

# SAMPLE

## BENCHMARK ANALYSIS

October 2010



MacBethWilliams  
TELECONSULTING

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## EXECUTIVE OVERVIEW

The *Benchmark Analysis*, based on the findings as determined within the MacBeth Williams *Communications Expense Benchmark Study*, is designed to identify, for each participant, potential areas for telecommunications expense optimization within a well conceived contract management strategy. Peripherally, the *Benchmark Analysis* can also be a comparative analysis of emerging telecommunication technology and infrastructure management “Best Practice” tactics.

Companies participating in the program receive an “individualized” opportunity assessment documented in a tailored report representing specifics that reflect the participant’s position relative to the overall study results. Each customized report is private and totally confidential and is not shared with any other participant. This document is prepared specifically for [CLIENT]. Other participants indirectly referenced in this report include: [CLIENT], [CLIENT], [CLIENT], [CLIENT], [CLIENT], [CLIENT], [CLIENT] and [CLIENT].

Recommendations detailed herein are based upon potential reward and assume adequate resources to execute the findings. Any recommendation has to be tempered by the undeniable contract governance variables that define the client vendor business relationship. In creating this report, care has been taken to consider the contract implications of these recommendations in conjunction with each opportunity. While acknowledging the existence of contract governance, the report does not presume to suggest that negotiations for changing contract conditions are final or in the past. Rather the report offers recommendations to effect contract change by pointing out to the client the contract leverage they hold in their present and future dealings with the vendor.

In the document to follow, MacBeth Williams will provide the “roadmap” to optimized rate opportunities, implementing contract language Best Practices from analyzed benchmark data to create an overall *Contract Management Strategy*. The Benchmark Analysis report is submitted in conjunction with an executive briefing to discuss the findings, opportunities and recommendations stemming from our benchmark analysis. Designed as an overview, the executive briefing, like this report, is a customized presentation for each participant, touching on the opportunities indicated from both communal and client-specific data.

A brief overview of the benchmark process is described below, including the objectives, phases, and findings. Also detailed are the sources of the information used.

### OBJECTIVES AND CONSTRAINTS

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- Identify gaps between actual and best performance – equaling opportunity
- Create a useful tool to provide ongoing analysis of market trending relative to current contract positioning
- Present caveats and peripheral considerations relative to attaining noted potentials
- Build processes to mitigate effort involved in negotiating and managing contracted services
- Provide the basis for a rationale for adoption or rejection of emerging technology

Begin to reveal effective business practices, including tools used to manage telecom infrastructure  
Demonstrate the “how” for company participants to effect the opportunities and efficiencies to come from this report, subsequently leading to a strategy

## **PROCESS**

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The MacBeth Williams benchmark work effort is now complete; the following process steps were followed to meet the expectations and stated objectives of a Contract Management Strategy using the Communication Expense Benchmark tool.

### **PHASE ONE: DATA GATHERING**

The process of data gathering created a statistically significant profile of telecommunication expense, that when compared to other industry leaders provided an assessment of performance and potential opportunities for improvement.

Accomplishing the objectives of Phase One, the project team completed these specific tasks:

- ◆ Developed a refined sense of rate and contract language of interest
- ◆ Secured all contracts covering the services and products under immediate review and longer term consideration
- ◆ Obtained a minimum of one month’s invoicing indicative of the “wireline” voice services and data services including wireless voice and data services
- ◆ Secured corporate location lists and a circuit inventory/ topology.
- ◆ Executed a formal communication process to manage the procurement of contract and invoicing data

### **PHASE TWO: DATA INPUT**

The Data Input phase included the process of isolating, analyzing, and loading expense benchmark data into the MacBeth Williams’ comparative database.

Accomplishing the objectives of Phase Two, the project team completed the following tasks:

- ◆ Input data into the benchmark database for the “wireline” WAN and long distance voice services.
- ◆ Input data into the benchmark database for the wireline local exchange services.
- ◆ Input data into the benchmark database for the wireless voice and data services.

### **PHASE THREE: BENCHMARK ANALYSIS**

In Phase Three, the benchmark consultants examined communication services and products in their most common expression of cost or expense and in an aggregate form, rolling expense upward to reflect a more indicative cost for communications infrastructure to the business.

Accomplishing the objectives of Phase Three, the benchmark consultants completed the following tasks:

- ◆ Collated the data to determine relative expense and contract practices Best Performance.
- ◆ Plotted the expense data points for analysis of Best Performance.
- ◆ Performed a Gap Analysis detailing the opportunity between actual performance and Best Performance
- ◆ Evaluated any peripheral considerations that may hinder the attainment of Best Performance.

#### **PHASE FOUR: CREATION AND PRESENTATION OF THE BENCHMARK ANALYSIS**

Phase Four began with creation of the Benchmark Analysis deliverable. The Benchmark Analysis report, once delivered, was to provide specific recommendations for contract strategy and expense improvement by establishing a priority based on potential reward, understood contract flexibilities, and presumed resources to execute the proposed improvement. Now ready for delivery, the Benchmark Analysis will present the rate and contract term opportunities as indicated by the communal data represented by the full benchmark study.

To accomplish the objectives of Phase Four, the benchmark consultants are ready to present the following:

- ◆ A tailored series of recommendations for expense performance improvement including the recommended order in which the improvements should be approached.
- ◆ A contract management strategy to set the stage for a redefinition of vendor relationships.
- ◆ Discuss the “How to” relating to the execution of the recommendations presented within the Benchmark Analysis
- ◆ Interviewees

On-site interviews and/or discussions were conducted with the following:

- ◆ [CLIENT], Director of Technology Planning
- ◆ [CLIENT], Executive Vice President
- ◆ [CLIENT], Senior Vice President / CIO

## SOURCE DOCUMENTATION

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Source documentation included:

- ◆ Contracts
  - [Carrier]
  - [Carrier]
  - [Carrier]
  - [Carrier]
  - [Carrier]
- ◆ Expense Data (**August 2007**)
  - [Carrier]
    - “One Time Report” (Invoicing Report)
    - T1 invoicing
  - [Carrier]
    - CD Billing Report
    - CD Billing Report
  - Summary Wireless Expense Data
- ◆ WAN Topology & Inventory
  - Carrier - Access Inventories
  - Carrier – Circuit Detail
  - Carrier – PVC Configuration Detail
  - Carrier – Private Line Circuit Detail

## SUMMARY OF OVERALL SAVINGS POTENTIAL

Service	Location	Monthly Consumption	Current Unit Cost	Unit Price Savings Range		Min. Monthly Savings Potential	Max. Monthly Savings Potential	
Local Voice Services		Vendor	Quantity	Unit Cost	High	Low		
<b>Local Analog Services</b>								
	AL	Multiple Vendors	333 Lines	\$34.96	\$34.38	\$26.80	\$194.52	\$2,718.52
	AR	Multiple Vendors	91 Lines	\$27.89	\$0.00	\$26.80	\$2,537.96	\$99.16
	AZ	Multiple Vendors	140 Lines	\$27.89	\$26.94	\$26.80	\$132.96	\$152.76
	CA	Multiple Vendors	476 Lines	\$24.27	\$23.45	\$23.45	\$0.00	\$389.27
	CO	Multiple Vendors	140 Lines	\$27.77	\$32.13	\$26.80	\$0.00	\$135.34
	CT	Multiple Vendors	98 Lines	\$27.14	\$29.16	\$26.80	\$0.00	\$131.32
	FL	Multiple Vendors	471 Lines	\$27.73	\$32.11	\$26.80	\$1,189.69	\$3,736.07
	GA	Multiple Vendors	603 Lines	\$27.67	\$32.95	\$26.80	\$4,050.57	\$8,965.52
<b>Local PRI Service</b>								
	Georgia	[Carrier]	12	\$524.83	\$552.66	\$450.24	\$0.00	\$895.12
	Louisiana	[Carrier]	1	\$920.00	\$552.66	\$450.24	\$367.34	\$469.76
	N.Carolina	[Carrier]	1	\$690.00	\$552.66	\$450.24	\$137.34	\$239.76
	S.Carolina	[Carrier]	1	\$607.00	\$552.66	\$450.24	\$54.34	\$156.76
	Tennessee	[Carrier]	1	\$690.00	\$552.66	\$450.24	\$137.34	\$239.76
	Alabama	[Carrier]	5	\$768.80	\$552.66	\$450.24	\$1,080.72	\$1,592.80
	Georgia	[Carrier]	1	\$643.00	\$552.66	\$450.24	\$90.34	\$192.76
	Mississippi	[Carrier]	1	\$771.00	\$552.66	\$450.24	\$218.34	\$320.76
	Georgia	[Carrier]	2	\$616.00	\$552.66	\$450.24	\$126.69	\$331.52
	Georgia	[Carrier]	6	\$513.00	\$552.66	\$450.24	\$0.00	\$376.56
	Domestic US	[Carrier]	45	\$450.24	\$552.66	\$450.24	<b>Best Observed Rate</b>	<b>Best Observed Rate</b>

