

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

RATE AND SERVICE CHANGES TO IMPLEMENT  
BASELINE NEGOTIATED SERVICE AGREEMENT  
WITH WASHINGTON MUTUAL BANK

Docket No. MC2006-3

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

UNITED STATES POSTAL SERVICE

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March 29, 2006

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

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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 Washington Mutual Bank (“WMB”), with respect to WMB’s credit card business. Accordingly, the Postal Service requests that the Postal Rate Commission submit to the Governors of the Postal Service a recommended decision favoring the changes, as herein requested.

The WMB NSA provides WMB with declining block rates for volumes above certain thresholds of such First-Class Mail as defined within the Agreement. This case is presented as a baseline case because, though it is similar in structure to the Capital One NSA (Docket No. MC2002-2), the key substantive functional elements are not related in the same way as in Capital One. In particular, the savings from conversion to Address Correction Service (ACS), although relevant to the financial analysis, were not developed as a partial trade-off in proposing discounts. Rather, the economic value of

the agreement derives primarily from the gain in contribution resulting from increased volumes. As a consequence, a cost-savings cap would not, and should not, play the same role as envisioned in Capital One. Rather, a cap would destroy the underlying rationale on which the agreement was negotiated.

In this regard, the WMB NSA avoids the need for a cap by adding a distinct feature not heretofore submitted for evaluation by the Commission – a Solicitation Mail Volume Guarantee. This feature ensures that WMB will mail significantly more solicitation mail as First-Class Mail than it would have in the absence of an Agreement. The Agreement also contains a number of risk-mitigating provisions, which are described in further detail below.

This case presents the Commission with an opportunity to reaffirm its previously stated support for NSAs. In their unanimous Concurring Opinion accompanying the Commission's Recommended Decision approving the rate and fee changes necessary to implement the Bank One Negotiated Service Agreement (Docket No. MC2004-3), the Commissioners renewed their strong support for NSAs, and held out the prospect that not all NSAs with declining block rates would need to be constrained with a cap.<sup>1</sup> The Concurring Opinion stated that the addition of a stop-loss cap should not be construed as a precedent for all NSAs, and noted that the reliability of before rates volume estimates is a factual issue that must be evaluated by the Commission.<sup>2</sup>

The Commission's Opinion in Docket No. MC2004-3 identified several concerns associated with the evidentiary support in favor of a NSA proposal for declining block

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<sup>1</sup> PRC Op. MC2004-3, Concurring Opinion, at 1, 3.

<sup>2</sup> *Id.* at 3.

rates not subject to a cap or other stop loss mechanism. In particular, the Commission questioned the before-rates volume estimates submitted to support the declining block rates.<sup>3</sup> The Commission noted that the record provided no means to evaluate the sensitivity of the volume estimates to changes in exogenous factors.<sup>4</sup> Further, the Commission stated that, without a cap, the NSA would not protect the interests of mailers who were not parties to the NSA.

The Postal Service and WMB have given thorough consideration to the Commission's concerns and have developed abundant support to address them here. Specifically, in-depth analyses of volume estimates have been provided in the testimonies of witnesses Ayub (USPS-T-1) and Rapaport (WMB-T-1). A means of evaluating the sensitivity of the volume estimates to changes in exogenous factors is provided in witness Ayub's testimony.<sup>5</sup> In addition, the NSA contains a number of provisions designed to mitigate risk. These are discussed in detail by witness Ayub, including:

- A solicitation mail volume guarantee (whereby WMB guarantees to send the lesser of 500 million credit card solicitations or ninety percent of its total credit card solicitation mail as First-Class Mail, or pay a penalty of \$250,000);
- An annual adjustment mechanism;
- An enhanced mergers and acquisitions clause;

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<sup>3</sup> PRC Op. MC2004-3, at 60-61; Concurring Opinion of Chairman Omas, Vice Chairman Hammond, Commissioner Covington and Commissioner Goldway (Concurring Opinion), at 3.

<sup>4</sup> PRC Op. MC2004-3, at 67.

<sup>5</sup> USPS-T-1.

- A termination clause which allows the Postal Service to cancel the Agreement without cause and without penalty with thirty days' advance written notice; and
- A transaction penalty clause, which states that if WMB mails less than 375 million First-Class Mail pieces by the end of the first year of the Agreement, WMB agrees to pay \$250,000 to the Postal Service.

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

The Commission's rules for consideration of NSAs separate "baseline" NSAs from those that are "functionally equivalent" to baselines.<sup>6</sup> The WMB NSA is the second 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 specifically governing baseline NSAs 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."<sup>7</sup>

Rule 195(a)(1) requires that the Postal Service 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

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<sup>6</sup> 39 C.F.R. §§ 3001.190 - 3001.198 (2004).

<sup>7</sup> 39 C.F.R. § 3001.195(a) (hereinafter "rule 195(a)").

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.”

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 specifically tailored to reflect the relationship between the Postal Service and WMB, which appears to be unique for the reasons set forth in the testimonies of witnesses Rapaport (WMB-T-1) and Ayub (USPS-T-1). Other mailers that can demonstrate that they are similarly situated would be welcome to negotiate a functionally equivalent NSA with the Postal Service. Any such NSA would similarly have to be tailored to the specific mailing profiles of those customers. Thus, a generally available classification would not be a reasonable substitute for the NSA presented in this Request.

