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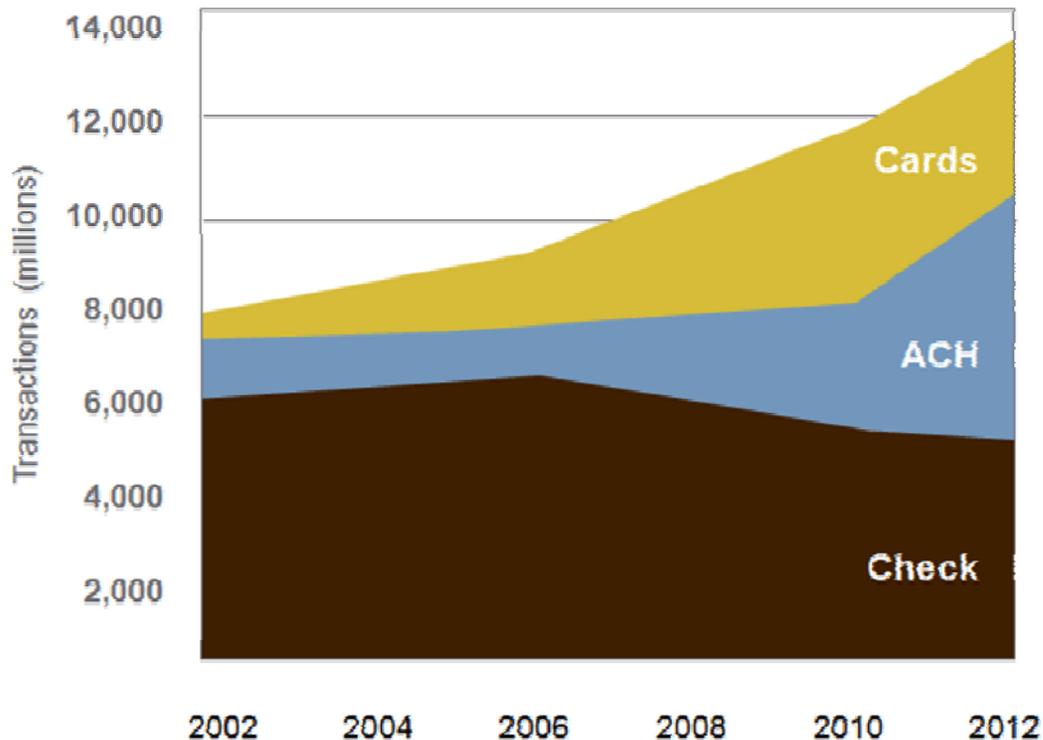
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## The Case for Payment Automation

*Adoption of electronic payments has significantly increased over the past five years, while check usage has declined.*

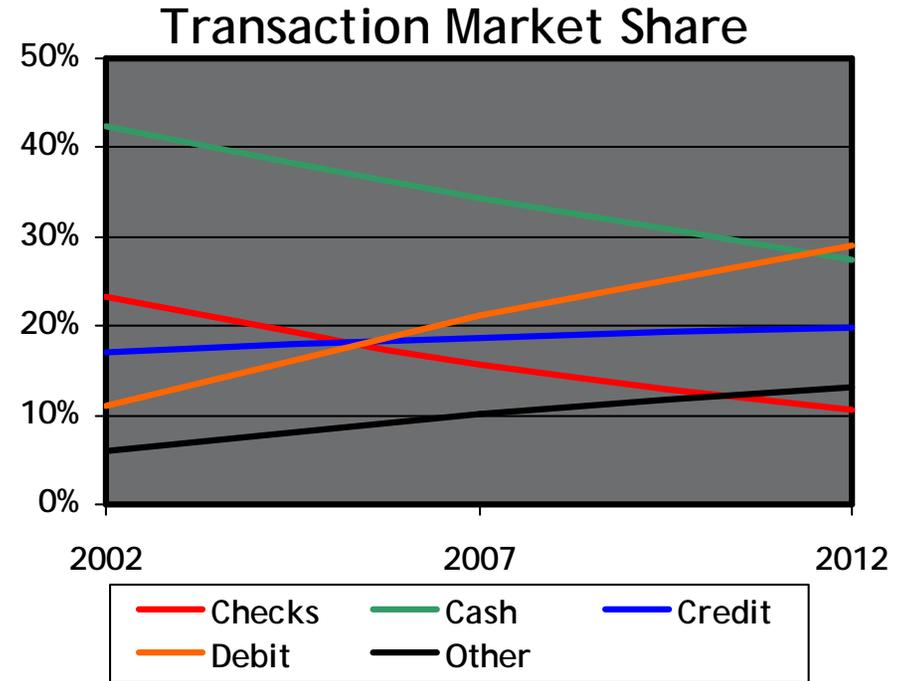
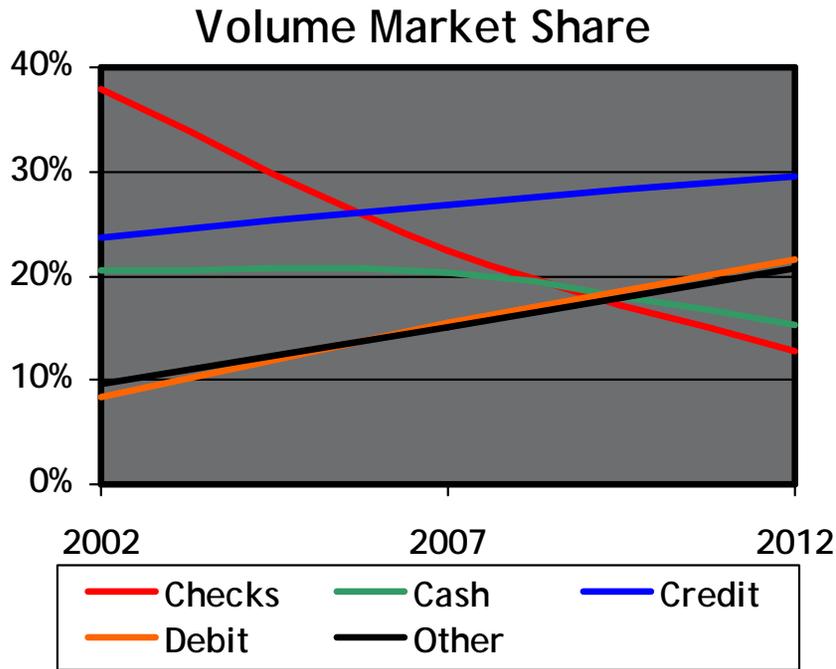


