 Daily cost of fuel
÷250 Total stops / day
= <b>\$ 0.60 Fuel cost per stop</b>

## Indexing the Per Stop Fuel Surcharge

To account for changing fuel prices, the Per Stop Fuel Surcharge will be indexed weekly to track increases or decreases in the price of fuel. The Per Stop Fuel Surcharge for each week's stop activity will increase or decrease depending on fuel price fluctuations in the Average Weekly Fuel Price that will be specific to the zip code area for each FXG Station the CSP services stops from. Information from OPIS will be used to determine the Average Weekly Fuel Price.

## Examples of Per Stop Fuel Surcharge Indexing Adjustments

The following are examples of how the Per Stop Fuel Surcharge would be indexed for fuel price fluctuations. This example assumes a negotiated Per Stop Fuel Surcharge of \$0.60/stop and a Base Pump Price of \$3.00/gallon.

- If the Average Weekly Fuel Price rises to \$3.40/gallon, the increased indexed Per Stop Fuel Surcharge will rise to \$0.68/stop ( $\$3.40 \text{ divided by } \$3.00 \text{ multiplied by } \$0.60/\text{stop} = \$0.68/\text{stop}$ ).
- If the Average Weekly Fuel Price falls to \$2.60/gallon, the decreased indexed Per Stop Fuel Surcharge will be \$0.52/stop ( $\$2.60 \text{ divided by } \$3.00 \text{ multiplied by } \$0.60/\text{stop} = \$0.52/\text{stop}$ ).

If a CSP picks up/delivers packages at stops in a CSA associated with different FedEx Ground stations, the Average Weekly Fuel Price for indexing purposes will be the Per Stop Fuel Surcharge determined as described above and calculated separately for each station to which the stops are associated.

## Daily Stop Threshold and Surge Stop Charge

The Daily Stop Threshold will be a negotiable element under the ISP Agreement. Only the stops performed by the CSP in a single service day for its CSA will be used to determine if it has exceeded its Daily Stop Threshold. An CSP may choose to exercise its Right to Decline to provide service to stops above its Daily Stop Threshold, FedEx Ground may then exercise its Right to Ensure Service for this volume.

If a CSP chooses to deliver above its Daily Stop Threshold, the negotiable Surge Stop Charge will be paid during the period defined as Peak from the Saturday immediately before Thanksgiving Day through the Friday that falls on or immediately after December 31. This will be paid based on the number of stops above which the Daily Stop Threshold has been exceeded. Additionally, during all weekends between Thanksgiving Day and Christmas Day, Saturday, Sunday, and Monday will be counted as one service day for the purposes of calculating the Surge Stop Charge. This negotiated charge component is designed to compensate CSPs for taking on additional volume during Peak. The Right to Decline based on the Daily Stop Threshold is still in effect on a daily basis.

## APPENDIX 3 – Customer Service Incentive

FedEx Ground is known for its superior customer service and that commitment is emphasized in the ISP Agreement. The Customer Service Incentive (CSI) is a negotiable component designed to offer CSPs a financial incentive to provide exceptional customer service. CSPs that achieve agreed upon customer service levels will receive CSI charges as described below. CSI is described in Schedule D of the ISP Agreement and on <http://mygroundbiz.com>.

### How does the Customer Service Incentive work?

CSI is calculated using two criteria for measuring customer service: on-time pickups/customer complaint avoidance and Inbound Local Service. Each criterion is weighted differently and used to determine the portion of the negotiated CSI charges CSPs will receive for each consecutive four-week period of the ISP Agreement. At the end of each four-week subject period, FedEx Ground will take the following three weeks to evaluate CSI criteria based on information provided by ISP Personnel to FedEx Ground as well as information collected and analyzed during the four-week subject period. CSI will be paid within seven days after the end of the three-week evaluation period following each four-week subject period.

Under the terms of the ISP Agreement, a “period” consists of four consecutive weeks.

Performance, for the purposes of CSI, is based on the following criteria and weighted percentages. There are three different weighted percentage scenarios depending on the number of pickups performed by the CSP during the period.

