

FedEx 2009 Shareowners Meeting Transcript – September 28, 2009

FedEx 2009 Shareowners Meeting

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Good morning, ladies and gentlemen, and welcome to the Annual Stockholder's Meeting of FedEx Corporation. My name is Frederick W. Smith. I'm the Chairman of the Board and Chief Executive Officer of FedEx Corporation. We appreciate the interest of the stockholders who have come to the meeting, and we thank you for being here. This meeting is being webcast live. I would also like to welcome our stockholders who have joined us via this Webcast.

I'd like to begin by introducing the other members of our Board of Directors, who are present today. As I call your name, I'd appreciate it if each of you would stand and be recognized. Jim Barksdale; John Edwardson; Pitt Hyde; Shirley Jackson; Steve Loranger; Gary Loveman; Susan Schwab; Joshua Smith; Paul Walsh; and Peter Willmott. Also present is David Steiner, a new nominee for election to the Board this morning.

As you may know, Peter Willmott, who has been a member of our Board of Directors since 1974, will be retiring from the Board, effective today. We'd like to thank Pete Willmott for his many years of service and dedication, and contributions to FedEx, and wish him well in his retirement.

Pete?

Joining me on stage are Christine Richards, our Executive Vice President, General Counsel and Corporate Secretary, who will act as Secretary of the meeting, and John Ruocco, Senior Relationship Manager of Computershare Trust Company, our transfer agent, who has been appointed and duly sworn as Inspector of Election. Representatives of Ernst & Young are also present, and available to answer appropriate questions that you may have of them as auditors of the Company's fiscal year 2009 financial statements.

As each of you entered the room, you were given a copy of the agenda and the annual meeting guidelines. The meeting will be conducted in accordance with that agenda and the guidelines. If you have not received copies of the agenda and guidelines, please raise your hand, and copies will be brought to you. There's one over there—two of them are needed.

I'll now call the meeting to order. Ms. Richards will report on the giving of notice for the meeting, and the presence of a quorum.

Christine P. Richards

Executive Vice President, General Counsel and Secretary, FedEx Corp.

Mr. Chairman, I have a complete list of the holders of record of the Company's common stock at the close of business on August 3, 2009, who are entitled to vote at this meeting. The list is arranged in alphabetical order, and indicates the number of shares held by each stockholder. It was prepared and certified by Computershare Trust Company, the Company's transfer agent for the common stock.

I have also received an affidavit of a representative of Computershare Trust Company, which states that on August 17, 2009, the Notice of Annual Meeting, the Proxy Statement, the Proxy, the 2009 Annual Report, and a postage prepaid return envelope were mailed to the stockholders of record as of August 3, 2009. A tabulation of the proxies received from the shareholders indicates that a majority of the shares outstanding on the record date are represented at this meeting, and a quorum is present.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Thank you, Christine. A copy of the affidavit will be filed with the records of this meeting. The polls for each proposal are now open at 11:03 a.m., Central Time, on September 28, 2009. The proposals to be considered today are listed on the agenda, and in the proxy materials previously distributed. If you've already submitted your proxy, your shares will be voted accordingly. If there is any stockholder present who has not yet voted, and wishes to do so, please hold up your hand so that we may distribute a ballot to you now. Anybody need one?

If you've previously voted by proxy, please do not fill out a ballot unless you wish to change your proxy vote. Since there are no ballots that need to be filled out, I'll skip this section.

The audience will have the opportunity to ask any questions relating to these proposals after all of the proposals have been presented. Please defer any questions or comments relating to the proposals until such time. If you have any questions that are not directly related to the proposals, you'll have the opportunity to ask questions at the conclusion of the meeting.

Now, the first matter to be taken up today is the election of the Directors. Twelve Directors are up for election today. A nominee will be elected to the Board of Directors if the number of votes cast for such a nominee's election exceeds the numbers — a number of votes cast against such nominee's election.

If elected, each nominee will serve as a Director until the 2010 Annual Meeting, and until his or her successor is duly elected and qualified. The nominees are as follows; James L. Barksdale; John A. Edwardson; Judith L. Estrin, who could not be with us today, but joined us on the phone yesterday; J.R. Hyde III; Shirley A. Jackson; Steven R. Loranger; Gary W. Loveman; Susan C. Schwab; Frederick W. Smith; Joshua I. Smith; David P. Steiner; and Paul S. Walsh.

The second item to be considered today is the ratification of the appointment of Ernst & Young, LLP, as the independent registered public accounting firm of the Company for the fiscal year ended May 31, 2010. The third proposal is the consideration of a stockholder proposal regarding an independent Board Chairman.

I will now ask a qualified representative of the proponent to present the proposal. Please limit the presentation of your proposal to three minutes. When you make the proposal, we'd appreciate you giving your name, the organization, if any, that you represent, and the number of shares that you represent.

Louis Malizia

International Brotherhood of Teamsters

Thank you, Mr. Chairman. My name is Louis Malizia, and I am representing the International Brotherhood of Teamsters General Fund and its shares — 176 shares owned by the fund. The fund is a leader in corporate governance, and is an advisor to the nearly \$100 million in assets that are controlled by Teamster funds throughout the United States.

Members of the Board, Mr. Chair, my fellow shareholders, Teamsters believe that FedEx founder Frederick Smith's dual role as Chairman and Chief Executive has resulted in a CEO-dominated Board incapable of providing the rigorous independent oversight of management that investors demand.

FedEx's lack of an independent Board leadership compromised Board independence and effectiveness, chronic poor performance, excessive executive pay and questionable business strategies, underscore the

urgent need for an independent Chair to lead our Company's Board in holding management accountable in providing strategic oversight and guidance.

Industry peers have pummeled our Company in recent years, as our Company underperformed the trucking and shipping industry group on the basis of total shareholder returns over the one, three and five-year periods ending June 30, 2009. Over the same performance periods, FedEx also trailed the S&P 500 index, and underperformed its chief competitor, UPS, based on total shareholder returns.

While shareholder value has fallen by more than 50% over the past three fiscal years, our Chair and CEO has raked in exorbitant pay, accruing more than \$84 million, based on the Corporate Library's definition of total realized pay. In fiscal 2008, our CEO accrued \$44.5 million, which is around 27 times more than the median total realized CEO pay for the trucking and shipping industry group. Profits made on the exercise of stock-option grants, with no performance hurdles made up the bulk of this pay.

Concerns over lack of pay-for-performance measures persist in 2009, despite a significant decrease in CEO pay. Time vesting stock options not tied to performance goals dominate the pay package, comprising nearly 48% of total direct compensation in 2009. Among the Board members who approved our CEO's compensation are four long-tenured Directors, two of whom have ties to the Company, and have served under Mr. Smith's leadership for more than 19 years.

In addition to these pay and performance concerns, we believe that our CEO's controlling influence led to the Board's rubber-stamping of an illicit business model at FedEx Ground, which has exposed our Company to staggering legal, financial and reputational risks that stand to devastate shareholder value.

