



Proposal Form

for Depository Services by Student Alternative Programs, Inc. (SAPI)

Charter Districts

Mid-Valley Academy
Rio Grande Valley

Gateway Academy
Laredo, Texas

Paso Del Norte Academy
El Paso, Texas

South Plains Academy
Lubbock, Texas

707 Lindberg, McAllen, TX 78501

Corporate Business Office

Definitions and Instructions

The Depository must answer all questions in this Proposal Form and provide it to the SAPI Charters as its proposal.

The SAPI Charters has the right to reject any proposal. If any part of this proposal or any contract entered into between Depository and SAPI Charters is invalid, the remainder, at our option, remains in force and is not affected.

Bank Compensation

The SAPI Charters reserves the right to stipulate either a fee or compensating balance basis for payment of banking services.

- a. The SAPI Charters reserves the right to pay for Depository services by targeted balances or by fees? Confirm agreement to this condition.
- b. Please describe any differences in related costs to SAPI Charters with either option. If the SAPI Charters chooses one option for the life of the contract, is there a difference in service fees?

Compensation Based on a Targeted Balance

The SAPI Charters may choose to pay for Depository services by maintaining a targeted amount of our funds in the depository. The SAPI Charters will maintain balances in the checking accounts to compensate Depository in full or in part for services provided. Depository will provide a monthly account analysis that reflects the earnings credited for these balances.

Depository may invest any excess collected balance daily as directed by the SAPI Charters in an overnight investment that we approve such as an interest bearing account, or a money market mutual fund striving to maintain a \$1 net asset value registered with the Securities and Exchange Commission (SEC). An overnight repurchase agreement or off-shore accounts are not accepted for investment.

- a. Complete Attachment B with the historical rates from the bank. If any of these rates is based on an index rate (such as the T-Bill auction rate), stipulate how Depository will utilize the index to calculate the rate.

Compensation Based on Fees

SAPI Charters may choose to pay for Depository services on a straight fee basis for which a targeted balance will be maintained. Depository will assess fees, and SAPI Charters will pay fees in accordance with Depository proposed fees as listed on Attachment A, Volumes for Pricing Transactions.

SAPI Charters Investments

SAPI Charters reserve the right to purchase, sell, and invest our funds and funds under our control, including bond funds, as authorized by the Texas Government Code, Chapter 2256, Public Funds Investment Act.

SAPI Charters may choose to invest in time deposits at the depository, but all investments including certificates of deposit are bid competitively at the time of purchase.

Collateral

The Depository may provide either corporate surety bonds, pledged securities or a letter a credit in accordance with the Texas Education Code (TEC), §45.208.

- a. Please specify which method the Depository will utilize as collateral for our funds.

Collateral Conditions

The Depository will provide collateral equal to 102 percent of all our time and demand deposits plus accrued interest minus applicable Federal Deposit Insurance Corporation (FDIC) coverage. Collateral will be pledged to the SAPI Charters and held in an independent safekeeping institution by an independent custodian or permitted institution as specified by the Texas Government Code, Chapter 2257, Public Funds Collateral Act.

The Depository will be liable for monitoring and maintaining the collateral and the required margin daily and will provide an original safekeeping notice and a monthly report of the collateral *from the custodian* including at least the security description, paramount, and cusip.

The Depository and SAPI Charters must execute a collateral agreement in accordance with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

- a. Provide a sample bank collateral agreement.

The SAPI Charters estimates our maximum anticipated collateral requirement to be \$7,000,000 based on historic average ledger balances.

If voluntary collateral pooling becomes available during the period of this contract, the SAPI Charters may consider it and agree to use it under this contract.

Banking Services Fees

Based on the services required from Depository, complete the proposed fee schedule, Attachment A, Bank Fees. All fees must be included on Attachment A or will not be valid throughout the contract period, unless they involve entirely new services not to exceed the then-published rate.

Depository Information

Please answer the following questions about the Depository bank.

1. State the full name and address of the Depository and any parent holding company. List all branch locations within our boundary.
2. Provide the Uniform Bank Performance Report (UPBR) reference or annual audited financial statement for the most current fiscal year. This may be in printed form, but the SAPI Charters prefers an electronic link to the website. Members of Depository holding companies must include corporate annual financial statements and Depository individual call report for the most recent operating quarter. Also provide Depository latest financial statement.
 - a. Provide the Depositories latest audited financial report on a link.
 - b. The bank will be required to provide an audited financial statement each year of the contract as soon as it is publicly available. Confirm agreement to this condition.
3. State the Depository's rating from an independent bank rating agency and preferably, the rating on Depository holding company's senior and subordinate debt.
 - a. The Depository must inform SAPI Charters of any change in this rating during the period of the contract within a reasonable period. Confirm agreement to this condition.

