

CITY OF SMITHVILLE, MAINE
May 15, 2008
REQUEST FOR PROPOSALS FOR BANKING SERVICES

I. INTRODUCTION

A. Objectives

The City of Smithville is seeking competitive proposals for various banking services. It is the City's goal to receive accurate, timely depository and account maintenance services, maximize the utilization of idle funds, minimize risk of loss, receive sound investment and banking service advice, utilize modern electronic and automated banking options and to accomplish these goals at the lowest reasonable cost.

B. Instructions

1. *Sealed Proposals*: Responses to this Request will be submitted in a sealed envelope, clearly identified, mailed or delivered as follows:

PROPOSAL BANKING SERVICES
S. "Smitty" Smith, Finance Director
City of Smithville
20 Smith Street
Smithville, Maine 04000

2. *Responses*: Each proposer shall submit only one proposal. This proposal must be on the standard forms provided as **Exhibits A, A-1, A-2, and B**. Supporting material may be submitted and is encouraged; however, the decision in selecting the most responsive proposer will be based on the standard proposal forms provided.
3. *Trade Secrets/Confidentiality*: The City of Smithville is subject to the *Freedom of Access* law. Under this law, it must make public information that it receives in the solicitation of proposals. The *Freedom of Access* law does, however, have an exception applicable to "trade secrets." In the event that the proposal you submit contains any trade secret information, the City agrees that it will not disclose such information to any third party, and that such disclosure shall occur only if the City is compelled to disclose such information by a final judgment, after giving you the opportunity to litigate the issue. Trade secret information must be submitted in a separate sealed envelope to the City along with your sealed proposal. The outside of the envelope must be clearly marked "trade secret information/confidential."
4. *Copies*: Each proposer must submit three copies of its proposal. However, only one set of financial statements need be submitted.
5. *Questions and Additional Information*: Request for clarification or additional information should be made in *writing* to:
 - Via mail: the name and address above
 - Via email: ssmith@Smithvillemaine.org
 - Via fax: (207) 222-5555

Responses to such requests will be furnished to all potential proposers. Cutoff date to receive requests in writing will be June 20, 2008. Requests received after June 20 will not be answered.

Note, however, that Mr. Koehler will not be available from June 4 through June 10 to provide information.

6. *Schedule:* The following schedule will be adhered to:
 - May 16, 2008-----Distribution of Requests for Proposals
 - June 27, 2008-----Proposals must be in the possession of the Finance Director by 2:00 p.m. this date. No exceptions!
 - July 7 to July 25-----Interviews, visits and demonstrations will be conducted
 - August 6, 2008-----Notification to all proposers on selected bank
 - September 1, 2008-----Implementation date for this banking contract.
7. *Selection Criteria:* The following criteria will be used to evaluate the responses and to select the winning bank:
 - Complete response to all required items on the standard form,
 - Aggregate banking services cost, per identified activity and corresponding compensating balances,
 - Ability to meet current and projected service requirements over the term of this banking agreement (any past experiences with the Bank will be taken into consideration),
 - Best arrangement and rate for overnight investment,
 - Best availability schedule for deposit items,
 - Capacity to provide numerous electronic banking services,
 - Services offered by and ease of use of online banking package.
8. *Pre-Award Interviews.* When the Finance Director has reviewed and rated the proposals, an interview shall be requested with the two or three top candidates to go into greater detail and/or for clarifications, to visit relevant Proposing Bank facilities and to view demonstrations of software or systems as outlined below.
9. *Award Recommendation.* When the Finance Director has reached a decision on which Bank to recommend for Contract Award, he may schedule an additional conference to complete negotiations prior to presentation of the recommendation to the City Council for Award. At any time during the conference(s), the Finance Director may choose to modify his choice of selected proposer if the Finance Director in his discretion, determines that such a change is in the best interest of the City.
10. *Terms and Conditions*
 - a. The Finance Director reserves the right to reject any and all proposals, to waive any irregularities or informalities in any proposal or in the proposal procedures, and to accept or reject any item or combination of items. The award will be to the proposer whose proposal complies with all the requirements set forth in the RFP, and whose proposal, in the opinion of the Finance Director, is the best proposal taking into consideration all aspects of the proposer's response, including the total net cost to the City. Exceptions to any specification must be placed on **Exhibit B** and their costs will be a part of the final analysis of the proposal. Exception costs will be added or subtracted from the submitted proposal to arrive at a net cost to the City. *Failure to include an exception on **Exhibit B** will render the exception as invalid and the proposer will be treated as being in compliance with the specification, regardless of intent.*
 - b. In the event that the proposer to whom the services are awarded does not execute a contract within thirty (30) calendar days after the award of the bid the Finance Director may give notice to such proposer of intent to award the contract to the next most qualified proposer or to call for new proposals and may proceed to act accordingly.

- c. The standard proposal form indicates an estimate of the number of transactions for the year. This number is the City's best estimate of the average volume and the City in no way guarantees these as minimum or maximum volumes.
- d. Proposers shall thoroughly examine and be familiar with these specifications. The failure or omission of any proposer to receive or examine this document shall in no way relieve any proposer of obligations with respect to this proposal or the subsequent contract.
- e. Qualified proposing banks must meet the following **minimum criteria**:
 - i. A bank submitting a proposal must be a Federal or Maine chartered bank **with a bank location in Smithville**, capable of servicing the City's bank accounts and be a member of the FDIC. The bank must be in compliance with all laws, rules, regulations and ordinances of the United States, the State of Maine, and the City of Smithville at the time of the proposal submittal and, if awarded a contract, remain in compliance for its duration. The Bank also must have adequate capitalization, organization, facilities, equipment and personnel to assure prompt and efficient service to the City.
 - ii. The City, as a primary recipient of certain federal funds, is required to obtain written assurance from the bank that it is an Equal Opportunity Employer and Lender. Appropriate supporting documentation of the bank's policies in this regard must be provided and retained on file by the City and available for examination by federal agencies.
 - iii. Submit financial statements for the past two fiscal years (must include an auditor's unqualified opinion and appropriate notes to financial statements).
 - iv. The Awarded Bank will agree to permit access to its records by the City Finance Department, its agents, the State Auditor's Office, and if there is federal involvement, federal auditors for the purpose of examining records pertaining to City funds. The Awarded Bank will agree to cooperate in any prosecution for misuse or misappropriation of City funds. Records of City transactions must be kept and maintained by the Awarded Bank for a period of no less than seven (7) years.
 - v. All potential proposers are reminded that information contained in submitted material will become a public record. Proposals will be on file in the Finance office after June 30, 2008.
 - vi. The City assumes no cost of the proposers for the preparation of this proposal.
 - vii. Failure to comply with any of the terms and conditions in this RFP by the Awarded Bank will be cause for termination of the "Banking Contract" to be entered into.

Banks shall also supply a synopsis of their local activity showing a commitment to the people and businesses of Smithville and their support for local betterment, which commitment may be taken into account as a factor in the City's final decision.

C. Contract Periods

The contract will be for a period of five years. The contract starting date will be September 1, 2008 unless another date is determined by the City to be more practical.

This contract may be extended by mutual agreement with two successive one year options in favor of the City to renew the appointment automatically on the same terms and conditions.

D. Modifications and Amendments

During the contract period, or any extension thereof, the City reserves the right to renegotiate with the bank such additions, deletions, or changes as may be necessitated by law or changed circumstance. However, no increase in quoted unit prices will be permitted and no additional charges shall be added to items or services in the original proposal that remain unchanged.

Each proposal shall be signed by a person legally authorized to bind the bank to a contract.

All proposals shall have a statement that the proposer has read and understands all conditions as outlined in this RFP. All proposals shall state that no person acting for or employed by the City has a direct or indirect financial interest in the proposal or in any portion of the profits which may be derived therefrom.

E. Cancellation of Contract

By notification: either party may terminate the contract upon giving written notice of at least ninety (90) calendar days. This provision may be exercised only after the contract has been in effect for three (3) calendar months. The Bank shall be entitled to just and equitable compensation for any satisfactory work completed up to the termination date. Under no circumstances will any damages be paid as a result of the termination of the contract.

For cause: In the event of a breach of the contract by the bank or unsatisfactory performance as assessed by the Finance Director, or if the bank performs in a manner that precludes the City from administering its functions in an effective manner, the City will provide written notice of the breach or unsatisfactory performance. If the bank has not been able to remedy the breach or improve performance within thirty (30) days following the written notice, then the City, with the approval of the City Council, will upon written notice to the bank, be authorized to cancel this contract by giving a maximum of thirty (30) days as the final termination date of the contract.

II. SCOPE OF BANK SERVICES

A. Accounts Included

General banking services will be conducted within one master bank account with the following subsidiary zero-balance accounts:

- City Payroll
- School General

Other current accounts include the following:

- 457 Trust
- Adult Education
- Adult Voc Education

In the future, other accounts, either subsidiary to the General Account or stand-alone may be established according to the needs of the City's finances.

B. Account Structure

The City desires to maximize its cash availability through the use of Sweep Accounts. There shall be a Sweep Account linked to the General Account that will, at the end of each business day, take any available balance of the General Account, less the required Compensating Balance, and sweep it into an overnight investment account. Any net cash required for disbursement purposes on any business day will be drawn from the Sweep Account back into the General Account.

Disbursements for City accounts payable, whether by check, ACH or wire transfer will flow directly through the General Account. All disbursements for School Department operations by whatever means will flow through the School General Account and all disbursements for City payroll items by whatever means will flow through the City Payroll Account. These zero-balance accounts will be reimbursed from the General Account at the close of the business day or at the opening of the business day following the day the checks are presented for payment, depending on the bank's policy, and will always have a zero ledger balance at the beginning of each business day. Both the City and School process their own payroll in-house using their respective software systems.