We believe FedEx Ground's business model is built on the misclassification of employee drivers as independent contractors, an unlawful strategy that has allowed FedEx to evade expenses like payroll taxes, overtime and benefits.

The pursuit of this questionable business model raises serious questions about the Board's ability to act as an effective check on management under the leadership of our Chairman and CEO. The time is right to appoint an independent Chair, and we ask that our fellow shareholders vote for proposal three. Thank you.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

The next item of business is the consideration of a stockholder proposal regarding special shareowner meetings. I will now ask a qualified representative of the proponent to present the proposal. If you would state your name, the organization you represent, and the number of shares you represent, we'd appreciate it.

Jamie St. Laurent

ProxyVote Plus Representative

My name is Jamie St. Laurent. I'm here as a representative of ProxyVote Plus, representing 22,405 shares. And this proposal is sponsored by John Chevedden.

Proposal number four resolved; shareowners ask our Board to take the steps necessary to amend our Bylaws and each governing document to give shareholders of 10% of our outstanding common stock the power to call a special shareowner meeting.

This includes that such bylaw and/or charter text will not have an exception or excluded conditions to the fullest extent permitted by state law that apply only to shareowners, but not to management and/or the Board. Special meetings allow shareowners to vote on important matters, such as electing new Directors, that can arise between annual meetings.

If shareowners cannot call special meetings, investor returns may suffer. Shareowners should have the ability to call a special meeting when a matter merits prompt consideration. This proposal topic won impressive support at the following companies; Priceline.com, Incorporated, with 63% support; Occidental Petroleum, with 66% support; FirstEnergy, with 67% support; and Marathon Oil, with 69% support. We ask shareholders to vote in favor of proposal number four. Thank you.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

The next item of business is a consideration of a stockholder proposal regarding a shareholder vote on executive pay. I will now ask a qualified representative of the proponent to present the proposal. Again, your name, please, sir, the organization you represent, and the number of shares you represent.

David H. Ciscel

Marnie Thompson Representative

Good morning, Mr. Chairman. My name is David H. Ciscel, and I'm here on the proxy of Marnie Thompson, owner of 75 shares of FedEx common stock, who filed this resolution. Ms. Thompson and I are members of Responsible Wealth Project, whose members promote education concerning progressive taxation and corporate accountability. I am pleased to move shareholder proposal number five, asking FedEx Corporation to give its shareholders a say on pay in the form of an advisory vote of stockholders to ratify the Board Compensation Report.

As everyone in this room is aware, the controversy around executive pay has reached a new level of intensity in the last several years. The media headlines are increasingly critical of outsized executive pay, especially when shareholder value is decreasing, or when employees are being laid off. In fact, many corporations and their Directors are taking a second look at executive-compensation packages of the past decade.

A bill currently in Congress to mandate an advisory vote on say-on-pay passed the House of Representatives and is now before the Senate. While say-on-pay may soon become law, we urge this Company to show leadership and governance by acting before Congress requires it. In addition, there is a wider corporate movement to adopt say-on-pay as a resolution. This resolution has been presented for a vote to over 100 companies in 2009, and has been sponsored by 75 different institutional and individual investors.

In response to this resolution, 25 companies have voluntarily agreed to implement the advisory vote. And investor support for this resolution is fairly high. At 20 companies, the resolution received over 50% of the vote. And the average vote this year has been 46%.

We believe say-on-pay as a resolution, is a fair and reasonable reform to address the current controversy surrounding executive pay. It would institutionalize a formal annual method of communication for investors to give Board members feedback on compensation reports.

The FedEx Board of Directors statement argues that stockholders can already communicate their concerns to the Board. But a vote by all shareholders is more transparent, and will give the Board a much clearer sense of whether or not there is broad dissatisfaction

with the Company's executive-pay policies among shareholders.

We urge you to listen to your shareholders. You can show your commitment to good governance by implementing this advisory-vote reform. We urge shareholders to vote for this proposal. Thank you very much.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

The next item of business is a consideration of a stockholder proposal regarding health-care reform principles. I will now ask a qualified representative of the proponent to present the proposal. Again, please state your name, the organization you represent, and the number of shares you represent.

Louis Malizia

International Brotherhood of Teamsters

Mr. Chairman, my name is Louis Malizia, and I am presenting the proposal on behalf of the AFL-CIO Reserve Fund. The AFL-CIO's Reserve Fund proposal calls upon FedEx to join with more than 35 of America's leading companies, including General Electric, ExxonMobil, Staples and McDonald's, to adopt principles for health-care reform.

Each of these companies, like FedEx, provides health-insurance benefits to its employees. But each company is powerless to contain costs and improve the quality of care unless, and until, every American has health insurance. Leading authorities, like Emory University Professor Kenneth Thorpe, cites surcharges as high as \$1,160 per employee that are added each year to the total cost of health insurance, just to pay for nearly 47 million Americans who have no health insurance at all.

President of the United States, Barack Obama, cited similar figures this month in his address to a joint session of Congress. We all know about the plight of GM, Ford and Chrysler. Falling sales and the recession are certainly to blame. But the \$1,500 that must be added to the sticker price of every car to cover health-care costs — more than steel costs — is a major problem.

Starbucks CEO, Howard Schultz, says his company now pays more for health insurance for its employees than it does for the coffee it sells every day. John Castellani, President of the Business Roundtable, representing 160 of America's largest corporations, says that 52% of his members cite health-care costs

as their biggest economic challenge. According to him, the current situation is not sustainable in a global competitive workplace.

President Obama has already made health-care reform a top priority for economic recovery. Congress is now working to guarantee coverage for all Americans. FedEx is one of the most-admired companies in America. When FedEx takes a stand, it matters. Our company has already figured prominently in the health-care debate over the public plan, with President Obama and many others pointing to FedEx as a very successful company that can certainly compete with another public plan called the Post Office.

Now, it's time for FedEx to take a stand on health reform. No one company can solve the health-care crisis by itself. The solution must come from Washington. The Board's statement opposing this proposal says, the adoption of these health-care-reform principles will not advance the national dialogue or facilitate the enactment of federal legislation that would benefit FedEx, our employees, or our stockholders. We feel the Board has it all wrong.

President Obama, the Congress and the American people need the support of leading companies like FedEx to enact health-care reform. FedEx should not sit on the sidelines. Now is the time for the company to state its commitment to affordable universal coverage for all Americans. Will you, Chairman Smith, support proposal six, and urge its adoption by the Board and FedEx shareholders? Thank you.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Now, ladies and gentlemen, I would like to open the floor to any discussion regarding these proposals. Now, let me remind you, if there are any questions or comments not directly related to these proposals, please defer them until after the conclusion of the meeting. The audience will be given the opportunity to ask general questions at that time.

(Pause.)

