

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

RATE AND SERVICE CHANGES TO IMPLEMENT
BASELINE NEGOTIATED SERVICE AGREEMENT
WITH LIFE LINE SCREENING

Docket No. MC2007-5

**REQUEST OF THE UNITED STATES POSTAL SERVICE
FOR A RECOMMENDED DECISION ON CLASSIFICATIONS AND RATES TO
IMPLEMENT A BASELINE NEGOTIATED SERVICE AGREEMENT
WITH LIFE LINE SCREENING**

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 8, 2007

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

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WITH LIFE LINE SCREENING
(August 8, 2007)

Pursuant to chapter 36 of title 39, United States Code, the United States Postal Service has determined that it would be in the public interest, and in accordance with the policies and applicable criteria of that title, to implement the attached Negotiated Service Agreement (NSA) with Life Line Screening. Accordingly, the Postal Service requests that the Postal Regulatory Commission submit to the Governors of the Postal Service a decision recommending the rate and classification changes proposed in the attachments to this filing.

The Life Line Screening NSA, appended here as Attachment F, is a negotiated contract between the Postal Service and Life Line Screening. The Agreement provides Life Line Screening with declining block rates for Standard Mail letters soliciting new and existing customers for direct-to-consumer preventive health screenings. As explained by witness Yorgey, the NSA:

is designed to provide economic incentives to Life Line Screening of America to increase its use of Standard Mail letters for selling health care screening services to a nationwide customer base. Direct mail expense is an important cost

component for Life Line Screening of America. Without such incentives as contained in the proposed NSA, Life Line Screening of America direct mail marketing volumes are expected to decline due to its sensitivity to direct mail cost increases, alternative marketing channels and certain business conditions that are inherent to Life Line Screening of America's operations. The incentives are based on volumes of, and are specific to Life Line Screening of America's Standard Mail solicitation letters. Solicitation letters are defined as letter-size Standard Mail sent by Life Line Screening of America seeking customers in need of health care screening services. The incentives will encourage Life Line Screening of America to mail additional solicitation letters to increase its customer base while maintaining its existing customer base. The Postal Service benefits from the additional contribution generated by an increased volume of Standard Mail letter-size solicitations.¹

In addition, the NSA contains a number of provisions designed to mitigate risk, which are discussed in detail by witness Yorgey, including:

- an annual volume commitment which must be met before discounts are payable that is set well above both the before-rates forecast and the initial discount volume level;
- an annual adjustment mechanism for those volume commitments, based on actual experience;
- an automatic termination clause if volumes exceed a specified cap;
- and an unconditional right of cancellation for both parties.

These provisions reflect the risk mitigation provisions used in previous NSA cases.

Accordingly, the Postal Service believes that this NSA provides an opportunity for gain for all concerned—Life Line Screening, the Postal Service, and postal ratepayers overall—with minimal, if any, risk of loss to any stakeholder.

¹ USPS-T-1, at 1-2.

The Commission's rules for consideration of NSAs separate “baseline” NSAs from those that are “functionally equivalent” to baselines.² The Life Line Screening NSA is the third new “baseline” NSA since the original NSA with Capital One Services, Inc. (Capital One).³ The rule specifically governing baseline NSAs is intended “to establish procedures which provide for maximum expedition of review consistent with procedural fairness, and which allows for the recommendation of a baseline Negotiated Service Agreement.”⁴

Rule 195(a)(1) requires that the Postal Service provide a “written justification for requesting a Negotiated Service Agreement classification as opposed to a more generally applicable form of classification” and rule 195(a)(2) requires a “description of the operational bases of the Negotiated Service Agreement, including activities to be performed and facilities to be used by both the Postal Service and the mailer under the agreement.”

As to the question of an NSA versus a generally available classification, the Postal Service believes that an NSA is appropriate in these circumstances. The terms and conditions of the NSA were specifically tailored to reflect the relationship between the Postal Service and Life Line Screening, which appears to be unique for the reasons set forth in the testimonies of witnesses Greenberg (LLS-T-1) and Yorgey (USPS-T-1). Of course, other mailers who can demonstrate that they are similarly situated would be welcome to negotiate a functionally equivalent NSA with the Postal Service. Any such NSA would similarly have to be tailored to the specific mailing profiles of those

² 39 C.F.R. §§ 3001.190–3001.198

³ Docket No. MC2002-2.

