
EXECUTIVE OVERVIEW

XYZ Computer Services Inc. (XYZ), a subsidiary of XYZ AG, is pleased to have this opportunity to provide ABC Telecom with a Business Partnership Proposal for Outsourcing services for Premises Desktop Computing Services. This response will articulate our approach in providing a comprehensive, integrated solution designed to meet the business objectives and requirements outlined in ABC Telecom's Request for Proposal.

As part of the global \$72B (annual revenues) XYZ AG enterprise, XYZ Inc. partners with many clients similar in size and scope to ABC Telecom who are seeking a vendor with: experience, resources and infrastructure that will enable them to focus on their core business issues, to enhance the level of service to their end-user community, and ensure a predictable cost structure of IT expenditures. Please refer to the *XYZ Background Section* for a more complete overview of XYZ AG and XYZ Inc.

This proposal reflects services that are a core and demonstrated competency of XYZ that are currently delivered to a large number of XYZ's clients - including the references we've supplied for your review in *Appendix D*:

- Microsoft
- Fleet Boston Financial
- Roche
- Genzyme
- MetLife
- Owens Corning
- MSK

ABC TELECOM OBJECTIVES

XYZ understands the mission and business objectives outlined by ABC Telecom to be as follows:

- Improve Cost and Maintain/Improve Service Levels
- Improve Management Focus on core business and service issues
- Improve Time to Market through providing core vendor partner skills for its customers
- Improve the alignment of the ABC Telecom organization and resources within business requirements through prioritization of business drivers and attainment of critical service levels and their associated improvements
- Reduce costs quickly and create an environment that facilitates ongoing cost reductions as appropriate
- Improve the management of IT costs by converting fixed costs to variable costs to the maximum extent possible through a flexible pricing plan that leverages depth of vendor resources
- Improve service levels and reduce hard and soft costs associated with the desktop environment, which includes, but is not limited to desktop computing and Helpdesk
- Provide fair and equitable treatment to transition employees
- Minimize or eliminate ongoing capital costs and maximize the cost-effective use of ABC Telecom facilities

XYZ has reviewed the priority and focus of these objectives and has balanced their impact in our solution. As a result, XYZ has proposed a value-based support model that meets or exceeds ABC Telecom's objectives for service levels, management focus, cost saving, and business flexibility.

The XYZ service model has the following key elements:

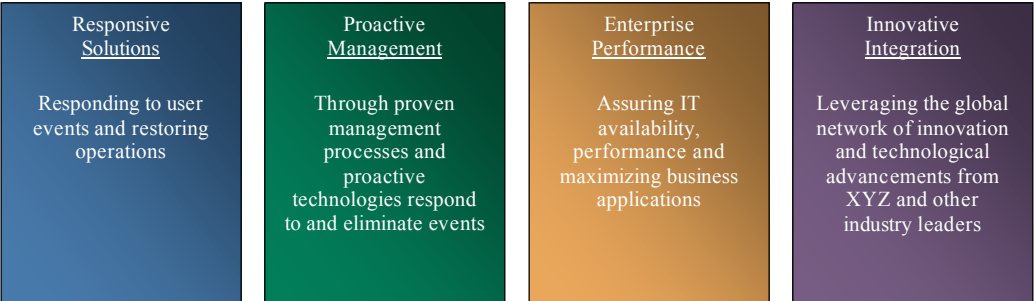
- The identification of cost drivers and toolsets that will enable maximum cost reduction over the 5 years of the contract

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- Use of XYZ centralized support centers and centrally managed organizations to control cost, improve service performance, and leverage investments made in Best-of-Class systems
 - Flexible and leveraged staffing model using existing XYZ technical resources and ABC Telecom 's critical employees to allow ABC Telecom to grow or divest various portions of the business with minimal financial impact to the overall solution.

