

FedEx Route Due Diligence Support Deliverable

Potential Acquisition of Route Express Inc ISPA C888888 & Vehicles
Anytown, USA

Client: Sample Client

Prepared By: MyGround Support LLC
5257 Buckeystown Pike, Unit 305
Frederick, MD 21704

Date: XX/XX/XXXX

This due diligence support deliverable is governed by all terms of the Consulting Services Agreement executed between MyGround Support LLC and the named client. This document shall be considered a supplement to the Client's own due diligence activities. This document should not be the sole basis for making any decision to purchase, or otherwise acquire FedEx Routes



Contents

EXECUTIVE SUMMARY2

OVERVIEW OF FEDEX ROUTES3

 FEDEx GROUND AND P&D SERVICES3

 INDEPENDENT SERVICE PROVIDER OPERATING AGREEMENT (ISPA).....4

 P&D VEHICLES6

IMPORTANT CONSIDERATIONS OF THE INDUSTRY9

 FLUCTUATIONS IN PACKAGE VOLUMES.....9

 EVOLUTION OF CONTRACTING REQUIREMENTS AND ISPA.....10

 7 DAY SERVICE/OPERATIONS10

 LABOR MARKET & ECONOMIC CONDITIONS.....11

 ONGOING CAPITAL NEEDS11

OVERVIEW OF THE OPPORTUNITY12

 ROUTE EXPRESS ISPA & P&D VEHICLES.....12

 PURPORTED FINANCIALS BY SELLER/BROKER OF ROUTE EXPRESS' FEDEX ROUTES.....13

MYGROUND SUPPORT ANALYSIS OF THE OPPORTUNITY14

 GENERAL HEALTH.....14

 REVENUE/EXPENSES.....14

 MANAGEMENT/EMPLOYEES/PAYROLL18

 ESTIMATED VEHICLE VALUES.....19

 VEHICLE REPLACEMENT COSTS – IMPACT TO FREE CASH FLOW21

 ESTIMATED VALUE OF FEDEX ROUTES & VEHICLES.....23

 CASH FLOW WITH DEBT FINANCING.....25

APPENDIX A – CLIENT SUPPLIED DATA USED IN DERIVATION OF DOCUMENT26

Executive Summary

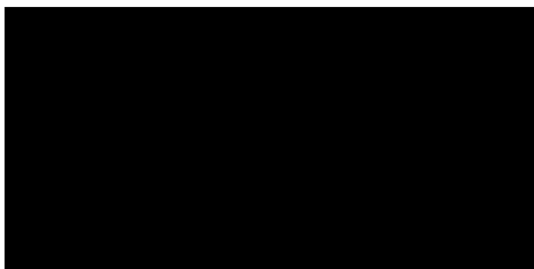
Route Express was incorporated in October of 2018 with Bard Ramsey as the 100% sole shareholder. On January 19, 2019, Route Express purchased P&D FedEx Routes and 8 trucks for a total of \$480,000. The purchase price was allocated as \$800,000 for the routes and \$180,000 for the trucks.

Today, Route Express operates P&D FedEx Routes under FedEx Ground Independent Service Provider Agreement (ISPA) C8888888 with based out of the Anytown, USA station. This ISPA was effective 11/01/2022 and expires on 10/81/2028. It services Contracted Service Area (CSA) 899999, defined in Attachment A-1 of the ISPA including service to ZIP Codes 12111, 12112, 12118, 12114, 12115, 12118, and 12118 at fees outlined in Schedule C and Attachment C-1 of the ISPA.

MyGround Support was engaged by Mr. Buyer to provide due diligence support related to the P&D FedEx Routes currently owned by Route Express. Mr. Buyer is a potential shareholder of an entity considering purchasing the FedEx Route related assets (ISPA and vehicles) of Route Express. It is MyGround Support's understanding Route Express is seeking to sell their FedEx Route related assets through the brokerage firm Best Route Brokers Ever. Several due diligence support materials were provided to MyGround Support and are noted in Appendix A of this document.

This Due Diligence Support Deliverable provides an overview of FedEx Routes, Important Considerations of the Industry, as well as specific analysis of the P&D opportunity being considered for purchase by Mr. Buyer. An estimated value of the FedEx Routes and vehicles is also included in this document. A summary of MyGround Support's analysis is found below:

- Route Express' FedEx Routes hold improving margins. 2022 route operations left the firm in a financial position better than 2021.
- Route Express' FedEx Route business stop and package volume is increasing. Stops up down 1.1% in 2022 compared to 2021 and packages are up 1.7% in 2022 compared to 2021
- Route Express vehicle related assets hold a market value of approximately of \$485,800 as of February 20XX. This is significantly less (20% less) than Seller/Broker purported value of \$807,000.
- Route Express' FedEx Routes holds a XXXXXXX market value with above average profit margins at XX% The FedEx Routes hold a Discounted Cash Flow (DCF) Value of \$X,XXX,XXX.