⁴ 39 C.F.R. § 3001.195(a) (hereinafter “rule 195(a)”).

customers. Thus, a generally available classification would not be a reasonable substitute for the NSA presented in this Request. As to the operational bases and facilities used, this NSA does not envision or require any changes to the current operations and facilities utilized by the Postal Service and Life Line Screening. Life Line Screening's mailing practices and postal handling of Life Line Screening's mail were scrutinized during the course of negotiations and no significant opportunities for additional substantive postal savings were identified.

Rule 195(b) provides that "[t]he Commission will treat requests predicated on a baseline Negotiated Service Agreement as subject to the maximum expedition consistent with procedural fairness." The rule further provides that "[a] schedule will be established, in each case, to allow for prompt issuance of a decision." To that end, a separate proposal for a limitation of issues accompanies this Request. As the proposal explains, the Postal Service submits that several issues that have already been established in prior NSA dockets need not be re-litigated in this docket. Moreover, because of significant similarities between this agreement and the Bookspan NSA, the Postal Service proposes to limit the scope of discovery to issues unique to the Life Line Screening NSA.

The overall cost, volume, and revenue effects of the Life Line Screening NSA are relatively modest, both in the first year and in later years of the proposed agreement. The proposed NSA would apply to only one, discretely-positioned mailer. The duration of the rates, fees and classifications would be limited to three years by the terms of the NSA. The proposed changes would apply to the rates and classifications for just Standard Mail letters. No other mail classes or special services would be changed.

The economic impacts of the proposal are described fully in the testimony of witness Yorgey (USPS-T-1). The Postal Service estimates it will benefit by \$4.87 million over the life of the NSA.

To implement the Life Line Screening NSA, the Postal Service requests that the Commission recommend the classification and rate schedules changes attached hereto, which propose the addition of Domestic Mail Classification Schedule 640 and Rate Schedule 640A, 640B, and 640C, one for each year of the agreement. Among other provisions, DMCS 640 prescribes the criteria for determining eligibility of Life Line Screening's mail for the proposed rate changes, describes the manner and conditions under which discounts would be applicable to Life Line Screening volume, and specifies a duration of three years for the NSA. As explained in witness Yorgey's testimony, the requested changes would conform to the criteria of 39 U.S.C. §§ 3622(b) and 3623(c).

The NSA provides a foundation for these changes. Among other provisions, the Life Line Screening NSA specifies: (1) the key conditions making the NSA possible, including the "multiplier effect," by which each "screening event" generates a continuing stream of mail; (2) a limitation of eligibility for the declining block rates to "Life Line Letter Mail Solicitations" sent as Standard Mail; (3) annual volume commitments (set higher than both before-NSA forecast and the volume level at which discounted rates begin); (4) annual adjustment mechanisms for these volume commitments; (5) automatic termination of the agreement in the event an unanticipated, high volume level is reached; (6) the unconditional right of either party to terminate with 30 days' notice to the other party; (7) a transaction penalty; and (8) information concerning other issues,

such as monitoring, compliance, regulatory review, implementation, withdrawal, public communications, amendments, and notices.

Pursuant to the Commission's Rules of Practice and Procedure (particularly, 39 C.F.R. §§ 3001.193 and 3001.195), the Postal Service is filing with this Request its prepared direct evidence on which it proposes to rely. Other evidence on which the Postal Service intends to rely is being filed today by Life Line Screening and is referred to in the Compliance Statement attached hereto. Accordingly, the Postal Service believes it is appropriate for the Commission to recommend the requested rate and classification changes, under the procedures specified in the Commission's Rules of Practice and Procedure for baseline NSAs.

The page following this Request is an index of Attachments. Attachment A to this Request contains proposed Domestic Mail Classification Schedule (DMCS) language necessary to implement the Life Line Screening NSA, and Attachment B contains proposed Rate Schedule language. Attachment C contains the financial certification. The testimony and exhibits have been marked for identification as shown in Attachment D. The Compliance Statement is in Attachment E, which refers to evidence filed by both the Postal Service and Life Line Screening. A signed copy of the NSA is Attachment F. The proposed data collection plan is contained in the testimony of witness Yorgey.