Service	Location	Monthly Consumption	Current Unit Cost	Unit Price Savings Range		Min. Monthly Savings Potential	Max. Monthly Savings Potential
Local Voice Services	Vendor	Quantity	Unit Cost	High	Low		
<b>Local Analog Services</b>							
IA	Multiple Vendors	109 Lines	\$23.45	\$26.72	\$23.45	Best Observed Rate	Best Observed Rate
ID	Multiple Vendors	5 Lines	\$23.45	\$30.43	\$23.45	Best Observed Rate	Best Observed Rate
IL	Multiple Vendors	308 Lines	\$25.34	\$29.49	\$26.80	Best Observed Rate	Best Observed Rate
IN	Multiple Vendors	182 Lines	\$27.89	\$27.37	\$26.80	\$95.37	\$198.32
KS	Multiple Vendors	91 Lines	\$27.87	\$29.00	\$26.80	\$0.00	\$97.82
KY	Multiple Vendors	122 Lines	\$24.85	\$27.90	\$23.45	\$846.75	\$1,391.25
LA	Multiple Vendors	287 Lines	\$27.31	\$31.10	\$26.80	\$1,758.21	\$3,016.44
MA	Multiple Vendors	7 Lines	\$27.76	\$31.10	\$26.80	\$0.00	\$67.00
MD	Multiple Vendors	1 Lines	\$26.80	\$34.70	\$26.80	Best Observed Rate	Best Observed Rate
ME	Multiple Vendors	125 Lines	\$27.70	\$32.60	\$26.80	\$0.00	\$124.62
MN	Multiple Vendors	24 Lines	\$27.69	\$29.49	\$26.80	\$0.00	\$218.42
MO	Multiple Vendors	168 Lines	\$27.81	\$26.94	\$26.80	\$146.42	\$170.18
MS	Multiple Vendors	196 Lines	\$27.70	\$31.18	\$26.80	\$0.00	\$175.54
NC	Multiple Vendors	87 Lines	\$29.90	\$35.43	\$26.80	\$0.00	\$269.36
ND	Multiple Vendors	171 Lines	\$32.52	\$31.89	\$26.80	\$106.84	\$977.43
NE	Multiple Vendors	8 Lines	\$26.80	\$27.65	\$26.80	Best Observed Rate	Best Observed Rate
NH	Multiple Vendors	28 Lines	\$27.18	\$27.37	\$26.80	\$0.00	\$10.72
NJ	Multiple Vendors	35 Lines	\$30.15	\$32.17	\$30.15	Best Observed Rate	Best Observed Rate
NM	Multiple Vendors	26 Lines	\$26.80	\$30.48	\$26.80	Best Observed Rate	Best Observed Rate
NY	Multiple Vendors	70 Lines	\$28.14	\$34.07	\$26.80	\$0.00	\$93.80
OH	Multiple Vendors	259 Lines	\$27.83	\$30.48	\$26.80	\$0.00	\$268.00
OK	Multiple Vendors	189 Lines	\$27.68	\$31.81	\$26.80	\$0.00	\$166.16
	Multiple Vendors	168 Lines	\$27.94	\$31.81	\$26.80	\$0.00	\$191.62

SAMPLE

Service	Location	Monthly Consumption	Current Unit Cost	Unit Price Savings Range		Min. Monthly Savings Potential	Max. Monthly Savings Potential	
Local Voice Services		Vendor	Quantity	Unit Cost	High	Low		
<b>Local Analog Services</b>								
	<b>OR</b>	Multiple Vendors	119 Lines	\$28.09	\$31.81	\$26.80	\$0.00	\$154.10
	<b>PA</b>	Multiple Vendors	84 Lines	\$23.94	\$26.53	\$23.45	\$0.00	\$41.04
	<b>SC</b>	Multiple Vendors	183 Lines	\$35.84	\$28.96	\$23.45	\$1,259.98	\$2,267.70
	<b>SD</b>	Multiple Vendors	5 Lines	\$26.80	\$28.36	\$26.80	<b>Best Observed Rate</b>	<b>Best Observed Rate</b>
	<b>TN</b>	Multiple Vendors	379 Lines	\$36.03	\$30.48	\$26.80	\$103.32	\$3,497.26
	<b>TX</b>	Multiple Vendors	574 Lines	\$24.00	\$26.76	\$23.45	\$0.00	\$317.75
	<b>UT</b>	Multiple Vendors	112 Lines	\$24.19	\$26.53	\$23.45	\$0.00	\$83.25
	<b>VA</b>	Multiple Vendors	203 Lines	\$21.04	\$24.95	\$20.10	\$0.00	\$190.95
	<b>WA</b>	Multiple Vendors	280 Lines	\$27.98	\$31.52	\$26.80	\$0.00	\$329.64
	<b>WI</b>	Multiple Vendors	195 Lines	\$23.17	\$26.53	\$23.45	\$0.00	\$139.53
	<b>WV</b>	Multiple Vendors	133 Lines	\$23.90	\$30.11	\$23.80	\$0.00	\$132.66

Monthly Local Voice Services Savings Opportunity Range: **\$17,025.45** **\$36,309.07**

Long Distance Voice Services	Minutes	Average Per Minute Rate	Sigma +	Best rate			
<b>Outbound Interstate</b>	Dedicated	1,838,138.24	\$0.0179 per minute	\$0.0163	\$0.0150	\$9,435.45	\$14,820.25
	Switched	583,426.76	\$0.0444 per minute	\$0.0330	\$0.0280		
<b>Outbound Intrastate</b>	Dedicated	287,698.93	\$0.0740 per minute	\$0.0618	\$0.0563	\$6,337.27	\$9,163.90
	Switched	153,019.94	\$0.1147 per minute	\$0.0962	\$0.0881		
<b>Outbound IntraLATA</b>	Dedicated	130,411.43	\$0.0450 per minute	\$0.0443	\$0.0430	\$1,679.27	\$2,816.89
	Switched	436,915.70	\$0.0868 per minute	\$0.0832	\$0.0810		
<b>Outbound Canada</b>	Dedicated	80,505.30	\$0.0500 per minute	\$0.0417	\$0.0380	\$838.09	\$1,206.58
	Switched	4,919.30	\$0.0939 per minute	\$0.0599	\$0.0450		
<b>Toll-Free Interstate</b>	Dedicated	908,697.00	\$0.0175 per minute	\$0.0163	\$0.0150	\$1,090.44	\$2,657.74
	Switched	229,508.45	\$0.0297 per minute	\$0.0304	\$0.0280		
<b>Toll-Free Intrastate</b>	Dedicated	87,963.00	\$0.0740 per minute	\$0.0646	\$0.0603	\$2,147.99	\$3,116.94
	Switched	132,611.52	\$0.1115 per minute	\$0.1016	\$0.0971		

