



M & D LOGISTIX
COMAILING AND DISTRIBUTION SERVICES

STATEMENT OF WORK

CO-MAIL PROGRAM SEPTEMBER 2011

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ARTICLE 1 INTRODUCTION

The purpose of this Statement of Work is to detail the operational processes and data flow of M&D Logistix' Co-mailing ("co-mail") operations. This document provides a framework of how M&D's co-mail services are structured and a procedural outline of clients' processes and requirements. The statements, descriptions, and assertions set forth below are not intended to be contractually binding on any party and are subject to change at any time at the sole discretion of M&D Logistix.

COMPANY PROFILE

M&D Printing Co., established in 1936, is an industry leader providing print, binding, fulfillment and logistics services. M&D Printing was one of the first to explore the co-mail industry, taking part in a USPS-driven challenge to invent one of the first co-mail lines in the country. Coming full circle on that beginning, M&D has identified a market that has a need for our services and has updated our custom-built technology to cater to that market.

ABOUT CO-MAILING

Co-mail reduces postage costs and standardizes delivery times. This process is achieved by collating together mailings of multiple titles / publications that previously would have been mailed independently. When combined in the co-mail process these individual mailings create a much larger mailing, resulting in a higher piece count which increases eligibility for Carrier Route and automation postal discounts. Co-mail changes the mailing presort qualification, or packager make-up, because each titles' file is merged with other participants' files, and the entire "pool" is presorted into postal destination qualifying pallets. This larger pool has a higher piece count and allows each title to achieve greater postage savings through a combined mailing. These combined mailings increase the potential for deeper injection into the postal system, thereby increasing the eligibility for automation and carrier route discounts.

ARTICLE 2 CONFIDENTIALITY

Prior to receipt of this document, clients entered into a Mutual Confidentiality and Non-Disclosure Agreement with M&D Logistix. As a result, each party agrees to hold confidential or proprietary information or trade secrets ("confidential information") in trust and confidence and agrees that it shall be used only for the contemplated purposes, shall not be used for any other purpose, or disclosed to any third party. No copies will be made or retained of any written information supplied without the permission of either party. At the conclusion of any discussions, or upon demand by either party, all confidential information, including client lists, mailing lists, paper volumes, postal agreements, prototypes, written notes, photographs, sketches, memoranda or notes taken shall be returned. Confidential information shall not be disclosed to any employee, consultant or third party without the expressed written consent of either party. This Agreement and its validity, construction and effect shall be governed by the laws of the State of Illinois.

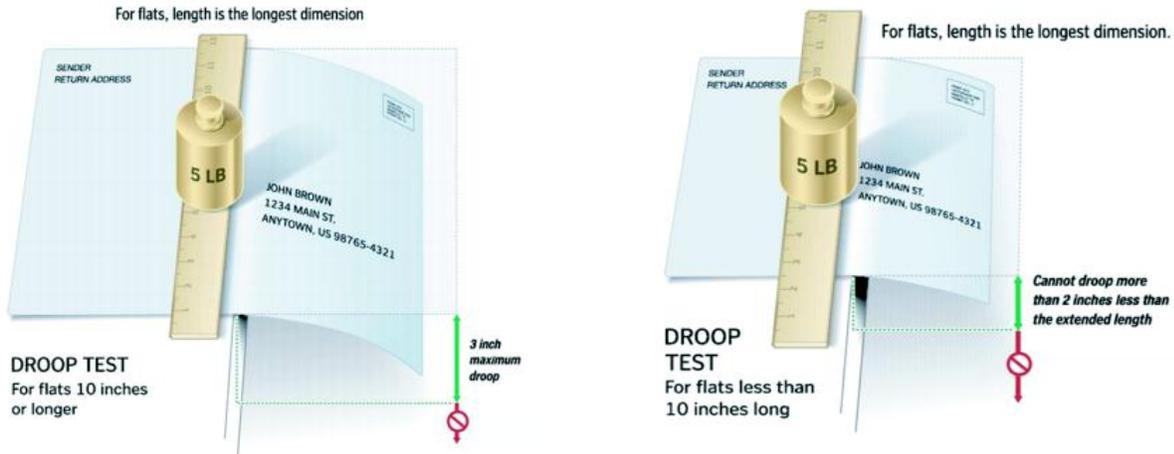
ARTICLE 3 STATEMENTS OF OPERATING PROCEDURES; CO-MAILING

CLIENT ELIGIBILITY

- Clients must utilize a USPS CAPS Debit account for all postage transactions. M&D cannot accept a CAPS Trust Account.
- Each title cover should allow for ink jetting of the address based on M&D template specifications or labeling will be utilized.
- Presorted files prepared by M&D Logistix' Mail-List Data Prep.

USPS FLATS DEFLECTION

- If a title fails the flats deflection parameters in co-mail, additional postage will be assessed to that title only. Failure will not affect the entire pool.
- The USPS reserves the right to not allow pieces failing deflection to participate in the co-mail pool.
- M&D Logistix will not be held liable for any pieces failing deflection. This is the sole responsibility of the client.



