

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

RATE AND SERVICE CHANGES TO IMPLEMENT
BASELINE NEGOTIATED SERVICE AGREEMENT
WITH BANK OF AMERICA CORPORATION

Docket No. MC2007-1

**REQUEST OF THE UNITED STATES POSTAL SERVICE
FOR A RECOMMENDED DECISION ON CLASSIFICATIONS, RATES
AND FEES TO IMPLEMENT A BASELINE NEGOTIATED SERVICE AGREEMENT
WITH BANK OF AMERICA CORPORATION**

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony F. Alverno
Chief Counsel, Customer Programs

Frank R. Heselton
Matthew J. Connolly

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1135
(202) 268-2997; Fax -5418
February 7, 2007

*DOCUMENTS RELATING TO THIS REQUEST MAY BE SERVED UPON
MR. ALVERNO AT THE ABOVE ADDRESS.*

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

RATE AND SERVICE CHANGES TO IMPLEMENT
BASELINE NEGOTIATED SERVICE AGREEMENT
WITH BANK OF AMERICA CORPORATION

Docket No. MC2007-1

**REQUEST OF UNITED STATES POSTAL SERVICE
FOR A RECOMMENDED DECISION ON CLASSIFICATIONS, RATES AND FEES TO
IMPLEMENT A BASELINE NEGOTIATED SERVICE
AGREEMENT WITH BANK OF AMERICA CORPORATION**

Pursuant to chapter 36 of title 39, United States Code, the United States Postal Service has determined that it would be in the public interest, and in accordance with the policies and applicable criteria of that title, to implement the classifications, rates and fees contained in the attached Negotiated Service Agreement (“NSA”) with Bank of America Corporation.¹ Accordingly, the Postal Service requests that the Postal Regulatory Commission submit to the Governors of the Postal Service a decision recommending the changes requested herein.

The Bank of America NSA features performance-based incentives to encourage the Bank of America to undertake certain activities, outlined below, to reduce the cost to the Postal Service of processing Bank of America’s First-Class Mail and Standard Mail,

¹ These procedures of the former Postal Rate Commission apply under 39 U.S.C. § 3622(f) as amended by the Postal Accountability and Enhancement Act, Pub. L. No. 109-435, 120 Stat. 3198 (2006). Section 3622(f) specifies, for the mail categories which are the subject of this Request, that: “[p]roceedings initiated to consider a request for a recommended decision filed by the Postal Service during that 1-year [transition period] shall be completed in accordance with Subchapter H of chapter 36 of this title and implementing regulations as in effect before the date of enactment of this section.”

including mail that is entered into the mail stream by or on behalf of a Bank of America subsidiary or affiliate. The Commission's rules on NSAs distinguish between "baseline" NSAs and NSAs that are "functionally equivalent" to baseline NSAs.² This case is presented as a baseline case because this NSA is the first pure cost-savings NSA submitted to the Commission for approval, and the first NSA in which the financial incentives for cost savings are keyed to measured reductions in Postal Service costs through means largely left to the judgment of the mailer ("pay for performance"), rather than to compliance with a specified set of process changes dictated by the Postal Service. While novel in these respects, the NSA is based on mailer operational and worksharing activities analogous to those accepted by the Commission for more than twenty years as bases for discounts from the generally applicable rate schedule.

This NSA is the third baseline agreement to be filed under the Commission's rules applicable to NSA requests, established in Docket No. RM2003-5 (Order No. 1391, February 11, 2004). The rule governing baseline NSAs, Rule 195(a), is intended "to establish procedures which provide for maximum expedition of review consistent with procedural fairness, and which allows for the recommendation of a baseline Negotiated Service Agreement."³

Rule 195(a)(1) requires the Postal Service to provide a "written justification for requesting a Negotiated Service Agreement classification as opposed to a more generally applicable form of classification," and rule 195(a)(2) requires a "description of the operational bases of the Negotiated Service Agreement, including activities to be

² 39 C.F.R. §§ 3001.190 – 3001.198.

³ 39 C.F.R. § 3001.195(a).

performed and facilities to be used by both the Postal Service and the mailer under the agreement.”

Regarding the classification status of the proposed changes, the Postal Service believes that an NSA is appropriate in these circumstances. The terms and conditions of the NSA were tailored specifically to the particular characteristics of the mail entered by the Bank of America, and the particular effect of the mail on Postal Service operations and cost, as set forth in the testimonies of witnesses Richard D. Jones (BAC-T-1) and Ali Ayub (USPS-T-1). Because the mailing profiles of other mailers (including other banks) are likely to differ, a generally available classification would not be a reasonable substitute for the NSA presented in this Request. Other mailers that can demonstrate that they are similarly situated, however, are invited to negotiate a functionally equivalent NSA with the Postal Service. Any such NSAs would similarly have to be tailored to the specific mailing profiles of those customers.

As to the operational bases and facilities used, this NSA requires multiple operational commitments from Bank of America: implementing Four-State Barcode, OneCode ACS, CONFIRM, Seamless Acceptance, FAST and eDropship; barcoding of Courtesy and Business Reply Mail and Qualified Business Reply Mail; and waiver of physical return of certain First-Class Mail and Standard Mail. Bank of America will make additional operational changes to the extent that it determines them to be cost effective. The discounts or rebates payable to Bank of America will be determined quarterly based on mail volumes actually submitted each quarter, and the measured improvements in address quality actually achieved each quarter. The dimensions of address quality that will qualify Bank of America for discounts are improved mail processing performance for First-Class Mail and Standard Mail, reduced return rates for

First-Class Mail and Standard Mail and reduced forwarding rates for First-Class Mail.

The rebates will return to Bank of America a percentage of the resulting cost savings to the Postal Service.

In light of these elements and the structure of the NSA generally, this NSA provides an opportunity for gain for all concerned – Bank of America, the Postal Service, and postal ratepayers overall – with minimal, if any, risk of loss to any stakeholder.

As indicated above, the purpose of this NSA is to provide incentives that will encourage an individual mailer to engage in voluntary changes in mail preparation that will reduce the costs to the Postal Service of handling the mailer's mail. While worksharing and other cost-saving incentives incorporated in the general rate schedule over the last twenty years have been well received by mailers and have been highly successful, they necessarily have been limited to forms of worksharing (such as presorting, barcoding and drop-shipping) that a large number of mailers can accomplish. The Postal Service expects that it can achieve significant additional savings by offering incentives for additional improvements in mail preparation beyond those that most mailers are willing and able to achieve. This NSA is intended to access those additional saving opportunities with Bank of America.

For this NSA, the existence of a positive benefit to the Postal Service does not depend on a particular minimum volume or the accuracy of our Before Rates volume estimates. Improvements in address quality will generate savings for the Postal Service at all levels of volume, although the total savings achieved will, of course, depend on total volumes that benefit from the cost-saving actions taken by the mailer.

Pursuant to the Commission's Rules of Practice and Procedure, particularly 39 C.F.R. §§ 3001.193 and 3001.195, the Postal Service is filing with this Request its prepared direct evidence on which it proposes to rely. Other evidence on which the Postal Service intends to rely is being filed today by Bank of America and is referred to in the Compliance Statement attached hereto. The Postal Service submits that the procedures specified in the Commission's Rules of Practice and Procedure for baseline NSAs are best suited to the particular facts of this proposal.

To implement the Bank of America NSA, the Postal Service requests that the Commission recommend the attached classification and rate schedule changes, which propose the addition of Domestic Mail Classification Schedule ("DMCS") 630 and Rate Schedules 630A through 630E. Among other provisions, DMCS 630 prescribes the criteria for determining eligibility of Bank of America's mail for the proposed rates, describes Bank of America's operational commitments and the terms and conditions of applicable discounts, and specifies a three-year duration for the NSA.

Rule 195(b) provides that "[t]he Commission will treat requests predicated on a baseline Negotiated Service Agreement as subject to the maximum expedition consistent with procedural fairness." The rule further provides that "[a] schedule will be established, in each case, to allow for prompt issuance of a decision." Accordingly, no separate motion for expedition accompanies this Request, although the Postal Service notes that, assuming the relevant recommendations and approvals, it intends to implement the agreement as soon thereafter as practicable.

The page following this Request is an index of Attachments. Attachment A to this Request contains the proposed DMCS provisions in legislative format necessary to implement the Bank of America NSA, and Attachment B contains proposed rate

schedules. Attachment C contains the financial certification. The testimony and exhibits have been marked for identification, as shown in Attachment D. The Compliance Statement is marked as Attachment E, which references evidence filed by both the Postal Service and Bank of America. A signed copy of the NSA is in Attachment F. The proposed data collection plan is contained in the testimony of witness Ayub (USPS-T-1).

The Postal Service considers its submission to comply with the Commission's filing requirements in Rules 193 and 195 of the Rules of Practice and Procedure (39 C.F.R. §§ 3001.193 and 195). If the Commission later concludes that any specific requirement has not, need not, or cannot be met, the Postal Service respectfully reserves the right to move for a waiver of the pertinent filing requirements at that time.