Since there are no comments on these proposals, we'll now have the Inspector of Election report on the results of the voting. There were no ballots that were sent in from the floor, so we now seem to have all of the ballots. I hereby declare the polls closed at 11:17 a.m. Central Time, 28th September, 2009. And I'll now ask the Inspector of Election to report on the results of the voting for each of the proposals.

John Ruocco

Computershare Trust Company

Mr. Chairman, there are present at this meeting, in person or by proxy, 275,947,266 shares of the Company's common stock, out of a total of 312,387,969 shares outstanding and entitled to vote. With respect to proposal one, the election of Directors, each Director-nominee received more votes cast for such nominee's election, than against such nominee's election.

With respect to proposal two, the ratification and the appointment of the independent registered public accounting firm, 274,946,887 shares have voted in favor of this proposal, and 736,066 shares have voted against the proposal.

With respect to proposal three, the stockholder proposal regarding an independent Board Chairman, 67,283,417 shares have voted in favor of this proposal, and 178,284,031 shares have been voted against the proposal.

With respect to proposal four, the stockholder proposal regarding special shareholder meetings, 111,248,034 shares have been voted in favor of this proposal, and 136,756,034 shares have been voted against the proposal.

With respect to proposal five, the stockholder proposal regarding a shareholder vote on executive pay, 77,273,844 shares have been voted in favor of this proposal, and 167,841,788 shares have been voted against the proposal.

With respect to proposal number six, the shareholder proposal regarding health-care-reform principles, 8,658,227 shares have been voted in favor of this proposal, and 195,994,022 shares have been voted against the proposal.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Thank you, Mr. Ruocco. To summarize the voting, each of the Director-nominees has been duly elected to serve as a Director of the Company. The appointment of Ernst & Young, LLP, as the independent registered public accounting firm of the Company for fiscal year 2010 has been ratified, and none of the stockholder proposals have been adopted.

Now, ladies and gentlemen, that concludes the official business portion of the meeting. There being no further official business, the meeting is hereby adjourned. I will conclude with some brief remarks and a corporate overview, followed by a general question-and-answer session.

Let me take a few moments to give you an overview of fiscal year 2009, that ended on May 31st, and to discuss our strategy going forward. At the core of any strategy we implement, let me note at the onset, are the unmatched commitment, talent and drive of our FedEx team members — over 275,000 worldwide now.

As you came in, you saw just one way our people keep the FedEx reputation strong. Their work in the FedEx Cares projects all over the world last week proved our team members are dedicated community citizens and true ambassadors of the respected FedEx brand.

Our team members are the single most important factor in the success of our Company. Because of the severe economic contraction, they have made tremendous sacrifices in the past year, often with pay cuts, lower hours, suspension of our 401(k) match, but in spite of all of that, they still delivered on our Purple Promise to make every FedEx experience outstanding for our customers. On behalf of our entire Leadership Team, I'd like to say to our folks across the globe, thank you for all that you do for FedEx.

Looking at the past fiscal year, the most important thing to realize is that, while we certainly have felt the effects of this unprecedented recession, we did not stop taking aggressive steps to become stronger for the upturn. For example, we know that our unmatched global networks are bridges to the future, so we continue to expand them to give broader reach to our customers the world over.

We opened our new Asia-Pacific hub in Guangzhou, China, our largest outside the United States, or at least until the new expansion at Charles de Gaulle goes in operation here shortly, when it will lap Guangzhou, again. The new Guangzhou hub means greater access both in China and in the greater Asia-Pacific markets.

We added domestic express service in Mexico, enhanced next-day service from Europe to the key East Coast markets, and expanded SmartPost services. Building on those FY09 service additions, this fiscal year, we've expanded our international economy and international economy freight services in many regions around the world. Our economy

services in the international sector now reach markets representing almost 90% of global GDP.

FedEx Ground opened three new distribution hubs, including the advanced-technology Chicago hub. Able to process up to 30,000 packages an hour, it serves our growing ground customer base in the Midwest. At FedEx Freight, we opened four new facilities and launched next-day service to and from Canada.

Through FedEx Trade Networks, we offered ocean-ground distribution from Asia to the West Coast. Last year, we opened three FedEx Trade Network offices in China. And this fiscal year, we've already opened offices in Latin America, and additional ones in Asia. There will be more to come later this fiscal year.

Through network expansion, we gave millions of people new access to products, services and ideas that they need to thrive. Another strategy in FY09 was continued investments in efficiency, both for increased future profitability for our Company, and for the conservation of energy. We are investing in alternative fuels and in more efficient aircraft with lower emissions, such as our magnificent new 777 freighters. We took the delivery of the first one this past week.

Regarding vehicles, our goal is to make our vehicles 20% more efficient by 2020, so we continue to invest in our hybrid-electric vehicle fleet and in all electric prototypes as well. We're even converting regular used vehicles into hybrids, since we can't get the new ones fast enough.

We continue to invest in network enhancements that ensure that FedEx Ground is faster, to more locations, than any other carriers. Since 2003, we've accelerated transit times by a full day in more than 60% of our city-to-city U.S. ground shipping lanes. FedEx Freight has reduced transit times by at least a day, in more than 2,600 lanes in fiscal year '09. Our freight, regional and long-haul networks are among the fastest in the less-than-truckload sector.

In addition to the three solar facilities we have in California, we are constructing what will be our largest solar plant in Cologne, Germany. In the United States, FedEx Ground announced plans for the largest rooftop solar-electric powered addition to its Woodbridge, New Jersey hub. We're also making our processes more efficient through quality driven management, or QDM, as we call it. It's a whole new approach to standardizing quality across our companies. It helps ensure that every FedEx experience is consistently outstanding, and that we are constantly becoming easier to do business with.

Furthermore, to complement our QDM efforts, we are embarking on the biggest cross-operating company initiative we've ever undertaken to revamp our business rules, processes and information technology. The goal is to simplify and streamline across the entire corporation so that we can compete faster, particularly in the realm of technology, and become easier to do business with, regardless of the FedEx operating company.

Another step we took towards building market muscle at FedEx was investment in new technology to keep pace with fast changes in customer needs, and in supply chains. We've refreshed our online tracking tools to increase visibility of shipments through desktop or mobile devices. We pioneered a new aircraft avionic system that improves efficiencies on takeoff and landing, and enhances safety. We're exploring ways to keep products frozen longer for the life-sciences industry.

FedEx Trade Networks used technology to roll out a new service to help customers meet new U.S. Customs filing requirements. We've honed our driver routing and navigation tools for more efficient delivery and fuel savings. Not only have we gotten stronger in fiscal year '09, but we've continued to push harder against laws and policies that would compromise our work model, our operations, and U.S. access to world markets.

For example, UPS and its allies are trying to disrupt FedEx Express operations by changing the Railway Labor Act, under which Express has been classified since it began operations in 1973. The status of FedEx Express as a Railway Labor Act carrier has been upheld by the courts for many years. And we vigorously oppose what is clearly anti-competitive, self-serving legislation, given its potential to harm FedEx Express and our many customers.