Overview of FedEx Routes

FedEx Ground and P&D Services

FedEx Ground is a subsidiary of the FedEx Corporation. Founded in 1985 as RPS and subsequently rebranded in 2000 as FedEx Ground, the company operates one of the fastest and most automated hub networks in the ground package shipping industry, offering speed, efficiency and reliability to customers. Currently, nearly ten million packages travel through a network of more than 800 distribution hubs and stations throughout the US and



Canada each day. As a core component of its business model, FedEx Ground contracts with independent small businesses to provide package pickup and delivery (P&D) service known as Contracted Service Providers (CSPs). CSPs are also known as Independent Service Providers (ISPs).

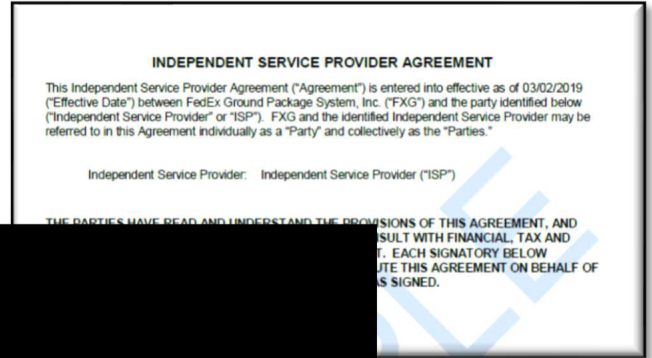
The relationships with CSPs are contractual operating agreements, not franchises or franchise agreements. Two general types of P&D services currently exist within FedEx Ground, they include:

- *“Ground” Service:* Package pickup and delivery services to businesses and commercial addresses.
- *“eCommerce” Service:* Package pickup delivery services of packages to non-business addresses. This includes home and residential addresses including packages known as Home Delivery and SmartPost.

CSPs use their own vehicles and equipment to provide the P&D services. Typical vehicles include Cargo Vans, Step Vans, Cutaway Vans, Box Trucks, newer style Walk-in Vans, and other types of vehicles. Equipment includes but is not limited to hand-held scanners, software, dollies, and uniforms. The CSP is responsible for all costs of providing services and all CSP staff must be W2 employees of the CSP. FedEx Ground does not reimburse any costs including fuel. CSPs operate under FedEx Ground’s DOT Number (DOT 285752) and FedEx Ground’s FMSCA Authority to operate (MC179059). FedEx Ground leases the vehicles from the CSP from an operating authority standpoint. CSP Equipment is leased to FedEx Ground and is denoted in Schedule B of the ISP Operating Agreement (ISPA). No motor carrier authority is required by the CSP as a result.

Independent Service Provider Operating Agreement (ISPA)

The term “FedEx Routes” (a colloquial reference) is often used in the FedEx Route for Sale industry. However, within FedEx Ground the term “FedEx Route” does not exist. The colloquial reference of “FedEx Routes” refers to service areas and/or contracts whereby C (P&D) and P&D, such Provider O



The ISPA of FedEx Ground Support strongly encourage the Buyer to consult with legal counsel before entering into an ISPA. ISPAs are typically negotiated on a case-by-case basis. The ISPA states that there is no express or implied warranty for the Services provided by FedEx Ground. At the end of its term, the Buyer may enter into a new ISPA with FedEx Ground. The ISPA is subject to change without notice and is not binding on the Buyer. The Buyer may negotiate with other candidates and may enter into an ISPA or that the parties

Buyers in the industry may investments made in purchasing a route. The Buyer's obligation to offer a follow-up contract is for a year or less. MyGround.com is an aspect as there have been routes that were lost in less than a year. In addition, there is no requirement to buy FedEx Routes to enter the FedEx Ground contracting industry. While there is inherent value of an established operation, FedEx Ground hosts a

¹ FedEx Ground Independent Service Provider Agreement Section 15

² FedEx Ground MGB-325 End of ISP Agreement

website known as BuildAGroundBiz (www.buildagroundbiz.com) where contracting opportunities are posted regularly. There is no cost nor is there bidding for the hundreds to thousands of opportunities directly from FedEx Ground each year for anyone to apply for. Success rates via this method are favorable.

Two key aspects of an ISPA are the CSA definition and the Negotiated Charges, or compensation rates provided to the contractor for providing services. The geographic service territory denoted as the CSA is outlined in Attachment A-1 to Schedule A of the ISPA. The territory provides exclusive servicing rights for the CSP where [REDACTED] and including driver [REDACTED] and compliance with [REDACTED] ZIP Code and [REDACTED]

Negotiated Charges are set forth in Attachment C of the ISPA. The CSP negotiates rates for the term of its ISPA. A surcharge rate for the execution of CSP work to effect. Compensation

- *Service Charge*
- *Stop Charge* - fixed per stop performed
- *Surge Stop Charge* - whereby a Stop Charge
- *Per Stop Fuel Charge* - indexed to

Example: If the base rate is \$1.00 and decreases to \$0.90, the fuel charge is less than \$0.10.