The City or its units maintains several separate accounts for specific purposes. Currently, those are:

1. 457 Trust Account, a checking account through which flow the transactions of the City's Section 457 Deferred Compensation Plan Trust. Its management is handled through the Finance Director.
2. Adult Voc Education Account, a checking account, into which are deposited receipts from credit card transactions taken by the Adult Education Division.
3. Adult Education Account, a checking account that is used to produce program fee refunds as needed. Both of these accounts are handled through the Adult Education office.

The City reserves the right to open additional accounts, either zero-balance or regular and to add sweep accounts as required, during the contract period at the price proposed in this proposal provided the Awarded Bank is furnished notification at least thirty (30) calendar days before implementation date.

C. Availability of Funds

For the General Account, deposits will be made daily through a bonded courier service to a location designated by the Bank. Occasionally, the City may make deposits itself through the local branch, as the need arises. For the Adult Education accounts, business will be transacted with the local branch.

Awarded Bank agrees to credit the City's **General Account** for selected items according to the following schedule:

1. Incoming Wire Transfers - same day credit regardless of time of receipt during the day. Wires received after the 6:00 p.m. cutoff will be treated as collected funds for that day and will be considered part of the overnight investment program. See **Section II. F. Wire Transfers**.
2. Incoming Wire Transfers from any bank-initiated repurchase agreement shall be credited to the City's **General Account** by 9:00 a.m.

All other checks will be based on the Awarded Bank's "availability schedule." Proposing banks are required to attach a copy of their current "availability schedule" to the proposal. Awarded Bank agrees to notify the Finance Director, in writing, of any changes to the schedule. The Finance Director reserves the right to periodically audit the Awarded Bank's compliance with its existing "availability schedule."

Daily deposits of funds collected at Smithville City Hall will be made through a bonded courier service supplied by the Awarded Bank and acceptable to the City. Pickup shall be made in the Finance Office after 11:30 AM of each business day and delivery made to a location designated by the Bank, with deposits posted to the General Account that same day.

The available balance **shall include** the proceeds returned to the Bank from any bank-initiated repurchase agreement from the previous business day. (See **Section II. C, Availability of Funds** and **Section II. E, Automatic Overnight Investment Program.**)

D. Online Banking and Reporting

The Awarded Bank will be required to provide the City with its available Internet banking software package that shall have at least the following minimum capabilities. Use of the software by multiple (at least 5) City personnel will be included in the contract and pricing structure. Proposals must state cost per licensed user, if applicable.

1. State of the art encryption, security and password protection,
2. Previous day ledger, available and float balance and detail viewing and reporting,
3. Current day ledger, available and float balance and detail viewing and reporting,
4. Definable, sortable period viewing and reporting with statement-level detail,
5. NACHA batch file upload, verification, approval and reporting,
6. Stop payment placement, verification and reporting,
7. Item searching, especially but not limited to cleared checks, with imaging and print capabilities for at least 90 days of history,
8. Wire transfer initiation, approval and reporting, with templates for repetitive use,
9. Lockbox file upload in Munis-compatible format and reporting,
10. Secure two-way messaging capability.

Documentation of the software security must be provided for review by the City's Information Technology Department. All proposers shall make available a live demonstration of their software.

E. Automatic Overnight Investment Program

The Awarded Bank agrees to automatically invest the **collected** or available balance less the current amount of the **compensating** balance in the **General Account** on the bank's books at 6:00 p.m. (including any wire transfers received after 6:00 p.m.) in the **Sweep Account** within the bank. The balance on the books at 6:00 p.m. is interpreted to include any wire transfers received during the day, less any outgoing wires. The daily investment rate specified for the **Sweep Account** will be based on the best rate for similar accounts offered by the Bank to other customers of the City's standing. The Proposing Bank shall disclose its current rate as of June 1, 2008 and provide an explanation of its calculation as part of **Exhibit B**. Also indicate on **Exhibit B** a one-year history of that rate basis. If Bank offers a choice of rate bases, those shall be explained with one-year histories included.

Investment vehicles of other types may be proposed by the Bank as long as they would be considered “deposits” and thus covered by Maine Statutes, MRSA 30-A Section 5706 and they provide the degree of service desired. The City is interested in maximizing its investment return at the same time as obtaining required safety, liquidity and flexibility. Whatever investment vehicle is proposed must be fully explained on **Exhibit B**.

Should the daily cash needs to cover all disbursements from the **General Account** and the zero-balance accounts exceed the available total of deposits, the Bank shall transfer to the **General Account** from the **Sweep Account** sufficient funds to cover all such direct disbursements and transfers to the zero-balance accounts no later than midnight. Interest on the **Sweep Account** shall be calculated daily and posted either daily or on the last day of the month to the **General Account**. Proposals shall specify Bank’s timing of interest credit.

The City will make every effort to ensure that collected funds in the bank are equal to or exceed the gross amount of checks issued. However, if an unintentional overdraft condition occurs, all checks presented for payment shall be paid. In the event that the **General Account** is a negative balance, then interest charged on any overdrawn balance will be calculated using the same formula by which the City receives interest on the Overnight Investment in the **Sweep Account**. There will not be any penalty assessed on the negative balance. The City will not accept any exceptions to this specification.

Repurchase Agreements:

Banks may propose an overnight investment using an open repurchase agreement under this section. An open repurchase agreement is not a term repurchase agreement. The rate, amount of funds invested and/or the amount of collateral is adjusted daily. This type of investment *may* be accepted if the repurchase agreement proposed meets the specifications described below. The balance to be invested through the repurchase agreement shall be the **available** or **collected** balance on the books at 6:00 p.m., including all wires received after 6:00 p.m., less any amounts needed to cover that day’s direct disbursements and transfers to the zero-balance accounts, less the amount of the current **compensating balance**, plus any amount remaining in prior repurchase agreements that are expiring.

The interest rate on the repurchase agreement will be equal to the best rate for similar accounts offered by the Bank to other customers of the City’s standing. The Proposing Bank shall disclose its current rate as of June 1, 2008 and provide an explanation of its calculation as part of **Exhibit B**. Also indicate on **Exhibit B** a one-year history of that rate basis. Interest will be credited daily. If Bank offers a choice of rate bases, those shall be explained with one-year histories included.

Repurchase agreements collateralized by U.S. Treasury securities are acceptable as long as the pledge collateral is at least 102% of the market value of the principal and accrued interest and the maturity date is no longer than five years.

All repos will be evidenced by a written Master Repurchase Agreement similar to **Exhibit C** if this alternative investment is selected by the bank. Actual terms contained in Annex 1 will be subject to negotiation, however no changes will be allowed to the basic agreement itself. *Any proposed changes to Annex 1 by the Bank must be included on **Exhibit B** as exception items. It is necessary that the Bank list each specific exception to Annex 1 on **Exhibit B**.*

General

The City's policy is to provide maximum protection of its deposits. Such protection shall include, but not be limited to, perfected repurchase agreements in the name of the City of Smithville, corporate trust accounts held by the depository bank in the name of the City of Smithville, Letters of Credit issued in the City's favor by the Federal Home Loan Bank or other such Institution acceptable to the City, and such other deposit/investment instruments that provide the City with a minimum of Category 2 classification pursuant to Statement #3 of the Governmental Accounting Standards Board (GASB-3). This category requires full acceptable collateralization.

The City reserves the right to separately invest excess funds through the depository bank or other institutions. The bank shall provide a monthly report of the sweep account detailing the transactions, the daily interest earned, and the monthly average interest rate if this information is not readily available through the online software package detailed in **Section D** above. The City does not have a formal Investment Policy, but is bound by the restrictions in Maine Statutes.

F. Wire Transfers- Incoming

The City intends to consider all wire transfers received by the bank prior to the end of the business day, as "available for investment" by the City, regardless of the time of actual receipt by the bank. Should a wire transfer not be received by the Bank, as specified above, then the wire transfer will be traced from origin to destination to ascertain the party responsible for delaying the transfer. If necessary, adjustments will be made as soon as possible for any lost interest.

It is not the City's intention to perform daylight overdrafts. Although the City acknowledges that daylight overdraft cap limits are confidential information, you are requested to describe in detail in **Exhibit A-1** your bank's policy for handling daylight overdrafts, and in particular how daylight overdrafts caused by the City of Smithville will be handled. If your Bank has adopted a policy of **not** allowing any daylight overdrafts, then please state your policy in **Exhibit B. Exceptions**. In the event that your Bank plans to charge for daylight overdrafts, then please explain your position fully, including any planned charges on **Exhibit B**.

In the event that the incoming wire transfer does not arrive by the end of the business day (defined as midnight), interest on any overdrawn balances will be calculated using the same formula that the City receives interest on the **Automatic Overnight Investment Program (See Section E)**. Using this formula, the City will not receive any interest on the overnight investment that results from an overdraft, nor will the City be required to pay any interest to the Bank beyond this rate. The City will not accept any exceptions to this specification.

The Finance Department intends to carefully monitor the time of receipt for all wire transfers. Continued delay in receipt of wire transfers for which the Bank is at fault may constitute sufficient cause for termination of the banking service contract, as specified in **Section I. B. 6 (h)**.

Wire Transfers - Outgoing

The Awarded Bank agrees to execute any wire transfer order within one (1) hour after notification by the Finance Department through the online software, or by telephone or FAX, if necessary. Wire transfers ordered and not received by the destination party by 6:00 p.m. will be traced by the Bank from origin to destination to ascertain the party responsible for delaying the transfer. If necessary,

adjustments will be made for any lost interest, or charges resulting from a "fail" to consummate an investment transaction.

