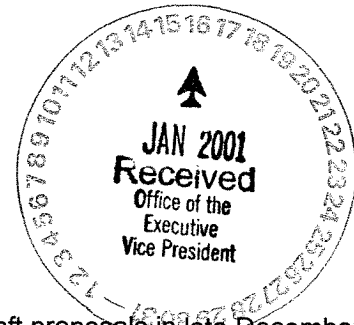


ANTHONY J. VEGLIANTE
VICE PRESIDENT, LABOR RELATIONS



January 12, 2001

Mr. William Burrus
Executive Vice President
American Postal Workers Union, AFL-CIO
1300 L Street, N.W.
Washington, DC 20001-2196



Dear Bill:

Reference is made to our several telephone conversations and various draft proposals in late December as well as our January 9, 2001, meeting with respect to the December 29, 2000, Memorandum of Understanding (MOU) dealing with Salary Schedules 1 and 2.

As we agreed, the December 29, 2000, MOU was intended to reduce the perceived impact on employees in Steps B and C when slotting from Schedule 1 to Schedule 2, pursuant to the parties' October 8, 1999, Memorandum of Understanding concerning the Promotion Pay Anomaly. Furthermore, the parties also intended that the December 29, 2000, MOU would not provide any monetary windfall to those employees in steps D through H who will not be slotted into Schedule 2 on April 21; rather, they will remain in Schedule 1 until reaching Step I at which time they will be slotted to Step N (Grades 2, 3 and 4) or Step M (Grades 5, 6 and 7). At our January 9, meeting, we agreed that eligible PTF employees would receive the full cash payments while eligible PTR employees would receive pro-rated cash payments, consistent with the paid hour basis contained in Article 9.3.B of the 1994 National Agreement. As we agreed, and as set forth in the introductory paragraph and in Section A of Attachment A of the December 29, 2000, MOU, there will be two cash payments for all eligible employees.

We also agreed that the parties would designate knowledgeable individuals at the national level as an administrative committee to resolve the three asterisked issues on page 2 of Attachment A associated with the implementation of the December 29, 2000, MOU. In that regard, the Postal Service intends to use the eligibility rules associated with the 1995 and 1997 cash payments with respect to the first eligibility rule (i.e., in a pay status in the pay period immediately preceding the payment effective date) found on page 2 of Attachment A.

On January 9, Phil Tabbita raised several technical issues with Don Develin and Bob Kenestrick concerning eligibility requirements for employees who were promoted or changed to a lower level. After discussions between representatives of the parties, it is clear that only those people who were promoted from Schedule 1 to Schedule 2 should be excluded from the cash payments. Those employees who are slotted to Schedule 2 and then promoted are, in fact, eligible for the cash payments. With respect to the lower grade issue, eligible employees include those who were changed to a lower level whether or not converted prior to the change to the lower level.

Finally, as the parties agreed, this most recent MOU fully and completely resolves any and all issues regarding the October 8, 1999, MOU concerning the Promotion Pay Anomaly.

Sincerely,


Anthony J. Vegliante

cc: Mr. Ward

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-4100
202-268-7852
FAX: 202-268-3074

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE
UNITED STATES POSTAL SERVICE
AND THE
AMERICAN POSTAL WORKERS UNION,
AFL-CIO**

Re: Salary Schedules 1 and 2

The United States Postal Service ("Postal Service") and the American Postal Workers Union, AFL-CIO ("APWU") mutually agree that additional modifications regarding the conversion of certain employees to the new PS and MESC salary schedules created under the October 8, 1999 Memorandum of Understanding (MOU) Re: Promotion Pay Anomaly need to be accomplished.