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

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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INDEX OF ATTACHMENTS TO REQUEST, MC2007-5

Rate and Services Changes to Implement Baseline Negotiated Service Agreement with Life Line Screening

- Attachment A: Domestic Mail Classification Schedule 640 Language
- Attachment B: Rate Schedules 640A, 640B, 640C
- Attachment C: Certification
- Attachment D: Index of Testimonies, Exhibit Titles, and Associated Attorneys
- Attachment E: Compliance Statement
- Attachment F: Negotiated Service Agreement between the United States Postal Service and Life Line Screening

NEGOTIATED SERVICE AGREEMENTS
CLASSIFICATION SCHEDULE

[insert the underlined text below]

640 LIFE LINE SCREENING NEGOTIATED SERVICE AGREEMENT

640.1 Eligible Standard Mail

640.11 Life Line Screening

Eligible Standard Mail under this section is defined as letter-shaped pieces sent by Life Line Screening for the purpose of soliciting prospective customers and clients of Life Line Screening, as well as advertising to existing Life Line Screening clients. Such letters may be sent by Life Line Screening, by entities in which Life Line Screening holds controlling shares, or by their vendors on their behalf. Such letters may also include up to two inserts promoting Life Line Screening's strategic business alliances.

640.2 Standard Mail Declining Block Rates

640.21 Volume Commitments

The following volume commitments for otherwise eligible letter-shaped Standard Mail pieces must be met before any discounts under this section are payable:

- a. 95 million letter-shaped pieces for the first year of the agreement;
- b. 93 million letter-shaped pieces for the second year of the agreement, subject to adjustment as specified below; and,
- c. 93 million letter-shaped pieces for the third year of the agreement, subject to adjustment as specified below.

If Life Line Screening does not mail at least 75 million Standard Mail letter-shaped pieces during the first year of this agreement, it will pay the Postal Service a one-time transaction fee of \$200,000.

640.22 Volume Commitment Adjustment Mechanism

At the end of each year of the agreement other than its final year, the volume commitment for the following year will be adjusted, as follows.

- a. If, at the end of the year, actual volume is 12 percent or more above that year's volume commitment, the following year's commitment will be revised to be the average of the completed year's actual volume and the original volume commitment for the following year.
- b. If, at the end of the year, actual volume is 5 percent or more below that year's volume commitment, the following year's commitment will be decreased by the percentage difference between the completed year's original volume commitment and its actual volume, but in no case to lower than 80 million for the second year of the agreement or 80 million for the third year of the agreement. If the adjusted volume commitment falls below the following year's starting threshold, the starting threshold must then be adjusted to equal: the adjusted volume commitment plus 5 million pieces for letters.

640.23 Incremental Discounts

Life Line Screening's eligible Standard Mail is subject to the otherwise applicable Standard Mail postage in Rate Schedules 321A or 321B, less the discounts shown in Rate Schedule 640A for the first year of the agreement, in Rate Schedule 640B for the second year of the agreement, and in Rate Schedule 640C for the third year of the agreement, if Life Line Screening meets the applicable volume commitments specified in 640.21, or as adjusted in accordance with 640.22. Each incremental discount applies only to the incremental volume within each volume block.

640.24 Volume Block Adjustments for Mergers and Acquisitions

In the event that Life Line Screening merges with and/or acquires an entity or entities and/or purchases a portfolio with annual Standard Mail letters volume in excess of 10 million pieces, the volume blocks will be adjusted to add the volume of Standard Mail sent by the merged or acquired entity during the 12 months preceding the merger, acquisition, or purchase. The adjustment becomes effective for the succeeding fiscal quarter immediately following the date that mail volumes due to the merger, acquisition, or purchase begin to be mailed through the threshold permit accounts.

640.25 Termination

The agreement automatically terminates and eligibility for all discounts under this section ceases if Life Line Screening's Standard Mail volume exceeds 10 million pieces above the maximum volume in the top tier of

Rate Schedules 640A, 640B, or 640C in any year of this agreement as may be adjusted in accordance with 640.22, or if the agreement is terminated by either party with 30 days' written notice to the other party.

640.4 Rates

The rates applicable to this Agreement are set forth in the following Rate Schedules 640A, 640B, and 640C.

640.5 Expiration

This provision (Section 640) expires 3 years from the implementation date set by the Board of Governors.

640.6 Precedence

To the extent any provision of section 640 is inconsistent with any other provision of the Domestic Mail Classification Schedule, the former shall control.

