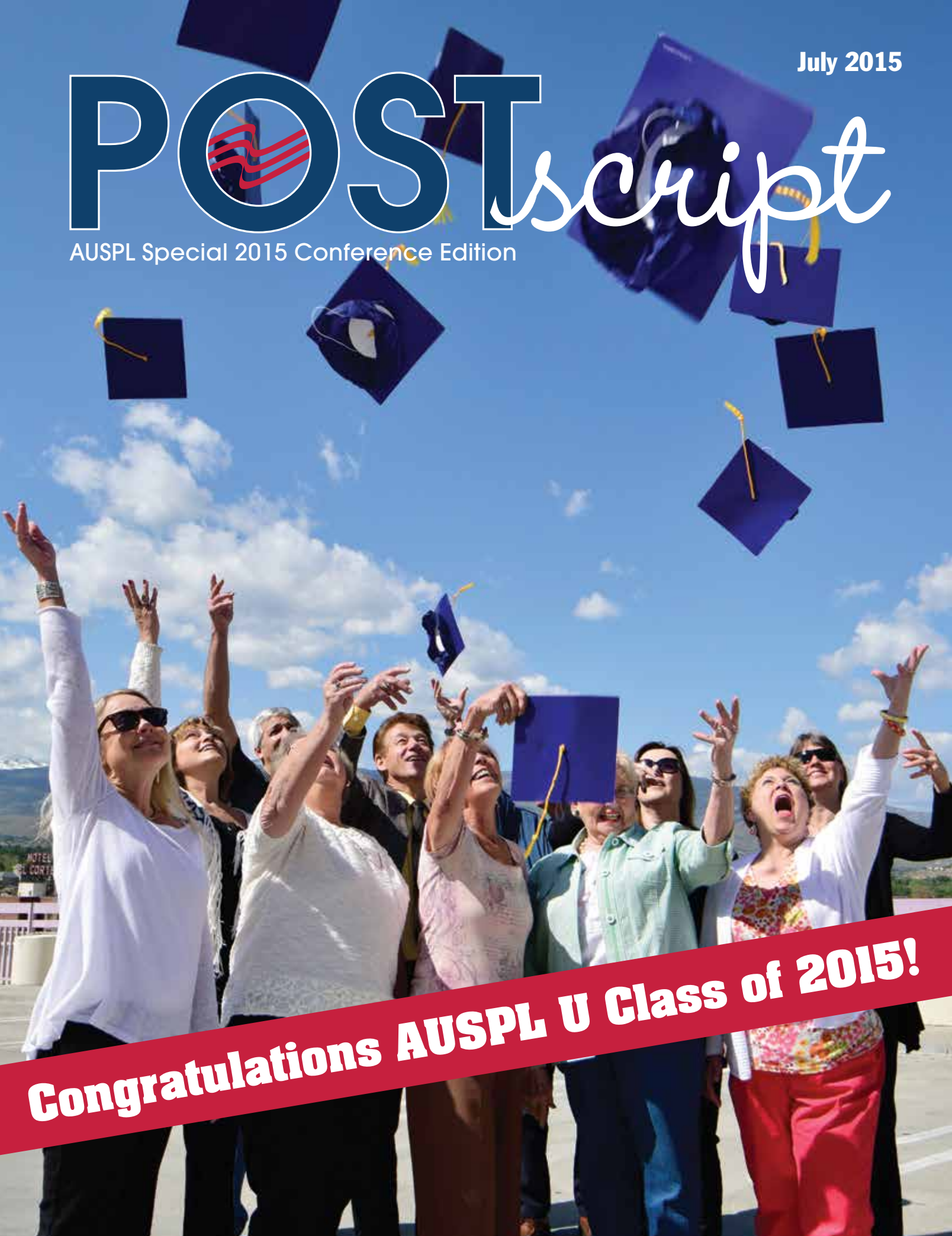


July 2015

POSTscript

AUSPL Special 2015 Conference Edition



Congratulations AUSPL U Class of 2015!

AUSPL U Graduates Applaud Conference 2015

CONFERENCE 2015 **AUSPL** Education • Resources • Outlook



AUSPL Conference 2015 wrapped up in Reno on May 7 to high praise from attendees. The AUSPL University theme of education was evident throughout the conference in the general session presentations, workshops and the first ever AUSPL Auction. The networking open house at the National Automobile Museum received enthusiastic reviews.