Other

The Finance Department will use, to the greatest extent possible, the bank's online wire transfer capability. Please provide details in **Exhibit A-1** on your bank's capability of handling this service, as well as the security provisions available, if not included in the general online software referenced in **Section D** above.

If not available directly in the online software, Bank agrees to provide copies of the wire transfer confirmation evidencing the amount, date and time, as well as the wire transfer number for all outgoing wires on a daily basis to the Finance Department via FAX or mail.

The City desires to enter into a "**Wire Transfer Agreement**" with the Awarded Bank for all wire transfers incoming and outgoing. The Bank is requested to provide a copy of its **Wire Transfer Agreement** with its proposal. The **Wire Transfer Agreement** must take into consideration the provisions of the UCC Article 4A.

Additionally, provisions within the **Wire Transfer Agreement** must be subject to further negotiation. Negotiations regarding provisions contained within the **Wire Transfer Agreement** will be conducted *before* a winning bank is chosen. **Wire Transfer Agreements** that are not subject to negotiation must be considered an exception to this proposal and included in **Exhibit B. Exceptions**.

G. Account Reconciliation

The City will provide its own account reconciliation services with specific item assistance from the Bank to clear up discrepancies that may occur. Bank shall provide, at a minimum:

1. Statement and detail reporting and printing capabilities with period and sort choices as part of the online software detailed in **Section D** above,
2. A CD containing images of all checks cleared during a calendar month as well as access to images of checks cleared within the last 90 days (minimum) as part of the online software detailed in **Section D** above,
3. A CD (separate from the check CD in 2 above) containing images of all incoming checks and bill stubs processed through the lockbox payment system during a calendar month,
4. The software necessary to archive, index, view and print all items included on the CDs provided under items 2 and 3 above. Such software shall be capable of installation on multiple Windows-based computers and as part of a Citrix-based computer network. Proposing Banks shall provide a live demonstration of their suggested software to City personnel before award and Awarded Bank shall provide assistance with installation and troubleshooting to the City's Information Technology Department to assure its functionality for the intended purpose.

Bank will provide the City within ten (10) business days after the end of the month the Account Reconciliation items.

H. Statement and Advice Frequency

Monthly bank statements will be for the full calendar month and will be delivered to the City of Smithville, Finance Department, within ten (10) business days after the end of the month.

A **Monthly Service Charge Report** for a particular month will be completed and delivered to the City of Smithville, Finance Department, within ten (10) business days after the end of the month.

I. Designated Account Executive

The City requests that the proposing banks provide the names of a designated account executive, as well as an alternate. The designated account executives **must** have the authority to make timely decisions in the normal course of business on their own.

Resumes must be provided for all key account executives designated to service this account.

J. Other Banking Services and Conditions

1. All checks returned due to insufficient funds will be automatically deposited a second time. Please include your charge (if any) for this item in **Appendix A** with the other costs. Checks that are still "uncollectible" after this second attempt will be returned to the City for processing.
2. Stop Payments will be issued to the bank through the online software detailed in **Section D** above. It will be the City's responsibility to determine whether the check in question is shown as being cleared as of the end of the preceding business day through the same software prior to placement of a Stop Payment request. The online software shall report a printable confirmation that the Stop Payment has been placed. If the bank finds that the check has been cashed, the bank will immediately forward to the City a copy of the cashed instrument. A cancellation of a Stop Payment order will be processed as above. The Bank shall be responsible for any item cashed if said item has been confirmed as a Stop Payment and is subsequently cashed by the Bank.
3. The City offers electronic direct deposit for the City and School payrolls and for the disbursement of certain payroll withholdings. The City and School software systems are able to originate NACHA files acceptable to the ACH system. Direct uploading of these files should be accomplished through the online software detailed in **Section D** above. Each proposal should describe the Bank's capabilities in the area of electronic direct deposit as well as the fees associated with this service.
4. The bank shall supply the City with various supplies, such as coin wrappers, bill bands, coin envelopes and tamper-evident deposit bags at no cost to the City. Deposit bags shall be of large capacity, or two sizes may be supplied.
5. The City validates checks received with self-inking "For Deposit Only" stamps that contain the required information about the Bank and the City's General Account. Awarded Bank shall provide twenty (20) such stamps at the start of the Contract and shall supply three (3) per year thereafter as replacements at no cost to the City.
6. At no time will any charges be applied against any of the accounts established through this Request for Proposal. All charges will be paid through the compensating balance or by direct invoice, as requested in this RFP. Should the City desire to add services not contemplated in this RFP, those charges will be covered by the compensating balance or by direct invoice, as directed by the Finance Director. Unless agreed to by the Finance Director, this RFP will contain all the costs associated with providing banking service, as requested, to the City.

Additional costs not previously approved or authorized by the Finance Director will not be paid or funded in the compensating balance calculations.

7. No debit or credit memos required to adjust errors caused by the Bank will be charged to the City. All bank errors must be corrected within three (3) business days of notification by the City and be listed separately from any other transactions.
8. The City and School will print their own numbered checks through their respective software systems. The Bank agrees to provide MICR check specifications to be used by the programmers.
9. Duplicate deposit slips will be provided to the City by the Bank, pre-printed with account name and number at no cost to the City.

K. Lock Box Service

The City currently uses a lock-box service for its tax and sewer user payments and this service must be a part of the Proposing Bank's offerings. Information on the bank's lock box service should include but not be limited to the following:

1. The time and frequency the bank will pick up all items in the box,
2. Criteria used by the Bank personnel to process the payments, including copy of lockbox agreement showing the City's choices available for various scenarios that may arise,
3. Bank's method of entering checks into the bank's computer system, i.e. manually or scanned. The City's bill payment stubs contain a scan line in Munis format,
4. Method utilized by the Bank to transfer the information to the City. The City's software system imports files received in Munis format for direct credit of the customer accounts. Any system requiring the City to do manual entries to credit accounts is not acceptable.
5. Bank's policy on handling correspondence received with the check and/or stub,
6. Bank's policy on handling questions concerning payments. Will the customer be contacted or the City?

Information on the bank's lock box service and any associated fees will be considered as an integral part of the service proposal.

L. Merchant Services

The City accepts debit cards for payments made through its central payments lobby and may expand the capability to other City offices. The Awarded Bank must be capable of providing this service through the terminal machines the City currently uses (VeriFone Omni 3750) or will provide five (5) terminal machines of its approved model to the City as part of the Contract. Bank's terminal machines and processing system will be capable of handling credit card transactions should the City decide to expand that option in the future. Bank shall provide the fee structure for debit and credit card processing, the name of the processor (if not the Bank itself) and the amount of time needed to deposit card payment funds into the City's account once the daily work has been settled.

M. "Check-21"

Proposals shall include a detailed explanation of how the Proposing Bank is handling the "Check-21" standards and how the City could take advantage of those in the future.

III. PROPOSALS

A. Explanation of Proposal Form

Use of the Proposal Form (Exhibits A, A-1, A-2, and B) or a copy thereof is required of all proposers. No proposal will be considered without amounts being placed on this form. If the Bank is unable to meet or exceed the requirements specified, then the phrase "No Proposal" should be entered for that particular item.

The proposal will be on a variable cost basis. Under the variable cost method, actual monthly services will be counted and the volume of transactions will be computed to determine the compensating balance required to support the activity. Accordingly, the compensating balance will change semi-annually based on previous volume and charges, as described below.

The Finance Director reserves the right to eliminate any individual service contained in the bid, if based on analysis, the fee for providing the service is excessive, or if the service proposed can be performed in an alternative manner.

B. Completion of Proposal Form

Each Bank should review the proposal form and price each service specified. Per item charges should be extended to the "Annual Charges" column. The total of this column will be entered on the line "Total Proposed."

To arrive at a proposed Compensating Balance for the initial six-month period, the "Total Proposed" is divided by the Bank's best estimated earnings allowance

This formula provides for the individual bank's reserve requirement (which will be zero, 0%, as explained below), and uniform earnings allowance in the proposal calculations.

Reserve Requirement Calculations

Proposing Banks should use their individual reserve requirements, as of June 1, 2008. The banks should use a *Certificate of Deposit (CD) for the semi-annual compensating balance* to reduce the reserve requirement to zero (0) percent from ten (10) percent. Alternatively, the Bank may use a repurchase agreement for the compensating balance, in which case the reserve requirement will also be 0%. The CD or repurchase agreement *will change monthly* as the compensating balance changes. In essence, there will *not be a reserve requirement* under the proposed arrangement.

Compensating Balance Calculation

All fees due the Bank from the City shall be paid through the use of an earnings credit on a Compensating Balance, which amount shall be reset semi-annually on March 1 and September 1 of each Contract year. The initial Compensating Balance amount shall be based on the Total Proposed Amount for Annual Services from **EXHIBIT A** and shall be in effect for the first nine (9) months of the contract. Approaching the end of nine months, the actual costs for services incurred during the first

six (6) full months of the Contract shall be summed, that sum shall be doubled and the resultant amount shall be multiplied by the current annual earnings allowance rate to derive the Compensating Balance amount for the next six (6) month period. This calculation will be rolled forward for each succeeding six-month period of the Contract. In **EXHIBIT A-2**, describe how the Earnings Allowance rate will be calculated. The City requires that the earnings credit rate quoted for use on our account be derived from an independent and published index reference, such as the 90 day T-bill rate. An internal bank rate reference is not quantifiable and therefore not acceptable.