Source: Federal Reserve and NACHA research

### Benefits of Payment Automation

- Cost reduction
- Decreased paper consumption
- Compression of procure-to-pay cycle
- Ability to capture rebates and early payment discounts
- Improved visibility
- Reduction in fraud

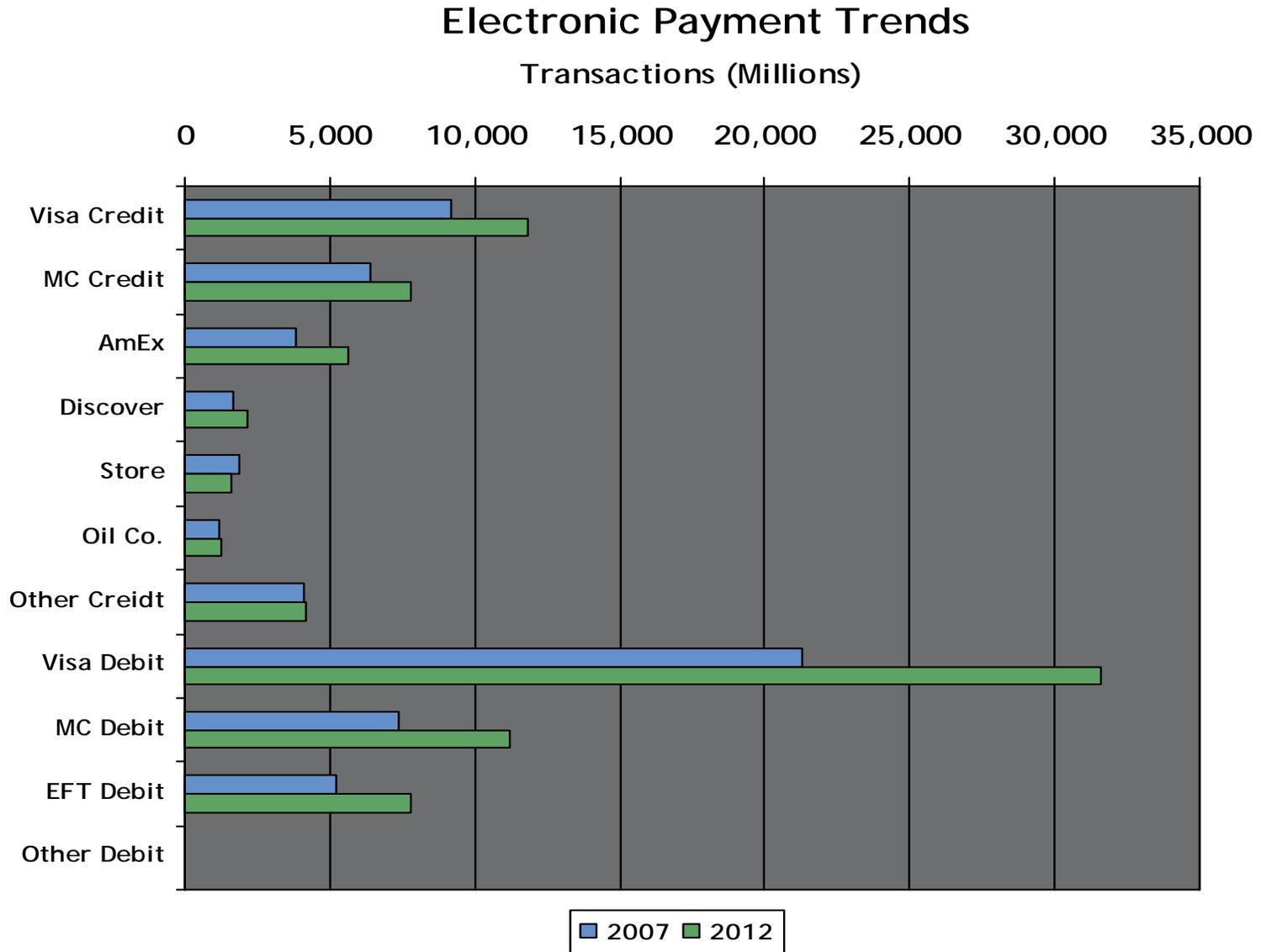
# Electronic Transactions are Growing; Paper is Shrinking



- Cash and checks continue their decline, but remain important
- Debit transactions are expected to surpass cash by 2012
- Credit remains the volume leader
- Debit continues to be the biggest growth story
  - Beginning to grab share from credit, not just cash and checks