Long Distance Voice Services		* Minutes	Average Per Minute Rate	Sigma +	Best rate			
<b>Toll-Free IntraLATA</b>	<i>Dedicated</i>	108,939.00	\$0.0630 per minute	\$0.0618	\$0.0600	\$128.59	\$613.83	
	<i>Switched</i>	152,668.02	\$0.1119 per minute	\$0.1131	\$0.1100			
<b>Toll-Free Canada</b>	<i>Dedicated</i>	11,411.00	\$0.0700 per minute	\$0.0506	\$0.0420	\$518.31	\$752.94	
	<i>Switched</i>	11,655.48	\$0.0902 per minute	\$0.0647	\$0.0530			
<b>Conferencing Verizon</b>	<i>Audio</i>	155,571.00	\$0.0720 per minute	\$0.0834	\$0.0650	\$0.00	\$1,089.00	
<b>Conferencing Verizon</b>	<i>Nbet Conf</i>	14,855.00	\$0.2000 per minute	\$0.2000	\$0.1800	\$0.00	\$297.10	
Long Distance Dedicated T1's		Vendor	Quantity	Unit Cost	High	Low		
	<b>Multiple Locations</b>	Verizon	15	\$185.00	\$217.31	\$150.00	\$0.00	\$525.00
	<b>Norcross</b>	Verizon	12	\$180.00	\$217.31	\$150.00	\$0.00	\$360.00
	<b>Dallas</b>	Verizon	5	\$170.00	\$217.31	\$150.00	\$0.00	\$100.00

Monthly LD Voice Services Savings Opportunity Range: **\$22,411.41** **\$37,520.16**

Data Services	Location	Circuit Type	Number Circuits	Total Cost	Sigma +	Best Rate		
<b>DSL</b>	<i>DSL Billed to BSG</i>	DSL	239	\$24,755.92	\$4,924.08	\$22,425.74	\$0.00	\$1,949.98
<b>ISDN</b>	<i>Multiple Locations (Carrier)</i>	BRI	22	\$1,957.50	\$880.87	\$1,716.00	\$76.13	\$241.00
<b>ATM/Frame/MPLS</b>	<i>Multiple Locations</i>	56Kbps, T1, DS3, OC3	7 Circuits	\$307,129.66	\$320,209.00	\$292,587.02	\$0.00	\$14,592.64
<b>MetroEthernet</b>	<i>Georgia (Johnson Industries)</i>	100Mbps Basic	2	\$3,000.00	\$3,546.25	\$3,000.00	<b>Best Observed Rate</b>	<b>Best Observed Rate</b>
<b>Point to Point</b>	<i>Various (SHR)</i>	56Kbps	12	\$3,603.92	\$3,863.52	\$3,510.00	\$0.00	\$93.92
<b>Internet Service</b>		T3 Tiered - 9mb	1	\$2,729.35	\$2,456.10	\$2,210.40	\$273.25	\$518.95
		T3 Tiered - 6mb	1	\$2,542.05	\$2,186.16	\$1,945.68	\$355.89	\$596.37
		OC3 Burstable 60-70Mb	1	\$14,487.16	\$12,998.16	\$12,013.16	\$1,489.00	\$2,474.00
		T1 1.544 Mb	2	\$895.00	\$886.68	\$840.00	\$8.32	\$55.00

Monthly Data Services Savings Opportunity Range: **\$2,202.59** **\$20,521.86**

Wireless Services	Vendor	Units	Total Cost	Average Per Minute Rate	Sigma +	Best Rate		
<b>Cellular Voice</b>	<b>[Carrier]</b>	<b>369 Devices</b>	\$20,918.04					
	Total Plan Minutes 257,321	Used Minutes =>	280,441	\$0.0746	\$0.1107	\$0.0719	\$0.00	\$762.91
	<b>Sprint</b>	<b>20 devices</b>	\$922.90					
	Total Plan Minutes 17,623	Used Minutes =>	17,223	\$0.052	\$0.1107	\$0.0719	<b>Best Observed Rate</b>	<b>Best Observed Rate</b>
	<b>Verizon</b>	<b>356 Devices</b>	\$25,461.54					
	Total Plan Minutes 268,097	Used Minutes =>	269,111	\$0.0946	\$0.1107	\$0.0719	\$0.00	\$6,127.11
	<b>Nextel</b>	<b>311 Device</b>	\$1,828.02					
	Total Plan Minutes 234,498	Used Minutes =>	339,454	\$0.3000	<b>Best Observed Rate Based on Plan Cost Note: 50% of usage is Radio Calling</b>		<b>Best Observed Rate Based on Plan Cost Note: 50% of usage is Radio Calling</b>	

**Monthly Cellular Services Savings Opportunity Range:      \$0.00      \$6,890.02**

The overall monthly savings *potential* from the above table provides a range of opportunity extending from a high of **\$101,241** per month to a low of **\$41,403** per month. Expressed differently, using benchmark data to guide negotiations, and assuming the presence of contract leverage, annual savings could reach as high as **\$1,214,893** to low of **\$496,841**.

Please read forward for the detail supporting these opportunities and the contract strategies that enable the realization of these proposed savings.

## TELECOMMUNICATIONS MARKET OVERVIEW

### MARKET DYNAMICS

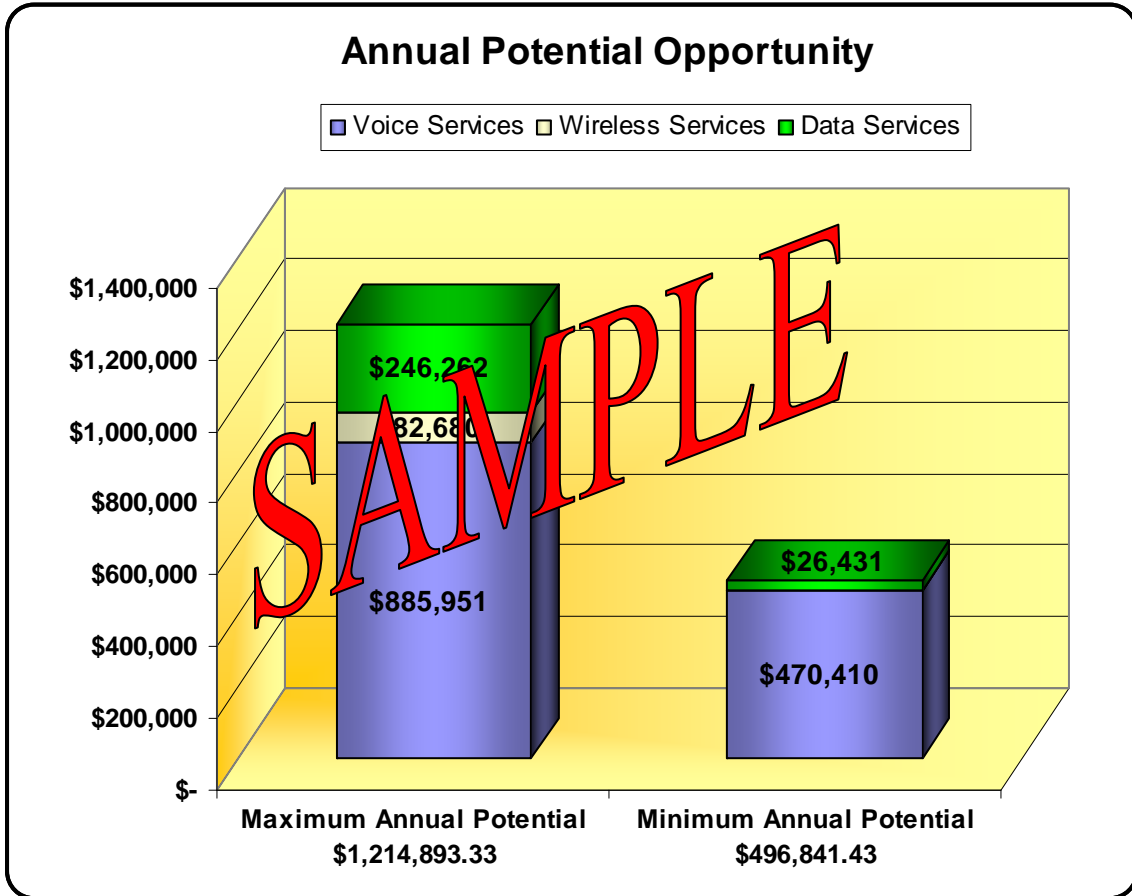
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Over the past 24 months the telecom industry has been marked by an unprecedented number of significant mergers and “outright” acquisitions.....