4. Contact Information

To ensure smooth communication and continuation of services, the Depository must assign a specific account executive and a backup to our account to coordinate services and help solve any problem encountered.

- a. Designate a depository officer as a primary contact with SAPI Charters.

Name _____
Title _____
Telephone # _____
Fax # _____
Email _____

- b. Designate a depository representative as a backup contact with SAPI Charters.

Name _____
Title _____

Telephone # _____
Fax # _____
Email _____

- c. If the primary and backup contacts are not available, how does the SAPI Charters contact someone in an emergency? After hours?
 - d. Describe in detail how Depository handles problem resolution, customer service, day-to-day contact, and ongoing maintenance for governmental clients. Please be specific about tracking systems and exactly whom we will be calling and working with for the situations described above.
5. List references from at least three of the Depository's current, comparable governmental clients. Include the length of time under contract and a client contact, title, and telephone number.
 6. Based on the services required, please provide a proposed timeline for implementing the contract; include the timeline activities and direct responsibilities of both the SAPI Charters and the Depository during implementation.
 7. Provide a copy of all agreements (including required but not directly referenced in this proposal) that will be required under the contract.
 8. If the SAPI Charters award the contract to Depository, Depository must review our then-current Investment Policy and certify in writing to that review in accordance with the Public Funds Investment Act verifying that Depository has sufficient controls in place to avoid transactions not authorized by the Policy. The investment policy is part of the RFP notice on our website at: www.sapiacademies.org or at www.mvamercedes.org
 9. The SAPI Charters will not conduct a pre-award interview on-site at the SAPI Charters before awarding the contract.
 10. Is the Depository offering any transition or retention incentive to SAPI Charters? If so, please describe it in detail and quantify.
 11. The Depository must agree that the venue for any litigation arising from a contractual dispute between the Depository and the SAPI Charters shall be in Hidalgo County, Texas, provided that this venue designation shall not be deemed a waiver of any immunity which either party hereto may be entitled to claim.

Banking Services

1. Consolidated Account Structure with Sweep Mechanism

The SAPI Charters are interested in earning at then-current interest rates available at all times. The SAPI Charters need the option to initiate an automated, daily sweep to a money market mutual fund or depository alternative account (if competitive) to reach our full

investment goal. SAPI Charters will not accept a repurchase agreement or offshore investment as a sweep investment vehicle.

Our current account structure has no interest bearing accounts. The SAPI Charters will not maintain this structure. Depository must clearly describe the most cost-effective account structure (interest bearing accounts, zero balance accounts, or sweep, etc.) now and when the rates rise.

- a. Will the Depository pass through or charge the FDIC assessment fee through the account analysis?
- b. Fully describe the proposed account structure. Would a sweep be from a master account with ZBAs or directly swept from the individual accounts? Is interest distributed at the account or master level?
- c. State the average interest rate on the recommended alternative structure for the past 12 months
- d. If an SEC-registered money market fund is later used for the sweep proposal, provide the full name and a copy of the prospectus. [The SAPI Charters realize this is not a current option but needs to see what fund Depository would utilize for this purpose.]
- e. Interest earned on interest bearing accounts must **not** be charged as an expense on the account analysis. Confirm acceptance of this condition.
- f. SAPI Charters may be required or may desire to open additional accounts, close accounts, or change account types during the contract period. If this occurs, the new accounts and services must be charged at the same contracted amount or, if unanticipated, at not more than published rates. Confirm agreement to this condition.
- g. All required services must be available to the SAPI Charters on the contract beginning date although it may take several months for all funds and services to be transitioned to a new institution. Confirm agreement to this condition.

2. Automated Cash Management Information

The SAPI Charters require automated balance and detail information. Minimum automated services must include the following:

- prior-day detail and summary balance reporting on all accounts
 - intraday detail and summary balance reporting on all accounts
 - initiation and monitoring of stop payments
 - positive pay exception transactions
 - initiation and monitoring of internal and wire transfers
 - image access
- a. Fully describe Depository online service. **List** the system capabilities (for example, balance reporting, wires, positive pay, stop payment, etc.).
 - b. What is Depository backup process to report balances and transactions in case the system is not available?
 - c. When is daily balance information available?
 - d. Submit samples of major screens available, or preferably provide web link access to a demonstration module.

