BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

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| POSTAL RATE AND FEE CHANGES, 2000 | DOCKET NO. R2000-1 |

MOTION OF UNITED PARCEL SERVICE TO COMPEL
PRODUCTION OF INFORMATION AND DOCUMENTS
REQUESTED IN INTERROGATORIES
UPS/USPS-T34-1(a)-(c) and 3(e) TO WITNESS ROBINSON
(March 3, 2000)

Pursuant to Sections 26(d) and 27(d) of the Commission's Rules of Practice, United Parcel Service ("UPS") hereby moves the Presiding Officer to order the United States Postal Service ("Postal Service") to answer interrogatories UPS/USPS-T34-1(a)-(c), filed on February 8, 2000, and UPS/USPS-T34-3(e), filed on February 14, 2000, and to produce the documents requested therein. A copy of these interrogatories is attached hereto as Exhibit "A." The Postal Service filed an objection to interrogatory UPS/USPS-T34-1 on February 18, 2000 ("Objection to T34-1"), and it filed an objection to interrogatory UPS/USPS-T34-3(e) on February 25, 2000 ("Objection to T34-3(e)").

UPS submits that the requested information is highly relevant to the determination of proper rates for Priority Mail, and that none of it need be subjected to protective conditions.

## THE DISCOVERY REQUESTS

Interrogatories UPS/USPS-T34-1(a) and (b) request a copy of the current contract between the Postal Service and Emery Worldwide Airlines ("Emery"), pursuant to which Emery processes and transports Priority Mail in certain geographic areas, and any other documents which define the relationship between Emery and the Postal Service. Subpart (c) requests a copy of the contract used to develop the proposed Priority Mail rates. On February 18, 2000, the Postal Service objected on the ground that "the information requested consists, in large part, of . . . information that under good business practice would not be publicly disclosed." Objection to T34-1, at 1. The Postal Service also states that it is "concerned that possible future procurement efforts involving additional Priority Mail services to be provided by third parties could be compromised by unrestricted release of the requested information." Objection to T34-1, at 1-2.[1]

Interrogatory UPS/USPS-T34-3(e) requests information concerning the rates which the Postal Service will pay Emery in the Test Year. The Postal Service objected to this interrogatory on the basis that it duplicates interrogatory USPS-T34-1, and that per-piece rates contain confidential commercial information of both the Postal Service and Emery. Objection to T34-3(e), at 1.

## ARGUMENT

### Interrogatories UPS/USPS-T34-1(a)-(c)

Many of the issues raised in the Postal Service's objections were resolved in the discovery stage of Docket No. R97-1. *See* Presiding Officer's Ruling No. R97-1/62, Docket No. R97-1 (November 17, 1997). The Presiding Officer there ordered the

1. UPS is not moving to compel an answer to subpart (d), which requests a description of any changes in Postal Service facility utilization, staffing, and transportation usage that resulted from the contract with Emery.

contract to be produced, with certain limited information covered by a protective order. UPS submits that the Presiding Officer should again order the Postal Service to produce the requested information, and that there is no longer any need to subject any information to protective conditions.

In evaluating objections to the production of information that is claimed to be commercially sensitive, the Presiding Officer "must balance the potential competitive harm of disclosure against the strong public interest in favor of empowering each participant to obtain all the evidence needed to prove its case." Ruling No. R97-1/62, at 8. "Because of the strong public policy favoring public disclosure, the burden of establishing the applicability of an evidentiary privilege is on the party asserting it." *Id.*, *quoting* Commission Order No. 1025 (August 17, 1994), at 14. The Postal Service cannot meet its burden of showing that the requested information is not subject to disclosure, or its burden to show that there is a need for protective conditions.

The Postal Service apparently relies on Section 410(c)(2) of the Postal Reorganization Act ("the Act"), 39 U.S.C. § 410(c)(2), which provides:

> (c) Subsection (b)(1) of this section [making the Freedom of Information Act ("FOIA") applicable to the Postal Service] shall not require the disclosure of --
>
> * * *
>
> (2) information of a commercial nature, including trade secrets, whether or not obtained from a person outside the Postal Service, which under good business practice would not be publicly disclosed . . . .

This provision parallels FOIA Exemption 4, which exempts from disclosure "trade secrets and commercial or financial information obtained from a person and privileged or confidential." 5 U.S.C. § 552(b)(4).

In *National Parks and Conservation Ass'n v. Morton*, 498 F.2d 765 (D.C. Cir. 1974), the court reviewed the legislative history of FOIA Exemption 4 to determine the definition of the term "confidential." The court determined that confidential information is information "*which would customarily not be released to the public by the person from whom it was obtained.*" *National Parks*, 498 F.2d at 766 (D.C. Cir. 1974), *quoting* S. Rep. No. 813, 89th Cong., 1st Sess. 9 (1965). This language is nearly identical to that in Section 410(c)(2), which embraces information "which under good business practice would not be publicly disclosed." 39 U.S.C. § 410(c)(2). Thus, the test for what constitutes confidential information is the same under both FOIA Exemption 4 and Section 410(c)(2) of the Act; information that is subject to disclosure under FOIA Exemption 4 is also subject to disclosure under Section 410(c)(2).

Federal district courts have repeatedly held that contracts entered into by federal agencies are not "commercial or financial information [that is] privileged or confidential," and that they therefore must be disclosed because they do not fall under FOIA Exemption 4. *McDonnell Douglas Corp. v. NASA*, 895 F. Supp. 316, 318 (D.D.C. 1995) (requiring the release of contracts); *CC Distribs., Inc. v. Kinzinger*, Civ. A. No. 94-1330, 1995 WL 405445 (D.D.C.) (D.D.C. June 28, 1995) (release of contract is a cost of doing business with the Government); *Chemical Waste Management v. O'Leary*, Civ. A. No. 94-2230, 1995 WL 115894 (D.D.C.) (D.D.C. Feb. 28, 1995) (allowing the release of subcontract); *AT&T Info. Sys., Inc. v. GSA*, 627 F. Supp. 1396 (D.D.C. 1986) (allowing the release of proposals, including pricing information), *rev'd on other grounds*, 810 F.2d 1233 (D.C. Cir. 1987). This rule that contracts with federal agencies are not "confidential" extends to the contract price. *McDonnell Douglas Corp. v. NASA*, 180 F.3d 303, 306 (D.C. Cir. 1999).

That contracts between the Postal Service and its suppliers are not shielded from disclosure by Section 410(c)(2) is also evident from other provisions of the Act. Section 5005(b)(3) of the Act states,

> Any contract between the Postal Service and any carrier or person for the transportation of mail *shall be available for inspection* in the office of the Postal Service and either the Surface Transportation Board or the Secretary of Transportation . . . .

39 U.S.C. § 5005(b)(3) (emphasis added). The Emery contract clearly is a "contract . . . for the transportation of mail." It falls squarely within 39 U.S.C. § 5005(b)(3). Consequently, even if it (or a part of it) were not otherwise subject to disclosure under FOIA or under Section 410(c)(2), Section 5005(b)(3) clearly and unambiguously requires that it be disclosed to the public. As the Presiding Officer stated in Ruling No. R97-1/62 at 6, private companies interested in bidding on contracts to transport mail (such as this contract) are put on notice when they bid that the contract is subject to disclosure under 39 U.S.C. § 5005(b)(3).

That Emery may provide services other than transportation does not change the undeniable fact that the contract remains one "for the transportation of mail" under Section 5005(b)(3). Even if it did, the fact that Section 5005(b)(3) does not exempt from its disclosure requirement any of the terms of a transportation contract -- including pricing information -- indicates that, at least in the case of the Postal Service, such information should not be held to be confidential. *See National Western Life Insurance Co. v. United States*, 512 F. Supp. 454, 461 (N.D. Tex. 1980) (noting that a government regulation not applicable to the Postal Service nevertheless evidenced a policy favoring disclosure of information of the type there at issue, and thereby tipped the scale in favor of disclosure).

Section 5005(b)(3) demonstrates that there is nothing sacred about Postal Service contracts that requires any aspect of them to be kept secret from the public. Indeed, the Postal Service routinely makes public other contracts, including their pricing provisions. The library references voluntarily filed by the Postal Service in Docket No. R97-1 contain examples. *See* Library References H-249 through H-252 in Docket No. R97-1. In fact, Library Reference H-249, the WNET contract between the Postal Service and Evergreen International Airlines, Inc., contains daily and annual rates for aircraft, aircraft crews, aircraft maintenance, and other line items along with the total daily and annual rates for the service. Docket No. R97-1, LR-H-249, WNET 92-01, at 2. The Postal Service has also made available "non-transportation" contracts, including those portions which specify different prices for different products or services. See Attachment 4 to Exhibit B hereto (contract between Postal Service and MBE outlet). There has been no demonstration that public disclosure of such contracts has "compromised" any "future procurement efforts." Objection to UPS/USPS-T34-1, at 1-2.

Moreover, to the extent that the Postal Service (or Emery) may have had any claim of confidentiality with respect to the contract, they have effectively waived that claim. Since Docket No. R97-1, a great deal of information about the Emery contract has been publicly disclosed by both Emery and the Postal Service. For example, in March 1999, CNF Transportation, Inc. ("CNF"), Emery's parent company, provided investors with a tour of the Newark PMPC facility and discussed the status of the

Priority Mail contract with them. *See* "No Surprises at CNF Analysts Meeting" (March 3, 1999), attached hereto as Exhibit C. CNF reported to the investors that the Postal Service would compensate CNF for adding more aircraft to improve service. *Id.* CNF also told the investors that the contract might be rewritten to provide compensation to CNF for its costs plus a profit margin. *Id.*

Emery has even revealed the significant amount of "unbilled revenue" it has booked under the contract, *see* Attachment A to Interrogatory UPS/USPS-T34-3 through 4, at 2, attached hereto as Exhibit D -- information that, on its face, seems to be far more sensitive than the unit prices it charges. According to Emery's own statements, this amount represents the extent to which "the provisional rate" it is being paid is below Emery's costs. *Id.* Under these circumstances, one has to wonder why there would be any concern that another potential supplier might some day in the future, after the contract has expired, underbid Emery were that supplier to know the prices charged under the contract. Emery's release of this and similar information demonstrates that the contract is not information "which under good business practice would not be publicly disclosed."