- *Stop Fuel Charge* - \$0.10 per stop
- *Stop Fuel Charge* - \$0.10 per stop
- *Stop Fuel Charge* - \$0.10 per stop



that is [REDACTED] ted. [REDACTED] se or [REDACTED] ore or [REDACTED] pp [REDACTED] o Fuel

- **Package Charge:** An activity based variable component whereby a fixed per package rate is paid for each “Ground” (business) package that is picked up or delivered while servicing business addresses in the CSA
- **Large Package Surcharge:** An activity based variable component whereby a fixed per package rate is paid for larger packages determined based on weight and dimensions of the package.
- **Apparel Brand Promotion Charge:** A flat, fixed weekly rate whereby the CSP agrees all its personnel will wear approved FedEx Ground branded apparel, with the cost of such apparel born by the CSP during operations.
- **Vehicle Brand Promotion Charge:** A flat, fixed weekly rate for an agreed quantity of leased CSP vehicles whereby the CSP such vehicles will bear approved FedEx Ground logos and markings, with the cost of such logos and markings born by the CSP.
- **eCommerce Stop Charge:** An activity based variable component whereby a fixed per stop rate is paid for each non-Business service stop (for example, “Home”, “SmartPost”, residential) performed in the course of servicing the CSA.
- **eCommerce Package Charge:** An activity based variable component whereby a fixed per package rate is paid for non-Business address parcel (for example, “Home”, “SmartPost”, residential) that is delivered while servicing the CSA.
- **New Account Startup Charge:** Fixed charge for every new “Ground” service account opened in the CSA.

P&D Vehicles

The FedEx Ground P&D CSP fleet currently consists of over 85,000 vehicles. CSPs can use a range of vehicles in providing P&D services to FedEx Ground under its ISPA if they meet FedEx Ground requirements. FedEx Ground requirements do change over time, with some major new requirements in the future including Forward Collision Avoidance Mitigation (FCAM) which could make many current P&D vehicles obsolete. At a high level, current FedEx Ground requirements for P&D vehicles include, but are not limited to:

- 8-Way Back up Cameras w/ Blind Spot
- Video Event Data Recorder (VEDR)
- FedEx Ground Compliant White Paint (Sherwin Williams #85199 or equivalent)
- Enforcer® or comparable high-security locks on all rear and side cargo doors
- A bulkhead door (between cab and cargo area) that is secured with a lock
- Two shelves per side running the full length of the body, Approx 24 inches deep, max 2in lip, 1-2in pitch
- Conformance to all DOT Standards and FedEx Ground DOT identification

Cargo Vans, Step Vans, Cutaway Vans, larger Straight Trucks, and newer style Walk-in Vans are all used in the FedEx Ground parcel industry. Pickup trucks and trailers are also permitted. The various types of vehicles typically have a “P” value associated with them. The “P” value refers to the cubic feet a vehicle could hold. For example, a P700 is supposed to hold 700 cubic feet of packages. Cargo Vans are typically P500 or less while Step Vans



P1000 Step Van



26ft Straight Truck

and newer style Walk-in Vans can be as large as P1200. Straight Trucks have a box of at least 24ft in length. Common manufacturers include Ford, Freightliner, International, and Bay Bridge.



Cutaway

Ground using the Maintenance Record certification of annual CFR Parts 898 and

The various vehicles Ratings (GVWR), which figure is the maximum carry. GVWR is also plate fees and taxes encourages potential ensure they are intimate vehicles they are purchase costs, average down Resources for maintenance Support regularly service vehicles less than 5 maintenance and repair maintenance and repair common. Using “add-back” deriving financials as

MyGround Support strongly encourages potential Buyers of FedEx Routes and vehicles to exclude any “add-back” calculations to financials as a result.

wide ranging values for the vehicle. Vehicle values brand/type of chassis, condition/mileage of the unit and FedEx Ground FedEx Ground are the CSP must follow all operation processes and repair activities to FedEx A-855 US Monthly month. CSPs must have a terms to all aspect of 49



or Style Walk-in Vans

an considerations. (www.fedex.com/afleet). MyGround per vehicle per year for significantly higher annually due to regular transmission rebuilds are reported one-time repairs in considered customary.

Given Step Vans are very common in the parcel industry, a reference table outlining the high-level specifications of step vans commonly used is found below:

High Level Step Van Specifications

Size	Approx Usable Volume	Approx Body L	Approx	Typical GVWR
P500	500 cu/ft	11		0
P700	700 cu/ft	14		0-18,000
P1000	1,000 cu/ft	17		0-28,000
P1100	1,100 cu/ft	20		0-28,000
P1200	1,200 cu/ft	22		0-25,500

MyGround Support strongly encourages customers and vehicles to have detailed physical inspections of vehicles as part of the process performed by themselves and an ASE Certified Mechanic. The “P” type should be confirmed. MyGround Support as smaller or larger than what they are. For example, a P1000 Step Van would be very quiet with a chassis wheelbase of 178in not 158in. This includes Gates <https://www.gates.com> (https://www.gates.com/in.html), the National Highway Traffic Safety Administration (NHTSA) (https://www.nhtsa.gov/ncsa/ncsa/ecoder), and commercial fee-based companies.