*What follows is a discussion of the current market dynamics influencing the telecommunications industry.*

**PERFORMANCE METRICS AND INDICATORS**

**OVERALL COMMUNICATION EXPENSE PERFORMANCE**



The overall *potential* savings from the above table breaks down into three main areas:

Voice services providing potential savings between **\$885,951** and **\$470,410** annually.

Wireless services providing potential savings between **\$82,680** and **\$0** annually.

Data services providing potential savings between **\$246,262** and **\$26,431** annually.

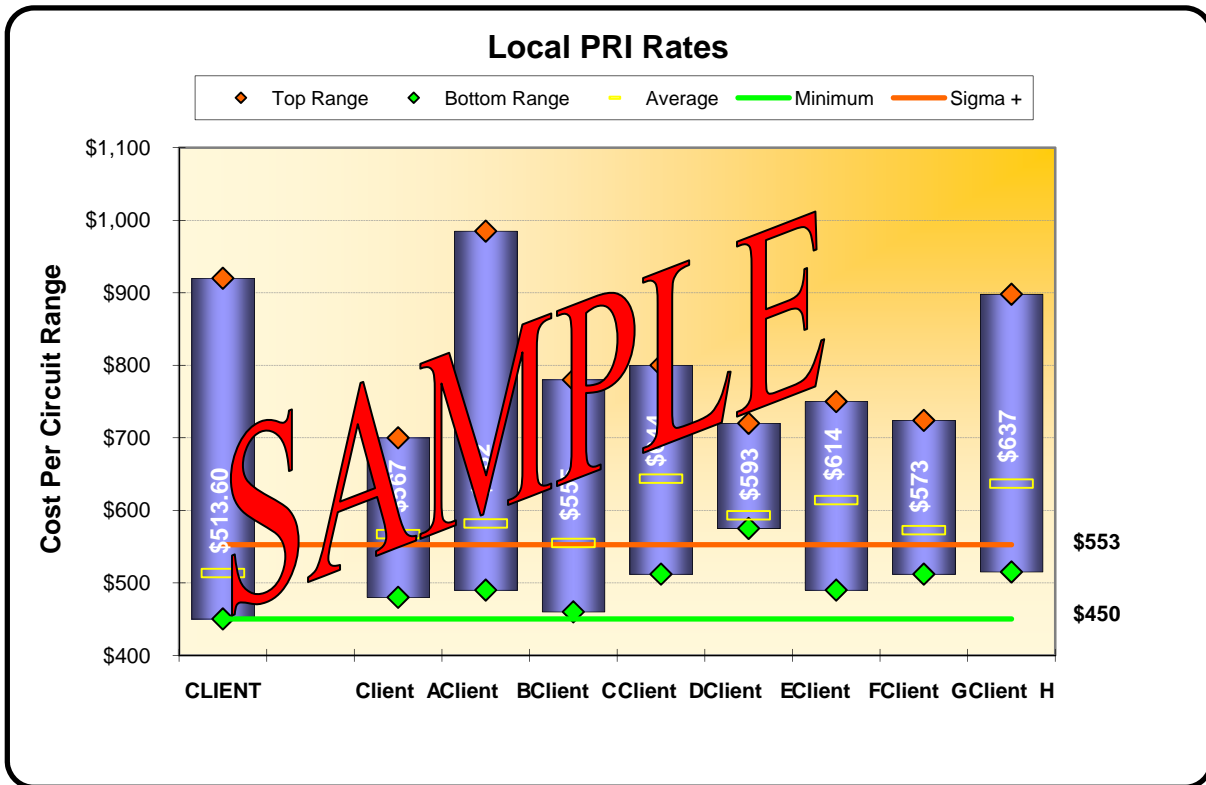
Please read forward for the detail supporting these opportunities and the contract strategies that enable the realization of these proposed savings.

## WIRELINE VOICE SERVICES

### LOCAL VOICE SERVICES

Offered to commercial users through such services as Primary Rate ISDN, T1 digital “trunking” analog trunking, and analog loop-start lines, these services and some variants, including Centrex, compose the bulk of the local exchange marketplace. The tariffing of these services differs from state-to-state and in some cases from one municipality or region to another. The discussions to follow will illustrate the local exchange opportunities in more precise terms considering the various services and the geographic differences that reflect in the service pricing.

#### Primary Rate ISDN

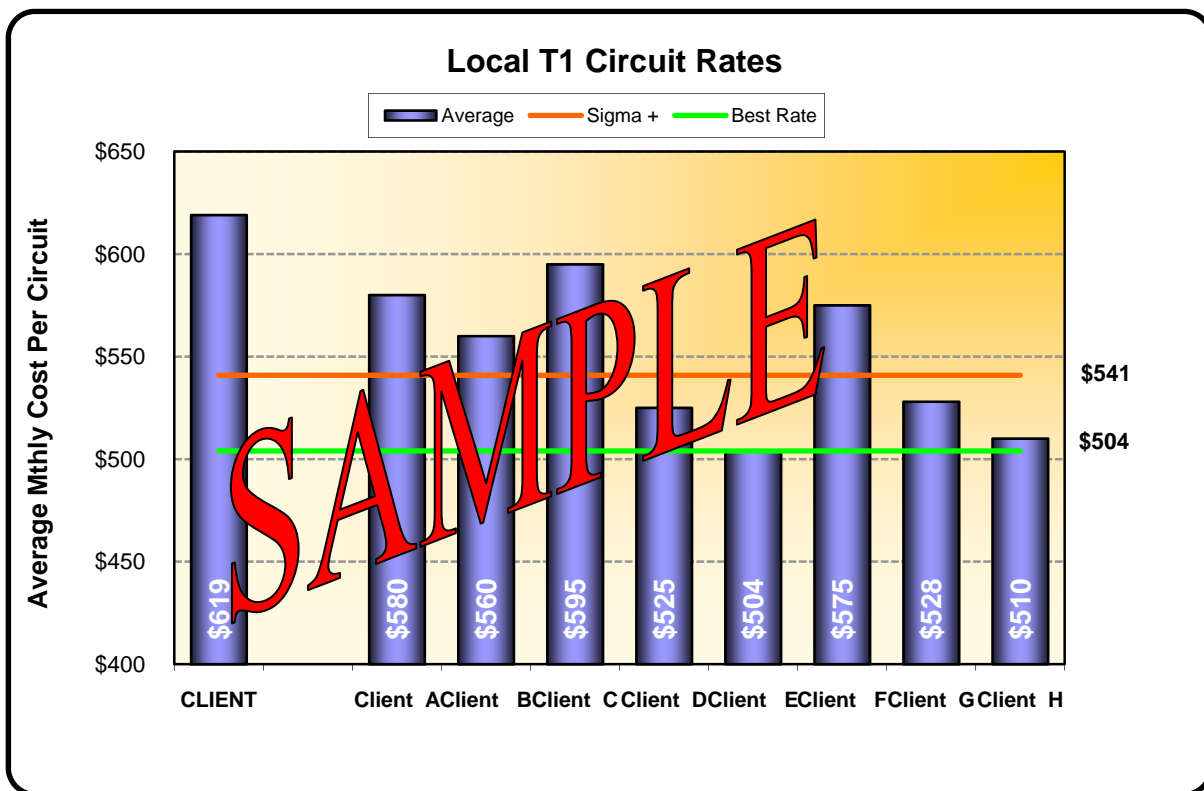


Primary Rate ISDN (PRI) service uses the public telephone network to carry an all-digital signal. Configured as 23 bearer channels and a data channel, PRI offers the utmost in service flexibility and consumption efficiency. Analyzing current local exchange voice infrastructure, MacBeth Williams’ was able to identify 76 local exchange PRI circuits provided by [Carrier], now [Carrier] and [Carrier]. Of the 76 PRI’s, [Carrier] has retained 31 PRI circuits since the contract commitment of those services to [Carrier] in June of 2004.