Accordingly, the entire contract should be disclosed in unredacted form, without any protective conditions.

**Interrogatory UPS/USPS-T34-3(e)**

Interrogatory UPS/USPS-T34-3(e) requests information concerning the rates which the Postal Service will pay Emery in the Test Year. The Postal Service objects to this interrogatory on the basis that it duplicates interrogatory UPS/USPS-T34-1. It also asserts that per piece rates are confidential commercial information of both the Postal Service and Emery. Objection to T34-3(e), at 1.

This interrogatory is not duplicative of UPS/USPS-T34-1. Interrogatory UPS/USPS-T34-1 asks for a copy of the current contract, any other documents defining the relationship between the Postal Service and Emery, and a copy of the contract used to develop the proposed Priority Mail rates. On the other hand, interrogatory UPS/USPS-T34-3(e) asks for information relating to the test year. If the information turns out to be the same for all years, that is not a valid objection to discovery.

UPS submits that, for the reasons given above, this information should be produced, without protective conditions. Even assuming that protective conditions were appropriate in Docket No. R97-1, they no longer are. The obvious change in attitude toward disclosure by Emery and by the Postal Service, as evidenced by their numerous public disclosures concerning the contract, have undercut any claims of confidentiality.

WHEREFORE, United Parcel Service respectfully requests that the Postal Service's objections to interrogatories UPS/USPS-T34-1(a)-(c) and UPS/USPS-T34-

3(e) to Postal Service witness Robinson be overruled, and that the Postal Service be ordered to produce the information and documents requested in those interrogatories.

Respectfully submitted,

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Of Counsel.

# INTERROGATORIES OF UNITED PARCEL SERVICE TO UNITED STATES POSTAL SERVICE WITNESS ROBINSON

UPS/USPS-T34-1. Refer to pages 12-13 of your testimony, where you discuss the contract between Emery Worldwide Airlines ("Emery") and the Postal Service pursuant to which Emery provides mail processing, surface transportation, and air transportation for Priority Mail.

(a) Provide a copy of the current contract between Emery and the Postal Service to which you refer.

(b) Provide any other documents defining the relationship between the Postal Service and Emery regarding Priority Mail services.

(c) If the contract provided in response to (a) is not the contract used in developing the proposed Priority Mail rates, provide a copy of the contract that was used in developing the proposed Priority Mail rates.

(d) Describe all changes in Postal Service facility utilization, staffing, and transportation usage that resulted from the contract with Emery for Priority Mail processing, surface transportation, and air transportation, and provide any documents that reflect or describe these changes.



EXHIBIT A

INTERROGATORIES OF UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS ROBINSON

UPS/USPS-T34-3. Please refer to pages 12 through 15 of your testimony, where you discuss the contract between Emery Worldwide Airlines ("Emery") and the Postal Service pursuant to which Emery provides mail processing, surface transportation, and air transportation for Priority Mail. Refer also to page 2 of Attachment A, an analyst's report discussing the Postal Service's contract with Emery for Priority Mail services, which indicates that beginning in the third quarter of 1999 Emery "began being paid a provisional rate for its services." Attachment A, CNF Transportation Reports Third Consecutive Year of Record Earnings; Net Income Up 39 Percent in 1999, at 2 (visited Feb. 1, 2000) <http://www.businesswire.com/webbox/bw.013100/200310630.htm>.

(a) What is the amount of the "provisional rate" the Postal Service is now paying Emery?

(b) How does the provisional rate compare to the rate or rates paid in Fiscal Year 1998?

(c) Is the provisional rate reflected in the Postal Service's Test Year estimate of Priority Mail costs?

(d) To what extent does the Postal Service's estimate of Test Year 2001 costs for the Emery contract reflect any change or changes in rate under the contract from Fiscal Year 1998 to the rate expected to be paid in the test year?

(e) Under the contract as currently in effect, what rate or rates will the Postal Service pay Emery in the test year?

# U.S. POSTAL SERVICE: OFFER AND AWARD - CONTRACT POSTAL UNIT

1. CONTRACT NUMBER: 363199-99-U-0158
2. SOLICITATION NUMBER: 363199-99-A-0019
3. REQUEST NUMBER: 99-00331
4. SOC/EC: A 5. COMMODITY B119C:

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6. a. ISSUED BY: ACO CODE: 363199
U. S. Postal Service
Purchasing & Materials Service Center
PO Box 27496
Greensboro NC 27498-0001

b. FOR INFORMATION CALL:
Name: Ronnie E. Kluttz
Title: Purchasing Specialist
Tel: (336) 665-2853
(No Collect Calls)

---

7. OFFEROR/SUPPLIER
a. Name & Address
ALgoraish Corp SBA MBE#1336
1220 L St NW #100
Wash, DC 20005-4018

b. Contact Name: AREF A. SHARRoFNA
c. Telephone Number (202) 371-0065
d. TIN/SSN: 52-1832943
e. Parent TIN:
(TIN =Taxpayer Identification Number)

f. Remittance Name and/or Address: (If different from above)

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8. GENERAL DESCRIPTION OF REQUIREMENT:

Operation of a CONTRACT POSTAL UNIT in: WASHINGTON, DC

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9. SIGNATURE: OFFEROR/SUPPLIER

Signature: [signature]

Date: 10/27/98

Typed or Printed Name of Person Authorized to Sign Offer: AREF A. SHARRoFNA

Title: Owner/ALgoraish, Corp.

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**AWARD OF CONTRACT**

10. CONTRACT PAYMENTS WILL BE MADE IN ACCORDANCE WITH ATTACHMENT 4

**INITIAL CONTRACT TERM:** Start Date: 11-07-98

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11. SIGNATURE: U. S. POSTAL SERVICE

Signature: Ronnie E. Kluttz

Date: 10/30/98

Name of Contracting Officer: RONNIE E. KLUTTZ

EXHIBIT B

## PART 1 - SCHEDULE

## SECTION A - ITEMS AND PRICES

### A.1 CONTRACT POSTAL UNIT OPERATION

The supplier agrees to operate a CONTRACT POSTAL UNIT (CPU) for the compensation provided in Attachment 4.

### A.2 ACKNOWLEDGMENT OF AMENDMENTS

The supplier acknowledges receipt of amendments to the solicitation numbered and dated as follows:

| Amendment Number | Date | Amendment Number | Date |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |

## SECTION B - SPECIFICATIONS/STATEMENT OF WORK

### B.1 *GENERAL REQUIREMENTS*

General Requirements

a. The supplier must provide the postal goods and services specified herein in accordance with the provisions of the Domestic Mail Manual (DMM) concerning those goods and services, including its mailing rates and service fees. The supplier may not increase or decrease the rates and fees established in the DMM for postal goods and services. If value added services are offered or provided in conjunction with postal goods and services, fees and charges for them must be separately assessed and clearly identified as such to the persons paying them. If transaction or handling fees or charges are assessed upon transactions that consist in whole or in part of postal goods or services, the fees or charges shall be separately assessed and clearly identified as such to the persons paying them. Fees and charges assessed for value added services and transaction or handling fees and charges are not postal funds for any purposes herein.

b. The supplier is responsible for ensuring compliance with this contract by its employees.

### B.2 SERVICE DAYS AND HOURS

The Contract Postal Unit (CPU) must be open to the public a minimum of _62__ hours per calendar week, Monday through Friday from 8:00 AM to 7:00 PM (insert opening and closing times) and Saturday from 10:00 AM to 5:00 PM (insert opening and closing times). If the retail business is open to the public on Sundays and Holidays, the CPU must be open to the public from __N/A__ to __N/A__ (insert opening and closing times). Hours of operation may not be reduced or increased without the prior approval of the contracting officer.

### B.3 APPEARANCE

The Contract Postal Unit area must be kept clean, neat, uncluttered and in good repair. Windows must be clean and unobstructed. Facility identification and logo will be appropriately placed, visible and in good condition. Lighting must be adequate and properly maintained. Counters must be attractively organized to facilitate customer transactions. Signs (Hours of Operation and Collection Times, etc.) and promotional displays must be current and appropriate for the season. Trash receptacles must be available and clean.

### B.4 LOCATION

The Contract Postal Unit must not be located in or directly connected to a room where intoxicating beverages are sold for consumption on the premises.

### B.5 SECURITY

When the Contract Postal Unit is closed, all moneys and postage supplies must be locked in a security container with a combination lock which requires at least three complete turns of the dial to open. Envelopes and postal cards may be kept in any suitable locked cabinet.

### B.6 SERVICES STANDARDS

The supplier must provide the services listed in Attachment 1 - Requirements

### B.7 CONTRACT POSTAL UNIT PROPERTY REQUIREMENTS

The property required for the operation of this Contract Postal Unit and provided by the Postal Service is identified in Part III, Property/Equipment/Supplies, of Attachment 1.

## B.8 NONPOSTAL TRANSACTIONS

The contractor may sell nonpostal money orders, travelers checks, etc., and may handle shipments for nonpostal delivery services.

## B.9 POSTAL FUNDS

All monies received from the sales of postal products and services are the property of the U. S. Postal Service, and not the property of the supplier. Postal funds must be separately accounted for pursuant to an accounting procedure approved by the Postal Service, and remitted to the Postal Service on a weekly schedule.