Important Considerations of the Industry

Fluctuations in Package Volumes

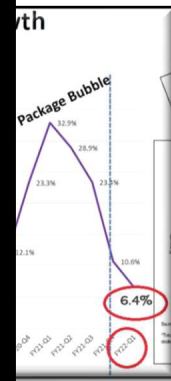


While e-Commerce continues to grow year over year, the same cannot be said for FedEx Ground package volumes. E-Commerce has a broad definition of commercial transactions conducted electronically on

Total Package
package volume
compensation
in the future.
such as per s
at risk for a d

to goods
ovies, order
not just goods
Ex Ground
% drop in
ven P&D CSP
venue declines
e components
d be especially
decline.

There are m
package volume
bubble burst
the shipping
expansion in
OnTrac, UPS
average daily
modestly year
declines began
package volume
taking hold.
a very large s
799,890 in F
declined from



Volume declined
ained from
ume (000s)

MyGround S
package volumes could impact them as a CSP. The ISPA negotiated rates held could be a key factor in

³ <https://investors.fedex.com/financial-information/statistical-books/default.aspx>

determining if an increase or decrease in package volumes is more or less desirable given a CSP's mix of negotiated variable and fixed compensation rates with FedEx Ground.

Evolution of Contracting Requirements and ISPA

FedEx Ground continues to evolve CSP contracting requirements. Some view these as positive evolutions, others view them as negative. No party can definitively advise how contracting with FedEx Ground may or may not change in the future. Most importantly, the only guarantee a CSP has is under the current terms of their current ISPA. In addition to the risk of not achieving a follow-on ISPA with FedEx Ground, future contracting requirements with FedEx Ground are a major risk and could include, but are not limited to:

- Vehicle technology requirements to include lane departure warning/correction and Forward Collision Avoidance Mitigation (FCAM). This future requirement continues to be push outward to future dates.
- CSP Classification as Bronze, Silver, or Gold which would be based on cost to serve the CSA (Compensation style classification could drastically change a CSP's current ISPA nears its term. High performance follow-on ISPAs
- Additional requirements for rates and the need for CSPs to become more efficient, FedEx Ground's parent is currently looking for ways that could impact CSPs.

7 Day Service/Operations

Operating as a P&D CSP, the market is moving to 8 day a week operation provided by FedEx Ground in the those markets. The windows for vehicle maintenance, staffing and managing FedEx Routes can be very expensive and there is never a dull moment. A typical day starts at 4/5am and ends as late as 8/9pm. MyGreen is involved in the daily activities with incumbent CSPs including for the day, monitoring morning truck loading, training, recruiting activities, training activities, packaging, FedEx Ground compliance activities, customer service, and safety. Majority shareholders of a CSP can expect to be involved in day-to-day availability. A manager seen in the industry for higher performing CSPs are involved in day-to-day

operations typically have a much higher success rate than those where the majority shareholders are less hands-on.

Labc

Most [redacted] and the economy. CSPs are no different [redacted] minimum wages, higher interest rates [redacted] including recruiting as well as [redacted] of an ISPA that do not adjust [redacted] Changes in fuel costs and labor [redacted] those changes.

Broadly [redacted] or may not be beneficial or challenging [redacted] SPA will determine some of such [redacted] addition or loss of major FedEx [redacted] example, Chewy and Walmart are not [redacted] ng providers by these clients, a CSP could see major drops in volume. On the flip side, the addition of a new FedEx Ground shipping client from an e-commerce goods shipper could result in significant increases in volume.

Ongoing Capital Needs

One of the most overlooked areas of operating FedEx Routes is the ongoing capital needs of the business. Free Cash Flow, or EDITDA less capital expenditures are critical in determining true returns in the FedEx Ground industry. As Warren Buffett has stated, "*References to EBITDA make us shudder - does management think the tooth fairy pays for capital expenditures?*"⁴ As P&D vehicles age, the maintenance and repair costs begin to become excessive to the point where a replacement vehicle, i.e. capital expenditure [redacted] directly impacted by economic conditions [redacted] have increased 20-80% in just the last [redacted] most economical means are well over [redacted] eased significantly as the COVID vehicle [redacted] market has rebounded. MyGro [redacted] et each year and in cases of older fleet [redacted] ge is brought to at least 5 years or ne

⁴ 2002 Berkshire Hat

Overview of the Opportunity

Route Express ISPA & P&D Vehicles

Route Express operates P&D FedEx Routes under (ISPA C8888888 with FedEx Ground based out of FedEx Ground's Anytown, USA station). This ISPA was effective 10/22/2022 and expires on 11/08/2028. It services Contracted Service Area (CSA) 899999, which is defined in Attachment A-1 of the ISPA including services to ZIP Codes 12111, 12112, 12118, 12114, 12115, 12118, and 12118 at fees outlined in Schedule C and Attachment C-1 of the ISPA. It utilizes 12 vehicles in its operations as outlined in Schedule B of the ISPA. There are no rental vehicles. The Seller/Broker has purported the value of these vehicles as \$807,000. The vehicles purportedly included in the sale include:

FXG Unit ID	Description
128458	2021 Ford F59 V8, 7.8L (Gas) P1000 Step Van
128457	Ford E-450 Super Duty V8, 7.8L (Diesel) P700 Step Van
128458	2019 Ford E450 Super Duty Ford V-8 8.2L (Gas) P700 Step Van
128459	2019 Ford E450 Super Duty Ford V-8 8.2L (Gas) P700 Step Van
128481	2019 Ford E450 Super Duty Ford V-8 8.2L (Gas) P700 Step Van
128482	2018 Ford F59 V10, 8.8L (Gas) P1000 Step Van
128488	2017 Ford F59 V10, 8.8L (Gas) P1000 Step Van
128484	2017 Ford F59 V10, 8.8L (Gas) P1000 Step Van
128485	2018 Ford F59 V10, 8.8L (Gas) P1200 Step Van
128488	2017 Ford F59 V10, 8.8L (Gas) P1100 Step Van
128487	2014 Ford F59 V10, 8.8L (Gas) P1100 Step Van
128488	2014 Ford F59 V10, 8.8L (Gas) P1100 Step Van

Purported Financials by Seller/Broker of Route Express' FedEx Routes

Seller/Broker information for Route Express' purports a 2022 \$200,290 "normalized cash flow" on 2022 revenue related to the FedEx Routes of \$797,290⁵. "Normalized cash flow" based on the Seller/Broker figures would be 25.1%, a number which is significantly higher than typically achievable in the FedEx Route industry based on Myground Support's experience in the industry. Some key metrics and information gathered from FedEx Ground data is shown in the table below

Items	2022	2021	Change from 2021
Total Revenue	\$797,290	\$821,190	(1.8%)
Total Stops	398,700	421,088	(4.8%)
Total Packages	780,800	808,807	(5.2%)
Weekly Service Charge	\$11,800	\$8,522 (2021 executed date)	89.1%
Ground Stop	2.35 (2022 executed date)	2.88 (2021 executed date)	(18.1%)
eCommerce Stop	1.85 (2022 executed date)	1.75 (2021 executed date)	(18.1%)
Packages (all)	0.18 (2022 executed date)	0.18 (2021 executed date)	No Change
Vehicles	18 (2022 executed date)	17 (2021 executed date)	(8.0%)

⁵ Seller/Broker generated 2022 P&L file

MyGround Support Analysis of the Opportunity

General Health

Financially, Route Express' FedEx Routes are financially sound. As of Dec 31, 2021, the net value of the FedEx Routes were reported as \$185,747.12 as illustrated in the Financial Statement. The net value of the FedEx Routes is not directly comparable to the net value of the FedEx Routes as reported in Route Express' Jan 1, 2022 Wells Fargo Financial Statement. It is important to note 2020 cash positions going into 2021 were forgiven in February of 2021. Without this cash, net value would have been negative. At the end of 2022, Route Express' Dec 31, 2022 Net Value of the FedEx Routes is reported as \$188,827.88. Operating FedEx Routes in 2022 is less than it started in 2022. In addition, no new trucks/assets have been purchased to continue to depreciation in market value. There have been no tax records. The average vehicle age of the fleet is 10 years. Ramsey Enterprises reinvest capital into vehicles, or worse Ramsey Enterprises do not properly perform maintenance on their fleet.

Since 2014, It appears that Ramsey Enterprises has been paying out significant salaries/benefits to the owner. The net value of the FedEx Routes as a shareholder position is reported as \$194,988. Ramsey Enterprises would have been better off investing the \$1,000,040 FedEx Route purchase made in 2014 into the stock market. At the end of 2021, \$708,048 invested in 2014 using the SPDR Dow Jones Industrial ETF⁷ would have been \$1.784M at the end of 2021.

Continuing operations is likely to result in continued erosion of cash positions and is likely a very significant capital needs in the next 5 years. Ramsey Enterprises will need to replace at least 20% of their fleet each year.

Documents including files denoted as "2021 Financials", "2022 Route Express Financials", and "2022 Route Express Financials" provided by the Seller/Broker have not been reviewed and do not reflect the expenses and profits of

⁷ <https://www.macrotrends.net/1319/dow-jones-100-year-historical-chart>

the business. The documents could be described as fabricated or at a bare minimum, generated by someone without the appropriate skills/knowledge to generate them as they simply don't align with information [REDACTED] settlement sheets.

There are

- Payments to Route Express Income Statement. For example, payments to a [REDACTED] of Route Express were [REDACTED] the 100% share.
- Income of \$290,400 with an error on the 1120-S tax return. Revenue from operations. The "2022" [REDACTED] increased by [REDACTED] applied.
- Annual Route Express' 2021 1120-S.
- "2022" [REDACTED] match Wells Fargo balance.
- Revenue of \$129,500. This loan [REDACTED].
- The FedEx Routes and cash positions of the business and employees that are [REDACTED] 1120-S reported

ordinary business income of \$88,545 (line 21). Calculating an Earnings Before Interest, Taxes, Depreciation, and other Amortized Items (EBITDA) would result in an EBITDA of \$228,818 (\$88,545 + \$7,898 Interest + \$127,807 Depreciation + \$0 Taxes + \$28,288 Amortized Items). Its important to note the depreciation includes \$118,084 in Section 179 vehicle purchases in 2021 which results in a **Free Cash Flow from 2021 operations of just \$112,249.**

