



15-Oct-12

Mike Thornton
Purchasing Manager
City of Leesburg
204 N. 5th Street
Leesburg, FL 34748

Dear Mike:

We are pleased to offer the City of Leesburg the following proposal for the Bank of America's ePayables service. This service is based on your goals of converting paper checks to more efficient and cost-effective card payments.

The ePayables service provides cost savings that significantly improves your bottom line.

Your annual financial benefit of the ePayables service (conservative enrollment):	\$58,529
Your annual financial benefit of the ePayables service (maximum enrollment):	\$81,590

Vendor Match Analysis	Conservative	Maximum
Estimated annual spend converted to ePayables	\$4,803,704	\$6,689,601
Estimated number of annual payments converted to ePayables	1,841	2,591
Savings per check eliminated	\$2.99	\$2.99
Value of check elimination	\$5,504.26	\$7,747.69
Value of float on annual spend	\$14,114.99	\$19,656.43
Potential incentive payout	\$38,910.00	\$54,185.77
Total estimated annual ePayables savings:	\$58,529.26	\$81,589.88

The estimated annual benefits of converting check payments to ePayables is based on an analysis of your current supplier payment data, as provided by you to Bank of America. To see how these estimates were calculated, please refer to:

- § Methodology tab — Process of segmenting your supplier payment data
- § Financial Benefits Model tab — Calculations based on your supplier payment data

The conservative estimate is the spend Bank of America expects to convert to card, based on our success rate in targeting and on-boarding vendors with minimal client inputs.

The maximum estimate is the spend Bank of America expects to convert to card if, in addition to the Bank's on boarding campaign, the client is engaged in driving vendor adoption of card.

This service will provide the City of Leesburg the following benefits:

- § Extended float that increases cash flow
- § A payment alternative with no per item transaction fees or monthly maintenance costs
- § Potential to earn rebate, based on program spend
- § Reduced materials, labor and overall costs associated with disbursing payments
- § A managed and facilitated vendor enrollment campaign to identify and enroll suppliers for card acceptance
- § Improved transaction risk management and electronic payment fraud control when compared to check disbursements
- § No disruption to existing AP processes
- § Easy implementation with minimal impact to your valuable technical resources
- § Ability to offer suppliers the option of initiating card transactions or having payments pushed to their merchant account
- § Ability to communicate card account details to suppliers via secure email
- § Improved buying power with the ability to offer your vendors a faster, more reliable payment option
- § Detailed remittance information sent to vendors

Thank you for allowing us to deliver this proposal and for your continued interest in the Bank of America ePayables service. Please contact me if you have any questions regarding this proposal. We look forward to continuing our work with the City of Leesburg and delivering the value of electronic payments and remittance delivery to your organization and its vendors.

Sincerely,

Vice President
Treasury Solutions Officer
Bank of America

Methodology

Step 1 Bank of America Merrill Lynch matches your suppliers against our proprietary database of suppliers who have accepted card from existing Bank clients and segments your AP vendor file, assigning each segment a code. The following is the output summary:

VENDOR PAYMENT FILE SUMMARY

Description	Code	Spend	Supplier Count	Transaction Count	Average Ticket	Average per Supplier
Suppliers accepting ePayables from existing BAML clients	R	\$ 1,852,217	14	655	\$ 2,828	\$ 132,301
Suppliers accepting Purchasing Card from existing BAML clients	W	\$ 4,166,835	22	1,236	\$ 3,371	\$ 189,402
Suppliers accepting Visa/MasterCard	VMC	\$ 7,811,024	37	3,623	\$ 2,156	\$ 211,109
Strategic suppliers with high spend requiring client involvement for enrollment	TBD	\$ 7,851,942	1	16	\$ 490,746	\$ 7,851,942
Suppliers more suitable for P-Card	P	\$ 38,921,256	347	15,499	\$ 2,511	\$ 112,165
Suppliers with negligible or unknown card acceptance	X	\$ 8,299,780	175	2,022	\$ 4,105	\$ 47,427
Totals		\$68,903,053	596	23,051	\$2,989	\$115,609

Bank of America Merrill Lynch additionally matches your AP file to identify suppliers that are "eligible" or "enabled" for Push Payments.

- Eligible: Visa Suppliers that can be targeted for Push Pay acceptance
- Enabled: Visa Suppliers that are already setup for Push Pay acceptance but need to agree to accept for each Buyer
- Ineligible: Suppliers that do not have First Data as their card processor are Ineligible for push payments at this time.