## B.10 PERSONNEL AND STANDARDS OF CONDUCT

All supplier personnel assigned to the Contract Postal Unit must project a favorable image of the Postal Service while on duty. All supplier personnel must be professionally attired.

## B.11 LIABILITY

The supplier assumes the risk of, and will be responsible for, any loss of or damage to Postal Service property, except when the supplier can show (1) that the supplier complied with all of the security requirements contained in this contract and the losses occurred despite that compliance, and (2) that the losses did not result from the acts or omissions of the supplier or its personnel.

## B.12 PERSONNEL COSTS

The supplier will be responsible for all salary and benefits of its personnel at all times, including during any required training.

## B.13 ADVERTISING

Upon commencement of Contract Postal Unit operation, the Postal Service may provide initial advertising to market the Contract Postal Unit, at no cost to the supplier, and may provide camera-ready USPS logo art work for use in advertising initiated and paid for by the supplier. Any supplier-sponsored CPU advertising, including information signage in and outside the contract unit, which incorporates the USPS logo, the terms Express Mail, First-Class Mail®, Global Priority Mail, United States Postal Service® or Priority Mail, or any other mark of the Postal Service, must be furnished to the Postal Service for its prior review and written approval no less than 10 business days before the publication deadline. The lack of a response within ten (10) business days shall be taken as disapproval unless the Postal Service subsequently sends written approval. The word "mark" and "trademark" each is used to mean any trademark, service mark, trade dress, or logo. Each written approval constitutes a license to the supplier non-exclusively to use the trademark(s) in connection with postal products and services provided under this contract, for the specific use(s) for which approval is given, on the following terms and conditions:

> The supplier agrees to provide services and products in connection with Postal Service trademarks only according to the standards of quality set by this contract, in particular, the standards set by Sections B.1.a, B.2, B.3, B.4, B.6, B.10. Supplier agrees that the nature and quality of all services and products provided in connection with Postal Service trademarks and all related advertising, promotional and other related uses (if any are authorized by the Postal Service), shall conform to standards set by and shall be under the control of the Postal Service.
>
> Supplier agrees to use Postal Service trademarks only in the form and manner and with appropriate legends as prescribed from time to time by the Postal Service, and not to use any other trademark in combination with any of the Postal Service marks without prior written approval of the Postal Service.
>
> Supplier acknowledges the Postal Service's ownership of the trademarks to which the Supplier has a license and agrees that it will do nothing inconsistent with such ownership. Supplier agrees that it will not attack the title of the Postal Service in these trademarks or attack the validity of this license.

**B.13 ADVERTISING (Cont.)**

All use of any Postal Service trademark by the supplier shall inure to the benefit of the Postal Service, and not to the supplier. Nothing in this license shall give the supplier any right, title, or interest in any trademark owned by the Postal Service other than the right to use the trademarks in accordance with the license set forth in this section of the Contract. Nor shall the supplier acquire any right in any other intellectual property owned by the Postal Service.

The Postal Service has the right to inspect the services offered under the Postal Service's trademarks in accordance with Section E.1 of this contract.

The supplier agrees that the Postal Service may obtain injunctive relief, and any other relief available under law, in federal court for any violation of this section.

## SECTION C - DELIVERY/PERFORMANCE

### C.1 CONTRACT DURATION

Subject to the rights to terminate herein, the contract will be for an initial term of 2 years commencing on the Start Date indicated in the Contract Award section of this contract, subject to the Postal Service's option to renew at 2 year intervals. In the event the Postal Service elects to exercise an option to renew this contract, day written notice of intent will be given to the supplier not less than 90 days before the end of the current contract term. The Postal Service and the supplier will conduct negotiations and, if in agreement, a bilateral modification will be issued to extend the contract for an additional two-year period commencing immediately after the final day of the current contract term..

## SECTION E - INSPECTION AND ACCEPTANCE

### E.1 INSPECTION OF CONTRACT POSTAL UNIT

The Postal Service, reserves the right, with 48 hours prior notice, to conduct audits and customer surveys and to review and inspect the supplier's performance and the quality of services provided at any time during the operating hours of the Contract Postal Unit. A written report will be submitted to the supplier for corrective action, if necessary.

### E.2 CONTRACTING *OFFICER'S REPRESENTATIVE (CLAUSE B-6) (JANUARY 1997)*

*The contracting officer will appoint a contracting officer's representative* (COR), who will serve as the Postal Service point of contact with the supplier. A copy of the notice of appointment defining the COR's authority will be furnished to the supplier upon award.

## SECTION F - PAYMENT AND FUNDING

### F.1 INTEREST (CLAUSE B-22) (JANUARY 1997)

The Postal Service will pay interest on late payments and unearned prompt payment discounts in accordance with the Prompt Payment Act, 31 U.S.C. 3901 et. seq., as amended by the Prompt Payment Act Amendments of 1988, P. L. 100-496.

### F.2 TAXES

The Postal Service will not withhold any Social Security, Federal, State or local taxes from any payments made under this contract. The Postal Service bears no responsibility for making the supplier's required payment of these taxes.

### F.3 PAYMENT

a. Payment for operation of the Contract Postal Unit will be in accordance with Attachment 4 - Compensation.

b. All payments will be made using Electronic Funds Transfer (EFT) to the supplier's servicing financial institution.

## SECTION G - SPECIAL CLAUSES

### G.1 CONTRACT TYPE (Clause B-3) (January 1997)

This is a Performance-Based Contract.

### G.2 DEFINITIONS (CONTRACT POSTAL UNIT)

a. "Contract Postal Unit" (CPU) means a contractor-operated facility, under contract to the Postal Service and under the jurisdiction of an administrative post office, that provides selected postal services to the public.

e. "Contracting Officer" means the person executing this contract on behalf of the Postal Service, and any other officer or employee who is a properly designated contracting officer; the term includes, except as otherwise provided in the contract, the authorized representative of a contracting officer acting within the limits of the authority conferred upon that person.

### G.3 ORDER OF PRECEDENCE (Clause B-29) (January 1997)

Any inconsistency in the provisions of a solicitation, a contract awarded under a solicitation, or a contract awarded without the issuance of a written solicitation will be resolved by giving precedence in the following order:

a. The Schedule

b. The solicitation provisions and instructions

c. Special clauses and general clauses

d. Provisions contained in attachments or incorporated by reference.

### G.4 CHANGES IN SUPPLIER'S LEASE AND/OR BUSINESS OPERATIONS

The supplier must notify the contracting officer, in writing, of the occurrence of any of the following, within the time frames shown below:

a. Within five days after notification from the owner of the leased building in which the Contract Postal Unit (CPU) is located of the owner's intent to cancel the lease or not to renew the lease. The contracting officer may terminate the contract if the supplier cannot relocate in a location that serves the needs of the Postal Service.

b. At least 90 days before the supplier closes, sells, or relocates a business it operates in conjunction with the CPU.

### G.5 TRANSFER OF CONTRACT

a. The supplier may not transfer (assign to another party) this contract, any interest in it, or any claims based on it -- except under the circumstances described in b. below. If the supplier does so, the Postal Service may, at any time after notifying the supplier in writing, terminate the contract and use any other rights and remedies it has by law.

b. Exceptions

   1. The Postal Service may recognize a transfer as valid if all of the supplier's assets, or all those involved in fulfilling the contract, are transferred.

   2. Payments owed the supplier may be transferred to a bank, trust company or other financial institution, including any Federal lending agency, if all amounts payable are transferred and the transfer is to a single party (who may be an agent or trustee for two or more parties who are involved in the financing).

c. For any transfer to be valid, the supplier must give the Postal Service written notice with the transfer paper attached and obtain the contracting officer's approval in writing. Copies of the notice and attachments must be filed with:

## G.5 TRANSFER OF CONTRACT (Cont.)

1. The contracting officer;
2. The surety or sureties on any Contract Postal Unit bond; and
3. The Postal Service office, if any, that has been designated to make payment.

## G.6 BOND NOTIFICATION

The supplier must notify the contracting officer's representative within five days if the supplier's surety cancels its Contract Postal Unit bond or if the supplier changes sureties. Failure to provide notification may be cause for termination of the contract.

## G.7 ADDITIONAL BOND SECURITY (Clause 7-2) (January 1997) (Revised)

If any surety furnishing a bond in connection with this contract becomes unacceptable to the Postal Service or fails to furnish reports on its financial condition as requested by the contracting officer, or if the value of Postal funds and accountable paper increases to the point where the security furnished becomes inadequate in the contracting officer's opinion, the supplier must promptly furnish additional security as required to protect the interests of the Postal Service.

## G.8 DEPOSIT OF ASSETS INSTEAD OF SURETY BONDS (Clause 7-3) (January 1997)

a. If the supplier has deposited assets instead of furnishing sureties for any bond required under this contract and the assets are in the form of checks, currency or drafts, the contracting officer will hold the assets in an account for the supplier's benefit.

b. Upon contract completion, the supplier's funds will be returned as soon as possible, unless the contracting officer determines that part or all of the account is required to compensate the Postal Service for costs it incurs as a result of the supplier's delay, default, or failure to perform. In such a case, the entire account will be available to compensate the Postal Service.

## G.9 ENTIRE AGREEMENT

This contract constitutes the entire agreement between the USPS and the supplier (the Parties). It supersedes and replaces any prior understandings, agreements, discussions, communications, written or oral, between the Parties, and may not be altered or changed in any way except as provided herein.

## G.10 SOVEREIGN ACTS

The USPS and the supplier (The Parties) acknowledge and agree that this contract is subject to any legislation that might be enacted by the Congress of the United States or any orders or regulations that might be promulgated by any agency, branch, or independent establishment of the United States Government (other than USPS). The Parties further acknowledge and agree that this contract in no way waives the USPS's authority to act in its sovereign capacity and that, pursuant to the sovereign acts doctrine, the USPS shall not be held liable for any acts performed in its sovereign capacity, or for any acts performed by any branch, agency or independent establishment of the United States in their sovereign capacities that may directly or indirectly affect the terms of this contract.