C. Monthly Account Analysis

The Awarded Bank will prepare on a monthly basis a billing for services rendered. The billing should be able to reconcile (using similar terms, formats, etc.) to the Proposal form (**Exhibit A**) in this Request for Proposal. Total service charges will be calculated based on the actual number of transactions for a month multiplied by the fixed charge per item. The total service charges will be converted to an amount of Compensating Balance via the earnings credit rate that would be necessary to support the actual total service charges. That amount of Compensating Balance will be compared to the Compensating Balance amount currently in effect and any difference (positive or negative) noted. The intent is that the semi-annual reset of the Compensating Balance will assist both the Bank and the City in avoiding continuing overages or undercharges of the fees.

It is the intention of the City that all per item charges remain fixed over the life of the initial five-year contract. However, the City recognizes that an adjustment in a per item charge may be necessary based on price changes by the Federal Reserve System. Adjustments in per item charges will **only** be allowed by complying with the following conditions:

- The per-item charge (or portion thereof) will change only for corresponding adjustments in the Federal Reserve System's Fee Schedules, on or after the effective date of the adjustment.
- Changes in the Federal Reserve Fee Schedules must be final, and not proposed.
- Awarded Bank will provide the Finance Director a copy of the Federal Reserve System's notification supporting the adjustment, with the "Monthly Service Charge Report."

IV. SUMMARY

All banks are requested to complete the form "Proposal for Banking Services," attach the requested forms, reports and Exhibits and return the package (3 copies) to the City in accordance with the instruction in **Section I.B.**

The City, acting through the City Manager as authorized by the City Council, intends to enter into a formal Banking Services Contract similar to **Exhibit D** with the Awarded Bank that will incorporate all provisions of the Request for Proposal. Additional terms and conditions will not be included in the Contract unless mutually agreed upon by both parties.

RESPONSE EXHIBITS-----COVER SHEET
PROPOSAL FOR BANKING SERVICES-----CITY OF SMITHVILLE

PROPOSAL SUBMITTED BY:

BANK _____

ADDRESS _____

TELEPHONE _____

This proposal contains all the information requested In the Request for Proposal, including the following exhibits:

Exhibit A: Consolidated Proposal Form

Exhibit A-1: Additional Information Requested

Exhibit A-2: Calculation Supporting setting of Compensating Balance

Exhibit B: Exceptions to this Proposal

Bank's Availability Schedule(s)

Bank's Audited Financial Statements for the previous two years (submit only one set)

Bank's Wire Transfer Agreement

Bank's Custodial Agreement

Synopsis of Bank's commitment to the Smithville Community

Signature _____

Typed Name _____

Title _____

Date _____

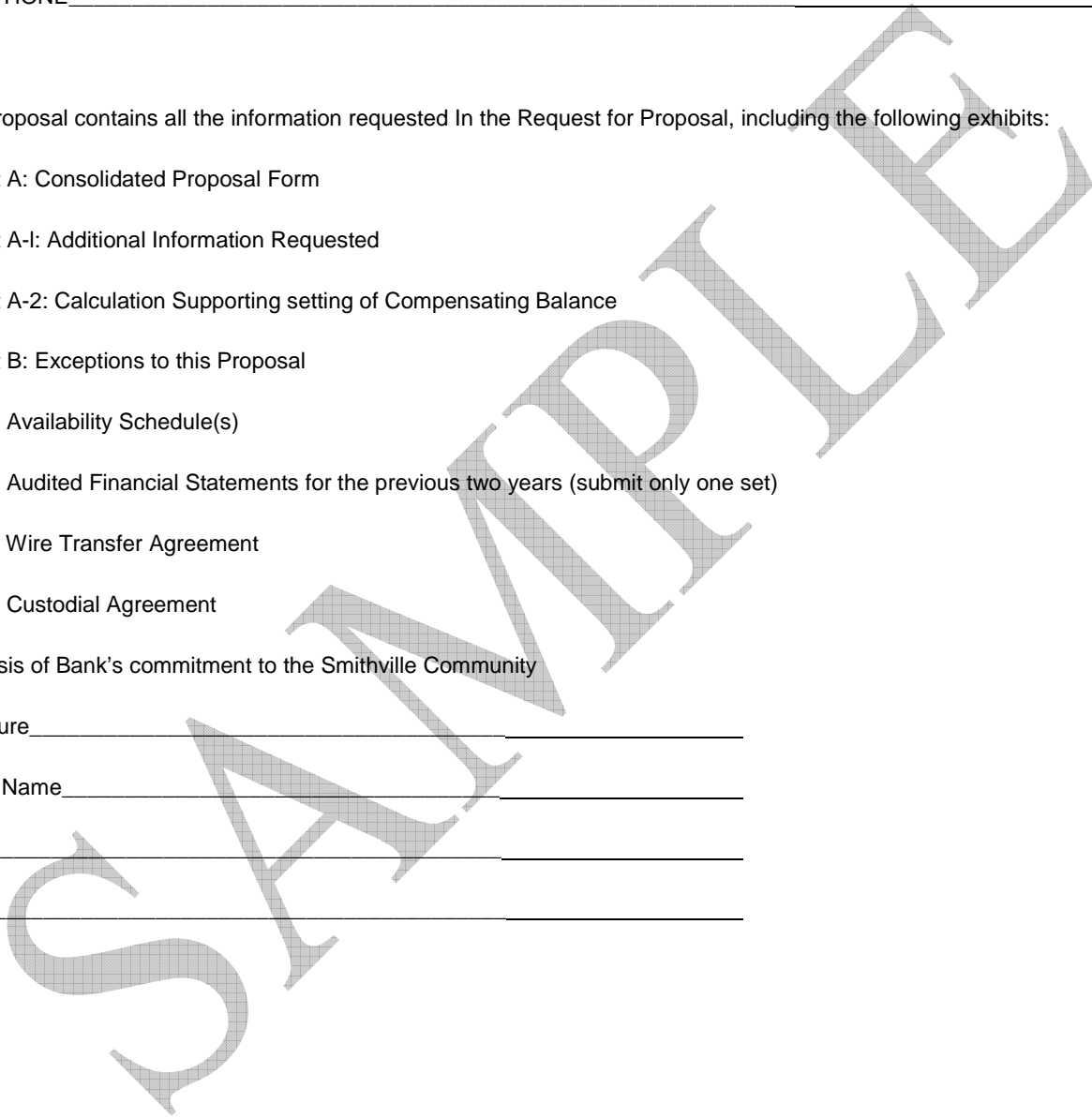


EXHIBIT A
PROPOSAL FOR BANKING SERVICES-----CITY OF SMITHVILLE

<u>BANK</u> <u>DEPOSITORY SERVICE</u>	<u>ESTIMATED</u> <u>ANNUAL</u> <u>VOLUME</u>	<u>CHARGE</u> <u>PER ITEM</u>	<u>ANNUAL</u> <u>CHARGE</u>
Account Maintenance	60		
Cash Management Sweep Maint.	12		
Zero Balance Sub Acct. Maint.	24		
Lockbox FTX Trans.	782		
Wholesale Yearly Box Rental	12		
Retail Lockbox Maint.	12		
Retail Yearly Box Rental	12		
Retail Lockbox Image - Per Item	23,766		
Retail - OCR Items	23,766		
Lockbox Daily Reporting	248		
Lockbox Check Image Storage - CD	12		
Credit Card Settlement Serv. Manual	1		
Deposits Processed	1,318		
Checks Deposited	57,765		
Returned Checks Final Presentment	56		
Returned Checks First Presentment	78		
Courier Service	1		
Checks Paid	21,735		
Stop Payment	43		
Check Image Storage Maint.	12		
CD Image - Per Item	21,735		
Check Image Module	12		
Partial Reconciliation Maint.	12		
Partial Recon - Per Item	12,621		
Direct ACH Maint.	12		
ACH Items Originated	18,079		
ACH Debits - Receiving	266		
ACH Credits - Receiving	703		
ACH Returns - Per	13		
ACH Transmission	142		
Wire Out - Domestic	31		
Wire In - Domestic	8		
Online Account Transfer Module	12		
Online Account Info Maint.	12		
Debit Card Transactions	3,722		

Note: Insert "W" on the Charge per Item line if you propose waiving that particular charge.

Total Proposed Annual Amount for Services \$ _____

Average Monthly Amount for Services (Total/12) \$ _____

Balance Required to Support \$1.00 of Services (from Exhibit A-2) \$ _____

Initial Compensating Balance held for six (6) months \$ _____

EXHIBIT A-1
PROPOSAL FOR BANKING SERVICES-----CITY OF SMITHVILLE

ADDITIONAL INFORMATION REQUESTED

Please expand the space on this sheet if responding electronically or attach additional sheets as necessary if responding manually.

Describe your proposal for handling the overnight investment in the Sweep Account and indicate the rate basis to be used.

Provide description of your bank's policy for handling daylight overdrafts, and in particular from the City of Smithville.

Provide a detailed description of the bank's online banking software, the functions that can be performed and the types of reports that can be issued. Additional information may be attached to the proposal.

Provide details for the Lock-Box Service, such as is it bank-owned and operated; where the post office boxes are located. Include copies of setup questionnaires for us to determine our options for the handling of specific non-standard items.

Provide details of how the bank is handling "Check-21" standards and examples of how the City might utilize these to its advantage in the future.

EXHIBIT A-2
PROPOSAL FOR BANKING SERVICES-----CITY OF SMITHVILLE

CALCULATIONS SUPPORTING SETTING OF COMPENSATING BALANCE

Banks should use required reserve rate as of June 1, 2008

Show calculation of Earnings Allowance rate proposed and explain its basis. Options may be proposed for the City's choice of basis.

