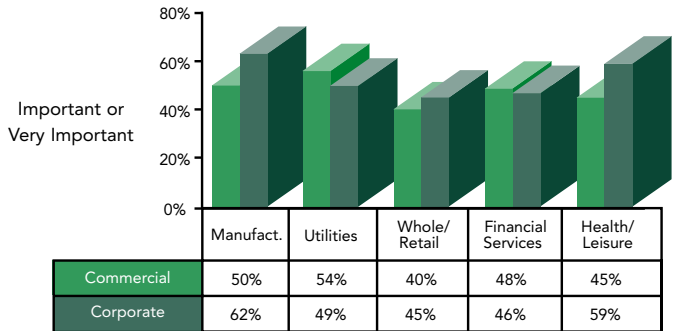


Concepts

- Let your banking partner help solve your collections problems by providing receipts information that is easily automated into your accounts receivable accounting system.
- Integration of payment information is the critical component in optimizing your accounts receivable effectiveness.
- It is important to assess your accounting systems; most modern systems accept BAI or FLAT files that can be transmitted from banks.

What is Important?

Importance of Consolidation of Paper/Electronic LBX Payments

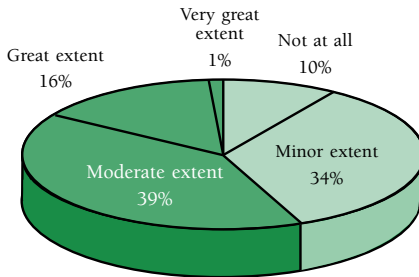


Source: Phoenix-Hecht Middle Market Monitor

Research tells us that:

- Consolidation of paper and electronic payment information into a single, integrated electronic stream is important.
- Half of all corporations over \$40 million in revenue need their banking partners to provide remittance information with electronic payments.
- One-quarter of companies \$40-\$100 million in size plan to begin corporate-to-corporate electronic payments within the next two years.
- Each corporation's customer service is impacted by the timeliness of information, from detailed receipts posting to customer accounts.
(Source: Focus Groups, Forrester Research)
- Only 17% of corporations surveyed by TMA in 1998 could forecast corporate-to-corporate receipts "to a great extent."

Corporate Ability to Forecast Wholesale Receipts



Changing Business Processes

Receivables management has evolved from an early age of reducing float via lockboxes to maximizing customer relationships through faster, accurate information flow. Complications are introduced with all of the different payment methods (check, ACH, wires, credit and purchasing cards).

A factor often overlooked by bankers is the importance of automatically posting payment details into the customer's A/R system. In the customer value chain, the following areas are affected:

- Credit and collections
- Cash management
- Sales (impact of credit questions)
- Procurement (customer-specific orders may not be released for production or provision of services)
- A/R operations

In the typical cash receipts process, the bank is the logical place to initially capture remittance detail. In the lockbox operation, detail accompanies payment. That detail can be entered by the bank and transmitted for the quickest posting and identification of potential payment problems. Remittance keying is almost eliminated for the customer so personnel can concentrate on resolving other problems. Remittance details sent with ACH corporate-to-corporate electronic payments can be automatically transmitted to the customer for posting.



What are the Benefits of Electronic Payments?

(Benefits of Electronic Payments – High or Very High)

Lower internal and external costs	70%
Cash flow certainty	56%
Improved projections	55%
Reduced check fraud	49%

Source: TMA Survey

If you are a customer of the federal government, you may be forced to accept electronic payments. 50% of FY1999 vendor payments by the federal government have been made electronically (www.fms.treas.gov/eft/agency/v63099.html).

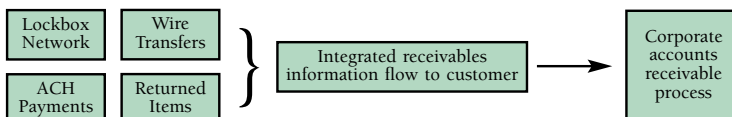
How Can Your Banking Partner Help?

Ask your banking partner to help you solve the complexities of your receipts. Combinations of the following can help you become more efficient and provide better service inside and outside your company:

- Lockbox network
- Document images
- ACH corporate-to-corporate payments with related remittance information
- Integrated electronic information flow of paper and electronic receipts
- Cost/benefit analysis templates

Summary

Positioning finance as a valuable part of your business organization means re-engineering business processes that focus more on business decision support and less on transaction processing. Per Hacket Benchmarking Studies of remittance processing, world-class organizations spend \$.04/transaction on processing, compared to \$.67 for the average corporation. Ask your banking partner to bring you their best ideas of how they can help you improve both the efficiency and effectiveness of your receivables processing operation.



For more information on First Union
Global Cash Management services,
call 1-800-377-9208 or visit our Web site at
firstunion.com/business/cashman



firstunion.com