Source: Nilson Report

# Electronic Transactions are Growing; Paper is Shrinking



TRENDS IN THE PAYMENTS INDUSTRY

Source: Nilson Report

# Electronic Processing is Key Driver of Cost Reduction – Paper vs. Electronic Benchmarks

## Paper vs. Electronic Cost Comparison



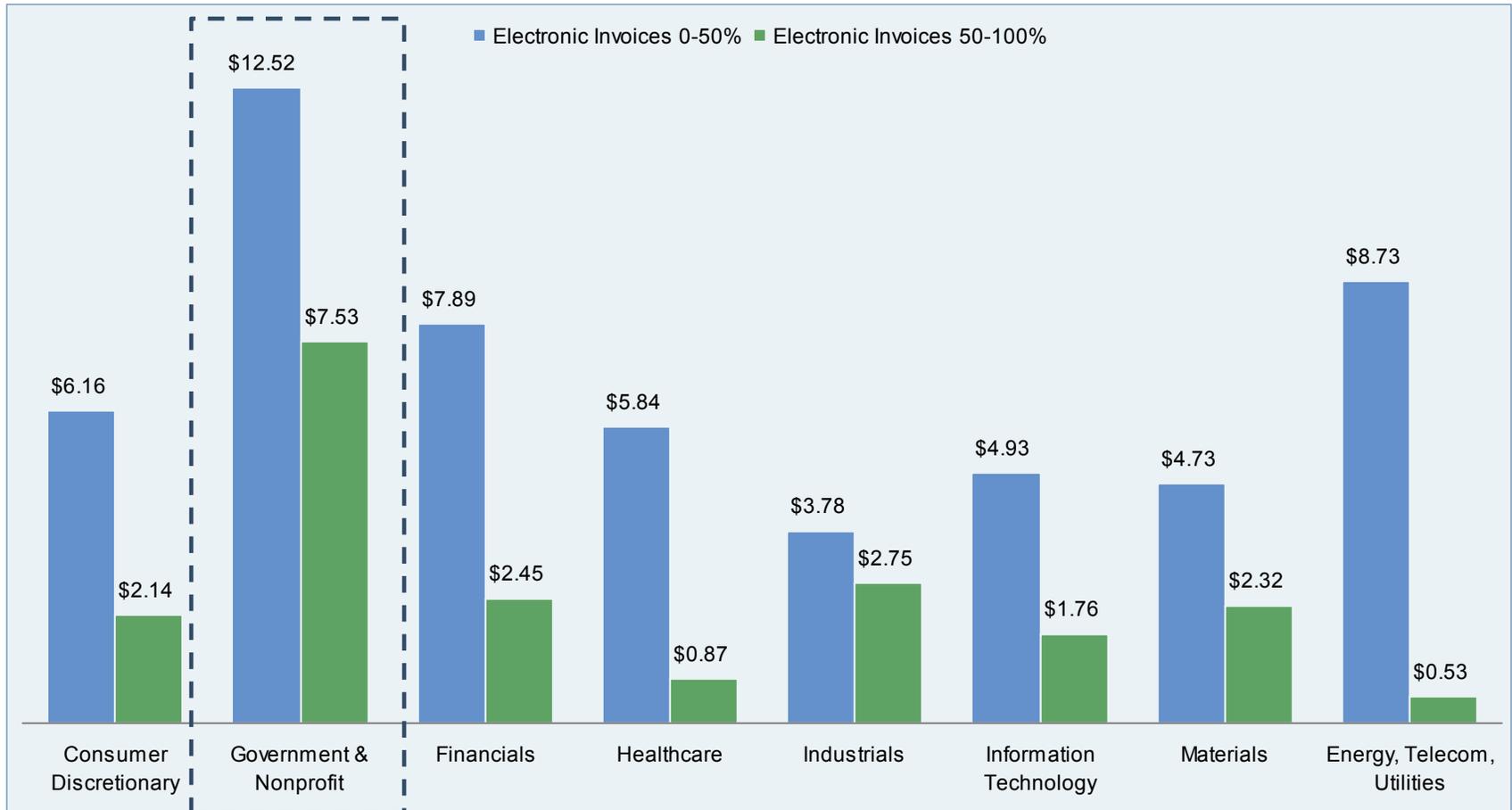
A/P Automation delivers 50%+ reduction in costs vs. traditional paper processes

Source: Gartner Research

CENTRAL FLORIDA GFOA

Organizations see an average cost reduction of 62% per invoice when using electronic invoices for more than half of their total invoices.

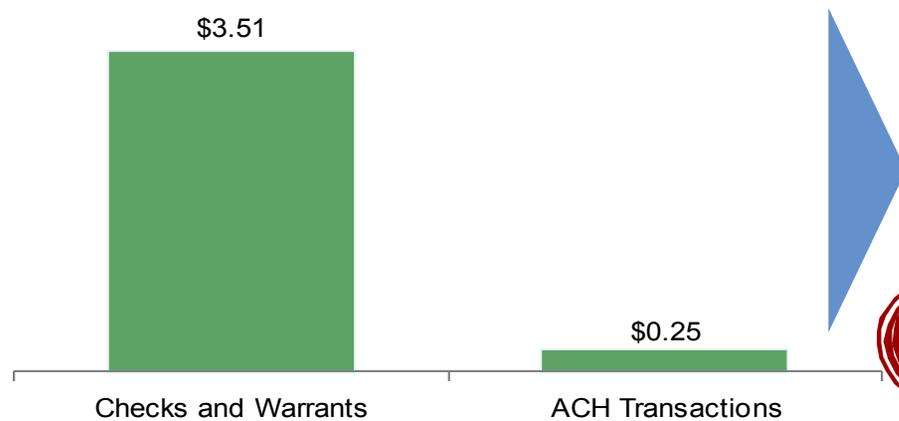
### Cost per Invoice by Industry Based on Percentage of Electronic Supplier Invoices



# Solution: Electronic Payments - Disburse Payments Electronically via ACH and Debit Cards

- Providing electronic benefit and non-benefit payment solutions to constituents
- Streamline payment and disbursement practices while improving accuracy, controls and reporting

Benefits to Government Agencies	Benefits to Program Participants
<ul style="list-style-type: none"> <li>▪ Eliminate expensive and cumbersome warrants and reconciliation</li> <li>▪ A cost-effective way to disburse non benefit payments to constituents using either direct deposit via the ACH network or via a card based solution</li> <li>▪ Program management through electronic tool set (e.g., enrollment reporting, audit trail)</li> <li>▪ A cost-effective way to instantly issue single payments, eliminating on-site petty cash</li> <li>▪ Eliminate internal resources managing escheatment process</li> </ul>	<ul style="list-style-type: none"> <li>• Convenient, timely access to funds</li> <li>• Transaction activity available electronically to constituents or vendors via electronic toolkit</li> <li>• 24 hours a day, seven days a week, multilingual customer service support</li> </ul>



- The cost of checks or warrants: \$3.51 per instrument, including labor, supplies, systems and postage.
- The cost of ACH transaction: less than \$0.25 per transaction