As to the operational bases and facilities used, this NSA envisions the following changes. Firstly, the Postal Service would provide to WMB, at certain levels of volume, electronic address corrections without fee for solicitations sent by First-Class Mail that are undeliverable as addressed and cannot be forwarded under existing regulations. In return, WMB would agree to forgo its current practice of receiving free return of such undeliverable mail, under the existing service features of First-Class Mail. Secondly, WMB will apply for participation in the *PostalOne!* system for permit mail that is directly entered into the mailstream by WMB. Thirdly, the Postal Service and WMB acknowledge that the Postal Service is developing an enhanced ACS to be named OneCode ACS. The NSA envisions that WMB will use commercially reasonable efforts to implement OneCode ACS, once such service becomes available.

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, given the simplicity of the agreement, assuming the relevant recommendations and approvals, it intends to implement the agreement as soon thereafter as practicable. This Request is accompanied by a Motion for Establishment of Settlement Procedures, Statement Concerning Compliance With Filing Requirements And Conditional Motion For Waiver, and by a Proposal for Limitation of Issues.

The overall cost, volume, and revenue effects of the WMB NSA are relatively modest, both in the first year and in later years of the proposed agreement. The proposed NSA would apply to only one, discretely-positioned mailer. The duration of the rates, fees, and classifications would be limited to three years by the terms of the NSA. The proposed changes would apply to the rates, fees, and classifications for First-Class Mail and Address Correction Service. The rates, fees and classifications for no other mail classes or special services would be affected.

As described in witness Ayub’s testimony and as outlined above in the bulleted text, the Postal Service has instituted numerous safeguards to protect against the risk of adverse financial consequences. Moreover, the Postal Service has conducted thorough financial analyses, and is confident that the proposal would yield net benefits to the Postal Service through volume growth of WMB’s solicitation mail.

The economic effects of the proposal are described fully in the testimony of Ali Ayub (USPS-T-1). The Postal Service estimates it will benefit by \$46.3 million over the life of the NSA.

To implement the WMB NSA, the Postal Service requests that the Commission recommend the classification and rate schedule changes attached hereto, which propose the addition of Domestic Mail Classification Schedule (DMCS) 630 and Rate Schedules 630A and 630B. Among other provisions, DMCS 630 prescribes the criteria for determining eligibility of WMB's mail for the proposed rate changes, describes the manner and conditions under which discounts would be applicable to WMB volume, and specifies a duration of three years for the NSA. As explained in witness Ayub's testimony, the requested changes would conform to the criteria of 39 U.S.C. §§ 3622(b) and 3623(c).

The NSA provides the foundation for these changes. Among other provisions, the WMB NSA specifies: (1) the key conditions making the NSA possible; (2) volume thresholds pertaining to mail qualifying under the NSA for additional discounts; (3) a solicitation mail volume guarantee; (4) an annual adjustment mechanism; (5) obligations undertaken by WMB to ensure reduction of postal costs associated with handling of returned and forwarded mail; (6) the unconditional right of the Postal Service to terminate with 30 days' notice to WMB; (7) a transaction penalty; and (8) information concerning other issues, such as monitoring, compliance, regulatory review, implementation, withdrawal, public communications, and notices. 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 WMB 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 unique proposal.

The page following this Request is an index of Attachments. Attachment A to this Request contains proposed DMCS provisions necessary to implement the WMB 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 refers to evidence filed by both Postal Service and WMB. A signed copy of the NSA is Attachment F. The proposed data collection plan is contained in the testimony of witness Ayub (USPS-T-1).

The Postal Service considers that its submissions 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

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William J. Trumpbour

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March 29, 2006

INDEX OF ATTACHMENTS TO REQUEST, MC2006-3  
RATE AND SERVICES CHANGES TO IMPLEMENT BASELINE  
NEGOTIATED SERVICE AGREEMENT WITH WASHINGTON MUTUAL BANK

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

NEGOTIATED SERVICE AGREEMENTS  
CLASSIFICATION SCHEDULE

630            WASHINGTON MUTUAL BANK NEGOTIATED SERVICE AGREEMENT

630.1        Eligible First-Class Mail

630.11      Washington Mutual Bank

Eligible First-Class Mail under this section is limited to mail relating to Washington Mutual Bank's credit card products and credit services, and is further defined as: (1) All First-Class Mail customer correspondence related to Washington Mutual Bank's Card Services account holders; (2) First-Class Mail solicitations that bear the endorsement specified by the Postal Service; and (3) First-Class Mail correspondence to non-cardholders relating to credit cards, that bear the endorsement specified by the Postal Service. Eligible First-Class Mail does not include Business Reply Mail, Qualified Business Reply Mail, Postcards, Priority Mail, or pieces that are not letter-shaped.

630.12      Other Mailers

Functionally equivalent NSAs, involving (i) declining block rates for First-Class Mail, (ii) a guarantee that a substantial increase in the amount of mail that would otherwise qualify for Standard Mail rates will be sent as First-Class Mail, and (iii) adoption of electronic Address Correction Service in lieu of physical returns for First-Class Mail that qualifies 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.