FedEx continues to advocate for open markets and open skies. 95% of the world's consumers live outside the United States. The interconnectedness of global economies is a genie that's been let out of the bottle and cannot be put back. And anyone who is a student of world commerce in the past 60 years certainly wouldn't want to.

We Americans wrote the book on how open trade creates jobs, prosperity and higher living standards. Since then, other countries have taken our ball and run with it, negotiating free-trade agreements with others. We at FedEx will continue to take a strong stand for trade equality in the marketplace, and healthy competition that benefits consumers

everywhere. To do anything less is to slow America's economic recovery.

Finally, we face challenges to our independent business owner-operator model at FedEx Ground, but we're very pleased by court victories in the past fiscal year. Both a Washington Superior Court jury decision and the District of Columbia Circuit Court of Appeals confirm that FedEx contractors are not employees. These decisions validate our position that FedEx Ground contractors are independent small-business owners who enjoy managing their own businesses.

As a result of company incentives to encourage contractor business growth and service improvement, about two-thirds of all FedEx Ground work areas in the United States are now owned by multiple work-area owner-operators. With more vehicles and drivers on the road, these larger independent-contractor businesses have greater operational flexibility and capacity for higher service levels. All in all, we definitely see the light at the end of the tunnel regarding the economy, and we're navigating toward it.

In terms of the economy, a guarded confidence prevails within our company. Recovery, we believe, is slow but certain. Housing sales and prices are inching up — two steps forward and one step back, perhaps — but inching up, nonetheless.

The auto industry has turned the corner with the help of the Cash for Clunkers program and the emergence of a new General Motors and a new Chrysler. Forward-looking indicators, such as manufacturing new orders and industrial production, have increased. We expect inventories to show their first increases in the fourth quarter of this calendar year, after six straight quarters of destocking.

Better news from Europe and Asia has come earlier than expected. For example, global manufacturing is chugging upward, with Asia leading the way. Business confidence indicators from around the globe have steadily improved over the past few months, and consumer confidence surveys are better.

The transportation industry is starting to gather positive momentum across different modes and lanes. We think we've hit bottom, and traffic is climbing up from a multi-year low. The year-over-year situation should improve once we are past the period of comparison distortion after the enormous fallout of last year's economic contraction.

We are not unrealistic, however; we know that recovery is not a straight line up, but a zigzag, with a few steps forward and back along the way. Risks

remain, particularly in energy costs and recovery sustainability; nevertheless, we are cautiously optimistic. Our strategic focus is on long-term growth, a stronger value proposition and improved service quality.

In the toughest global economy since the end of World War II, we have positioned FedEx for future growth. We've built a very strong balance sheet, even as we continue to invest in the business and to weather the recession. Our pension plan is well-funded. We've broadened our portfolio, as I mentioned earlier, with more international services, more sea-based capabilities, seamless freight service, and the expansion of FedEx Trade Networks.

We have a strong culture, as evidenced by the accomplishment of our team members, and by nine FY09 awards, including Fortune's Top Ten World's Most Admired Companies, Computerworld's Best Places to Work, one of Black Enterprises 40 Best Companies for Diversity, and the National Hispanic Corporate Achievers' Corporate Citizen's Award.

We continue to improve the customer experience, when at many companies services and services are being trimmed. FedEx Express achieved a service-quality index that was 10% better than goal in FY09, while still taking out almost \$1 billion of costs from our Express network. FedEx Ground has now surpassed record-breaking on-time service of more than 99% for seven consecutive months, while simultaneously speeding up many, many lanes.

FedEx Freight offered delivery by 10:30 as a service option, and second-day, backed by a money-back guarantee; that's a freight-industry first. At FedEx Office, formerly FedEx Kinko's, we began rebranding our stores and, at the same time, improving the interiors through better signage and store layout.

Our Board of Directors is fully committed to the high standards of transparency in corporate governance. And, in that regard, we welcome Ambassador Susan C. Schwab, former U.S. Trade Representative, who joined our Board in June, as well as David P. Steiner, CEO of Waste Management, who was elected this morning.

Now, let me add a couple of personal comments about the transition of three very important members of the FedEx team. One is — was previously mentioned, is Peter Willmott, whose contributions to this Company have been legion over the years.

Another, Doug Duncan, the CEO of FedEx Freight, if you'll stand up, Doug. He won't be leaving us until February the 28th, when he will retire. But, this will be

the last shareholders meeting where Doug will be present as the CEO of FedEx Freight. And I thought it was appropriate to mention that. A process will take place over the next 60 days to find a successor who can follow in Doug's footsteps of great leadership and outstanding executive ability.

And finally, Ed Clark, CEO of FedEx Trade Networks, who has done a marvelous job of putting us at the leading edge of customs clearance capabilities and customs brokerage, and building the bedrock upon which our new FedEx Trade Network expansion will be built, is retiring October 1. We wish all three of these executives well in their future endeavors, and we thank them again for the many contributions that they've made.

In conclusion, as we look out at FY10, the year we're in, our goal as a company will be to expand access to transportation and trade capacity, access to diverse supply chains, access to just-in-time delivery networks, and access to e-commerce — all of which we believe will enhance the success and prosperity of FedEx, our customers and our shareowners around the world.

There will be many challenges, but we believe that our future is brighter than ever. On behalf of our 275,000 team members, I want to assure you that we will make every effort to make that future shine.

Now, I'll be happy to take any questions. Let me give you a couple of ground rules, here. Since we have 275,000 folks that are on the FedEx team, many of them 10,000 miles away and all, it would be manifestly unfair for anyone to use the stockholders meeting as a forum to air any personal grievances. We have process and procedures to deal with that. If anyone has an issue like that, after the meeting, I'll ask them to see Christine Richards, and I assure you that we will get back to you promptly on any concern that you might have. I'm not saying that you're going to be happy with the answer that you get, but I can promise you that you will definitely — we will definitely look into it.

The other thing is, the rules that we've established that were handed out earlier — any one person, in the interest of time, we will limit to a maximum of three questions — only one question on any given subject. And there's a couple-of-minute timeframe on any question. I can't imagine any question I could ask would take over 15 seconds. But the corporate secretary told me we had to budget a couple of minutes if anybody's got a question.

So, with that, let me open up the floor to any questions. Yes, sir? If you could, tell us who you are.

Al Reese
FedEx Express Employee

My name is Al Reese. I rise today as a representative of the Marco Consulting Group, with 3,875 shares, and also as an employee of Federal Express Corporation. Many of us made the decision to come to work for FedEx based on your published compensation package, and your reputation for PSP philosophy —

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

Why don't you tell us how long you've been with us, and where you came from?

Al Reese
FedEx Express Employee

Ten years, and I work on the Indianapolis flight line as an aircraft mechanic.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

And before that, who were you employed by?

Al Reese
FedEx Express Employee

United Airlines.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

United Airlines?

Al Reese
FedEx Express Employee

Yes, sir.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

Okay. We have Mr. Edwardson, here, who was the President of United Airlines when you were there. So

you all can swap some notes after the meeting. (Laughter) Go ahead.