SAMPLE

Calculate initial Compensating Balance requirement:

Total Proposed Annual Amount for Services (from EXHIBIT A) \$ _____

Divided by Earnings Allowance rate (from above) _____ %

Equals Proposed Compensating Balance for first 9 months of Contract \$ _____

EXHIBIT B
PROPOSAL FOR BANKING SERVICES-----CITY OF SMITHVILLE

PROPOSAL EXCEPTION FORM

The Bank wishes to take exception to the following items:

<u>Page</u>	<u>Item</u>	<u>Estimated Costs</u>
-------------	-------------	------------------------

SAMPLE

EXHIBIT C
Master Repurchase Agreement

DATED AS OF: _____

BETWEEN:

City of Smithville
205 Main St.
Smithville, Maine 04005

AND

1. APPLICABILITY

From time to time the parties hereto may enter into transactions in which one party ("Seller") agrees to transfer to the other ("buyer") securities or financial instruments ("Securities") against the transfer of funds by Buyer, with a simultaneous agreement by Buyer to transfer to Seller such Securities at a date certain or on demand, against the transfer of funds by Seller. Each such transaction shall be referred to herein as a "Transaction" and shall be governed by this Agreement, including any supplemental terms or conditions contained in Annex I hereto, unless otherwise agreed in writing.

2. DEFINITIONS

(a) "Act of Insolvency," with respect to any party, (i) the commencement by such party as debtor of any case or proceeding under any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar law, or such party seeking the appointment of a receiver, trustee, custodian or similar official for such party or any substantial part of its property, or (ii) the commencement of any such case or proceeding against such party, or another seeking such an appointment, or the filing against a party of an application for a protective decree under the provisions of the Securities Investor Protection Act of 1970, which (A) is consented to or not timely contested by such party, (B) results in the entry of an order for relief, such an appointment, the issuance of such a protective decree or the entry of an order having a similar effect, or (C) is not dismissed within 15 days, (iii) the making by a party of a general assignment for the benefit of creditors, or (iv) the admission in writing by a party of such party's inability to pay such party's debts as they become due;

(b) "Additional Purchased Securities," securities provided by Seller to Buyer pursuant to Paragraph 4(a) hereof,

(c) "Buyer's Margin Amount," with respect to any Transaction as of any date, the amount obtained by application of a percentage (which may be equal to the percentage that is agreed to as the Seller's Margin Amount under subparagraph (q) of this Paragraph), agreed to by Buyer and Seller prior to entering into the Transaction, to the Repurchase Price for such Transaction as of such date;

(d) "Confirmation," the meaning specified in Paragraph 3(b) hereof,

(e) "Income," with respect to any Security at any time, any principal thereof then payable and all interest, dividends or other distributions thereon;

(f) "Margin Deficit," the meaning specified in Paragraph 4(a) hereof

(g) "Margin Excess," the meaning specified in Paragraph 4(b) hereof

(h) "Market Value," with respect to any Securities as of any date, the price for such Securities on such date obtained from a generally recognized source agreed to by the parties or the most recent closing bid quotation from such a source, plus accrued Income to the extent not included therein (other than any Income credited or transferred to, or applied to the obligations of Seller pursuant to Paragraph 5 hereof) as of such date (unless contrary to market practice for such Securities);

(i) "Price Differential," with respect to any Transaction hereunder as of any date, the aggregate amount obtained by daily application of the Pricing Rate for such Transaction to the Purchase Price for such Transaction on a 360 day per year basis

for the actual number of days during the period commencing on (and including) the Purchase Date for such Transaction and ending on (but excluding) the date of determination (reduced by any amount of such Price Differential previously paid by Seller to Buyer with respect to such Transaction);

(j) "Pricing Rate," the per annum percentage rate for determination of the Price Differential;

(k) "Prime Rate," the prime rate of U.S. money center commercial banks as published in **The Wall Street Journal**;

(l) "Purchase Date," the date on which Purchased Securities are transferred by Seller to Buyer;

(m) "Purchase Price," (i) on the Purchase Date, the price at which Purchased Securities are transferred by Seller to Buyer, and (ii) thereafter, such price increased by the amount of any cash transferred by Buyer to Seller pursuant to Paragraph 4(b) hereof and decreased by the amount of any cash transferred by Seller to Buyer pursuant to Paragraph 4(a) hereof or applied to reduce Seller's obligations under clause (ii) of Paragraph 5 hereof;

(n) "Purchased Securities," the Securities transferred by Seller to Buyer in a Transaction hereunder, and any Securities substituted therefor in accordance with Paragraph 9 hereof. The term "Purchased Securities" with respect to any Transaction at any time also shall include Additional Purchased Securities delivered pursuant to Paragraph 4(a) and shall exclude Securities returned pursuant to Paragraph 4(b);

(o) "Repurchase Date," the date on which Seller is to repurchase the Purchased Securities from Buyer, including any date determined by application of the provisions of Paragraph 3(c) or 11 hereof;

(p) "Repurchase Price," the price at which Purchased Securities are to be transferred from Buyer to Seller on termination of a Transaction, which will be determined in each case (including Transaction terminable on demand) as the sum of the Purchase Price and the Price Differential as of the date of such determination, increased by any amount determined by the application of the provisions of Paragraph 11 hereof;

(q) "Seller's Margin Amount," with respect to any Transaction as of any date, the amount obtained by application of a percentage (which may be equal to the percentage that is agreed to as the Buyer's Margin Amount under subparagraph (c) of this Paragraph), agreed to by Buyer and Seller prior to entering into the Transaction, to the Repurchase Price for such Transaction as of such date.

3. INITIATION; CONFIRMATION; TERMINATION

(a) An agreement to enter into a Transaction may be made orally or in writing at the initiation of either Buyer or Seller. On the Purchase Date for the Transaction, the Purchased Securities shall be transferred to Buyer or its agent against the transfer of the Purchase Price to an account of Seller.

(b) On agreeing to enter into a Transaction hereunder, Buyer or Seller (or both), as shall be agreed, shall promptly deliver to the other party a written confirmation of each Transaction (a "Confirmation"). The Confirmation shall describe the Purchased Securities (including CUSIP number, if any), identify Buyer and Seller and set forth (i) the Purchase Date, (ii) the Purchase Price, (iii) the Repurchase Date, unless the Transaction is to be terminable on demand, (iv) the Pricing Rate or Repurchase Price applicable to the Transaction, and (v) any additional terms or conditions of the Transaction not inconsistent with this Agreement. The Confirmation, together with this Agreement, shall constitute conclusive evidence of the terms agreed between Buyer and Seller with respect to the Transaction to which the Confirmation relates, unless with respect to the Confirmation specific objection is made promptly after receipt thereof. In the event of any conflict between the terms of such Confirmation and this Agreement, this Agreement shall prevail.

(c) In the case of Transactions terminable on demand, such demand shall be made by Buyer or Seller, no later than such time as is customary in accordance with market practice, by telephone or otherwise on or prior to the business day on which such termination will be effective. On the date specified in such demand, or on the date fixed for termination in the case of Transactions having a fixed term, termination of the Transaction will be effected by transfer to Seller or its agent of the Purchased Securities and any Income in respect thereof received by Buyer (and not previously credited or transferred to, or applied to the obligations of: Seller pursuant to paragraph 5 hereof) against the transfer of the Repurchase Price to an account of Buyer.

4. MARGIN MAINTENANCE

(a) If at any time the aggregate Market Value of all Purchased Securities subject to all Transactions in which a particular party hereto is acting as Buyer is less than the aggregate Buyer's Margin Amount for all such Transactions (a "Margin Deficit"), then Buyer may by notice to Seller require Seller in such Transactions, at Seller's option, to transfer to Buyer cash or additional Securities reasonably acceptable to Buyer ("Additional Purchased Securities"), so that the cash and aggregate Market Value of the Purchased Securities, including any such Additional Purchase Securities, will thereon equal or exceed such aggregate Buyer's Margin Amount (decreased by the amount of any Margin Deficit as of such date arising from any Transactions in which such Buyer is acting as Seller).

(b) If at any time the aggregate Market Value of all Purchased Securities subject to all Transactions in which a particular party hereto is acting as Seller exceeds the aggregate Seller's Margin Amount for all such Transactions at such time (a "Margin Excess"), then Seller may by notice to Buyer require Buyer in such Transactions, at Buyer's option, to transfer cash or Purchase Securities to Seller, so that the aggregate Market Value of the Purchased Securities, after deduction of any cash or any Purchased Securities so transferred will thereon not exceed such aggregate Seller's Margin Amount (Increased by the amount of any Margin Excess as of such date arising from any Transactions in which such Seller is acting as Buyer).

(c) Any cash transferred pursuant to this Paragraph shall be attributed to such Transactions as shall be agreed on by Buyer and Seller.

(d) Seller and Buyer may agree, with respect to any or all Transactions hereunder, that the respective rights of Buyer or Seller (or both) under subparagraphs (a) and (b) of this Paragraph may be exercised only where a Margin Deficit or Margin Excess exceeds a specified dollar amount or a specified percentage of the Repurchase Prices for such Transactions (which amount or percentage shall be agreed to by Buyer and Seller prior to entering into any such Transactions).

(e) Seller and Buyer may agree, with respect to any or all Transactions hereunder, that the respective rights of Buyer and Seller under subparagraphs (a) and (b) of this Paragraph to require the elimination of a Margin Deficit or a Margin Excess, as the case may be, may be exercised whenever such a Margin Deficit or Margin Excess exists with respect to any single Transaction hereunder (calculated without regard to any other Transaction outstanding under this Agreement).