WHEREFORE, the Postal Service requests that the Commission submit a recommended decision in accordance with this Request.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony F. Alverno
Chief Counsel, Customer Programs

Frank R. Heselton

Matthew J. Connolly

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1135
(202) 268-8582; Fax -5418
February 7, 2007

INDEX OF ATTACHMENTS TO REQUEST, MC2007-1
RATE AND SERVICES CHANGES TO IMPLEMENT BASELINE
NEGOTIATED SERVICE AGREEMENT WITH BANK OF AMERICA CORPORATION

- Attachment A: Domestic Mail Classification Schedule 630 Language
- Attachment B: Rate Schedule 630A through 630E
- Attachment C: Certification
- Attachment D: Index of Testimonies, Exhibit Titles, and Associated Attorneys
- Attachment E: Compliance Statement
- Attachment F: Negotiated Service Agreement between the United States Postal Service and Bank of America

NEGOTIATED SERVICE AGREEMENTS
CLASSIFICATION SCHEDULE

[insert the underlined text below]

630 BANK OF AMERICA CORPORATION NEGOTIATED SERVICE AGREEMENT

630.1 Definitions

The following terms shall have the meanings ascribed to them in the Negotiated Service Agreement (“NSA” or “Agreement”) between Bank of America Corporation (“Bank of America”) and the United States Postal Service (“Postal Service”): Bank of America Mail, CONFIRM Service, Courtesy Reply Mail, eDropShip, FAST (or “Facility Access and Shipment Tracking System”), Four-State Barcode (or “OneCode”), Letter-Rated Mail, OneCode ACS, PostalOne!®, Qualifying Permit Numbers, Schedule A First-Class Mail, Schedule B First-Class Mail, and Seamless Acceptance.

630.2 Eligible Mail

630.21 Bank of America

Bank of America Mail eligible for discounts under Rate Schedules 630A, 630B, 630C, 630D, and 630E is limited to letter-rated mail that (1) is entered by or on behalf of Bank of America or a subsidiary or affiliate, (2) relates to the business activities of Bank of America or a subsidiary or affiliate, and (3) complies with the machinability requirements specified in the Agreement. Such mail includes cooperative mailings and mail entered pursuant to marketing arrangements with other entities.

630.22 Other Mailers

Functionally equivalent NSAs, involving worksharing discounts for performance-based improvements resulting from (i) the implementation of Four-State Barcode, OneCode ACS, CONFIRM Service, Seamless Acceptance, FAST, and eDropShip, (ii) the barcoding of Courtesy Reply Mail, Business Reply Mail, and Qualified Business Reply Mail, and (iii) the adoption of electronic Address Correction Service in lieu of physical returns for letter-rated First-Class Mail that would otherwise be eligible for Standard Mail rates, may be entered into with other customers, as

specified by the Postal Service, and implemented pursuant to proceedings under Chapter 36 of Title 39, of the United States Code.

630.3 Operational Commitments of Bank of America

630.31 Four-State Barcode

Bank of America will use the Four-State Barcode on all Bank of America Mail entered under a Qualifying Permit Number as letter-rated First-Class Mail or Standard Mail.

630.32 OneCode ACS

Bank of America will place OneCode ACS markings on all Bank of America Mail entered under a Qualifying Permit Number as letter-rated First-Class Mail and Standard Mail, subject to the conditions and exceptions set forth in the text of the NSA.

630.33 Waiver of Physical Return of Certain Letter-Rated Mailpieces

Bank of America will accept electronic information about certain kinds of undeliverable-as-addressed letter-rated mailpieces instead of their physical return, as specified in the text of the NSA.

630.34 CONFIRM Service

Bank of America will implement use of CONFIRM Service in accordance with section 991. Bank of America will use CONFIRM Service for all Bank of America Mail entered under a Qualifying Permit Number as letter-rated First-Class Mail and Standard Mail.

630.35 Seamless Acceptance

Bank of America will use seamless acceptance for Bank of America Mail entered under a Qualifying Permit Number as letter-rated First-Class Mail and Standard Mail. Bank of America will use a Mail.dat file (or Web-services) in conjunction with Four-State Barcodes to enable the Postal Service to use performance-based verification procedures for mail entered by Bank of America, subject to the conditions and exceptions set forth in the text of the NSA.

630.36 Fast and eDropShip

Bank of America will use the automated scheduling services provided to the FAST system through the PostalOne! electronic data exchange

services to enter its letter-rated Standard Mail mailpieces with destination entry discounts, subject to the conditions and exceptions set forth in the text of the NSA.

630.37 Barcoding of Courtesy Reply Mail, Business Reply Mail, and Qualified Business Reply Mail

Bank of America will implement use of the Four-State Barcode on all Courtesy Reply Mail, Business Reply Mail, and Qualified Business Reply Mail envelopes enclosed in its mail. All pieces will be machinable, automation compatible, and properly marked with a OneCode Four-State Barcode. This requirement is subject to certain conditions and exceptions as provided in the text of the NSA.

630.4 Discounts

630.41 General Terms and Conditions

The Postal Service shall pay rate discounts in the form of refunds to Bank of America for improved address quality and mail processing in accordance with the text of the NSA. Discounts shall be calculated as adjustments to the rates of postage otherwise established by the DMM. Discounts shall be determined quarterly, over the life of the Agreement, based on Bank of America's actual mail volumes and address quality for each quarter just ended, subject to the conditions in the text of the NSA.

630.42 First Class Mail Discounts

630.421 Discounts for Improved Mail Processing

Eligible mail that is sent via First-Class Mail is subject to the otherwise applicable First-Class Mail postage in Rate Schedule 221, less the discounts shown in Rate Schedule 630A for improved mail processing performance for letter-rated First-Class Mail mailpieces.

630.422 Discount Formula for Improved Mail Processing

The Postal Service will use the following formula to calculate the rate discounts Bank of America will receive pursuant to Rate Schedule 630A:

- (a) The Postal Service will determine the total number of letter-rated First-Class Mail mailpieces of Bank of America Mail that are read and accepted during their first pass through Postal Service mail sorting equipment during an applicable quarter.

- (b) The Postal Service will divide the number identified in section 630.422(a) above by the total number of letter-rated First-Class Mail mailpieces of Bank of America Mail that receive a first pass through Postal Service mail sorting equipment during the same quarter.
- (c) The Postal Service will subtract the baseline value set forth in the agreement from the percentage obtained in section 630.422(b) to obtain the “incremental improvement” within the meaning of the table in Rate Schedule 630A.

630.423 Discounts for Reduced Return Rates

Eligible mail that is sent via First-Class Mail is subject to the otherwise applicable First-Class Mail postage in Rate Schedule 221, less the discounts shown in Rate Schedule 630B for reduced return rates for letter-rated First-Class Mail mailpieces.

630.424 Discount Formula for Reduced Return Rates

The Postal Service will use the following formula to calculate the rate discounts Bank of America will receive pursuant to Rate Schedule 630B:

- (a) The Postal Service will identify the number of undeliverable-as-addressed letter-rated First-Class Mail mailpieces of Bank of America Mail that have been returned to the sender by the Postal Service, as determined through OneCode ACS, for the applicable quarter.
- (b) The Postal Service will divide the number identified in section 630.424(a) above by the total number of letter-rated First-Class Mail mailpieces of Bank of America Mail for the applicable quarter.
- (c) The percentage obtained in section 630.424(b) will be subtracted from the applicable baseline undeliverable-as-addressed rate set forth in the agreement, and the difference divided by that baseline undeliverable-as-addressed rate. The result, expressed as a percentage, will serve as the “Incremental Improvement” percentage used to determine the applicable rate incentive in Rate Schedule 630B.

630.425 Discounts for Reduced Forwarding Rates

Eligible mail that is sent via First-Class Mail is subject to the otherwise applicable First-Class Mail postage in Rate Schedule 221, less the

discounts shown in Rate Schedule 630C for reduced forwarding rates for letter-rated First-Class Mail mailpieces.

630.426 Discount Formula for Reduced Forwarding Rates

The Postal Service will use the following formula to calculate the rate discounts Bank of America will receive pursuant to Rate Schedule 630C:

- (a) The Postal Service will identify the number of undeliverable-as-addressed letter-rated First-Class Mail mailpieces of Bank of America Mail that have been forwarded by the Postal Service, as determined through OneCode ACS, for the applicable quarter.
- (b) The Postal Service will divide the number identified in section 630.426(a) above by the total number of letter-rated First-Class Mail mailpieces of Bank of America Mail for the applicable quarter.
- (c) The percentage obtained in section 630.426(b) will be subtracted from the baseline forwarding rate set forth in the agreement, and the difference divided by that baseline forwarding rate. The result, expressed as a percentage, will serve as the "Incremental Improvement" percentage used to determine the applicable rate incentive in Rate Schedule 630C.

