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

Postal Rate and Fee Changes, 2006) Docket No. R2006-1

PREPARED TESTIMONY OF ROBERT PAUL
FOR GROWING FAMILY, INC.
(September 6, 2006)

My name is Robert Paul, and I am the Vice President, Operations for Growing Family, Inc. Growing Family takes photographs of newborn babies in hospitals. After the photographs are taken and Growing Family receives orders for one or more specific product offerings, the company then produces the photographs to order and mails them, along with certain other related merchandise,[1] to the babies' parents via the Postal Service. Approximately 10% of our total shipments are sent via the USPS's COD service. Under USPS regulations, the recipients of Growing Family's COD packages have the option of either paying the retail price for the photographs or refusing the package unopened, in which case the Postal Service is obligated to return the photographs to Growing Family. When Growing Family receives neither the money to be collected from the addressee nor the return of the package, and after waiting more than the minimum time required by the Domestic Mail Manual (DMM), Growing Family submits a claim in accordance with the DMM.

[1] The other merchandise represents a small portion of the cost and price of the package contents, and, for simplicity, the discussion hereafter will refer only to the photographs.

We had believed that Growing Family is one of the Postal Service's largest COD customers, and Postal Service witness Berkeley has now confirmed that, in fact, Growing Family is the largest customer, representing about 10% of the total COD volume. Although Growing Family's COD volumes have fallen from the roughly 200,000 pieces per year several years ago, its current COD volume is about 150,000 COD pieces per year. Growing Family's historical claim rate of about 5%, or roughly 10,000 claims per year (on a 200,000 piece base), has declined along with the COD volumes, presumably because of improvements by the Postal Service, and is now around 3% to 4%.

For 24 years, Growing Family has paid the Postal Service a fee to insure against failure by the Postal Service to remit to Growing Family the amount to be collected for those photographs from the addressee (i.e., the retail price of the photographs), with the COD fee based upon the amount to be collected (as we believe is required by the Domestic Mail Manual and the Domestic Mail Classification Schedule). For 22 years, or until May 2005, the Postal Service reimbursed Growing Family for the retail price of the photographs whenever it failed to return to Growing Family either the amount to be collected from the addressee or the photographs, as confirmed by witness Berkeley (Tr. 4537).

At one point along the way, the Postal Service questioned the reimbursement level. See Exhibit RP-1, a letter dated November 8, 1996, from the Postal Service's Supervisor of Claims Processing to Growing Family. Following that letter, there was at least one meeting between Postal Service personnel and Growing Family personnel, after which no change was made in the level of reimbursement. That is, reimbursement

1 continued to be for the amount to be collected, which is the basis on which we pay the
2 fee.

3 In May 2005, however, after Growing Family provided a good deal of data to the
4 Postal Service's Office of Inspector General, following the issuance of a subpoena (I
5 don't know why they didn't just ask), the Postal Service began reimbursing Growing
6 Family less than the retail price for some but not all of the packages in such situations.
7 Growing Family could perceive no pattern in either the selection of packages for which
8 less than full reimbursement was received or the amounts of the reduced payments.
9 They varied considerably on an apparently random basis, and still do to this day,
10 despite the new policy, as I will later show.

11 After repeated requests by Growing Family and its counsel for an explanation, in
12 an August 16, 2005 letter, the manager of the St. Louis Accounting Service Center
13 informed Growing Family that it would be reimbursed only for the cost of reprinting the
14 photographs and the cost of postage and COD fees rather than the full amount that was
15 to have been collected from the addressee, plus postage and fees. (A copy of that
16 letter is in the record as a cross examination exhibit GF/USPS-EX-1(Tr. 4543-44), but
17 for convenience I am providing it as Exhibit RP-2). According to the August 16th letter,
18 the reasoning behind this change in policy is that DMM Section 609.4.1(a) limits claim
19 payments to the "value of the contents of the mail piece," and that DMM section 609.4.3
20 provides that reimbursement is not paid for the "contents of film" or for any
21 "consequential loss." Thereafter, most of our claims were paid at $15.05, presumably
22 on the basis of $7.29 for the cost or reproduction, plus a $7.76 postage and fee refund,
23 for a total of $15.05 as shown on Exhibit RP-2. I note that we strongly disagree with the

1 Postal Service's assessment of our reproduction cost and that the actual postage and
2 fee vary, depending upon the weight of the package and the amount to be collected.
3 On October 6, 2006, Growing Family submitted an appeal of that decision—
4 which was issued about three months after it began to be implemented—to the Postal
5 Service's office of Consumer Advocate. Growing Family contended that the decision
6 was erroneous for three reasons, which I will identify below. But I will not go into detail,
7 because I do not believe that the detailed legal and other arguments are necessarily
8 relevant here. Rather, I am providing a copy of the appeal as Exhibit RP-3.
9 First, Growing Family contended, the application of DMM Section 609.4.3 to
10 Growing Family's packages was based on a misunderstanding of what Growing Family
11 is paying to insure and a misapplication of general insurance principles to the COD
12 context. Growing Family is not paying to insure film stock, the contents of the
13 photographs, or the photographs themselves. Rather, Growing Family is paying to be
14 indemnified in case of theft, loss or misdirection of the amount to be collected from the
15 addressee. In addition to the COD fee, Growing Family pays postage on its COD
16 shipments; the postage covers the successful delivery of a package to the addressee
17 and the return of the package if undeliverable; the COD fee covers the collecting,
18 tracking, and remitting to Growing Family of the customer's check or money order when
19 a recipient orders product with a promise to pay "Cash on Delivery." Domestic Mail
20 Classification Schedule Section 944.31 specifically provides that "COD service provides
21 the mailer with insurance against loss, rifling and damage to the article *as well as failure*
22 *to receive the amount collected from the addressee.*" (Emphasis added.) A similar
23 provision is contained in DMM Section 503.11.1.2 ("[t]he fees for COD service include

1 insurance against loss, rifling, or damage to the article or failure to receive a postal
2 money order or the recipient's check"). DMM Section 609.4.1(c) states that the
3 indemnification paid (without distinguishing the reason that the package or money was
4 not returned to the mailer) is to be "[r]emittance due on a COD package not received by
5 the sender, subject to the limitations set by the standard for COD service." (I will
6 address later the Postal Service's newly-announced policy not to insure against
7 Growing Family's failure to receive the recipient's check, in direct contravention to the
8 DMM.)

9 Second, we argued, even if proper on the merits (which it was not), the decision
10 to reimburse Growing Family only for the cost of reprinting the photographs (plus
11 postage and fees) represented a change in policy on the part of the Postal Service that
12 could not be applied retroactively, so that, at the very least, Growing Family is entitled to
13 reimbursement for the retail price with respect to packages that were mailed prior to its
14 receipt of the August 16th letter.

15 Finally, we explained, pursuant to Fee Schedule 944 of the Domestic Mail
16 Classification Schedule ("DMCS") and DMM Section 503.11.1.1, Growing Family
17 usually pays either $4.50 (now $4.75) or $5.50 (now $5.80) in fees per package,
18 although it often pays more when package values exceed $100, based upon the
19 amount to be collected from the addressee, to insure against a failure to receive that
20 amount from the addressee. The amounts to be collected are the retail prices of the
21 packages sent, which generally range from $25.00 to $89.00 (although recent data
22 indicate that about 17% of Growing Family's COD packages are valued at more than
23 $100). If Growing Family were paying to insure only the cost of reprinting the

photographs, which, according to the decision of the St. Louis Accounting Service Center amounts to only $7.29 (Exhibit RP-2), it would pay only the lowest $4.75 fee on all COD packages. It is inconsistent and highly inappropriate for the Postal Service to charge a fee based on one value but to pay claims based upon a lower value. Therefore, if the Postal Service maintains its position that Growing Family is entitled to only $7.29 per package for valid claims, as possibly adjusted on the basis of new cost data, it should reduce the fee for future mailings of packages with retail prices in excess of $50.00 to $4.75, or whatever new rate is approved for this rate cell, and refund the excess paid by Growing Family since the new policy became effective.[2]

For reasons I don't know, it took the Postal Service more than five months to act on this appeal. It conveyed its decision in a March 10, 2006, letter to our attorney. That letter is in the record as an attachment to an interrogatory response by Postal Service witness Berkeley (Tr. 4482-85), but for convenience I am providing it as Exhibit RP-4.

The decision on appeal can best be described as amazing. After agreeing (page 3) "with the general conclusion reached in the ASC decision," which was that all claims were to be reimbursed at reproduction cost ($7.29), plus postage and fee, the Vice President and Consumer Advocate goes on to disagree almost entirely. She creates a matrix of four possible circumstances that were discussed at length during cross-examination of witness Berkeley: (1) the article is delivered, but the retail value is not collected from the recipient, (2) the article is lost or destroyed before delivery, (3) the

[2] If the "insurance" portion of a $4.75 fee is to cover only $7.29 in possible indemnification, that fee is clearly excessive where the claim rate is as low as it is. For example, if we assume that half of the $4.75 fee is paid for the indemnification and half is for administrative costs, and Growing Family's claim rate is 3%, Growing Family is paying $237.50 in indemnification fees for every 100 minimum-charge COD packages it ships in order to collect $21.89. Even if the postage and fee reimbursement is included, Growing Family would be collecting only $45.15.

1 article is refused or unclaimed by the recipient and lost or destroyed prior to its return,
2 (4) the article is delivered and the funds collected, but the payment is lost or otherwise
3 not provided to the sender.

4 The decision goes on to state, although it's a bit confusing, since case (1) is
5 discussed in the text carrying over from page 3 to page 4, and the remaining are
6 numbered, only one number off, that in case (1), the Postal Service will reimburse
7 Growing Family in the amount to be collected. In case (2), we are to be reimbursed in
8 an amount equal to reproduction cost . In case (3), there is to be no reimbursement, but
9 I hasten to add that when a package is damaged or destroyed on its return, we have
10 long recognized that there is no significant value to its contents, and we do not even
11 bother to submit a claim. Perhaps we should, because for reasons I can't explain, the
12 letter states that, in this situation, we will receive a refund of our postage and fee.
13 Finally, in case (4), a replacement payment will be provided if the original payment was
14 in the form of a money order, but we are on our own in seeking a replacement payment
15 from the recipient if the payment was by personal check, notwithstanding the DMM
16 language quoted above ("failure to receive. . .the recipient's check").

17 To complete the chronology, on April 5, 2006, our attorney wrote to the
18 Consumer Advocate stating that the purpose of the letter was not to re-argue the appeal
19 but to seek both clarification and instructions on how Growing Family should proceed
20 both with respect to future claims and with respect to obtaining the additional
21 reimbursement now admitted to be due on prior claims, to the extent that such claims
22 arose in one of the two circumstances in which the Consumer Advocate agreed that full
23 reimbursement would be appropriate. That letter is Exhibit RP-5. Among other things,

1 the letter asks how Growing Family is supposed to know, or be able to find out, why
2 Growing Family received neither the package return nor the funds. The reply was
3 largely non-responsive, suggesting a meeting. See Exhibit RP-6. Growing Family has
4 been tied up this summer with the very recent sale of the company, but hopes to
5 schedule that meeting soon.

6 Growing Family has numerous objections to the manner in which the COD
7 service is being administered and priced. I understand that our issues are in part not
8 four square within this case. But some are. When we raised the issue administratively
9 in the process of the appeal of how we are charged for COD service if our
10 indemnification is to be cut by, in some cases, more than 90%, we were told that "this
11 issue relates to mail rates and classifications, and is outside the scope of this appeal
12 and the types of issues properly considered by this office." Exhibit RP-4 at page 3.
13 That is why we have chosen to present our case here. We have no third option, other
14 than what could be a premature and costly trip to court.

15 Before addressing the specifics of the Postal Service's claimed new policy, or
16 rather "clarified" policy (as witness Berkeley described it), I would like to state what
17 should have been obvious from the cross-examination of USPS witnesses Waterbury
18 and Berkeley. Witness Waterbury confirmed (Response to GF/USPS-T10-1[3]) that the
19 forecast of COD indemnity payments for FY 2008, which provides one of the inputs to
20 the Postal Service's claimed revenue requirement for this service, is based upon
21 indemnity payments for FY 2005, adjusted only for component cost changes and COD
22 volumes. Yet FY 2005 indemnity payments are not an appropriate stating place. All of

[3] The first page of that response is in the record at Tr. 69, but for some reason the second page is missing.

our claims for the first seven months of that fiscal year, and some of our claims for a couple of months thereafter, were paid on the longstanding "amount to be collected" basis. From some time in the summer of 2005 to the present however—despite the "clarified" policy—our claims are being paid at a much, much lower rate. We tried to find out through discovery about the practice with respect to other COD mailers, but all we could learn was that at least one other COD mailer faced the same claims payment reduction as did Growing Family (Tr. 4487, 4549). Since Growing Family represents roughly 10% of COD volume, and since the other affected mailer that we know about is probably a large mailer, it is absolutely clear that the use of FY 2005 indemnity payments as a basis for FY 2008 payments results in an overstatement. I do not blame witness Waterbury for not adjusting the revenue requirement or witness Berkeley for not adjusting the rate before they knew about the change in practice resulting from the "clarification" of policy, but now that they know of the error, there is no excuse for sticking with a number that they know is wrong. Witness Waterbury expressly declined to correct the calculation (Tr. 71).

It is apparent to Growing Family from the decision of the St. Louis claims office, the decision on appeal by the Postal Service's Consumer Advocate, the Postal Service's actual practice with Growing Family over the past year and a half, and the written and oral cross-examination of witness Berkeley that the Postal Service has no consistent or coherent policy with respect to COD claims payments. It obviously got the notion in its collective heads that reimbursement of Growing Family in the amount to be collected from recipients in the situations where the packages are lost, as opposed to the alternative bases for claims, might lead to some sort of unjust enrichment, and what

followed is a disjointed and inconsistent effort to establish and apply a new, seat-of-the-pants, ad hoc and protean policy applicable perhaps to one or two customers. Unfortunately for Growing Family, the policy, to the extent it's even comprehensible, is illogical and unjust, and it results in either very substantial under-recovery on claims, over-charging on fees, or both. If the Postal Service is going to apply its (currently) four-category test and variable reimbursement policy (but not practice) to claims made by certain mailers of COD packages while still paying others (presumably including all walk-up customers) at the rate of coverage they paid for (the stated value or the amount to be collected), then the Postal Service should be required to set up a different rate category for each type of service or customer.

I will not go into all of the details that support our conclusion that the Postal Service is either over-charging or under-reimbursing Growing Family. However, I note the following. We have, allegedly, a Postal Service policy in effect since either August of 2005 (Exhibit RP-2) or March of 2006 (Exhibit RP-4) that places a great deal of weight on the reason that the Postal Service failed to do what it contracted to do—either return the package or provide the payment from the recipient. It admits (Tr. 4580-81) that Growing Family is in no position to know the reason for the failure. And it admits (Tr. 4582, 4644-45) that the Postal Service's scanning system cannot distinguish between a package lost on the way to the recipient (in which case we are supposed to receive reproduction cost) and a package left with the addressee but without a collection of the necessary payment (in which case we are supposedly entitled to the amount to be collected).

1 In addition, we have no reason to believe either that the Postal Service's claims
2 adjusters have the ability to, or have even tried to, determine the reasons why Growing
3 Family's claims were necessary. Even since the "clarified" policy was announced in
4 April, we continue to be paid as if every package on which we file a claim was destroyed
5 or lost on the way to the recipient. Yet we continue to be charged on the basis of the
6 much higher amount to be collected. To put this history in perspective, I am providing in
7 Exhibit RP-7 the results of a random sample of claims paid from March through July,
8 2006. Remember that, according to witness Berkeley (Tr. 4494-95, 4499), Growing
9 Family is supposed to be able to determine from the amount paid to us the Postal
10 Service's determination of which of the four scenarios caused the Postal Service to fail
11 to provide the service paid for. As shown on Exhibit RP-7, the Postal Service indeed
12 paid us the $15.05 mentioned before and in its initial decision, although in most cases it
13 added this amount to the postage—but not the COD fee-paid, which is of course
14 inconsistent with (and slightly more favorable to Growing Family than) the decision it
15 reached in its August, 2005 decision (Exhibit RP-2).
16 As shown in detail on Exhibit RP-7, claims paid in March, 2006 (for claims
17 submitted in September, 2005, six months earlier) were paid in varying amounts ranging
18 from $16.11 to $19.95, but in each case equal to the much-discussed $15.05 plus the
19 postage but not the fee. But the $15.05 as calculated by the Postal Service in Exhibit
20 RP-2 included postage. In April and May of 2006, for an undisclosed reason, or no
21 reason at all, the checks increased to an amount equal to $20.00, plus postage, but not
22 fees. Then, in June and July, the paid claims dropped again to $15.05 plus postage,
23 except for three of the twelve cases. In two of those three, we received only the $15.05,

without a postage increment, and in one we received a total of $17.36, which is postage plus $15.77. In no case did we recover anywhere close to the amount to be paid by the recipient. It is clear to us that the Postal Service is not, as witness Berkeley states, evaluating our claims on a "claim-by-claim basis," nor is it applying the four-scenario policy, if indeed that is the policy. In fact, even after a search, witness Berkeley revealed in her September 5th response to questions posed at the hearing that the Postal Service "has been unable to locate any document(s) specifically referencing the four scenarios mentioned in the March 10 letter to Growing Family." That hardly comes as a surprise.

