



November 1 2011,

The Corporation of the City of London
300 Dufferin Ave.
P.O. Box 5035
London, ON N6A 4L9

Attn: Mr. Martin Hayward, Treasurer

Subject: Cash Management Services

Dear Mr. Hayward:

Scotiabank is pleased to present the following proposal to the Corporation of the City of London ("the City"), for your consideration. The suite of services it outlines has been carefully matched to your needs over the course of our relationship so as to achieve the most effective and efficient cash management possible.

In recognition of the longstanding partnership between Scotiabank and the City, we are pleased to offer you a new agreement which includes significant fee reductions. First, the flat fee for your current Banking Services will be reduced from \$10,000/month to \$4,000/month. Second, the current fee to manage your Fixed Income portfolio will be reduced from 26.69 basis points to 22.9 basis points. Finally, we are pleased to offer the City a one time bonus of \$100,000 as a program growth incentive. The bonus will be paid on the program anniversary, in addition to the annual rebate, in the annual rebate period where net program volume exceeds \$10MM.

We are confident that you will find our proposal's pricing very attractive, and we look forward to working with you to finalize a mutually beneficial agreement in the near future.

Sincerely,

Patrick Noonan
Director
Commercial Banking
519-642-5026
patrick.noonan@scotiabank.com

Donald Wong
Senior Manager
Global Transaction Banking
519-642-7711
donald.wong@scotiabank.com

Scotiabank's Proposal to The Corporation of the City of London for Cash Management Services

Submitted:

November 1 2011

Presented to:

Mr. Martin Hayward
Treasurer

The Corporation of the City of London
300 Dufferin Ave.
P.O. Box 5035
London ON N6A 4L9

Presented by:

Patrick Noonan
Director,
Commercial Banking
255 Queens Ave.
London, ON N6A 5R8
519-642-5026
patrick.noonan@scotiabank.com

Donald Wong
Senior Manager
Global Transaction Banking
255 Queens Ave.
London, ON N6A 5R8
519-642-7711
donald.wong@scotiabank.com

www.scotiabank.com

Global Transaction Banking



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1 Services Overview

1.1 Proposed Services

Scotiabank's innovative products and services help our clients improve information flows, streamline administration, and maximize working capital. The integrated suite of services outlined below — all of which are currently in place for the City and running smoothly — has been carefully matched to your current needs:

- An appropriately structured set of Canadian and U.S. dollar **Scotiabank accounts** serves as the foundation for your banking activities. Proposed interest payment arrangements are outlined in Section 2.1.
 - **Mirror Netting** achieves many of the goals of conventional positioning services without altering the balances shown in your individual deposit accounts. Your participating deposit accounts are “pooled” together so that accounts in overdraft positions can be offset against other accounts that have credit balances. The resulting Pool Account balance — the netted value of the pooled cash balances — determines your overall Scotiabank position for purposes of interest calculation.
Your Scotiabank loan account can also be included in your Mirror Netting arrangement, allowing you to avoid overdrafts while minimizing loan costs.
We would be pleased to provide additional information on Mirror Netting upon request.
 - **ScotiaConnect**[®] electronic banking facilitates day-to-day viewing and management of account activities by City personnel. Available 24/7/365, this user-friendly web-based tool supplies consolidated balance reports, bank statements, and flexible, detailed transaction reporting.
ScotiaConnect also provides secure access to a wide range of cash management services. You can use it to transfer funds between your Scotiabank accounts, issue and manage stop payment orders, and access other Scotiabank services such as ScotiaConnect Wire Payments.
Security features include the ability to assign privileges and limits to each user according to their needs and authority. In addition, multi-level approval requirements can be set up for all sensitive activities.
We would be pleased to provide additional information on ScotiaConnect upon request.
 - Scotiabank's **Electronic Daily Statement (EDS)** provides automated transmission of a daily electronic record — formatted for direct upload into your accounting/business systems — of prior day account balance and transaction information.
We would be pleased to provide additional information on EDS upon request.
 - **Consolidated Cash Plan (CCP)** is a deposit transfer service for companies with one or more remote locations. It allows your authorized agents to forward Canadian and U.S. dollar deposits made at bank branches across Canada to a central Scotiabank account.
A fast and cost-effective way to consolidate income from your field offices and representatives, CCP eliminates mail float. In addition, by reducing or even eliminating the need for regional accounts, you'll reduce the administrative time and cost associated with account reconciliation.
We would be pleased to provide additional information on CCP upon request.
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- Scotiabank offers a bill payment remittance facility under which your customers can make payments into your designated Scotiabank account through our branches, our ATMs, and our telephone and Internet banking platforms. Each business day, the **Bill Payment Reporting Service (Consolidated)** provides you with a data file containing details on these bill payments — both payments accepted by Scotiabank and payments accepted by other FIs and forwarded to Scotiabank for deposit to your account. This consolidated data is provided in a format suitable for automated upload into A/R and ERP systems.

Key benefits of the service include:

- Elimination of keying costs related to importing payment details into your A/R ledgers.
- Elimination of keying errors.
- Accelerated posting of payments to your customers' account records.

We would be pleased to provide additional information on the Bill Payment Reporting Service upon request.

- Scotiabank's **EFT Origination** service allows you to use EFTs (Electronic Funds Transfers) to make credits to and pre-authorized debits from third party accounts in Canada.

You transmit an EFT payment instructions file to Scotiabank directly from a mainframe or PC.

- A single file can include any number of same-currency payments— both credits and debits.
- You can include payments with different due dates up to 60 calendar days in advance; Scotiabank executes each credit and debit transaction on the date(s) you specify.