SOLUTION HIGHLIGHTS

XYZ has developed a comprehensive managed services program that has been validated by our success in delivering IT services to some of the world's most successful companies. Our unique Trinity framework leverages XYZ' best practices to drive out costs, improve process efficiencies, and help our clients achieve greater value from their IT investments. Trinity supports the distributed computing environment through an extensive portfolio of integrated managed and consulting services.

Trinity is based on the best practice application and integration of our proven IT value chain — Process, Technology, and People (PTP). As a leading provider of consulting and managed services, XYZ makes significant and continuous investments in our systems and processes. Trinity is designed to allow our clients to leverage these investments, enabling them to achieve higher levels of support performance at a lower cost than would be realized if operating in an individual or customized fashion.



XYZ will support ABC Telecom's distributed computing environment through an extensive portfolio of integrated managed and consulting services, including:

- Single-Point-of-Contact Help Desk Services,
- Asset Tracking,
- Procurement Services,
- National Dispatch Services,
- Laptop Depot Services,
- Desktop Support Services,
- Program Management,
- Project Support Services.

ABC Telecom is currently seeking a vendor partner to design, implement and optimize a support infrastructure that achieves critical objectives for the organization.

XYZ is fully confident in our ability to meet or exceed the required services in enabling the Premises & Desktop Services (PDS) Service Line to be 'best-in-class' in achieving these ABC Telecom business objectives.

Please refer to the *XYZ Trinity Methodology* and the *XYZ Solution Overview* sections in this RFP response for a more complete overview of how XYZ will provide services to support ABC Telecom's dynamic business environment.

CRITICAL SUCCESS FACTORS

- Create a high-energy, proactive and empowered ABC Telecom/XYZ transition team to implement Trinity® methodology and process changes
- Identify critical employees that will remain with XYZ and establish aggressive retention strategies for these personnel.
- Implement Trinity® processes rapidly and completely to maximize opportunities for cost reduction and improvement in the ABC Telecom environment

PARTNERSHIP OPPORTUNITIES

WAN Outsourcing to ABC Telecom

In August of 2001 XYZ Inc awarded ABC Telecom a six-year, \$100 million contract, to manage the company's information technology network infrastructure throughout the U.S. and Canada. The agreement represents the second phase of a groundbreaking global outsourcing agreement negotiated a year ago by XYZ and ABC Telecom to transform XYZ' global communications network to a state-of-the-art Internet Protocol (IP) network.

The first phase of the contract with ABC Telecom, also for six years, was valued at Euro 250 million, and covered parts of Europe, Asia, Africa and South America.

Projected revenue for ABC Telecom - approximately \$ 325 Million.

Other ABC Telecom Opportunities within XYZ

As our data network provider, ABC Telecom has an opportunity to help shape XYZ into E-company. XYZ has created the Center of E-Excellence to drive our global e-business initiatives. Our CEO has stated this is a top priority for all XYZ companies. XYZ E-business initiatives are broken into four components:

- Knowledge management: As the cement of all value added phases, knowledge management encompasses networking over 100,000 XYZ engineers around the world.

- E-procurement: The operating companies procurement activities are currently 35 B Euro's per year. XYZ intends to increase e-procurement from 10% share to 30% share over the next 3 years.
- Internal value chain: Encompasses materials management, R&D, engineering, logistics, AR/AP and controlling.
- CRM: Develop customer relationship management across our entire product cycle and assist customers with associated network requirements.

“Go to Market Strategy” - The ABC Telecom/XYZ Partnership

Currently, both XYZ and ABC Telecom have dedicated executives assigned within our organizations to support the revenue growth goals of our respective companies. These executives have defined business milestones for our joint “Go-to-Market” strategy.

The main components of the plan are as follows:

- Complementary service offerings are identified for joint promotion to Mid-size Corporations (ABS market space)
- Managed Internet Protocol (MIP) Strategy
- Resale of ABC Telecom Remote Access Services
- Integration of product and service knowledge into each others’ Solution Design Centers

The strategy provides strong revenue generation opportunities in North America and Europe.