PRODUCT SPECIFICATIONS

Periodical flats - should be at least 13" high X 10" wide and not more than 15" high X 12" wide, with a minimum thickness of 1/8" (.125") and a maximum thickness of 5/8" (.625").

- See the inkjet templates - note head and foot trim notes.
- Periodical advertising calculations are the sole responsibility of the client.
- Books with marked-up advertising are not needed.
- Please note that the minimum thicknesses are a guide. Any pieces at or below this minimum thickness must be tested on the M&D Co-mail equipment for approval.
- M&D will report back immediately if a title has difficulty running in co-mail for any reason.

Standard flats - should be at least 13" high X 10" wide and not more than 15" high X 12" wide, with a minimum thickness of 1/8" (.125") and a maximum thickness of 5/8" (.625").

- See inkjet templates - note head and foot trim notes.
- Please note that the minimum thicknesses are a guide. Any pieces at or below this minimum thickness must be tested on the M&D co-mail equipment for approval.
- M&D will report back immediately if a title has difficulty running in co-mail for any reason.

Poly Bagged Material – At this time, M&D does not support poly bagged magazines on our co-mail line.

Inbound Product Specifications/Spoilage

- M&D requires all inbound freight be prepared on USPS postal pallets. (No wooden pallets)
- Pallets may not exceed 2,000 lbs and pallets should not be taller than 40 inches.
- Pallets should be strapped and wrapped to ensure secure handling in transit.
- Bundles should not be compensated. Layers of pallets may be compensated.
- Product should not be shipped using telescopic cartons.

- Product should be tagged with client name, mail title, mail type, co-mail pool number, pallet numbers and pallet sequence.
- Bundles on pallets should not be individually shrink-wrapped, strapped or in cartons on the inside of the pallets.
- Non-compliance with inbound product specifications will result in additional handling charges.

A minimum of 100 extra books should be supplied to accommodate “make ready” and an additional 1% of the mail run should be supplied to accommodate run spoilage.

Upon arrival at the M&D facility, M&D will weigh verify all product to ensure that the pallet flag counts match the sum of the total records, plus make ready and spoilage quantities. Should a count variance occur, clients will be notified and will be responsible for shipping extra product to M&D in time to make pool dates, or approve the mailing shortage. All surplus books will be scrapped and recycled once the clients mailing has been verified and shipped.

CO MAIL SCHEDULING PROCESS

M&D requires that all clients use the Co-mail scheduling web tool to schedule their jobs. Utilizing the web tool and calendar is the most efficient way for clients to realize optimal postage savings.

Scheduling is done on a “first come, first serve” basis.

- Once a pool slot is requested, an email will be sent from M&D Client Services to indicate if a request has been approved or rejected.
- If a scheduled mailing must change, clients must contact M&D immediately to re-schedule into the next available pool.
- All data files are due to M&D by noon on the file-in date scheduled for that appropriate pool. Please reference the co-mail pool schedule sheet to see the date that files are required for a pool.
- Product is due to M&D by noon on the product due date scheduled for that appropriate pool. Please reference the co-mail pool schedule sheet to see the date that material is required for a pool.
- Noncompliance with scheduled in-dates will result in additional charges.

CLIENT FILE SPECIFICATIONS

- Clients may choose to run the Coding Accuracy Support System (“CASS”) at M&D or at their own facility. If a client chooses to run their own CASS, the CASS Certificate (Form 3553) must accompany the address files sent to M&D. Clients must supply address files in Dbase III format and the address format must follow the layout on the M&D Master Structures Spreadsheet. *To obtain a current specification sheet, please contact M&D Client Service.*
- All files, CASS Certificates and address block PDF showing final inkjet placement must be uploaded via the M&D Co-mail web tool.
- To participate in **IMB Basic**, clients need to provide the Mailer ID in the data supplied to M&D.
- To participate in **IMB Full Service**, clients must provide the Mailer ID, Service Type ID and Serial Number in the data supplied to M&D.
 - M&D cannot guarantee that all clients requesting IMB Full Service will receive the Full Service discount. The USPS is not ready to handle Mixed Class Co-mail pools at this time in PostalOne! which will cause the loss of Full Service discounts.

DATA PREPARATION PROCEDURES - M&D CLIENT SERVICE - (CS)

- Each client will upload their data files to the M&D co-mail website.

- Each client is required to upload a PDF or other document showing the address block location and details/outline of where the final inkjet needs to appear.
- Move Update: Each client MUST select a move update method on the M&D co-mail website.
- A “notification email” will automatically be sent to M&D Client Service.
- Client Service will download the data files, assign each file a unique file identifier and log into Pool Data Manifest

DATA PROCESSING PROCEDURES - M&D DATA PROCESSING

- M&D will CASS Certify files which are not processed by the client.
- Data reports are sent to the client by **8AM**, approval needs to be received by **4PM** the same day. M&D considers no response as an approval.
- Presorting the co-mail files begins after the CASS is run and approvals are received.
- Inkjet files will be set up as a VIP ¾ format and have message data and codes on separate lines.
- M&D will re-presort files individually to show origin non co-mail postage 24 hours after a pool is complete.