- The "2022 Route Express Income Statement" also significantly overstates cash generated by the FedEx Routes and cash positions of the business. 2022 total 1099 Revenue as reported by FedEx Ground is \$1,797,288.89 which while doesn't match, is in line with Seller/Broker reported revenue \$1,797,248.88. 2022 Expenses however are drastically understated.
- A major expense erroneously reported is wages and taxes associated with wages. Total wages for 2022 totaled \$982,880.57 as reported on 2022 941s and the 2022 W8 data transmittal to the IRS. In addition to wages born, employers must pay social security and Medicare taxes. The 2022 tax rate for social security is 8.2% for the employer and 8.2% for the employee, or 12.4% total. The current rate for Medicare is 1.45% for the employer and 1.45% for the employee, or 2.9% total. The Seller's portion of social security and Medicare taxes totals \$78,820.88. The

Seller/Broker uses an unknown term of "Net Wages" in the "2022 Route Express Income Statement". This term is not defined by the Seller/Broker. Actual employer born payroll expenses for the Seller before federal/state unemployment taxes, but including other employer paid taxes is \$1,085,981.20. The Seller withheld \$148,557.21 on behalf of its employees for federal income, employee social security, and employee Medicare tax. It is unknown how the Seller derived payroll numbers in the "2022 Route Express Income Statement".

MyGround Support developed a proforma P&L utilizes Seller/Broker provided and FedEx Ground data. It assumes no further degradation in package/stop volumes and no reduction in the weekly fee (i.e. 7 day operations). It is provided below:

12 Month Proforma P&L		
ANNUAL ESTIMATE		Estimations
FedEx Ground		0,000
New Policy Imp		(0,000)
TOTAL INCOME		\$ 1,735,000
TOTAL ANNUAL		
P&D Vehicles		
Vehicle Registr		2,200
Property Tax		-
Fuel		5,500
Velocitor Plus		1,100
GPS Tracking S		2,240
Vehicle Cleani		8,840
Estimated Min		1,000
Repair & Main		1,000
Insurance Ded		1,000
Insurance		
Non-Trucking L		1,091
Worker's Comp		1,676
Driver Payroll		
Regular Driver		1,000
Temp Driver W		880
Vacation & Ho		400
Approximate P		937
Benefits		-
Managers in A		
Wages Primary		1,000
Wages Second		1,000
Wages Assista		1,000
Vacation/Bonu		500
Approximate P		728
Entity/Operati		
Travel Expense		-
Annual Corpor		0.00
Local Use and		
Misc Office & S		0.00
Back Office HR		-
Training		0.00
Uniforms & Eq		0.00
Scanner Leasin		5.00
Payroll Service		0.00
Professional F		0.00
Recruiting/HR		0.00
TOTAL ESTIMATE		\$ 1,63
ESTIMATED NET INCOME BEFORE TAXES, DEPRECIATION, & AMORITIZED ITEMS (EBITDA)		\$ 9
As of % of Income		
DISCLAIMER: This Proforma P&L includes modeling and assumptions which could be impacted by many unforeseen variables. There are no warranties and no guarantees of any kind.		

Management/Employees/Payroll

Randy BC is purported as the Operations Manager. Mr. BC has been purported as only driving "as needed". Mr. BC regularly driving as many as 7 days inability to train/hire regular the true Operations Manager of other P&D operations, Ramsey family is actively as they are performing re consider the return on ass

Random samplings of dai with potential mismanage example, the daily service settlement was compared performed during the sam were found indicating incor daily operations indicating correctly. There are a tren Ground records, but just a

- Mr. Employee wo records. However plus \$1.10 for 70 and did a total of Employee's purpo per stop/over 140 plus \$155.1 for 89 stops over on 11/
- Mrs. Employeewo It appears Route considering he is Seller/Broker rec

⁸ APD PDF_Reports_02-02-

⁹ Seller/Broker Employee Dr

¹⁰ Seller/Broker Employee D

Estimated Vehicle Values

In 2014 Route Express purchased 12 vehicles with a purported value of \$812,800 (or an average value of \$28k per vehicle). Today, Route Express has a fleet of 17 vehicles with an approximate value of \$481,185 (or an average value of \$25k per vehicle) according to February 2023 Price Digest's Commercial Truck Blue Book for vehicle specifications provided by the Seller/Broker. For over 90 years, the Truck Blue Book has served as the benchmark for comprehensive commercial vehicle VIN-driven identification, specification and market valuations covering 1981 to current model year medium and heavy-duty trucks.¹¹ The average age of the fleet is 8 years old, which challenges the ability to have more profitable operations due to repair and maintenance costs of an older fleet. The Price Digests valuation information is found in the table on the following page.