PART 2 - CLAUSES AND ATTACHMENTS

## SECTION H - GENERAL CLAUSES

### H.1 CLAUSES INCORPORATED BY REFERENCE

The following clauses are incorporated by reference as if set forth in full text. Full text versions of these clauses are available from the contracting officer. Purchasing Manual references are shown in parentheses.

| CLAUSE NUMBER | DATE | TITLE |
|---|---|---|
| B-2 | January 1997 | CHANGES (PM B.2.1) |
| B-9 | January 1997 | CLAIMS AND DISPUTES (PM B.2.1) |
| B-14 | January 1997 | EXAMINATION OF RECORDS (PM B.2.1) |
| B-30 | January 1997 | PERMITS AND RESPONSIBILITIES (PM B.2.1) |
| 1-5 | January 1997 | GRATUITIES OR GIFTS (PM 1.7.9) |
| 3-1 | January 1997 | PARTICIPATION OF SMALL, MINORITY AND WOMAN-OWNED BUSINESS (PM 3.2.3) |
| 9-1 | January 1997 | CONVICT LABOR (PM 9.2.2) |
| 9-7 | January 1997 | EQUAL OPPORTUNITY (PM 9.7.10) |
| 9-13 | January 1997 | AFFIRMATIVE ACTION FOR HANDICAPPED WORKERS (PM 9.9.2) |
| 9-14 | January 1997 | AFFIRMATIVE ACTION FOR DISABLED VETERANS AND VETERANS OF THE VIETNAM ERA (PM 9.10.2) |

### H.2 POSTAL SERVICE PROPERTY -Short Form (Clause 2-12) (January 1997) (Revised)

a. The Postal Service will deliver to the supplier the property for which the Postal Service is described as the provider in Attachment 1 - Requirements. The supplier may use the Postal Service property only in connection with this contract.

b. Upon delivery to the supplier of Postal Service property, the supplier assumes the risk and responsibility for its loss or damage. The supplier shall assume all responsibility and liability for all Postal Service furnished property and its maintenance effective upon the later of its delivery or of completion of its installation.

c. Upon the completion or sooner termination of this contract, the supplier must prepare for shipment, deliver f.o.b. origin, or dispose of the Postal Service property not consumed in performing this contract or previously delivered to the Postal Service, as directed or authorized by the contracting officer. The net proceeds of any disposal will be credited to the contract price or will be paid to the Postal Service as directed by the contracting officer.

## H.3 TERMINATION

**a. Types of Termination**

1. **Termination for Default.** Performance under this contract may be terminated, in whole or in part, by the Postal Service for default if the supplier fails to perform any of the provisions of this contract (including any refusal or failure to prosecute the work diligently enough to ensure its completion within the time specified or any extension), and fails to cure the default within ten days (or such longer period as the contracting officer may allow) after receipt from the contracting officer of a notice specifying the default.

   Notwithstanding the opportunity to cure afforded the supplier above, when necessary to protect the Postal Service's interest the contracting officer may direct the immediate cessation of the performance of services under the contract and reclaim or recover any property of the Postal Service including moneys received for goods or services sold without provision for cure.

   The rights upon default conferred by this subparagraph a.1 shall be in addition to and shall not prejudice any remedies otherwise available to the parties.

2. **Termination on Notice.**

   (a) On Thirty Days' Notice. Either party may terminate the contract, in whole or in part, for any reason or no reason, upon 30 days' written notice to the other party. In the event of such termination, neither party will be liable for any costs, except for payment in accordance with the payment provisions of the contract for actual services rendered prior to the effective date of the termination.

   (b) Immediately if Required by Sovereign Acts. In the event that either party is required by any legislation enacted by the Congress of the United States or any orders or regulations that might be promulgated by any branch, agency, or independent establishment of the United States Government (other than the USPS), to terminate, or otherwise as a result of such action is unable to perform its obligations under this contract, either Party may give notice of termination pursuant to this clause which termination shall be effective immediately. The Parties agree that in the event this contract is terminated as set forth in the preceding two sentences, or in the event that either Party is enjoined from proceeding with this contract by any court of any competent jurisdiction, such Party shall not be subject to any liability by reason of such termination or injunction.

**b. Remedy for Improper Termination for Default.**

If, after notice of termination for default under subparagraph a.1, above, it is determined that the supplier was not in default, the notice of termination will be deemed to have been issued on thirty day's notice, as provided by subparagraph a.2.(a) above, and the Postal Service will be liable only for payment (1) for any services actually performed subsequent to the effective date of the termination for default and (2) for constructive services which would have been performed for any portion of the thirty day period immediately subsequent to the effective date of the termination for default. For the purpose of the calculation of this payment for constructive services, and for no other purpose, the quantity and nature of the supplier's sales of postal products and services during that period shall be assumed to be the same as the quantity and nature of those sales during the last full 30 day period prior to the termination.

**c. Third Party Agreements.**

In the event that the supplier enters into or has entered into any agreement with any third party in connection with this contract (a "Third-Party Agreement"), any such Third-Party Agreement shall either provide for termination concurrently with the termination of this Agreement at no cost or, if the supplier enters into or has entered into a Third-Party Agreement having no such concurrent termination right, the supplier shall have no right to recover its costs or damages arising out of such inability to terminate such a Third-Party Agreement.

**d. Cost Principles.**

Except as may otherwise be provided in Paragraph c above, the cost principles at Purchasing Manual 5.2 (or any successor cost principles in effect at the time of termination) shall apply to any calculation of costs necessary in the resolution of a dispute pursuant to this provision H.3.

SECTION I - LIST OF ATTACHMENTS

| ATTACHMENT NO. | TITLE | NO. OF PAGES |
|---|---|---|
| 1 | REQUIREMENTS | 2 |
| 2 | SUPPLIER DATA | 1 |
| 3 | CONTRACT POSTAL UNIT BOND | 3 |
| 4 | COMPENSATION | 1 |

## PART 3 - SOLICITATION PROVISIONS

## SECTION K - SOLICITATION NOTICES AND PROVISIONS

### K.1 PROVISIONS INCORPORATED BY REFERENCE

The following provisions are incorporated by reference as if set forth in full text. Full text versions of these provisions are available from the contracting officer. Purchasing Manual references are shown in parentheses.

| PROVISION NUMBER | DATE | TITLE |
|---|---|---|
| A-15 | January 1997 | PROTESTS (PM A.2.3) |

### K.3 LABOR INFORMATION (Provision A-13) (January 1997)

General information regarding the requirements of the Walsh-Healey Public Contracts Act (41 U.S.C. 35-45), the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333), and the Service Contract Act of 1965 (41 U.S.C. 351 et seq.) may be obtained from the Department of Labor, 200 Constitution Avenue, N.W., Washington, DC 20210-0999, or from any regional office of that agency.

### K.4 BOND

The supplier, within ten days after notice of contract award, will be responsible for obtaining and maintaining a CONTRACT POSTAL UNIT *bond in the amount specified in Attachment 1 - Requirements. The bond must be executed by a Surety Company* approved by the U. S. Treasury Department (see Treasury Department Circular 570) using the CONTRACT POSTAL UNIT Bond format in Attachment 3 of this solicitation. The supplier's failure to provide the contracting officer with a bond may result in the contract being terminated for default.

### K.5 DEPOSIT OF ASSETS REQUIREMENTS (Provision 7-4) (January 1997)

a. Except for payment bonds required for construction contracts, any offeror required to submit a surety bond as a result of this solicitation may instead deposit assets in a form acceptable to the Postal Service in an amount set forth in Attachment 1.

b. When assets are deposited, the offeror must execute the Postal Service bond form made a part of this solicitation. Failure to deposit assets acceptable to the Postal Service may be cause for termination of the contract for default.

## *SECTION L - REPRESENTATIONS AND CERTIFICATIONS*

### L.1 CERTIFICATE OF INDEPENDENT PRICE DETERMINATION (Provision 1-1) (January 1997)

a. By submitting this proposal, the offeror certifies, and in the case of a joint proposal each party to it certifies as to its own organization, that in connection with this solicitation:

   1. The prices proposed have been arrived at independently, without consultation, communication, or agreement, for the purpose of restricting competition, as to any matter relating to the prices with any other offeror or with any competitor;

   2. Unless otherwise required by law, the prices proposed have not been and will not be knowingly disclosed by the offeror before award of a contract, directly or indirectly to any other offeror or to any competitor; and

   3. No attempt has been made or will be made by the cfferor to induce any other person or firm to submit or not submit a proposal for the purpose of restricting competition.

b. Each person signing this proposal certifies that:

   1. He or she is the person in the offeror's organization responsible for the decision as to the prices being offered herein, and that he or she has not participated, and will not participate, in any action contrary to paragraph a above; or

   2. He or she is not the person in the offeror's organization responsible for the decision as to the prices being offered but that he or she has been authorized in writing to act as agent for the persons responsible in certifying that they have not participated, and will not participate, in any action contrary to paragraph a above, and as their agent does hereby so certify; and he or she has not participated, and will not participate, in any action contrary to paragraph a above.

c. Modification or deletion of any provision in this certificate may result in the disregarding of the proposal as unacceptable. Any modification or deletion should be accompanied by a signed statement explaining the reasons and describing in detail any disclosure or communication.