This year's general session speakers represented various points of view on postal issues. Representative Mark Amodei, from Nevada's Second District, is a member of the Rural Caucus in the US House of Representatives. The Rural Caucus serves as a voice for rural communities. Representative Amodei advocates preservation of rural post offices. Tom Samra, VP Facilities for USPS, spoke about USPS policies, including the CBRE relationship. Harry Glenn, a Vice President of Van Scoyoc & Associates, stressed the value of AUSPL's lobbying efforts. A short video presentation from Representative David Jolly, (FL-13) reiterated the value of getting our message to Congress. Tony Leonardi, NAPUS President, brought us up to date on progress of the merger of NAPUS and the National League of Postmasters into the new United Postmasters and Managers of America. Brian Newman, from the USPS Office of the Inspector General discussed the oversight role of the OIG's office. The April 2015 USPS OIG report on *USPS Management of CBRE Real Estate Transactions* advocated that USPS should terminate and recomplete the CBRE contract.

Nine workshops increased members' skills in negotiating, understanding leases, diversifying their real estate portfolio, maintaining their properties, avoiding personal liability and basic estate planning. Max McDonald from Marcus and Millichap compared the value of postal leases to other real estate investments. AUSPL board members Keith LaShier and Denny Pottenger reviewed and explained the uses and meanings of USPS lease forms. AUSPL board member John Heeren discussed the process for evaluating a post office property for purchase, and negotiating and closing the deal. AUSPL board member Mark Dattel addressed lease negotiations. Steve Hurlbut, an attorney with Akerman, LLP, outlined the resolution of disputes with the USPS. AUSPL board member Gary Phillips discussed maintenance issues - both scheduled and unexpected. AUSPL Director of Operations Mark Karolczyk and attorney David Estes provided valuable guidance for avoidance of personal liability and basic estate planning.

The AUSPL Post Office Auction offered 15 properties for sale in a silent auction format. At the end of the auction, high bidders entered into letters of intent with sellers to permit further negotiations toward sales.

We are already looking forward to AUSPL Conference 2016. Planning has begun, information will be coming soon, and we encourage all members to join us.

A handwritten signature in black ink that reads "Morgan".

Morgan Wolaver
AUSPL President

Welcome New AUSPL Board Members

Herb Manig
Laramie, Wyoming

Robert Schlager
Needham, MA

USPS OIG REPORT DELIVERS FINDINGS



April Report Recommends Terminate and Recompete USPS-CBRE Contract

Congress created the USPS Office of Inspector General (OIG) in 1996. The USPS OIG reports to the nine Presidentially-appointed Governors and is not subject to supervision from USPS management. USPS OIG investigate the efficiency and cost-effectiveness of postal programs and operations. Its investigations are intended to prevent and detect fraud, waste and misconduct, and deter postal crimes.

AUSPL's 2015 Conference featured Brian Newman, an Audit Manager for the USPS OIG. Mr. Newman has worked as a manager on the Financial Statements and Communication and Policy Teams and as special assistant to the OIG General Counsel. During the Conference general session, Mr. Newman discussed methodologies and recent OIG investigations and the April 2015 USPS OIG report regarding the Postal Service's management of real estate transactions and the CBRE relationship.




Findings and recommendations in the USPS OIG report include:

- ☒ A recommendation that the USPS terminate and recompete the CBRE contract. In the interim, the USPS should 1) modify the contract to prohibit CBRE from collecting lessor commissions, and 2) notify lessors that commissions paid by lessors are not mandatory in USPS lease transactions.
- ☒ A recommendation for prohibition of dual agency representation by CBRE. That is, if CBRE is to receive commissions in lease transactions, CBRE should be paid by USPS.
- ☒ Demanding lessor commissions in lease transactions resulted in increase in the rents paid by the USPS as lessors recovered the commission expenses. Responding to the OIG, the USPS said, "Lessors, following standard real estate industry practices, can include such commission in the rent charged to the Postal Service over the lease term."
- ☒ In its written USPS response to the OIG report, the USPS stated that "it generally agrees with the report's findings and plans to adopt nearly all of the OIG's recommendations. However, the USPS stated that it does not plan to 1) terminate the CBRE contract, or 2) stop CBRE from collecting commissions from landlords.
- ☒ To improve its appraisal process, the USPS will create a new appraisal administrator position for lease negotiation.

The OIG provides a hotline for USPS employees and the public to voice their concerns. Mr. Newman encouraged AUSPL members to call the hotline at 888-877-7644 or visit uspsoidg.gov.

To read a full summary of the OIG report on the USPS-CBRE contract, visit auspl.com.

Click here to read the OIG report.