VENDOR PUSH PAYMENT SUMMARY

Description	Code	SPEND				SUPPLIER COUNT			
		Enabled	Eligible	Ineligible	Total	Enabled	Eligible	Ineligible	Total
Suppliers accepting ePayables from existing BAML clients	R	\$ 0	\$ 1,016,101	\$ 836,116	\$ 1,852,217	0	6	8	14
Suppliers accepting Purchasing Card from existing BAML clients	W	\$ 0	\$ 1,632,741	\$ 2,534,094	\$ 4,166,835	0	15	7	22
Suppliers accepting Visa/MasterCard	VMC	\$ 0	\$ 1,466,560	\$ 1,445,792	\$ 2,912,352	0	19	18	37
Totals		\$0	\$4,115,403	\$4,816,002	\$8,931,404	0	40	33	73

Step 2 Assumptions used in calculating the financial benefits of ePayables:

- a. Only the suppliers coded as R, W and VMC are included in the calculation of the financial benefits of ePayables.
- b. Suppliers coded as "TBD" are W suppliers with spend greater than \$10MM and VMC suppliers with spend greater than \$5MM. These are considered strategic suppliers and require client participation for enrollment. BAML excludes these suppliers from the conservative estimate and calling campaign. However, BAML will partner with you to target these strategic suppliers for on-boarding.
- c. Suppliers coded as "P" are W and VMC suppliers with spend below \$25,000. These are more suited for Purchasing card and BAML excludes these suppliers from our conservative estimate and calling campaign. However, we will provide you the tools and training necessary to target these suppliers for on boarding.
- d. We assign success rates of check to card conversion to suppliers in the R, W and VMC segments defined above, based on our unparalleled experience in the field of AP automation. Today, hundreds of clients process billions of dollars in payments to their suppliers leveraging Bank of America's ePayables' service. The actual success rates for your company may vary based on a number of factors.

SUCCESS RATES OF CONVERTING VENDORS FROM CHECK TO CARD ACCEPTANCE			
	Code	Conservative Estimate	Maximum Estimate
Conversion rate for suppliers currently accepting ePayables from existing BAML clients	R	60%	80%
Conversion rate for suppliers accepting Purchasing card from existing BAML clients	W	38%	50%
Conversion rate for suppliers that are VISA/MC acceptors but for whom we have never seen a Works transaction	VMC	27%	40%

- e. Indicates a variable client field.
- f. Description of check costs and cost of funds:

Description	Amount	Comments
Average per check cost (direct and indirect)	\$2.99	This represents check costs that would be eliminated if checks are converted to ePayables. This figure is the cost of check production, including banking fees (direct and indirect check production expenses). It includes direct expenses related to check production, mailing, etc. as well as the related banking fees with respect to item clearing and reconciliation services. \$2.99 is a conservative industry estimate assuming a highly automated check production process. Alternatively client provided check production costs may be used. Bank of America ePayables Product Management has done extensive industry study and can provide details on how this number was calculated in addition to savings expected in average or minimally automated check production environments if requested.
Estimated client cost of funds	3.25%	Adjust according to the clients view of the value of additional working capital (at minimum this is normally Fed funds rate). For current rate information click the link or copy and paste it into your internet browser address line: http://www.bankrate.com/rates/interest-rates/prime-rate.aspx

Step 3. Estimated annual ePayables financial benefits are calculated as detailed on the "Financial Benefits Model" tab

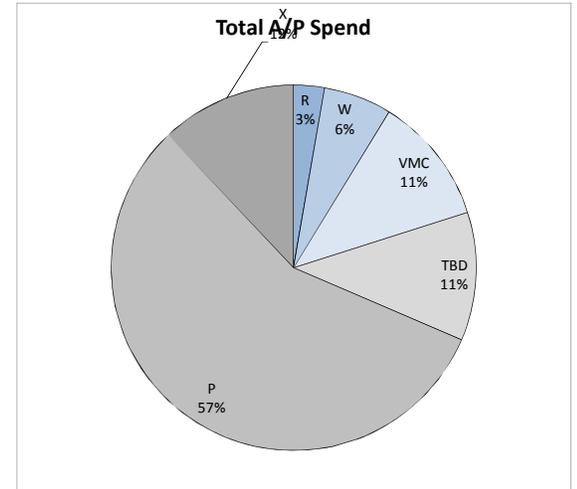
Conservative enrollment	This is the spend Bank of America expects to convert to card, based on our success rate in targeting and on-boarding vendors with minimal client inputs.
Maximum enrollment	This is the spend Bank of America expects to convert to card if, in addition to the Bank's on boarding campaign, the client is engaged in driving vendor adoption of card.