Al Reese

FedEx Express Employee

In short, we thought that we could count on you to honor your published claims as long as the Company remained healthy.

Over the last decade, many of us, as employees, feel like we have been betrayed by management's decisions to reduce, eliminate, or otherwise replace many of our benefits and some of our pay. Did you not realize that your actions would actually invite the current unionization efforts, while, concurrently, the Company was thriving and executive pay outgrew substantially?

As a follow-up, do you have plans to communicate to the shareholders the likelihood of pro-union language being inserted into the final draft of H.R. 915, the FAA Reauthorization Act of 2009? If this bill becomes law in the form described, do you have detailed plans to communicate to the shareholders the likelihood that many of the Company's employees will form into legally protected labor unions? Thank you.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Well, you've asked about, as best I can tell, about six questions there, within that contract — I mean, within the context of your question. First of all, I'm not exactly sure how we've done, relative to your previous employer. But my best recollection — had you still been with United Airlines, you would have had your compensation cut when they went through bankruptcy, about 35%.

On the other side of the coin, to the best of my knowledge, you have had no compensation cut since you've been with FedEx, other than the fact that your hours may be less, just like many of our employees. The one area where I think you have a legitimate issue is that when the federal government — and I mentioned this last year — passed the Pension Protection Act of 2006, which went into law, when, Alan? -- in December of 2006.

What that law required was that defined-benefit pension programs had to cease using historical rates of return and, instead, adopt so-called mark-to-market accounting, which meant that, on one day, the federal government required you to measure what was in

your pension program; and, on that basis, you had to fund or not fund your pension program.

When that occurred, any prudent management recognized that the potential to have a catastrophic condition of illiquidity was a risk that simply could not be tolerated. So we did not do away with our defined-pension program, the way most companies that had the flexibility to do that — and replace it totally with a 401(k).

Instead, we replaced it with a cash-balance plan, which gave everybody a guaranteed minimum rate of return. We increased the 401(k). And, as I said in my remarks, contrary to many plans like, for instance, the Teamsters' Central States Fund who some estimates have it underfunded by \$20 billion, our plan is fully funded.

We also had to, in the interest of the worst economic situation since the Depression, we took managerial pay cuts — in my case, 20%; the senior officers, 10%; all managers and professional folks, 5%. Merit pay increases were frozen. No AIC or LTI has been paid or earned.

And we're very hopeful, as I said in the communication which I sent to you and every other FedEx team member in June — that if the economic recovery keeps going forward, that we can resume, in whole or at part, our 401(k) match on the anniversary of the suspension, February 1, 2009; and we can resume our normal cycle of merit pay increases and hourly pay increases.

So, if our actions have in any way been anything other than well-intentioned for your future and the other 275,000 folks, it certainly was unintentional. We have to run the Company for the benefit of the shareowners, in accordance with the laws. Surely, you would have to be completely oblivious to what's gone on in the last year, not to have recognized the fantastic pain that was caused by this mark-to-market accounting in the financial sector. It's exactly the same issue. That's what caused our banking system to go illiquid.

And, on the advice of our extremely able CFO, Alan Graf, and with the concurrence of our Board, I think we made some very smart decisions in what we did to protect the pension of our folks, and to protect the liquidity of our corporation. I would also point out to you that there have been many, many mechanics laid off during this period of time — several hundred at UPS, I know for a fact, and many other airlines. And we've not laid off a single mechanic.

So your comments about the Railway Labor Act — the Railway Labor Act, contrary to some of the rhetoric that's flowing around about it, is not anti-union. The Railway Labor Act, quite the contrary, has Railway Labor Act covered companies — about 70% of the employees are represented by collective bargaining organizations. That is in contrast to about 8% in the private sector as a whole.

Federal Express was set up as an express company from day one. I know, because I'm the one that set it up. It was an integrated air-ground Company. The only reason the pick-up and delivery operations of FedEx Express exist are to pick up and put things on airplanes. And the issue as to whether FedEx, in its entirety, was a Railway Labor Act carrier has been litigated and decided up to the Supreme Court.

The history of the Railway Labor Act goes back to the 19th century, when the railroads were constantly disrupted by local labor disputes, and many, many customers of the railroads were put out of business, or the railroads themselves were bankrupted, up to the point where, in World War I, the issue got so serious that President Woodrow Wilson nationalized the railroads because the war material going to General Pershing in Europe kept getting stopped because of local labor disputes.

So the Congress after the war, in 1926, set up an act which said that any Railway Labor Act carrier — railroad, express companies, and, in those days, Pullman car operators — would have system-wide bargaining units. And neither management could lock out, nor labor could strike, without the approval of the federal government. And the reason for that was to protect the public interest.

In 1936, airlines were added to that. In 1935, the year before, the National Labor Relations Act's predecessor was passed, which doesn't require system-wide bargaining units. And it doesn't give the federal government the ability to step in. Either management can lock out, or unions can strike, and you can have 30 different bargaining units in the same city, for a grocery chain or something.

So, if FedEx Express were taken out from under the Railway Labor Act — in other words, the pick-up and delivery operation — we've said very publicly we could no longer, nor could any other airline or any railroad continue to invest in that business, because we would have gone all the way back to the 19th century, and all of the lessons that were learned.

So, if the Congress wants to make that change, they should do it in the light of day — have the millions of customers who depend on Federal Express have their

say about this — the people making vaccines and aircraft parts and surgical kits, and all kinds of critical items that make the economy go.

And the correct solution, which UPS tried to do all through the 1990s, is that UPS should also come under the Railway Act in its entirety. The reason they're not is because of the decision they made, when they went into the express business, to set up a Railway Labor Act air carrier, and, then, to contract with their ground company. You know why they did that? Because they thought they were going to crush us! They didn't, because we did lots of things to counter it, including buying Flying Tigers, going into the international business, going to 10:30 delivery, and that sort of thing.

So, I'm not sure exactly what your question was, other than it would, in a major way, change the fundamental nature of Federal Express, if it were not a Railway Labor Act carrier in its entirety.

Other questions? Yes, sir?

Kevin Dickerson
FedEx Express Employee

With respect to all, I say good morning. My name is Kevin Dickerson. I'm an employee of Federal Express — aircraft mechanic, line division — 16 years. Recently in FedEx anti-worker campaign, FedEx has taken the position that just because a work group chooses to form a union, if they are successful, they will immediately create a work stoppage.

As a worker, who has been through the GFT process, several times had my job taken — several times, several years —

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

Now, you remember I told you were not going to get into any personal issues. If you want to talk about your personal issues, you can come up and see Ms. Richards after the — after me. You were fine until you gravitated off there.

Kevin Dickerson
FedEx Express Employee

I understand that, Mr. Smith. I truly do. But in making my statement, I'm trying to explain to you why we need union representation — because there is no fair...

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Let me just stop you right here...