There are at least two problems with what must be either Postal Service speculation that all of Growing Family's claims result from packages lost on the way to addressees or merely its refusal (or, more likely, inability) to apply its own new policy. First, Growing Family <u>knows</u> from its past experience that a good many and probably most of its claims <u>do not</u> result from packages lost on the way to the addressees. We know this because we get very few phone calls asking where the "lost" pictures are, and we would certainly get many such calls if hundreds of our mailings are lost every month prior to delivery. We know this because we have had claims denied on the ground that we were paid, only to have the Postal Service "prove" that payment with copies of money orders made out to, for example, Bell Atlantic and someone living in Brooklyn. We know this because, for example, on October 6, 2005, the Postal Service forwarded to Growing Family a couple of COD payments that had been "inadvertently filed away." They were three-year-old money orders from <u>2002</u>! They were provided to the Postal Service as a supplement to our appeal (see Exhibit RP-8). We know this because it is inconceivable that the Postal Service could before delivery, or any time, lose roughly

1 3% to 4% of our packages, which are 9 inches by 12 inches, sturdy, brightly colored and
2 clearly addressed. We know this because when we have surveyed addressees from
3 whom we have received neither payment nor the funds, we are often told either that the
4 package was left with them but that no funds were collected, in which case we have
5 sometimes been able to receive payment, and we are often told that the person did pay.
6 Having received nothing from the Postal Service, we of course have no way of knowing
7 the real story.

8 From the Postal Service's problematic data, it is apparent as well that it really has
9 little idea what is going on with COD mail. For example, the record shows (Tr. 4647-48)
10 that the Postal Service has no explanation for the approximately 82% increase in COD
11 claims filed from FY2003 to FY 2004 or for the 50% increase in indemnity payments
12 between those years.[4] Nor does the Postal Service have any idea why, according to its
13 records at least, the number of claims paid based upon "no remittance" increased from
14 1,697 in FY 2004, when such claims supposedly represented 7.7% of the total claims,
15 to 10,739 in FY 2005, when such claims supposedly represented 64.1% of the total
16 claims, and when total claims fell from 2004 to 2005 (Tr. 4460-61, 4492, 4617-19).[5]
17 Clearly, the Postal Service records regarding COD leave much to be desired, and it is
18 therefore unconscionable to base the level of claim payments upon the Postal Service's
19 conclusions as to why it failed to live up to its part of the agreement with a COD mailer.

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[4] A reason for some of that increase was that Growing Family itself was required by a change in its accounting sustem in 2003 to delay the filing of many claims in that year to 2004, but I do not believe that Growing Family alone could be responsible for an 82% increase.

[5] If 64% of the claims in FY2005 were of the "no remittance" variety, as the Postal Service states, it is absurd for it to act as if or suggest that 100% of Growing Family's claims result from the product being lost on the way to the recipient, which is how it is treating all of Growing Family's claims.

1 Another problem with the Postal Service's new policy and practice, even in the
2 case where the package actually is lost on the way to the recipient, is that
3 indemnification in the amount of reproduction cost does not make Growing Family
4 whole. Under Postal Service regulations, we cannot file a claim until 45 days after the
5 mailing, and we usually wait about 90 days, because it often takes the Postal Service
6 longer than 45 days to either make payment or return the package, and Growing Family
7 has no interest in making claims that are not justified. After the claim is made, it
8 typically takes the Postal Service about 45 to 90 days to respond. Until we hear from
9 the Postal Service, we have no way of knowing what happened with the package and/or
10 the money. Let's assume that the Postal Service tells us 140 days, or 20 weeks, after
11 the mailing that the package was lost on its way to the recipient. And let's assume
12 that's actually true. It would take Growing Family about 2 days to re-print the
13 photographs and get them in the mail, and then another week or so for delivery.
14 We have been in this business a long time. We know from that experience that
15 parents of newborns within a couple of weeks of the birth are far more likely to pay for
16 the newborn pictures than are parents of infants that are a couple of months old.
17 Therefore, the Postal Service's belief that Growing Family is somehow made whole if it
18 is reimbursed for the cost of producing another set of prints and that it would be overly
19 compensated by any higher payment is simply wrong. We would clearly have lost
20 sales.
21 I would also like to take issue directly with the newly enunciated policy of
22 replacing money orders when they are lost or, more likely, misdirected, by the Postal
23 Service but imposing the burden on Growing Family when the Postal Service loses or

1 misdirects a personal check. As shown in witness Berkeley's September 5th response
2 to questions posed at the hearing, even after a search, the Postal Service has been
3 unable to produce a single document supporting the notion that this is, in fact, its policy.
4 Growing Family is paying the Postal Service for a service. The burden should not be
5 shifted to Growing Family when the Postal Service is negligent. Its naïve claim (Tr.
6 4474-75, 4476, 4501-03, 4589-95)) that we ought to be able to obtain a substitute
7 payment, based upon human nature (because "people are reasonable about paying for
8 goods and services"), is quite clearly false. We agree that if we undertake the effort and
9 unreimbursed cost of trying to locate and contact customers months after the original
10 mailing, we will be able to contact some, but not all, of them. And we agree that some,
11 but not all, of those people will admit that they received the photos and will make a
12 substitute payment. However, that burden, and the cost of the lost revenues from those
13 we cannot locate or who refuse to pay, should not be placed on us. The DMM imposes
14 the burden on the Postal Service in Section 503.11.1.2 ("fails to receive. . .the
15 recipient's check") and in DMCS Section 944.31, which provides coverage for the
16 mailer in the case of "failure to receive the amount collected from the addressee."
17 No private company could possibly get away with telling its customers that even
18 though it lost a check that it was paid to deliver, and the customer does not learn of that
19 fact for many weeks, the customer is responsible for obtaining a new one even, when
20 the customer has paid a fee for the service of obtaining and forwarding the check. The
21 Postal Service should not either.
22 I understand that the Postal Rate Commission may not be able to cure all that
23 ails the Postal Service's COD service. But I believe that it can take several steps. First,

1 it should require that the revenue requirement and rate be reduced to reflect the effect
2 of the new claims payment policy that was not in effect for most of the FY 2005 test
3 year. Second, it should lower the COD service's contribution to institutional costs to the
4 bare minimum permissible to reflect the very low "value of service" that I have just
5 described. And third, it should require that the pricing basis for COD be changed, so
6 that, if a mailer like Growing Family is to be reimbursed only on the basis of
7 reproduction cost, the fee paid should also be calculated on that basis, not on the much
8 higher amount to be recovered from the addressee.

9 Conclusion

10 The undeniable fact is that, when Growing Family receives neither the funds for
11 which it pays insurance nor return of the package, the Postal Service has erred, which
12 happens 3% to 4% of the time. Growing Family has no way of knowing whether in
13 these cases, which occur at a rate of about 100 per week, the package was delivered
14 with no funds collected, whether the funds were collected but either "lost" in the Postal
15 Service's accounting system or retained by the carrier, whether the package was held at
16 the local delivery unit after an unsuccessful delivery attempt and then lost, whether the
17 package was refused by the addressee but lost on return to Growing Family, or some
18 other series of events. Apparently, neither does the Postal Service. In all of these
19 cases, however, the Postal Service, which collects a fee from Growing Family based
20 upon the dollars to be collected, has failed to honor its part of the contract and must be
21 held responsible to pay the claim specified in that contract. We pay the Postal Service
22 to obtain protection from its own failures, yet it refuses to provide that protection.

1 The Postal Service's action reducing payments for COD claims while maintaining
2 its high fees has substantially affected Growing Family's business. We urge the Postal
3 Rate Commission to do all within its jurisdiction to reverse this damage.

Willie B. Mixon
Supervisor, Claims Processing

UNITED STATES POSTAL SERVICE

cc: Rose Buckholz
Max Barnett
Dean Bondy
[redacted]

November 8, 1996

Attn. R. Rogers
First Foto/Hasco Intl.
3613 Mueller Road
St. Charles MO 63301-8003

Dear Ms. Rogers:

This is a follow-up to our telephone conversation concerning COD claims where we determine that the COD parcel in question was refused or was unclaimed by the addressee and upon return to you was lost. These will be handled the same as when the parcel was unclaimed or refused by the addressee and was returned to you in damaged condition.

Under such circumstances, the Postal Service maintains the position that upon return to sender the contents have no intrinsic value. Postal insurance is payable on lost or damaged insured and COD packages for the value of the content, within the limit of insurance purchased. Since the contents are photographs of the addressee and/or their family, they hold no value to anyone other than the addressee. When returned to the sender as unclaimed or refused, they can not be resold even in perfect condition because there is no other buyer or market for the photographs. Consequently, for payment purposes, upon return to sender the COD contents have no value.

If we receive verification that the parcel was refused because of damage and your company verifies that these pictures were reprinted, remailed to the addressee who then paid for them, our office will approve payment for the reprinting costs. We will also pay the reprinting costs when the parcel is lost on its return if the addressee contacts you within 90 days from the date of mailing asking for the pictures to be resent.

We realize that some claims that fall in these categories have been paid in the past. This was due to an oversight on our part. While we will not request a refund of these erroneous payment, neither will our office continue to make payment under the circumstances described in this letter. If you wish to protest the policy and insurance provision mentioned in our letter, you must write to: Manager, Business Mail Acceptance, Customer Service Support, United States Postal Service, Headquarters, 475 L Enfant Plaza SW, Room 8430, Washington, DC 20260-5909.

Sincerely,

Willie B. Mixon

Willie B. Mixon

PO Box 80141
Saint Louis, Mo. 63180-9431
(314) 436-5410

MANGER ACCOUNTING SERVICE CENTER

UNITED STATES
POSTAL SERVICE

August 16, 2005

Robert Paul
Vice President, Operations
Growing Family, Inc.
3613 Mueller Rd.
St. Charles, MO 63301

Re: Submission of *PS Form 1000*, Domestic Claim or Registered Mail Inquiry

Dear Mr. Paul:

This provides a decision concerning a series of indemnity claims paid at a reduced rate. It also provides a ruling on how similar claims will be treated in the future, including claims paid to your affiliated companies, First Photo and Hasco. I apologize for not responding to you sooner.

The claims involve matter mailed using COD service. The contents of the mailings are packages of photographs taken of babies at a hospital shortly after birth. These photograph packages are mailed to the infant's parents, and, as we understand the nature of your business, the parents are not firmly committed to accepting the packages. Accordingly, in a significant number of instances, the addressee refuses the packages and does not pay the COD charges.

When your packages are lost in the mail, your firm files indemnity claims for amounts that equal the amount of the COD charges to be paid by the addressee, plus a refund of postage and fees. These amounts vary, depending on the package mailed. Until recently, the Postal Service has paid the full amount claimed.

In reviewing these decisions, we have determined that these payments were not consistent with postal standards, as set forth in the Domestic Mail Manual (DMM). As a general rule, indemnity is paid for the value of the contents of the mail piece. DMM 609.4.1(a). In the specific instance of photographs, film, or similar items, the standards provide that reimbursement will be made for, "Cost of film stock or blank tape for photographic film, negatives, slides, transparencies, videotapes, laser disks, x-rays, magnetic resonance imaging (MRI) prints, computerized axial tomography (CAT) scan prints, etc." DMM 609.4.1(j). In contrast, reimbursement is not paid for the "contents of film" nor for any "consequential loss". DMM 609.4.3(e,g).

We utilized these principles in reviewing a series of 426 claims your firm submitted on Postal Form 1000 through April 28, 2005. Based upon cost data provided to the Postal Service by your firm, we estimated the value of the contents of each mailpiece plus the refund of the applicable postage and fees as $20 and issued payments in these amounts to you on April 28, 2005.

Since that time, we have further reviewed the cost data you provided. Based upon that review, we have determined that the value of the contents of your mailpieces plus refund of postage and fees is slightly more than $15.00. The calculations are as follows:

1720 Market St
St. Louis Mo 63180-9400

SUPPLIES	$ 3.04
(1.) Paper 0.81 (2.) film 0.23 (3.) chemicals 0.06 (4.) packaging 0.32	
Other production materials 0.20; keepsakes in package 1.42	
LABOR	$ 4.25
(includes direct labor, FICA, and allocated benefits, but excludes	
overtime and contract/temp labor)	
Refund of postage and fees	$ 7.76
TOTAL	$15.05

Accordingly, future claims will be reimbursed for $15.05. Of course, if your costs change, please let us know and provide appropriate documentation, and we will review the amount to be paid.

You also have the right to appeal the decision concerning payment of your claims. Appeals must be submitted in writing within 60 days from the date of this letter. To file an appeal, return a copy of this letter along with any additional information you have to support your appeal, to the following address:

Vice President & Consumer Advocate
U.S. Postal Service - Claims Appeals
475 L'Enfant Plaza SW, Room 10433
Washington, DC 20260-0433

If you have any questions concerning this matter, please contact me on (314) 436-6950.

Edward Brown
Manager
St. Louis Accounting Service Center

1720 Market St
St. Louis Mo 63180-9400

**APPEAL OF GROWING FAMILY, INC.
OF DENIAL OF REIMBURSEMENT FOR
RETAIL PRICE OF PHOTOGRAPHS
MAILED COD**

Growing Family, Inc. takes photographs of newborn babies in hospitals. After the photographs are taken and Growing Family receives orders for one or more specific product offerings, the company then produces the photographs to order and mails them, along with certain other related merchandise,[1] COD to the babies' parents via the Postal Service. Under USPS regulations, the recipients have the option of either paying the retail price for the photographs or refusing the package unopened, in which case the Postal Service is obligated to return the photographs to Growing Family. When Growing Family receives neither the money to be collected from the recipient nor the return of the package, and after waiting more than the minimum time required by the Domestic Mail Manual (DMM), Growing Family submits a claim in accordance with the DMM.

Growing Family is probably one of the Postal Service's largest COD customers. Although its COD volumes have fallen from the roughly 200,000 pieces per year of several years ago, its COD volume for 2005 is on a pace to result in about 150,000 COD pieces. Growing Family's historical claim rate of about 5%, or roughly 10,000 claims per year (on a 200,000 piece base), has declined along with the COD volumes, presumably because of improvements by the Postal Service, and is now around 2.5% to 3%.

For 23 years, Growing Family has paid the Postal Service a fee to insure against failure by the Postal Service to remit to Growing Family the amount to be collected for those photographs from the addressee (i.e., the retail price of the photographs), with the COD fee

[1] The other merchandise represents a small portion of the cost and price of the package contents, and, for simplicity, the discussion hereafter will refer only to the photographs.

based upon the amount to be collected. For 22 years, until May 2005, the Postal Service reimbursed Growing Family for the retail price of the photographs whenever it failed to return to Growing Family either the amount to be collected from the addressee or the photographs.

In May 2005, however, the Postal Service began reimbursing Growing Family less than the retail price for some but not all of the packages in such situations. Growing Family could perceive no pattern in either the selection of packages for which less than full reimbursement was received or the amounts of the reduced payments. After repeated requests by Growing Family and its counsel for an explanation, in an August 16, 2005 letter, the manager of the St. Louis Accounting Service Center informed Growing Family that it would be reimbursed only for the cost of reprinting the photographs and the cost of postage rather than the full amount that was to have been collected from the addressee. (A copy of that letter is attached hereto as Exhibit A.) According to the August 16th letter, the reasoning behind this change in policy is that DMM Section 609.4.1(a) limits claim payments to the "value of the contents of the mail piece," and that DMM section 609.4.3 provides that reimbursement is not paid for the "contents of film" or for any "consequential loss."

Growing Family submits that application of this new policy to Growing Family is erroneous for three reasons, to be addressed in detail below.

First, the application of DMM Section 609.4.3 to Growing Family's packages is based on a misunderstanding of what Growing Family is paying to insure and a misapplication of general insurance principles to the COD context. Growing Family is not paying to insure film stock, the contents of the photographs, or the photographs themselves. Rather, Growing Family is paying to be indemnified in case of theft, loss or misdirection of the amount to be collected from the addressee.