- e. How is an individual security sign-on assigned, and who maintains/administers the security module? How many levels of security are available?

3. Deposit Services

The SAPI Charters require standard commercial deposit services for all accounts.

The SAPI Charters expect all deposited checks to clear based on the Depository's current published availability schedule at a minimum. Note any options for expedited availability in the proposal. For all cleared SAPI Charters' deposits received by Depository's established deadline, Depository must process them for same-day ledger credit. If Depository fails to credit our accounts in a timely fashion, Depository must pay interest to SAPI Charters at the then-current effective federal funds rate.

- a. What is the Depository daily cutoff time to ensure same-day ledger credit?
- b. Describe how and when Depository will send credit and debit advices to SAPI Charters.
- c. What type of deposit bags does Depository use or require? Are these available from Depository and at what cost?
- d. Does the Depository image all deposited checks, deposit slips and deposited items?
- e. Are the images available online? When? For how long?

Remote Deposit

The SAPI Charters are interested in establishing remote check deposits during the contract period. These deposits include both consumer and commercial checks.

- f. What are the Depository current capabilities in remote check deposit? Describe how checks are processed and cleared.
- g. Please state the cutoff time for same-day ledger credit.
- h. Give two comparable references with contact information.
- i. Does the Depository produce a daily or batch balancing report? Provide a sample.
- j. What scanner equipment is required to operate the system? Is this equipment available through Depository for purchase or lease? Please list the equipment required along with its cost.

Nonsufficient Funds (NSF) Checks Re-presented as ACH (Re-presented Check [RCK] Entry)

The SAPI Charters want the option of the second presentment to be made by ACH to targeted dates for maximum collection potential.

- a. Is the Depository currently using ACH for collection of NSF checks? How long has Depository been providing this service? Provide two comparable references with contact information.
- b. How are the NSF and the later ACH transactions matched and reconciled? Does Depository system cross-reference the two transactions in any way?
- c. Is the NSF information, image, or occurrence available online? When and how? For how long is it available online?
- d. Can we specify any target pay day(s)?

4. Standard Disbursing Services

The SAPI Charters are interested in standard disbursing services for designated accounts.

- a. Does the Depository image all paid checks?
- b. Are check images available online? When?
- c. Does Depository provide a monthly compact disc (CD)? If not, are reports downloadable? In what formats?
- d. How long does Depository maintain check images online?
- e. Will the Depository pay all SAPI Charters checks without charge upon presentation to non-account holders?

5. Positive Pay

The SAPI Charters require positive pay services for accounts on which checks are written. The positive pay process should be fully automated and web based. SAPI Charters will transmit check information electronically to Depository on each check run and as we create checks manually.

- a. Describe the data transmission and transfer requirements for automated and manual checks.
- b. Is input available online for manual checks? If it is not available online, how do we transmit information on individual manual checks to Depository?
- c. How can we change or delete check records, if necessary?
- d. How does the Depository notify SAPI Charters of a positive pay exception?
- e. When does Depository report exception information to SAPI Charters?
- f. When is the deadline for our exception elections?
- g. Are images of exceptions available online?
- h. Are all checks, including those received by the tellers and vault, verified against the positive pay file before processing? How often does Depository update teller information?
- i. Please provide a copy of Depository file layout/format.

6. Account Reconciliation

The SAPI Charters require partial reconciliation and may consider full reconciliation services on all accounts in concert with positive pay, depending on cost effectiveness. Certain accounts may use only positive pay.

- a. Describe the partial and full reconciliation processes.
- b. With what format(s) does Depository system interface? What record formats are required?
- c. Can Depository download to the TxEIS system through Region One ESC?
- d. How does Depository send reconciled data to SAPI Charters? When?

- e. Specify all reporting alternatives.
- f. Are recon reports available online? How long are reports maintained online? Provide a sample copy of reports.

7. Funds Transfer and Wire Services

Incoming wire transfers must receive immediate same-day collected credit. Wire initiation should be available online. The SAPI Charters require that wires be released the same business day if information is provided by the established deadline.

- a. Describe the process of online wire initiation and monitoring. What backup process is available for the online process in case the system is unavailable?
- b. Is any paper transaction required for transfers or wires as follow-up?
- c. How and when will Depository notify SAPI Charters of incoming wires? Online? Email?
- d. Is future dating available for both repetitive and non-repetitive wires and transfers? How far in advance?
- e. What is the deadline for initiation by telephone? online?
- f. Are templates available for repetitive transfers?

8. Optical Imaging

The SAPI Charters require optical images that are downloadable for all accounts.