TOP OF THE CLASS

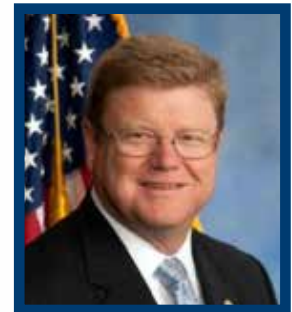
Representatives Mark Amodei & David Jolly Support AUSPL Postal Leasing Program

Two champions of AUSPL's postal leasing program made their views known to AUSPL members at the 2015 Conference. Rep. Mark Amodei (R-NV), a member of the Rural Caucus, also serves on the House Appropriations Committee, which disburses government funds. Rep. Amodei is committed to safeguarding rural post offices and universal service. He pledged to include such safeguards in the upcoming annual appropriations bill.

In addition, Rep. Amodei encouraged AUSPL members to educate their representatives about their expectations for postal legislation. "The quality of information we receive impacts the decision-making ability of Congress," Rep. Amodei said. "It's the lessor's obligation to make your point of view known to us."

In a videotaped message, Rep. David Jolly (R-FL), a former AUSPL lobbyist, said "AUSPL plays an integral role by providing a cost-effective way for USPS to operate. The Association is the most effective way to educate Congress on the value of the postal leasing program." That will be important when Congress considers postal reform legislation.

Both Congressmen recognize the value and the need for a healthy, sustainable Postal Service.



Rep. Mark Amodei



Rep. David Jolly



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Congress May Be



to Pass Postal Reform in 2015

Congress may be ready to deal with postal reform. In his Conference workshop and general session address, Harry Glenn, AUSPL lobbyist in Washington, DC said, "There is a mood in Congress to deal with complicated issues that tend to get pushed down the road, including financial issues and union issues."



Mr. Glenn noted that part of the Republican drive on postal reform includes:

- 1) reducing employment costs,
- 2) generating more revenue,
- 3) updating USPS operations, and
- 4) developing a more refined system for closures.

Only Congress can make the changes needed to ease the financial burdens on USPS. Congress needs to pass legislation that would adjust the annual prefunding mandate of \$5.5 billion for retirement benefits. Without the prefunding issue and workers compensation expenses, USPS earned \$1.4 billion in 2014.

Postal reform needs to address both financial pressures and public resistance. The lack of money has forced the USPS to lower service standards. Cuts in service hours and closing processing centers cause delays in mail delivery. Further, USPS has reduced its workforce from 800,000 in 2000 to its current 480,000 full-time workers. In addition, funds are needed to replace the USPS's aging fleet of delivery vehicles.

Postal customers oppose recent money-saving postal reform proposals, including changing from six day to five day mail delivery, and switching from door delivery to curbside and cluster boxes.

It is important to educate lawmakers about the postal leasing program. AUSPL members can help by contacting their representatives," Mr. Glenn explained.



AUSPL Post Office Auction

Conference Attendees Make Offers to Buy and Sell Postal Buildings

AUSPL held its annual Conference May 6-7, 2015, at the Eldorado Resort Casino in Reno, Nevada. At the Conference, AUSPL conducted the first ever AUSPL Post Office Auction. The Auction gave Conference attendees a unique opportunity to put into practice the information about buying and managing leased post offices which was the subject of certain of the Conference's instructional workshops.

The Auction was a result of a number of member inquiries about sales and purchases of postal facilities, ways to find buyers for postal facilities, and issues which might be encountered in transactions for such sales and purchases. Combined with educational workshops addressing those issues, the Auction was a means whereby Conference attendees could engage in some aspects of the purchase and sale process.

Approximately one-half of the buildings offered received offers. Lisa and Mike Fusano were the high bidders for the Constantine, Michigan post office owned by Byron Wilson. They are in the process of meeting to negotiate a binding agreement for the sale and purchase of the building.

Other successful bidders/prospective sellers were introduced to each other after the auction to sign applicable documents. After the conference, the parties could continue negotiations in pursuit of arriving at mutually acceptable purchase and sale agreements for the properties in question.

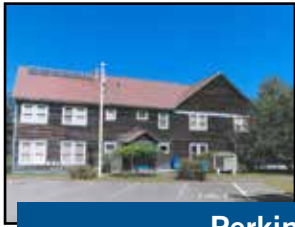
Visit auspl.com for the full story on the AUSPL Post Office Auction.