Second, even if proper on the merits (which it is not), the decision to reimburse Growing Family only for the cost of reprinting the photographs (plus postage) represents a change in policy on the part of the Postal Service that cannot lawfully be applied retroactively, so that, at the very least, Growing Family is entitled to reimbursement for the retail price with respect to packages that were mailed prior to its receipt of the August 16th letter.

Finally, pursuant to Fee Schedule 944 of the Domestic Mail Classification Schedule ("DMCS") and DMM Section 503.11.1.1, Growing Family usually pays either $4.50 or $5.50 in fees per package, although it often pays more when package values exceed $100, based upon the amount to be collected from the addressee, to insure against a failure to receive that amount from the addressee. The amounts to be collected are the retail prices of the packages sent, which generally range from $25.00 to $89.00 (although recent data indicate that about 17% of Growing Family's COD packages are valued at more than $100). If Growing Family were paying to insure only the cost of postage and of reprinting the photographs, which, according to the St. Louis Accounting Service Center, total $15.05, it would pay only the lower $4.50 fee. It is inconsistent and highly inappropriate for the Postal Service to charge a fee based on one value but to pay claims based upon a lower value. Therefore, if the Postal Service maintains its position that Growing Family is entitled to only $15.05 per package for valid claims, it should reduce the fee for future mailings of packages with retail prices in excess of $50.00 to $4.50 and refund the excess paid by Growing Family since the new policy became effective.[2]

[2] If the "insurance" portion of a $4.50 fee is to cover only $15.05 in costs (about half of which is a postage and fee refund), that fee is clearly excessive where the claim rate is less than 5%. For example, if we assume that half of the $4.50 fee is paid for insuring the packages and half is for the administrative costs, and Growing Family's claim rate is 3%, Growing Family is paying $225 in insurance fees for every 100 minimum-charge COD packages it ships in order to collect $45.00.

Growing Family Pays to Insure the Amount to Be Collected

Fee Schedule 944 of the April 3, 2005 Domestic Mail Classification Schedule (DMCS) provides that fees for COD shipments are based on the amount to be collected from the addressee. While prior versions of Fee Schedule 944 provided that fees were based on the amount to be collected *or* the insurance coverage desired, the current Fee Schedule 944 refers solely to the amount to be collected. DMCS Section 944.31 specifically provides that "COD service provides the mailer with insurance against loss, rifling and damage to the article *as well as failure to receive the amount collected from the addressee*." (Emphasis added.) A similar provision is contained in DMM Section 503.11.1.2 ("[t]he fees for COD service include insurance against loss, rifling, or damage to the article or failure to receive a postal money order or the recipient's check").

Thus, Growing Family pays a fee to ship its photographs COD and to insure against a failure to receive the amount to be collected from the addressee (*i.e.*, the retail price) when the Postal Service fails to perform its part of the agreement (*i.e.*, when the Postal Service does not remit payment and does not return the package). Growing Family is not insuring the "value" of the film stock or photographs or the cost of reprinting the photographs, and it does not pay a fee based upon that possibly lower amount. Valuation of the photographs and DMM references to limitations on claims related to photographs, which are relevant in the context of insurance, are not always relevant to COD shipments and are therefore not at issue in this matter.[3] The amount to be collected for each package is a defined amount: the amount to be collected from the addressee. For packages that Growing Family ships where the amount to be

[3] Traditional insurance and COD indemnification are different concepts that, in some circumstances, require different rules. Unfortunately, the DMM in most instances lumps them together, which goes a long way to explaining the basis for the Postal Service's error in applying the insurance concepts of DMM Section 609.4.3 to COD shipments by Growing Family.

collected ranges from $50.01 to $100.00, Growing Family pays a fee of $5.50 per package, based on Fee Schedule 944. For those packages where the amount to be collected ranges from $0 to $50.00, Growing Family pays $4.50, and for those packages where the amount to be collected ranges from $100.01 to $200.00, Growing Family pays $6.50.

Because Growing Family insures its mailings for the amount to be collected from the addressee, which is the retail price, and not for the contents of the package, DMM Sections 609.4.3(e) and (g) are inapplicable when Growing Family receives neither the package nor the payment from the addressee.[4] Contrary to the implications in the August 16th letter, Growing Family does not seek to insure "film stock" or the "contents of film" (section 609.4.3(e)), nor does it seek to insure against "[c]onsequential loss" (section 609.4.3(g)). Rather, it pays for and obtains insurance based on the actual value of the money to be collected, and the failure to receive "[r]emittance due on a COD parcel not received by the sender" is a payable claim under DMM Section 609.4.1(c).

Indeed, it would not make sense for Growing Family to seek reimbursement for the "contents of film." It does not lose the contents of the photographs when it fails to receive remittance due on a COD package or return of the package. The contents are still contained in digital form in Growing Family's computer files. Instead, what Growing Family loses is the amount that was, or should have been, collected from the addressee and should have been remitted to Growing Family by the Postal Service.

Furthermore, a reading of DMM Section 609.4.3(e) makes clear that this provision was meant to preclude reimbursement in situations that would require the recreation of the contents of the photographs. It provides that indemnity is not paid for

[4] In the situation where the Postal Service damages the package before delivery and returns it, payment of the reproduction cost would appear to be appropriate under those sections, but Growing Family does not even submit a claim in those situations.

> [t]he contents of film (e.g., positives, negatives, slides, transparencies, videotapes, laser disks, x-rays, magnetic resonance imaging (MRI) prints, computerized axial tomography (CAT) scan prints), the cost of creating or re-creating these items, or the photographer's time and expense in taking the photographs.[5]

A plain reading of this provision indicates that it was intended to apply to a situation such as the loss of film containing wedding photographs. In such a case, DMM Section 609.4.3(e) would prevent the photographer from being reimbursed for the cost of restaging the wedding and taking the photographs a second time, should the photographer have mailed, for example, the original negatives or a digital card containing the photographs. There is nothing in DMM Section 609.4.3(e), however, that would prevent a wedding photographer who shipped photographs COD from being reimbursed for the amount that was to be collected upon delivery of the photographs if, without explanation, he receives neither the payment nor the package. Similarly, while Growing Family would be prevented by DMM Section 609.4.3(e) from being reimbursed for the cost of re-taking the photographs of the newborn babies, it is not prevented from being reimbursed for the actual amount that was, or should have been, collected from the addressee. The Postal Service's August 16th letter fails to recognize the difference between insuring photographs against damage and insuring that the money to be collected from a COD addressee is received.

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[5] The language of DMM Section 609.4.3(e) is potentially subject to multiple interpretations. If the parenthetical is meant to provide examples of what is meant by the term "film," as Growing Family believes, then this provision simply prohibits reimbursement for the contents of the lost film (or of the positives, negatives, etc, as the case may be), thus prohibiting reimbursement for recreating the contents of the film (or, in Growing Family's case, recreating the contents of the lost positives). This is the most logical interpretation of DMM Section 609.4.3(e). Potentially, however, it could be argued that the parenthetical is meant to provide examples of the entire phrase "contents of film," and that, therefore, a negative, positive, etc. is considered to be the "contents of film," and the shipper of such articles would not be entitled to reimbursement. The result of this interpretation, however, would mean that a shipper would be entitled to no reimbursement whatsoever whenever positives, negatives, slides, transparencies, videotapes, laser disks, x-rays, MRI prints, or CAT scan prints were lost by the Postal Service. Even the Postal Service has not adopted such a drastic interpretation of this provision.

Thus, the fundamental error in the Postal Service's attempt to apply DMM Section 609.4.3(e) to Growing Family's claims for reimbursement is that it is an attempt to apply an ordinary insurance concept to a COD situation. In the insurance context, reimbursement for lost or damaged photographs is the same irrespective of where and how the loss occurs, and that reimbursement is appropriately limited by the provisions of the DMM cited here. If the wedding photographer in the earlier example had already been paid for the photographs he mailed with insurance coverage, and the photographs were lost or damaged en route to the addressee, then the correct value of the photographs for which the photographer should be reimbursed would be the cost of reprinting and reshipping the photographs. Likewise, if Growing Family were merely shipping photographs to recipients who had already paid for them, it would be paying the lower insurance fee, not the COD fee, and the Postal Service's application of DMM Section 609.4.3(e) would make sense. Upon a loss of the photographs, Growing Family would be entitled to reimbursement for the value of the photographs, which would be the cost of reprinting the photographs, as that would be the measure of Growing Family's loss. Growing Family could then simply reprint the photographs and reship them to the recipient.

In a COD context, however, traditional insurance valuation concepts are not applicable, as it is not the value of the photographs that Growing Family pays to insure. Instead, as discussed above, it pays to insure the amount that was collected or was to have been collected from the addressee upon delivery of the photographs. Moreover, it is not a sufficient response to assert that, in the COD context as well, Growing Family can simply reprint and re-send the photographs. First of all, there is a time delay of at least a couple of months between the first shipment and the realization that Growing Family will not receive the funds or the package. At that point, the demand for the first photographs of newborn babies will be substantially

reduced, even if they have not been received. More importantly, Growing Family is convinced that, in many or even most cases in which it files a claim, the photographs have in fact been received by the addressee, either with payment that was subsequently mishandled by the Postal Service or without payment due to carrier error.[6] In such situations, of course, the addressee will not accept and pay for another set of photographs. The DMM recognizes this important consideration, even if the August 16th letter does not, by making "[r]emittance due on a COD parcel not received by the sender" a payable claim under DMM Section 609.4.1(c).[7]

The Postal Service's Change in Policy Cannot Be Applied Retroactively

Even if DMM Sections 609.4.3(e) and (g) can be applied properly to COD shipments by Growing Family to limit reimbursement to the cost of reprinting the photographs (plus postage), this new interpretation cannot lawfully be applied retroactively. For 22 years it was the proper policy of the Postal Service to reimburse Growing Family for the amount to be collected—the retail price—when there was a failure on the part of the Postal Service to either remit to Growing Family the amount that was to have been collected from the addressee or return the package. Growing Family justifiably relied on that policy when it mailed packages prior to the August 16th letter in which the Postal Service announced its change in policy with respect to its interpretation of DMM Section 609.4.3.[8] Growing Family could have instead

[6] The assertion in the August 16th letter that claims submitted by Growing Family are for "lost" packages is unsupported, unsupportable and clearly wrong.

[7] If a large number of the packages were truly never received by the addressees, Growing Family would receive numerous calls from parents asking where their babies' photographs are. It receives very few such calls.

[8] It is worthwhile to note that, while courts generally grant deference to a federal agency's interpretation of its own regulations or statutes, less deference is given where the agency changes its interpretation. *See, e.g., Good Samaritan Hosp. v. Shalala*, 508 U.S. 402, 417 (1993) ("[a]n agency interpretation of a relevant provision which conflicts with the agency's earlier interpretation is entitled to considerably less deference than a consistently held agency view" (internal quotation marks omitted)); *INS v. Cardoza-*

contracted with United Parcel Service, and, in fact, has from time to time considered doing so. Part of the reason that Growing Family continued to contract with the Postal Service was the reimbursement policy.

We understand that the Postal Service may claim that its new interpretation of DMM Section 609.4.3, as set forth in its August 16th letter, is not a change in policy, but, rather, that the Postal Service is merely correcting its past mistake. However, the assertion that the Postal Service's policy of reimbursing Growing Family for the retail price of its packages was merely a "mistake" is belied by the sheer volume of the claims that have been filed by Growing Family over the past 22 years and for which it has consistently been reimbursed the retail price. Growing Family is one of the Postal Service's largest COD customers. Since 1983, Growing Family has filed tens of thousands of claims in situations where the Postal Service failed either to remit to Growing Family the amount that was to have been paid by the addressee or return the photographs. Prior to May 2005, the Postal Service paid Growing Family the retail price of the photographs on all of those claims. The notion that the Postal Service could have been mistaken on not merely a handful of claims for a small COD user at a post office unfamiliar with the details of the service, but on tens of thousands of claims over 22 years by one of its largest COD customers filing claims in St. Louis, the location of the office handling such claims on a national basis, is not tenable.

Moreover, any claim that the Postal Service is merely correcting a mistake would also be belied by the fact that this very issue was raised with Growing Family by the Postal Service almost ten years ago, yet, after subsequent discussions, the Postal Service continued its policy of reimbursing Growing Family for the retail price of the photographs. In a November 8, 1996

Fonseca, 480 U.S. 421, 466 n.30 (1987); *Watt v. Alaska*, 451 U.S. 259 (1981) ("[t]he Department's current interpretation, being in conflict with its initial position, is entitled to considerably less deference").

letter, the Supervisor for Claims Processing in St. Louis informed Growing Family that it would be reimbursed only for the costs of reprinting photographs in situations where the photographs were lost on return to Growing Family. (A copy of that letter is attached hereto as Exhibit B.) This correspondence led to one or more meetings in 1997, during which representatives of Growing Family and the Postal Service discussed the amounts by which Growing Family should be reimbursed in situations where it received neither the amount that was to be collected from the addressee nor the photographs themselves. Following that meeting, and based upon the facts and the DMM, the Postal Service continued to reimburse Growing Family for the retail price of the photographs in such situations.

The fact that this issue was addressed previously by the Postal Service shows that the Postal Service made an affirmative decision, relied upon by Growing Family, that Growing Family should be reimbursed for the retail price of the photographs when there was a failure on the part of the Postal Service either to remit to Growing Family the amount that was to have been collected or to return the photographs themselves. This was not a mistake. It was considered and intentional, and it was Postal Service policy, on which Growing Family has relied for 23 years.

Seven years after the 1997 meetings between Growing Family and the Postal Service, however, in September 2004, the Inspector General issued a subpoena for certain Growing Family records related to its COD shipments and claims. Growing Family was not told what the investigation was regarding. In May of 2005, Growing Family saw the amounts by which it was reimbursed for some of its claims drastically reduced, although it was still reimbursed the retail price for other claims during the same time period.[9] For months, Growing Family and its

[9] For claims filed in February 2005 against shipments made in November of 2004, Growing Family received reimbursement for the retail price of its photographs with respect to 129 of 226 claims paid; it received partial reimbursement on the 97 other claims. On claims filed in March against December

counsel sought an explanation from the Postal Service for these inconsistent and undocumented reductions in its reimbursements. It did not receive an explanation until the August 16th letter, yet the change in policy set forth in that letter was applied retroactively to shipments made prior to that date.

Such a retroactive application of a change in interpretation of a federal regulation is improper and not supported by case law. Courts have held that, when an agency changes its interpretation of its own regulations, that new interpretation does not apply until the affected party has notice of the new policy. For example, in *Beaver Plant Operations, Inc. v. Herman*, 223 F.3d 25 (1st Cir. 2000), the First Circuit vacated a citation issued by OSHA against an electric plant, because that citation was based on a new interpretation of the OSHA regulations of which the plant did not have notice. *Id.* at 32. Similarly, in *United States v. Hoechst Celanese Corp.*, 128 F.3d. 216 (4th Cir. 1997), the Fourth Circuit held that an industrial plant could not be held liable for violations of an EPA regulation, where those violations were based on a new EPA interpretation of that regulation, until the plant had notice of the new interpretation. *Id.* at 219.

In this case, as stated above, despite numerous attempts to determine whether and to what extent the Postal Service had changed its policy regarding reimbursements for COD packages, Growing Family was not informed of the Postal Service's change in applying DMM Section 609.4.3 until it received the August 16th letter. Any packages mailed prior to that date were mailed in reliance on the previous interpretation. Therefore, irrespective of the ultimate outcome of Growing Family's challenge to the validity of the new policy, it is entitled at least to

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2004 shipments, Growing Family received full reimbursement on 201 of 202 claims paid, receiving partial reimbursement on one claim. On claims filed in April against January 2005 shipments, however, it received full reimbursement on only 102 of 240 claims and partial reimbursement on the other 138. Finally, on claims filed in May against February shipments, it received full reimbursement on only one of the 139 claims paid and partial reimbursement on 138 claims.

reimbursement of the retail price with respect to packages that were mailed prior to August 16th and for which Growing Family has not received remittance of the amount to be collected from the addressee or the photographs themselves.

If the Postal Service's Interpretation is Correct, Growing Family Is Being Over Charged for COD Services

As discussed above, Growing Family usually pays $5.50 (about 58% of the time) or $6.50 (about 17% of the time) in fees per package shipped pursuant to DMCS Fee Schedule 944 and DMM Section 503.11.1.1. Those fees are based on the amount to be collected from the addressee, which, in the case of Growing Family's packages, is the retail price of the photographs. Growing Family pays a $6.50 fee when the amount to be collected from the addressee is between $100.01 and $200.00, a $5.50 fee when the amount to be collected is between $50.01 and $100.00, and a $4.50 fee when the amount to be collected is $50.00 or less.