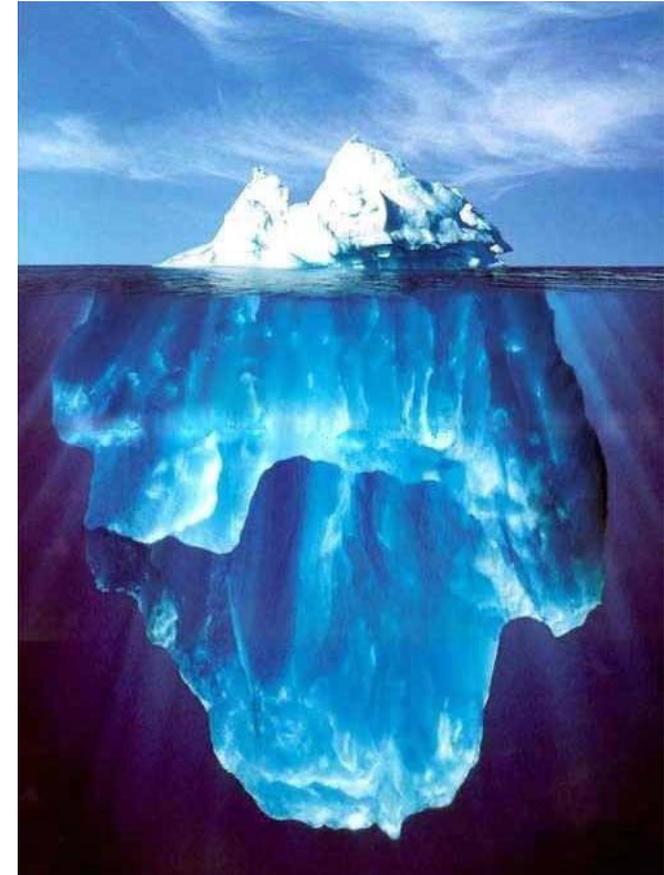
**Potential savings of over 90% per disbursement**

Source: Equitant & Gartner

## Working Capital and Liquidity are Major Areas of Focus

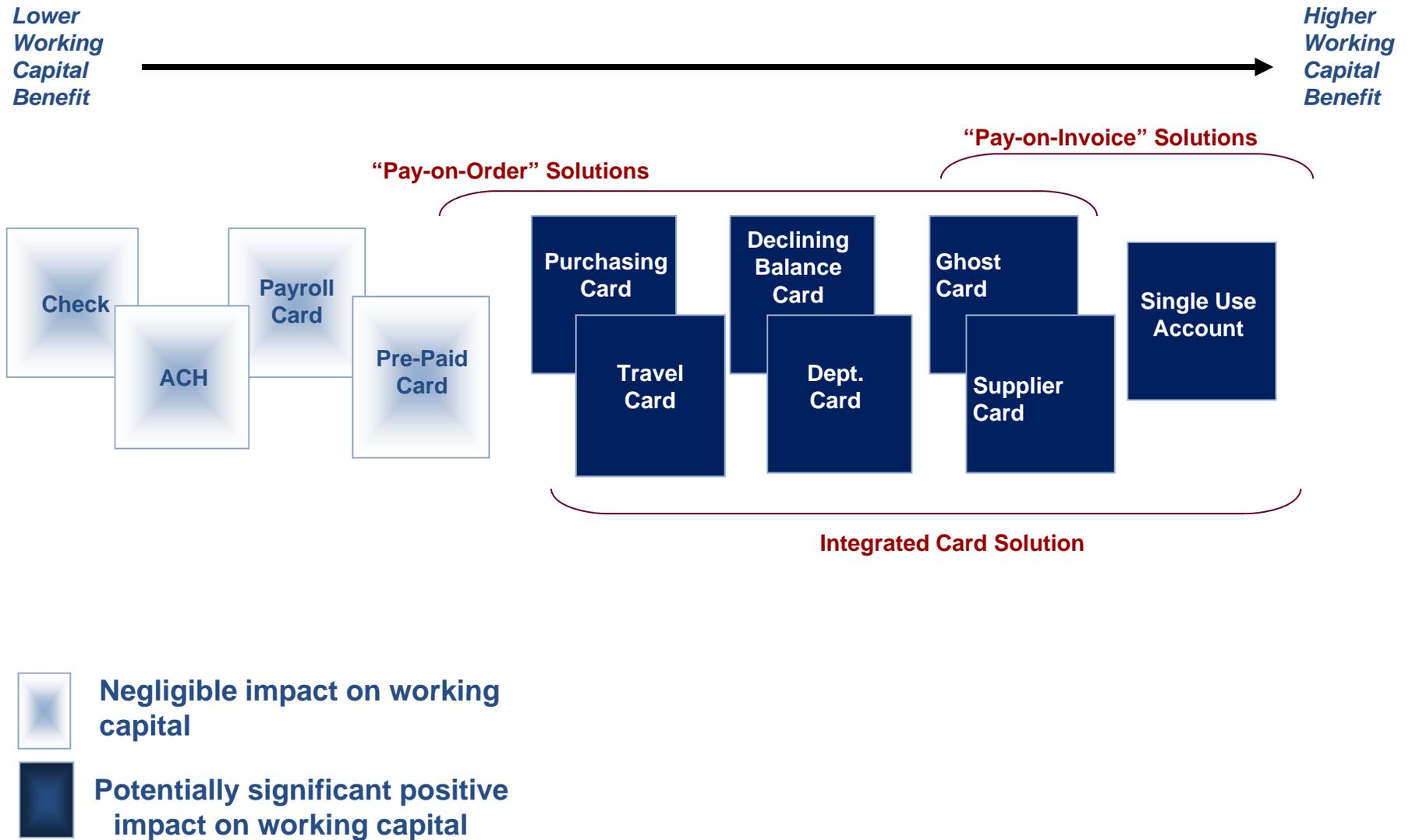
- Working capital management is a top priority for many as credit markets tighten
- Working capital optimization requires efficiency in underlying operational processes
- Buyer and supplier liquidity needs need to be understood and balanced to ensure a stable supply chain
- Opportunity exists to derive a financial benefit for every dollar of A/P spend