¹¹ www.pricedigests.com

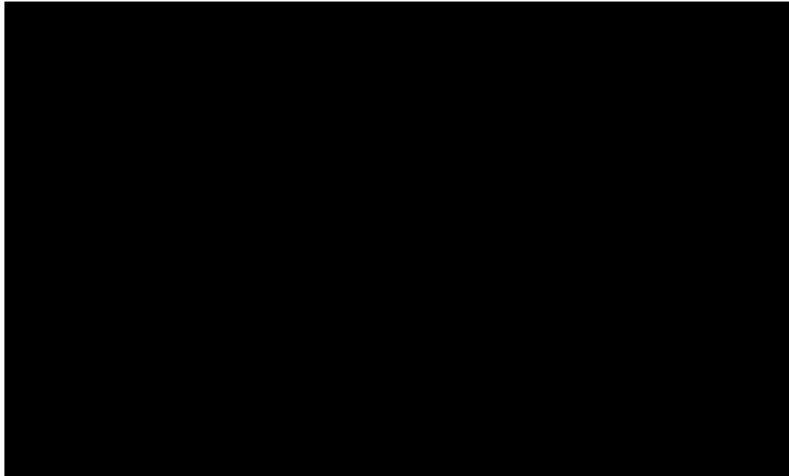
Route Express Estimated Vehicle Values

Current FXG Unit ID		Condition	Value (Avg of Retail & Trade In)	Price Digests Blue Book Value as of February 2023*			
				Retail	Trade In	Wholesale	Finance
468161	1FC3E	Age to Model	\$32,687	\$35,336	\$30,038	\$29,329	\$26,502
465564	1F65F5	Age to Model	\$36,192	\$39,126	\$33,258	\$32,475	\$29,346
428884	1FC3E	Age to Model	\$27,316	\$29,530	\$25,101	\$24,510	\$22,147
418328	1F65F5	Age to Model	\$29,977	\$32,406	\$27,547	\$26,898	\$24,305
415649	1FC3E	Age to Model	\$25,231	\$27,277	\$23,185	\$22,640	\$20,457
412753	1F65F5	Age to Model	\$29,537	\$31,931	\$27,142	\$26,503	\$23,948
402579	1F65F5	Age to Model	\$25,618	\$27,694	\$23,541	\$22,986	\$20,771
401918	1F65F5	Age to Model	\$25,569	\$27,641	\$23,496	\$22,942	\$20,731
324766	1F66F5	Age to Model	\$24,816	\$26,828	\$22,804	\$22,267	\$20,121
313395	1F66F5	Age to Model	\$22,545	\$24,372	\$20,717	\$20,229	\$18,280
313396	1F66F5	Age to Model	\$23,231	\$25,114	\$21,348	\$20,845	\$18,836
306644	1FC4E	Age to Model, But not king edition	\$16,223	\$17,538	\$14,908	\$14,556	\$13,154
201044	1FVAC1	Age to Model, But not king edition	\$44,003	\$47,570	\$40,436	\$39,484	\$35,678
302684	1GB0G	Age to Model, But not king edition	\$12,774	\$13,809	\$11,738	\$11,461	\$10,356
444801	4UZAAF	Age to Model, But not king edition	\$28,402	\$30,704	\$26,099	\$25,484	\$23,029
85954	4UZAAF	Age to Model, But not king edition	\$17,918	\$19,370	\$16,465	\$16,077	\$14,528
320853	1FDXE	Age to Model, But not king edition	\$9,151	\$9,892	\$8,409	\$8,211	\$7,419
17		Total	\$ 431,185	\$ 466,138	\$ 396,232	\$ 386,897	\$ 349,608

MyGround Support noticed numerous anomalies in the purported “P” size of some vehicles reported by the Seller/Broker. Several vehicles were denoted as P1000s by the Seller/Broker, however vehicle specifications do not support a P1000 size, but rather a P700 size. This was found during VIN specification lookups on the chassis of vehicles showing the vehicle only had a 158in wheelbase. A 158in wheelbase is for P700s, not P1000s which usually have a 178in wheelbase. The Seller is strongly encouraged to do a physical inspection of all vehicles to confirm the “P” size as the estimated values would be overstated if many of the vehicles are indeed P700s and not P1000s. An ASE certified mechanic should also thoroughly review all the vehicles.

Vehicle Replacement Costs – Impact to Free Cash Flow

Route Express' has not been diligent in reinvesting capital into new vehicles. The average age of the fleet is 8 years old, which challenges the ability to have more profitable operations due to repair and



properly reinvest capital into vehicles, or properly perform needed capital replaced each year and the average mode due to maintenance and repair costs. following page. It is important to note it ed to the right.