630.43 Standard Mail Discounts

630.431 Discounts for Improved Mail Processing

Eligible mail that is sent via Standard Mail is subject to the otherwise applicable Standard Mail postage in Rate Schedules 321B or 322, less the discounts shown in Rate Schedule 630D for improved mail processing performance for letter-rated Standard Mail mailpieces.

630.432 Discount Formula for Improved Mail Processing

The Postal Service will use the following formula to calculate the rate discounts Bank of America will receive pursuant to Rate Schedule 630D:

- (a) The Postal Service will determine the total number of letter-rated Standard Mail mailpieces of Bank of America Mail that are read and accepted during their first pass through Postal Service mail sorting equipment during an applicable quarter.
- (b) The Postal Service will divide the number identified in section 630.432(a) by the total number of letter-rated Standard Mail

mailpieces of Bank of America Mail that receive a first pass through Postal Service mail sorting equipment during the same quarter.

- (c) The Postal Service will subtract the baseline value set forth in the agreement from the percentage obtained in section 630.432(b) to obtain the “incremental improvement” percentage within the meaning of the table in Rate Schedule 630D.

630.433 Discounts for Reduced Undeliverable-As-Addressed Rates

Eligible mail that is sent via Standard Mail is subject to the otherwise applicable Standard Mail postage in Rate Schedules 321B or 322, less the discounts shown in Rate Schedule 630E for reduced undeliverable-as-addressed rates for letter-rated Standard Mail mailpieces.

630.434 Discount Formula for Reduced Undeliverable-As-Addressed Rates

The Postal Service will use the following formula to calculate the rate discounts Bank of America will receive pursuant to Rate Schedule 630E:

- (a) The Postal Service will identify the number of undeliverable-as-addressed letter-rated Standard Mail mailpieces of Bank of America Mail that have been returned by the Postal Service, as determined through OneCode ACS, for the applicable quarter.
- (b) The Postal Service will divide the number identified in section 630.434(a) above by the total number of letter-rated Standard Mail mailpieces of Bank of America Mail for the applicable quarter.
- (c) The percentage obtained in section 630.434(b) will be subtracted from the baseline undeliverable-as-addressed rate set forth in the agreement, and the difference divided by that baseline undeliverable-as-addressed rate. The result, expressed as a percentage, will serve as the “Incremental Improvement” percentage used to determine the applicable rate incentive in Rate Schedule 630E.

630.5 Rounding Convention

For the purposes of the Agreement, the following rounding convention will apply:

- (a) numbers expressed as percentages will be rounded to the nearest tenth of a percent, and

(b) numbers expressed in dollars and cents will be rounded to the nearest thousandth of a cent.

630.6 Rates and Fees

The rates applicable to this Agreement are set forth in the following Rate Schedules:

630A

630B

630C

630D

630E

630.7 Expiration

This provision (Section 630) expires 3 years from the implementation date set by the Board of Governors.

630.8 Precedence

To the extent any provision of section 630 is inconsistent with any other provision of the Domestic Mail Classification Schedule, the former shall control.

BANK OF AMERICA CORPORATION NSA

[insert the following rate schedules]

RATE SCHEDULE 630A¹
FOR IMPROVED MAIL PROCESSING PERFORMANCE
FOR FIRST-CLASS MAIL

Incremental Improvement	Rate Incentive Per Piece ²
0.1%	\$0.00032
0.2%	\$0.00065
0.3%	\$0.00097
0.4%	\$0.00129
0.5%	\$0.00162
0.6%	\$0.00194
0.7%	\$0.00227
0.8%	\$0.00260
0.9%	\$0.00292
1.0%	\$0.00325
1.1%	\$0.00358
1.2%	\$0.00391
1.3%	\$0.00424
1.4%	\$0.00457
1.5%	\$0.00483
1.6%	\$0.00506
1.7%	\$0.00529
1.8%	\$0.00552
1.9%	\$0.00575

¹ All discounts will be paid in the form of a refund at the end of each Postal Fiscal Quarter in accordance with section 630.4 of the Domestic Mail Classification Schedule (DMCS).

² Per-piece rate incentives deducted from per-piece rates for letter-rated items in Rate Schedule 221.

RATE SCHEDULE 630B¹
FOR REDUCED RETURN RATES
FOR FIRST-CLASS MAIL

Incremental Improvement	Rate Incentive Per Piece: Schedule A First-Class Mail ²	Rate Incentive Per Piece: Schedule B First-Class Mail ³
10.0%	\$0.00022	\$0.00360
20.0%	\$0.00037	\$0.00390
30.0%	\$0.00053	\$0.00420
40.0%	\$0.00068	\$0.00450
50.0%	\$0.00083	\$0.00480
60.0%	\$0.00099	\$0.00510
70.0%	\$0.00114	\$0.00540
80.0%	\$0.00130	\$0.00570
90.0%	\$0.00145	\$0.00600

¹ All discounts will be paid in the form of a refund at the end of each Postal Fiscal Quarter in accordance with section 630.4 of the Domestic Mail Classification Schedule (DMCS).

² Per-piece rate incentives deducted from per-piece rates for letter-rated items in Rate Schedule 221.

³ Per-piece rate incentives deducted from per-piece rates for letter-rated items in Rate Schedule 221.

RATE SCHEDULE 630C¹
FOR REDUCED FORWARDING RATES
FOR FIRST-CLASS MAIL

Incremental Improvement	Rate Incentive Per Piece ²
10%	\$0.00013
20%	\$0.00030
30%	\$0.00047
40%	\$0.00064
50%	\$0.00081
60%	\$0.00098
70%	\$0.00116
80%	\$0.00133
90%	\$0.00150

¹ All discounts will be paid in the form of a refund at the end of each Postal Fiscal Quarter in accordance with section 630.4 of the Domestic Mail Classification Schedule (DMCS).

² Per-piece rate incentives deducted from per-piece rates for letter-rated items in Rate Schedule 221.

RATE SCHEDULE 630D¹
 FOR IMPROVED MAIL PROCESSING PERFORMANCE
 FOR STANDARD MAIL LETTERS

Incremental Improvement	Rate Incentive Per Piece ²
0.1%	\$0.00024
0.2%	\$0.00049
0.3%	\$0.00073
0.4%	\$0.00097
0.5%	\$0.00122
0.6%	\$0.00146
0.7%	\$0.00171
0.8%	\$0.00195
0.9%	\$0.00220
1.0%	\$0.00244
1.1%	\$0.00269
1.2%	\$0.00294
1.3%	\$0.00319
1.4%	\$0.00343
1.5%	\$0.00363
1.6%	\$0.00379
1.7%	\$0.00396
1.8%	\$0.00419
1.9%	\$0.00466

¹ All discounts will be paid in the form of a refund at the end of each Postal Fiscal Quarter in accordance with section 630.4 of the Domestic Mail Classification Schedule (DMCS).

² Per-piece rate incentives deducted from per-piece rates for letter-rated items in Rate Schedules 321B or 322.

RATE SCHEDULE 630E¹
FOR REDUCED UNDELIVERABLE-AS-ADDRESSES RATES
FOR STANDARD MAIL LETTERS

Incremental Improvement	Rate Incentive Per Piece ²
10%	\$0.00040
20%	\$0.00060
30%	\$0.00100
40%	\$0.00110
50%	\$0.00130
60%	\$0.00150
70%	\$0.00170
80%	\$0.00170
90%	\$0.00170

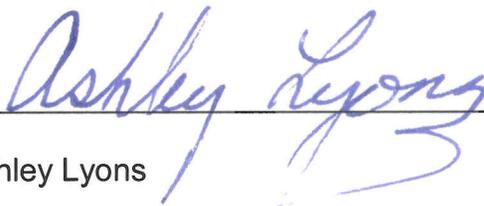
¹ All discounts will be paid in the form of a refund at the end of each Postal Fiscal Quarter in accordance with section 630.4 of the Domestic Mail Classification Schedule (DMCS).

² Per-piece rate incentives deducted from per-piece rates for letter-rated items in Rate Schedules 321B or 322.

CERTIFICATION

I, Ashley Lyons, Manager, Corporate Financial Planning, Finance Department, United States Postal Service, am familiar with the attached Request of the United States Postal Service for a Recommended Decision on Classifications, Rates And Fees to implement a Baseline Negotiated Service Agreement With Bank of America Corporation, together with the accompanying direct testimony and exhibits.

Pursuant to Rule 193(i) of the Postal Regulatory Commission's Rules of Practice and Procedure, 39 C.F.R. §3001.193(i), I hereby certify that I have read the Request, and that the cost statements and supporting data submitted by the Postal Service as part of the Request, as well as the accompanying workpapers, which purport to reflect the books of the Postal Service, accurately set forth the results shown by such books.