Unrealized ROI Opportunity



# The Payable Continuum

TRENDS IN PAYMENT TYPES TO INCREASE EFFICIENCY



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## Payroll Card Attributes

- A Payroll Card is a pre-funded card\* solution that is loaded every pay period with your employee's net pay
- You continue to use existing payroll process to manage processing, including tax calculations and reporting
- Your employee no longer receives a paper paycheck, but has access to payroll funds using their Payroll Card

\* Also known as a stored-value or debit card

Efficient



Flexible



Secure



## How Does a Payroll Card Work?

### For the Agency:

- Works just like an ACH direct deposit, complements a Direct Deposit Program quite well
- Bank will supply an Account # and Routing/Transit number for each enrolled employee
- Often no cost to agency

### For Your Employees:

- No credit checks – all employees eligible
- Works just like a debit card
- Net pay received on card each pay period
- Card used to access funds and make purchases
- No credit extended –the card has a preloaded amount. Once the amount is used the card is empty and no further withdrawals can be made

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## Prepaid Card Account Features for Cardholders

- All cardholders accepted regardless of credit history
- Access to cash at virtually any ATM
- Make purchases at any location that accepts prepaid brand logo(s) on card
- Purchase with cash-back at many locations
- Often includes automated web account services such as online Bill Payment
- Cardholder withdrawals limited to amounts on deposit
- Mainstream financial services for unbanked constituents

## Cardholder Access to Deposited Funds

### ATM

- Access to cash at virtually any ATM

### Cash Teller Transactions

- Available at banks where card's brand is accepted can provide over the counter cash withdrawals

### Brand Access

- Cards can be used at retail locations throughout the world that accept the brand on the card

## Full Consumer Protection

Most, if not all, prepaid card programs offer the following consumer protections:

**FDIC Insurance:** Each cardholder individually insured by the FDIC for up to \$250,000 – no consumer funds at risk

**Regulation E:** Full compliance including monthly account statements

**Payment Brand Liability Policy:** Cardholders are not liable for reported unauthorized purchases or withdrawals

**Privacy:** Card/Program Issuer/Sponsor provides privacy protection

**Data Security:** Similar to privacy policy, security of cardholder data is protected and often determined by regulation and/or law

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## The Value of Purchasing Cards

Purchasing cards have demonstrated their value in improving efficiency by cutting processing costs—often to a dramatic extent—and speeding up the payment cycle time

Key statistics:

<b>76%</b>	Average reduction in transaction cost with a purchasing card (\$21.91) vs. a purchase order process (\$92.49)
<b>78%</b>	Percentage of transactions still processed by checks by a typical accounting department
<b>33%</b>	Transaction cycle time benefit based on purchasing card use
<b>5x</b>	Best-in-class companies are five-times more likely to use a purchasing card for indirect spend (21.3%), vs. their peers (using the card for 3.9%)

# Purchasing Card Performance

Over the past two years, there's been double-digit growth in transactions volume across all sectors, but spending trends vary

- Fortune 500 report issuing many more cards; average monthly spending up 6%
- Large market companies show that average monthly spending slowed, while cards were used more often for \$2,500-\$10,000 transactions
- Mid-sized companies have enthusiastically adopted the card, reporting the most average monthly spending per employee
- State government agencies (noted as Public Sector) place 53% of small dollar purchases and 40% of \$2,500-\$10,000 transactions on the card.

PURCHASING CARD PROGRAM PERFORMANCE STATISTICS

	Fortune 500		Large Market		Middle Market		Public Sector	
<b>Company Statistics</b>								
Number of employees	27,906	0%	3,772	11%	858	-16%	62,911	-2%
<b>Program Performance Measures</b>								
Number of purchasing cards (p-cards)	2,119	35%	449	7%	153	9%	10,965	-6%
Card-to-employee ratio	7.6%	36%	11.9%	-2%	17.9%	3.8%	17.4%	-5%
Average monthly p-card spending	\$5,217,016	6%	\$1,028,001	6%	\$381,080	4%	\$17,582,088	32%
Median monthly p-card spending	\$3,000,000	35%	\$725,000	45%	\$207,373	38%	\$17,146,109	22%
Monthly p-card spending per employee	\$187	6%	\$272	-5%	\$444	23%	\$279	34%
Transactions under \$2,500 placed on p-card	43%	19%	41%	14%	39%	26%	53%	29%
Transactions between \$2,500 and \$10,000 placed on p-card	27%	42%	28%	47%	26%	44%	40%	54%
<b>Cardholder Activity Measures</b>								
Monthly transactions per card	7.65	-19%	8.6	10%	9.68	-10%	4.79	38%
Spending per transaction	\$322	-3%	\$267	-12%	\$257	-1%	\$335	2%
Monthly spending per card	\$2,462	21%	\$2,290	-4%	\$2,489	-11%	\$1,604	41%
Active cards in a typical month	80%	-4%	84%	-1%	87%	-2%	81%	4%

Legend: 2009 (light blue), 2007-2009 % difference (green)

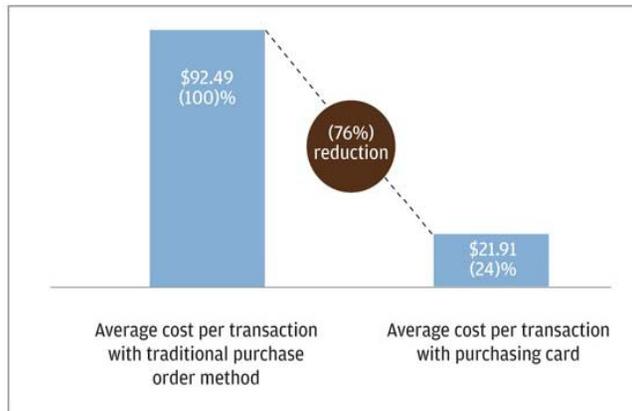
In a sluggish economic environment, organizations are relying on the purchasing card more than ever.