## L.2 TYPE OF BUSINESS ORGANIZATION (Provision A-20) (January 1997)

The offeror, by checking the applicable blocks, represents that it:

a. Operates as (check one):

☑ a corporation incorporated under the laws of the state of D. C.;

☐ an individual;

☐ a partnership;

☐ a joint venture;

☐ a limited liability company;

☐ a nonprofit organization; or

☐ an *educational institution*;

b. Is (check all that apply):

☑ a small business concern;
☐ a minority-owned business
  ☐ Black American
  ☐ Hispanic American
  ☐ Native American
  ☐ Asian American
☐ a woman-owned business;
☐ an educational or other nonprofit organization; or
☐ *none of the above entities*

c. SMALL BUSINESS. A small business concern for the purposes of Postal Service procurement means a business, including an affiliate, that is independently owned and operated, is not dominant in producing or performing the supplies or services being purchased, and has no more than 500 employees, unless a different size standard has been established by the Small Business Administration (see 13 CFR 121, particularly for different size standards for airline, railroad, and construction companies). For subcontracts of $50,000 or less, a subcontractor having no more than 500 employees qualifies as a small business without regard to other factors.

d. MINORITY BUSINESS. A minority business is a concern that is at least 51 percent owned by, and whose management and daily business operations are controlled by, one or more members of a socially and economically disadvantaged minority group, namely U.S. citizens who are Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, or Asian-Indian Americans. (Native Americans are American Indians, Eskimos, Aleuts, and Native Hawaiians. Asian-Pacific Americans are U.S. citizens whose origins are Japanese, Chinese, Filipino, Vietnamese, Korean, Samoan, Laotian, Cambodian, Taiwanese or in the U.S. Trust Territories of the Pacific Islands. Asian-Indian Americans are U.S. citizens whose origins are in the Indian subcontinent.)

e. WOMAN-OWNED BUSINESS. A woman-owned business is a concern at least 51 percent of which is owned by a woman (or women) who is a U.S. citizen, controls the firm by exercising the power to make policy decisions, and operates the business by being actively involved in day-to-day management.

f. EDUCATIONAL OR OTHER NONPROFIT ORGANIZATION. Any corporation, foundation, trust, or other institution operated for scientific or educational purposes, not organized for profit, no part of the net earnings of which inures to the profits of any private shareholder or individual.

## L.3 PARENT COMPANY AND TAXPAYER IDENTIFICATION NUMBER (Provision A-21) (January 1997)

a. A parent company is one that owns or controls the basic business policies of an offeror. To own means to own more than 50 percent of the voting rights in the offeror. To control means to be able to formulate, determine, or veto basic business policy decisions of the offeror. A parent company need not own the offeror to control it; it may exercise control through the use of dominant minority voting rights, proxy voting, contractual arrangements, or otherwise.

b. Enter the offeror's Taxpayer Identification Number (TIN) in the space provided. The TIN is the offeror's Social Security Number or other Employee Identification Number used on the offeror's Quarterly Federal Tax Return, U.S. Treasury Form 941.

Offeror's TIN: 52-1832543

c. (__) Check this block if the offeror is owned or controlled by a parent company.

d. If the block above is checked, provide the following information about the parent company:
Parent Company's Name: ________________
Parent Company's Main Office Address: ________________
No. and Street: ________________
City: ________ State: _____ ZIP Code: ________

e. If the offeror is a member of an affiliated group that files its federal income tax return on a consolidated basis (whether or not the offeror is owned or controlled by a parent company, as provided above) provide the name and TIN of the common parent of the affiliated group:

Name of Common Parent: ________________
Common Parent's TIN: ________________

## L.4 CONTROL OF SPACE

a. The space provided by the offeror is in a building the offeror (__) owns, (L) ~~leases~~ or (__) has a binding commitment to lease.

b. If the answer to the question above is "leases," state the length of the unexpired portion of the lease:

3 Years

c. If the answer to the question above is "has a binding commitment to lease," state the type of commitment (oral or written) and furnish the name and address of the owner:

________________________

ATTACHMENT 1 - REQUIREMENTS

## I. DESCRIPTION

**ADMINISTRATIVE POST OFFICE:** The CONTRACT POSTAL UNIT will report to the Manager/Postmaster at:

JAMES E. ZEIGLER
Manager/Postmaster Name
U S POST OFFICE
Installation
900 BRENTWOOD ROAD NE
Street Address
WASHINGTON DC 20066-9998
City, State, ZIP+4
(202) 636-1200
Telephone Number (include area code)

### PERFORMANCE REVIEWS

a. Contract performance reviews may be held periodically to address problem areas, promote continuous quality improvement and improve the business relationship. All aspects of contract performance will be discussed during these reviews.
b. Any changes to this contract as a result of the Performance Review will be incorporated by bilateral modification.

**CONTRACT POSTAL UNIT BOND AMOUNT:** $10,000.00

## II. PRODUCTS AND SERVICES

Listing of the products and services to be provided as checked:

| STAMPS & PRODUCTS | DOMESTIC MAIL | INTERNATIONAL MAIL | SPECIAL SERVICES |
|---|---|---|---|
| X-Stamps<br>☐-Postal Stationery (stamped envelopes, postal cards, etc.)<br>☐-Philatelic Products (e.g. mint sets, stamp collecting kits and commemoratives)<br>☐-Packaging Products (at prices set by the COR) | X Express Mail<br>X Priority Mail<br>X First Class Mail<br>X Standard Mail (B) | X-Global Priority Mail<br>☐-First Class<br>☐-Express Mail Int'l<br>☐-Parcel Post | X-Insured<br>X-Certified<br>X-Return Receipt<br>X-Delivery Confirmation (when implemented) |

## III. PROPERTY/EQUIPMENT/SUPPLIES:

The Postal Service will furnish each item of property, equipment, and supplies indicated below. The supplier will provide all other *items of property, equipment and supplies necessary to operate* this CONTRACT POSTAL UNIT. (Installation of items requiring installation will be the responsibility of the provider.)

<u>ITEM/DESCRIPTION</u>
Accountable Paper (stamps and envelopes)
Exterior sign (temporary banner only)
Interior Signs (impact area only)
Miscellaneous Forms
Delivery Confirmation Scanner
Priority Mail and Express Mail Packaging Materials (for use only for Priority Mail and Express Mail)
As applicable, stationery, philatelic and packaging products, and international packaging materials
Mail Transport Equipment

## ATTACHMENT 2 - SUPPLIER DATA

**LOCATION:** The CONTRACT POSTAL UNIT will be operated at the following location:

Name of Firm or Building: Al Soraish Corp DBA MBE #1736
Street Address: 1220 L St NW #100
City, State, ZIP+4: Washington, DC 20005
Number of Total Sq. Ft.: 1081 S.F.
Telephone Number: (202) 371-0065

**FACILITY REQUIREMENTS:**

Are there handicapped sidewalk ramps: Yes
Is your building entrance accessible to handicapped: Yes
Describe any restrictions in placement of exterior signs: No Banner

**CAPABILITY:**

Current Foot Traffic (Average # of daily transactions): 75 - 100
Number of Years in Business: 7 Years
Staffing (# of employees): 3
Previous USPS Experience: Good

## ATTACHMENT 3 - CONTRACT POSTAL UNIT BOND

### INSTRUCTIONS

1. Insert the full legal name and business address of the Principal in the space designated "Principal" on the face of the form. The bond must be signed by an authorized person. Where such person is signing in a representative capacity (e.g., an attorney-in-fact), but is not a member of the firm, partnership, or joint venture, or an officer of the corporation involved, evidence of authority must be furnished.

2. Corporations executing the bond as sureties must be among those appearing on the Treasury Department's list of approved sureties and must be acting within the limitations set forth therein.

3. Corporations executing the bond must affix their corporate seals. Individuals must execute the bond opposite the word "Seal"; and, if executed in Maine or New Hampshire, must also affix an adhesive seal.

4. Address all correspondence relating to this bond to the CONTRACTING OFFICER.

**BOND - CONTRACT POSTAL UNIT**

USPS CONTRACT NO.: ___________ DATE BOND EXECUTED: ___________

PENAL SUM OF BOND: $10,000.00

BOND NUMBER: ___________

1220 L STREET NW, WASHINGTON, DC 20005

CONTRACT UNIT LOCATION:

___________

*PRINCIPAL (Legal name and business address)*

TYPE OF ORGANIZATION ("X" one)
( ) Individual ( ) Partnership
( ) Joint Venture (X) Corporation

Washington, D.C.
STATE OF INCORPORATION

Algoraish Corp DBA MBE #A36
SURETY(IES) (Name(s) and business address(es)

1220 L St NW #100 Washington, DC 20005

KNOW ALL MEN BY THESE PRESENTS, that we, the Principal and Surety(ies) hereto, are firmly bound to the United States Postal Service (the Postal Service) in the above penal sum for the payment of which we bind ourselves, our heirs, executors, administrators, and successors, jointly and severally: Provided, That, where the Sureties are corporations acting as co-sureties, we the Sureties, bind ourselves in such sum "jointly and severally" as well as "severally" only for the purpose of allowing a joint action or actions against any or all of us, and for all other purposes each Surety binds itself, jointly and severally with the Principal, for the payment of such sum only as is set forth opposite the name of each Surety, but if no limit of liability is indicated, the limit of liability will be the full amount of the penal sum.

THE CONDITION OF THIS OBLIGATION IS that the Principal and the Postal Service entered into the contract identified above for the operation of a CONTRACT POSTAL UNIT.

NOW THEREFORE, If the Principal(s):

(a) performs and fulfills all duties and trusts imposed on it as supplier in accordance with the terms of the contract and such rules, regulations and directions as the Postal Service or its authorized representative will prescribe pursuant to the contract; and

(b) faithfully accounts for, deliver, and pays over to the Postal Service or its authorized representative all moneys, stamps, and stamped paper, money order stock, mail matter, Postal Service property furnished pursuant to the contract, and all other property of every kind which comes into its possession (including the possession of its employees or agents) during the performance of the contract; then this obligation will be void and of no effect; otherwise it will remain in full force and effect.