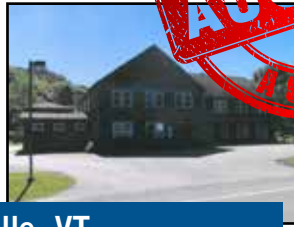
Ariel, WA



Gallina, NM



Perkinsville, VT



Clayton, CA



AUSPL CONFERENCE 2015 SESSIONS



Tom Samra, VP of USPS Facilities, Has Positive Message for AUSPL's 2015 Conference



In his address delivered at AUSPL's 2015 Conference, Tom Samra, VP of Facilities for the USPS, highlighted certain USPS activities that will directly impact postal leases and lessors. He mentioned positive developments with regard to the Postal Service's maintenance budget and efforts to improve lease agreements to make them more clear.

Mr. Samra indicated that the USPS budget will have more money for maintenance, including repairs of roofs. Such a development would be beneficial for postal lessors. Lessors continually work to have much needed repairs finished before small problems turn into large, more costly, problems.

Also, Mr. Samra mentioned a USPS project to revise standard lease forms. Lease forms are often subject to misinterpretation and misunderstanding. The USPS plans to study existing lease forms and try to revise them to reduce some of the confusion among the USPS and lessors. Revised lease forms should be clearer and reduce the areas in which disagreements occur. Mr. Samra invited AUSPL to have a role in the lease revision project.

With regard to addressing maintenance or repair problems that occasionally arise in leased facilities, Mr. Samra encouraged lessors to develop relations with the USPS representatives (Postmasters or OICs) at their facilities. Developing such relationships can help in getting problems addressed quickly and reducing repair costs. Lessors should periodically contact Postmasters to check on the condition of their investments.

Mr. Samra outlined the challenges still confronting the USPS. First class mail has declined 22% since 2013. Labor costs represent 84% of the budget and continue to rise. Stamps are slated to return to 46 cents when the "exigent" increase expires. Although the USPS has benefited enormously from a 46% increase in parcel delivery, the new business has brought with it the challenge of obtaining new package sorting equipment and vehicles to accommodate the increase.

Finally, Mr. Samra spoke about meeting and exceeding customers' expectations. The Postal Service understands that the busy life styles of consumers and the operational constraints facing businesses cause them to demand expedient service. USPS realizes it must evolve to keep up with those demands.

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CLASS OF 2015
AUSPL
UNIVERSITY

**Spring Schedule at
2015 AUSPL University**



CONGRATULATIONS CLASS OF 2015!

- | | |
|-------------------------------|---|
| <u>Lease 301</u> | Unraveling the Mysteries of the USPS Lease Agreement
Professors Dennis Pottenger, Keith LaShier |
| <u>Buy 205</u> | Acquiring a Post Office
Professors John Heeren, Rob Kapusta, Jr. |
| <u>Negotiate 410</u> | Lease Negotiation
Professor Mark Dattel |
| <u>Diversify 120</u> | Diversifying Your Real Estate Portfolio
Professors Robert Schlager, Max McDonald |
| <u>Disputes 420</u> | Avoiding and Resolving Disputes with USPS
Professor Steve Hurlbut |
| <u>Congress 250</u> | Who are Postal Lessors and Why Should Congress Care?
Professor Harry Glenn |
| <u>Maintenance 101</u> | Post Office Maintenance
Professors Gary Phillips, Karen Delamore, Robert Wolaver |
| <u>Planning 230</u> | Ownership, Liability and Estate Planning Considerations
Professors Mark Karolczyk, David Estes |
| <u>Finance 340</u> | Financing a Post Office
Professors Jay Belk, Margaret Glover |

Thank you, Professors, for your hard work in preparing these classes for AUSPL University's 2015 graduating class. Many students expressed their gratitude for the lessons learned and valuable materials to take home for further study. Class materials are available at the AUSPL "University" office, auspl@auspl.com or call 800-572-9483. We can send you the notes from these classes.



At "Ask the Expert" members speak with experienced AUSPL U guidance counselors about issues concerning their post offices.

Working with EMCOR

AUSPL Vice President Gary Phillips discussed working with EMCOR. The USPS uses EMCOR, a Fortune 500 company with a large facilities maintenance division, to manage maintenance for both USPS owned and leased facilities. USPS hired EMCOR for three reasons – to offset staff reductions, to improve performance, and to reduce costs.

EMCOR notifies the lessor in writing about maintenance issues. A notice letter from EMCOR will describe the issue and give a date for completion of the work. In emergency situations, EMCOR calls first and follows up with a letter. “Lessors should respond to EMCOR’s maintenance requests quickly, by phone and also in writing. They should also keep a record of discussions and

agreements regarding all maintenance issues,” Gary said.