630.2        First-Class Mail Discounts

630.21      Discount Threshold

The Discount Threshold is set at 450 million pieces of eligible First-Class Mail for the first year of the agreement.

630.22      Discounts

Washington Mutual Bank's Eligible 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 the first year of this

Agreement if Washington Mutual Bank meets the Discount Threshold. The discounts apply only to volume above the Discount Threshold. Each incremental discount applies only to the incremental volume within each volume block.

630.23      Annual Threshold Adjustment

The Postal Service shall annually adjust the Discount Threshold based on the percentage change from year to year in the sum of Washington Mutual Bank's domestic active credit card accounts, as that figure is reported in internal documents which are reviewed by internal auditors and whose accuracy is certificated by a Washington Mutual Bank officer. The beginning and ending points for each volume block in Rate Schedule 630A will increase or decrease by the same number as the increase or decrease in the Discount Threshold. Rate Schedule 630B will be applicable in lieu of Rate Schedule 630A if there is such an adjustment.

630.24      Threshold Adjustment for Mergers and Acquisitions; and Portfolio Purchases

In the event that:

- (a) Washington Mutual Bank merges with and/or acquires an entity and/or purchases a portfolio with annual mail volume in excess of 10 million pieces, the discount threshold will be adjusted to add the volume of mail sent by the merged or acquired entity, or on behalf of the purchased portfolio during the 12 months preceding the merger, acquisition, or purchase. In that event, beginning in the succeeding fiscal quarter immediately following the date that mail volumes due to the merger, acquisition, or purchase begin to be mailed through the threshold permit accounts, Rate Schedule 630B would apply in lieu of Rate Schedule 630A.
- (b) Washington Mutual Bank, in the first or second year of the agreement, merges with, or acquires, multiple entities, or purchases multiple portfolios, that have a combined annual volume in excess of 25 million pieces, the discount threshold will be adjusted upward to add the mail sent by the merged or acquired entities, or on behalf of the acquired portfolios, for the 12 months prior to the date the mail of the merged entity is first mailed through the threshold permit accounts. In that event, in all succeeding years of the agreement, Rate Schedule 630B would apply in lieu of Rate Schedule 630A.
- (c) Washington Mutual Bank loses or sells a portfolio with annual mail volume of at least 10 million pieces, the discount threshold will be

adjusted downward by the product of the number of active accounts lost or sold multiplied by 12. In that event, beginning in the succeeding fiscal quarter immediately following the date that mail volumes due to the loss or sale will no longer be mailed through the threshold permit accounts, Rate Schedule 630B will apply in lieu of Rate Schedule 630A.

- (d) In order to avoid double counting, any volumes used to make adjustments pursuant to these merger, acquisition, and portfolio activity provisions shall be excluded from calculation of the corresponding annual threshold adjustment pursuant to Section 630.23.

630.25      Solicitation Mail Volume Guarantee

During each year of the Agreement, Washington Mutual Bank commits to sending the lesser of (1) 500 million credit card solicitations as First-Class Mail, or (2) ninety (90) percent of its total credit card solicitation mail as First-Class Mail. If, in any year, Washington Mutual Bank fails to meet this commitment, the Postal Service may terminate the Agreement, and Washington Mutual Bank will pay the Postal Service \$250,000.

630.3      Waiver of Address Correction Fees

The fees for address correction in Fee Schedule 911 are waived for those First-Class Mail solicitations on which Washington Mutual Bank uses the endorsement specified by the Postal Service, if:

- a. Washington Mutual Bank mails more than 375 million pieces of eligible First-Class Mail within the first year after implementation of this section, and
- b. Washington Mutual Bank updates any databases it uses for solicitation mail, other than First-Class Mail customer correspondence related to account holders, as specified by the Postal Service.

If, during the first year after implementation, Washington Mutual Bank mails fewer than 375 million pieces of eligible First Class Mail, Washington Mutual Bank agrees to pay \$250,000.

630.4      Rates

The rates applicable to this Agreement are set forth in Rate Schedules 630A and 630B.

630.5      Expiration

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

630.6      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.

WASHINGTON MUTUAL BANK NSARATE SCHEDULE 630A

<u>Volume Block</u>	<u>Incremental Discounts</u>
<u>450,000,000 – 465,000,000</u>	<u>\$ 0.02</u>
<u>465,000,001 – 500,000,000</u>	<u>\$ 0.035</u>
<u>500,000,001 – 650,000,000</u>	<u>\$ 0.04</u>
<u>650,000,001 and above</u>	<u>\$ 0.05</u>

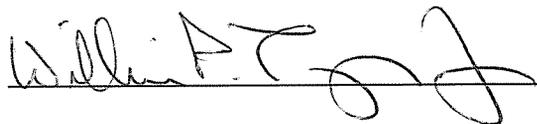
RATE SCHEDULE 630B  
FOR ADJUSTED THRESHOLDS (A.T.)