Kevin Dickerson

FedEx Express Employee

Yes, sir.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

...because the gentleman before you, and you, have made this comment — as to whether you have a union or not, that's your decision...

Kevin Dickerson

FedEx Express Employee

That's correct.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

...and the other aircraft mechanics.

Kevin Dickerson

FedEx Express Employee

That's correct.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Nobody has ever said anything to the contrary.

Kevin Dickerson

FedEx Express Employee

That's correct.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

The problem that you have is that the majority of the folks in your work group don't agree with you. So

your beef isn't with me or the management of the Company...

Kevin Dickerson

FedEx Express Employee

I don't think that's true, Mr. Smith.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

...your beef is with your fellow mechanics.

Kevin Dickerson

FedEx Express Employee

I don't think that's true, Mr. Smith, because I'm there every day, and I talk to the workers every day.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Well, all I can tell you is what the results are. You have the perfect right to seek union representation...

Kevin Dickerson

FedEx Express Employee

That's correct.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

...and that's the law, and we respect that.

Kevin Dickerson

FedEx Express Employee

That's correct.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

So, we're just not going to talk about that anymore.

Kevin Dickerson

FedEx Express Employee

Okay.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

That's the law, and we respect that.

Kevin Dickerson

FedEx Express Employee

But I would still like to finish, if you don't mind.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

All right. You can do so, as long as we don't gravitate into your personal issues.

Kevin Dickerson

FedEx Express Employee

All right. But, having said that, there's a lot of things going on that you don't understand, that you don't hear about, that make us want to have a union. And my question is why does FedEx feel that a group that forms a union would immediately cause a work stoppage? And how many work stoppages or strikes have the pilots had in their ten years of union representation?

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

I don't think that anybody in the senior management have ever said anything about a work stoppage. The only thing that I have ever said is the same thing that I'm saying to you right now. If you want union representation, and your fellow mechanics want union representation, that is your legal right to choose that.

Kevin Dickerson

FedEx Express Employee

Yes, sir.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

As a company, we think that the system that we have going is pretty good. We think that the direct communications — now, you're obviously of one frame of mind. Who did you work for 16 years ago?

Kevin Dickerson

FedEx Express Employee

Who did I work for 16 years ago?

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Yes, before you came here?

Kevin Dickerson

FedEx Express Employee

Well, just like the other gentleman, I worked for somebody else as well.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Well, which carrier?

Kevin Dickerson

FedEx Express Employee

Northwest Airlines.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Which carrier?

Kevin Dickerson

FedEx Express Employee

Northwest Airlines, again.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Who went bankrupt, too.

Kevin Dickerson

FedEx Express Employee

Sure did.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

So we think our system is a pretty good system. So you can't begrudge the people that feel that...

Kevin Dickerson
FedEx Express Employee

When it comes to fair treatment of the employees?

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

...an alternative system is superior to the one that you select isn't necessarily a problem. But that's for you and your fellow workers to deal with.

Kevin Dickerson
FedEx Express Employee

That's true, sir.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

I think we've done all we need to do with this issue. Thank you very much.

Kevin Dickerson
FedEx Express Employee

Thank you very much, Mr. Smith.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

Okay. What else?

Kevin Dickerson
FedEx Express Employee

Oh, and excuse me. I would like to ask this young lady her name again.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

Well, first of all, I know she appreciates that. It's Ms. Christine Richards.

Kevin Dickerson
FedEx Express Employee

Ms. Christine Richards?

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

She's a distinguished lawyer, and she's the General Counsel of the Company.

Kevin Dickerson
FedEx Express Employee

Yes, ma'am, I would like to speak to you after this whole meeting is adjourned.

Christine P. Richards
Executive Vice President, General Counsel and Secretary, FedEx Corp.

I'll be happy to do that.

Kevin Dickerson
FedEx Express Employee

Thank you very much — Kevin Dickerson, Mr. Smith.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

You're just trying to ingratiate yourself with her, calling her...

Kevin Dickerson
FedEx Express Employee

No, I just want you to remember my name, sir — Kevin Dickerson.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

We do. I said this last year, because we had a couple of, couple of mech— I love our AMTs. I'm telling you. You never doubt where they stand. I can promise you about that. But they do a wonderful job out there. And I hope both of you like the new 777. It's a hell of a piece of equipment coming in.

Other questions? Yes, ma'am — right back there in the black — right there.

Alice Gwin Henry

Tennessee Commission of Indian Affairs

Thank you, Chairman Smith. I hope that this is not considered personal, but bear with me, because we know you to be a man of great integrity, wisdom and vision. This was described to me as your personal — by Judge Turner, many years ago. I was asked this morning — I'm Alice Gwin Henry. I am Commissioner of Indian Affairs, representing Metro Memphis. I was asked by the Mercy Investment Program, with 71 shares, to read this on their behalf. I hope you'll bear with me.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Sure.

Alice Gwin Henry

Tennessee Commission of Indian Affairs

On behalf of Mercy Investment Program, and some additional 15 investors and representatives of American Indian organizations, we'd like to thank American Express for meeting with us.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

FedEx — Federal Express — FedEx.

Alice Gwin Henry

Tennessee Commission of Indian Affairs

What did I say?

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

American Express.

Alice Gwin Henry

Tennessee Commission of Indian Affairs

Oh, pardon me. Oh, please excuse me. I am so nervous. This is my first time to be asked to represent these people — FedEx. I hope you all

accept my apologies. We'd like to thank FedEx for meeting with us. We appreciate having had this opportunity to discuss the fact that negative images of Native Americans and use of Native American logos and images on some products, and the use of the American Indian imagery on some sports mascots is really racial disparagement, and it's really destructive to our beliefs and to our culture.

Our specific shareholder resolution addressed FedEx's corporate sponsorship of the Washington Redskins. We ask that FedEx encourage the team's owners to change the team's name, because the current name is really offensive and dehumanizing to Native peoples. And if FedEx is not successful over time, we respectfully request that FedEx end its corporate sponsorship of the Washington team. At a minimum, we ask FedEx to begin distancing itself from this team's logo and name.

We look forward to meeting with you again, perhaps, Mr. Smith, and that — we also ask that — if you'll be willing to work toward a meeting with other corporations that have faced marketing controversy, such as Coca-Cola and Anheuser-Busch and Time Warner. We look forward to talking with you soon to discuss materials that were forwarded to you, and possible next steps in our dialogue on this issue. And they say, thank you.

And if I could just ask you, just for a second, to bear with me. As a native Memphian, and a Native American — and I think you heard one of my families — we have lived with these images Hollywood has created of the Indian on top of the stagecoach, with the hatchet raised in the air, and a bloodthirsty, curdling scream. And I don't think that many of us really fit that description, and it really is dehumanizing.

We don't call people bad names anymore. And this is one of the last, and it's probably the worst. I don't have any real problems seeing a Cherokee Jeep, and I wish I owned one. But I do think that this is something that you, as a world leader — and, like I said, I was told many years ago, in a conversation, of your great integrity and I believe it to be true.