The monthly subscription cost for the 76 PRI circuits range from a high of **\$4,816** per month to a low of **\$2,212**. The average cost per local PRI service across the 76 circuits is **\$513.60** per month. The average cost per circuit representing the **Desirable Range** for **PRI service**, as found within the benchmark database, starts at **\$552.66** and extends to a **Best Documented Rate** of **\$450.24**. It should be noted that 45 of the ISDN PRI circuits are with [Carrier] at the **Best Documented Rate** of **\$450.24**, whilst the other 31 PRI's are all [Carrier] Circuits.

Based on the pure potential, as represented by these ranges, [CLIENT] could save upwards of **\$57,787** annually using the Best Documented Rates or **\$26,550** annually by using the circuit costs representing the lower end of the price range.

**Digital T1**

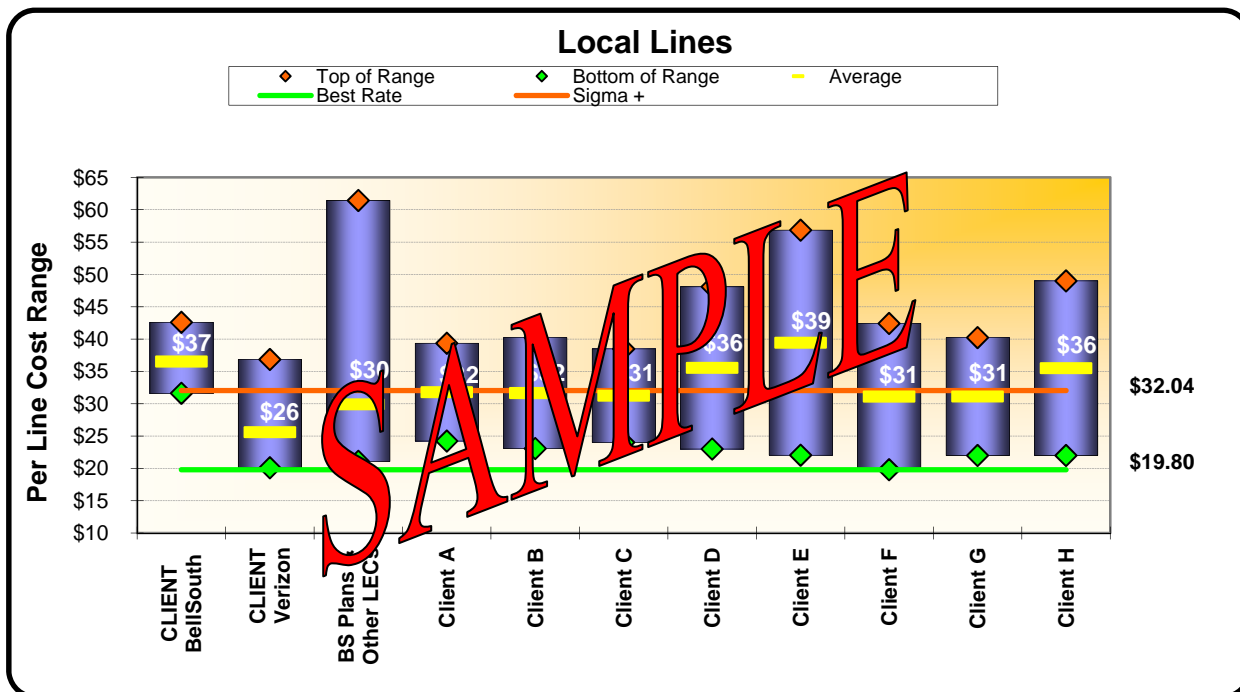


Digital T1 service uses the public telephone network to carry an all-digital signal. Configured as 24 bearer channels, each channel is assigned a specific trunk service (combination, one-way, direct-inward-dial, etc.). T1's are static and aren't capable of dynamic reconfiguration of services to meet changing demands for service. Reviewing the current local exchange inventory and invoicing MacBeth Williams' was able to identify **5** local exchange T1 circuits provided exclusively by [Carrier].

The monthly subscription cost for the 5 T1 circuits is **\$619.00** per month. The average cost per circuit representing the **Desirable Range** for **T1 service** as found within the benchmark database starts at **\$575.00** and extends to a **Best Documented Rate** of **\$390.39**.

Based on the pure potential, as represented by these ranges, [CLIENT] could save upwards of **\$6,900** annually using the Best Documented Rates or **\$4,685** annually by using the circuit costs representing the lower end of the price range.

### Analog "Loop-Start" Lines



Referred to as POTS (Plain Old Telephone System) lines with the "Hunting" feature often being the first consideration, analog lines serve the smallest key-switch telephone systems. Typical analog line service configurations include some lines that hunt or roll calls from one line to another in the event of a busy and some fixed number of lines not "in-hunt" which serve as single lines for applications such as fax, modems or security.

Identified here, MacBeth Williams shows **4,239** POTS lines provided by legacy [Carrier] and [Carrier] and **3,341** for other [Carriers] for a total of **7,580** Lines. Best estimates are that approximately another **6,000** POTS lines exist provided by [Carrier], [Carrier], [Carrier], [Carrier] and any number of other providers.

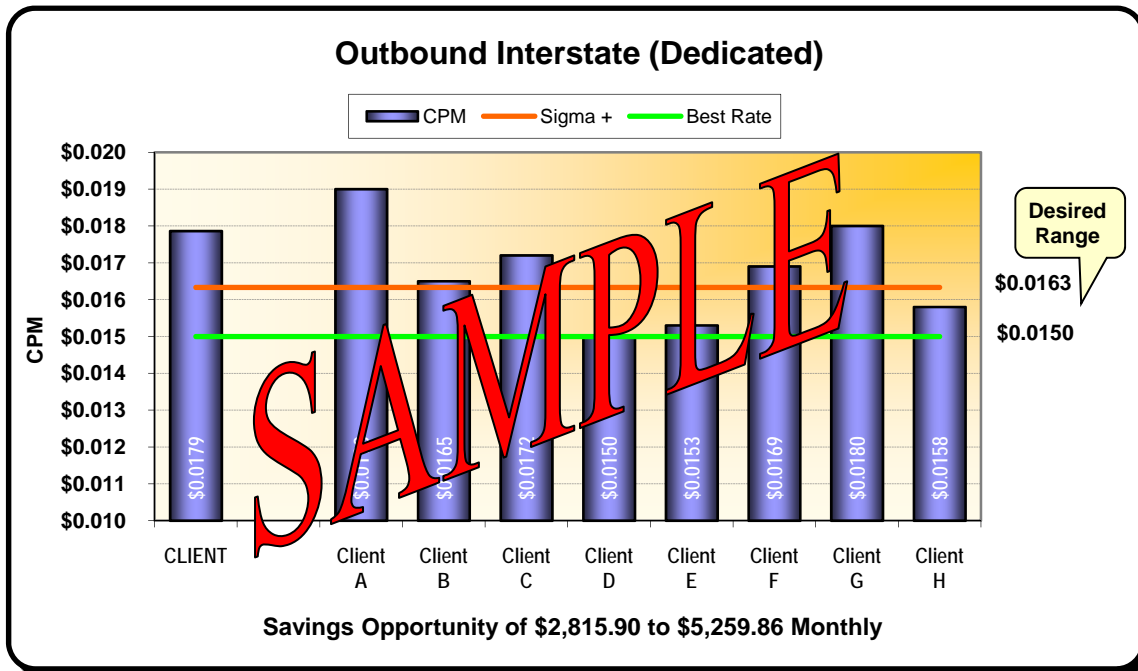
The average cost for **1,374** [Carrier] Lines is **\$36.53** per line and for the **620** [Carrier] Calling Plans is **\$48.61**. The **2,245** [Carrier] lines average cost is **\$25.51** and the average cost for the other **3,341** lines across various carriers is **\$29.90**. Across all states as measured within the current [Carrier], [Carrier] and other [Carriers] Business portfolio is **\$29.83**