Ashley Lyons

INDEX OF TESTIMONIES: DOCKET NO. MC2007-1

WITNESS	TESTIMONY	EXHIBITS		WORKPAPERS	ATTORNEY
		TITLE	NO.		
Mr. Ayub	USPS-T-1	None		None	Matthew J. Connolly 202-268-8582

COMPLIANCE STATEMENT

This Attachment contains a statement of the manner in which the Postal Service has supplied the information requested in sections 193 and 195 of the Commission's Rules of Practice and Procedure (39 CFR §§ 3001.193 and 3001.195). These rules are applicable under 39 U.S.C., 3622(f), as enacted by the Postal Accountability and Enhancement Act, Pub. L. No. 109-435, 120 Stat. 3198. Section 3622(f), for the mail categories that are the subject of the Request, provides that: "Proceedings initiated to consider a request for a recommended decision filed by the Postal Service during that 1-year [transition period] shall be completed in accordance with Subchapter H of chapter 36 of this title and implementing regulations as in effect before the date of enactment of this section."

Where information required by these rules is not included in direct testimony or exhibits of the Postal Service's witness, it is contained in the Request or its attachments, or has been incorporated by reference in the Request, testimony, exhibits, or attachments made available to the Commission in Docket No. R2006-1. Alternatively, if it is subsequently determined that the Postal Service has not fulfilled any particular filing requirement, the Postal Service reserves its right thereafter to request waiver of such requirement.

RULE: 193(b)

REQUIREMENT: This rule requires that a copy of the Negotiated Service Agreement be filed with the Request.

A copy of the Negotiated Service Agreement is filed as Attachment F to the Request.

RULE: 193(c)

REQUIREMENT: This rule requires a description of the proposed rates, fees, and/or classification changes, including proposed changes, in legislative format, to the text of the Domestic Mail Classification Schedule and any associated rate or fee schedule.

Attachment A to this Request includes the proposed additions to the Domestic Mail Classification Schedule. Attachment B sets forth the proposed additions to the Rate Schedules.

RULE: 193(d)

REQUIREMENT: This rule requires a statement describing and explaining the operative components of the Negotiated Service Agreement, and requires that this statement include the reasons and bases for the components in the Negotiated Service Agreement.

The statements required by this rule are contained within the testimony of witnesses Ali Ayub (USPS-T-1) and Richard D. Jones (BAC-T-1).

RULE: 193(e)(1)

REQUIREMENT: This rule requires an analysis of the effects of the Negotiated Service Agreement on Postal Service volumes, costs and revenues in a one year period intended to be representative of the first year of the proposed agreement. This financial analysis shall:

- (i) set forth the estimated mailer-specific costs, volumes and revenues of the Postal Service for that year, assuming the then effective postal rates and fees absent the implementation of the Negotiated Service Agreement;
- (ii) set forth the estimated mailer-specific costs, volumes, and revenues of the Postal Service for that year which result from the implementation of the Negotiated Service Agreement;
- (iii) include an analysis of the effects of the Negotiated Service Agreement on contribution to the Postal Service for that year (including consideration of the effect on contribution from mailers who are not parties to the agreement);
- (iv) utilize mailer-specific costs for that year, and provide the basis used to determine such costs, including a discussion of variances between mailer-specific costs and system-wide average costs; and
- (v) utilize mailer-specific volumes and elasticity factors for that year, and provide the bases used to determine such volumes and elasticity factors.

If mailer-specific costs or elasticity factors are not available, the bases of the costs or elasticity factors that are proposed shall be provided, including a discussion of the suitability of the proposed costs or elasticity factors as a proxy for mailer-specific costs or elasticity factors.

The analysis required by this rule is contained within the testimony of witnesses Ali Ayub (USPS-T-1) and Richard D. Jones (BAC-T-1).

RULE: 193(e)(2)

REQUIREMENT: This rule requires that, if a Negotiated Service Agreement is proposed to extend beyond one year, the request shall include an analysis of the effects of the agreement on Postal Service volumes, costs, and revenues in each subsequent year of the proposed agreement. This financial analysis shall:

- (i) identify each factor known or expected to operate in that subsequent year which may have a material effect on the estimated costs, volumes, or revenues of the Postal Service, relative to those set forth in the financial analysis provided for the first year of the agreement in response to Rule 193(e)(1). Such relevant factors might include (but are not limited to) cost level changes, anticipated changes in operations, changes arising from specific terms of the proposed agreement, or potential changes in the level or composition of mail volumes;
- (ii) discuss the likely impact in that subsequent year of each factor identified in Rule 193(e)(2)(i), and quantify that impact to the maximum extent practical; and
- (iii) estimate the cumulative effect in that subsequent year of all factors identified in Rule 193(e)(2)(i) on the estimated costs, volumes, and revenues of the Postal Service, relative to those presented for the first year of the agreement in response to Rule 193(e)(1).

The analysis required by this rule is contained within the testimony of witnesses

Ali Ayub (USPS-T-1) and Richard D. Jones (BAC-T-1).

RULE: 193(f)

REQUIREMENT: This rule requires an analysis of the impact, over the duration of the Negotiated Service Agreement, of the agreement on:

- (1) competitors of the parties to the Negotiated Service Agreement other than the Postal Service;
- (2) competitors of the Postal Service; and
- (3) mail users.

The Postal Service shall include a copy of all completed special studies that were used to make such estimates. If special studies have not been performed, the Postal Service shall state this fact and explain the alternate basis of its estimates.

The analysis required by this rule is contained within the testimony of witness Ali Ayub (USPS-T-1).

RULE: 193(g)

REQUIREMENT: This rule requires a proposal for a data collection plan, which shall include a comparison of the analysis presented in Rule 193(e)(1)(ii) and 193(e)(2)(iii) with the actual results ascertained from implementation of the Negotiated Service Agreement. The results shall be reported to the Commission on an annual or more frequent basis.

The proposed data collection plan is contained in the testimony of witness Ali Ayub (USPS-T-1). If the Commission subsequently concludes that this data collection plan does not fully comply with the requirements of this rule, the Postal Service reserves its right thereafter to request that those requirements be waived.

RULE: 193(h)

REQUIREMENT: This rule requires seven sets of workpapers to be filed with the Request.

There are no workpapers in this case.

RULE: 193(i)

REQUIREMENT: This rule requests one or more certifications stating that the cost statements and supporting data submitted as part of the formal request, as well as the accompanying workpapers, which purport to reflect the books of the Postal Service, accurately set forth the results shown by such books. The requested certification is to be signed by one or more representatives of the Postal Service authorized to make such certification.

The certification is submitted as Attachment C to this Request.

RULE: 195

REQUIREMENT: This rule states that Postal Service Requests for baseline negotiated service agreements shall include:

- (1) A written justification for requesting a Negotiated Service Agreement classification, as opposed to a more generally applicable form of classification; and
- (2) A description of the operational bases of the Negotiated Service Agreement, including activities to be performed and facilities to be used by both the Postal Service and the mailer under the agreement.

These requirements are discussed in the Request, and within the testimony of witnesses Ali Ayub (USPS-T-1) and Richard D. Jones (BAC-T-1).

Docket No. MC2007-1 Request

ATTACHMENT F

NEGOTIATED SERVICE AGREEMENT
BETWEEN UNITED STATES POSTAL SERVICE
AND BANK OF AMERICA CORPORATION

NEGOTIATED SERVICE AGREEMENT
BETWEEN UNITED STATES POSTAL SERVICE
AND BANK OF AMERICA CORPORATION

This Agreement (“Agreement”) is made as of January 9, 2007, (the “Agreement Effective Date”) by and between Bank of America Corporation, a Delaware corporation with its principal place of business at 100 North Tryon Street, Charlotte, North Carolina 28255, for itself and its subsidiaries and affiliates existing during the term of this Agreement (“Bank of America”), and the United States Postal Service (“Postal Service”), an independent establishment of the Executive Branch of the United States Government established by the Postal Reorganization Act, Public Law No. 91-375, as amended, with its principal office at 475 L’Enfant Plaza, S.W., Washington, D.C. 20260. The Postal Service and Bank of America are referred to herein collectively as the “Parties”; each is referred to singly as a “Party.”

WHEREAS, it is the intention of the Parties to enter into a Negotiated Service Agreement (“NSA”) that will benefit the Postal Service, the postal system as a whole, and Bank of America, and that will comply with the requirements of the Postal Reorganization Act, and

WHEREAS, the Postal Service wishes to encourage Bank of America to undertake activities that will reduce the cost to the Postal Service of processing Bank of America’s letter-rated First-Class Mail and Standard Mail, and

WHEREAS, Bank of America wishes to undertake such activities when it is deemed by Bank of America to be economically and operationally advantageous to do so, and

WHEREAS, both Parties prefer to achieve these goals through performance-based incentives that Bank of America will receive if and only if its efforts reduce Postal Service costs, and

WHEREAS, both Parties believe that performance-based incentives are likely to achieve lower combined costs for the Postal Service and Bank of America than would a detailed prescription of specific mail preparation requirements,

NOW, THEREFORE, the Parties agree as follows:

I. POSTAL SERVICE FINDINGS

The Postal Service finds that the following key conditions, taken together, support this Negotiated Service Agreement:

- A. For Postal Fiscal Year 2006, Bank of America mailed approximately 1.4 billion and 1.9 billion mailpieces, respectively, of letter-rated First-Class Mail and Standard Mail.
- B. Although the address quality of this mail satisfies Postal Service requirements, Bank of America could make further improvements. These improvements, while requiring additional capital investment and operating costs by Bank of America, would generate cost savings for the Postal Service.
- C. The requirement that Bank of America place Four-State Barcodes on all of its letter-rated First-Class Mail and Standard Mail will generate cost savings for the Postal Service by improving scan and read rates, and by enabling more effective tracking of mailpieces.
- D. The specific methods to achieve the improved address quality and to produce a greater reduction in the combined costs of the Postal Service and Bank of America for processing Bank of America's letter-rated First-Class Mail and Standard Mail will be at the discretion of Bank of America.
- E. The adoption of the Four-State Barcode, CONFIRM, and OneCode ACS by Bank of America, and the Postal Service's access to internal business records ("DPV reports") maintained by Bank of America and other compliance reporting mechanisms, will enable the Postal Service to verify whether Bank of America is entitled to any discounts it claims under the Agreement.