5. INCOME PAYMENTS

Where a particular Transaction's term extends over an Income payment date on the Securities subject to that Transaction, Buyer shall, as the parties may agree with respect to such Transaction (or, in the absence of any agreement, as Buyer shall reasonably determine in its discretion), on the date such Income is payable either (i) transfer to or credit to the account or Seller an amount equal to such Income payment or payments with respect to any Purchased Securities subject to such Transaction or (ii) apply the Income payment or payments to reduce the amount to be transferred to Buyer by Seller on termination of the Transaction. Buyer shall not be obligated to take any action pursuant to the preceding sentence to the extent that such action would result in the creation of a Margin Deficit, unless prior thereto or simultaneously therewith Seller transfers to Buyer cash or Additional Purchased Securities Sufficient to eliminate such Margin Deficit.

6. SECURITY INTEREST

Although the parties intend that all Transactions hereunder be sales and purchases and not loans, in the event any such Transactions are deemed to be loans, Seller shall be deemed to have pledged to Buyer as security for the performance by Seller of its obligations under each such Transaction, and shall be deemed to have granted to Buyer a security interest in all of the Purchased Securities with respect to all Transactions hereunder and all proceeds thereof.

7. PAYMENT AND TRANSFER

Unless otherwise mutually agreed, all transfers of funds hereunder shall be in immediately available funds. All Securities transferred by one party hereto to the other party (i) shall be in suitable form for transfer or shall be accompanied by duly executed instruments of transfer or assignment in blank and such other documentation as the party receiving possession may reasonably request, (ii) shall be transferred on the book-entry system of a Federal Reserve Bank, or (iii) shall be transferred by any other method mutually acceptable to Seller and Buyer. As used herein with respect to Securities, "transfer" is intended to have the same meaning as when used in Section 8-313 of the New York Uniform Commercial Code or where applicable in any federal regulation governing transfers of the Securities.

8. SEGREGATION OF PURCHASED SECURITIES

To the extent required by applicable law, all Purchased Securities in the possession of Seller shall be segregated from other securities in its possession and shall be identified as subject to this Agreement. Segregation may be accomplished by appropriate identification on the books and records of the holder, including a financial intermediary or a clearing corporation.

Title to all Purchased Securities shall pass to Buyer and, unless otherwise agreed by Buyer and Seller, nothing in this Agreement shall preclude Buyer from engaging in repurchase transactions with the Purchased Securities or otherwise pledging or hypothecating the Purchased Securities, but no such transaction shall relieve Buyer of its obligations to transfer Purchased Securities to Seller pursuant to Paragraphs 3, 4 or 11 hereof, or of Buyer's obligation to credit or pay Income to, or apply Income to the obligations of, Seller pursuant to Paragraph 5 hereof.

Required Disclosure for Transactions in Which the Seller Retains Custody of the Purchased Securities:

Seller is not permitted to substitute other securities for those subject to this Agreement and therefore must keep Buyer's securities segregated at all times, unless in this Agreement Buyer grants Seller the right to substitute other securities. If Buyer grants the right to substitute, this means that Buyer's securities will likely be commingled with Seller's own securities during the trading day. Buyer is advised that, during any trading day that Buyer's securities are commingled with Seller's securities, they may be subject to liens granted by Seller to third parties and may be used by Seller for deliveries on other securities transactions. Whenever the securities are commingled, Seller's ability to resegment substitute securities for Buyer will be subject to Seller's ability to satisfy any lien or to obtain substitute securities.

9. SUBSTITUTION

(a) Seller may, subject to agreement with and acceptance by Buyer, substitute other Securities for any Purchased Securities. Such substitution shall be made by transfer to Buyer of such other Securities and transfer to Seller of such Purchased Securities. After substitution, the substituted Securities shall be deemed to be Purchased Securities.

(b) In Transactions in which the Seller retains custody of Purchased Securities, the parties expressly agree that Buyer shall be deemed, for purposes of subparagraph (a) of this Paragraph, to have agreed to and accepted in this Agreement substitution by Seller of other Securities for Purchased Securities; provided, however, that such other Securities shall have a Market Value at least equal to the Market Value of the Purchased Securities for which they are substituted.

10. REPRESENTATIONS

Each of Buyer and Seller represents and warrants to the other that (i) it is duly authorized to execute and deliver this Agreement, to enter into the Transactions contemplated hereunder and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance, (ii) it will engage in such Transactions as principal (or, if agreed in writing in advance of any Transaction by the other party hereto, as agent for a disclosed principal), (iii) the person signing this Agreement on its behalf is duly authorized to do so on its behalf (or on behalf of any such disclosed principal), (iv) it has obtained all authorizations of any governmental body required in connection with this Agreement and the Transactions hereunder and such authorizations are in full force and effect and (v) the execution, delivery and performance of this Agreement and the Transactions hereunder will not violate any law, ordinance, charter, by-law or rule applicable to it or any agreement by which it is bound or by which any of its assets are affected. On the Purchase Date for any Transaction, Buyer and Seller shall each be deemed to repeat all foregoing representations made by it.

11. EVENTS OF DEFAULT

In the event that (i) Seller fails to repurchase or Buyer fails to transfer Purchased Securities on the applicable Repurchase Date, (ii) Seller or Buyer fails, after one business day's notice, to comply with Paragraph 4 hereof, (iii) Buyer fails to comply with Paragraph 5 hereof, (iv) an Act of Insolvency occurs with respect to Seller or Buyer, (v) any representation made by Seller or Buyer shall have been incorrect or untrue in any material respect when made or repeated or deemed to have been made or repeated, or (i) Seller or Buyer shall admit to the other its inability to, or its intention not to, perform any of its obligations hereunder (each an "Event of Default"):

(a) At the option of the nondefaulting party, exercised by written notice to the defaulting party (which option shall be deemed to have been exercised, even if no written notice is given, immediately on the occurrence of an Act of Insolvency), the Repurchase Date for each Transaction hereunder shall be deemed immediately to occur.

(b) In all Transactions in which the defaulting party is acting as Seller, if the nondefaulting party exercises or is deemed to have exercised the option referred to in subparagraph (a) of this Paragraph, (i) the defaulting party's obligations hereunder to repurchase all Purchased Securities as such Transactions shall thereon become immediately due and payable, (ii) to the extent permitted by applicable law, the Repurchase Price with respect to each such Transaction shall be increased by the aggregate amount obtained by daily application of (x) the greater of the Pricing Rate for such Transaction or the Prime Rate to (y) the Repurchase Price for such Transaction as of the Repurchase Date as determined pursuant to subparagraph (a) of the Paragraph (decreased as of any day by (A) any amounts retained by the nondefaulting party with respect to such Repurchase Price pursuant to clause (in) of the subparagraph, (B) any proceeds from the sale of Purchased Securities

pursuant to subparagraph (d)(i) of this Paragraph and (C) any amounts credited to the account of the defaulting party pursuant to subparagraph (e) of this Paragraph) on a 360 day per year basis for the actual number of days during the period from and including the date of the Event of Default giving rise to such option to but excluding the date of payment of the Repurchase price as so increased, (iii) all Income paid after such exercise or deemed exercise shall be retained by the nondefaulting party and applied to the aggregate unpaid Repurchase Prices owed by the defaulting party, and (iv) the defaulting party shall immediately deliver to the nondefaulting party any Purchased Securities subject to such Transactions then in the defaulting party's possession.

(c) In all Transactions in which the defaulting party is acting as Buyer, on tender by the nondefaulting party of payment of the aggregate Repurchase Prices for all such Transactions, the defaulting party's right, title, and interest in all Purchased Securities subject to the Transactions shall be deemed transferred to the nondefaulting party, and the defaulting party shall deliver all such Purchased Securities to the nondefaulting party.

(d) After one business day's notice to the defaulting party (which notice need not be given if an Act of Insolvency shall have occurred, and which may be the notice given under subparagraph (a) of this Paragraph or the notice referred to in clause (ii) of the first sentence of this Paragraph), the nondefaulting party may:

(i) as to Transactions in which the defaulting party is acting as Seller, (A) immediately sell, in a recognized market at such price or prices as the nondefaulting party may reasonably deem satisfactory, any or all Purchased Securities subject to such Transactions and apply the proceeds thereof to the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder or (B) in its sole discretion elect, in lieu of selling all or a portion of such Purchased Securities, to give the defaulting party credit for such Purchased Securities in an amount equal to the price therefor on such date, obtained from a generally recognized source or the most recent closing bid quotation from such a source, against the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder, and

(ii) as to Transactions in which the defaulting party is acting as Buyer, (A) purchase securities ("Replacement Securities") of the same class and amount as any Purchased Securities that are not delivered by the defaulting party to the nondefaulting party as required hereunder or (B) in its sole discretion elect, in lieu of purchasing Replacement Securities, to be deemed to have purchased Replacement Securities at the price therefor on such date, obtained from a generally recognized source or the most recent closing bid quotation from such a source.

(e) As to Transactions in which the defaulting party is acting as Buyer, the defaulting party shall be liable to the nondefaulting party (i) with respect to Purchased Securities (other than Additional Purchased Securities), for any excess or the price paid (or deemed paid) by the nondefaulting party for Replacement Securities therefore over the Repurchase Price for such Purchased Securities and (ii) with respect to Additional Purchased Securities, for the price paid (or deemed paid) by the nondefaulting party for the Replacement Securities therefor. In addition, the defaulting party shall be liable to the nondefaulting party for interest on such remaining liability with respect to each such purchase (or deemed purchase) of Replacement Securities from the date of such purchase (or deemed purchase) until paid in full by Buyer. Such interest shall be at a rate equal to the greater of the Pricing Rate for such Transaction or the Prime Rate.

