



May 15, 2012

Shoshana M. Grove
Secretary
Postal Regulatory Commission
901 New York Avenue, NW, Suite 200
Washington, DC 20268-0001

Re: Docket No. R2011-3/MC2011-19

On March 15, 2011, in Order No. 694, the Postal Regulatory Commission ("Commission") added the Discover Financial Services 1 Negotiated Service Agreement to the Market Dominant product list. In Order No. 694, the Commission also directed the Postal Service to submit the agreed upon penalty for year two of the contract within five days of reaching agreement with Discover on the penalty terms.

Article II.E of the contract required the parties to agree on a penalty for year two of the contract for Discover if Discover fails to reach the revenue threshold set forth in Article II.B no later than seven months into year one of the contract.

On April 12, 2012 the Postal Service and Discover agreed that the penalty for year two of the contract would remain the same as the penalty for year one. If Discover does not meet the revenue threshold set forth in Article II.B in year two of the contract, Discover will pay the Postal Service ten percent (10%) of the difference between Discover's revenue threshold and actual total postage paid for Discover Eligible Mail for year two of the contract. This agreement was memorialized in writing on May 9, 2011.

The delay in filing the penalty for year two was caused by the parties attempt at coordinating multiple schedules and reconciling the data for year one in order to properly determine an appropriate year two penalty.

Regards,

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Attorney