II. DEFINITIONS

- A. **ACS ("Address Change Service")** is an automated electronic process offered by the Postal Service to provide mailers with notices of address correction or reason for nondelivery. *See* DMM 507.3.2.
- B. **"Bank of America Mail"** is defined for this Agreement as all letter-rated mail that (1) is entered by or on behalf of Bank of America or a subsidiary or affiliate, and (2) relates to the business activities of Bank of America or a subsidiary or affiliate. Such mail includes letter-rated cooperative mailings and letter-rated mail entered pursuant to marketing arrangements with other entities.

- C. **Business Entity Identifier (“BEI”)**: A BEI is the six or nine digit code embedded in the Four-State Barcode which uniquely identifies a mailer’s containers and mailpieces, thereby enabling the mailer to receive improved tracking from its mailings. BEIs are used exclusively in conjunction with intelligent mail.
- D. **Business Reply Mail (“BRM”)**: Business reply mail service is the service, defined in Domestic Mail Manual (“DMM”) 507.8.0 *et seq.*, that enables a permit holder to receive First-Class Mail and Priority Mail back from customers; the mail owner pays postage and a per piece fee only for the mailpieces returned.
- E. **“CASS” (or “Coding Accuracy Support System”)**: CASS is a system, defined in DMM 708.3.0, used to validate and improve the accuracy of delivery point codes, ZIP+4 codes, 5-digit ZIP Codes, and carrier route codes on mailpieces. CASS provides a common platform to measure the quality of address matching software and to diagnose and correct software problems.
- F. **CONFIRM Service**: A service for tracking individual mailpieces, based on the scanning of barcoded information on the mailpieces, offered by the Postal Service pursuant to DMM 503.13.0 *et seq.*
- G. **Courtesy Reply Mail (“CRM”)**: Courtesy reply mail, defined in DMM 201.3.14.2, consists of reply mail other than BRM or meter reply mail (“MRM”) enclosed in other mail, with or without prepayment of postage, for return to the address on the reply piece.
- H. **DMCS (or “Domestic Mail Classification Schedule”)**: A document, published by the Postal Regulatory Commission at <http://www.prc.gov/main.asp?Left=contents.asp&Right=home.asp>, providing a unified codification of the rates and classifications recommended by the Commission and approved by the Governors of the Postal Service.
- I. **DMM (or “Domestic Mail Manual”)**: A codification of rates, classifications, and mail preparation requirements published by the Postal Service. The DMM is available on the USPS website at <http://www.usps.com/publications/manuals/welcome.htm>, and is incorporated by reference at 39 C.F.R. § 111.1.
- J. **DPV Report**: A report produced by checking the address list of a mailing against a Delivery Point Validation (“DPV”) database certified or approved by the Postal Service. This verification

procedure allows the mailer to check the validity of any individual house, apartment, post office box, rural box, mail drop, or commercial address that receives mail.

- K. **EDL (or “Enhanced Distribution Label”)**: A 24-digit barcoded label for trays and sacks, used in conjunction with the Postal Service’s Web Automated Tray Label Assignment System (“ATLAS”).
- L. **eDropShip**: A Web-based system, currently still in the design and development stage, that will allow mailers to verify the status of all mailings which they have scheduled through the Facility Access and Shipment Tracking System (“FAST”).
- M. **FAST (or “Facility Access and Shipment Tracking System”)**: FAST is an Internet-based appointment system for entry of dropshipped (or destination entered) mail. See <http://www.usps.com/nationalpremieraccounts/fast.htm>.
- N. **Four-State Barcode (or “OneCode”)**: The name given by the Postal Service to a new barcode design. The OneCode barcode can carry a unique identifying number to the mailpiece, enabling tracking, tracing, and information identifying the sender and the destination address, in addition to mail sorting. See <http://www.usps.com/postalone/welcome.htm>.
- O. **IBI Meter**: Postage meters are devices that allow download, storage, and accounting of postage in the device. Meters print indicia that may be IBI (“information based indicia”) or non-IBI, to indicate postage payment. IBI are digitally generated indicia that include a two-dimensional barcode.
- P. **Intelligent Mail®**: The trade name of a suite of products and services offered by the Postal Service that enables the use of machine readable barcodes to uniquely identify mail. This enables large mailers to track the progress of their mail through the stages of processing to delivery.
- Q. **Letter-Rated Mail**:
 - 1. Letter-rated First-Class Mail is defined for this Agreement to include mailpieces, not exceeding 3.5 ounces in weight, entered at First-Class Mail automation letter rates (DMCS Rate Schedule 221). This definition excludes cards (DMCS Rate Schedule 222).

2. Letter-rated Standard Mail is defined for this Agreement to include mailpieces, not exceeding 3.3 ounces in weight, entered at Standard Mail Regular Automation letter rates (DMCS Rate Schedule 321B) or Standard Mail Enhanced Carrier Route letter rates (DMCS Rate Schedule 322).
- R. **Metered Reply Mail:** Reply mail prepared by the sender with reply postage prepaid using meter indicia. *See* DMM 604.4.4.2.
- S. **Milestone Dates:**
1. The “Agreement Effective Date” is defined as the date on which both parties have signed this Agreement.
 2. The “Approval Date” is defined as the date the Postal Regulatory Commission (“the Commission”) has recommended approval of this Agreement.
 3. The “Commencement Date” is defined as the date the Board of Governors of the Postal Service specify that the rate, classification, and fee changes, as specified in this Agreement and recommended by the Commission, take effect.
- T. **OneCode ACS:** A functionality of OneCode that facilitates electronic Address Change Service (“ACS”) – i.e., notification from the Postal Service regarding whether a mailpiece may be delivered to the addressee as it is addressed. This functionality allows the mailer to specify when and how to notify the mailer (or list owner), and what to do with the mailpiece, when it needs to be forwarded or is undeliverable as addressed.
- U. **Permit Account:** An account for advance deposit of funds with the Postal Service that allows a mailer to enter mail bearing a permit indicia of postage at a specified post office. *See* DMM 604.5.0 *et seq.*
- V. **Postal Accountability and Enhancement Act:** Public Law No. 109-435, Dec. 20, 2006, 120 Stat. 3198.
- W. **“Postal Fiscal Quarters”** are defined as follows:
1. Quarter one: the period from October 1 through December 31.

2. Quarter two: the period from January 1 through March 31.
 3. Quarter three: the period from April 1 through June 30.
 4. Quarter four: the period from July 1 through September 30.
- X. **“Postal Fiscal Year”** is defined as the period of time from October 1 of one year through September 30 of the following year.
- Y. **PostalOne!®**: the Postal Service’s name for a Web-based alternative to existing manual mailing processes, offered by the Postal Service, with an electronic suite of services designed for business mailers. PostalOne!® features an automated, streamlined alternative to the existing hardcopy documentation used in the business mail acceptance process. The PostalOne!® system links a customer's mailing information electronically with USPS acceptance, verification and payment systems. *See* <http://www.usps.com/postalone/>.
- Z. **Postal Regulatory Commission (“Commission”)**: The five-member independent regulatory commission, established by the Postal Accountability and Enhancement Act, that recommends changes to postal rates and classifications. *See* Public Law No. 109-435 § 601 *et seq.*
- AA. **Postal Reorganization Act**: Public Law No. 91-375, Aug. 12, 1970, 84 Stat. 719, as codified and subsequently amended at Title 39, United States Code.
- BB. **Qualified Business Reply Mail (“QBRM”)**: QBRM is a subset of Business Reply Mail available for specific automation-compatible letter-rated mailpieces. Mailpieces that qualify as QBRM receive a lower automation postage rate and reduced per piece fees than ordinary BRM. *See* DMM 507.8.2-8.4.
- CC. **“Qualifying Permit Numbers”** are defined for this Agreement as permit accounts that Bank of America has designated for entry of Bank of America Mail eligible for rate discounts under Section IV of this Agreement.
- DD. **“Schedule A First-Class Mail”** is defined for this Agreement to include the following kinds of Bank of America Mail entered as letter-rated First-Class Mail:

1. Card statements and other account statements.
2. Benefit statements.
3. Actual card (plastic) mailings.
4. Specific account correspondence (e.g., notifications regarding change in credit line, interest rate, or other account terms).