THIS BOND and the obligation hereunder will remain in full force and effect until the contract identified herein ends or is terminated in accordance with its provisions. However, the surety may cancel this bond upon 120 days' written notice given to the Postal Service and the Principal at any time after the expiration of the three year period following the start of the bonded contract. In addition, the surety may cancel this bond at any time that the surety has the written consent of both the Postal Service and the Principal, or that the Principal furnishes to the Postal Service a substitute bond on terms equivalent to this bond with a surety satisfactory to the Postal Service.

IN WITNESS WHEREOF, the Principal and Surety(ies) have executed this CONTRACT POSTAL UNIT bond and have affixed their seals on the date set forth above.

PRINCIPAL

Signature(s) 1. (Seal) 2. (Seal) Corporate Seal

Name(s) & Title(s) (Typed) 1. AREEF A. SHARRCFNA
Owner ALgoraish Corp.

CORPORATE SURETY(IES)

| Name & Address | STATE OF INC. | LIABILITY LIMIT |
|---|---|---|
| ALgoraish Corp. | D.C. | |

Signature(s) 1. 2.

Name(s) & Title(s) (Typed) 1. 2.

ADDRESS ALL CORRESPONDENCE TO: (Phone Number: 336-665-2853)

U. S. Postal Service
*Purchasing & Materials Service Center*
PO Box 27496
Greensboro NC 27498-0001
Attn: Ronnie E. Kluttz

## ATTACHMENT 4 - COMPENSATION

CONTRACT STATION/CONTRACT BRANCH/COMMUNITY POST OFFICE

The supplier agrees to operate a CONTRACT POSTAL UNIT and will receive performance based payments as set out below:

Performance payments will be made in arrears, by the St. Louis Accounting Service Center within 21 days after the end of each Postal Accounting Period (a twenty-eight day period beginning on a Saturday and ending on a Friday comprising two designated two-week postal pay periods) except that payment for Accounting Period 13 shall be made within 28 days after its end.

Performance Payment Rate

Performance Payment rates are as follows:

The Supplier will be paid 20% of the postal funds it receives and remits for the sale of domestic Priority Mail and domestic Express Mail.

The Supplier will be paid 5% of the postal funds it receives and remits for the sale of all other postal products and services that are checked in Section II of Attachment 1.

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Wolfe, Edward M. 212-250-5323
Hunter, Eric J CFA 212-250-5231
Courtney P. Cleman 212-250-5323
BT Alex. Brown Incorporated

03/03/1999

CNF TRANSPORTATION INC. [CNF] "STRONG BUY"

| | | | | | |
|---|---|---|---|---|---|
| Date: | 02/26/1999 | EPS | 1998A | 1999E | 2000E |
| Price: | 42.875 | 1Q | 0.33 | 0.51 | NE |
| 52-Wk Range: | 49 - 22 | 2Q | 0.73 | 0.75 | NE |
| Ann Dividend: | 0.4 | 3Q | 0.78 | 0.74 | NE |
| Ann Div Yld: | 0.9 | 4Q | 0.61 | 0.75 | NE |
| Mkt Cap (mm): | 2 | FY(Dec.) | 2.45 A | 2.75 | 3.20 |
| 3-Yr Growth: | 17 | FY P/EPS | 17.5X | 15.6X | 13.4X |
| | | CY EPS | 2.45 | 2.75 | 3.20 |
| Est. Changed | NO | CY P/EPS | 17.5X | 15.6X | 13.4X |

**HEADLINE: No surprises at CNF analysts meeting.** Management very upbeat regarding future prospects for Priority Mail (both margins on existing business and expectation for expansion of the contract in the near term). CNF remains rated "1."

Tuesday evening CNF held a meeting and a tour of its Priority Mail Processing Center in Newark, N.J.. Hosted by John Williford, Jerry Trimarco and Gary Kowalki (day-to-day operating presidents for PM contracts for CNF). The event was attended by approximately 50 buy-side and sell-side investors. The meeting was extremely informational, however, no major news were announced.

HIGHLIGHTS:

- **CNF has already begun to source building space and equipment, as well as to plan logistics in preparation of expansion of the project.** Despite the apparent completion of the Newark PMPC, a 30-member transition team, created to design and build the center, has not yet been disbanded. As mentioned in yesterday's meeting, factors such as the local labor market conditions and building type and space availability play a critical role in PMPC development.

- CNF management discussed only Emery Worldwide Airlines PM Operations and did not address its other divisions (Con-Way, Emery or Menlo Logistics).

- We have included below an update on all of CNF's division and fourth quarter results, which we originally released in a First Call note on 03/01.

KEY POINTS/FACTOIDS LEARNED AT CNF MEETING.

- **CNF estimates that currently, 1/3 of its mail volume is transported by Truck (mostly Con-**

**Way TL with some third party hiring), 1/3 by Emery Worldwide and the remaining 1/3 in the bellies of passenger airlines.** CNF reported that that about 99% of its PM is delivered with sortation on time, 96% of PM is delivered on time using Emery Worldwide and Con-Way, while only 60% of PM reaches its destination on time using commercial lift. This would imply a 95%-96% on time record when dedicated lift is employed, vs less than 60% when commercial lift is used or an overall 10 PMP system-wide on time record of about 84% compared to overall USPS Priority Mail system wide which we estimate in the upper 70% range. However, clearly the evidence supports that if the USPS' goal is to improve service, the key is to increasing dedicated lift and ground for the product.

- **CNF disclosed that, currently, while service levels are worse when commercial lift is employed, profitability to CNF is higher when it uses commercial lift (as the costs associated with commercial lift are below that of dedicated lift).** CNF also indicated that the 19 Emery planes it is using for the contract are already capacity constrained. As a result, all future growth in the CNF PMPC network will have to go on Con-Way trucks and with commercial lift. This will improve CNF's profitability going forward, however, at the price of service. We expect the USPS to address this issue and to pay for CNF to introduce additional Emery planes over time. We also believe this is all part of ongoing negotations with USPS for expansion of Phase I of the contract. CNF remains confident that with no changes to the current contract they will produce an operating ratio during 1999 between 89%-92%.

- Currently, Emery uses just 19 planes (mostly PC-8's) out of its fleet of over 60 in its daytime operations for PM. As reported in yesterday's meeting, these planes do not have the capacity to carry all the PM processed by CNF. In fact, around 50% of the out-of-region mail is shipped using non-CNF aircrafts. Accordingly, all operations growth will fall, then, on the commercial lift, which provides a lower quality service but better margins for CNF. We expect (as does CNF management) that the USPS will compensate CNF for adding additional planes in order to, in the least, maintain the current service quality levels, if not improve them. Interestingly, although the service levels of Emery and Con-Way are drastically better than those achieved with commercial lift, the costs associated with the dedicated lift have a strong negative impact on the CNF margins.

UPDATE BY DIVISION:

- **Con-Way Transportation (CW) should post another strong quarter but modestly down from the difficult comparison of a year ago's quarter.** We expect CW's operating income to be flat to modestly down (4%-5%) on revenue growth of about 7%-8% and operating ratio deterioration from 87.2% in the year ago quarter to about 88.5% during 1Q:99. The comparison quarter is very difficult as 1Q:98 benefited from both a robust economy and large scale freight diversion by shippers from union carriers to non-union carriers in front of the March 31, 1998 Teamster contract deadline. As a result we expect CW to post somewhat modest tonnage growth (0%-2% is our current guess) combined with continued strong yield improvement of 5%-6%. CW's average length of haul continues to increase as its joint services (inter-regional) business grows faster than its regional business. Pricing remains firm, but seems to have flattened as we have expected. We expect two more quarters of easy yield comparisons for CW before the comps get more difficult. We have deteriorated our CW operating ratio assumption during 1Q:99, mostly to reflect the relatively harsher winter this year, particularly in the Mid-West, CW's core operating region.

- **Emery Worldwide (EW) continues to struggle but should post a modest operating profit during the quarter.** EW's focus on yielding customers up to its guaranteed gold overnight products is having the impact we expected—continued defections by shippers to other modes, LTL and freight forwarders. We expect year-over-year domestic tonnage to be down about 10%. While CNF will report modest yield improvement in domestic operations we continue to believe that the costs associated with improvement in service will more than offset any yield improvements for the foreseeable future. **Our expectation for all of EW for 1Q:99 include revenue shrinkage of about 3%-4% compared to the year ago quarter and an operating ratio of 99.5%. This would imply about $2.5 million of operating income generation by EW compared to $7.5 million a year ago.**

  International operations also continue to struggle given choppy demand out of the U.K., Germany, Japan and other ports in Asia. We have seen airfreight pricing moderately loosen on the international fronts as many passenger airlines have moved planes from Asia to the U.S and Europe over the past 6-12 months. We expect only modest growth for International operations and tight margins. Unlike domestic operations, however, we blame the general economy and not the operating structure for International's current slow down. EW's other revenue generators including the Express Mail (A-net) contract, charter and customs business continue to grow in low double digits. We estimate these products now account for about 20% of EW's total revenue.

- **Menlo Logistics (ML) should have a solid quarter with good news to report in the near term.** We have assumed that ML improves its operating income by about 18% over 1Q:98 on gross revenue growth of 20% and a flattish operating ratio (96.8%). Over the course of the year we expect ML's margins to improve modestly as a large chunk of the business it signed last year moves out of the start-up phase into full swing operations. Interestingly, in the past few months many large scale supply chain RFP's (request for proposals) which had been pulled when the world felt more choppy in August, have come back on the market. We expect announcements by Compaq, Motorola, Boeing and several other large shippers over the next six months and that ML should receive at least some of that business.