- a. What items and report images are available online (checks, statements, deposit slips, deposited items, etc.)?
- b. When does Depository make the monthly imaged reports available?
- c. When and for how long are statements and account analyses available online?

9. Automated Clearinghouse (ACH) Services

The SAPI Charters expects to use more ACH transactions for payable and receivable transactions. The SAPI Charters requires a pre-notification (pre-note) on all new transactions.

- a. Describe the transmission alternatives for individual ACH transactions. Can we initiate individual ACH transactions online?
- b. What filters and blocks are available on our accounts for ACH transactions?
- c. Are ACH addenda shown in their entirety online and in reports? Does it require the SAPI Charters to use a supplemental EDI online module?
- d. What is the Depository's policy on pre-notification? Is the pre-note charged as a standard ACH transaction?
- e. What is the deadline for transmission (hour and day) for a payroll to credit employee accounts?

10. Safekeeping Services

The SAPI Charters will require Depository to provide book-entry safekeeping services for any securities owned by the SAPI Charters. SAPI Charters will make all investment decisions and transmit settlement instructions for clearing and safekeeping to Depository in writing.

All securities must be cleared on a **delivery versus payment (DVP)** basis. Ownership must be documented by original clearing confirmations, and safekeeping of receipts must be provided within one business day of the transaction. Funds for investments must be drawn from SAPI Charters' designated demand deposit account. All principal and interest payments, coupon payments, and maturities must receive automated same-day collected credit on our designated account without requiring any additional action by SAPI Charters.

If the Depository is not a member of the Federal Reserve, DTC, or a Federal Home Loan Bank and Depository is using a correspondent bank for safekeeping our securities, the transactions must be handled through the Depository's systems and must not require additional interaction by SAPI Charters with the correspondent bank. No delay in transactions, wires, or flow of funds is acceptable under a correspondent relationship.

- a. Is the Depository a member of the Federal Reserve, DTC or a Federal Home Loan Bank? If not, name the correspondent depository would use for clearing and safekeeping. Describe any safekeeping arrangement proposed with a correspondent depository including processing requirements by SAPI Charters.
- b. Are security transactions available online for either originating or monitoring?
- c. What is the deadline for settlement instructions on a cash (same-day) settlement? Would we incur any charge for late instructions?
- d. Are safekeeping arrangements or fees tied or tiered to use of Depository institution's brokerage services?
- e. Are safekeeping fees hard charges or presented through the account analysis?

SAPI Charters may choose to purchase time deposits from Depository, but all time deposits will be competitively bid at the time of purchase.

11. Collateral Requirements

The Depository must meet all the requirements, including those beyond the Public Funds Collateral Act, as stated in our investment policy and below. The proposal must state that Depository agrees to the following terms and conditions:

- All collateral pledged to SAPI Charters must be held by an agreed upon custodian as specified by the Texas Government Code, Chapter 2257, Public Funds Collateral Act.
- SAPI Charters and Depository must execute a collateral agreement for custody of pledged securities in full compliance with FIRREA requiring a Depository Board resolution. (Or completion of Circular 7 if a Federal Reserve bank is acting as custodian. Even if a Federal Reserve Bank is used, Depository and SAPI Charters must execute a depository collateral agreement.)
- All time and demand deposits above FDIC coverage must be collateralized at a minimum of 102 percent of principal plus accrued interest at all times (110 percent on mortgage-backed securities).
- You are contractually liable for continuously monitoring and maintaining collateral at our required margin levels.

- The custodian must provide evidence of pledged collateral by sending original safekeeping receipts or a report directly to SAPI Charters within one business day of receipt.
- SAPI Charters must receive a monthly report of collateral pledged including description, par, and cusip, at a minimum from the custodian.
- SAPI Charters may grant substitution rights if Depository obtains prior approval from the SAPI Charters and if substituting securities are received before previously pledged securities are removed from safekeeping.
- Authorized collateral includes only approved securities as specified by the TEC, §45.201.
 - a. Does the Depository propose any collateral charges? If so, under what conditions are they charged, and how is the charge applied – hard charge or on the account analysis?
 - b. What is the SAPI Charters' deadline for requesting collateral in excess of existing requirements?
 - c. Confirm agreement to all above conditions listed above.
 - d. Collateral must be in place at least two days before the beginning date of the contract. Confirm agreement to this condition.

12. Account Analysis

The Depository shall provide a monthly account analysis reports for each account and on a consolidated relationship basis.

- a. When is the account analysis available each month? Provide a sample.
- b. Is the account analysis available online? How long?
- c. Are paper statements also sent to SAPI Charters? If so, when?
- d. How long will it take Depository to correct any billing errors on the account analysis?