EE. “**Schedule B First-Class Mail**” is defined for this Agreement as Bank of America Mail that is entered as letter-rated First-Class Mail and contains one or more of the following kinds of matter, but does not contain any matter described in Section II.DD:

1. The following kinds of portfolio offers:
 - a. Additional card offers to existing card holders (e.g., upgrade to a platinum card, or application for a new card).
 - b. Special offers to existing account holders.
 - c. Balance transfer offers to existing card holders.
 - d. Convenience checks to existing card holders.
2. Any other letter-rated mail, not identified in Section II.DD, that advertises, promotes or offers a financial product or service of Bank of America or a subsidiary, affiliate, or a partner in a cooperative venture or strategic alliance with a Bank of America entity.
3. Privacy statements.

FF. **Seamless Acceptance:** A computerized Web-based method for entry of bulk mail, currently under development by the Postal Service, that is intended to bypass or automate most of the steps involved in acceptance of bulk mailings by the Postal Service. *See* section III.E of this Agreement. Instead of a hard copy mailing statement, the mailer will submit an electronic version of the mailing statement and a Mail.dat file to the Postal Service. The Postal Service will verify the mailer’s information by using barcode readers to scan each mailpiece in the mailing upon induction into the system, and a computer will determine the billing determinants of the entire mailing, compare it to the

data provided in the Mail.dat file, and deduct the appropriate amount from the funds on deposit. Discrepancies that exceed established tolerances will trigger a manual review.

GG. **UAA:** Undeliverable-as-addressed.

III. OPERATIONAL COMMITMENTS OF BANK OF AMERICA

A. **Four-State Barcode:**

1. Bank of America will implement use of the Four-State Barcode by the Commencement Date of this Agreement.
2. Bank of America will use the Four-State Barcode on all Bank of America Mail entered under a Qualifying Permit Number as letter-rated First-Class Mail or Standard Mail.

B. **OneCode ACS:**

1. Bank of America will implement use of OneCode ACS by the Commencement Date of this Agreement.
2. Upon implementation of OneCode ACS, Bank of America will place OneCode ACS markings on all Bank of America Mail entered under a Qualifying Permit Number as letter-rated First-Class Mail and Standard Mail.
3. **Conditions and exceptions:**
 - a. Bank of America's obligation to use OneCode and OneCode ACS is conditioned on the continued availability of the option of receiving both electronic address notification and physical return of the same mailpiece of UAA letter-rated First-Class Mail and Standard Mail.
 - b. Bank of America shall be entitled to remove an individual customer from the OneCode ACS program if the customer complains that the ACS process has generated unwanted forwarding of letter-rated mail properly addressed to the customer's current address.
 - c. Bank of America shall be entitled to confirm a OneCode ACS transaction directly with the

customer before modifying the customer's official address records. (For example, if the ACS return indicates that the addressee is deceased, Bank of America may choose to validate this statement with the executor or administrator of the estate of the addressee.)

4. Nothing in this Agreement shall relieve Bank of America from complying with all otherwise applicable Move Update requirements for letter-rated First-Class Mail mailpieces under DMM 233.3.5 *et seq.*, and all CASS requirements otherwise applicable under DMM 708.3.0 *et seq.*
5. Nothing in this Agreement shall preclude Bank of America from implementing additional address hygiene procedures consistent with those specified in the Agreement.

C. CONFIRM Service:

1. Bank of America will implement use of CONFIRM Service before the Commencement Date of this Agreement.
2. Upon implementation of CONFIRM Service, Bank of America will use it for all Bank of America Mail entered under a Qualifying Permit Number as letter-rated First-Class Mail and Standard Mail.

D. Waiver of physical return of certain letter-rated First-Class Mail and Standard Mail mailpieces:

1. During the term of this Agreement, Bank of America will accept electronic information about the following kinds of UAA mail instead of their physical return:
 - a. At least 10 percent of the total mailpieces of Bank of America's Schedule A First-Class Mail entered per year.
 - b. All Schedule B First-Class Mail.
 - c. All letter-rated Standard Mail.
2. Except when Bank of America has waived return rights, the Postal Service will provide electronic information

about all UAA pieces of Schedule A First-Class Mail in addition to physical return of the mailpieces.

3. Bank of America shall indicate on each mailpiece of letter-rated First-Class Mail whether the mailpiece is entered as Schedule A or Schedule B First-Class Mail and, if the former, whether Bank of America waives physical return of the mailpiece if UAA. The indication shall be by Four-State Barcode, in conjunction with the designation of permit number.

E. Seamless Acceptance:

1. The procedures set forth in Section III.E.2 below are referred to herein collectively as “seamless acceptance.” Bank of America will use seamless acceptance for Bank of America Mail entered under a Qualifying Permit Number as letter-rated First-Class Mail and Standard Mail.
2. To enable Bank of America to implement seamless acceptance, Bank of America may implement, but is not limited to, any or all of the following procedures:
 - a. Bank of America will use the Four-State Barcode on all of its letter-rated mailpieces, and the Enhanced Distribution Label (“EDL”) where applicable, and optionally, the Mailer Placard to identify uniquely all mailpieces, trays, and pallets in mailings. Each mailpiece will include a unique Four-State Barcode including the delivery point. Each tray will be labeled with an EDL.
 - b. Bank of America will use the *PostalOne!* Transportation Management to assign surface and air transportation from its mailing facilities. Bank of America will be required to purchase, install and integrate *PostalOne!* Transportation Management shipping systems at its First-Class Mail production facilities. This requirement may be satisfied by the use of Code-Plus certified desktop systems software. Bank of America will process, sort and dispatch all letter-rated First-Class Mail trays through its *PostalOne!* Transportation Management systems.

- c. Bank of America will submit electronic mail documentation, including unique barcode data for all letter-rated mailpieces and trays, using *PostalOne!* Mail.dat® files or Web Services.
 - d. Bank of America will use its unique BEI on all mailpieces entered under Qualifying Permit Numbers, including letter-rated mailpieces entered by another company on behalf of Bank of America. The BEI will be designated by use of Bank of America's unique Permit imprint/indicia or a unique IBI meter indicia.
 - 3. Bank of America will use a Mail.dat file (or Web-services) in conjunction with Four-State Barcodes to enable the Postal Service to use performance-based verification procedures for mail entered by Bank of America.
 - 4. Exception: Bank of America will, to the extent commercially reasonable, implement Seamless Acceptance 90 days after its deployment by the Postal Service. For the purpose of this provision, "deployment by the Postal Service" shall be defined to have occurred when Bank of America has provided Mail.dat files to the Postal Service in conjunction with use of the OneCode barcode, and the Postal Service's Seamless Acceptance systems have become functional (i.e., past the beta testing stage).
- F. FAST and eDropship:
 - 1. Bank of America will use the automated scheduling services provided to the FAST system through the *PostalOne!* electronic data exchange services to enter its letter-rated Standard Mail mailpieces with destination entry discounts. This requirement is subject to the following conditions and exceptions:
 - a. Bank of America and its third-party service providers may use alternative scheduling methods if warranted by delays in the testing and availability of *PostalOne!* from the Postal Service for third-party service providers.
 - b. Bank of America and its service providers may use alternative scheduling methods when USPS/FAST system outages occur.

2. Within 60 to 90 days after the Postal Service has notified Bank of America that eDropship is available for First-Class Mail, Bank of America will subscribe to the service and begin using it through the *PostalOne!* electronic data exchange services for all entry of Bank of America letter-rated First-Class Mail mailpieces.
- G. Barcoding of Courtesy Reply Mail, Business Reply Mail, and Qualified Business Reply Mail:
1. Bank of America will implement use of the Four-State Barcode on all Courtesy Reply Mail, Business Reply Mail, and Qualified Business Reply Mail envelopes enclosed in its mail by the Commencement Date. All mailpieces will be machinable, automation compatible, and properly marked with a OneCode Four-State Barcode.
 2. Notwithstanding Section III.G.1, Bank of America may use up existing inventories of nonbarcoded envelopes until 12 months after the Commencement Date.
 3. Bank of America also reserves the right to omit a barcode from a CRM, BRM or QBRM envelope when it is mailed as part of a joint marketing arrangement or other cooperative arrangement with a nonparty to this Agreement, and the nonparty objects to the printing of a barcode on the envelope.
 4. Bank of America will use commercially reasonable efforts to encourage its customers to send mail to Bank of America that is machinable, automation compatible, and properly marked with a OneCode Four-State Barcode. Bank of America assumes no responsibility or liability, however, for the preparation of mailpieces by Bank of America customers in customer-supplied envelopes, including envelopes received from Bank of America in the past.