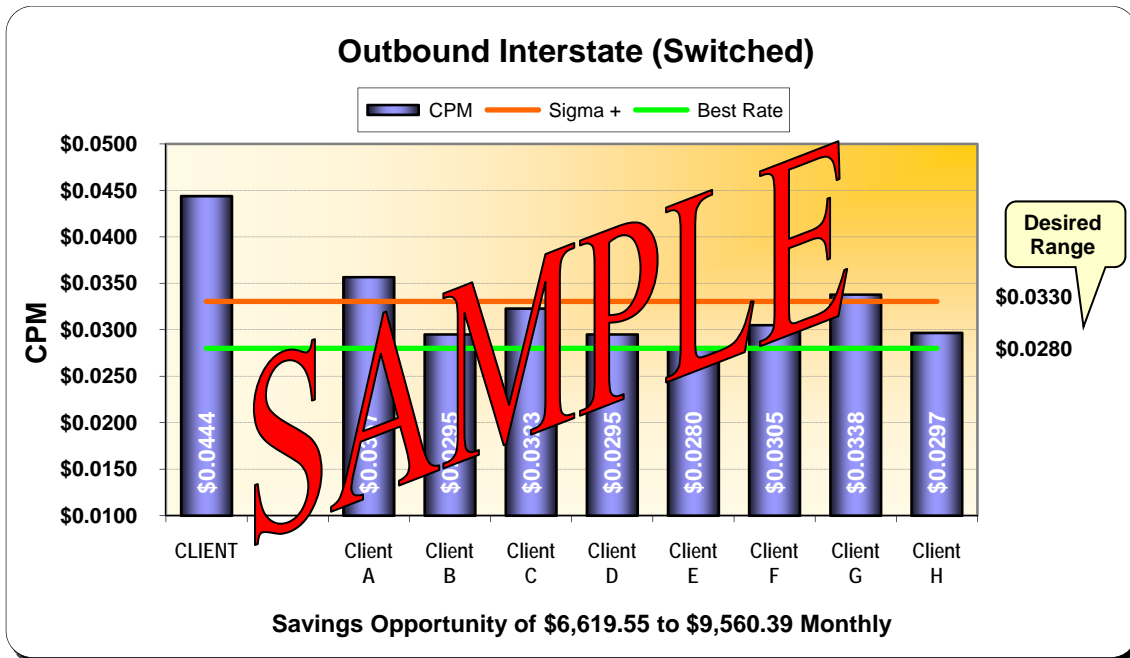
The average cost for comparable services found within the benchmark data representing the **Desirable Range** for **analog service** starts at **\$32.04** and extends as well to a **Best Documented Rate** of **\$19.80**.

Based on the potential, as represented by these ranges, [CLIENT] could save upwards of **\$371,022** annually using the Best Documented Rates or **\$173,071** annually by using the line costs reflecting the lower end of the price range.

**LONG DISTANCE VOICE SERVICES**

*Interstate Outbound*



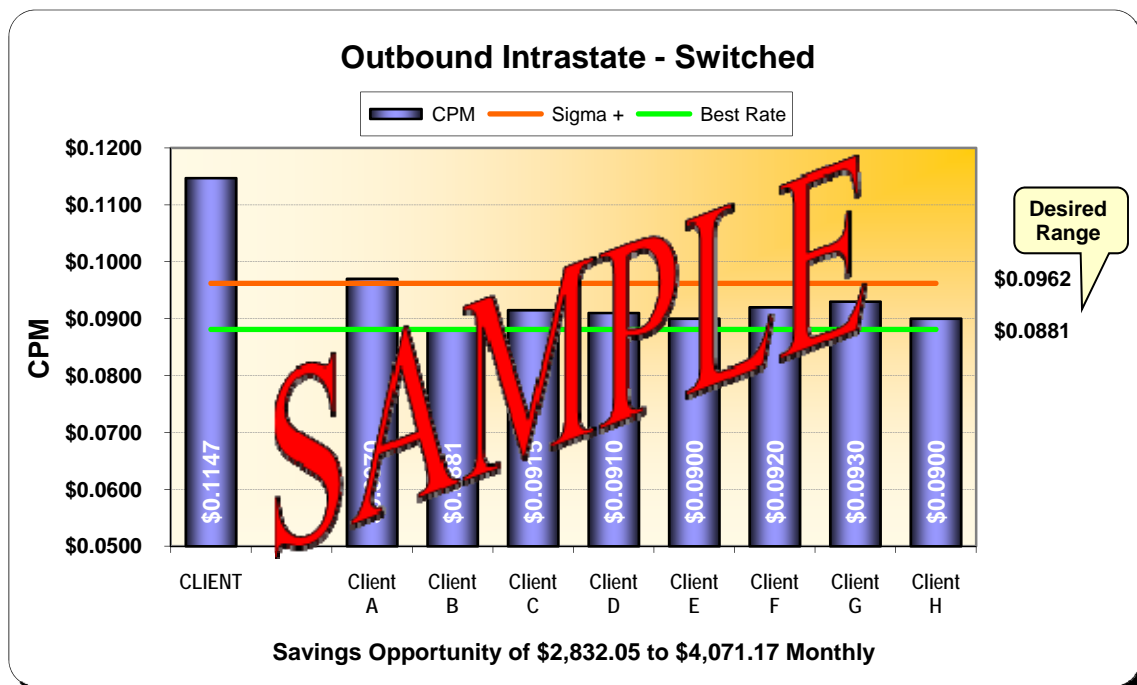
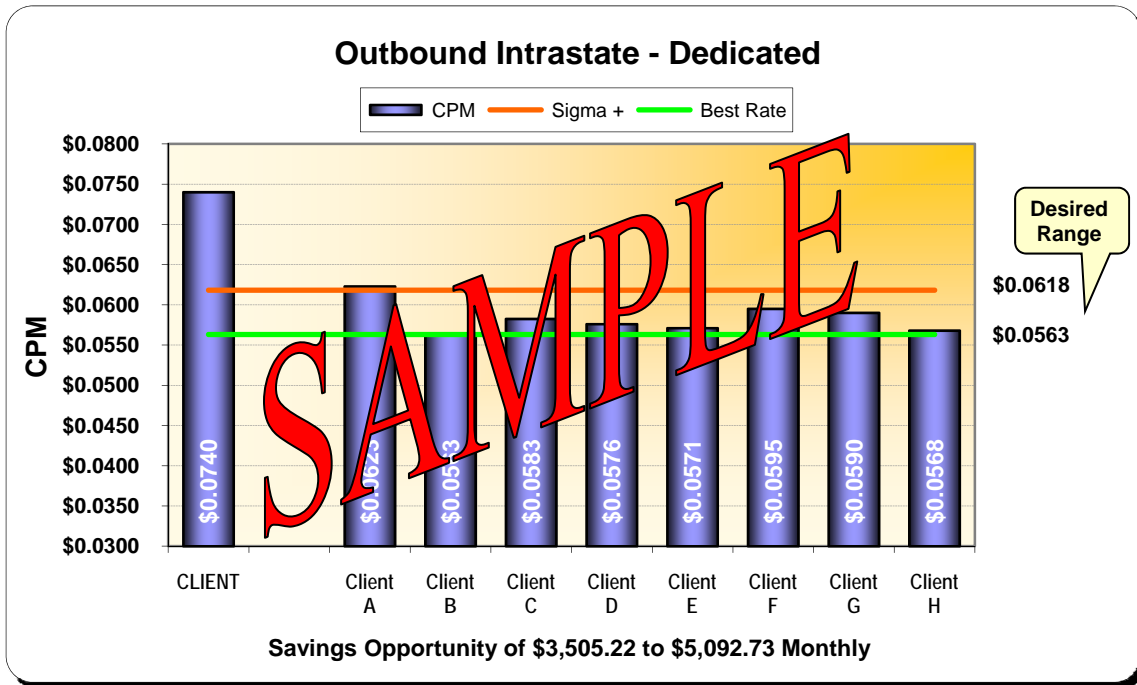


Characterized as calls terminating in states other than the state from which the call originates, the interstate rate is further defined by the means of access used to reach a carrier’s network (switched versus dedicated). Reviewing the August reports and invoicing from both [Carrier] and [Carrier], MacBeth Williams consultants found [CLIENT] placed **1,838,138** minutes over dedicated access facilities and **583,427** minutes over switched access facilities.