Our comprehensive reporting includes detailed information on all payments processed and on any payments returned by recipient financial institutions. Service options include adding an online review and approval stage to your payments process.

We would be pleased to provide additional information on EFT Origination upon request.

- Scotiabank's fraud detection services, **Positive Pay** and **Positive Pay w/Payee Match**, allow you to quickly identify and prevent cheque fraud. They create a hold point within the clearing process during which you can perform a web-based review of images of suspect cheques and accept or reject them.

Included with both Positive Pay and Positive Pay w/Payee Match, a **Full Cheque Reporting** option allows you to receive — via regularly scheduled file transmissions — paid and outstanding cheque information that supports reconciliation activities. As well, a web-based Full Cheque Reporting interface allows you to create and download ad hoc cheque activity reports, and to perform image-based search and review of cleared cheques.

2 Compensation

Note: All dollar amounts are stated in Canadian dollars unless otherwise specified.

2.1 Interest Payment Arrangements – CAD Operating Accounts

The City's CAD operating account(s) will earn interest at **Bank of Nova Scotia Prime rate less 1.75%**.

- Interest will be paid monthly.
 - Each month's interest will be paid on the average credit balance for the month.
- Interest will be calculated daily, using the Bank of Nova Scotia Prime rate in effect for each day. The sum of the daily interest calculations for the month will be credited to your designated account as at the first day of the following month.
- Interest will be calculated and deposited to the account you designate within 2 business days of month end.
- A monthly statement detailing the interest calculation will be mailed within 10 days of month end.

2.2 Service Fees – Flat Fee Arrangement

A **monthly flat fee of \$4,000** (four thousand dollars) will be applied to cover all ongoing service fees, as listed below. This pricing will be fixed for the term of the contract.

- CAD Account Services
- Mirror Netting
- ScotiaConnect
- Electronic Daily Statement
- Consolidated Cash Plan
- Bill Payment Reporting Service (Consolidated)
- EFT Origination
- Positive Pay with Payee Match (with Full Cheque Reporting)

2.3 Investment Management Services

Based on the June 30, 2011 market value of \$60,022,210 the current fee is 26.69 bps.

The new proposal would reduce the fee to 22.9 bps which is a saving of \$23,000 based on the above valuation.

For the year ending July 31, the portfolio had a rate of return of 5.29%. Canada 91 day T-Bills returned 0.93% over the same period.

Fixed Income

First 20 million	0.30%
Next 30 million	0.20%
Next 50 million	0.175%
Over 100 million	0.15%

2.4 Terms and Conditions

Term – The term of the agreement shall begin on November 1st 2011, for a period of three and a half (3.5) years, until April 30th 2015; subsequent renewals to be negotiated as required by mutual agreement.

Written Notice of termination; 120 days for both parties.

Changes in Service Requirements and/or Deposit Balances – Scotiabank reserves the right to revise fees and rates should the service requirements or deposit balances of the customer change in any material way during the term of the contract; “material” means changes in transactions volumes or balances of more than 15% during the first year, relative to projections provided by the client during contract negotiations, or changes of more than 15% year over year during any subsequent year of the contract.

Term / Expiry of This Proposal – Valid for acceptance by the City for ninety (90) days from the date of this proposal.

Large Deposits – In order to ensure Scotiabank is able to invest excess funds and in turn pay interest on amounts deposited to your accounts, Scotiabank requires 24-hour notice on any new deposit (whether individual or cumulative) exceeding \$50 million. Such notice should include the amount that will be deposited, the account(s) to which it will be deposited, the date on which it will be deposited, and the anticipated duration of the deposit. Scotiabank reserves the right NOT to assign immediate interest-earning value to new deposits exceeding \$50 million should the City not provide notice as described above.

U.S. Dollar Deposits – Deposits to U.S. dollar business accounts are subject to deposit clearing float and may be subject to deficiency fees.

Cash and Coin Deposits – All cash and coin deposited by the City is to be bundled to Bank of Canada and Canadian Mint standards, i.e., the branch or processing unit must be able to receive and verify these deposits without additional preparation. Scotiabank reserves the right NOT to accept cash and coin deposits that are not properly prepared to these standards.

Fee Changes during the Term of the Contract – Some fees shown in this proposal may be specifically identified as being “fixed for the term of the contract.” Fees that are not so identified are quoted at our published rates or at a percentage discount to our published rates.

We may, from time to time during the term of a contract, change our published service fees. If and when such changes occur, fees that are not identified in this proposal as fixed will be adjusted accordingly. A minimum of 30 days’ written or electronic notice will be provided prior to effecting any changes to our published fees.

Payment Method – Service charges calculated on volume of transactions processed at the approved prices will be charged to your account monthly.

All Other Fees – Fees for all other services not explicitly referenced in this proposal will be priced at Scotiabank’s then-current posted rates, unless otherwise negotiated.

3 Summary

Scotiabank is confident that the proposed services and pricing offer the City of London a clear path to increased cost-effectiveness and improved efficiency in your day-to-day banking.

We would be pleased to review this proposal with you, answer any questions you may have, and work with you to finalize a mutually beneficial agreement at your earliest convenience. However, should the proposed services be acceptable to you as described, please sign and return the Acceptance below to Patrick Noonan, Director, Commercial Banking.

Acceptance

The Corporation of the City of London

Per: _____

Per: _____

Date: _____

The Bank of Nova Scotia

Per: _____

Per: _____

Date: _____