- **Priority Mail (PM) is more in-line with CNF's expectations than 4Q:98.** So far CNF has seen few surprises during 1Q:99 regarding it's expectations for volumes and assumptions of the characteristics of the freight. This should lead to a more stable 94%-95% operating ratio during 1Q:98 as compared to the 1% operating ratio registered during 4Q:98. We suspect management may be playing it a bit conservative with that guidance, and that the actual reported PM operating ratio could be as good as 92%-94% (not in our estimates or our expectations). Based on our full year assumption of a 93.1% operating ratio for PM, we would consider 94%-95%

operating ratio in the seasonally slow first quarter as solid evidence that our expectations for the year are on track and probably conservative. Our model calls for PM to generate $6.6 million of operating income during 1Q:99 on $120 million of revenue and an operating ratio of 94.5%. This compares to a year ago when the PM contract was still in the start-up phase and PM recorded an operating loss of $17.6 million (including a $6 million charge for additional costs related to slower timing of completion of the start-up phase over 1H:98). (See more details on PM below).

- **Other income and tax rate.** We expect CNF's interest expense to display a modest increase (about $700,000) during 1Q:99 from 4Q:98, as CNF has not reduced the $43 million loan on its revolver which it took back in December. We expect it to pay down the full amount at the end of March. Also CNF should refinance some of its higher-priced debt during 2Q and 3Q:99 which will improve its interest expense during 2H:99. CNF will report its new tax rate of 43.5% during 1Q:99, which management announced during its 4Q:98 call for 1999. CNF will also benefit from an extra half-day in the quarter during 1Q:99 (63.0 days vs. 62.5 days in 1Q:98).

## KEY POINTS:

- **We continue to expect the USPS to award CNF additional PMPC centers over the next three weeks and by Mid April at the latest.** See our report dated January 19th for the details of the impact on EPS of such a contract and for reasons for our strong beliefs of further outsourcing to CNF. Our thesis remains intact that we expect an additional 5-7 centers will be granted to CNF in the near term as an expansion of the existing contract. These centers should be granted not by geography, but rather by size, in cities of large PM volume such as Los Angeles, Chicago, Dallas, Atlanta and Seattle.

- **Responses to some skepticism we have heard in the market place regarding timing of additional Centers to CNF.**

  1. **Further outsourcing can not occur until the last Postal Union, the National Association of Letter Carriers (NALC), resolves its contract, which has entered into arbitration.** This assertion is incorrect according to both the management at NALC and the USPS. Both sides have steadfastly indicated that outsourcing of PM has nothing to do with the NALC contract. The Letter carriers are not implicated by the PM contract, as CNF is not involved with the pick-up or delivery of the product. In fact, NALC union management has stated that if outsourcing of sortation and line-haul to private carriers increases service levels and grows the PM product at a faster rate it will mean more jobs for NALC members. USPS officials to whom we have spoken regarding this issue say the timing of resolution of that contract in no way involves its timing for expanding the PM centers. Both parties also acknowledge that unlike the two other postal unions (the APWU and the NPMHU) which have an 18 month moratorium for future outsourcing (with an exemption for existing concurrent contracts) negotiated as part of the deal, that there is no moratorium for outsourcing mentioned in the current negotiations with NALC. NALC and the USPS are in arbitration over wages and benefits and outsourcing is simply not an issue.

2. **The USPS cannot expand Phase I of the contract without a formal re-bidding process to all interested parties.** Again based upon conversations with USPS management we believe this concern is incorrect. Consistently over the past 20 months our sources at the USPS have informed us that if they were to choose to do so they could expand the existing contract with CNF to at least an additional 10 centers, without a formal re-bidding process. Management has indicated to us that ample precedent exists with other existing outsourced postal contracts for expanding the original contract as long as the expansion of the contract is within the same general "scope" and "breadth" of the existing contract. We continue to believe that during the first 18 months of the existing contracts with its postal unions (the APWU and the NPMHU) in which a moratorium for new contract outsourcing exists, it would be wiser for the USPS to outsource additional PMPC centers to CNF than to another vendor. 18 months from now when the moratorium on outsourcing expires but the unions are still locked-up by their current three year contract for an additional 18 months, we expect a larger scale re-bidding process to take place.

3. **Other parties besides from CNF may be awarded significant portions of the next outsourcing.** We find this very unlikely over the next expansion, however, we would expect over time for other providers to be granted some smaller centers and for some other aircraft providers to be awarded some portions of line-haul. As part of its negotiations with its unions, the USPS made it clear that it intends over time to outsource a total of 35 Priority Mail Processing Centers (PMPC's) of which it has so far granted 10 to CNF and 1 to its own unions. (We expect the one center granted to the unions as part of the contract compromise to be a smaller center awarded in a few years). CNF has built a lot of momentum with its service levels over the past 3-5 months. In December, PM volumes were up some 19% over a year ago. The USPS will roll out signatory confirmation nationwide on March 14th, which we expect to increase PM's volume growth by some 3pp-5pp during the remainder of 1999. We do not expect the USPS to risk this momentum it has created by awarding new centers to another provider which will have to undergo a similar learning curve to CNF in the next phase. We do believe the USPS executive committee is under pressure to outsource more centers in larger cities to further prove to its Board of Governors that its outsourcing program is working.

4. **CNF's margins on PM are so tight that it will not take additional centers.** We believe the premise that CNF will not take additional centers if it can not generate an operating margin of 10% and a return on capital of 20% is correct. However, we remain very confident that CNF and the USPS are working diligently to achieve this goal. We believe for 11 out of 12 months CNF understand the characteristics of the freight sufficiently to meet its profitability goal. December clearly remains a challenge as the USPS and CNF have not been able to sufficiently project the volume and characteristics of the Christmas parcel surge in order to allow CNF to properly staff and operate the centers. We know the parties are working hard to address this issue and we expect some type of solution which includes CNF being paid a cost plus a margin with some upside potential from there to be worked out in the near term. The key to CNF getting what it wants from the USPS remains service. At our recent conference the USPS reported incredible respect, almost awe for CNF's service levels. Home Shopping Network

which has been one of the beta test cases for Priority Mail's delivery confirmation (which will be unveiled on March 14th, see above) has stated at our conference that the USPS service has noticeably improved over the past six to twelve months and that delivery confirmation gives Home Shopping the service level it requires. As a result it now uses Priority Mail for over 70% of all of its shipping needs. As long as CNF continues to improve the USPS service levels, we expect to see its margins continue to improve as well as the size of its contribution to the USPS product.

**INVESTMENT CONCLUSION:**
CNF is currently trading at 15.3x and 13.2x our current 1999 and 2000 EPS forecasts (which do not include expansion of PM contract). We expect an additional 5-7 PMPC centers to be awarded to CNF in the near term and for these additional centers to be modestly dilutive to EPS in 1999 with about $0.20 accretion during 2000 and $0.50 accretion in 2001 (not in our estimates). If CNF receives the additional centers similar to our expectation we would expect its P/E to expand, as an increasing percentage of its net income for the foreseeable future would be generated by the less cyclical fast growing PM and Menlo Logistics business. Assuming the additional Centers, by 2000, about 22% and 7% of CNF's net income will be generated by PM and ML, respectively. We would expect CNF's P/E to expand from its current 15x to the 16x-17x range. Applying this multiple to our 2000 EPS forecast with the additional centers of $3.38, we arrive at a twelve month price target of about $55. If CNF does not receive the additional centers (an assumption we believe is highly unlikely) and its P/E contracted 20%-25% to 12x our 2000 EPS forecast without additional centers of $3.20, we arrive at a downside price of about $38-$39 in twelve months. **We continue to like this reward risk ratio of over 3:1.**

*Additional Information Available Upon Request*

The following stock(s) is (are) optionable: CNF Transportation Inc..
There is a (are) convertible issue(s) outstanding on CNF Transportation Inc..
An author of this comment has a long position in the common shares of CNF Transportation Inc.

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# (BW)(CA-CNF-TRANSPORTATION)(CNF) CNF Transportation Reports Third Consecutive Year of Record Earnings; Net Income Up 39 Percent in 1999

Business Editors

PALO ALTO, Calif.--(BUSINESS WIRE)--Jan. 31, 2000--CNF Transportation reported today that 1999 revenues, operating income and net income for common shareholders were the best in the company's history. Net income was up 39 percent, operating income rose 24 percent and revenues grew 13 percent.

Net income for common shareholders was $182.3 million, or $3.78 per share ($3.35 diluted) compared with earnings of $130.8 million, or $2.74 per share ($2.45 diluted) in 1998. Common shareholder net income in 1999 included non-recurring gains totaling 37 cents per diluted share for the following: the sale of securities in the fourth quarter; the sale of the company's wholesale truck parts operation in the second quarter; and the settlement of a lawsuit in the first quarter. Excluding the non-recurring gains, earnings per diluted share for 1999 were a record at $2.98, up 22 percent.

The company's revenue in 1999 was $5.59 billion and operating income was $359.1 million. The effective tax rate for the year was 43.5 percent.

In the fourth quarter, the company also reported record net income for common shareholders of $53.1 million, or $1.10 per share (97 cents diluted), up 63 percent from net income for common shareholders of $32.6 million, or 68 cents per share (61 cents diluted) in the same quarter a year ago. Net income in the fourth quarter included a non-recurring gain of 9 cents per diluted share for the sale of the securities.

Revenues in the quarter totaled $1.57 billion, up 14 percent from the fourth quarter of 1998, while operating income increased 31 percent to $95.4 million.

"We finished 1999 with record earnings and excellent momentum for 2000 in each of our core businesses," said Gregory L. Quesnel, president and chief executive officer. "We were once again able to grow net income faster than revenues. Our successful financial results are due to the Con-Way group having another excellent, industry-leading performance; Emery Worldwide having four consecutive quarters of improvement including a very good fourth quarter; and Menlo Logistics in 1999 having its best year ever.