Criteria	300+ pickups per Period	1-299 pickups per Period	0 pickups per Period
Pickup/complaint	70%	50%	40%
Inbound Local Service	30%	50%	60%

### Pickup performance/customer complaint avoidance

Pickup performance/customer complaint avoidance is measured on the following criteria:

- Missed pickups
- Pickup window compliance
- Pickup scanning compliance
- Customer complaint

Ineligible Event	Reduction
Missed Pickup	\$400
Early Pickup	\$275
Late Pickup	\$150
Manual Pickup	\$50
Complaint	\$300

The table above describes the amount reduced for each ineligible event that occurs during a given period. CSPs will receive payment for the amount negotiated – weighted based on the number of pickups as described above – minus any reductions for ineligible events or \$0, whichever is greater. If there are no ineligible events that occur during a given period, the ISP will receive payment for the full amount for this category.

**Inbound Local Service**

The remaining portion of an ISP's CSI charges is determined by the ISP's Inbound Local Service during the consecutive four-week period.

The portion of the CSI payment associated with Inbound Local Service received will depend on the service level achieved. The actual Inbound Local Service is measured to one-tenth of one percent, which then is used to determine the portion of the payment received. See the chart below.

<b>Inbound Local Service</b>	<b>Portion received</b>
<b>≥ 99.7%</b>	<b>110%</b>
<b>99.6%</b>	<b>100%</b>
<b>99.5%</b>	<b>60%</b>
<b>99.4%</b>	<b>30%</b>
<b>≤ 99.3%</b>	<b>0%</b>

Schedule D lists the specific criteria that will be utilized to determine if a service failure will be charged against the CSP for the purposes of Inbound Local Service calculations.

## CSI examples

Please refer to the following illustrative examples of how CSI may work based on several performance scenarios.

### EXAMPLE ONE

Period	1	2	3
Period delivery packages	18,000	18,500	19,000
Period pickup stops	350	295	450
Pickup performance/complaint avoidance weight	70%	50%	70%
Local Inbound Service weight	30%	50%	30%
Negotiated period CSI	\$ 2,000	\$ 2,000	\$ 2,000

Pickup performance/complaint avoidance			
Missed pickups	0	0	1
Early pickups	0	2	0
Late pickups	0	1	0
Scanning failures	0	0	3
Customer complaints	0	0	3
Total pickup performance/complaint avoidance \$ available	\$ 1,400	\$ 1,000	\$ 1,400
Total reduction amount	\$ -	\$ 700	\$ 1,450
<b>Total pickup/complaint incentive attained</b>	<b>\$ 1,400</b>	<b>\$ 300</b>	<b>\$ 0</b>

Local Inbound Service			
Non-exemption delivery package failures	10	90	150
Inbound Local Service	99.9%	99.5%	99.2%
Inbound Local Service & available	\$ 600	\$ 1,000	\$ 600
<b>Total Inbound Local Service incentive attained</b>	<b>\$ 660</b>	<b>\$ 600</b>	<b>\$ 0</b>

<b>Total CSI period payment attained</b>	<b>\$ 2,060</b>	<b>\$ 900</b>	<b>\$ 0</b>
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**EXAMPLE TWO**

<b>Period</b>	<b>1</b>	<b>2</b>	<b>3</b>
Period delivery packages	8,500	9,000	9,250
Period pickup stops	25	0	10
Pickup performance/complaint avoidance weight	50%	40%	50%
Local Inbound Service weight	50%	60%	50%
Negotiated period CSI	\$ 3,000	\$ 3,000	\$ 3,000

<b>Pickup performance/complaint avoidance</b>			
Missed pickups	1	0	0
Early pickups	0	0	1
Late pickups	0	0	0
Scanning failures	1	0	9
Customer complaints	2	1	0
Total pickup performance/complaint avoidance \$ available	\$ 1,500	\$ 1,200	\$ 1,500
Total reduction amount	\$ 1,050	\$ 300	\$ 725
<b>Total pickup/complaint incentive attained</b>	<b>\$ 450</b>	<b>\$ 900</b>	<b>\$ 775</b>

<b>Local Inbound Service</b>			
Non-exemption delivery package failures	100	35	5
Inbound Local Service	98.8%	99.6%	99.9%
Inbound Local Service & available	\$ 1,500	\$ 1,800	\$ 1,500
<b>Total Inbound Local Service incentive attained</b>	<b>\$ 0</b>	<b>\$ 1,800</b>	<b>\$ 1,650</b>

<b>Total CSI period payment attained</b>	<b>\$ 450</b>	<b>\$ 2,700</b>	<b>\$ 2,425</b>
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