<u>Volume Block</u>	<u>Incremental Discounts</u>
<u>(A.T.) to (A.T+15,000,000)</u>	<u>\$ 0.02</u>
<u>(A.T. + 15,000,001) to (A.T.+ 50,000,000)</u>	<u>\$ 0.035</u>
<u>(A.T. + 50,000,001) to (A.T.+ 200,000,000)</u>	<u>\$ 0.04</u>
<u>(A.T. + 200,000,001) and above</u>	<u>\$ 0.05</u>

CERTIFICATION

I, William P. Tayman, Jr., 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 Washington Mutual Bank, together with the accompanying direct testimony and exhibits.

Pursuant to Rule 193(i) of the Postal Rate 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.

A handwritten signature in black ink, appearing to read "William P. Tayman, Jr.", written over a horizontal line.

William P. Tayman, Jr.

INDEX OF TESTIMONIES: DOCKET NO. MC2006-3

<b>WITNESS</b>	<b>TESTIMONY</b>	<b>EXHIBITS</b>		<b>WORKPAPERS</b>	<b>ATTORNEY</b>
		<b>TITLE</b>	<b>NO.</b>		
Mr. Ayub	USPS-T-1	None		None	William J. Trumpbour 202-268-3928

Docket No. MC2006-3 Request

ATTACHMENT E

**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). 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. R2005-1. 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 testimonies of witnesses Ali Ayub (USPS-T-1) and Michael Rapaport (WMB-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 testimonies of witnesses Ali Ayub (USPS-T-1) and Michael Rapaport (WMB-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 testimonies of witnesses Ali Ayub (USPS-T-1) and Michael Rapaport (WMB-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). It is similar to the Data Collection Plan recommended by the Commission and approved by the Governors of the Postal Service in Docket No. MC2002-2. 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 testimonies of witnesses Ali Ayub (USPS-T-1) and Michael Rapaport (WMB-T-1).

**NEGOTIATED SERVICE AGREEMENT BETWEEN  
UNITED STATES POSTAL SERVICE AND  
WASHINGTON MUTUAL BANK**

This Agreement ("Agreement") is made as of March 16, 2006, (the "Agreement Effective Date") by and between Washington Mutual Bank, a federal savings association, with its principal place of business located at 1201 Third Avenue, Seattle, WA 98101, and its subsidiaries and affiliates ("Washington Mutual"), 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 91-375, with its principal office at 475 L'Enfant Plaza, SW, Washington, DC 20260. This Agreement relates only to Washington Mutual Bank's Card Services business, and all requirements agreed to by Washington Mutual as part of this agreement apply only to Washington Mutual Bank's Card Services business. The Postal Service and Washington Mutual are referred to herein collectively as the "Parties" and each 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 Washington Mutual, and that will comply with the requirements of the Postal Reorganization Act, and

WHEREAS, it is the intention of the Postal Service to make available a functionally equivalent agreement to other mailers,

NOW, THEREFORE, the Parties agree as follows:

**I. Key Conditions for NSA Treatment:**

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

- A. Washington Mutual has mailed, for at least each of the last three full calendar years, a minimum of 300 million pieces of First-Class Mail.
- B. Washington Mutual agrees to receive electronic information about its undeliverable-as-addressed solicitations sent as First-Class Mail, instead of physical return of the pieces.
- C. For First-Class Mail covered by this Agreement, Washington Mutual uses only addresses that have been processed against National Change of Address / Coding Accuracy Support System ("NCOA/CASS") databases within the 90 days prior to mailing.

## USPS - WASHINGTON MUTUAL NSA

- D. Washington Mutual can document the number of returns of undeliverable-as-addressed ("UAA") First-Class Mail.
- E. Washington Mutual's mail relates to its own credit card products and credit card services.
- F. Washington Mutual does not use Address Correction Service ("ACS") as a means to qualify with the published Postal Service Move Update requirements for automation compatible First-Class Mail.
- G. This Agreement complies with Domestic Mail Manual ("DMM") § 709.1.0, in effect on the date this contract is executed.

### **II. Volume Threshold Issues**

- A. Declining block rates of postage will be available for volumes above certain thresholds of such First-Class Mail as defined in Article II, Paragraph C. The declining block rates will be calculated by applying the discounts specified below to the otherwise applicable rates of postage. The discounts specified below apply only to the incremental volumes within each volume block.
- B. Washington Mutual agrees to pay the otherwise applicable rates of postage at the time the mail is entered. The Postal Service will provide Washington Mutual with credits of the appropriate amounts of the discounts as specified in Article II.
- C. Thresholds: First-Class Mail that will be counted toward the 375 million piece threshold under Article III, Paragraph D, and toward the First-Class Mail thresholds set forth in Article II, Paragraph D, and will be eligible for discounts is limited to:
  - 1. All First-Class Mail customer correspondence related to account holders ("customer mail").
  - 2. First-Class Mail solicitations that bear the CSR endorsement and comply with Postal Service rules and regulations associated with this endorsement.
  - 3. First-Class Mail correspondence to non-cardholders relating to credit cards, including for example, decline letters, that bear the CSR endorsement and comply with Postal Service rules and regulations associated with this endorsement.

Postcards, Qualified Business Reply Mail, Priority Mail, Business Reply Mail ("BRM"), and pieces that are not letter-shaped will not be counted toward the threshold, nor will they be eligible for block discounts.