**LIFE LINE SCREENING NSA
RATE SCHEDULE 640A
(First Year of Agreement)**

Eligible Standard Mail Letters

<u>Volume Block¹</u>	<u>Incremental Discount</u>
<u>90,000,001 to 100,000,000</u>	<u>1.0¢</u>
<u>100,000,001 to 110,000,000</u>	<u>2.0¢</u>
<u>110,000,001 to 118,000,000</u>	<u>3.0¢</u>

¹ Volume block beginning and ending thresholds are subject to adjustment in accordance with DMCS § 640.22 and DMCS § 640.24

**LIFE LINE SCREENING NSA
RATE SCHEDULE 640B
(Second Year of Agreement)**

Eligible Standard Mail Letters

<u>Volume Block²</u>	<u>Incremental Discount</u>
<u>88,000,001 to 98,000,000</u>	<u>1.0¢</u>
<u>98,000,001 to 108,000,000</u>	<u>2.0¢</u>
<u>108,000,001 to 116,000,000</u>	<u>3.0¢</u>

² Volume block beginning and ending thresholds are subject to adjustment in accordance with DMCS § 640.22 and DMCS § 640.24

**LIFE LINE SCREENING NSA
RATE SCHEDULE 640C
(Third Year of Agreement)**

Eligible Standard Mail Letters

<u>Volume Block</u> ³	<u>Incremental Discount</u>
<u>88,000,001 to 98,000,000</u>	<u>1.0¢</u>
<u>98,000,001 to 108,000,000</u>	<u>2.0¢</u>
<u>108,000,001 to 116,000,000</u>	<u>3.0¢</u>

³ Volume block beginning and ending thresholds are subject to adjustment in accordance with DMCS § 640.22 and DMCS § 640.24

CERTIFICATION

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

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



Ashley Lyons

INDEX OF TESTIMONIES: DOCKET NO. MC2007-5

WITNESS	TESTIMONY	EXHIBITS		WORKPAPERS	ATTORNEY
		TITLE	NO.		
Ms. Yorgey	USPS-T-1	None		None	Elizabeth A. Reed 202-268-3179

COMPLIANCE STATEMENT

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

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

RULE: 193(b)

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

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

RULE: 193(c)

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

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

RULE: 193(d)

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

The statements required by this rule are contained within the testimony of witnesses Michelle Yorgey (USPS-T-1) and Eric Greenberg (LLS-T-1).

RULE: 193(e)(1)

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

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

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

The analysis required by this rule is contained within the testimony of witnesses Michelle Yorgey (USPS-T-1) and Eric Greenberg (LLS-T-1).

RULE: 193(e)(2)

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

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

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

Michelle Yorgey (USPS-T-1) and Eric Greenberg (LLS-T-1).

RULE: 193(f)

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

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

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

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

RULE: 193(g)

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

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

RULE: 193(h)

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

There are no workpapers in this case.

RULE: 193(i)

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

The certification is submitted as Attachment C to this Request.

RULE: 195

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

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

These requirements are discussed in the Request, and within the testimony of witnesses Michelle Yorgey (USPS-T-1) and Eric Greenberg (LLS-T-1).

Docket No. MC2007-5 Request

ATTACHMENT F

**NEGOTIATED SERVICE AGREEMENT
BETWEEN THE UNITED STATES POSTAL SERVICE
AND LIFE LINE SCREENING**

**NEGOTIATED SERVICE AGREEMENT
BETWEEN
THE UNITED STATES POSTAL SERVICE
AND
LIFE LINE SCREENING OF AMERICA**

This Agreement is made as of July 17, 2007 (the "Agreement Effective Date") by and between Life Line Screening of America ("Life Line"), with its principal place of business located at 5400 Transportation Boulevard, Cleveland, OH 44125, and the United States Postal Service ("the Postal Service"), an independent establishment of the Executive Branch of the United States Government established by the Postal Reorganization Act, Public Law 91-375, as amended, with its principal office at 475 L'Enfant Plaza, SW, Washington, DC 20260. The Postal Service and Life Line are referred to herein collectively as the "Parties" and each as a "Party."

WHEREAS, it is the intention of the Parties to enter into a Negotiated Service Agreement ("NSA") that will benefit the Postal Service, the postal system as a whole, and Life Line, and that will comply with the requirements of the Postal Reorganization Act and the Postal Accountability and Enhancement Act, Public Law 109-435,

NOW, THEREFORE, the Parties agree as follows:

i. Key Conditions for NSA Treatment.