FedEx would never have become the Company it is without your leadership. And we want to thank you for just taking this time to hear this, and ask that you take this into consideration. We've gifted you, as Indian customs are, with something that we hope you'll treasure and enjoy. It is the Tennessee Bicentennial Print, done by yours truly, here. And it represents 200 years of Tennessee history, for your Cherokees are a great part.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Well, thank you very much. Obviously, for those of you out of town, there's a great and distinguished history about the Cherokee Nation here. And we have a wonderful Indian — Native American — park here, Chucalissa. If you've never been there, you ought to go see it. It's a very, very pleasant place.

Well, first of all, the history of modern times is basically one of — at least in this country, and in the Western World, at least — people becoming a bit more sensitive to things that, in the years past, there was a great deal of insensitivity to it.

In that regard, I serve on the NCAA leadership advisory board. And, as you probably know, the NCAA prohibited the use or images of Native American as symbols of athletic teams, unless the Native American affected chose to let them use that symbology. I believe I'm correct that one of the Illinois teams or Iowa teams decided they couldn't get that approval and they ceased using it. The Florida State Seminoles did get the approval of the Seminole Nation and continue to use it.

Now, when we did the sponsorship, not of the Washington Redskins — it's very important to recognize this — it's of the stadium where the Washington Redskins play. And so, that's two very different things.

That contract was written — Mike, what year was that? — some years ago. It was seven years ago. And it's a contract that has a duration that is 20 years longer, or thereabouts. So, we have no legal standing to renege on our contract or demand that the Washington Redskins make a change.

As you also know, I own a small portion of the Washington Redskins. And I can tell you that this issue has been discussed there. But the majority owner has the ultimate decision in that regard. And the issues that you raise are, obviously, one that we recognize.

We have had a meeting, I believe, with folks, on this particular issue. And I don't think you'll see us doing another one — let me put it that way — because we understand the sensitivities. Thank you very much for the question.

Others? Yes, sir?

Phillip Young
Shareowner

My name is Phillip Young — no relation to Ernst & Young. My question is — you had spoke earlier about the real estate market, and FedEx being able to impact the real estate market, and taking two steps forward. What can FedEx do to positively affect the real estate market, not just through FedEx, but also, even, nationally. And, as a follow-up question, what might a real estate finance recent graduate do to also help with FedEx? (Laughter)

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Regarding the latter, I haven't got a clue. I'm sorry. (Laughter)

Phillip Young

Shareowner

Yes, sir.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Regarding the former, I didn't say that we had any effect on it. I simply said that the record would show that it has hit bottom, and it's gradually going back up — two steps forward, one step back.

Phillip Young

Shareowner

Yes, sir.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

We've had a couple of months where home sales were positive. Then, we had this last month, with — they were down. The only way that retail — I mean, that real estate — is going to come back, is for the economy to grow. And I think that the economy is likely to grow at a low rate. But I do think it's going to be some times before all of the excesses get shaken out of the system.

So I'm not a very good one to answer your question. Sorry.

Phillip Young
Shareowner

Well, thank you for your time, anyway.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Other questions? The gentleman there, in the dark glasses. You've given us your name twice — that's enough.

Louis Malizia

International Brotherhood of Teamsters

Mr. Chairman, I just wanted to try to go on some comments that were made earlier regarding the possible reinstatement of the 401(k) and other merit-pay based compensation next February. Is there a particular metric or benchmark that the Company is looking at in regards to the recovery?

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Yes. It would be how well we're doing in this — through this fall season.

Louis Malizia

International Brotherhood of Teamsters

Okay. And that's based on what — revenue totals or what's —?

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Revenues and profitability.

Louis Malizia

International Brotherhood of Teamsters

Okay. Thank you.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Other questions? Yes, sir?

Jim Kellepory

Marco Consulting Group Representative

Morning. Jim Kellepory, representative of the Marco Consulting Group, and my shares have been voted on. My two questions are — are the balance sheets of the losses for the Kinko's association, with the costs associated with the new pilot's contract, factors in your decision to reduce the change — or eliminate — many employee benefits?

And my second question — I'd like to direct it to John Edwardson, Chairman of the Audit Committee. How much money has our Company spent on legal costs on both private and public actions, such as the 50 class-action lawsuits, approximately 40 state tax and other administrative proceedings related to the employee classification issues at our FedEx Ground division?

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

The — give me your first question again — the —?

Jim Kellepory

Marco Consulting Group Representative

The balance sheet losses —

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Well, first of all, again, there — the premise of your question is not sound. The overall effect of Kinko's to the Corporation has been positive, not negative. And the reason for that, it has allowed us to develop a highly profitable retail Express and Ground shipping channel, whose earnings reported in the transportation companies, exceed the cost of operating the FedEx Kinko's, now FedEx Office, network.

The accounting rules — not dissimilar to the mark-to-market accounting that came in in the 2006 Pension Protection Act — now require you to measure goodwill, which is a non-cash expense — in other words, that's money that was spent to buy FedEx Office. And, on that date, if the projected income does not justify the original purchase price, you have to take a non-cash charge. And that's what we did.

So the FedEx Office acquisition has not resulted in cash losses to the Company. It has produced cash benefit to our Express and Ground companies. And we're working very hard to dig out of the recession.

I, again, point out that the benefit cuts that you just mentioned are basically centered around the suspension of the 401(k), which were accompanied by significant management pay cuts, starting with myself, at 20%; the senior officers, at 10%; every manager and professional person, at 5%.

So the requirement to do that was simply prudent management, just like you'd cut off your finger if your hand was getting gangrene, so you're not going to lose your arm or your body. That's what we get paid to do — is to make unpleasant decisions sometime.

On the Ground litigation, we'll ask Mr. Edwardson and Ms. Richards to answer that question. But I think I addressed that in my remarks. We believe that RPS, which began as a company utilizing owner-operators, had a very good business model. We felt that when we bought them. We continue to feel that way.

The court decisions in Washington and the D.C. Circuit Court of Appeals are completely contrary to the position that you took a minute ago. Now, we'll talk about the legal fees.

John Edwardson, or Chris?

John A. Edwardson

FedEx Board Member and Audit Committee Chair

With respect to these issues, the Audit Committee meets regularly with Chris Richards to review the litigation of the company — this litigation and others. But one point, with respect around Ground, is — and I'll give Dave Rebolz and his team a little kudos, here — one of the shining stars currently. The Ground division, is making a lot of money. And all of the legal costs that you have mentioned are deducted from that, and the Company is still very successful, very profitable, and taking a lot of market share at this period of time.

Christine P. Richards

Executive Vice President, General Counsel and Secretary, FedEx Corp.

I'd just add to that that we're spending the resources necessary to vigorously defend our position. I would point out to you that a jury in Washington State determined that the 320 contractors in Washington State that operate in Ground are properly contractors.