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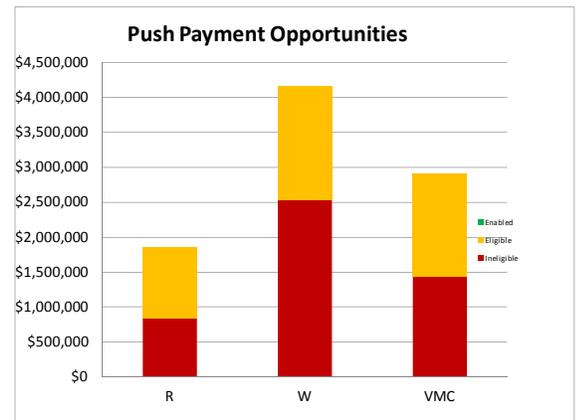
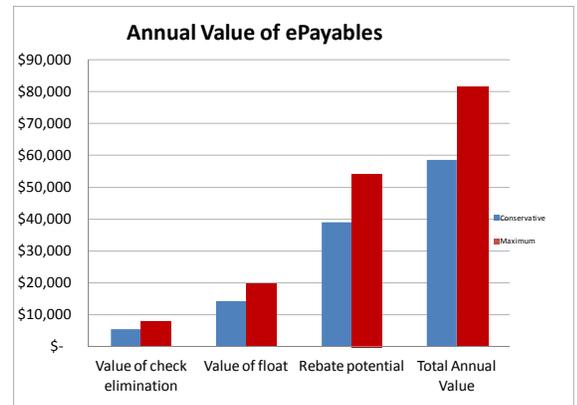
Financial Benefits Model



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Summary				
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Suppliers with negligible or unknown card acceptance	X	\$8,299,780	175	2,022
Totals		\$68,903,053	596	23,051



Description	Conservative Enrollment	Maximum Enrollment
Conversion by A/P spend	R=60%, W=38%, VMC = 27%	R=80%, W=50%, VMC = 40%
Suppliers accepting ePayables from existing BAML clients (R)	\$1,111,330	\$1,481,773
Suppliers accepting Purchasing Card from existing BAML clients (W)	\$1,583,397	\$2,083,418
Suppliers accepting Visa/MasterCard (VMC)	\$2,108,977	\$3,124,410
Projected ePayables spend at maturity	\$4,803,704	\$6,689,601
Conversion by transaction count		
Suppliers accepting ePayables from existing BAML clients (R)	393	524
Suppliers accepting Purchasing Card from existing BAML clients (W)	470	618
Suppliers accepting Visa/MasterCard (VMC)	978	1,449
Total # of payments converted	1,841	2,591
Average per check cost (direct and indirect)	\$2.99	\$2.99
Value of check elimination	\$5,504.26	\$7,747.69
Value of float		
Average days float on checks (net 10)	17	17
Average days float on ePayables (net 10, 30/14 cycle)	50	50
Additional days float	33	33
Estimated client cost of funds	3.25%	3.25%
Estimated client daily cost of funds	0.00890%	0.00890%
Value of float on annual spend	\$14,115	\$19,656
Rebate potential		
Potential program spend	\$4,803,704	\$6,689,601
Basis points earned (30/25 cycle)	0.81%	0.81%
Rebate based on potential spend	38,910	54,186
Annual value of converting A/P payments to ePayables	\$58,529	\$81,590



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Top 25 Vendors by A/P Spend

VENDOR LIST (TOP 25 BY A/P SPEND)				
Vendor Name	Annual Amount	Transactions	Match Code	Push Pay Status
PORT CONSOLIDATED INC	\$ 1,077,994	104	W	
GRESKO UTILITY SUPPLY INC	\$ 692,750	156	W	
LEWIS TREE SERVICE INC	\$ 469,383	27	R	EL
CAREHERE LLC	\$ 380,274	69	W	EL
SUNGARD PUBLIC SECTOR	\$ 370,542	48	W	
VEYTEC INC	\$ 342,339	15	R	EL
STUART C IRBY CO	\$ 340,169	242	R	
SANDERS CO INC	\$ 242,857	8	W	EL
NEXTRAN TRUCK CENTER	\$ 225,201	1	W	EL
DON REID FORD	\$ 217,586	7	W	
PINNACLE DATA SYSTEMS	\$ 185,977	38	R	
HD SUPPLY UTILITIES	\$ 176,882	152	W	EL
ELECTRIC SERVICES INC	\$ 112,361	4	W	EL
ALLIGATOR COMMUNICATIONS	\$ 104,541	2	W	
SIEMENS INDUSTRY INC	\$ 94,032	29	R	
BAKER & TAYLOR	\$ 84,643	116	W	EL
J H WILLIAMS OIL COMPANY INC	\$ 76,634	7	W	EL
KEMA INC	\$ 75,695	1	R	EL
RFL ELECTRONICS INC	\$ 72,430	3	R	EL
BCI TECHNOLOGIES	\$ 58,370	4	W	EL
FERGUSON WATERWORKS	\$ 55,761	73	W	EL
MIDWEST TAPE	\$ 50,801	61	R	
SHUTTS & BOWEN LLP	\$ 47,866	30	R	
HI-LITE MARKINGS, INC	\$ 46,917	1	W	EL
DGG TASER	\$ 45,684	3	R	