The average cost per minute, as determined from August’s actual billing and contract designs of both [Carrier] and [Carrier], was **\$0.0179** for dedicated access and **\$0.0444** for switched access. The average cost per minute representing the **Desirable Range** for **dedicated access service** starts at **\$0.0163** and extends to a **Best Documented Rate** of **\$0.0150**. The average cost per minute representing the **Desirable Range** for **switched access service** starts at **\$0.030** and extends to a **Best Documented Rate** of **\$0.0280**.

Based on the pure potential, as represented by these ranges, [CLIENT] could save upwards of **\$177,843** annually using the Best Documented Rates or **\$113,225** annually by using the cost per minutes representing the lower end of the price range.

**Intrastate Outbound**

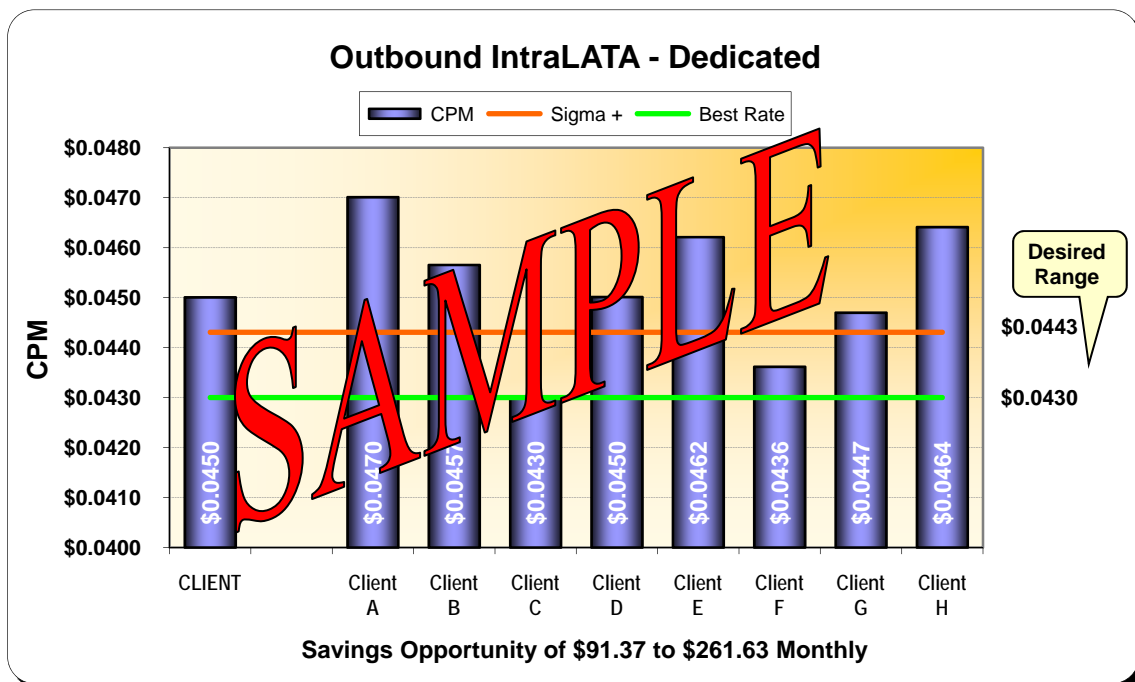


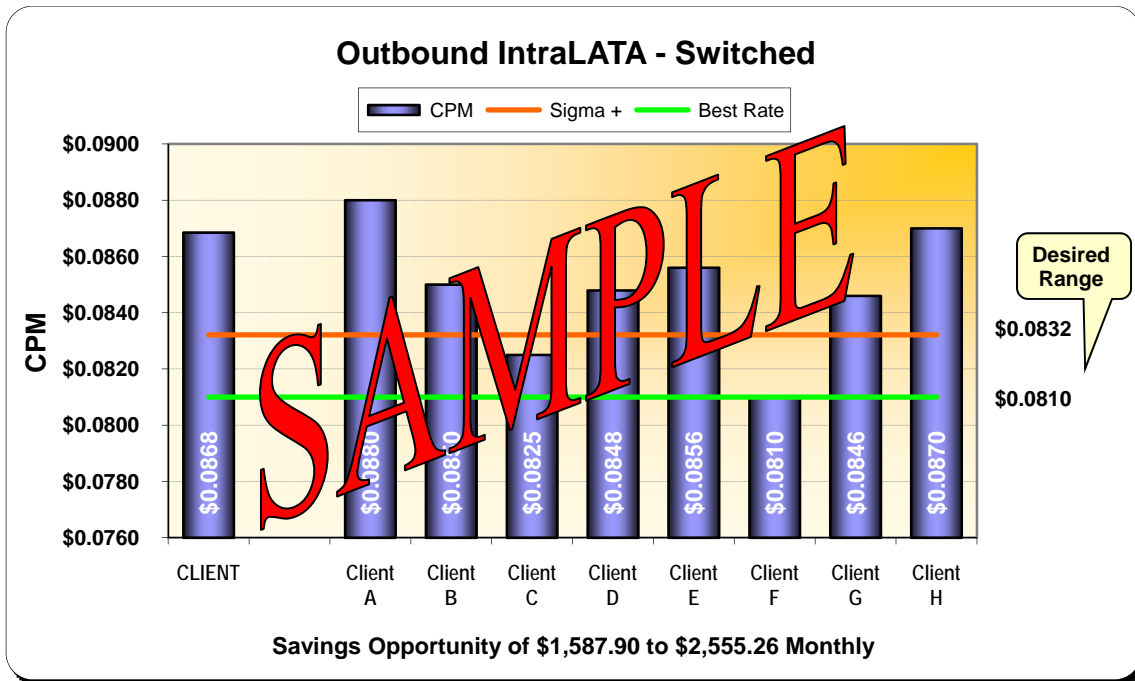
Depicted as calls terminating within the state of call origination but not within the LATA (Local Access and Transport Area) of call origination, the intrastate call and its rate is also defined by the access to the carrier's network (switched versus dedicated). As part of due diligence, MacBeth Williams found from August invoicing an enterprise-wide **287,699** minutes used by the larger offices and distribution centers placing calls over dedicated access trunks. The consultants also found **153,020** switched access minutes used by the smaller stores and offices typically found at the edge of [CLIENT's] business enterprise.

The average cost per minute, as determined from actual billing and contract analysis *across all states* of both [Carrier] and [Carrier], was **\$0.0740** for dedicated access and **\$0.01147** for switched access. The average cost per minute representing the **Desirable Range** for **dedicated access service** starts at **\$0.0618** and extends to a **Best Documented Rate** of **\$0.0563**. The average cost per minute representing the **Desirable Range** for **switched access service** starts at **\$0.0881** and extends to a **Best Documented Rate** of **\$0.0962**.

Based on the pure potential as represented by these ranges, [CLIENT] could save upwards of **\$109,967** annually using the Best Documented Rates or **\$76,047** annually by using the cost per minutes representing the lower end of the price range.