13. Monthly Statements

The Depository must provide monthly account statements on all accounts with complete supporting documentation.

- a. State when monthly statements will be available each month.
- b. Does the Depository provide an "e-statement" in a .pdf format?
- c. Is the monthly statement available online? If so, when and for how long? Are the statements imaged on a CD?
- d. If imaged, are paper statements also sent to SAPI Charters? If so, when? Is there an additional fee for paper reports?

14. Overdrafts

- a. Are all accounts aggregated for overdraft calculation purposes?
- b. State the rate basis for intra-day and inter-day overdrafts.
- c. What is the policy for daylight overdrafts?

15. Stop Payments

SAPI Charters require an automated stop payment process.

- a. What are the time period options available for stop payments?
- b. What are the options for extended stop payment periods? How are they extended?
- c. What is the cutoff hour for same-day action on stop payments?
- d. Can we initiate stop payment orders online? If so, does Depository require any paper follow-up document?
- e. What information on current and expiring stop payments is available online?
- f. Does the Depository propose any stop payment charges?

16. Customer Service

Does the Depository offer customer services in languages other than English? What languages are offered?

17. Service Enhancements

Based on the information Depository provide in the proposal and Depository knowledge of the public sector, please describe any services or technological enhancements, not previously presented or required, that the SAPI Charters might consider to manage our treasury operations more effectively.

Optional Services

1. Purchasing Cards

The SAPI Charters may consider use of a purchasing card program during the contract period. Cards would be assigned to our employees for defined use. The cards must be able to restrict use by product code and provide for spending limitations.

- a. What card platforms does the Depository support (MasterCard, Visa)? Does the Depository use a third-party processor?
- b. What, if any, information is available online? When? Describe data download and integration capabilities. Describe reporting capabilities.
- c. What client support is available? How is it provided?
- d. Describe the diverse parameters and restrictions available for the card control. How many access levels are available?
- e. Discuss settlement and corporate liability terms. Include information on Depository support for the program and Depository experience, settlement terms on payment, security procedures, and license requirements. How will we receive billing?
- f. Describe how cards are issued, deleted, or replaced. How does the Depository handle lost or stolen cards?

- g. Provide three comparable references for the service.

2. Commercial Cards

The SAPI Charters is interested in obtaining commercial credit cards which could be used for vendor payments and which would carry a rebate provision for the SAPI Charters.

- a. Does the Depository have a rebate commercial card program available?
- b. Discuss the terms of the rebate program.
- c. Discuss payment and liability issues.

3. Check Printing

The SAPI Charters may be interested in using the Depository to print and mail its vendor checks.

- a. Does the Depository provide services to print SAPI Charters checks from a check file supplied by the SAPI Charters?
- b. Describe the transmission, printing and mailing process to be utilized.
- c. What are the requirements and the turn-around timetable for release of same day and next day checks?
- d. Where are checks printed and mailed?

Schedules and Attachments

The SAPI Charters is providing the following:

- Attachment A, Volumes for Pricing Transactions (with historic monthly use volumes)
- Attachment B, Proposed Account Structure
- Attachment C, SAPI Charters' Independent Auditor's Report – Consolidated Financial Statements
- Attachment D, SAPI Charters' Investment Policy

Depository must include the following information with the proposal:

- copy of Depository audited financial statements [or preferably a web link]
- corporate audited financial statements and the individual Depository's call report [or preferably a web link]
- latest Uniform Bank Performance Report
- Attachment A, Bank Fees (to be completed by Depository)
- Attachment B, Historical Bank Rates (to be completed with historic bank rates)
- Attachment C, Proposed Account Structure Rates
- Sample Account Analysis Statement
- Sample Collateral Agreement
- any service agreements (including those not directly referenced in this proposal) that must be executed under the contract (as applicable)
- link or screen shots of major pages within Depository automated cash management system

Acknowledgment

If awarded the contract, Depository must review our then-current SAPI Charters' investment policy and certify in writing to that review in accordance with the Public Funds Investment Act verifying that Depository has sufficient controls in place to avoid transactions not authorized by the policy.

Depository accepts the collateral conditions as specified in the proposal.

By submitting this proposal, Depository acknowledge that Depository agree with and accept all specifications in the proposal except as Depository expressly qualified in the proposal.

Bank: _____

Address: _____

City, State, Zip: _____

Phone Number: _____

Fax Number: _____

Email Address: _____

Typed Name: _____

Date: _____