IV. RATE DISCOUNTS FOR IMPROVEMENTS IN BANK OF AMERICA ADDRESS QUALITY

- A. The Postal Service shall pay rate discounts in the form of refunds to Bank of America for improved address quality and mail processing in accordance with this section. Except as provided in Section III of this Agreement, the specific means by which Bank of America achieves improved address quality and

mail processing are left to the sole judgment of Bank of America. In exercising its judgment, Bank of America will use Six Sigma and other generally accepted techniques for process management and optimization.

B. General Terms and Conditions:

1. The discounts specified in this Agreement are available only for Bank of America Mail that complies with the machineability requirements specified in DMM 201 *et seq.*
2. The discounts specified in this Agreement shall be calculated as adjustments to the rates of postage otherwise established by the DMM. Bank of America may receive more than one type of discount under this Agreement for the same mailpiece.
3. Bank of America shall pay the rates and fees for First-Class Mail and Standard Mail OneCode ACS and other services used under this Agreement in accordance with the generally applicable rate and fee schedules specified by the DMM.
4. Discounts shall be determined quarterly, over the life of the Agreement, based on Bank of America's actual mail volumes and address quality for each quarter just ended.
 - a. The Postal Service shall pay the discounts in the form of a refund to Bank of America as soon as practicable, but not later than 45 days after the end of each Postal Fiscal Quarter.
 - b. The Postal Service shall pay refunds to Bank of America by electronic funds transfer, or another method of cash payment that is mutually acceptable to the parties.
 - c. Along with each refund payment, the Postal Service shall provide Bank of America with sufficient information to enable Bank of America to allocate the refund to individual lines of business in proportion to their contribution to the eligibility of Bank of America for the refund payment.

5. For the purposes of this Agreement, the following rounding convention will apply: Numbers expressed as percentages will be rounded to the nearest tenth of a percent. Numbers expressed in dollars and cents will be rounded to the nearest one thousandth of a cent. For example, \$0.0025549 would be rounded to \$0.00255, whereas 10.150 percent would be rounded to 10.2 percent.

C. Discounts for improved mail processing performance for letter-rated First-Class Mail mailpieces:

1. Letter-rated First-Class Mail mailpieces shall be eligible for rate discounts for improved “mail processing” performance as follows:

Incremental Improvement	Rate Incentive (Per Piece)
0.1%	\$0.00032
0.2%	\$0.00065
0.3%	\$0.00097
0.4%	\$0.00129
0.5%	\$0.00162
0.6%	\$0.00194
0.7%	\$0.00227
0.8%	\$0.00260
0.9%	\$0.00292
1.0%	\$0.00325
1.1%	\$0.00358
1.2%	\$0.00391
1.3%	\$0.00424
1.4%	\$0.00457
1.5%	\$0.00483
1.6%	\$0.00506
1.7%	\$0.00529
1.8%	\$0.00552
1.9%	\$0.00575

2. The baseline value from which incremental improvements shall be computed is a read/accept rate of 96.8 percent.
3. The “mail processing” formula that the Postal Service will use to calculate the rate discounts Bank of America will receive under Section IV.C.1 of the Agreement is defined as follows:

- a. The Postal Service will determine the total number of letter-rated First-Class Mail mailpieces of Bank of America Mail that are read and accepted during their first pass through Postal Service mail sorting equipment during an applicable quarter.
- b. The Postal Service will divide the number identified in Section IV.C.3.a above by the total number of letter-rated First-Class Mail mailpieces of Bank of America Mail that receive a first pass through Postal Service mail sorting equipment during the same quarter.
- c. The Postal Service will subtract the baseline value specified in Section IV.C.2 from the percentage obtained in Section IV.C.3.b to obtain the “incremental improvement” within the meaning of the table in Section IV.C.1 of this Agreement.

D. Discounts for reduced return rates for letter-rated First-Class Mail mailpieces:

- 1. Letter-rated First-Class Mail mailpieces shall be eligible for rate discounts for improved return rates as follows:

Incremental Improvement	Rate Incentive Per Piece: Schedule A First-Class Mail	Rate Incentive Per Piece: Schedule B First-Class Mail
10.0%	\$0.00022	\$0.00360
20.0%	\$0.00037	\$0.00390
30.0%	\$0.00053	\$0.00420
40.0%	\$0.00068	\$0.00450
50.0%	\$0.00083	\$0.00480
60.0%	\$0.00099	\$0.00510
70.0%	\$0.00114	\$0.00540
80.0%	\$0.00130	\$0.00570
90.0%	\$0.00145	\$0.00600

- 2. The baseline UAA rates from which incremental improvement will be computed are 0.7 percent for Schedule A First-Class Mail and 2.7 percent For Schedule B First-Class Mail.

3. The Postal Service will use the following formula to calculate the rate discounts Bank of America will receive under Section IV.D.1 of the Agreement:
 - a. The Postal Service will identify the number of UAA letter-rated First-Class Mail mailpieces of Bank of America Mail that have been returned to the sender by the Postal Service, as determined through OneCode ACS, for the applicable quarter.
 - b. The Postal Service will divide the number identified in Section IV.D.3.a above by the total number of letter-rated First-Class Mail mailpieces of Bank of America Mail for the applicable quarter.
 - c. The percentage obtained in Section IV.D.3.b will be subtracted from the applicable baseline UAA rate identified in Section IV.D.2, and the difference divided by that baseline UAA rate. The result, expressed as a percentage, will serve as the “Incremental Improvement” percentage used to determine the applicable rate incentive in Section IV.D.1.

E. Discounts for reduced forwarding rates for letter-rated First-Class Mail mailpieces:

1. Letter-rated First-Class Mail mailpieces shall be eligible for rate discounts for reduced forwarding rates as follows:

Incremental Improvement	Rate Incentive Per Piece
10%	\$0.00013
20%	\$0.00030
30%	\$0.00047
40%	\$0.00064
50%	\$0.00081
60%	\$0.00098
70%	\$0.00116
80%	\$0.00133
90%	\$0.00150

2. The baseline forwarding rate from which incremental improvement will be computed is 1.7 percent.

3. The Postal Service will use the following formula to calculate the rate discounts Bank of America will receive under Section IV.E.1 of the Agreement:
 - a. The Postal Service will identify the number of UAA letter-rated First-Class Mail mailpieces of Bank of America Mail that have been forwarded by the Postal Service, as determined through OneCode ACS, for the applicable quarter.
 - b. The Postal Service will divide the number identified in Section IV.E.3.a above by the total number of letter-rated First-Class Mail mailpieces of Bank of America Mail for the applicable quarter.
 - c. The percentage obtained in Section IV.E.3.b will be subtracted from the baseline forwarding rate identified in Section IV.E.2, and the difference divided by that baseline forwarding rate. The result, expressed as a percentage, will serve as the “Incremental Improvement” percentage used to determine the applicable rate incentive in Section IV.E.1.
- F. Discounts for improved mail processing performance for letter-rated Standard Mail mailpieces:
1. Letter-rated Standard Mail mailpieces shall be eligible for rate discounts for “mail processing” performance as follows:

Incremental Improvement	Rate Incentive Per Piece
0.1%	\$0.00024
0.2%	\$0.00049
0.3%	\$0.00073
0.4%	\$0.00097
0.5%	\$0.00122
0.6%	\$0.00146
0.7%	\$0.00171
0.8%	\$0.00195
0.9%	\$0.00220
1.0%	\$0.00244
1.1%	\$0.00269
1.2%	\$0.00294
1.3%	\$0.00319
1.4%	\$0.00343
1.5%	\$0.00363
1.6%	\$0.00379
1.7%	\$0.00396
1.8%	\$0.00419
1.9%	\$0.00466

2. The baseline value from which incremental improvements shall be computed is a read/accept rate of 96.9 percent.
3. The Postal Service will use the following formula to calculate the rate discounts Bank of America will receive under Section IV.F.1 of the Agreement:
 - a. The Postal Service will determine the total number of letter-rated Standard Mail mailpieces of Bank of America Mail that are read and accepted during their first pass through Postal Service mail sorting equipment in an applicable quarter.
 - b. The Postal Service will divide the number identified in Section IV.F.3.a above by the total number of letter-rated Standard Mail mailpieces of Bank of America Mail that receive a first pass through Postal Service mail sorting equipment in the same quarter.
 - c. The Postal Service will subtract the baseline value identified in Section IV.F.2 from the percentage obtained in Section IV.F.3.b to obtain the “incremental improvement” percentage within the

meaning of the table in Section IV.F.1 of this Agreement.

