July 28, 2020

The Honorable Louis DeJoy
Postmaster General
475 L’Enfant Plaza, SW
Washington, DC 20260

Dear Mr. DeJoy:

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides that if the U.S. Postal Service (USPS) determines that, due to the COVID-19 emergency, USPS will not be able to fund operating expenses without borrowing money, USPS may borrow up to $10,000,000,000 from the Department of the Treasury (Treasury) to be used for operating expenses, and the Secretary of the Treasury may lend such amount to USPS upon terms and conditions mutually agreed upon by the Secretary and USPS.¹

Although USPS is able to fund its operating expenses without additional borrowing at this time, as we have discussed, it is prudent to establish a borrowing facility that USPS may draw upon should the need arise.

Attached are proposed terms and conditions for such a borrowing facility based on our recent discussions. These terms would be reflected in a loan agreement to be entered into by Treasury and USPS, which would include other terms as are customarily included in such an agreement and any other terms to which the parties may mutually agree. This letter reflects the intention of the parties but does not constitute a commitment or offer by Treasury to extend any advances to USPS.

Please confirm USPS’s agreement, as approved by the USPS Board of Governors, to these terms and conditions.

Sincerely,

Steven T. Mnuchin

Accepted and agreed as of the date first written above:

Louis DeJoy
Postmaster General

# Term Sheet

Loan by U.S. Department of the Treasury to U.S. Postal Service

Under Section 6001 of the Coronavirus Aid, Relief, and Economic Security Act

<table>
<thead>
<tr>
<th>Lender</th>
<th>U.S. Department of the Treasury (Treasury)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower</td>
<td>United States Postal Service (USPS)</td>
</tr>
<tr>
<td>Maximum Principal Amount</td>
<td>$10 billion</td>
</tr>
<tr>
<td>Availability</td>
<td>Funds will be available to be drawn until March 27, 2022 (two years from the date of enactment of the CARES Act) Extension of availability is subject to mutual agreement, to the extent consistent with the CARES Act</td>
</tr>
<tr>
<td>Maturity</td>
<td>All principal will mature 5 years from the date of the first advance</td>
</tr>
<tr>
<td>Repayment</td>
<td>Deferred interest for one year from the date of initial closing Semi-annual interest payments commencing in the quarter one year from the quarter in which the initial closing occurs All principal and accrued interest due at maturity</td>
</tr>
<tr>
<td>Use of Funds</td>
<td>Operating expenses; proceeds may not be used for debt service or capital expenses</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>Fixed rate priced at each advance Rate equal to current average yield on outstanding marketable obligations of the United States of comparable maturity plus 0.125 percent</td>
</tr>
<tr>
<td>Maximum Cash Balance</td>
<td>No advances permitted if USPS cash balance exceeds $8 billion</td>
</tr>
<tr>
<td>Size of Advances</td>
<td>Advances not to exceed 30 days cash need at the time of the advance, exclusive of Maximum Cash Balance, provided that this term shall not prohibit USPS from receiving more than one advance in a 30-day period in the event of an unforeseen cash shortage. The term “30 days cash need” means the amount of cash that USPS forecasts that it will spend in the 30 days following the date of the request.</td>
</tr>
</tbody>
</table>

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1 If agreed by the parties, these terms would be reflected in a loan agreement, which would include other terms as are customarily included in such an agreement and any other terms to which the parties may mutually agree.
## Debt Service Reserve
USPS shall establish a debt service reserve account acceptable to Treasury and each month shall, beginning six months prior to the first interest payment date, deposit into such account an amount equal to one-sixth of the interest due at the next semi-annual interest payment date based on the outstanding balance each month.

Balances in the escrow account may be used only to pay interest to Treasury.

## Prepayment
Optional prepayment at par at any time.

## Conditions Precedent to All Advances
- Maximum cash balance as defined above
- Certification that USPS has determined that, due to the COVID-19 emergency, as defined in section 6001(a)(1) of Division A of the CARES Act, USPS will not be able to fund operating expenses without borrowing money.
- Certification that the proceeds of the advance will be used only for permitted uses.
- Certification that the amount requested does not to exceed 30 days cash need at the time of the advance request.
- Compliance with all reporting, disclosure, and briefing requirements in this term sheet.
- Treasury’s determination, in its sole discretion, that an advance request is in accordance with the loan agreement.

## Default
Events of default, as determined solely by Treasury in its own discretion, include:
- failure to make debt service reserve deposits on the Treasury loan
- non-payment of any amounts on the Treasury loan as and when due
- breach of any covenant or of any disclosure requirement or other requirement listed below under “Reporting” or “Disclosures”
- default on any obligation to the Federal Financing Bank.

## Cure Period
USPS will have 30 days following any event of default within which to cure the default.

## Remedies for Default
In its sole discretion, Treasury may take the following actions in response to a default:
- Denial of all or part of any advance
- Acceleration of all or part of amounts due
| Late Charge | 1.5 times the rate of the 13-week U.S. Treasury Bill on overdue amounts for the first 90 days  
1.5 times the rate of the 13-week U.S. Treasury Bill on overdue amounts and accrued late charges after 90 days |
| Reporting | **Cash Position:** Concurrent with each advance request, USPS shall provide its current cash position  
**Monthly Reports:** At least monthly, USPS shall provide, in a form established in the loan agreement and subject to confidentiality protections:  
• Actual cash flows for the previous month and year to date  
• Year-over-year volume changes for major product categories  
• Year-over-year revenue and expense changes  
• An updated 13-week cash flow projection  
• An updated pro forma borrowing plan covering the next six months  
**Quarterly Financials:** At least quarterly, USPS shall provide to Treasury an updated balance sheet and profit and loss statement in the same form in which such financial data is currently provided by USPS to Treasury  
**Other Reports:** Upon Treasury’s reasonable request, and subject to confidentiality protections and USPS’s best efforts to comply, USPS shall provide to Treasury other historical and projected business, financial, operational, contractual, and planning data that Treasury may determine is necessary to evaluate USPS’s current and future financial condition  
**Records Maintenance:** USPS shall maintain records enabling Treasury to audit that the use of funds is and has been consistent with the agreement  
**Briefings:** Subject to confidentiality protections, USPS shall brief Treasury (1) at least quarterly on its financial and operating results, volume and trend data, economic assumptions, and operating and capital plans, in a form established in the loan agreement and (2) at least semi-annually on its strategies to return USPS to financial sustainability, which shall include USPS’s measurable key performance indicators (KPIs) and USPS’s performance against its KPI targets |
| Condition Precedent to Initial Closing | Subject to confidentiality protections, USPS shall provide to Treasury copies of USPS’s top 10 market dominant Negotiated Service Agreements (NSAs) and top 10 competitive products NSAs |
| Disclosures | As a continuing disclosure, and subject to confidentiality protections, USPS shall disclose to Treasury any new or amended NSAs that would constitute USPS’s top 10 market dominant NSAs and top 10 competitive products NSAs |
| Negative Covenant | USPS shall not pledge any assets or revenues to any party while any amount under the Treasury loan is outstanding |