(f) For purposes of this Paragraph 11, the Repurchase Price for each Transaction hereunder in respect of which the defaulting party is acting as Buyer shall not increase above the amount of such Repurchase Price for such Transaction determined as of the date of the exercise or deemed exercise by the nondefaulting party of its option under subparagraph (a) of this Paragraph

(g) The defaulting party shall be liable to the nondefaulting party for the amount of all reasonable legal or other expenses incurred by the nondefaulting party in connection with or as a consequence of an Event of Default, together with interest thereon at a rate equal to the greater of the Pricing Rate for the relevant Transaction or the Prime Rate.

(h) The nondefaulting party shall have, in addition to its rights hereunder, any rights otherwise available to it under any other agreement or applicable law.

12. SINGLE AGREEMENT

Buyer and Seller acknowledge that, and have entered hereinto and will enter into each Transaction hereunder in consideration of and in reliance on the fact that, all Transactions hereunder constitute a single business and contractual relationship and have been made in consideration of each other. Accordingly, each of Buyer and Seller agrees (i) to perform all of its obligations in respect of each Transaction hereunder, and that a default in the performance of any such obligations

shall constitute a default by it in respect of all Transactions hereunder, (ii) that each of them shall be entitled to set off claims and apply property held by them in respect of any Transaction against obligations owing to them in respect of any other Transactions hereunder and (iii) that payments, deliveries and other transfers made by either of them in respect of any Transactions shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any Transactions hereunder, and the obligations to make any such payments, deliveries and other transfers may be applied against each other and netted.

13. NOTICES AND OTHER COMMUNICATIONS

Unless another address is specified in writing by the respective party to whom any notice or other communication is to be given hereunder, all such notices or communications shall be in writing or confirmed in writing and delivered at the respective addresses set forth in Annex II attached hereto.

14. ENTIRE AGREEMENT; SEVERABILITY

This Agreement shall supersede any existing agreements between the parties containing general terms and conditions for repurchase transactions. Each provision and agreement herein shall be treated as separate and independent from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

15. NON-ASSIGNABILITY; TERMINATION

The rights and obligation of the parties under this Agreement and under any Transaction shall not be assigned by either party without the prior written consent of the other party. Subject to the foregoing, this Agreement and any Transactions shall be binding on and shall inure to the benefit of the parties and their respective successors and assigns. This Agreement may be canceled by either party on giving written notice to the other, except that this Agreement shall, notwithstanding such notice, remain applicable to any Transaction then outstanding.

16. GOVERNING LAW

This Agreement shall be governed by the laws of the State of Maine without giving effect to the conflict of law principles thereof.

17. NO WAIVERS, ETC.

No express or implied waiver of any Event of Default by either party shall constitute a waiver of any other Event of Default and no exercise of any remedy hereunder by any party shall constitute a waiver of its right to exercise any other remedy hereunder. No modification or waiver of any provision of this Agreement and no consent by any party to a departure herefrom shall be effective unless and until such shall be in writing and duly executed by both of the parties hereto. Without limitation on any of the foregoing, the failure to give a notice pursuant to subparagraph 4(a) or 4(b) hereof will not constitute a waiver of any right to do so at a later date.

18. USE OF EMPLOYEE PENSION ASSETS

(a) If assets of an employee benefit plan subject to any provision of the Employee Retirement Income Security Act of 1974 ("ERISA") are intended to be used by either party hereto (the "Plan Party") in a Transaction, the Plan Party shall so notify the other party prior to the Transaction. The Plan Party shall represent in writing to the other party that the Transaction does not constitute a prohibited transaction under ERISA or is otherwise exempt therefrom, and the other party may proceed in reliance thereon but shall not be required so to proceed.

(b) Subject to the last sentence of subparagraph (a) of this paragraph, any such Transaction shall proceed only if Seller furnishes or has furnished to Buyer its most recent available audited statement of its financial condition and its most recent subsequent unaudited statement of its financial condition.

(c) By entering into a Transaction pursuant to this paragraph, Seller shall be deemed (i) to represent to Buyer that since the date of Seller's latest such financial statements, there has been no material adverse change in Seller's financial condition which Seller has not disclosed to Buyer, and (ii) to agree to provide Buyer with future audited and unaudited statements of its financial condition as they are issued, so long as it is a Seller in any outstanding Transaction involving a Plan Party.

19. INTENT

(a) The parties recognize that each Transaction is a "repurchase agreement" as that term is defined in Section 101 of Title 11 of the United States Code, as amended (except insofar as the type of Securities subject to such Transaction or the term of such Transaction would render such definition inapplicable), and a "securities contract" as that term is defined in Section 741 of Title 11 of the United States Code, as amended.

(b) It is understood that either party's right to liquidate Securities delivered to it in connection with Transactions hereunder or to exercise any other remedies pursuant to Paragraph 11 hereof, is a contractual right to liquidate such Transaction as described in Sections 555 and 559 of Title 11 of the United States Code, as amended.

20. DISCLOSURES RELATING TO CERTAIN FEDERAL PROTECTIONS

The parties acknowledge that they have been advised that:

(a) in the case of Transactions in which one of the parties is a broker or dealer registered with the Securities and Exchange Commission ("SEC") under Section 1: of the Securities Exchange Act of 1934 ("1934 Act"), the Securities Investor Protection Corporation has taken the position that the provisions of the Securities Investor Protection Act of 1970 ("SIPA") do not protect the other party with respect to any Transaction hereunder,

(b) in the case of Transactions in which one of the parties is a government securities broker or a government securities dealer registered with the SEC under Section 15C of the 1934 Act, SIPA will not provide protection to the other party with respect to any Transaction hereunder, and

(c) in the case of Transactions in which one of the parties is a financial institution, funds held by the financial institution pursuant to a Transaction hereunder are not a deposit and therefore are not insured by the Federal Deposit Insurance Corporation, or the National Credit Union Share Insurance Fund, as applicable.

FINANCE DIRECTOR
CITY OF SMITHVILLE, MAINE

BANK _____

BY: _____

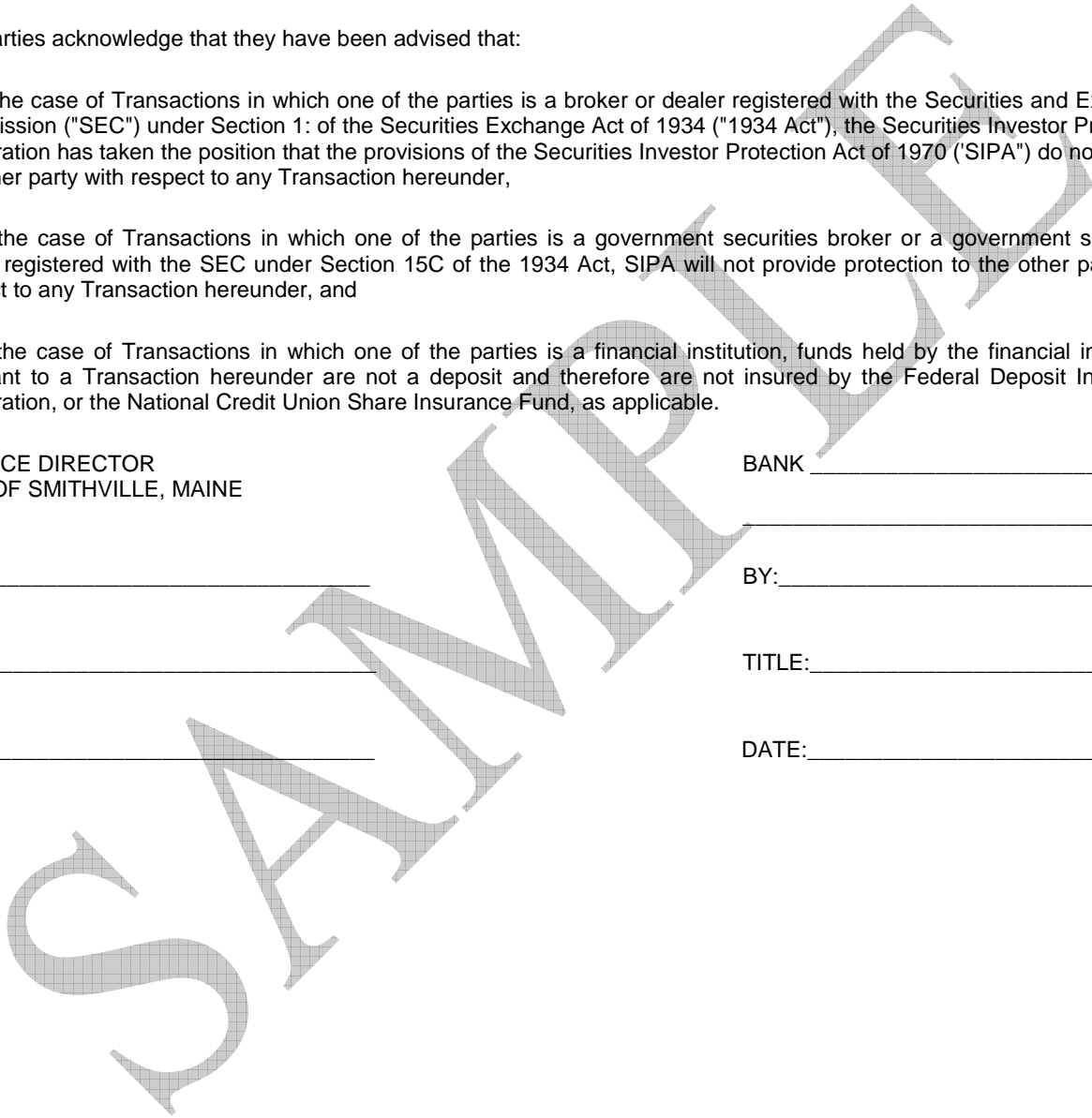
BY: _____

TITLE: _____

TITLE: _____

DATE: _____

DATE: _____



ANNEX I
Supplemental Terms and Conditions

A. Section 1:

Buy and Sell Interpretation: Because the Buyer is a government entity, both parties agree that all transactions conducted pursuant to this Agreement must be interpreted as purchases and sales of securities.