Replacement Schedule

Impact Consideration to Operating Margins

WARNING: Vehicle Replacement Typically has Significant Cash on Cash & ROC Impact Considering Future

Hypothetical Annual EBITDA \$ 98,284 over next five years assuming 2% revenue growth, ability to obtain follow-on agreements
 Capital Reinvestment Required \$ 762,000 over next five years

	Year 0 (Immediate)	Year 1 (2024)	Year 2 (2025)	Year 3 (2026)	Year 4 (2027)	Year 5 (2028)
Replacement Schedule	Approximate Trade-In Value	Approximate Trade-In Value	Approximate Trade-In Value	Approximate Trade-In Value	Approximate Trade-In Value	Approximate Trade-In Value
	Net Replacement Cost	Net Replacement Cost	Net Replacement Cost	Net Replacement Cost	Net Replacement Cost	Net Replacement Cost
Year 5						\$20,000
Year 5						\$12,000
Year 4				\$12,000	\$54,000	
Year 4				\$12,000	\$50,000	
Year 4				\$10,000	\$48,000	
Year 3			\$15,000	\$50,000		
Year 2		\$20,000	\$47,000			
Year 2		\$20,000	\$47,000			
Year 2		\$20,000	\$47,000			
Year 2		\$20,000	\$47,000			
Year 1	\$15,000	\$50,000				
Year 1	\$10,000	\$45,000				
Year 2			\$25,000	\$50,000		
Year 1	\$8,000	\$32,000				
Year 1	\$20,000	\$45,000				
Year 1	\$15,000	\$50,000				
Do Not replace - retire Unit						
762,000	\$0	\$222,000	\$238,000	\$50,000	\$152,000	\$100,000
Five Years						

Replacement Schedule does NOT consider FCAM FXG requirement, Vehicles may all require replacement earlier due to FCAM

Estimated Value of FedEx Routes & Vehicles

MyGround Support utilizes formal methods for estimating valuations of FedEx Routes and does not use subjective, unqualified general multipliers seen in use by sales oriented FedEx Route brokers. Shannon P. Pratt was recognized as the foremost authority in business valuation and was a legendary author and teacher of the many concepts used today throughout the world. He authored his first valuation book, "Valuing a Business: The Analysis and Appraisal of Closely Held Companies" ("Valuing a Business"), in 1981. That book served as the basis for educating thousands of business valuation consultants. Valuing a Business was quoted over the years in other publications, referenced by attorneys tackling litigations where valuation was an issue, and cited in court decisions.

A key valuation technique outlined in valuing the assets of a business is the Discounted Cash Flow (DCF). The DCF formula is an income-based valuation approach and helps in determining the fair value of an asset or business by discounting the future expected cash flows. Under this method, the expected future cash flows are projected up to a forecasted period of the asset or business in question and the said Cash Flows are discounted by a rate called the Discount Rate to arrive at the Present Value. The DCF represents the value an investor would be willing to pay for an investment, give the required Rate of Return on their investment (the discount rate).

Discounted cash flow valuation was explicated by John Burr Williams in his publication The Theory of Investment Value. The Theory of Investment Value was referenced by Warren Buffett in his 1992 annual shareholder letter as "the equation for value". The basic DCF present value formula is:

$$\frac{CF_t}{(1+r)^t}$$

- CF_t = cash flow in period t
- r = appropriate discount rate given the riskiness of the cash flow (or WACC)
- t = forecasted period of cash flow

In order to generate the DCF analysis various source data must be assembled and an EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) is calculated. Capital expenditures are then deducted from the EBITDA to determine a free cash flow, or cash after taking in account for the ongoing vehicle needs of the business (i.e. vehicle replacement).

MyGround Support utilizes modeled revenue of \$1.785M and **assumes the Buyer would be able to a obtain follow-on ISPA for 5 consecutive years.** As noted in an earlier section of this documents, ISPAs expire and do not renew. Making any investment or purchase in FedEx Routes holds very high risk as there is no guarantee of any kind a follow-on agreement, especially 5 consecutive years. Free

cash flow is based on the model operating margin less capital expenditures modeled given the likely vehicle replacement schedule needed.

Given higher than historical costs of capital financing rates, an r rate, or required rate of return was set at 12% [REDACTED] other [REDACTED] wo [REDACTED] e. DCF [REDACTED] ind [REDACTED] the vehicles themselves. The table below outlines the results.

AGREEMENT EXPIRES - ASSUMED A NEW CONTRACT CAN BE OBTAINED AT EACH END OF CONTRACT WITH FAVORABLE RATES/TERMS						
	Year 0-1	Year 2	Year 3	Year 4	Year 5	
Revenue (2% Annual Growth In Revenue)	\$1,735,000	\$1,769,700	\$1,805,004	\$1,841,008	\$1,877,756	a
Operating Profit (See Proforma Modeled P&L for Estimated %)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	b
Less: Taxes (taxes excluded)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Less: Capital expenditures	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Free Cash Flow	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
PV Factor ($PV Factor = \frac{1}{(1+r)^n}$)						7 c
Present Value	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Cummulative PV by Year	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Notes						
[a] Assumes 5% annual growth thereafter						
[b] Assumed profit margin in accordance with current operating margin						
[c] Assumes a discount rate (r) of 12% (Current SBA Rates at 10.75%)						
Potential Valuation Based on DCF						
	Amount					
5 Year Cummulative PV	[REDACTED]					
Vehicle Estimated FMV	[REDACTED]					
Total Potential Value	[REDACTED] y					

Appendix A – Client Supplied Data Used in Derivation of Document

The client supplied files and information are found at

XXXX