"The CNF group of companies benefited from a strong economy in North America and Europe and an improving economy in Asia," said Quesnel. "Demand for premium, supply chain management services is growing substantially and that provides stable prices. CNF is well positioned to benefit as more and more companies, and customers, recognize that management of supply chain services is not only desirable, but a crucial competitive advantage."

Concerning the company's postal contract operations, Quesnel said that, "The company continues to book break-even results for operations of our Priority Mail contract, which represents less than 10 percent of our total revenue. Negotiations continue on a daily basis to resolve our differences under the contract with the U.S. Postal Service."

Con-Way Transportation Services had record fourth quarter operating income of $57.1 million, up 15 percent from the $49.7 million earned in the same quarter a year ago excluding a non-recurring gain of $2.1 million in the fourth quarter of 1998 for closure of a containerized freight operation. Con-Way, which operates less-than-truckload, truckload, logistics, warehouse and time-definite delivery services, had operating income in the fourth quarter of 1999 that also included approximately $2 million in start-up costs for Con-Way Integrated Services, a new logistics and multi-client warehousing business.

For full-year 1999, Con-Way had operating income of $228.8 million, up 11 percent from 1998.

Con-Way's fourth quarter 1999 revenues were $490.6 million, up 15 percent from $427.2 million in the same period a year ago. Revenue for the full year 1999 was a record $1.88 billion, up 12 percent compared with 1998.



ATTACHMENT A
UPS/USPS-T34-3 through 4

EXHIBIT D

Total Con-Way regional carrier tonnage increased 8.5 percent in the fourth quarter from fourth quarter 1998 while LTL tonnage rose 8.2 percent. For the year, total tonnage increased 7.0 percent and LTL tonnage grew 7.1 percent.

Emery Worldwide reported fourth quarter operating income of $32.0 million, more than doubling its operating income in the fourth quarter of 1998. For the full-year 1999, Emery had operating income of $75.5 million, up 17 percent from 1998.

Revenues in the fourth quarter for Emery Worldwide increased 13 percent to $675.8 million. For 1999, Emery revenues were $2.41 billion, up 9 percent.

North American air freight revenue was essentially flat in the fourth quarter from the prior year's fourth quarter and international air freight revenue grew 26 percent. North American air freight tonnage decreased 6.6 percent in the quarter while international tonnage rose 21.6 percent. North American air freight yield increased 6.9 percent and international air freight yield increased 3.5 percent for the quarter.

For the full-year 1999, Emery's North American air freight revenue was down less than 1 percent and international air freight revenue increased 13 percent. North American air freight tonnage in 1999 decreased 5.7 percent while international tonnage grew 10.2 percent. North American air freight yield increased 5.3 percent and international air freight yield increased 2.4 percent in 1999.

Menlo Logistics' fourth quarter operating income was $6.1 million, an increase of 20 percent from the same quarter a year ago. For the full-year 1999, Menlo's operating income was $22.3 million, up 14 percent. Fourth quarter revenue for Menlo was a record $195.2 million and full-year revenue for 1999 was $716.0 million, up 22 percent.

CNF's "Other" operations had operating income of $183,000 in the fourth quarter and income of $32.5 million for full-year 1999. Full-year operating income in the "Other" segment includes the non-recurring gains for the sale of the company's wholesale truck parts operation, the settlement of the lawsuit, income from the operations of the Postal contract in the first and second quarters and income from the operations of Road Systems, a trailer manufacturing company.

The Priority Mail contract recorded break-even results in the fourth quarter on revenue of $200.9 million, up 19 percent from the same quarter a year ago.

As previously announced, the company is in aggressive negotiations with the U.S. Postal Service to resolve pricing and operational issues involving the Priority Mail contract. While every attempt is being made to conclude the negotiations in a beneficial manner, the company will pursue litigation should negotiations fail.

Beginning in the third quarter of 1999, the company began being paid a provisional rate for its services that is below its cost of operating under the contract. Therefore, in accordance with generally accepted accounting principles, the company is recognizing unbilled revenues sufficient only to recover costs. No profit has been recognized since the second quarter of 1999. The company recognized $63.6 million in unbilled revenue in the fourth quarter and has recognized $123.7 million in unbilled revenue to date.

CNF Transportation (NYSE:CNF) is a $5.6 billion management company of global supply chain services with businesses in regional trucking, air freight, ocean freight, customs brokerage, global logistics management and trailer manufacturing.

Certain statements in this news release, including statements regarding anticipated earnings, constitute "forward looking statements" and are subject to a number of risks and uncertainties, and should not be relied upon as predictions of future events. The factors discussed above and in Item 7 of the company's 1998 Annual Report on Form 10-K as well as other filings with the Securities and Exchange Commission, could cause actual results and other matters to differ materially from those in such forward looking statements. As a result, no assurance can be given as to future results of operations or financial condition.

CNF TRANSPORTATION INC.
CONDENSED STATEMENTS OF CONSOLIDATED INCOME
(Dollars in thousands except per share amounts)

Three Months Ended
December 31,



ATTACHMENT A
UPS/USPS-T34-3 through 4

| | 1999 | 1998 |
|---|---|---|
| REVENUES | | |
| Con-Way Transportation Services | $ 490,632 | $ 427,173 |
| Emery Worldwide | 675,825 | 598,939 |
| Menlo Logistics | 195,164 | 155,732 |
| Other | 205,838 | 187,616 |
| | $ 1,567,459 | $ 1,369,460 |
| OPERATING INCOME | | |
| Con-Way Transportation Services | $ 57,105 | $ 51,788 |
| Emery Worldwide | 31,987 | 12,974 |
| Menlo Logistics | 6,128 | 5,090 |
| Other | 183 | 2,815 |
| | 95,403 | 72,667 |
| OTHER INCOME (EXPENSE), NET | 2,313 | (10,093) |
| Income before income taxes | 97,716 | 62,574 |
| Income taxes | 42,506 | 27,845 |
| Net income | 55,210 | 34,729 |
| Preferred stock dividends | 2,093 | 2,091 |
| NET INCOME AVAILABLE TO COMMON SHAREHOLDERS | $ 53,117 | $ 32,638 |
| Average Common Shares Outstanding | | |
| Basic | 48,362,275 | 47,815,891 |
| Diluted (1) | 55,941,613 | 55,430,553 |
| EARNINGS PER COMMON SHARE | | |
| Basic | $ 1.10 | $ 0.68 |
| Diluted (1) | $ 0.97 | $ 0.61 |

(1) Includes the dilutive effect of stock options, Series B (TASP) preferred stock and Series A "TECONS" convertible preferred stock of subsidiary trust.

CNF TRANSPORTATION INC.
CONDENSED STATEMENTS OF CONSOLIDATED INCOME
(Dollars in thousands except per share amounts)

| | Year Ended December 31, 1999 | 1998 |
|---|---|---|
| REVENUES | | |
| Con-Way Transportation Services | $ 1,878,216 | $ 1,683,991 |
| Emery Worldwide | 2,408,416 | 2,203,474 |
| Menlo Logistics | 716,008 | 586,835 |
| Other | 590,170 | 467,190 |
| | $ 5,592,810 | $ 4,941,490 |
| OPERATING INCOME (LOSS) | | |
| Con-Way Transportation Services | $ 228,820 | $ 206,945 |
| Emery Worldwide | 75,514 | 64,299 |
| Menlo Logistics | 22,255 | 19,459 |
| Other | 32,511 | (185) |

| | | |
|---|---|---|
| | 359,100 | 290,518 |
| OTHER EXPENSE, NET | (21,978) | (40,107) |
| Income before income taxes | 337,122 | 250,411 |
| Income taxes | 146,648 | 111,433 |
| Net income | 190,474 | 138,978 |
| Preferred stock dividends | 8,218 | 8,169 |
| NET INCOME AVAILABLE TO COMMON SHAREHOLDERS | $ 182,256 | $ 130,809 |
| Average Common Shares Outstanding | | |
| Basic | 48,189,618 | 47,659,745 |
| Diluted (1) | 56,019,317 | 55,514,318 |
| EARNINGS PER COMMON SHARE | | |
| Basic | $ 3.78 | $ 2.74 |
| Diluted (1) | $ 3.35 | $ 2.45 |

(1) Includes the dilutive effect of stock options, Series B (TASP) preferred stock and Series A "TECONS" convertible preferred stock of subsidiary trust.

CNF TRANSPORTATION INC.
CONDENSED BALANCE SHEETS
(Dollars in thousands)

| | Year Ended December 31, 1999 | 1998 |
|---|---|---|
| ASSETS | | |
| Current assets | $1,200,233 | $1,100,361 |
| Property, plant and equipment, net | 1,131,034 | 984,476 |
| Other assets | 717,743 | 604,575 |
| Total Assets | $3,049,010 | $2,689,412 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | $1,049,154 | $ 900,630 |
| Long-term debt and guarantees | 433,446 | 467,635 |
| Other long-term liabilities and deferred credits | 473,462 | 419,792 |
| Preferred stock - Subsidiary Trust | 125,000 | 125,000 |
| Shareholders' equity | 967,948 | 776,355 |
| Total Liabilities and Shareholders' Equity | $3,049,010 | $2,689,412 |

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CONTACT: CNF Transportation
J.R. Allen, 650/494-2900

KEYWORD: CALIFORNIA
INDUSTRY KEYWORD: TRANSPORTATION EARNINGS



ATTACHMENT A
UPS/USPS-T34-3 through 4

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document by first class mail, postage prepaid, in accordance with Section 12 of the Commission's Rules of Practice.

Phillip E. Wilson, Jr.
Attorney for United Parcel Service

Dated: March 3, 2000
Philadelphia, Pa.

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