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- D. Given the threshold for the first year at 450,000,000, then the declining block rates are calculated based on the following discounts:

<u>Volume Block</u>	<u>Incremental Discounts</u>
450,000,000 – 465,000,000	\$ 0.02
465,000,001 – 500,000,000	\$ 0.035
500,000,001 – 650,000,000	\$ 0.04
650,000,001 and above	\$ 0.05

- E. Quarterly Threshold Amounts: For the purpose of computing the applicable volume thresholds on a quarterly basis, the annual threshold determined within this section (or as modified within the terms of this Agreement) will be divided into quarters. To ensure a consistent base of mailings throughout the year, at least 18% of the mail will be allocated to each quarter. Due to the seasonality and variations in mailing patterns throughout the year, Washington Mutual has the right to allocate the volume threshold for any given year, during the term of this Agreement, into four quarters, subject to a quarterly minimum of 18% of the determined volume threshold. At least ten business days prior to the start of each year of the Agreement, Washington Mutual shall deliver to the Postal Service an estimated volume allocation by quarter, subject to the minimum of 18% per quarter. These volume thresholds will be used, as outlined in Article II, Paragraph K, Volume Accounting, to determine appropriate quarterly volume discounts, for credit to Washington Mutual.
- F. Annual Threshold Adjustment: The Parties intend this NSA to provide Washington Mutual with an incentive to increase entry of First-Class Mail. Accordingly, the Postal Service shall annually adjust the volume threshold at which postage discounts begin based on the percentage change, from year to year, of Washington Mutual's domestic active credit card accounts, as that figure is reported in internal documents which are reviewed by internal auditors and whose accuracy is certificated by a Washington Mutual officer. Washington Mutual will report the most recently published figure as of the beginning of the first fiscal quarter following the implementation date ("initial domestic active credit card account figure"). The adjustment will be made after the fourth subsequent fiscal quarter, and will be based on the percentage change between the published "initial domestic active credit card account figure" and the subsequent domestic active credit card account figure as of the beginning of the fifth subsequent fiscal quarter. Washington Mutual's reports must be supported by auditable records.

The beginning and ending points for each volume block will either increase or decrease by the same number as the threshold at which postage discounts begin. The increments between the beginning and end points will remain the

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same. For example, if the threshold at which postage discounts begin increases by 10,000,000 (from 450,000,000 to 460,000,000), then the volume block for the \$ 0.02 discount would begin at 460,000,000, and end at 475,000,000. The remaining volume blocks would similarly begin and end at thresholds that are 10,000,000 higher.

- G. Merger, Acquisition or Purchase of a Portfolio: Washington Mutual agrees that the First-Class Mail Volume Threshold (450,000,000 for the initial year) will be adjusted to the extent that Washington Mutual merges with, acquires an entity, or purchases a portfolio that has annual mail volume in excess of 10 million pieces in the year preceding the merger, acquisition or purchase. Washington Mutual must notify the Postal Service of any such merger, acquisition, or purchase within 90 days of the closing of the merger, acquisition, or purchase. The notification must include the name of the merged or acquired entity, or purchased portfolio, the existing number of accounts at the time of merger, acquisition, or purchase, the mail volume of the merged or acquired entity, or purchased portfolio, for the twelve (12) months preceding the merger, acquisition, or purchase, and the permit accounts through which the mail volume was processed. If the merger, acquisition, or purchase results in a material increase as described herein, the First-Class Mail Threshold will be adjusted to add the volume of mail sent by the acquired entity or on behalf of the purchased portfolio during the 12 months preceding the merger, acquisition, or purchase. All threshold adjustments due to mergers or acquisitions shall be made on a quarterly basis in the succeeding quarter immediately following the date that mail volumes due to the merger, acquisition or purchase begin to be mailed through the threshold permit accounts of this NSA. The mail of the merged or acquired entity or purchased portfolio may not be mailed through the threshold permit accounts without prior approval by the Postal Service, which approval shall not be unreasonably upheld. Washington Mutual further agrees that the First-Class Mail Volume Threshold will also be adjusted to the extent that in any year Washington Mutual merges with, acquires multiple entities, or purchases multiple portfolios with combined annual mail volume in excess of 25 million pieces. At the end of any year during the term of this Agreement, Washington Mutual will notify the Postal Service if during that year it has merged with or acquired multiple entities or purchased portfolios with combined annual mail volume in excess of 25 million pieces.
- H. In order to avoid double counting volumes, any volume used to make adjustments for mergers and acquisitions under Article II, Paragraphs G and I, shall be excluded from calculation of the corresponding annual adjustment under Article II, Paragraph F.
- I. Losses and Sales of Portfolios of at Least 10 Million Pieces:  
The Parties agree that the First-Class Mail Volume Threshold will be adjusted downward to the extent that Washington Mutual loses or sells a portfolio with annual mail volume of at least 10 million pieces. Washington Mutual must

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notify the Postal Service of any loss or sale within 90 days of the loss or sale. This notification must include the name of the lost or sold portfolio, the number of active accounts in the portfolio, estimated mail volume mailed on behalf of the portfolio for the twelve (12) months preceding the loss or sale, and the permit accounts through which the mail volume was processed. Washington Mutual will make available to the Postal Service auditable records necessary to support this information, and these records must be reconcilable with the Postal Service's mailing records. The First-Class Mail threshold will be adjusted to reduce the threshold by the product of the number of active accounts lost or sold multiplied by 12. All threshold adjustments shall be made on a quarterly basis in the succeeding quarter immediately following the date that mail volumes due to the loss or sale will no longer be mailed through the threshold permit accounts.