If, as the Postal Service claims, and contrary to the DMM, Growing Family is not paying to insure the amount to be collected from the addressee, but is insuring only the cost of reprinting the photographs (plus postage), then Growing Family has overpaid in fees for its packages. If Growing Family is to be reimbursed only for the reprinting and postage costs, which, according to the St. Louis Accounting Service Center's August 16th letter, amount to $15.05, then Growing Family is not insuring the amount to be collected and should be required to pay only the $4.50 fee for packages, even when the amount to be collected is more than $50.00.[10]

[10] Although restoration of a lawful reimbursement policy would moot any disagreement over the Postal Service's "reproduction cost" estimate of $7.29 for material and labor, Growing Family reserves the right

Moreover, if the Postal Service is permitted to apply its change in policy retroactively, then Growing Family is entitled to a refund of $1.00 for each package where the amount to be collected was between $50.01 and $100.00, and of $2.00 for packages with a value in excess of $100.00, mailed during the time period when Growing Family paid $5.50 or $6.50 for such packages, yet, without notice of the change in policy, it was reimbursed only for its reprinting and postage costs.

Conclusion

The Postal Service's decision to limit Growing Family's reimbursement to reprinting and postage costs where the Postal Service fails either to remit to Growing Family the amount to be collected from the addressee or to return the photographs is erroneous for three reasons. First, this is a COD context, not an ordinary postal insurance context, and Growing Family pays to insure against failure to receive the amount to be collected from the addressee for all unreturned packages, not for the cost to reprint the photographs. Therefore, DMM Sections 609.4.3(e) and (g) are not applicable, as Growing Family does not seek to insure the contents of the photographs or the "film stock" or against consequential loss.

Second, even if DMM Sections 609.4.3(e) and (g) are properly applied to Growing Family, the Postal Service's current interpretation of those provisions represents a change in policy. The change in the Postal Service's interpretation cannot lawfully be applied retroactively. Because Growing Family relied on the Postal Service's longstanding policy of reimbursing Growing Family for the retail price of the photographs (plus postage) when Growing Family failed to receive either the amount that was to have been collected or the

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granted in the August 16th letter to challenge that amount. The Postal Service's calculation excludes clerical labor, contract labor, bonuses, depreciation, recruiting, rent, and other direct and overhead costs.

photographs themselves, it is entitled to reimbursement for the retail price of those photographs that were mailed prior to the August 16th letter setting forth the Postal Service's new policy.

Finally, even if the Postal Service were correct, and Growing Family is paying to insure the cost of reprinting the photographs rather than the amount to be collected from the addressee, then Growing Family has been required to overpay with respect to the fees for COD shipping and insurance. Instead of the $5.50 it has paid and continues to pay where the amount to be collected is between $50.01 and $100.00, or the $6.50 it pays where the amount to be collected is between $100.01 and $200.00, Growing Family should have been required to pay only $4.50, since the St. Louis Accounting Service Center claims that Growing Family is paying to insure only for $15.05 in reprinting and postage costs.

Growing Family respectfully submits that the Postal Service, in a commendable but overzealous attempt to tighten its belt and control costs for the benefit of all mailers, has misapplied its own regulations. If it recognizes that error and resumes (retroactively, in this situation) its longstanding practice of paying claims on the same basis as it collects COD fees, there will be no need to parse the DMM provisions on value and photographs that appear to work well in the insured mail context.

The undeniable fact is that, when Growing Family receives neither the funds for which it pays insurance nor return of the package, the Postal Service has erred. Growing Family has no way of knowing whether the package was delivered with no funds collected, whether the funds were collected but either "lost" in the Postal Service's accounting system[11] or retained by

[11] Growing Family believes that the reduction in the level of claims in recent months is in part a result of much needed improvements in the Postal Service's accounting function. For example, there have been numerous instances in which Growing Family has had a claim denied, based upon a Postal Service assertion that Growing Family had already been paid, and, upon inquiry, that denial has been supported by a Postal Money Order made payable to Bell Atlantic, a Bronx, New York resident named Ampofo

the carrier, whether the package was held at the local delivery unit after an unsuccessful delivery attempt and then lost, whether the package was refused by the addressee but lost on return to Growing Family, or some other series of events. In all of these cases, however, the Postal Service, which collects a fee from Growing Family based upon the dollars to be collected, has failed to honor its part of the contract and must be held responsible to pay the claim specified in that contract.

The Postal Service's action reducing payments for COD claims has substantially affected Growing Family's business. In light of the fact that the Postal Service has had six months to develop its new position, which is now fully implemented, Growing Family asks that the Postal Service address and resolve this matter promptly. Growing Family and its counsel would welcome the opportunity for a face-to-face meeting either in Washington or in St. Louis if the Postal Service believes that such a meeting would be helpful.

Respectfully submitted,

David R. Straus
Allison N. Sinoski
Thompson Coburn LLP
Suite 600
1909 K Street, NW
Washington, D.C. 20006-1167

202-585-6900

October 6, 2005

Abusei, the El Paso Electric Company, and others. *See* Exhibit C, which contains one of many exchanges of communication on this subject. It is likely, therefore, that many claims are the result of a failure of the Postal Service to properly credit to Growing Family payments it received from addressees. For the Postal Service to limit reimbursement in such situations to reprinting and postage costs is unconscionable.

Exhibit A

MANAGER ACCOUNTING SERVICE CENTER

UNITED STATES
POSTAL SERVICE

August 16, 2005

Robert Paul
Vice President, Operations
Growing Family, Inc.
3613 Mueller Rd.
St. Charles, MO 63301

Re: Submission of *PS Form 1000*, Domestic Claim or Registered Mail Inquiry

Dear Mr. Paul:

This provides a decision concerning a series of indemnity claims paid at a reduced rate. It also provides a ruling on how similar claims will be treated in the future, including claims paid to your affiliated companies, First Photo and Hasco. I apologize for not responding to you sooner.

The claims involve matter mailed using COD service. The contents of the mailings are packages of photographs taken of babies at a hospital shortly after birth. These photograph packages are mailed to the infant's parents, and, as we understand the nature of your business, the parents are not firmly committed to accepting the packages. Accordingly, in a significant number of instances, the addressee refuses the packages and does not pay the COD charges.

When your packages are lost in the mail, your firm files indemnity claims for amounts that equal the amount of the COD charges to be paid by the addressee, plus a refund of postage and fees. These amounts vary, depending on the package mailed. Until recently, the Postal Service has paid the full amount claimed.

In reviewing these decisions, we have determined that these payments were not consistent with postal standards, as set forth in the Domestic Mail Manual (DMM). As a general rule, indemnity is paid for the value of the contents of the mail piece. DMM 609.4.1(a). In the specific instance of photographs, film, or similar items, the standards provide that reimbursement will be made for, "Cost of film stock or blank tape for photographic film, negatives, slides, transparencies, videotapes, laser disks, x-rays, magnetic resonance imaging (MRI) prints, computerized axial tomography (CAT) scan prints, etc." DMM 609.4.1(j). In contrast, reimbursement is not paid for the "contents of film" nor for any "consequential loss". DMM 609.4.3(e,g).

We utilized these principles in reviewing a series of 426 claims your firm submitted on Postal Form 1000 through April 28, 2005. Based upon cost data provided to the Postal Service by your firm, we estimated the value of the contents of each mailpiece plus the refund of the applicable postage and fees as $20 and issued payments in these amounts to you on April 28, 2005.

Since that time, we have further reviewed the cost data you provided. Based upon that review, we have determined that the value of the contents of your mailpieces plus refund of postage and fees is slightly more than $15.00. The calculations are as follows:

1720 Market St
St. Louis Mo 63160-9400

SUPPLIES	**$ 3.04**
(1.) Paper 0.81 (2.) film 0.23 (3.) chemicals 0.06 (4.) packaging 0.32	
Other production materials 0.20; keepsakes in package 1.42	
LABOR	**$ 4.25**
(includes direct labor, FICA, and allocated benefits, but excludes	
overtime and contract/temp labor)	
Refund of postage and fees	**$ 7.78**
TOTAL	**$15.06**

Accordingly, future claims will be reimbursed for $15.05. Of course, if your costs change, please let us know and provide appropriate documentation, and we will review the amount to be paid.

You also have the right to appeal the decision concerning payment of your claims. Appeals must be submitted in writing within 60 days from the date of this letter. To file an appeal, return a copy of this letter along with any additional information you have to support your appeal, to the following address:

Vice President & Consumer Advocate
U.S. Postal Service - Claims Appeals
475 L'Enfant Plaza SW, Room 10433
Washington, DC 20260-0433

If you have any questions concerning this matter, please contact me on (314) 436-6950.

Edward Brown
Manager
St. Louis Accounting Service Center

1720 Market St
St. Louis Mo 63180-9400

Exhibit B

Willie B. Mixon
Supervisor, Claims Processing

UNITED STATES POSTAL SERVICE

cc: Rose Buchholz
Max Barnett
Jean Bonsley
[redacted]

November 8, 1996

Attn. R. Rogers
First Foto/Hasco Intl.
3613 Mueller Road
St. Charles MO 63301-8003

Dear Ms. Rogers:

This is a follow-up to our telephone conversation concerning COD claims where we determine that the COD parcel in question was refused or was unclaimed by the addressee and upon return to you was lost. These will be handled the same as when the parcel was unclaimed or refused by the addressee and was returned to you in damaged condition.

Under such circumstances, the Postal Service maintains the position that upon return to sender the contents have no intrinsic value. Postal insurance is payable on lost or damaged insured and COD packages for the value of the content, within the limit of insurance purchased. Since the contents are photographs of the addressee and/or their family, they hold no value to anyone other than the addressee. When returned to the sender as unclaimed or refused, they can not be resold even in perfect condition because there is no other buyer or market for the photographs. Consequently, for payment purposes, upon return to sender the COD contents have no value.

If we receive verification that the parcel was refused because of damage and your company verifies that these pictures were reprinted, remailed to the addressee who then paid for them, our office will approve payment for the reprinting costs. We will also pay the reprinting costs when the parcel is lost on its return if the addressee contacts you within 90 days from the date of mailing asking for the pictures to be resent.

We realize that some claims that fall in these categories have been paid in the past. This was due to an oversight on our part. While we will not request a refund of these erroneous payment, neither will our office continue to make payment under the circumstances described in this letter. If you wish to protest the policy and insurance provision mentioned in our letter, you must write to: Manager, Business Mail Acceptance, Customer Service Support, United States Postal Service, Headquarters, 475 L Enfant Plaza SW, Room 8430, Washington, DC 20260-5909.

Sincerely,

Willie B. Mixon

Willie B. Mixon

PO Box 80141
Saint Louis, Mo. 63180-9431
(314) 436-5410

Exhibit C

HASCO
INTERNATIONAL INCORPORATED
Parent Company of first foto.

4203 EARTH CITY EXPRESSWAY • ST. LOUIS, MO 63045 • (800) 422-3686 • (314) 946-5115
FAX: (314) 770-9251 • INTERNET WEBSITE: http://www.firstfoto.com

June 30, 1999

Money Order Branch
Accounting Service Center
P.O. Box 82428
St. Louis, MO 63182-2428

The enclosed claims were disallowed because your research indicated a money order was issued for the packages. However, I am not able to accept the photocopies provided as evidence of First Foto receiving payment for the outstanding C.O.D.s. I have listed the reasons below for each claim refusal. Please re-check your records and promptly adjudicate this claim.

Account #	Serial #	Amount	Reason for refusal
M026646173	6875548142	$64.45	Not deposited by Hacso.
M026585429	6870295346	$42.55	Not deposited by Hasco.
M026595756	6833552447	$190.00	Not our money order.
M026594771	6892863350	$600.00	Not our money order.

Sincerely,

Paul McGeehan
Accounting Manager
3613 Mueller Road
St. Charles, MO 63301

UNITED STATES POSTAL SERVICE

05/25/99

FIRST FOTO HASCO INTL INC
3616 MUELLER RD
ST CHARLES, MO 63301-8099

Re: Serial Number 8875548142 (Microfilm Loc: 82370319963 Hardcopy: H823760600095979)

Dear Postal Patron:

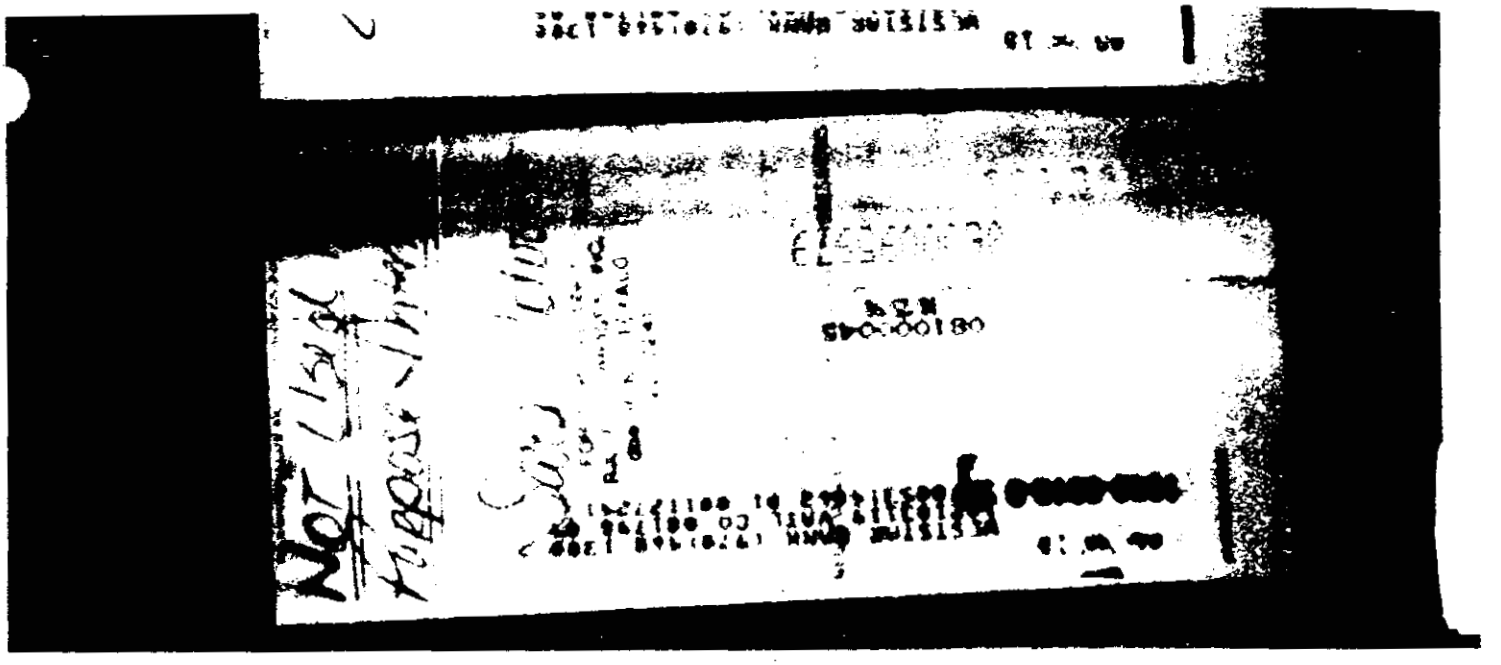
The above referenced money order has been cashed. A photocopy is enclosed per your PS Form 6401 request.