B. Section 4:

Margin Ratios: Unless otherwise agreed on by the parties to the transaction, for purposes of calculating the margin amount, the following ratios shall be applied daily to the market value of Purchased Securities, depending on their maturity.

Maturity of Purchased Securities

U.S. Treasury Securities

Under 1 year-----102%
Over 1 Year-----102%

Purchased Securities are herewith defined to be only obligations of the U.S. Government, its agencies and instrumentalities, as required by the City of Smithville.

Maximum maturity of securities collateralizing the repurchase agreements cannot exceed five years to maturity.

Market Value: In determining market value, dealers' bid prices shall be used, as quoted daily in the Wall Street Journal or other acceptable media to the buyer, and accrued interest shall be included.

Margin Maintenance: For term repurchase agreements, a custodian or the Seller shall maintain the required margin amount, or the required margin ratios shall be increased as mutually agreed in writing to compensate for possible marketplace losses or gains. If the Bank does not mark daily, the margin ratios shall be increased.

C. Section 2, 3 and 4:

Purchased Securities: Unless the parties shall agree to the use of a third-party custodian responsible for margin maintenance, all purchased securities must be marketable instruments for which price information is available on regular business days in the *Wall Street Journal*. In the event that such price information is not available, the Buyer may require the Seller to deliver different securities, or may increase the margin ratio to 105%, at the Buyer's option.

D. Section 5:

Income Payments: Should the Buyer agree to transfer any Income payments received on Purchased Securities, such a transfer will take place on the next business day following notification by the third party custodian of receipt of the income payment.

Income payments received after the Repurchase Date will be transferred to the Seller at the Seller's expense, unless mutually agreed to otherwise.

E. Section 7:

Delivery: Notwithstanding the provisions of Section 7 (Payment and Transfer), all transactions shall be accomplished through "delivery vs. payment," unless the parties otherwise agree prior to the transfer of funds. Securities transferred will be in even million dollar lot sizes or fractions thereof for any amounts in excess of the nearest million dollar size, unless Buyer agrees to otherwise.

F. Section 9:

Substitution: In the event that Seller proposes to substitute Securities for any Purchased Securities, Seller shall absorb wire transfer fees incurred by the Buyer. Seller shall obtain written consent of Buyer prior to the substitution. The duration (maturity) of Securities offered as substitutes may not exceed the duration (maturity) of the original Purchased Securities.

G. Section 10:

Seller's Obligation to Inform Buyer

- a) Seller shall maintain compliance with applicable federal regulatory standards and guidelines regarding capital adequacy and net capitalization.
- b) Any Transaction undertaken pursuant to this agreement shall proceed only if Seller furnishes or has furnished to Buyer its most recent available audited statement of financial condition and its most recent subsequent unaudited statements of financial condition.

c) Notwithstanding the foregoing if the Seller fails to furnish its most recent audited and/or unaudited financial Statements, the Buyer shall provide written notice to the Seller of such failure and the Seller must provide the appropriate financial statements within 10 calendar days of receipt of such notice.

d) By entering into a transaction pursuant to this agreement, Seller shall be deemed to represent to Buyer that since the date of Seller's latest financial statements, there has been no material adverse change in Seller's financial condition that Seller has not disclosed in writing to Buyer, and Seller further agrees to provide Buyer with future audited and unaudited statements of financial condition as they are issued.

H. Section 16:

Governing Law. The laws of the State of Maine shall govern the transactions pursuant to this agreement. All Purchased Securities shall be lawful for purposes of government investments in the State of Maine.

In case of conflicts between the Agreement and Annex I, Annex I will govern. In case of conflict between Annex I and Annex II, Annex I will prevail.

I. Authorized Personnel:

Only those persons identified below may execute transactions pursuant to this agreement:

Seller _____

Buyer _____

SAMPLE

ANNEX II
Names and Addresses for Communications Between Parties

CITY OF SMITHVILLE, MAINE:

S. "Smitty" Smith
Finance Director
City of Smithville
PO Box 200
Smithville, Maine 04000
(207) 222-5555

Smith N. Wesson
City Manager
City of Smithville
PO Box 200
Smithville, Maine 04000
(207) 222-5555

BANK: _____

SAMPLE

Exhibit D
Master Banking Services Agreement

THIS MASTER AGREEMENT is made this ____ day of _____, 2008, between the City of Smithville (the "City") and _____ (the "Bank").

The City on May 23, 2008 issued requests for proposals (**Attachment A**) from financial institutions to provide comprehensive banking services to the City. On June 27, 2008, the Bank submitted a proposal to provide the requested services for the prices set forth in their proposal (**Attachment B**). On _____, 2008 the City Council approved acceptance of the Bank's proposal and the City Manager to execute an agreement for banking services with the Bank.

NOW, THEREFORE, in consideration of these premises, the Request for Proposal set forth in **Attachment A**, the proposal set forth in **Attachment B**, and the covenants and agreements contained in this Agreement, the parties agree as follows:

I. BANKING SERVICES

The Bank shall:

1. Continue to operate a full service branch bank in the City of Smithville for the duration of this Agreement.
2. Establish the following account structure:

General Account
City Payroll Account (a zero-balance account)
School Activity Account (a zero-balance account)
457 Trust Account (a checking account)
Adult Voc Education Account (a checking account)
Adult Education Account (a checking account)

3. Maintain and operate the General and zero-balance account structure as defined in detail in Section II, B of the request for proposal herein incorporated and attached as **Attachment A** to this Agreement.
4. Provide availability for the funds deposited according to the following schedule (**Attachment A**, Section II, C)
5. Wire transfers -- same day credit, regardless of time of receipt during the day.
6. Availability of deposited funds -- in accordance with the Availability Schedule as contained in the proposal (**Attachment B**) or as subsequently amended. Copies of any amendments to be provided to the Finance Director.
7. Provide online inquiry, reporting and other services as specified in Section II, D of **Attachment A**.
8. Provide a sweep account as the overnight investment program as outlined in Section II, E of **Attachment A**.
9. The interest rate for the sweep account will be set by the City's choice of investment vehicle offered by the Bank. The rate will be applied to the balance in the sweep account as outlined in Section II, E of **Attachment A**, which will be invested nightly. Interest will be calculated daily and credited to the General Account on a monthly basis.
10. Provide wire transfer services as outlined in Section II, F of **Attachment A** and in **Attachment C (Funds Transfer Agreement)** to this Agreement.
11. Provide the account reconciliation services described in detail in Section II, G of **Attachment A**.
12. Provide the statements and reports as required in Section II, H and elsewhere in Section II of **Attachment A**.
13. Automatically redeposit all checks returned due to insufficient funds a second time and make the appropriate notification to City (online transaction listing, followed by item return to City should deposit fail a second time) as described in Section II, J of **Attachment A**.
14. Provide the other services and meet the requirements, as specified in Section II, J of **Attachment A**, with banking supplies being provided at no cost.
15. Use a zero interest rate Certificate of Deposit for purposes of investing the compensating balance, thus lowering the reserve requirement to zero, and the resultant cost to the City and the Bank.
16. The Bank agrees to continue the appropriate arrangements for Direct Deposit of Payroll by the City, as specified in the RFP, **Attachment A**. Bank charges associated with the Direct Deposit of Payroll will be charged to the City as part of the compensating balance arrangement.

II. CITY'S RESPONSIBILITIES

The Finance Director of the City of Smithville shall:

1. Deposit all checks and cash items into the General Account, as specified in Section II of **Attachment A**.
2. Notify the Bank of any delays in wire transfers and provide the Bank authorization to initiate the appropriate tracer or follow-up.

3. Pay for only those services requested and approved by the Finance Director from the Bank through a compensating balance approach described in Section III, B of **Attachment A**. No costs that are not requested and approved by the Finance Director will be funded through the compensating balance.
4. Adjust the compensation (in item 3 above) for services for any price changes by the Federal Reserve System, as described in Section III, C of **Attachment A**.
5. Sign **Attachment C (Fund Transfer Agreement)** to cover all wire transfer transactions.
6. Make appropriate arrangements with the Bank for safeguarding wire transfers.

The City herewith accepts the costs and services, and exceptions, as proposed in **Attachment B**.

This Agreement shall be for the period beginning September 1, 2008 and ending August 31, 2013, with a mutually agreeable option to renew for two additional one-year periods (for a maximum contract period of seven years). Banking service charges for the option periods will be in favor of the City to renew the appointment automatically on the same terms and conditions.

Either party may terminate this Agreement at any time by providing written notice to the other party no later than ninety (90) calendar days before the proposed termination date. However, the termination provision may be exercised only after the Agreement has been in effect for three calendar months. The Bank shall be entitled to just and equitable compensation for any satisfactory work completed to the termination date.

Neither party to this Agreement will be held responsible for delays caused by acts of God or other factors beyond the control of the parties.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date above.

ATTEST:

CITY OF SMITHVILLE

By: _____

John D. Bubier
City Manager

ATTEST:

BANK

By: _____