## Cost reduction and time savings

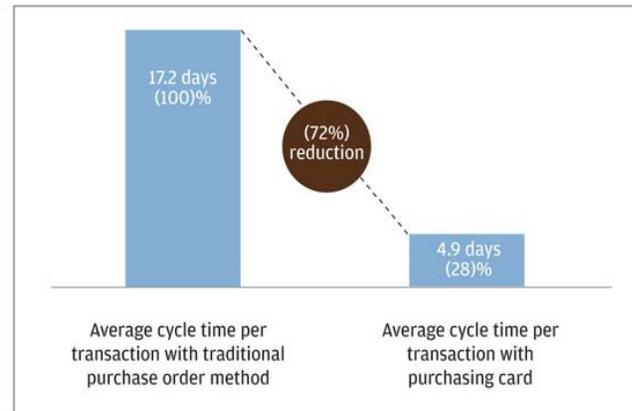
The purchasing card, compared with the traditional purchase-order process, has a proven record of slashing processing costs and speeding up cycle time

- Processing costs are cut by an average of 76%, going from about \$93 down to \$22
- Savings relate to streamlined requisitions and sourcing and reduction in approvals, purchasing orders, invoices and checks
- Cycle time is reduced by 72%, with wait time decreased from about 17 to 5 days

COST REDUCTION PER TRANSACTION BY PURCHASING CARD USE



CYCLE TIME REDUCTION BY PURCHASING CARD USE

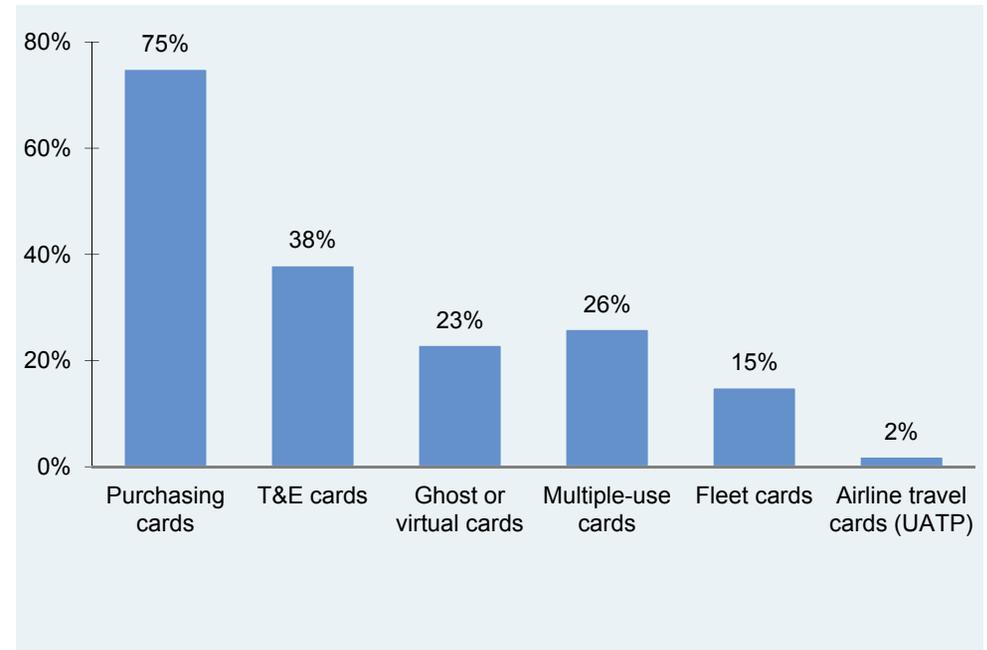


“Soft benefits” of streamlined processing become hard, bottom-line savings for organizations willing to reconfigure their purchasing process.

## Commercial Cards: Coming of Age

- More than three quarters (87%) of businesses used some sort of corporate or commercial cards
- All organizations using cards are targets for payment fraud
- Employees were responsible for nearly one-third (38%) of card fraud

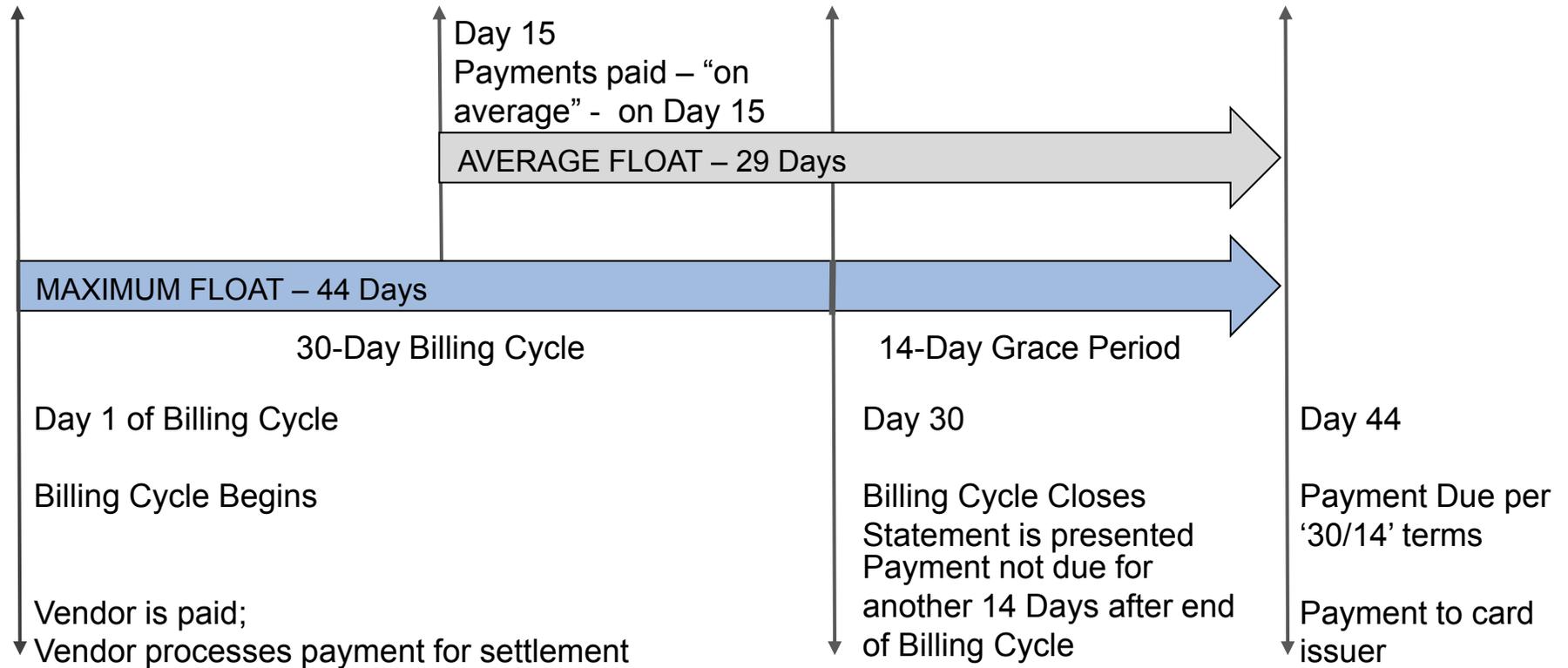
**Types of Cards Used in Making B2B Payments**



