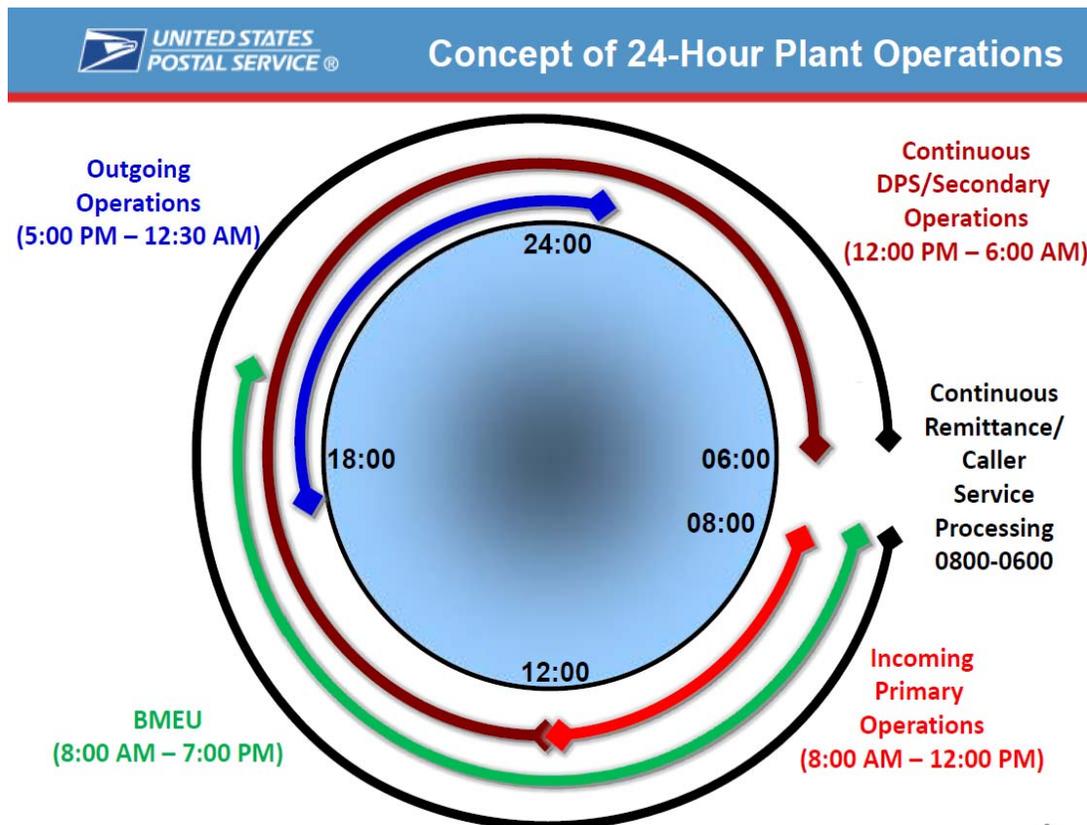


Lockbox Processing Benefits from USPS Operating Plan

In January 2015, the United States Postal Service introduced an operating plan designed to optimize destination processing for post-consolidation plants serving larger geographic areas. This operating plan has proven beneficial for lockbox processing where privileged remittance addresses are utilized. The deadline (the critical entry time) at the destination plants for mail to be delivered the following day is 8:00 a.m., allowing up to twenty hours (until the next morning at 4:00 a.m.) for completing all delivery sortation including delivery point sequencing which saves manual carrier sorting. This process is depicted below first in the red arc, followed by the brown arc. The advantage that wholesale lockbox mail has over regular First Class Mail actually increases with this schedule. Most wholesale lockbox mail does not require any of the brown arc processing. Retail lockbox mail often requires a single process within the brown arc.



Even further, because of equipment dedicated for remittance mail sortation throughout the day at key remittance facilities, incoming primary operations (the red arc) can continue for

remittance addresses after the 8:00 a.m. to noon red arc depicted above. This dedicated remittance sortation allows remittance mail that gets to the plant after the 8:00 a.m. critical entry time for other First Class mail to be identified, sorted, and delivered to remittance caller recipients. This processing highlights the advantage remittance mail has versus other First Class mail such as invoices, business correspondence, etc. Additionally, the 8:00 a.m. critical entry deadline and start of the day's incoming mail primary pass sort produces increased remittance delivery volume later morning, early afternoon, and even early evening in some locations. This has positive availability implications (highlighted below) for many lockbox operations.

Preservation of Overnight Remittance Delivery: Because the outbound mail processing window is not changing (blue arc in the figure above), lockboxes will continue to receive origination mail processed by their receiving plant either late evening the same day it was mailed or early the following morning. This is a huge advantage for lockbox mail over regular First Class mail, which is not committed to be delivered until the second day after mailing.

Earlier delivery of both 2-day and 3-day mail: Again, because lockbox sort plans run throughout the plant processing day, lockbox mail is delivered to processor's couriers well ahead of its delivery to a regular PO Box or carrier-delivered business address. Further, remittance mail is often labeled as such within the USPS transportation network. Thus, when it arrives at the destination plant, either it does not have to wait for the "incoming primary" sort which the above diagram depicts running from 8 a.m. until noon each day, or the incoming primary sort can be run after noon on equipment dedicated for remittance.

Deposit availability advantages: The early exit of remittance mail from the destination plant to a processor's courier results in more advantageous assignment of deposit availability float at the bank. The more frequent mail pickups that lockboxes utilize create a more robust deposit timing pattern which can better utilize advantageous availability deadlines. Lockbox-collected items win in two ways over non-lockbox – some items actually get deposited on an earlier business day, and some items get deposited for a more advantageous availability deadline. Moreover, some items even receive both advantages!

The Value Proposition of Lockbox: The differential between receipt of normal First Class mail and lockbox mail with unique zip, prioritized USPS sortation, and round-the-clock caller service has increased. Lockboxes enjoy the delivery of "overnight" mail which became 2-day delivery in 2015 to non-privileged recipients. With the USPS processing schedule, lockboxes receive tomorrow's mail even earlier than previously. Thus, it would be counterproductive for a corporation to stop utilizing lockbox, receive payments at a regular PO Box, and rely exclusively upon the remote deposit bank product. Lockbox continues to be an effective collection product to obtain a prioritized remittance address with the processing and delivery advantages gained by that.