That decision is priceless to those 320 small-business operators. They retain their ability to operate businesses that they can will to their children; they can sell on the open market, and they have the

certainty of that. So I just assure you that the money that we spend is carefully spent to vigorously defend our position. And we strongly believe that these contractors are properly independent business people.

Jim Kellepory

Marco Consulting Group Representative

So, I guess your answers kind of popped up a couple other questions. And the two other questions, I guess, related to your answers are that the close to \$900 million that you spent to change FedEx Office or FedEx Kinko's...?

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

We didn't spend \$900 million. Again...

Jim Kellepory

Marco Consulting Group Representative

Okay. But, whatever you spent...

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

We didn't spend anything!

Jim Kellepory

Marco Consulting Group Representative

...and, also, the contract to the pilots had, had no — nothing to do with the reduction of employee benefits?

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

The \$900 million which you are talking about was a non-cash expense. It had nothing to do with anything we've done.

Jim Kellepory

Marco Consulting Group Representative

Okay. And I guess the second question goes back to the second original question. How much money was spent?

Christine P. Richards

Executive Vice President, General Counsel and Secretary, FedEx Corp.

We're spending the resources necessary to defend our position.

Jim Kellepory

Marco Consulting Group Representative

Thank you for the answer.

Christine P. Richards

Executive Vice President, General Counsel and Secretary, FedEx Corp.

Yes.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

It's not a material amount of money.

Christine P. Richards

Executive Vice President, General Counsel and Secretary, FedEx Corp.

It's not material. Yes, if that —

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

And, as Mr. Edwardson said, FedEx Ground is very, very profitable. The biggest thing that's lost in this thing about all the rhetoric on the independent owner-operators is two essential points.

First of all, there are 10 to 11 million independent contractors in the United States. Every insurance agent — the people who sell you Snap-On Tools, the people who sell you cosmetics at your door-to-door place, the people that come with the TV reporter to do your video, the people that are taking the pictures that you see of President Obama today — the vast majority of them are independent contractors.

They have chosen that business because it gives them the flexibility — the ability to grow something that they can, then, bequeath. And these purported class-actions, to the best of my knowledge — there are about how many plaintiffs? Do you know? Is that a public —?

Christine P. Richards

Executive Vice President, General Counsel and Secretary, FedEx Corp.

There are a little over 275 named plaintiffs.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

And a tiny fraction of them have anything to do with FedEx Ground. So the people that have that point of view, basically want us to expropriate the property and the businesses that these people had built up long before we ever bought RPS. And we're not, for a minute, going to contemplate that.

And as Christine said, so far, with one exception, in California — which didn't, which only dealt with single-route contractors — and so, unfortunately, we had to do away with those. So an individual like that young man who just got out of college can't get one truck and start anymore. You have to be a capitalist. You have to have three or four trucks, and — but that's the way California law saw it. So we complied with the law.

So we think that we are managing the Company appropriately. And, again, the FedEx Kinko's charges were non-cash charges. They were just the goodwill for the purchase price. They had no effect on anything, really.

Other questions? Yes, ma'am?

Connie Harrison

Shareowner

My name is Connie Harrison. My husband and I own shares of FedEx in our IRA, indirectly. And we've owned them long enough, they're not under water yet, which is a good thing — long-time shareholders.

My question is — if you could, just walk us through a bit about the strategy of the Company. Because we were hearing, economically, this may be a jobless recovery. It may take a while to get people back circulating money, as we have been used to. And package delivery is the basis of the Company.

So can you kind of square that circle for me, please? And thank you.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Well, I'm sorry I didn't hear everything that you said there. FedEx is so big that we can't hide from the economy. I mean, we are part of it. We're a cyclical company. And, by that, I mean macroeconomic conditions determine the sea in which we float our boat, so to speak.

As you know, on September the 15th, last year, we had the greatest meltdown since the Great Depression. I think our management team — the CEOs of our operating companies, who actually manage the business have done a terrific job of flexing the Company to meet those new demands.

We will have taken out about \$3 billion worth of costs — \$1.5 billion, which aren't going to come back because they're structural costs and \$1.5 billion, including the 401 restoration and merit-pay resumption, and so forth, and increased operations, to meet increased demand. So the real issue, then, absent those managerial steps that we've taken, is what's the overall economy going to look like?

Our projections, based on our very expert Chief Economist, Gene Huang, is that, in the fourth quarter of this calendar year, that begins this week — that GDP growth, sequentially, will be over 4% year-over-year. We think that, next year, GDP growth will be 2.5% to 3%.

The much more important number for us is that industrial production, which are the things in the main that we carry — particularly in our Freight business, and in the Express business — will go from a negative 10% in calendar 2009, to a plus 4% or 5% in 2010. That's why I said in my remarks that we are cautiously optimistic.

We also have done a number of things to grow market share. I mentioned that we began to offer to almost 90% of the world's GDP our International Economy and International Economy Freight service. That service, although it was limited to the number of countries that it was offered in prior to this August, has actually been growing during this period of time.

We continue to take market share in the ground-parcel business. When we first bought RPS ten years ago, it had about a 10% market share. The market share of that company is about 22%. In the freight business — that's a very tough market and a number of companies are struggling there because it's heavily tied in to automotive and housing. And that industry is going to reconfigure one way or another.

So we think that, as we go out of this fiscal year because of the cost-cutting steps that we've taken,

and the very important investments in new services, and part of our networks that I described in our remarks, that we have a very good outlook. You said you were a long-term shareowner. Our CFO reported to the Board today on the long-term returns on a ten-year basis. And you might want to just give those to them, Alan.

Alan B. Graf, Jr.

Executive Vice President and CFO, FedEx Corp.

I would be happy to. Earlier, someone picked one, three and five-year periods of time. So, I get the podium now and I'm going to pick mine — it's ten. Ten years is a pretty good period to measure us, because it's about how long UPS has been public — that's about the same time we bought RPS and Caliber and began to change our strategy.

According to Bloomberg, our ten-year return to shareholders, as of August 31, 2009, FedEx's return was 66.95%. The S&P 500 was minus 7.7% during that timeframe, and UPS was minus 5.5%.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

And transports -- 30-something?

Alan B. Graf, Jr.

Executive Vice President and CFO, FedEx Corp.

Transports were up 35.8% versus our 67%.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Now, when the meltdown occurred — and it really began prior to September the 15th because of the huge run-up in fuel prices. Remember that, compared to our biggest competitors, UPS and DHL, we have a much, much bigger air network. We carry 60% more revenue ton-miles than our next largest competitor.

So when fuel prices ran up to \$147 a barrel and the elasticities of demand pushed demand down, it affected us in the last couple of years to a much greater extent than, say, UPS, that has a much bigger ground parcel company and a smaller air network. But, as I said, we are cautiously optimistic on a go-forward basis because we are seeing some positive signs out there.

Anything else? We covered the waterfront, I think.
Thank you very much, ladies and gentlemen. And
we'll work very hard to have a good story to tell you
this year and next time, God willing. Thank you.
(applause)