- US Based Opportunities: XYZ’ growing business in the US lends itself to the identification of opportunities that will readily accept and nurture partnerships for growth. There is more opportunity to develop clear roles and responsibilities than with other more deeply entrenched service providers.
- European Based Opportunities: The XYZ advantage in the European marketplace is strong based upon branding and market penetration, XYZ provides a strong foundation for ABC Telecom to increase European growth more readily than other US based vendors.

CONCLUSION

XYZ understands that there are five areas that ABC Telecom will use to evaluate the vendor they will choose. The proposed XYZ solution is very strong in each of these areas.

Financial

- Focus on Cost Reduction: XYZ will deliver the lowest cost possible while maintaining the current or higher levels of service. Our Trinity® methodology, pragmatic business approach and experience support the financial goals of the RFP. This will result in a predictable cost structure with a committed cost reduction for the duration of the partnership.
- XYZ Service Model: Our model includes all costs to deliver the scope of services, transition, termination, and project budgets to provide maximum value and seamless service operations to ABC Telecom.

| | Year 1 | Year 5 |
|---|----------------|----------------|
| Price per year per device | \$800 | \$615 |
| Price per year - total estimate - including out of warranty equipment charges | \$86.8 Million | \$65.2 Million |

- Utility Model: The XYZ Utility model will allows ABC Telecom to achieve maximum flexibility, is favorable to EVA, and simplifies management and administrative processes. Please see the *Financial Utility Section* for more information.

Technical

- Methodology and Tools: Trinity® is built on a foundation of the Best Practice Implementation of Process, Technology and People. XYZ will use the tools, technology, and process methodology that we've successfully implemented in the support of other similar customers' environments to drive productivity and reduce business risk. This methodology maps these initiatives to ABC Telecom 's business objectives creating IT Business Value (IBV).
- People: As our references and solution demonstrate, XYZ has the technical expertise to create an operational environment that follows a Best-in-Class model. XYZ' commitment to train and develop our employees, coupled with the longevity and loyalty of the XYZ employee to XYZ is a distinct advantage.
- Leverage: Our experience, distributed workforce, centralized facilities, and vendor relationships enables XYZ to be the best in the industry at delivering services to support distributed technology in customer environments.

Corporate

- XYZ AG: XYZ is one of the largest companies in the world. Notwithstanding the financial information that is publicly available for ABC Telecom's review, XYZ is involved in industry-leading technical solutions in some of the most powerful industries that drive the marketplace. As ABC Telecom is most certainly aware, running a profitable \$72 Billion global company requires commitment and focus in addition to astute management and attention to detail. We are able to mobilize locally, regionally, nationally and globally for ABC Telecom. XYZ stands behind our service and creates committed clients that were once another vendor's satisfied client.
- Commitment to ABC Telecom: Our respective companies have made commitment to each other that we will partner together for mutual benefit. XYZ is certain that we are the right choice to provide the services proposed in this response - whether it is to internal ABC Telecom end users or to external ABC Telecom clients. Our ongoing business partnership is a testament to our commitment.

Legal

- Experience: XYZ does business with the largest firms in the world. We have the appropriate legal resources to ensure that our contract keeps ABC Telecom 's best interests in mind while at the same time protects XYZ with reasonable and customary covenants. We look forward to proceeding into contract negotiations with ABC Telecom.

Human Resources

- XYZ Focus on People: Our corporate commitment is to train, motivate and retain the best people in the industry. As described above, our corporate average voluntary turnover rate for the last 6 months is 11%. We look forward to making your critical employees part of XYZ. As demonstrated, the HR Transition Plan has a defined methodology that addresses logistical challenges and employee retention for the benefit of ABC Telecom 's goals and objectives.

ABC Telecom will realize cost containment/reduction, improved user satisfaction, and consistent world-class professional services that will enable ABC Telecom to meet its established IT and business objectives. The proposal also sets forth XYZ' willingness to pursue a formal **"go to market"** strategy that will leverage our individual capabilities. We look forward to partnering with ABC Telecom and leading the charge in creating the partnership footprint to grow our mutual market share with new customer opportunities.