The Postal Service and the APWU agree as follows:

1. This Memorandum of Understanding is applicable to only certain employees in PS and MESC grades 2 through 7.
2. Through April 7, 2001, Schedule-1 employees will continue to slot to the appropriate step in Schedule-2 in accordance with the Slotting Conversion Table (Attachment G of the October 8, 1999 MOU).
3. Effective April 21, 2001, those employees in PS and MESC grades 2 through 7, steps D through H, will remain in Schedule-1 until reaching step I, at which point they will slot into Schedule-2 at step N for grades 2, 3, and 4 and step M for grades 5, 6, and 7. All remaining employees in Schedule-1 will convert to Schedule-2 under the terms of the October 8, 1999 MOU.
4. APWU-represented employees in grades 2 through 7 who were slotted to the PS or MESC Schedule-2 from steps B and C in Schedule-1 on or before April 21, 2001 may be eligible for cash payments as set forth in the attached Cash Payment Schedule (Attachment A).
5. All rights and obligations of the parties concerning the subject matter of this Memorandum of Understanding shall be controlled by the terms of this Memorandum of Understanding. This Memorandum of Understanding represents an agreement between the Postal Service and the APWU to fully and completely resolve any and all issues regarding the October 8, 1999, MOU Re: Promotion Pay. Such issues include, but are not limited to, pending grievances or any proposals raised in 2000 collective bargaining that address promotion pay anomalies. Neither the Postal Service nor the APWU shall attempt to modify, add, or delete any of the terms of this Memorandum of Understanding during the dispute resolution

process, including interest arbitration proceedings, associated with the 2000 national negotiations. The parties will designate knowledgeable individuals at the national level who will resolve any issues dealing with the implementation of this Memorandum of Understanding.



William Burrus
Executive Vice President
American Postal Workers
Union, AFL-CIO



Anthony J. Vegliante
Vice President
Labor Relations
U.S. Postal Service

Dated: December 29, 2000

CASH PAYMENT SCHEDULE

Cash payments, not to be included in basic pay, will be made to eligible employees in two annual installments. All payments are subject to legally required withholding and payroll taxes.

A. Full-Time Employees

Eligible non-probationary full-time employees will receive cash payments, not to be included in basic pay, as follows:

	<u>2001 Payment</u>	<u>2002 Payment</u>
Grade 2	\$1,250	\$1,250
Grade 3	\$1,250	\$1,250
Grade 4	\$1,500	\$1,500
Grade 5	\$1,500	\$1,500
Grade 6	\$1,000	\$1,000
Grade 7	\$1,250	\$1,250

The first payment (2001) will be made as soon as practicable following April 21, 2001.

The second payment (2002) will be made as soon as practicable following April 20, 2002.

The eligibility requirements for both cash payments will be determined by the terms of Section B below.

B. Eligibility Requirements

APWU-represented employees in grades 2 through 7 who are slotted to the PS or MESC Schedule-2 from steps B and C in Schedule-1 on or before April 21, 2001, as shown below, may be eligible for cash payments.

<u>Grade</u>	<u>From Schedule-1, Step</u>	<u>To Schedule-2, Step</u>
2	B	G
2	C	I
3	B	G
3	C	I
4	B	G
4	C	H
5	B	F
5	C	H
6	B	F
6	C	G
7	B	F
7	C	G

Employees are eligible for cash payments who are slotted as above and:

- 1) are in a pay status in the pay period immediately preceding the payment effective date, i.e., pay period 9-2001 (April 7 – April 20, 2001) for the first payment which will be in 2001 and pay period 9-2002 (April 6 – April 19, 2002) for the second payment which will be in 2002; and
- 2) are represented by the APWU in each of the twenty-six pay periods preceding the payment effective date, i.e., pay periods 10-2000 through 9-2001 (April 22, 2000 through April 20, 2001) for the first payment and pay periods 10-2001 through 9-2002 (April 21, 2001 through April 19, 2002) for the second payment.

Employees who are slotted as above are ineligible for cash payments if they:

- 1) received a subsequent step increase as a result of the Anomaly Fix, effective April 22, 2000; or
- 2) received a subsequent step increase as a result of a grievance, EEO, or court settlement; or
- 3) are subsequently promoted or changed to a lower grade from the grade in which the slotting occurred.

Ineligibility in the first payment year (2001) will preclude eligibility for the second payment year (2002).