***“89% of organizations that accepted Corporate/Commercial Cards in did not experience a financial loss”***

## Billing Cycle / Float Advantage

Float as a working capital tool drives vendor participation – Successful approaches should balance DPO, float and rebate capture.



- Payments not made until after 30-day Billing Cycle and 14-day Payment Period
- Float on vendor payments ranges from 15 days min. to 44 days max
- Average float = 29 days
- Pay participating suppliers 15-20 days early (in exchange for interchange fees of approx 2%)

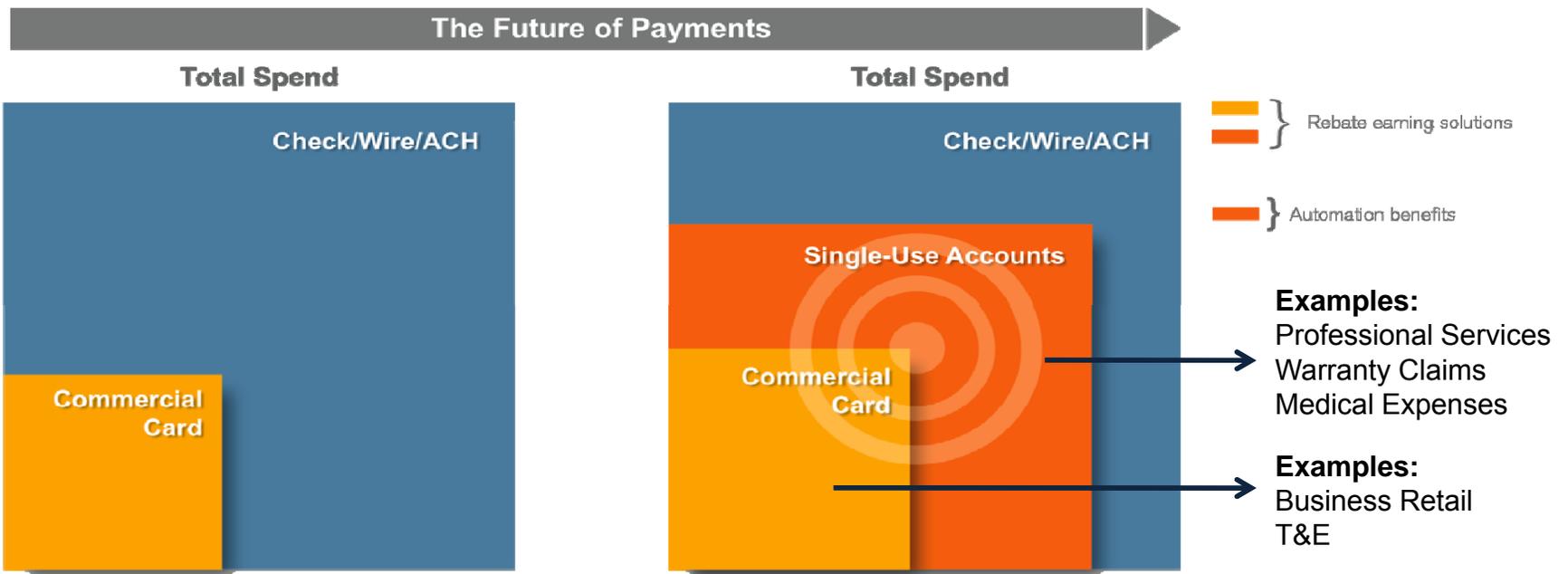
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# Why Single-Use Accounts

By focusing on the broad sector of purchases that have traditionally been paid by checks—Single-Use Accounts can improve efficiencies, increase working capital and deliver rebate revenue.

**Payment choices have evolved, giving companies targeted solutions that deliver revenue and automation benefits for a wide field of AP**





## What are Single-Use Accounts?

Single-Use Accounts is an electronic credit card-based payment solution that acts like a check with ACH like controls.

Single-Use Accounts provide:

- A unique 16-digit virtual account number for each payment
- Payment-specific authorization
  - Each account is only active for a defined time period (e.g., 5 or 50 days)
  - The account credit limit equals the exact payment amount — to the penny
  - The account only authorizes for specific merchant category codes
- Reduced fraud and employee misuse
- Automated matching of merchant transactions to G/L
- Accepted by suppliers at the POS
- Automatically matches each supplier transaction to purchase detail (e.g., order, invoice, receipt)
- Regularly scheduled reconciliation file loads directly into your general ledger (G/L)
- Minimizes time spent on supplier reconciliation issues