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

- A. In the last three government fiscal years, Life Line mailed an average of 74 million Standard Mail letters to consumers, which include prospective customers and existing customers of Life Line. For the purposes of this Agreement, the Life Line letters eligible for discounts ("Life Line Letter Mail Solicitations") shall include Standard Mail Regular and ECR solicitation letters sent by Life Line, by entities in which Life Line holds controlling shares, and by their vendors on their behalf. Such solicitations may include up to two inserts promoting Life Line's strategic business alliances.
- B. Life Line has documented the volume of Life Line Standard Mail letters and the volume of other types of mailpieces Life Line enters under its own or its vendors' PostalOne™ permit accounts (including pre-cancelled stamps, imprints, and meters), primarily Standard Mail.

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- C. As Life Line obtains new customers through its Standard Mail letter solicitations, a stream of related correspondence results (“multiplier effect”).

II. Volume Commitments and Declining Block Rates.

- A. Volume Commitments. In consideration of the discounts available to Life Line under this Agreement, Life Line shall mail the minimum volumes of Life Line Letter Mail Solicitations specified below during the term of this Agreement. Standard Mail pieces that will be counted toward these commitments and that will be eligible for discounts set forth in Article II.D, are limited to Life Line Letter Mail Solicitations. Flats will not be counted toward the volume commitments, nor will they be eligible for block discounts. If Life Line does not mail at least 75,000,000 Life Line Letter Mail Solicitations during the first year of this Agreement, it agrees to pay the Postal Service a one-time transaction fee of \$200,000.

1. Year One. In the first year of this Agreement, the volume commitment will be 95,000,000 pieces of Life Line Letter Mail Solicitations.
2. Year Two. In the second year of this Agreement, the volume commitment will be 93,000,000 pieces of Life Line Letter Mail Solicitations, except as follows:
 - a. If, at the end of Year 1, actual volume is 12 percent or more above the Year 1 commitment, the Year 2 commitment will be revised to be the average of Year 1 actual volume and the original Year 2 commitment (93,000,000).
 - b. If, at the end of Year 1, the actual volume is 5 percent or more below the Year 1 commitment, the Year 2 commitment will be decreased by the percentage difference between the Year 1 commitment and Year 1 actual volume, but not lower than 80 million. If the Year 2 commitment as adjusted by the previous sentence falls below the Year 2 starting threshold, the starting threshold will be adjusted to the Year 2 commitment as adjusted by the previous sentence, and the applicable Year 2 commitment will be further adjusted to equal the new Year 2 starting threshold plus five million pieces.
3. Year Three. In the third year of this Agreement, the volume commitment will be 93,000,000 pieces of Life Line Letter Mail Solicitations, except as follows:
 - a. If, at the end of Year 2, the actual volume is 12 percent or more above the Year 2 commitment, the Year 3 commitment will be

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revised to be the average of Year 2 actual volume and the original Year 3 commitment (93,000,000).

- b. If, at the end of Year 2, the actual volume is 5 percent or more below the Year 2 commitment, the Year 3 commitment will be decreased by the percentage difference between the Year 2 commitment and Year 2 actual volume, but not lower than 80 million. If the Year 3 commitment as adjusted by the previous sentence falls below the Year 3 starting threshold, the starting threshold will be adjusted to the Year 3 commitment as adjusted by the previous sentence, and the applicable Year 3 commitment will be further adjusted to equal the new Year 3 starting threshold plus five million pieces:

- B. Discounts. In exchange for Life Line's adherence to the volume commitments in Article II.A for Life Line Letter Mail Solicitations, declining block rates of postage will be available for volumes within certain blocks of such Standard Mail, as defined in Article II.D. The declining block rates will be calculated by applying the discounts specified below to the otherwise applicable rates of postage. The discounts specified below apply only to the incremental volumes within each volume block.
- C. Credits. Life Line agrees to pay the otherwise applicable rates of postage at the time the mail is entered. The Postal Service will provide Life Line with credits of the appropriate amounts of the discounts as specified in Article II.D.
- D. Declining Block Rates.

The declining block rates calculated as shown below are not applicable unless the volume commitments in Article II.A have been met.