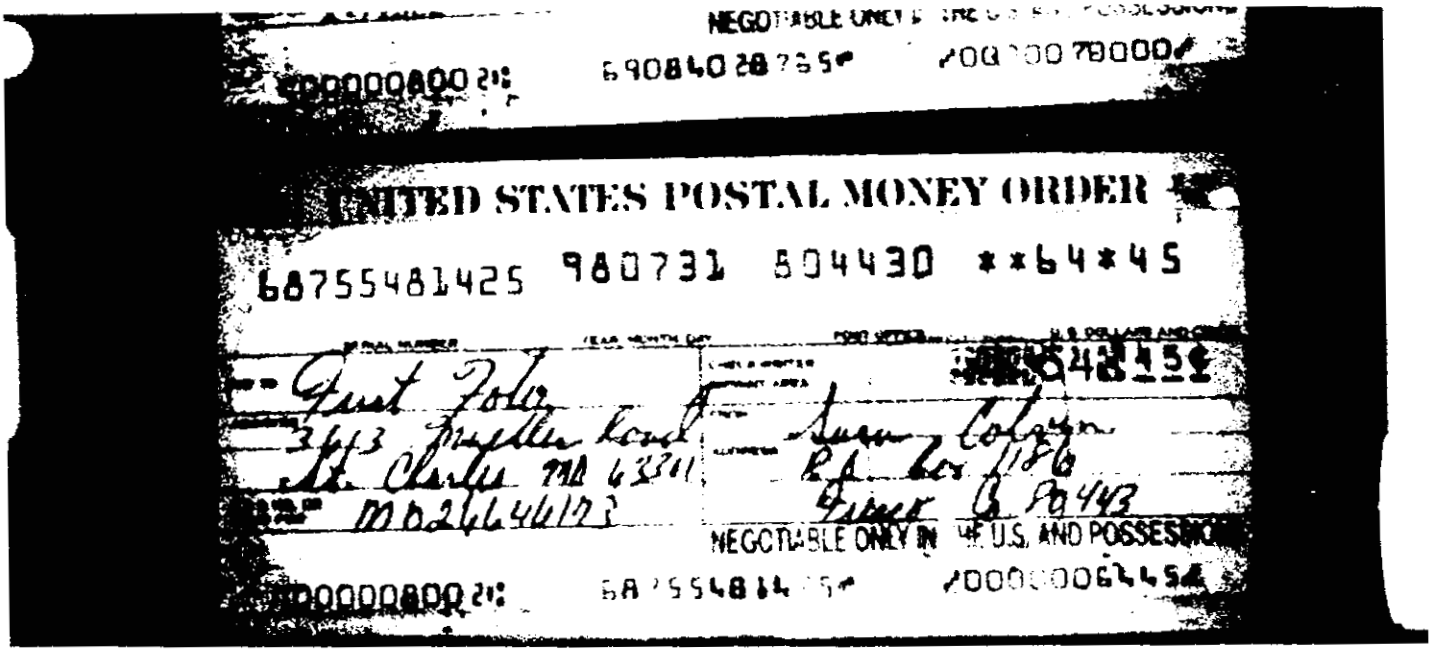
If you feel this information is incorrect or should you have any additional questions, please contact your local Post Office or write us at the address indicated below. When writing, please enclose a copy of your customer's receipt and this letter.

Sincerely,

Money Order Branch
Accounting Service Center
PO BOX 82428
St. Louis, MO 63182-2428

Issue Date: 07/31/1998	Amount: $64.45
Pay To: X	From: X
Send Refund Name: FIRST FOTO HASCO INTL INC	
Mailing Address: 3613 MUELLER RD	
City State and Zip Code: ST CHARLES MO 63301-8099	
Country:	
Used For/Ref Account No: COD M026646173	
Batch Date: 05/21/1999 Section Code: CD	Clerk Id: DMW Batch # 000676
Microfilm Loc: 82370319963	Mlcr Reel: Hardcopy: H823760600095979




NEGOTIABLE ONLY IN THE U.S. AND POSSESSIONS
UNITED STATES POSTAL MONEY ORDER
68755481425 980731 804430 **64*45
Gust Polo
3443 Mueller Road
St. Charles MO 63301
M02664173
Sam Colgan
P.O. Box 1186
Grace Co 80443
NEGOTIABLE ONLY IN THE U.S. AND POSSESSIONS

05/25/99

FIRST FOTO / HASCO INTL INC
3616 MUELLER RD
ST CHARLES, MO 63301-8099

Re: Serial Number 6870295346 (Microfilm Loc: 83172319435 Hardcopy: H8317607001675151)

Dear Postal Patron:

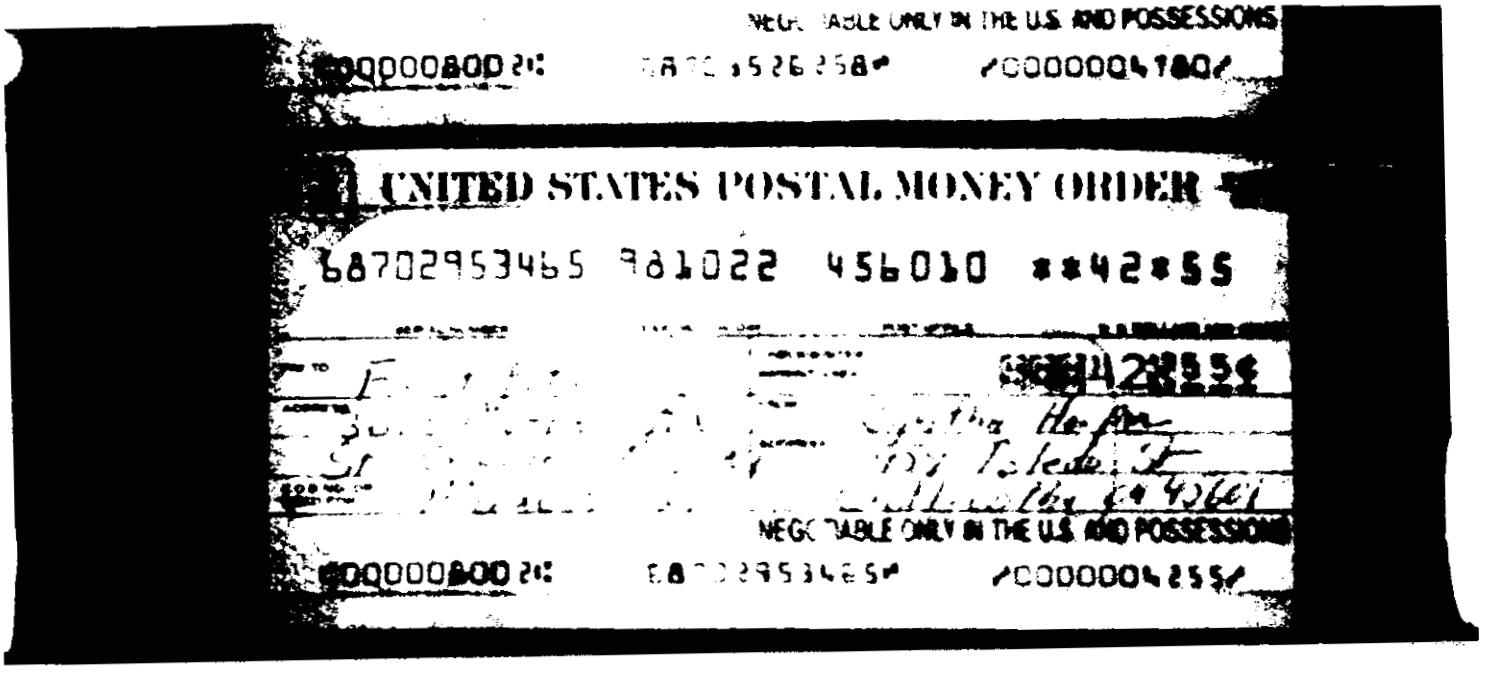
The above referenced money order has been cashed. A photocopy is enclosed per your PS Form 6401 request.

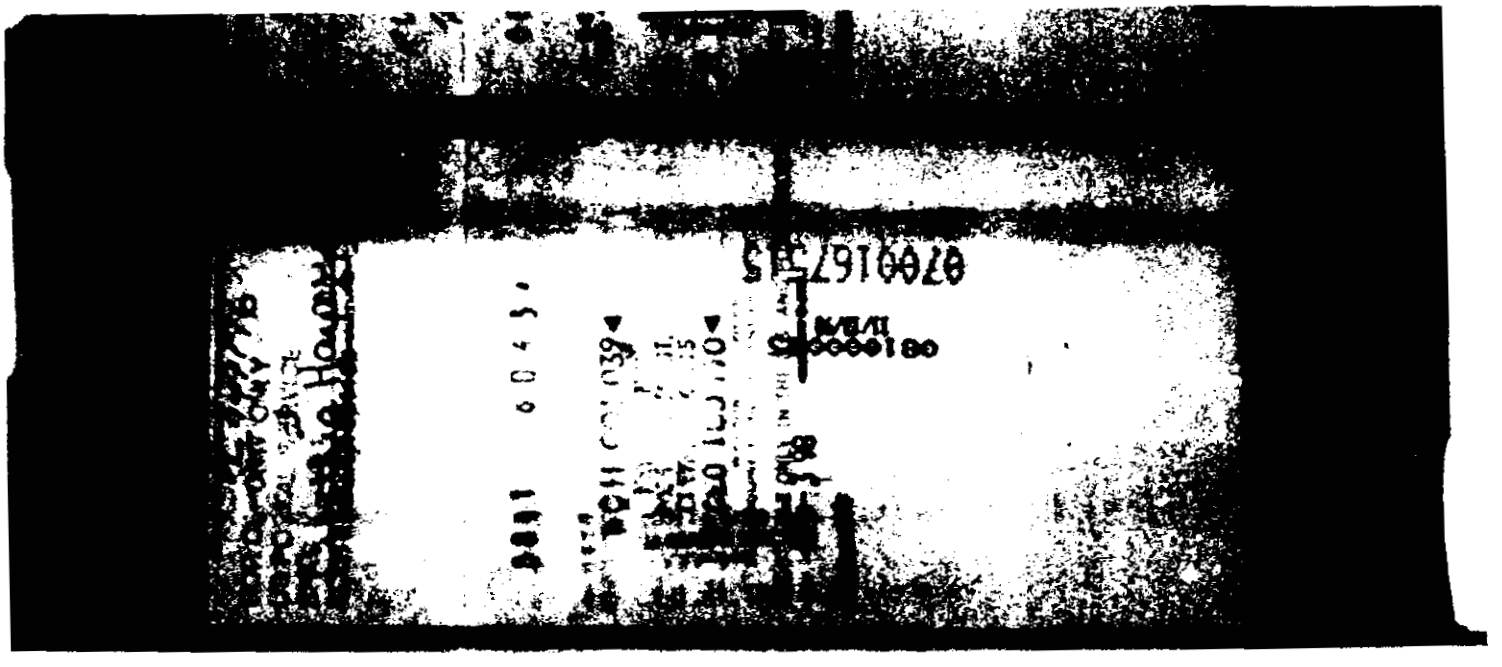
If you feel this information is incorrect or should you have any additional questions, please contact your local Post Office or write us at the address indicated below. When writing, please enclose a copy of your customer's receipt and this letter.

Sincerely,

Money Order Branch
Accounting Service Center
PO BOX 82428
St. Louis, MO 63182-2428

Issue Date: 10/22/1998	Amount: $42.55
Pay To: X	From: X
Send Refund Name: FIRST FOTO / HASCO INTL INC	
Mailing Address: 3616 MUELLER RD	
City State and Zip Code: ST CHARLES MO 63301-8099	
Country:	
Used For/Ref Account No: COD M026585429	
Batch Date: 05/21/1999 Section Code: CD	Clerk Id: DMU Batch # 000673
Microfilm Loc: 83172319435	Micr Reel: Hardcopy: H8317607001675151


NEGOTIABLE ONLY IN THE U.S. AND POSSESSIONS
UNITED STATES POSTAL MONEY ORDER
68702953465 981022 456010 **42*55
NEGOTIABLE ONLY IN THE U.S. AND POSSESSIONS



UNITED STATES POSTAL SERVICE

05/25/99

FIRST FOTO HASCO INTL INC
3616 MUELLER RD
ST CHARLES, MO 63301-8099

Re: Serial Number 6833552447 (Microfilm Loc: 81561323487 Hardcopy: H815660700097570)

Dear Postal Patron:

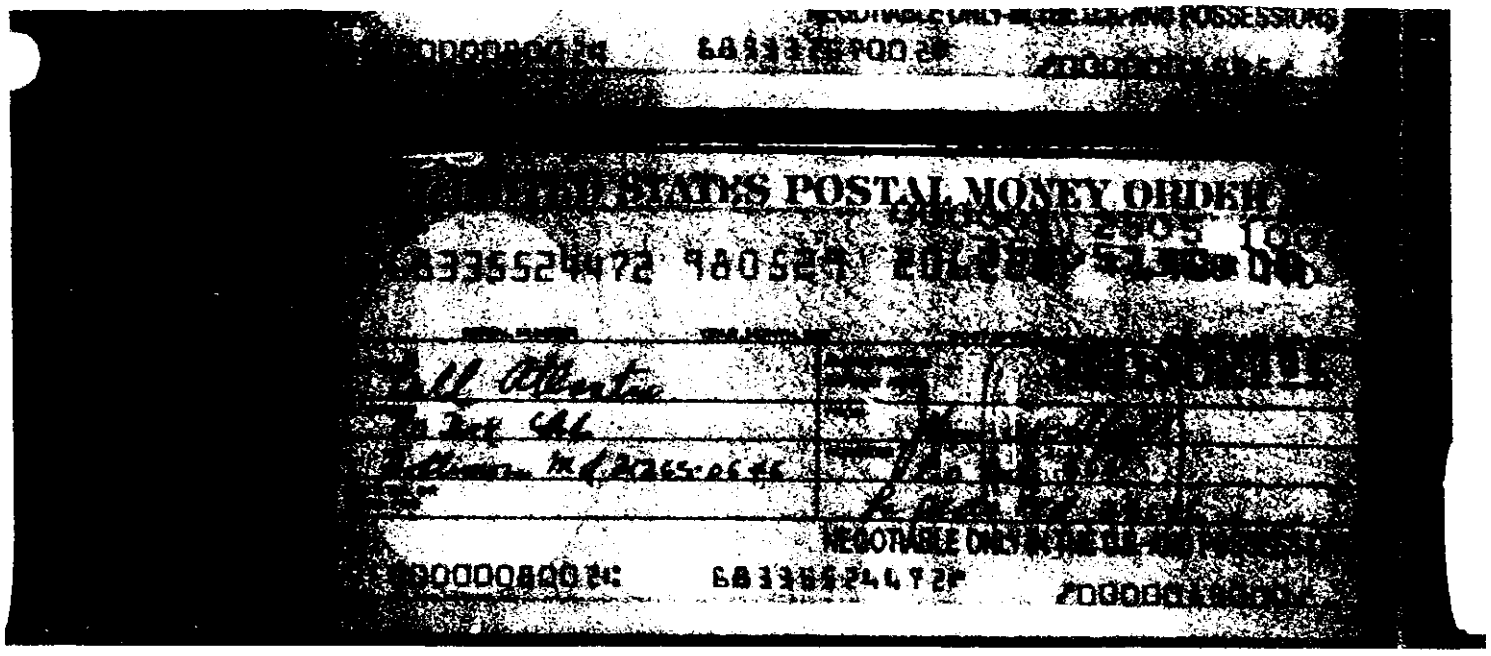
The above referenced money order has been cashed. A photocopy is enclosed per your PS Form 6401 request.

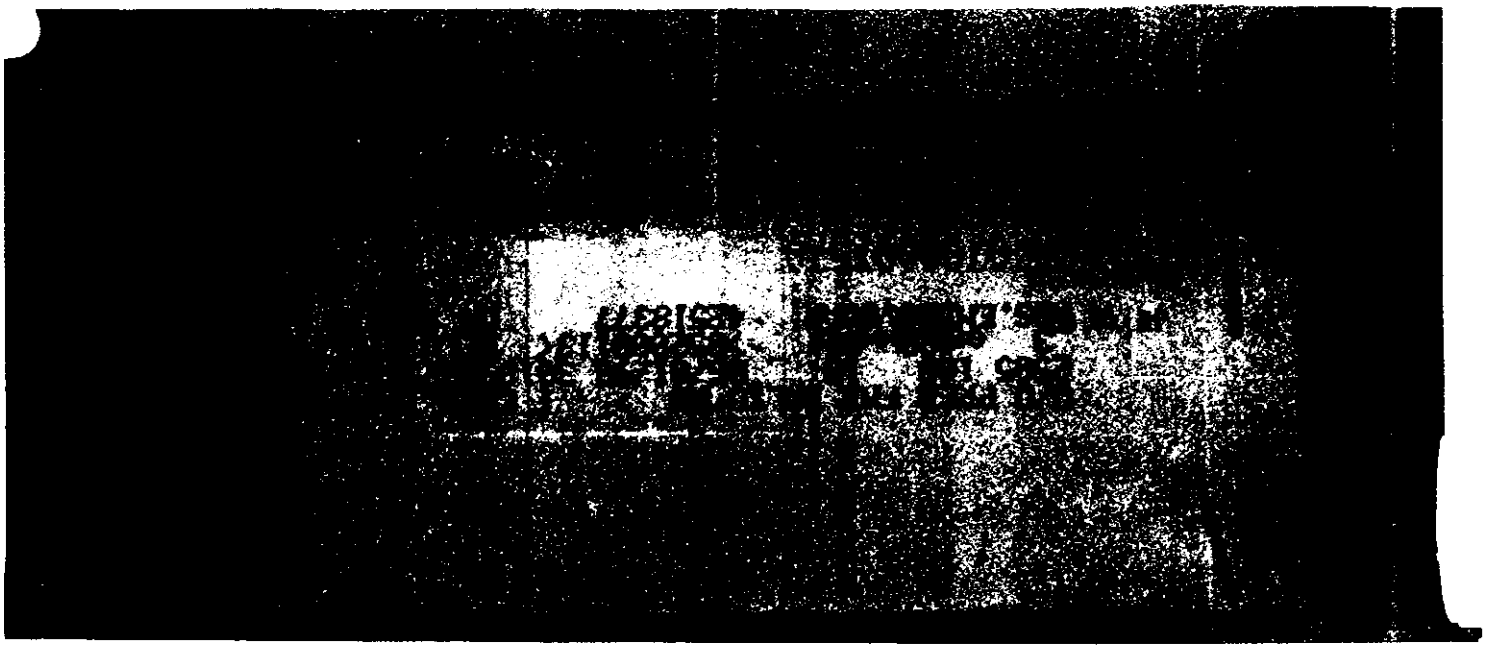
If you feel this information is incorrect or should you have any additional questions, please contact your local Post Office or write us at the address indicated below. When writing, please enclose a copy of your customer's receipt and this letter.