EMCOR can contract to have emergency work performed immediately. In those circumstances, the work can be done by the USPS Maintenance Department, EMCOR subcontractors, or Job Order Contractors (JOCs).

Lessors should give USPS and EMCOR emergency contact information, and provide phone numbers for their own resources, as well.



Points to Remember:

1. Know your building.
2. Know your maintenance responsibilities.
3. Inspect your building for compliance.
4. Don't wait for USPS to call you.
5. Keep in communication with postmaster or officer-in-charge.
6. Establish a relationship with a local, qualified handyman or small contractor so you can respond quickly when unexpected problems occur.

Steve Lenoir on the Past, Present & Future of the USPS

Steve LeNoir from the League of Postmasters took time to present his views on the current state of the US Postal Service, and where it is heading. He believes that current financial woes can be largely attributed to the prefunding of retirement benefits required by the Postal Accountability and Enhancement Act of 2006. Additionally, POStPlan is responsible for reduced hours in small post offices, and the resulting loss of hundreds of postmaster jobs. These two developments caused the Postal Service to reduce its number of career employees, close mail processing plants and reduce service standards.

However, Mr. LeNoir stated that, “Improvements in operational performance, progress in the use of technology, and developments in new products such as ‘Every Door Direct Mail’ are all helping to build a strong foundation for the future of the organization.”

“The US Postal Service has unique resources,” Mr. LeNoir said. It owns the first and last mile of package delivery. It is the only organization in the country that has the network, infrastructure and logistical capability to deliver to every address in the nation. The US mail is reliable, trusted and secure. He believes that these qualities make the USPS vital to the success of the American economy.

Mr. LeNoir believes that lessors should stay vested in the Postal Service going forward. “If we can get this pre-funding issue straightened out, we have a bright future. Don’t you let anyone tell you different!” he challenged the group.





Merger of Two Postmaster Associations Proposed

NAPUS President Tony Leonardi addressed AUSPL members at the general session on the issues of consolidation of NAPUS and the LEAGUE, POSTPlan, and postal reform.



Effective November 1, 2016 NAPUS and the National League of Postmasters, (LEAGUE) are scheduled to begin the two-year transition period toward their ultimate merger into the United Postmasters and Managers of America (UPMA). Tony Leonardi and G. Sean Acord (the current LEAGUE President) will serve as co-presidents during the transition, pending approval of members of both organizations. Personnel cuts at the USPS have drastically decreased the number of postmasters from 26,000 in 2000 to the current 15,000. This decrease has encouraged the joining of forces into a new, stronger organization.

POSTPlan has been in effect for three years. Mr. Leonardi believes it is time to evaluate the results and determine if they align with the projections. Have the projected savings been realized? Were communities negatively affected by reducing hours? Does the USPS have data comparing rural retail revenue before and after POSTPlan? He believes these issues should be examined before there are further reductions in rural post office hours or additional consolidations of mail processing centers.

Mr. Leonardi also addressed postal reform. He believes the postal network needs to be leveraged to generate additional revenue. By adding to the variety of government services available at post offices, USPS would increase its income. Such new revenue could help in overhauling the USPS fleet of vehicles and in the purchase of processing equipment to support the increase in packages. In addition, increased revenue could be used to improve service standards by adding post office hours and retaining processing centers.

Mr. Leonardi believes that postal reform must address retirement prefunding. If not for this excessive requirement, the USPS would be looking at a surplus today. He advocates for the adoption of postal reform legislation this year.

AUSPL CONFERENCE 2015 WINNERS



Voted Most Likely to be a Big Winner in Reno

Congratulations to Jeanne McDonald who won two free registrations for Conference 2016 and John & Marion Dean who won two complimentary nights at the Eldorado Resort Casino.



AUSPL

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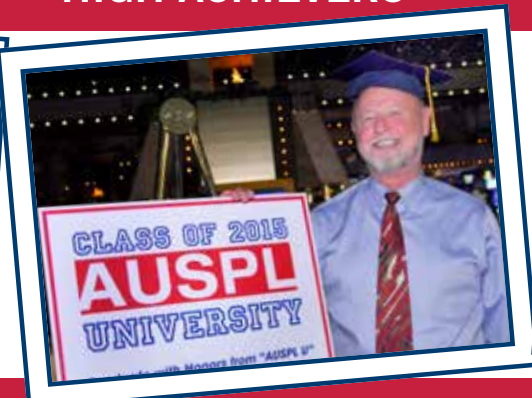
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