- 1. If the volume commitment specified in Article II.A for the first year is met, declining block rates are calculated for the first year based on the following volume blocks and discounts:

<u>Volume Block</u>		<u>Incremental Discounts</u>
90,000,001	100,000,000	1.0¢
100,000,001	110,000,000	2.0¢
110,000,001	118,000,000	3.0¢

- 2. If the volume commitment specified in Article II.A for the second year is met, declining block rates are calculated for the second year based on the following volume blocks and discounts:

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<u>Volume Block</u>		<u>Incremental Discounts</u>
88,000,001	98,000,000	1.0¢
98,000,001	108,000,000	2.0¢
108,000,001	116,000,000	3.0¢

3. If the volume commitment for the third year specified in Article II.A is met, declining block rates are calculated for the third year based on the following volume blocks and discounts:

<u>Volume Block</u>		<u>Incremental Discounts</u>
88,000,001	98,000,000	1.0¢
98,000,001	108,000,000	2.0¢
108,000,001	116,000,000	3.0¢

F. Acquisition or Merger. Life Line agrees that the Standard Mail volume blocks will be adjusted to the extent that Life Line merges with or acquires an entity with annual Standard Mail letter volumes in excess of 5 million pieces in the year preceding the acquisition or merger. Life Line further agrees that the Standard Mail volume blocks will also be adjusted to the extent that in any Postal Service fiscal year, Life Line merges with or acquires multiple entities with combined annual Standard Mail letter volume in excess of 10 million pieces. Life Line must notify the Postal Service of any merger or acquisition with an entity that has annual Standard Mail volume in excess of 5 million pieces.

In addition, at the end of any Postal Service fiscal year during the term of this Agreement, Life Line will notify the Postal Service if during that fiscal year it has merged with or acquired multiple entities with combined annual Standard Mail volume in excess of 10 million pieces. The notification must include the name of the acquired entities, the existing number of new accounts, the mail volume of the acquired entities for the 12 months preceding the merger or acquisition, and the PostalOne™ permit accounts and meters through which the mail volume was processed. If the merger or acquisition results in a material increase as described herein, the Standard Mail volume blocks will be adjusted to add the volume of Standard Mail sent by the acquired entity during the 12 months preceding the merger or acquisition. All adjustments of volume blocks due to mergers or acquisitions shall be made on a quarterly basis in the succeeding fiscal quarter immediately following the date of acquisition or merger.

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G. Volume Accounting.

1. Life Line will provide the Postal Service with the numbers of the PostalOne permit accounts that will determine Life Line's eligibility for discounts. The permit accounts may be designated and used to determine the discounts only upon the Postal Service's written acknowledgement. Separate qualifying PostalOne permit accounts will be designated and used for Life Line Letter Mail Solicitations. Only Life Line's Letter Mail Solicitations in these permit accounts will be counted toward the Standard Mail volume commitment and volume blocks. The data in these Postal Service permit accounts will be used to determine whether these volumes have been reached, and the Postal Service shall keep such data in a form auditable by Life Line.
2. If Life Line's Letter Mail Solicitations volume exceeds the volume commitment for the applicable year, Life Line will be eligible to receive a credit for discounts on subsequent Life Line Letter Mail Solicitations volume sent through the designated PostalOne permit accounts during the remaining portion of the applicable year of this Agreement.
3. At the end of each Postal Service fiscal quarter that follows the conclusion of each year of this Agreement, the Postal Service shall promptly deliver its summary of Letter Mail Solicitations usage and applicable credit due Life Line. The Postal Service will identify Life Line's annual Standard Mail volume and corresponding credit due Life Line. Any applicable credit due Life Line will be realized at the commencement of the subsequent fiscal quarter, once volumes have been reconciled for the applicable year of this Agreement. The credit shall be paid to Life Line either by wire transfer or by the Postal Service promptly posting an appropriate credit to Life Line's CAPS account.
4. At the end of the fourth Postal Service fiscal quarter, all Life Line Standard Mail volumes and discounts will be reconciled and the Postal Service will promptly disclose to Life Line whether additional credits are available or whether more discounts have been given than due under the Agreement. If Life Line has received more discounts than due, Life Line authorizes the Postal Service to deduct the amount from any of its CAPS accounts, upon ten (10) business days notice. Any additional amounts owed to Life Line will be credited per instructions from Life Line within ten (10) business days.
5. Life Line understands that in the normal course of business, the Postal Service occasionally edits PostalOne!™ permit account data after the close of a quarter to reconcile a discrepancy. If such an edit affects the

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Standard Mail volume in either the Postal Service's or Life Line's favor, the change will be accounted for under the terms of this Agreement.