J. Solicitation Mail Volume Guarantee: During each year of this agreement, Washington Mutual commits to sending the lesser of (1) 500 million credit card solicitations as First-Class Mail; or (2) ninety (90) percent of its total credit card solicitation mail as First-Class Mail. If, in any year, Washington Mutual fails to meet this commitment, the Postal Service may terminate this Agreement, and Washington Mutual will pay the Postal Service \$250,000.

K. Volume Accounting:

1. Washington Mutual will provide the Postal Service with the numbers of the permit accounts that will determine Washington Mutual's eligibility for discounts. The permit accounts may be designated and used to determine the discounts only upon the Postal Service's written acknowledgement. Separate qualifying permit accounts will be designated and used for customer mail and solicitation mail. Only Washington Mutual's First-Class Mail letter mail in the permit accounts will be counted toward the thresholds. Only Washington Mutual's solicitation mail in the permit accounts will be counted toward the Solicitation Mail Commitment. The data in these Postal Service permit accounts will be used to determine whether these volumes have been reached, and the Postal Service shall keep such data in a form auditable by Washington Mutual.
2. Only First-Class Mail solicitations complying with Postal Service rules and regulations associated with CSR, Option 2, may be mailed through the First-Class Mail solicitation permit account.
3. If Washington Mutual's First-Class Mail volume exceeds the Quarterly Volume Threshold for the applicable quarter, Washington Mutual will be eligible to receive a credit for discounts on subsequent First-Class Mail volume, sent through the designated permit accounts during the remaining portion of that quarter.
4. At the end of each quarter, the Postal Service shall promptly deliver to Washington Mutual its summary of First-Class Mail usage and

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applicable credit due Washington Mutual. The Postal Service will identify Washington Mutual's quarterly First-Class Mail postage usage and corresponding credit due Washington Mutual. Any applicable credit due Washington Mutual will be realized at the commencement of the subsequent quarter, once volumes have been reconciled. The credit shall be paid to Washington Mutual either through a wire transfer, by check, or by the Postal Service promptly posting an appropriate credit to a separate CAPS account designated by Washington Mutual. At the end of the fourth quarter, all Washington Mutual First-Class Mail volumes and discounts will be reconciled, and the Postal Service will promptly disclose to Washington Mutual whether additional credits are available or whether more discounts have been given than due under the Agreement. If Washington Mutual has received more discounts than due, the Postal Service shall send Washington Mutual an invoice. Washington Mutual shall have 30 days to pay the invoice or to authorize the Postal Service to deduct the amount from the CAPS account designated by Washington Mutual. Any additional amounts owed to Washington Mutual will be credited to the CAPS account designated by Washington Mutual, and the total amount remitted to Washington Mutual by check or wire transfer within ten (10) business days. In any event, the Postal Service shall provide to Washington Mutual the total balance in the designated CAPS account, by wire transfer or check, no later than 20 days after the end of the fourth quarter. Washington Mutual understands that in the normal course of business, the Postal Service occasionally edits permit data after the close of a quarter to reconcile a discrepancy. If such an edit affects the First-Class Mail volume in either the Postal Service's or Washington Mutual's favor, the change will be accounted for under the terms of this Agreement.

- L. Washington Mutual mail is limited to customer mail and solicitations for Washington Mutual's credit card products and credit card services. Washington Mutual may not use the threshold permit accounts to mail on behalf of any other company or entity.

### **III. Address and Other Quality Issues**

- A. Washington Mutual will apply the endorsement "Change Service Requested" ("CSR") to all First-Class Mail solicitations and comply with Postal Service rules and regulations associated with this endorsement, unless mutually agreed to in writing by both Parties. Washington Mutual will receive the service associated with CSR, Option 2, which will include forwarding. After providing the service associated with this endorsement, the Postal Service will dispose of the mail in accordance with applicable Federal laws and Postal Service operating instructions.

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- B. Consistent with Article III, Paragraph D, the Postal Service will waive the fees for ACS notices for solicitations that comply with the rules and regulations associated with the CSR, Option 2 endorsement. In exchange for a waiver of ACS fees, Washington Mutual agrees:
1. For any address database it maintains for solicitation mail other than First-Class Mail customer correspondence related to current account holders, Washington Mutual will update that database within 30 business days and use the information in future mailing campaigns.
  2. For every mailing whose address source is not maintained by Washington Mutual, Washington Mutual agrees to forward the ACS notices to the third party, or to arrange to have the Postal Service forward the ACS notices directly to the third party. Washington Mutual will request that the third party use these data for all future Washington Mutual marketing campaigns. Washington Mutual will ensure that the data are not used for any mailings other than Washington Mutual mailings.
  3. In addition, Washington Mutual agrees that it will demonstrate how its systems' procedures assure that it complies with this paragraph, and it will retain records auditable by the Postal Service that so demonstrate.
- C. In accordance with Article III Paragraphs A and B above, Washington Mutual will become an active ACS participant for its First-Class Mail solicitation mailings for the duration of the Agreement. It will comply with all rules and regulations associated with the use of ACS endorsements. The Parties acknowledge that the Postal Service is developing an enhanced ACS service to be named OneCode ACS. Washington Mutual agrees to use commercially reasonable efforts to implement OneCode ACS, and comply with all rules and regulations associated with the use of OneCode ACS, once such service becomes available. For purposes of this section, commercially reasonable shall mean as soon as practicable, as determined by both parties in consultation with one another.
- D. If, by the end of the first year of this Agreement, Washington Mutual mails less than 375 million First-Class Mail pieces, as defined in Article II, Paragraph C, Washington Mutual agrees to pay \$250,000. Washington Mutual authorizes the Postal Service to deduct the amount from its Centralized Account Processing System (CAPS) account, upon five days notice of the amount due. Should the account have insufficient funds, Washington Mutual will pay the remaining amount owed within five days of receipt of notice.