Sincerely,

Money Order Branch
Accounting Service Center
PO BOX 82428
St. Louis, MO 63182-2428

Issue Date: 07/15/1998	Amount: $190.00
Pay To: X	From: X
Send Refund Name: FIRST FOTO HASCO INTL INC	
Mailing Address: 3613 MUELLER RD	
City State and Zip Code: ST CHARLES MO 63301-8099	
Country:	
Used For/Ref Account No: COD M026595756	
Batch Date: 05/21/1999 Section Code: CD	Clerk Id: DMU Batch # 000674
Microfilm Loc: 81561323487	Micr Reel: Hardcopy: H815660700097570


POSTAL MONEY ORDER
NEGOTIABLE ONLY



UNITED STATES POSTAL SERVICE

05/25/99

FIRST FOTO HASCO INTL INC
3616 MUELLER RD
ST CHARLES, MO 63301-8099

Re: Serial Number 6892863350 (Microfilm Loc: 82302028453 Hardcopy: H823060700176493)

Dear Postal Patron:

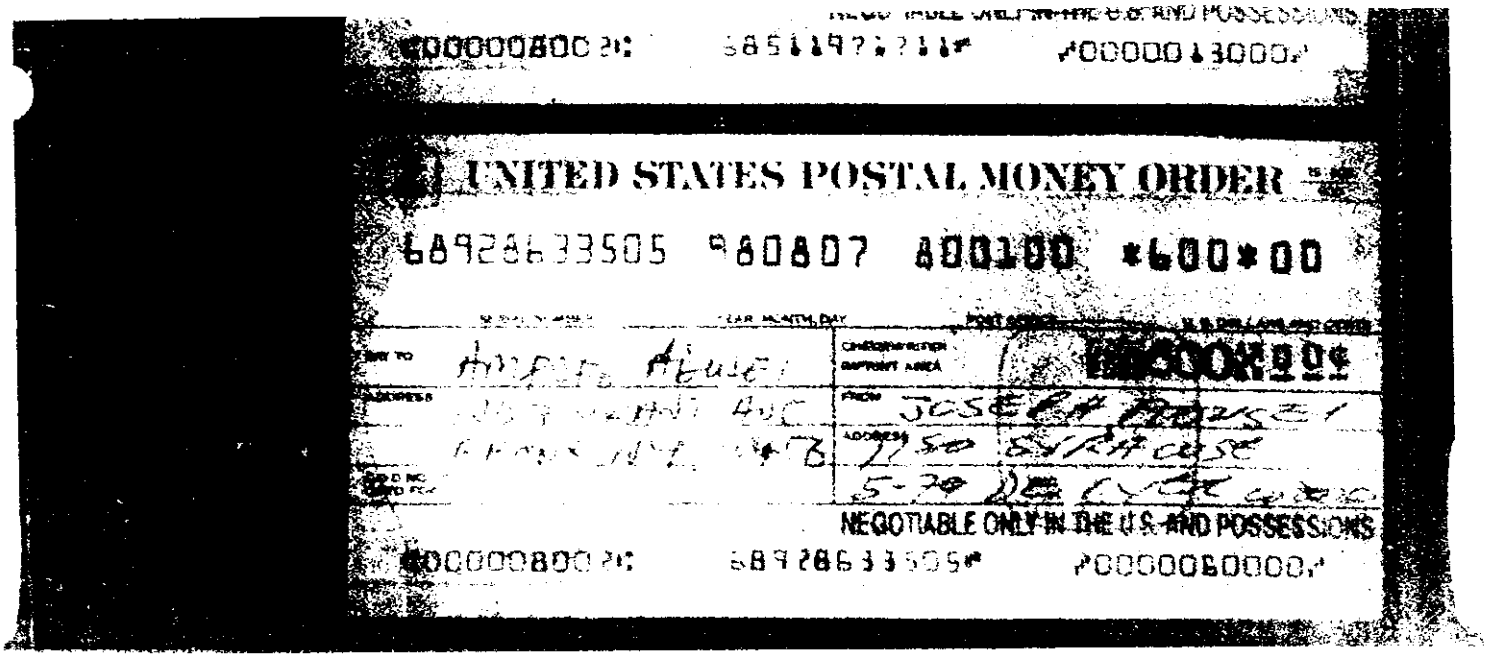
The above referenced money order has been cashed. A photocopy is enclosed per your PS Form 6401 request.

If you feel this information is incorrect or should you have any additional questions, please contact your local Post Office or write us at the address indicated below. When writing, please enclose a copy of your customer's receipt and this letter.

Sincerely,

Money Order Branch
Accounting Service Center
PO BOX 82428
St. Louis, MO 63182-2428

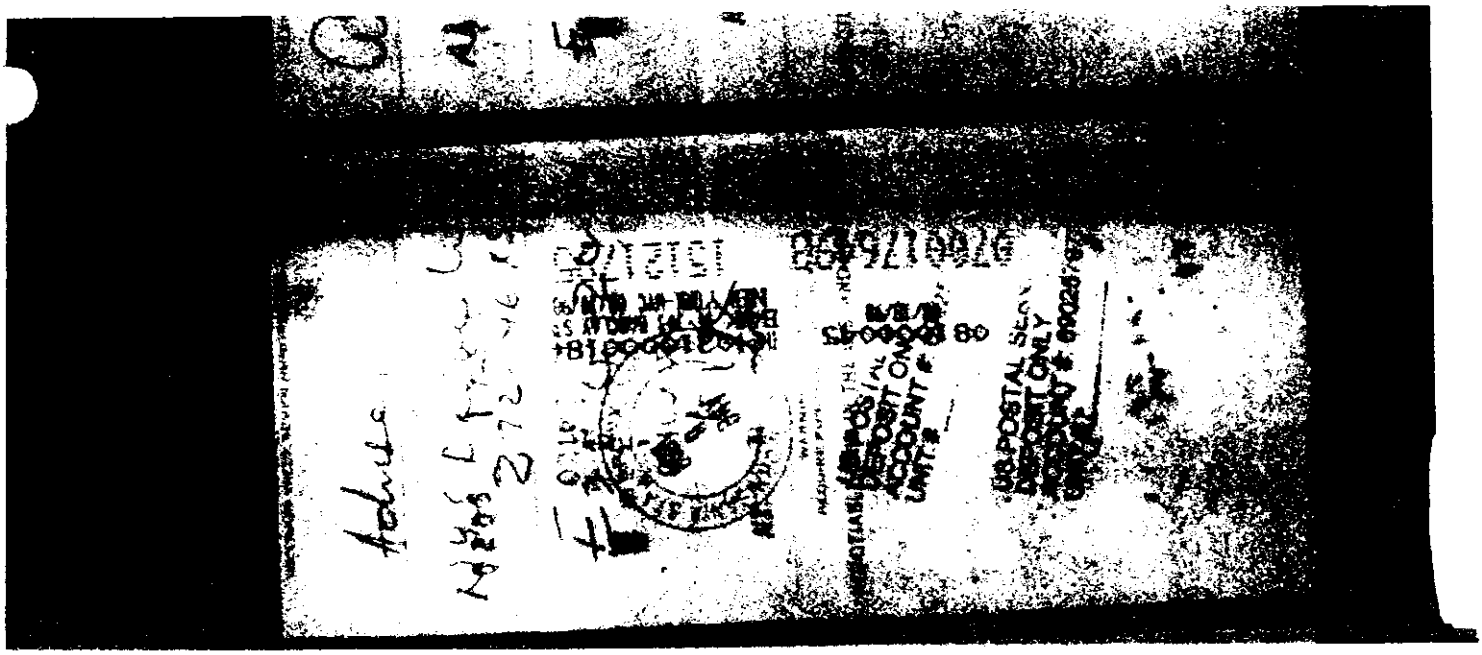
Issue Date: 08/04/1998	Amount: $600.00
Pay To: X	From: X
Send Refund Name: FIRST FOTO HASCO INTL INC	
Mailing Address: 3613 MUELLER RD	
City State and Zip Code: ST CHARLES MO 63301-8099	
Country:	
Used For/Ref Account No: COD M026594771	
Batch Date: 05/21/1999 Section Code: CD	Clerk Id: DMW Batch # 000674
Microfilm Loc: 82302028453	Micr Real: Hardcopy: H823060700176493



UNITED STATES POSTAL MONEY ORDER

68928633505 980807 800100 *600*00

NEGOTIABLE ONLY IN THE U.S. AND POSSESSIONS



DELORES J. KILLETTE
VICE PRESIDENT
AND CONSUMER ADVOCATE

UNITED STATES
POSTAL SERVICE

March 10, 2006

Mr. David R. Straus
Attorney at Law
1909 K Street, NW, Suite 600
Washington, DC 20006-1167

Dear Mr. Straus:

This is in response to the appeal you filed on behalf of Growing Family, Inc., regarding the decision issued by the Manager of the St. Louis Accounting Service Center (ASC) on August 16, 2005. The decision concerned the amount of indemnity to be paid on Collect on Delivery (COD) claims submitted by Growing Family. I agree with the general conclusion reached in the ASC Decision and this letter will further clarify how Growing Family will be reimbursed on COD claims.

Background

As part of its business, Growing Family takes photographs of newborn babies in hospitals and mails these as part of packages to the infants' parents using COD service. Some parents accept the parcels and pay the amount to be collected, i.e. the retail value. Others refuse to accept them and these parcels are returned to Growing Family.

Growing Family has submitted numerous COD claims to the Postal Service, representing individual mailings where it was asserted that it had received neither payment of the retail value nor the return of the parcel. These claims sought payment from the Postal Service of the retail value that was to be collected from the addressee. Until recently, the Postal Service often paid the retail value to Growing Family on its claims.[1]

Based on its consideration of Growing Family's claims and the postal standards under which indemnity is paid, the St. Louis ASC, which is responsible for adjudication of claims, found that payment of the retail value is not warranted on all COD claims submitted by Growing Family. Consequently, starting May 2005, many of Growing Family's claims were paid in an amount less than the retail value. The basis for this determination was set forth in the ASC Decision, which is the subject of the appeal.

Regulations

The Postal Service policies and procedures for processing claims are detailed in the Domestic Mail Manual (DMM). Payable claims are outlined under DMM Section 609.4.1 and state:

> *4.1 Payable Claims*
>
> *Insurance for loss or damage to insured, registered, or COD mail within the amount covered by the fee paid or within the indemnity limits for Express Mail as explained in 4.2 is payable for the following:*

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-2200
202-268-2282
FAX: 202-268-5531
WWW.USPS.COM

a. Actual value of lost articles at the time and place of mailing (see 4.1n. for bulk insured articles).

.. c. Remittance due on a COD parcel not received by the sender, subject to the limitations set by the standards for COD service.

.. j. Cost of film stock or blank tape for photographic film, negatives, slides, transparencies, videotapes, laser disks, x-rays, magnetic resonance imaging (MRI) prints, computerized axial tomography (CAT) scan prints, etc.

Nonpayable claims covered under DMM 609.4.3 state:

4.3 Nonpayable Claims

Indemnity is not paid for insured mail, Registered Mail, COD, or Express Mail in these situations:

.. e The contents of film (e.g., positives, negatives, slides, transparencies, videotapes, laser disks, x-rays, magnetic resonance imaging (MRI) prints, computerized axial tomography (CAT) scan prints), the cost of creating or re-creating these items, or the photographer's time and expense in taking the photographs.

.. g Consequential loss claimed rather than the actual value of the article.

.. y Items sent COD without the addressee's consent.

Arguments

The appeal appears to be based on three arguments. First, you contend Growing Family is paying to insure "the amount to be collected from the addressee," not the cost of film stock. Secondly, you claim the Postal Service cannot change policy retroactively, so, even if amounts less than the retail value is paid on future claims, that should not have occurred on claims filed prior to the August 16, 2005 letter. Finally, you claim Growing Family is being overcharged for COD service, stating the Postal Service is charging fees based on one value and paying claims based on a lower value.

Your assertion that Growing Family should invariably be compensated based upon the retail value rather than the costs to reproduce and resend the parcels is not consistent with postal standards or the principles on which those standards are based. The appeal, on page 4, cites DMCS and DMM provisions stating COD service provides the sender with insurance against loss, damage, or rifling of the article or failure to receive the amount collected from the addressee. The use of the alternative language is significant; these provisions do not state that the sender invariably is compensated in the amount of the retail value. In some circumstances (e.g., where the article is lost before being offered to the addressee or refused and lost upon return), there literally is no amount collected or that should have been collected from the addressee and, accordingly, no basis to provide compensation in that amount to the sender. A decision to pay indemnity in the amount of the retail value in all instances would contradict the principles underlying the indemnity standards by making the sender better off, in some instances, than it would have been. For instance, if the addressee refuses the parcel and it is lost upon return to the sender, compensation in the amount of the retail value would provide the sender a profit it is not entitled to since the addressee refused the package. Where the package is lost enroute to the addressee, providing compensation for reproducing the package allows the sender to resend the package to the addressee to see if a sale can still be made.

The appeal appears to recognize these principles and seeks to raise two counter-arguments at pages 7-8. First, you assert that parents are less likely to accept re-sent packages due to the delay between the birth of the child and the receipt of the package. You have not presented any evidence that this occurs. Moreover, postal standards expressly exclude liability for consequential loss or for delay, DMM 609.4.3.(g). If the original package were delayed during postal processing, indemnity would not be paid based upon an argument that the delay reduced the likelihood of purchase. The same result is reached where the delay is caused by other circumstances.

Your second argument is based upon the speculation that some of the articles believed to be lost before being offered to the addressee were actually delivered to the addressee, with payment either not received or lost after receipt. The delivery system established by the Postal Service provides scans to record events for COD deliveries, such as, Acceptance, Arrival at Unit, Notice Left, Refused, Unclaimed, and Delivered. The scans show the last event that determines the initial response from the St Louis ASC. You recently presented two examples. For the first sample regarding the article mailed to Milwaukee, WI, the delivery system has recorded the customer's check number indicating completion of the transaction. Therefore, this does not substantiate your claim. The delivery system has no record, e.g., no acceptance or delivery scans, for the article that went to Philadelphia. Our investigation revealed a clerical error in recording the events for this COD article. An incident such as this is identifiable through the claims appeals process and investigation.

Your assertion that the Postal Service has changed policy appears to rely on principles of equitable estoppel, i.e., because the Postal Service has made indemnity payments based upon the retail value in the past, it must continue to do so, even if that were in error. The Postal Service, like other government agencies, is not subject to estoppel. Moreover, even if it were subject to estoppel, the necessary elements are not present here, such as reasonable reliance. The decision to pay claims based upon the costs of reproducing and resending the photographs is based upon the express provisions in our regulations, DMM 609.4.1(j). The decision in this instance is not based upon a change in policy or interpretation, but the correct application of existing policy. It is noted that the letter enclosed in the appeal, as Exhibit B, and discussion of that letter do not support your argument. The letter, dated November 8, 1996, from the USPS St. Louis office similarly established that CODs would not always be paid at full retail value. Although you indicate this position was subsequently reversed, you have not provided documentation to this effect or identified the postal officials that may have made such a decision. Moreover, even if that had occurred, it does not require the Postal Service to continue to pay indemnity claims in an amount higher than warranted under our standards.