INBOUND FREIGHT

- M&D must receive all client mail for a pool by the dates specified in the Co-mail Schedule Spreadsheet.
- All Client product received at an M&D facility must be accompanied by an accurate Bill of Lading with all fields filled in.
- M&D will weigh verify each pallet to ensure piece count accuracy.
- Each pallet received will be recorded into the Co-mail System Transaction file and placed into the Receiving Queue Location.
- Incoming mail will reside in a receiving queue until each pallet is weighed, counted, labeled, and placed into the pool inventory.
- M&D material handlers use the Pool Data Manifest to confirm that all inbound freight has been received for each Co-mail pool.
- For each co-mail job in process, the co-mail system will maintain an average piece weight for each piece of mail received. The system will optionally enforce periodic re-sampling of incoming material to maintain accuracy regardless of paper variation. A sample of ten pieces per individual job is pulled and M&D’s DMU clerk confirms a USPS piece weight.

CO-MAIL QUALITY CONTROL PROCEDURES

M&D adheres to a stringent quality assurance program throughout the entire co-mail production process. M&D maintains an extensive Quality Control check list which is reviewed and managed by the M&D Management team. For more details on M&D’s Quality Assurance process, please contact M&D Client Service.

USPS VERIFICATION

As a co-mail pool is produced, M&D will release mail daily into the mail stream.

M&D Client Service will supply the USPS DMU clerk all required postal paperwork for verification via Monticello.

The required postal paperwork includes but is not limited to:

- USPS Qualification Report, USPS rate summary consolidated 8125’s and postage statements.
- 3602 or 3541 forms per individual title and CASS Form 3553.

USPS DMU clerk verifies paperwork and mail to ensure accurate barcode readability and sortation. Postage will then be debited from the client’s USPS permit account (CAPS DEBIT).

OUTBOUND FREIGHT

ALG Worldwide Logistics will handle all outbound freight deliveries to the USPS facilities. ALG is a third-party logistics service provider dedicated to the finest level of supply chain management.

CLIENT REPORTS, INVOICING, PAYMENT

M&D sends one postage statement showing Origin Non Co-mail postage after pool mail date to Client Services. Clients will be invoiced after each pool according to their pricing schedule. All invoices are due upon receipt.

ARTICLE 4 DATA SECURITY

M&D is aware of and understands client concerns regarding security of mail lists and other proprietary information. M&D provides a safeguarded environment via multiple layers of security that ensures client data is only viewed by authorized individuals. M&Ds' firewall uses proven state-full packet inspection technology to validate that data is coming and going to the proper places. M&D ensures that all files are free of malicious code and viruses by utilizing Symantec's suite of security products to scan the files.

All electronic client media will be received directly by our secure FTP site and will be stored in a secured environment. Files are checked and loaded onto a computer in a password-protected location. File media will be stored under a client's unique client code, job number, and unique co-mail pool number. Files will be assigned to the co-mail line just prior to being required, and will be transferred electronically over the network inkjet controller. When a job is completed, client data is removed from our network and stored as back up in a secure network environment.

ARTICLE 5 FORCE MAJEURE

Either party's performance hereunder may be suspended and its obligation hereunder excused in the event and during the period that its performance is prevented by a cause or causes beyond its reasonable control, such as, by way of example and not limitation, acts of God; acts of war; riots; fire; explosions; floods or other adverse weather conditions; failure of power, labor troubles; strikes; judicial, administrative or governmental laws, regulations, requirements, rules, orders or actions; national defense requirements, or other reasons of a like nature beyond the reasonable control of the party delayed in performing its obligations.

In the event of an occurrence of a Force Majeure, the affected party shall notify the other party immediately, setting forth the particulars of the circumstances, its expected duration, and the steps it is taking to overcome the cause.

ARTICLE 6 ERRORS AND OMISSIONS

M&D is dedicated to providing high quality, reliable service that exceeds our clients' expectations. On the rare occasion that an error occurs and it is deemed that M&D is at fault, a resolution will be pursued on a case-by-case basis. Each client's situation will be evaluated individually to determine the most accurate method of measuring potential damages.

ARTICLE 7 CONTACT INFORMATION

M&D Logistix Administrative Offices
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Julie Harris
Logistics Supervisor
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ARTICLE 8 ACCEPTANCE AND AUTHORIZATION

The terms and conditions of the this Agreement apply in full to the services and products provided under this Statement of Work.

IN WITNESS WHEREOF, the parties hereto each acting with proper authority have executed this Statement of Work, under seal.

M&D Logistix Co.

Full name

Full name

Title

Title

Signature

Signature

Date

Date