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- E. The waiver/suspension of fees does not apply to the use of any ancillary address correction endorsements other than the CSR endorsement authorized for First-Class Mail solicitations.
- F. Washington Mutual agrees that it cannot use the CSR endorsement as a means to comply with the published Postal Service Move Update requirements for automation compatible First-Class Mail. Washington Mutual will continue to comply with Move Update requirements for First-Class Mail through either NCOA match, FastForward, or other Postal Service approved methods.
- G. Washington Mutual agrees that for its First-Class Mail, it will only use addresses that have been processed against NCOA/CASS databases within the 90 calendar days prior to mailing.
- H. Upon the effective date of this Agreement pursuant to Article IV, Paragraph C, Washington Mutual agrees to apply for participation in the *PostalOne!* system for permit mail that is entered directly into the mailstream by Washington Mutual. Washington Mutual shall have no obligation to apply for or implement *PostalOne!* for permit mail processed through any third party provider. Washington Mutual agrees to implement and use *PostalOne!* at the earliest commercially reasonable date.

### **IV. Compliance and Other Issues**

#### **A. Compliance**

1. Washington Mutual will continue to use its current return addresses for First-Class Mail unless Washington Mutual notifies the Postal Service fifteen (15) days in advance that a different address will be used. Separate return addresses will be used for customer mail and for solicitation mail. Washington Mutual must notify the Postal Service of all return addresses for customer and solicitation mail before use.
2. Upon 5 days written notice, Washington Mutual will permit the Postal Service to select returned First-Class Mail pieces; Washington Mutual will open the mail in the presence of Postal Service employees; Washington Mutual will copy the contents, only after appropriate redaction; and provide a copy to the Postal Service, and Washington Mutual will retain the original pieces, provided that any opening and/or copying will be in accordance with applicable laws, regulations, and Washington Mutual's agreements. The parties agree that only a reasonable number of samples will be inspected, and that Washington Mutual can redact the copied pieces by blacking out all personally identifiable information.
3. Washington Mutual agrees to keep a representative mail piece for each campaign mailed through the solicitation permit accounts. The

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copy must include the front and back cover and all contents. Included with the copy must be the date of mailing, the amount mailed, and enough information to tie the mailing to specific postage statement(s).

4. Washington Mutual will make necessary records and data available to the Postal Service to facilitate and monitor compliance with this Agreement.

### B. Appeals

Washington Mutual may appeal a Postal Service decision regarding: mail counted toward the minimum in Article III, Paragraph D; mail counted toward the thresholds set forth in Article II, Paragraph D; threshold adjustments set forth in Article II, Paragraphs F, G, and I; mail counted toward the solicitation mail volume guarantee set forth in Article II, Paragraph J; the volume of mail in the threshold permit accounts set forth Article II, Paragraph K; or the amount of discounts paid set forth in Article II, Paragraph K, by sending a written appeal within 30 days of receipt of notification of the decision to the Rates and Classification Service Center ("RCSC") in New York. The decision of the Manager, RCSC, will be final. However, Washington Mutual does not waive any appeal rights provided by the Postal Service regulations. Any decision that is not appealed as prescribed becomes the final Postal Service decision.

This appeal process relates only to the issues identified above that arise as a result of the implementation of this agreement.

### C. Effective date

The Agreement is effective on the latest date of signing by both Parties. It shall be implemented on the date set by the Postal Service Board of Governors, after all appropriate regulatory approvals.

### D. Regulatory Review

1. In accordance with the Postal Reorganization Act and the Postal Rate Commission's Rules of Practice and Procedure and upon approval of the Postal Service Board of Governors, the Postal Service will file a request with the Postal Rate Commission ("Commission") for recommended changes in rates, fees, and classifications that would allow the Postal Service to implement this agreement.
2. Washington Mutual agrees to file with the Commission its direct case supporting the Postal Service's request on the date the Postal Service files its request. Washington Mutual will file any motions for waiver necessary to support these filings.
3. The Parties agree to provide the other with each full draft of its testimony and accompanying workpapers and library references when available. The Postal Service will approve the final version of these materials.