**Check-like Controls with Commercial Card Advantages**

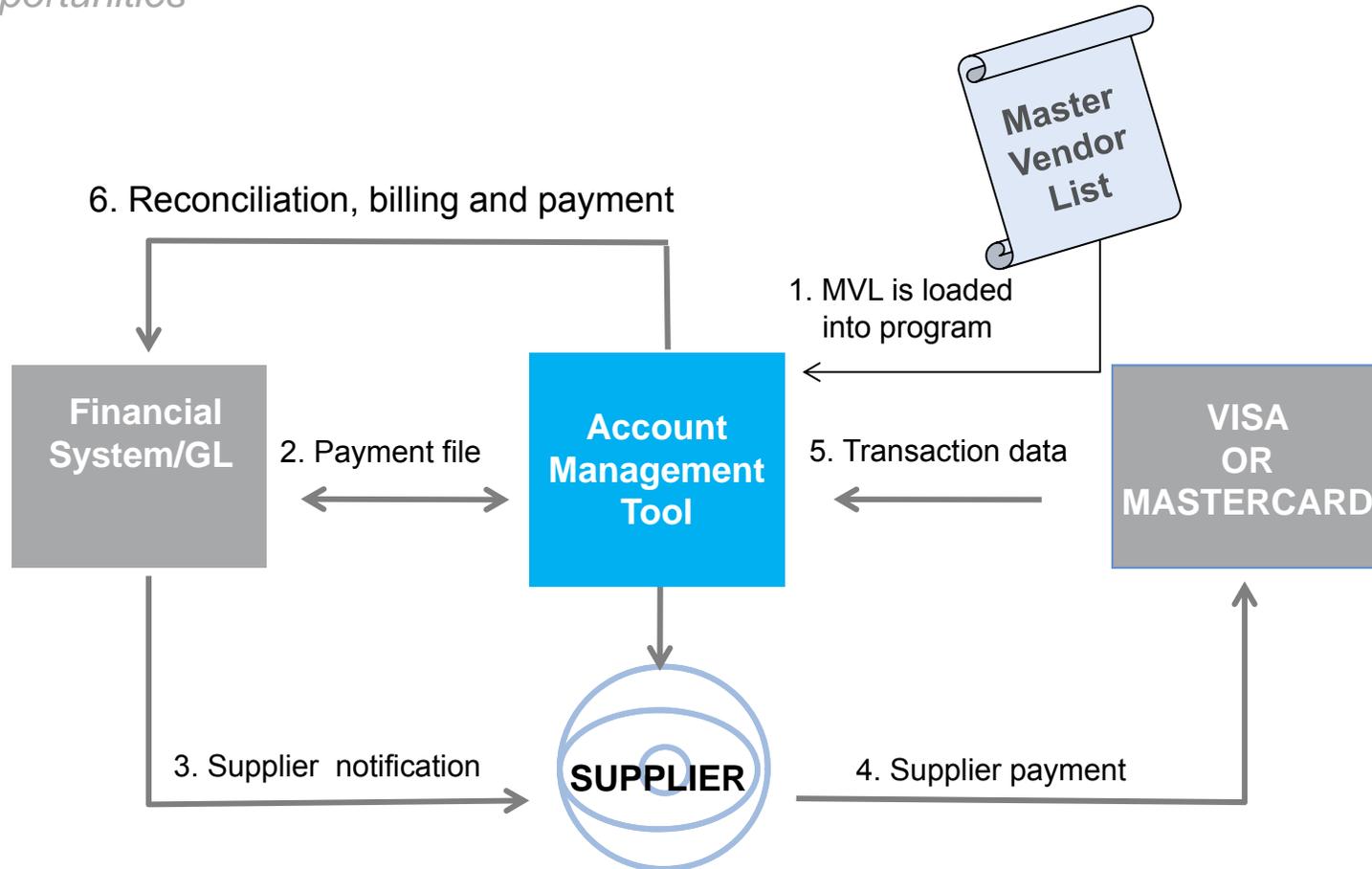
## How Single-Use Accounts Differ From Other Payment Methods

Single-Use Accounts combine the best of card, ACH, and check and is a powerful addition to your payables process to fill the gaps when other payments fall short

Feature	Single-Use Accounts	Check	ACH	Payment Card
Electronic payment process	✓		✓	✓
Rebate potential	✓			✓
Improved DSO	✓			✓
Electronic remittance	✓		✓	✓
Specified payment date range	✓		✓	
Specified payment amount (e.g., to the penny)	✓	✓	✓	
Electronic reconciliation	✓	✓	✓	
Ability to stop payment	✓	✓	✓	
Ongoing per-payment fees		✓	✓	

# How do Single-Use Accounts Work?

*Single-Use Accounts streamline payments resulting in reduced costs and new revenue opportunities*



- Issuer is not paid until after 30-day Billing Cycle and 14-day Payment Period
- Float on vendor payments ranges from 15 days min. to 44 days max.
- Average float = 29 days
- Pay participating suppliers 15-20 days early (in exchange for interchange fees of approx 2%)

## Direct Integration into Your A/P Systems

### Integration

- Fully electronic so you can eliminate manual payment processing
- Seamlessly integrates with A/P systems so only approved A/P invoices are paid
- Electronic remittance details via e-mail
- Batch file process is as simple as ACH



**Single-Use Accounts follow your existing business process**

# In Summary – Confront costs by implementing payables best practices

## 1 Focus on converting checks to electronic payment methods

- Determine by payment type (payroll, A/P, refunds, etc.) what method provides the optimal cost and efficiency benefits (SUA, Prepaid, ACH, etc.)
- Identify key barriers to meeting optimal payment methods and work with your service providers to overcome them, consider using enrollment/procurement portals and technology platforms to exchange invoice and remittance information
- Establish goals and develop metrics to measure progress
- Incentivize staff and payees to accelerate conversion to chosen payment methods

## 2 Leverage latest technology advances and services

- Utilize technology that can convert check payments to electronic prior to print, such as image conversion to lockbox for B2G or mobile payments for C2G
- Utilize mixed payments files to minimize connectivity costs and increase payment efficiency
- Effectively utilize online bank portals and data to drive your decisions, manage your payables process, and reduce usage of paper reports

## 3 Consider outsourcing resource intensive administrative functions

- Outsourcing (internally via shared services centers or through third parties) specific payables functions to take advantage of economies of scale can result in significant cost savings and process efficiencies, specific examples include
  - Check printing and distribution
  - Account reconciliation and exception management
  - Returns processing

### Key considerations when implementing best practices



- Have I quantified the cost savings and benefits to make a compelling business case to management?
- Have I identified the key technology platforms needed to facilitate my objectives?
- Are incentives to payees and internal partners sufficient to meet my goals?

Thank You for Your Time

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