Your final argument concerns the amount of COD fees that should be paid on Growing Family's mail. This issue relates to mail rates and classifications, and is outside the scope of this appeal and the types of issues properly considered by this office. See DMM 607.2.0. Nevertheless, please note that our standards provide that COD fees are based upon the higher of the amount to be collected or the insurance coverage provided, DMM 503.11.1.2, and, as explained below, there are instances where indemnity will be paid to Growing Family based upon the retail value.

Analysis

I agree with the general conclusion reached in the ASC Decision. That is, under postal standards, the proper level of indemnity payments on COD claims is not always based upon the retail value to be collected from the addressee. Rather, the amount of the payment must be assessed on consideration of the facts of each claim and the reason why the sender did not receive the retail value or return of the parcel.

As a general principle, the Postal Service's indemnity standards seek to provide compensation on indemnity claims so that the sender is no better or worse off than if the article were properly delivered. There are four types of circumstances to consider in evaluating the indemnity payment on COD claims:

(1) the article is delivered to the addressee but the retail value is not collected;
(2) the article is lost or totally damaged before offered for delivery to the addressee;
(3) the article is refused or unclaimed by the addressee and lost or damaged before return to the sender; or
(4) the article is delivered and the retail value is collected, but the payment is lost before delivery to the sender.

Each of these circumstances can be identified from the scans recorded and maintained by the Postal Service. My conclusion regarding the amount that should be paid in each instance is discussed below.

Conclusion

For the reasons explained herein, the appeal is partially upheld and partially denied. We will provide reimbursement of the amount to be collected, i.e. the retail value, if the COD article is delivered and we

fail to collect payment from the addressee. In this instance, the Postal Service failed to provide the service purchased. Accordingly, the indemnity should be paid in the amount of the retail value to make the sender whole.

In other situations, claims will be reimbursed as follows:

1) If the article is lost or totally damaged before it is offered for delivery to the addressee: I agree with the ASC decision that the amount to be paid in this case should be based upon the costs to produce another package for the addressee and the original postage paid. If the addressee accepts or refuses the parcel, the sender is in the same position, as it would have been, had the addressee accepted or refused the initial parcel. As noted in that decision, please let us know if Growing Family's costs change or you believe there is some other reason for adjustment. The St. Louis ASC will work with you in determining the value.

2) If the article is refused or unclaimed by the addressee and then lost or totally damaged before it is returned to the sender: In this instance, since the addressee did not accept the parcel, the only benefit that could be realized by the sender would be the value of the contents and the amount of postage. There is no evidence that the photographs have any salvage or other value to Growing Family. Accordingly, I conclude that reimbursement will be limited to indemnity for miscellaneous items that are lost or damaged, such as keepsakes, and postage.

3) If the article is delivered and the retail value is collected, but the payment is lost before delivery to the sender: Replacement of the payment should be issued to the sender. If paid by postal money order, the Postal Service will provide a replacement money order or postal check. If paid by check, and Growing Family did not receive the check, the Postal Service generally expects the sender to obtain a replacement check from the addressee. In these instances, the Postal Service will reimburse the addressee for any "stop payment" charges incurred and paid.

Based upon these principles, the following actions are appropriate with respect to Growing Family. COD claims submitted on or after the date of this decision will be paid in accordance with the standards explained above. The decisions on claims submitted before the date of this decision, in which payments were made for less than the retail value, are hereby affirmed. As an exception, Growing Family may appeal any claims submitted before this decision that were paid for less than the retail value that should under one of the scenarios described above, have received a higher indemnity payment; e.g., the USPS delivered the article and failed to collect the payment. Since not before me for decision, this appeal does not decide whether Growing Family was inappropriately overpaid in the past, or the extent of any such overpayment.

This is the final agency decision of the U.S. Postal Service.

If you have any immediate questions, please feel free to contact Michele Mulleady at (202) 268-2306.

Sincerely,

Delores J. Kilette

Delores J. Kilette

[1] In a number of instances, the Postal Service found that the claims were for packages on which the retail value had been collected and paid to Growing Family or packages that had been refused and returned to Growing Family. COD claims should not have been filed in these instances, and the claims were denied.

THOMPSON COBURN

Thompson Coburn LLP
Attorneys at Law

Suite 600
1909 K Street, N.W.
Washington, D.C. 20006-1167
202-585-6900
FAX 202-585-6969
www.thompsoncoburn.com

April 5, 2006

David R. Straus
202-585-6921
FAX 202-508-1027
EMAIL dstraus@
thompsoncoburn.com

Ms. Delores Killette
Vice President and Consumer Advocate
United States Postal Service
475 L'Enfant Plaza, SW
Washington, D.C. 20260

Re: Growing Family's COD claims

Dear Ms. Killette:

The purpose of this letter is not to re-argue the merits of Growing Family's appeal from the decision reducing the amount of payment it receives on claims, although it strongly disagrees with that decision, but to seek prompt clarification and instructions on how Growing Family is expected to proceed with respect to both past and future claims. Growing Family cannot pursue the additional reimbursements to which the Postal Service now admits it is entitled without the further explanations sought below. Since the policy announced in your letter appears to establish a system and a process that have never before been imposed or implemented, I'm sure you can understand why we have some basic questions.

Your letter addresses certain contentions made in the Growing Family appeal (as amended on February 14, 2006), including allegations—confirmed by documents—that the Postal Service in some cases appears to have delivered the packages without collecting the funds. In response to our providing two specific examples (of many) in which the recipients of the photos sent checks directly to Growing Family, you state that, as to the first example (a check sent directly by a Growing Family customer in Milwaukee), "the delivery system recorded the customer's check number," so that the claim is not substantiated. So that we can understand the scanning system, can you explain exactly how your delivery system can record a check number when, in fact, the check is not sent by the Postal Service to Growing Family? I note that I have recently learned that, in this particular situation, the customer informed Growing Family that her carrier simply left the package, that she sent the check to the Postal Service, that the Postal Service sent it back to her, and that she then mailed it to Growing Family. It therefore appears that, even if the Postal Service had temporary custody of the check, it had no way of knowing whether or not it was sent to Growing Family. Should it have been scanned in this situation?

As to the second example, in which Growing Family received the check directly from a customer in Philadelphia, you state:

> The delivery system has no record, e.g., no acceptance or delivery scans, for the article that went to Philadelphia. Our investigation revealed a clerical error in recording events for this COD article. An incident such as this is identifiable through the claims appeals process and investigation.

Please explain where and how the "acceptance scan" is supposed to be made. Also, if your system has no records associated with this claim, how would the Postal Service have investigated and resolved a claim associated with this COD package if the customer had not sent a check to Growing Family, and Growing Family filed a claim knowing only that it had sent the package but had not received either the payment or a return? Also, please explain exactly what went wrong in this example.

Finally, in connection with Postal Service accounting, please explain how the Postal Service's data system can resolve situations addressed and documented in the appeal (at note 11 and related attachments), but not addressed in your letter, in which Postal Service records show payment to Growing Family that Growing Family did not receive, and, in response to the filed claim, the Postal Service supported the denial with copies of checks or money orders made out to others. Also, if the data system can discover the error, why were these claims denied in the first instance?

While a response to these questions would be useful, response to the following questions is essential if the new system is to be implemented. Your letter states that you agree in general with the conclusion of the ASC, which last spring without explanation began to pay <u>all claims</u> on the basis of alleged reproduction cost, but you then go on to construct and implement a wholly different and clearly more appropriate (but not necessarily acceptable) approach, whereby it is essential to divide the claims into four categories based upon "the reason why the sender did not receive the retail value or return of the parcel." These four scenarios are: (1) the article is delivered, but the funds are not collected from the recipient, (2) the article is lost or destroyed before delivery, (3) the article is refused or unclaimed by the recipient and lost or destroyed prior to its return, and (4) the article is delivered and the funds collected, but the payment is not provided to the sender.

You agree that in the first and fourth situations, the sender is entitled to receive the amount to be collected from the recipient, and this amount is clearly a great deal higher than the reproduction cost that has provided the basis for all claims for nearly a year. Certainly, the Postal Service thus owes Growing Family a considerable amount of money. I note that your decision places the burden in scenario 4 (funds collected but not remitted) on the sender in the case of a personal check, without explaining how the sender who receives no payment is supposed to know in what form the recipient paid. Nor do you state what the Postal Service would do in the situation where the sender contacts the recipient, but the sender's effort to

obtain substitute payment is unsuccessful. Please provide the necessary additional clarification.

Our most basic question, foreshadowed at page 14 of the appeal, is how Growing Family is supposed to know, or determine, the underlying facts and the proper reimbursement scenario (of the four listed above) when it receives neither a return of the package nor the funds that were to be collected. All that it knows is that it turned over control of its product to the Postal Service, paid a fee for COD service based upon the amount to be collected and received no funds and no return. Is it the Postal Service's position that Growing Family must contact and seek further information from every one of the 5,000 recipients each year involved in claims? What if they cannot be located? What if some of those asked to provide a duplicate payment state (as is likely) that they refused the package, even if they accepted it, or that they paid for it already? You state that the Postal Service "will reimburse the addressee for any 'stop payment' charges incurred and paid." Will the Postal Service reimburse Growing Family for its costs to contact the addressees and arrange for the replacement payment in these instances when the contracted-for service was not received?

Even if we agree that the Postal Service's scans are capable of determining the reason for the Postal Service's failure to return the funds or the package (which at this point we do not), the fact is that those scans are not now available to Growing Family. If Growing Family is willing to accept this burden, do you intend to make the scan information available to Growing Family in a useable form so that it can develop support related to both past and future claims? If so, how? And how can Growing Family be confident that the scans tell the whole truth, given that investigations of prior claims have led to improper conclusions, as stated in the appeal?

Our final question relates to quality of service. As you know, the ASC decided that Growing Family should receive only reproduction cost on all claims, but your letter recognizes that in two of the four scenarios, a substantially greater amount of compensation is appropriate. According to this new policy, <u>the only scenarios in which reproduction cost or less should be paid involve a situation in which the Postal Service has lost or totally destroyed the package, either on the way to the recipient or on the way back to the sender</u>. Growing Family is absolutely convinced that the vast majority of claims involve instances in which (1) the packages are delivered by USPS but payment is not received by the carrier, or (2) the packages are delivered and USPS loses or misdirects the payment. In fact, in a small, informal survey last year of customers for which Growing Family received neither the package return nor the payment, 6 (or 26%) reported that they did not receive the package (although some may have and not admitted it). And 23 (or 74%) say that it was delivered and paid for, so that, whether or not the packages were in fact paid for, there is no way for Growing Family to obtain additional payment from them.

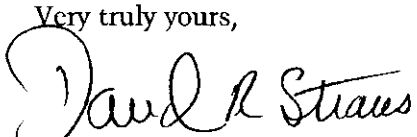
If, as appears to be the case, the Postal Service is asserting that most of Growing Family's claims do not justify the retail value claimed, it must follow that the Postal Service is also asserting that most claims do not arise from these causes but that it is losing or totally

destroying a high percentage of the roughly 5,000 packages per year on which claims are made. If that is the case, can you explain how the lost or destroyed count can be so high? Keep in mind that these are nine by twelve inch packages weighing roughly nine ounces each that are hard to misplace. It is unlikely that the carriers take them home or that they fall out of Postal Service trucks. If they are not left with the addressee (without payment or with lost payment), where are they?

Growing Family would appreciate a prompt response to this letter. After waiting several months for the August 16, 2005 letter that for the first time provided an appealable ruling, and then another five months for your ruling, Growing Family is anxious to obtain the benefits, albeit inadequate, in our view, of the new policy spelled out in your letter. We cannot do so, nor can we even determine how future claims should be submitted or will be handled, without a response. If you would prefer to address these matters in a meeting, we will be there.

In closing, I note that Growing Family strongly disagrees with certain facts, allegations and conclusions in your letter that are not addressed directly here, and especially with the substantial and apparently impossible burden that the new policy places on the mailer. However, since your letter purports to be a "final agency decision," this is not the appropriate place to address them. Rather, this letter is limited to an effort to understand certain facts and the new policy and process.

Very truly yours,



David R. Straus

cc: Jeffrey Zelkowitz, Esq., USPS
Robert Paul, Growing Family

DELORES J. KILLETTE
VICE PRESIDENT
AND CONSUMER ADVOCATE

UNITED STATES POSTAL SERVICE

May 8, 2006

Mr. David R. Straus
Attorney at Law
1909 K St NW, STE 600
Washington, DC 20006-1167

Dear Mr. Straus:

This is in response to your letter dated April 5, 2006 on behalf of Growing Family, Inc., regarding the decision issued by this office on March 10, 2006. The March 10 decision concerned the amount of indemnity to be paid on Collect on Delivery (COD) claims. Your letter does not dispute the indemnity decision, but seeks guidance with respect to future mailings and claims. Described below are our responses to points raised in the letter. We also invite you to meet with us and discuss Growing Family mailings.

The Postal Service does not deny that occasional errors may occur in the delivery and payment of COD articles. However, these issues should become apparent and be resolved through the claims and appeal processes. These processes allow us to work with various offices to correct and eliminate future recurrences while addressing our customers' concerns. For instance, circumstances where Postal Service records show payment, while Growing Family records show non-receipt, can be resolved in the claims and appeal processes. Multiple systems are involved in the delivery, payment, and claims adjudication of COD articles. The claims system includes the payment type and check or money order number. It does not include images of the cashed money order payment. Those images are maintained in other postal systems. If a claim is pursued, USPS claims adjudicators will review these systems.

When Growing Family receives neither a payment nor the COD article in return, it may initiate a claim. The subsequent investigation should determine the facts and proper reimbursement. If a claim is denied because the article was delivered and payment was rendered, that decision includes information on payment type. Growing Family may appeal these decisions by submitting additional information or, in the instances of non-receipt of a postal payment, request a photocopy. As explained in our earlier decision, the Postal Service does not assist COD mailers in obtaining replacement checks from their customers. The Postal Service will reimburse the addressee for any stop payment charges incurred and paid, but cannot reimburse Growing Family for consequential costs it incurs.

In regards to the two examples of receiving payment directly from the customer, we acknowledge our employees may occasionally make mistakes. Therefore, we have built business rules in the claims process to investigate such instances. In the Milwaukee instance, the local office manually entered the check number into the system and then made an error in returning the check to the customer instead of sending it to Growing Family. In the Philadelphia example, our local office delivered the article and failed to collect funds. In this instance, a search of the local office records helped us to identify the error and ensure you received payment.

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-2200
202-268-2282
FAX: 202-268-5531
WWW.USPS.COM

We believe it would be beneficial to meet to discuss any remaining questions Growing Family may have concerning its future mailings and claims. In our experience, such meetings can be a productive and successful use of parties' time. If that is agreeable to Growing Family, we propose that a small group of postal officials visit Growing Family's site to work on a resolution to these issues. If Growing Family agrees, please contact Michele Mulleady of my staff at 202-268-2306 to coordinate the meeting.

We are committed to resolving these issues and strengthening our business relationship. We look forward to hearing from you soon.