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4. Washington Mutual agrees that its testimony will address, among other issues, the impact or lack thereof of this agreement on its First-Class Mail and Standard Mail volume.
5. Each party agrees to consult with the other on positions to be taken in pleadings prior to filing. Washington Mutual agrees not to take any position in the litigation adverse to those of the Postal Service.
6. Each party agrees to bear its own costs related to the subject matter of this Agreement and its costs of participating in Commission and court proceedings resulting from the Postal Service's request for a recommended decision.
7. Each party agrees to bear its own costs associated with any data collection needs associated with this Agreement.
8. The Postal Service agrees to timely file any documents, studies, or analyses required for compliance with the Postal Rate Commission's Recommended Decision, and Washington Mutual agrees to provide the Postal Service the necessary information for such compliance. The failure of the Postal Service to comply shall be deemed a material breach of this agreement.

### E. Term & Implementation Date

Pursuant to the Postal Reorganization Act, and upon approval by the Governors of the Postal Service of the changes in rates, fees, and classification recommended by the Commission, the Board of Governors will set the Implementation Date. The Board of Governors may decide to implement the waiver of the ACS fee up to two months before the discounts and related provisions. It is further agreed that should the Implementation Date fall prior to the commencement of a quarter, then for the period of time between the Implementation Date and the first full quarter, any applicable volume thresholds will be pro-rated as mutually agreed by the Parties, and thereafter the Agreement will continue for a period of three years from the Implementation Date set by the Board of Governors or until (i) the provisions of the Domestic Mail Classification Schedule relative to this Agreement expire or (ii) the Agreement is terminated by one of the Parties pursuant to Article IV, Paragraph F set forth herein. It is further agreed that should the termination date of this Agreement fall prior to the end of a quarter, then for the period of time between the end of the preceding quarter and the termination date, any applicable volume thresholds will be pro-rated as mutually agreed by the Parties.

### F. Termination

The Postal Service may terminate this Agreement without cause and without penalty with thirty days' advance written notice. Washington Mutual may cancel the agreement without cause by providing thirty days' advance written notice provided that it must still comply with Article II, Paragraph J, and Article

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III, Paragraph D. If Washington Mutual already has complied with Article II, Paragraph J, and Article III, paragraph D, then Washington Mutual may cancel without cause or penalty and shall specifically have no liability under Article II, Paragraph J, and Article III, Paragraph D of this Agreement. In addition, in the event that the Postal Service is required by an applicable law, regulation, binding rule or act of the United States Congress to terminate or fail to perform its obligations under this Agreement or is enjoined from proceeding with this Agreement by a court of competent jurisdiction, the Postal Service may terminate this Agreement immediately, and both parties will be relieved of any liability or obligation of any type arising from this Agreement.

### H. Inapplicability of Contract Disputes Act:

The Contract Disputes Act, 41 U.S.C. 601 et seq., shall not be applicable to any dispute arising from this negotiated service agreement, any of its terms and conditions, its approval, administration, or implementation. However, this waiver shall not apply to any other contract to which either party is a party or is privy to a party.

## V. Public Communications

The form, substance, and timing of any press release or other public disclosure of matters related to this Agreement shall be mutually agreed to by Washington Mutual and the Postal Service in writing which consent shall not be unreasonably withheld, except to the extent of disclosure which Washington Mutual or the Postal Service is required by law to make, in which instance the non-disclosing Party shall be advised and the Parties shall use their reasonable efforts to cause a mutually agreeable disclosure to be issued.

## VI. Assignability

Washington Mutual may assign its rights and responsibilities under this agreement to an entity that it merges with or that acquires Washington Mutual at any time before the expiration date of this agreement subject to the written approval of the Postal Service, which shall not be unreasonably withheld.

## VII. Amendments

This Agreement shall not be amended except expressly, in writing, by authorized representatives of the Parties.

## VIII. Notices

Service of 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

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Party to be served notice, or by nationally recognized overnight mail service, at the following addresses. All such notices and communications shall be effective upon receipt.

Washington Mutual Bank  
1301 Third Avenue  
Seattle, WA 98101  
Attn: General Counsel

With a copy to:

Washington Mutual Card Services  
201 Mission Street  
San Francisco, CA. 94105  
Attn: Michael Rapaport

United States Postal Service  
475 L'Enfant Plaza, SW, Room 5014  
Washington, DC 20260-5014  
Attention: Stephen Kearney  
Vice President, Pricing and Classification

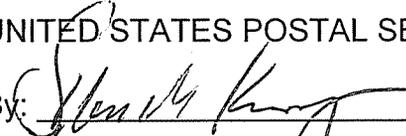
United States Postal Service  
475 L'Enfant Plaza, SW  
Washington, DC 20260-1100  
Attention: Managing Counsel, Legal Policy & Ratemaking

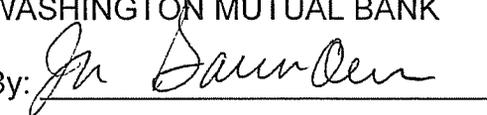
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IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the day and year first written above.

UNITED STATES POSTAL SERVICE

WASHINGTON MUTUAL BANK

By: 

By:  DW

Printed Name: STEPHEN M. KEARNEY

Printed Name: JOSEPH W. SAUNDERS

Title: VP, PRICING + CLASSIFICATION

Title: President WM CARD SERVICES

Date: MARCH 10, 2006

Date: 3/16/06