III. Compliance and Other Issues.

A. Compliance.

Life Line will make necessary records and data available to the Postal Service to facilitate and monitor compliance with this Agreement.

B. Appeals.

Life Line may appeal a Postal Service decision regarding the following: mail counted toward the volume blocks set forth in Article II.A and Article II.D; volume block adjustments set forth in Article II.F; the volume of mail in the PostalOne permit accounts set forth in Article II.C and Article II.G; and the amount of discounts paid set forth in Article II.B, Article II.C, Article II.D and Article II.G. Any such appeal must be made in writing to the Pricing and Classification Service Center, within 30 days of receiving notice of the Postal Service decision. The decision of the Manager, P&CSC, will be final. Any decision that is not appealed as prescribed becomes the final Postal Service decision.

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

C. Effective Date.

The Agreement is effective on the latest date of signing by both Parties. References to "years" of the Agreement refer to periods ending on the anniversary date of the implementation date referred to in Article III.E below.

D. Regulatory Review.

1. In accordance with the Postal Reorganization Act and the Postal Regulatory Commission's Rules of Practice and Procedure and upon approval of the Postal Service Board of Governors, the Postal Service will file a request with the Postal Regulatory Commission ("Commission") for recommended changes in rates, fees, and classifications that would allow the Postal Service to implement this agreement.
2. Life Line agrees to file with the Commission its direct case supporting the Postal Service's request on the date the Postal Service files its request. Life Line will file any motions for waiver necessary to support these filings.

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3. The Parties agree to provide the other with each full draft of its testimony and accompanying workpapers and library references when available. The Postal Service will approve the final version of these materials.
4. Each party agrees to consult with the other on positions to be taken in pleadings prior to filing. Life Line agrees not to take any position in the litigation contrary to those of the Postal Service.
5. Each party agrees to bear its own costs related to the subject matter of this Agreement and its costs of participating in Commission and court proceedings resulting from the Postal Service's request for a recommended decision.
6. Each party agrees to bear its own costs associated with any data collection needs associated with this Agreement.

E. Term & Implementation Date.

Pursuant to the Postal Reorganization Act, the Postal Accountability and Enhancement Act, and upon approval by the Governors of the Postal Service of the changes in rates, fees, and classification recommended by the Commission, the Board of Governors will set the Implementation Date. It is further agreed that should the Implementation Date fall prior to the commencement of a Postal Service fiscal quarter, then for the period of time between the implementation date and the first full Postal Service fiscal quarter, any applicable volume blocks will be pro-rated as mutually agreed by the Parties, and thereafter the Agreement will continue for a period of three years from the implementation date set by the Board of Governors, or until (i) the provisions of the Domestic Mail Classification Schedule relative to this Agreement expire or (ii) the Agreement is terminated or cancelled by one of the Parties pursuant to Article IV.F. It is further agreed that should the termination date of this Agreement fall prior to the end of a Postal Service fiscal quarter, then for the period of time between the end of the preceding Postal Service fiscal quarter and the termination date, any applicable volume blocks will be pro-rated as mutually agreed by the Parties.

F. Termination.

1. Each party reserves the right to terminate this Agreement, without penalty, with thirty days' written notice to the other party.
2. This Agreement automatically terminates if Life Line's total volume of Standard Mail letters eligible for the discounts set forth in Article II.D exceeds 10 million pieces above the maximum volume of letters in the top

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volume blocks (as may be adjusted by the provisions of Article II), in any year of this Agreement.

IV. Public Communications.

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

V. Amendments.

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

VI. Notices.

Service of all notices under this Agreement shall be in writing and sent by either U.S. Certified Mail, return receipt requested, postage paid, addressed to the Party to be served notice, or by nationally recognized overnight mail service, at the following addresses. All such notices and communications shall be effective upon receipt.

United States Postal Service:

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

Managing Counsel,
Legal Policy and Ratemaking Law
United States Postal Service
475 L'Enfant Plaza SW
Washington DC 20260-1135

Life Line Screening:

Eric Greenberg
Vice President Marketing
Life Line Screening
5400 Transportation Boulevard
Cleveland, OH 44125

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

UNITED STATES POSTAL SERVICE

By: 

Printed Name: Michael K. Plunkett

Title: A/ Vice President

Date: 7-17-07

LIFE LINE SCREENING

By: 

Printed Name: Eric Greenberg

Title: VP Marketing

Date: 7/17/07