G. Discounts for reduced UAA rates for letter-rated Standard Mail mailpieces:

1. Letter-rated Standard Mail mailpieces shall be eligible for rate discounts for reduced UAA rates as follows:

Incremental Improvement	Rate Incentive Per Piece
10%	\$0.00040
20%	\$0.00060
30%	\$0.00100
40%	\$0.00110
50%	\$0.00130
60%	\$0.00150
70%	\$0.00170
80%	\$0.00170
90%	\$0.00170

2. The baseline UAA rate from which incremental improvement will be computed for Standard Mail letters is 6.4 percent.
3. The Postal Service will use the following formula to calculate the rate discounts Bank of America will receive under Section IV.G.1 of the Agreement:
 - a. The Postal Service will identify the number of UAA letter-rated Standard Mail mailpieces of Bank of America Mail that have been returned by the Postal Service, as determined through OneCode ACS, for the applicable quarter.
 - b. The Postal Service will divide the number identified in Section IV.G.3.a above by the total number of letter-rated Standard Mail mailpieces of Bank of America Mail for the applicable quarter
 - c. The percentage obtained in Section IV.G.3.b will be subtracted from the baseline UAA rate identified in Section IV.G.2, and the difference divided by that baseline UAA rate. The result, expressed as a percentage, will serve as the “Incremental

Improvement” percentage used to determine the applicable rate incentive in Section IV.G.1.

V. EFFECTIVE DATE, IMPLEMENTATION, ENFORCEMENT, MODIFICATION AND TERMINATION OF AGREEMENT

A. Term of Contract:

1. The discount terms and other substantive provisions of this Agreement shall take effect on the Commencement Date.
2. This Agreement shall terminate three years after the Commencement Date unless termination occurs sooner under Section V.E of the Agreement.

B. Regulatory Approval:

1. Upon approval of the Board of Governors of the Postal Service and in accordance with the Postal Reorganization Act, the Postal Accountability and Enhancement Act, and the Rules of the Postal Regulatory Commission, the Postal Service will file a request with the Commission for recommended changes in rates, fees, and classifications necessary to allow implementation of this Agreement.
2. The Parties will file other pleadings, testimony, and briefs as reasonably calculated to gain Commission approval of the Agreement.
3. Each Party will submit drafts of its litigation filings to counsel for the other Party sufficiently in advance of the filing deadline to provide a reasonable opportunity for review of the documents.
4. Neither Party will advocate positions to the Commission that have not been consented to by the other Party. Such consent shall not be unreasonably withheld. This provision applies only to the proceeding in which the Parties seek regulatory approval of this Agreement.
5. Each Party will bear its own litigation costs.

C. Compliance:

1. Designation of Qualifying Permit Numbers

- a. To serve as a Qualifying Permit Number as of the Commencement Date of the NSA, a permit account must be so designated by Bank of America at least 30 days before the Commencement Date.
 - b. Additional Qualifying Permit Numbers must be designated by Bank of America at least 10 business days before each month to for the designation to become effective for that month.
 - c. All Qualifying Permit Numbers shall remain in effect until revoked by Bank of America.
2. Designation of Return Addresses:
 - a. Bank of America shall inform the Postal Service of all return addresses covered by this Agreement at least 30 days before the Commencement Date of the Agreement.
 - b. Bank of America must give the Postal Service notice of any change of return address 10 business days before entering any mailpieces bearing the new return address.
 3. Bank of America will document the number of pieces of UAA letter-rated First-Class Mail and Standard Mail mailpieces for which the Postal Service provides physical return each quarter.
 4. Bank of America will provide, within 10 business days of the end of each Postal Fiscal Quarter, copies of all relevant DPV reports for mail qualifying under terms of the Agreement. Copies will be provided electronically in a format to be agreed upon by the parties.

D. Appeals:

1. Bank of America may appeal a Postal Service decision regarding the amount of discounts paid under Section IV of this Agreement by submitting a written appeal within 30 days of receipt of notification of the decision to the Postage and Classification Service Center ("PCSC") in New York.

2. The decision of the Manager, PCSC, will be administratively final. Bank of America, however, does not waive any appeal rights provided by federal law or Postal Service regulations.
 3. Any decision that is not appealed as prescribed becomes the final Postal Service decision.
 4. The foregoing appeal process relates only to the issues identified above that arise from implementation of this Agreement.
- E. Termination of Agreement Before Three Years:
1. Either Party may terminate this Agreement under any of the following conditions:
 - a. The Board of Governors of the Postal Service fails to approve the filing with the Postal Regulatory Commission of a request for approval of the Agreement.
 - b. The Commission fails to issue a timely Recommended Decision.
 - c. The Commission's Recommended Decision modifies the terms of the Agreement, and the modifications materially alter the value of the Agreement adversely to either party.
 - d. The Governors of the Postal Service reject or fail to act on a Commission Recommended Decision approving the Agreement, or alter the terms of the Agreement in a way that materially changes its value adversely to Bank of America.
 - e. The governing law (U.S. Code, DMCS or DMM) is modified by Congress, a court or the Postal Regulatory Commission in a way that materially and adversely alters the value of the Agreement for either party.
 - f. The governing law is modified by the Postal Service in a way that materially and adversely alters the value of the Agreement for Bank of America.

2. The Postal Service shall also be entitled to terminate this Agreement if any of the following conditions occurs, the Postal Service gives Bank of America written notice of the occurrence of the condition, and Bank of America fails to cure the condition within 90 days after receipt of such notice:
 - a. Bank of America fails to provide accurate data to the Postal Service, and the failure is material.
 - b. Bank of America fails to present properly prepared and paid mailings to the Postal Service, and the failure is material.
 - c. Bank of America fails to comply with a material term of this Agreement.
 - d. Bank of America fails to use the Agreement.
 3. Bank of America shall also be entitled to terminate this Agreement if the Postal Service fails to comply with a material term of this Agreement, or if all of the following conditions occur:
 - a. The Postal Service fails to establish and maintain a system or functionality needed by Bank of America to qualify for a discount offered under this Agreement.
 - b. The failure significantly reduces the value of the Agreement for Bank of America.
 - c. Bank of America gives the Postal Service written notice of the failure.
 - d. The Postal Service does not cure the condition within 90 days after receipt of such notice.
- F. Should a significant and unanticipated process problem develop with any of the programs identified in Section III of the Agreement, and that process problem prevents Bank of America from fulfilling its operational commitments under that section, Bank of America and the Postal Service will negotiate in good faith to develop an alternative approach to the circumstance. Bank of America may suspend use of any program that is affected by the process problem until the problem is resolved.

- G. This agreement shall not be amended except expressly, in writing, by authorized representatives of the parties.
- H. Bank of America may assign its rights and responsibilities under this Agreement to an entity acquired by or merged with Bank of America at any time before the expiration of this Agreement. No assignment shall be effective without the written approval of the Postal Service, but such approval shall not be unreasonably withheld.
- I. Public Communications:
1. Unless disclosure of a matter relating to this Agreement is required by law, the form, substance, and timing of any press release or other public disclosure of such matter shall be mutually agreed to by Bank of America and the Postal Service in writing. Consent to such disclosure shall not be withheld unreasonably.
 2. When disclosure of a matter relating to this Agreement is required by law, the disclosing Party shall notify the non-disclosing Party, and the Parties shall make reasonable efforts to cause a mutually agreeable disclosure to be issued.
- J. Notices:
1. All notices under this Agreement shall be in writing and sent by either U.S. Certified Mail, return receipt requested, postage paid, addressed to the Party to be served notice, or by Express Mail, at the following addresses. All such notices and communications shall be effective upon receipt.
 2. Designated recipients of notice on behalf of Bank of America:

Bank of America Corporation
525 North Tryon Street
Charlotte NC 28255
Attn: Mr. Michael Tate, Document Management

Bank of America Corporation
100 North Tryon Street
Charlotte NC 28255

Attn: Associate General Counsel, Global SCM and
Global Technology, Service and Fulfillment

3. Designated recipients of notice on behalf of the Postal
Service:

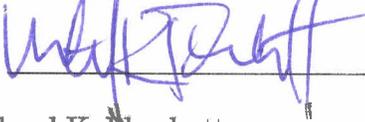
Mr. Michael K. Plunkett
Vice President (A), Pricing and Classification
United States Postal Service
475 L'Enfant Plaza SW, Room 5127
Washington DC 20260-5127

Managing Counsel,
Corporate Law and Intellectual Property
United States Postal Service
475 L'Enfant Plaza SW
Washington DC 20260-1135

[Remainder of page intentionally left blank]

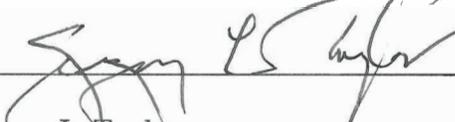
IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed today.

UNITED STATES POSTAL SERVICE

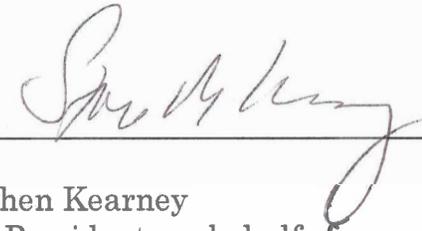
By:  _____

Michael K. Plunkett
Vice President (A), Pricing and
Classification

BANK OF AMERICA CORP.

By:  _____

Gregory L. Taylor
Senior Vice President,
Supply Chain Management

By:  _____

Stephen Kearney
Vice President, on behalf of
Anita J. Bizzotto
Chief Marketing Officer and
Executive Vice President