November 6, 2000

Mr. Victor Mark

Vice President, Head of Global Financial Services

Firm ABC

1 Knightsbridge

London, England SW1X7LX

Dear Mr. Mark:

Firm ABC U.S. is pleased to submit this letter of understanding to assist the Firm ABC Global Financial Services practice in the commercialization of the Client A Information Technology (“TechCo”) department.

# Background

We understand a Change Management program has been designed to enable TechCo to achieve the following objectives: service multiple clients; provide end to end hosting services; offer derivatives exchange consulting services; stabilize the current and ancillary systems’ architecture; create a new organizational structure and governance mechanism. We understand the Change Program has been structured along eight separate workstreams: Sales & Marketing; Technical Stabilization; Service/Supply Management and Multiple Customer/Supplier Management; Exchange Functionality; TechCo Enablement; External Functionality; Business as Usual initiatives; and B to B Exchanges.

Additionally, Firm ABC has been asked to build an economic model that evaluates the value of an independent “TechCo”. The economic model is part of the Board Briefing workstream. The model will incorporate current costs of TechCo, as well as the anticipated implementation and running costs for bringing on additional customers. Furthermore, it will incorporate current and anticipated revenue streams. Cost and revenue figures will be provided by TechCo. Strategic information, and suggested product scenarios for the model will be provided by marchFIRST. Ultimately, the model will evaluate three different scenarios for TechCo: base case, best case and worst case.

# Scope

Carla McCrea, a Manager from our Chicago office, has been working since September 5, 2000, towards the creation and design of the Change Management program. Her responsibilities through October 27, 2000 encompassed designing and documenting the “TechCo Enablement” workstream. This workstream includes the following initiatives: Create Cultural Change; Organization Structure; Governance; Splitting the Books; Resourcing Model; Internal Service Level Agreements; Processes, Procedures and Policies; Management Information Systems; Premises Strategy; U.S. Data Center; Service Costing and Billing and Network Charging; and Integration Guarantee Analysis.

On October 30, Carla assumed responsibilities for the team building the economic model for TechCo. The economic model is part of the Board Briefing workstream. This assignment is through November 17, 2000.

**Approach**

Given the history of the firm’s relationship with Client A, the primary objective of the Change Management team has been to engage the client as fully as possible, and generate staff member “buy in” towards the program. To that end, the approach has been, and will continue to be, facilitating a series of client-led, highly interactive workshops which encourage full client participation. The continual theme of the Change Management team has been that the client owns the process, the programs, and the projects within the Change Management umbrella, as well as the budgetary and staffing estimates related to the execution of each program. The same interactive, iterative approach will be followed by the economic model team as well for the Board Briefing workstream.

**Deliverables**

The major deliverables from our assistance include the following:

* A fully documented Change Management program containing the following eight workstreams: Sales & Marketing; Technical Stabilization; Service/Supply Management and Multiple Customer/Supplier Management; Exchange Functionality; TechCo Enablement; External Functionality; Business as Usual initiatives; and B to B Exchanges.
1. More specifically, a fully documented TechCo Enablement workstream, which includes detailed Project Initiation Document (PID) documents for each project containing: project descriptions, scope, assumptions, resource requirements, start and end dates, as well as project costs.
2. An economic model, as part of the Board Briefing workstream, for TechCo which incorporates current and anticipated costs and revenues for running an independent TechCo. Strategic and product information for the model will be provided by marchFIRST. The model will evaluate three different scenarios for TechCo: a base case, best case and worst case.

**Staffing, Phasing, & Fees**

*Staffing*

The engagement activities will be conducted by Carla McCrea, Manager, on a full-time basis.

*Phasing and Fees*

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| --- | --- | --- |
| **Project Phase** | **USD Daily** | **GBP Daily** |
| **Sept. 5- Sept. 22- Account Stablization.** Billed on actual hours worked, which equaled 132 hours @ $310 per hour for 14 days. | $2922.85  | 2,087.75 |
| **Sept. 25-29- CLIENT A New Business Development**. As agreed between Victor Mark and Linus O’Reilly | N/A | N/A |
| **October 2- October 6- Change Program Launch.** Daily rate implemented (10.75 hours per day @ $310 per hour). | $3,332.50 | 2,380 |
| **October 9- October 27- Change Program PM One**. Development of Enable TechCo workstream. | $3,332.50 | 2,380 |
| October 30- November 17- Board Briefing | $3,332.50 | 2,380 |

Firm ABC’s Chicago Financial Services practice is very enthusiastic about the opportunity to assist the Firm ABC Global Financial Services practice in this critical Client A TechCo Change Management program. If you have any questions, please call Linus O’Reilly at (312) 222-5544.

Sincerely,

Linus O’Reilly

Vice President

Firm ABC U.S.

Accepted:

Date

Mr. Victor Mark

Vice President, Head of Global Financial Services

Firm ABC