Sincerely,

Delores J. Killette

Analysis of selected COD Claim Payments to Growing Family

COD #	Date Mailed	NAME	C Claimed Amount Due	A Postage	B COD Fee	(A + B) D Postage + COD Fee	(C-D) Total Retail Value	USPS Check Amount: Claim Paid	Postage Portion	Claim Paid (Excluding Postage)	Date Check Received from USPS
M053434366	9/4/2005	BARBARA HINOJOSA	111.51	4.90	6.85	11.75	99.76	19.95	(4.90)	**15.05**	3/8/2006
M048300570	9/7/2005	LAKEAH WATSON	83.46	2.21	5.80	8.01	75.45	17.26	(2.21)	15.05	3/8/2006
M048300588	9/7/2005	MELLISA CORNELIUS	55.77	1.06	5.80	6.86	48.91	16.11	(1.06)	15.05	3/8/2006
M051668154	9/13/2005	JENNIFER MOSS	62.01	2.67	5.80	8.47	53.54	17.72	(2.67)	15.05	3/14/2006
M051668589	9/13/2005	STEPHANIE GILLESPIE	49.82	1.06	4.75	5.81	44.01	16.11	(1.06)	15.05	3/14/2006
M051668603	9/12/2005	LESHANDRIA CASTILLO	42.16	1.06	4.75	5.81	36.35	16.11	(1.06)	15.05	3/14/2006
M052861258	10/21/2005	LATASHA FOSTER	68.48	1.98	5.80	7.78	60.70	21.98	(1.98)	20.00	4/26/2006
M048869081	10/21/2005	LINSEY SMITH	50.65	1.75	5.80	7.55	43.10	21.75	(1.75)	20.00	4/26/2006
M052418498	10/24/2005	APRILJOY STEWART	42.15	1.52	4.75	6.27	35.88	21.52	(1.52)	20.00	4/26/2006
M052861167	10/20/2005	ANGIE MORELAND	41.29	1.06	4.75	5.81	35.48	21.06	(1.06)	20.00	4/26/2006
M052418377	10/24/2005	ANDREA JOHNSON	69.10	1.98	5.80	7.78	61.32	21.98	(1.98)	20.00	4/26/2006
M052418338	10/24/2005	EMMA SIRISA	47.03	1.06	4.75	5.81	41.22	21.06	(1.06)	20.00	4/26/2006
M050528493	10/6/2005	VEOTA KHAMLUSA	78.11	1.52	5.80	7.32	70.79	21.52	(1.52)	20.00	5/26/2006
M050528412	10/7/2005	JACKIE RIDGLEY	68.54	1.98	5.80	7.78	60.76	21.98	(1.98)	20.00	5/26/2006
M049704423	10/13/2005	VALERIE WILLIAMS	42.16	1.06	4.75	5.81	36.35	21.06	(1.06)	20.00	5/26/2006
M052860974	10/20/2005	SASHA HUFF	63.14	1.98	5.80	7.78	55.36	21.98	(1.98)	20.00	5/26/2006
M048869817	10/25/2005	ANTONIA AGUILAR	77.42	3.85	5.80	9.65	67.77	23.85	(3.85)	20.00	5/26/2006
M051652758	10/31/2005	JADE STEIN	47.03	1.06	4.75	5.81	41.22	21.06	(1.06)	20.00	5/26/2006
M051666241	2/21/2006	LYNETTE LEWIS	43.33	0.87	4.75	5.62	37.71	15.92	(0.87)	15.05	6/27/2006
M052961089	2/23/2006	MARIE WILSON	61.78	1.11	5.80	6.91	54.87	16.16	(1.11)	15.05	6/27/2006
M052960995	2/23/2006	JOUITA VASQUEZ	42.01	3.03	4.75	7.78	34.23	18.08	(3.03)	15.05	6/27/2006
M052969025	2/27/2006	FRANCISCA LOPEZ	48.26	1.59	4.75	6.34	41.92	16.64	(1.59)	15.05	6/27/2006
M052968639	2/27/2006	FELICIA ROSS	33.15	4.05	4.75	8.80	24.35	19.10	(4.05)	15.05	6/27/2006
M052968595	2/27/2006	MISTY BURCH	89.56	1.59	4.75	6.34	83.22	17.36	(1.59)	15.77	6/27/2006
M054191729	3/13/2006	EBONY WALKER	41.99	0.87	4.75	5.62	36.37	15.05	(0.87)	14.18	7/24/2006
M052402961	3/8/2006	ARACELI PEREZ	80.63	1.11	5.80	6.91	73.72	15.05	(1.11)	13.94	7/24/2006
M052382944	3/20/2006	JENNIFER MILES	129.49	3.03	6.85	9.88	119.61	18.08	(3.03)	15.05	7/24/2006
M050513147	3/20/2006	DANENE PAULSON	47.54	1.59	4.75	6.34	41.20	16.64	(1.59)	15.05	7/24/2006
M052383780	3/21/2006	PATRICIA JUDD	48.33	0.87	4.75	5.62	42.71	15.92	(0.87)	15.05	7/24/2006
M052383049	3/21/2006	AGNES GREGG	69.12	2.55	5.80	8.35	60.77	17.60	(2.55)	15.05	7/24/2006

THOMPSON COBURN

Thompson Coburn LLP
Attorneys at Law

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1909 K Street, N.W.
Washington, D.C. 20006-1167
202-585-6900
FAX 202-585-6969
www.thompsoncoburn.com

October 12, 2005

David R. Straus
direct dial 202-585-6921
direct fax 202-508-1027
dstraus@thompsoncoburn.com

Mr. Michael Spates
Acting Vice President and Consumer Advocate
Room 10433
United States Postal Service
475 L'Enfant Plaza, SW
Washington, D.C. 20260-2200

Re: Addendum to appeal from decision on COD claims

Dear Mr. Spates:

On October 6th, on behalf of Growing Family, Inc., I submitted an appeal from a ruling concerning payment for COD claims. In that appeal, we contended, among other things, that one possible reason for many of Growing Family's claims is that funds were collected from the recipient but were "'lost' in the Postal Service's accounting system. . . ." (*See* page 14.) We attached as Exhibit C examples of the many money orders that the Postal Service had asserted were paid to Growing Family but which were never received by Growing Family.

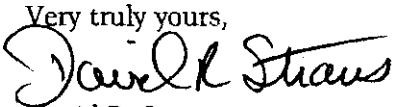
Ironically, on October 7th, the day after filing its appeal, Growing Family received the attached (and curiously undated) letter, which begins "Dear Postal Customer," as if there were others like it. The letter advises Growing Family that postal employees in Kankakee, Illinois, had "inadvertently filed away" several money orders that should have been mailed to Growing Family (or to First Foto, as it was then named). Copies of the money orders, each of which is dated in 2002, are attached.

Although Growing Family no longer has records to determine whether claims were submitted with respect to the COD mailings associated with the money orders or the resolution of any such claims, this episode certainly supports Growing Family's contention that a substantial – though indeterminate – number of claims are filed in situations in which the addressee has received the package, and the Postal Service—but not Growing Family—has received the payment. We of course have no idea what led to the discovery of these three-year old money orders, but it's fair to say that, if this can happen in Kankakee, it can happen elsewhere, and probably has. Surely, the Postal Service would not take the position that Growing Family is entitled to only $15.05 when postal employees "inadvertently file away," rather than forward, money orders that should have been sent to Growing Family.

As stated in the appeal, Growing Family is entitled to be reimbursed in an amount equal to the funds to be collected from the addressee in *all* situations in which neither the payment nor the package is returned to Growing Family, including those like this one.

Please add this letter and attachments to the file as part of Growing Family's appeal.

Very truly yours,



David R. Straus

Cc: Jeffrey H. Zelkowitz, Esq.,
Chief Counsel, Legal Policy and Ratemaking Section
United States Postal Service

Robert Paul, Growing Family, Inc.

Enclosures

UNITED STATES
POSTAL SERVICE

Dear Postal Customer:

Enclosed you will find Money Orders that are due you. These Money Orders were inadvertently filed away with the daily paperwork, and so they were never mailed to you.

Please accept our apologies for any inconvienence this may have caused you or the customer.

If you have any questions, or need any additional information, please contact Lauren Bass at 815-935-7439 after 10/17/2005

Again, we apologize for this oversight.

Sincerely,

William Wold

William Wold, Postmaster
Kankakee IL 60901
815-935-7475

475 E. COURT
KANKAKEE, IL, 60901-9998
815-935-7475
FAX: 815-932-8375

RP-8, p.4

UNITED STATES POSTAL SERVICE

U.S. POSTAL SERVICE
475 E COURT ST
KANKAKEE IL 60901-9998

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

First Foto
3613 Mueller Road
St Charles Mo 63301

2P-51

CHAMPAIGN IL 28 AUG 03
PM

Mail only one payment per envelope

M044884331

$ 35.55	Cash Amount $ 36.45

DELIVERY EMPLOYEE: Turn in this copy with the payment you received for the COD article and the signed delivery record. **Be sure COD number appears on money order or check.**

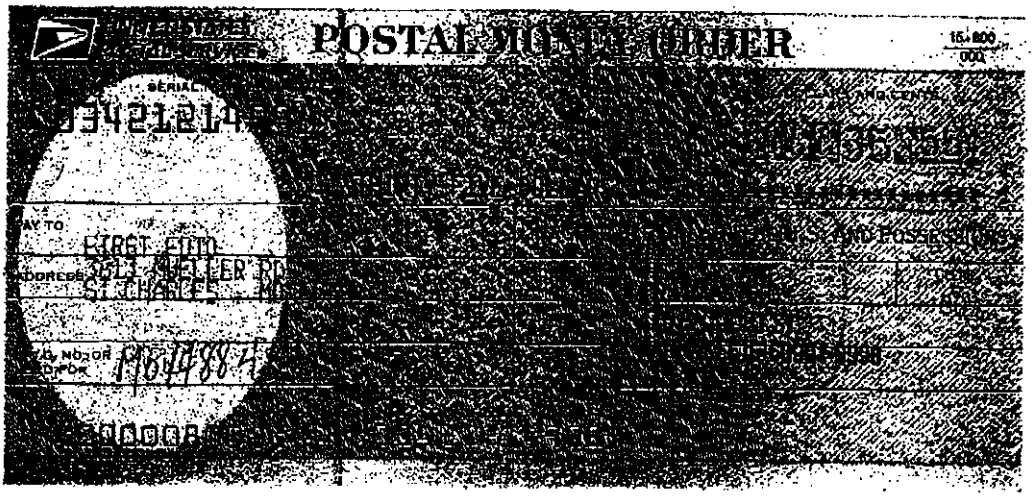
COD

To:
FIRST FOTO 05/30
3613 MUELLER ROAD
ST. CHARLES, MO, 63301

From:
ACCOUNT: 6528 080050
SONIA VARELA
1136 W STATION 1
KANKAKEE IL 60901

POST OFFICE: Return this copy to mailer with money order or check. Put **only one** payment in each EM04 envelope *(mailer address will appear in the window)*. Please secure this copy in the envelope with tape, if necessary.

PS Form **3816-AS**, August 1994 — **Copy 2 - Payment**



Mail only one payment per envelope

M044891093

nt $ 40.80	Cash Amount $ 41.70

DELIVERY EMPLOYEE: Turn in this copy with the payment you received for the COD article and the signed delivery record. **Be sure COD number appears on money order or check.**

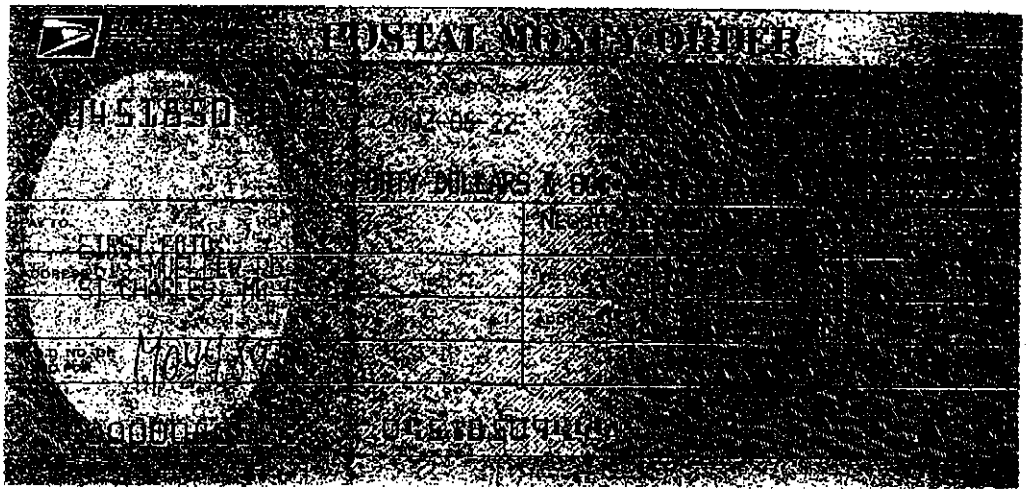
COD

To:
FIRST FOTO 06/14
6518 MUELLER ROAD
ST. CHARLES, MD. 63301

From:
ACCT #: 6528 080750
VANESSA LOPEZ
2317 E MAPLE
KANKAKEE, IL 60901

POST OFFICE: Return this copy to mailer with money order or check. Put **only one** payment in each EM04 envelope *(mailer address will appear in the window)*. Please secure this copy in the envelope with tape, if necessary.

PS Form **3816-AS,** August 1994 **Copy 2 - Payment**



Mail only one payment per envelope

$ 62.1	Cash Amount $ 63.0

M044877006

DELIVERY EMPLOYEE: Turn in this copy with the payment you received for the COD article and the signed delivery record. **Be sure COD number appears on money order or check.**

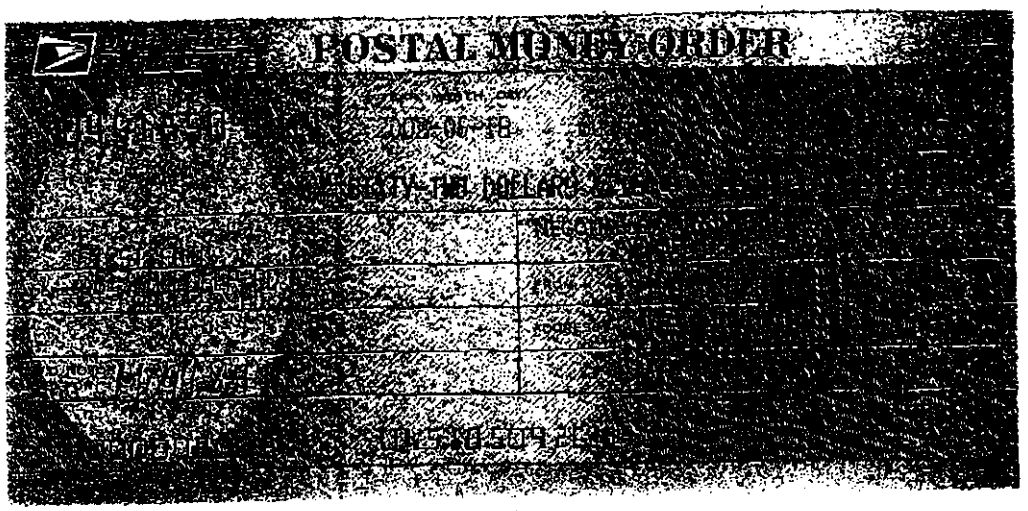
COD

To:
FIRST FOTO 06/05
3613 MUELLER ROAD
ST. CHARLES, MO. 63301

From:
Acct #: 6528 080160
LASONYA ROSS
1485 E BOURBONNAIS
KANKANEE IL 60901

POST OFFICE: Return this copy to mailer with money order or check. Put **only one** payment in each EM04 envelope *(mailer address will appear in the window)*. Please secure this copy in the envelope with tape, if necessary.

PS Form **3816-AS,** August 1994 **Copy 2 - Payment**



Mail only one payment per envelope

M043574258

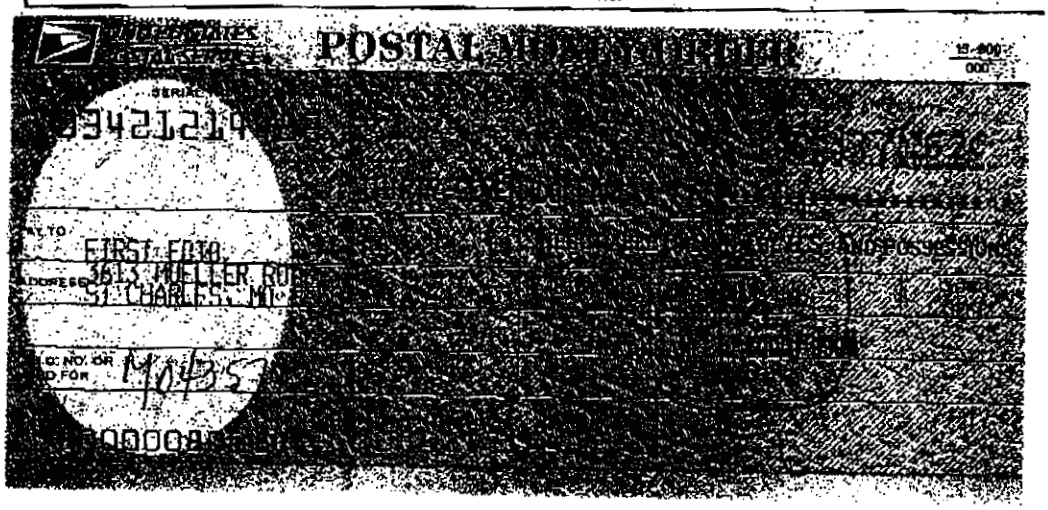
$ 37.62	Cash Amount $ 38.52

DELIVERY EMPLOYEE: Turn in this copy with the payment you received for the COD article and the signed delivery record. **Be sure COD number appears on money order or check.**

USPS MAY 28 2002 KANKAKEE IL 60901

COD

To: FIRST FOTO 05/24
3613 MUELLER ROAD
ST. CHARLES, MO. 63301

From: 6528 080640
MARIA CAMARGO
500 SOUTH POPLAR
KANKAKEE IL 60901

POST OFFICE: Return this copy to mailer with money order or check. Put **only one** payment in each EM04 envelope *(mailer address will appear in the window)*. Please secure this copy in the envelope with tape, if necessary.