### IntraLATA Outbound



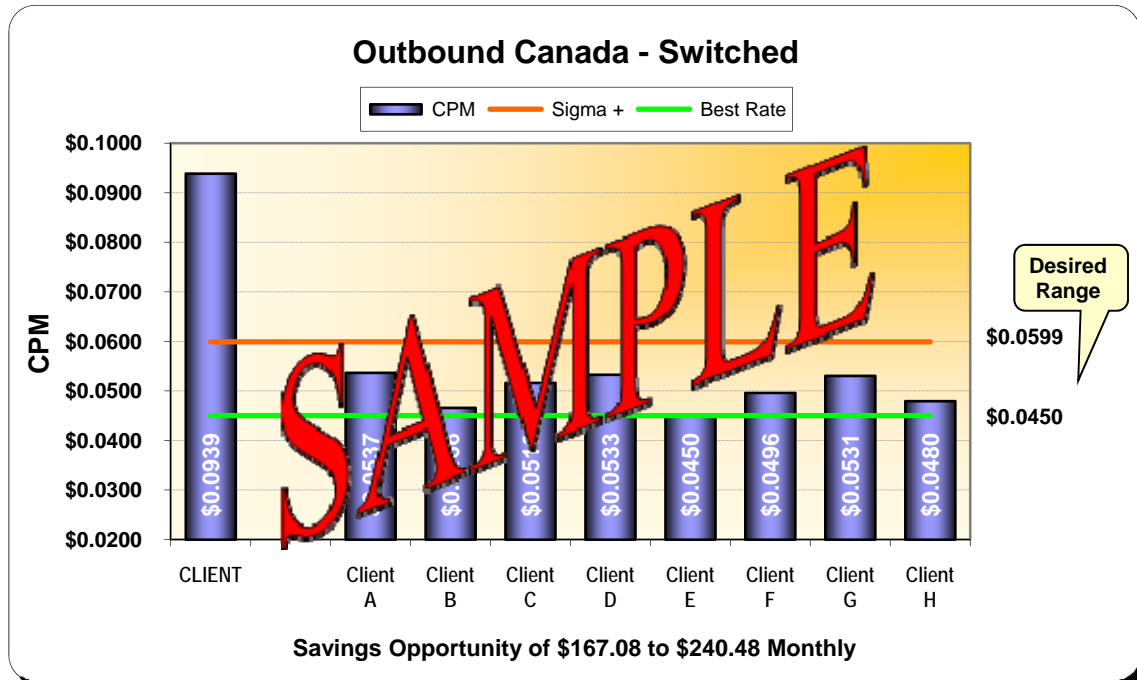
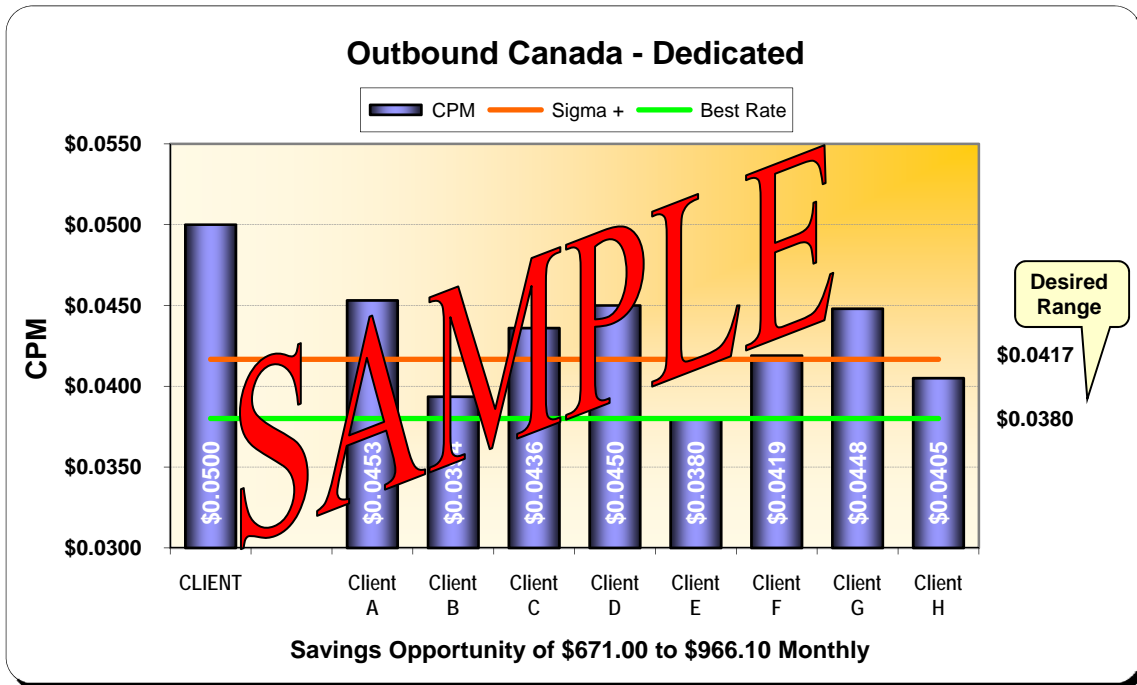


Defined as calls originating and terminating within a Local Access and Transport Area, the IntraLATA call, as its predecessors the Interstate and Intrastate call, is further defined by its access to the carrier's network (switched versus dedicated). MacBeth Williams, in our discovery, found from August invoicing an enterprise-wide **130,411** minutes used by the larger facilities placing calls over dedicated access trunks. The consultants also found a surprising **436,916** switched access minutes used by the smaller locations, likely representing the influence of the stores and their marketing to customers and prospects in their immediate region.

The average cost per minute, as determined from actual billing and contract analysis *across all states* of both [Carrier] and [Carrier], was **\$0.0450** for dedicated access and **\$0.0868** for switched access. The average cost per minute representing the **Desirable Range** for **dedicated access service** starts at **\$0.0443** and extends to a **Best Documented Rate** of **\$0.0430**. The average cost per minute representing the **Desirable Range** for **switched access service** starts at **\$0.0832** and extends to a **Best Documented Rate** of **\$0.0810**.

Based on the pure potential as represented by these ranges, [CLIENT] could save upwards of **\$33,803** annually using the Best Documented Rates or **\$20,151** annually by using the cost per minutes representing the lower end of the price range.

**Canada Outbound**

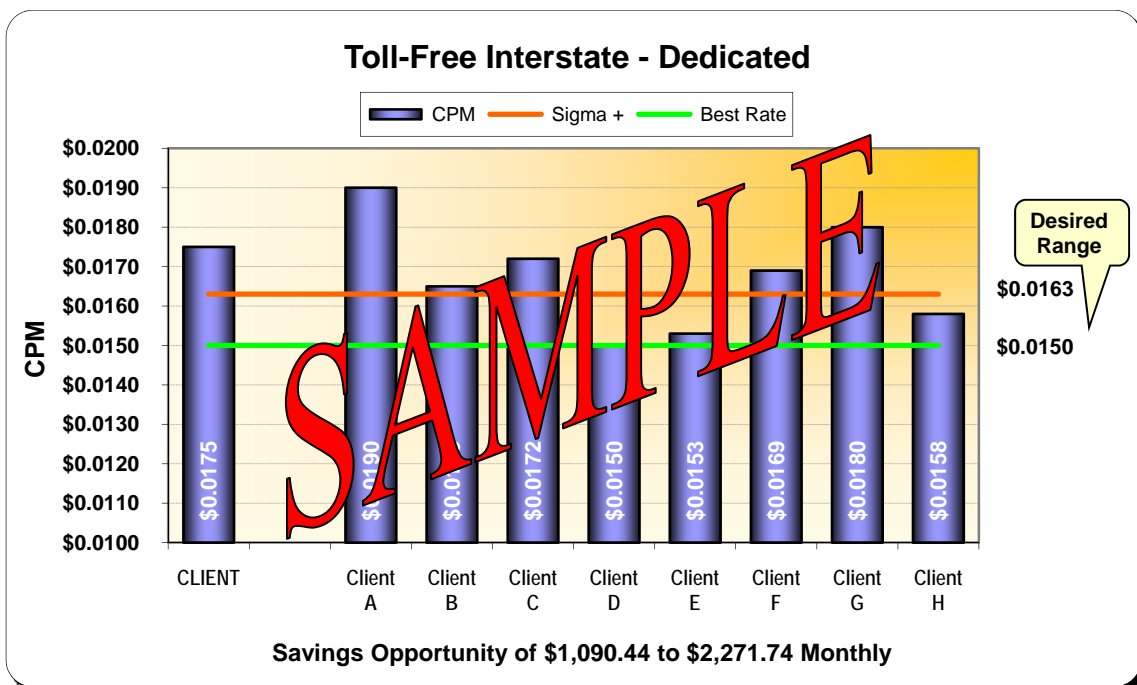


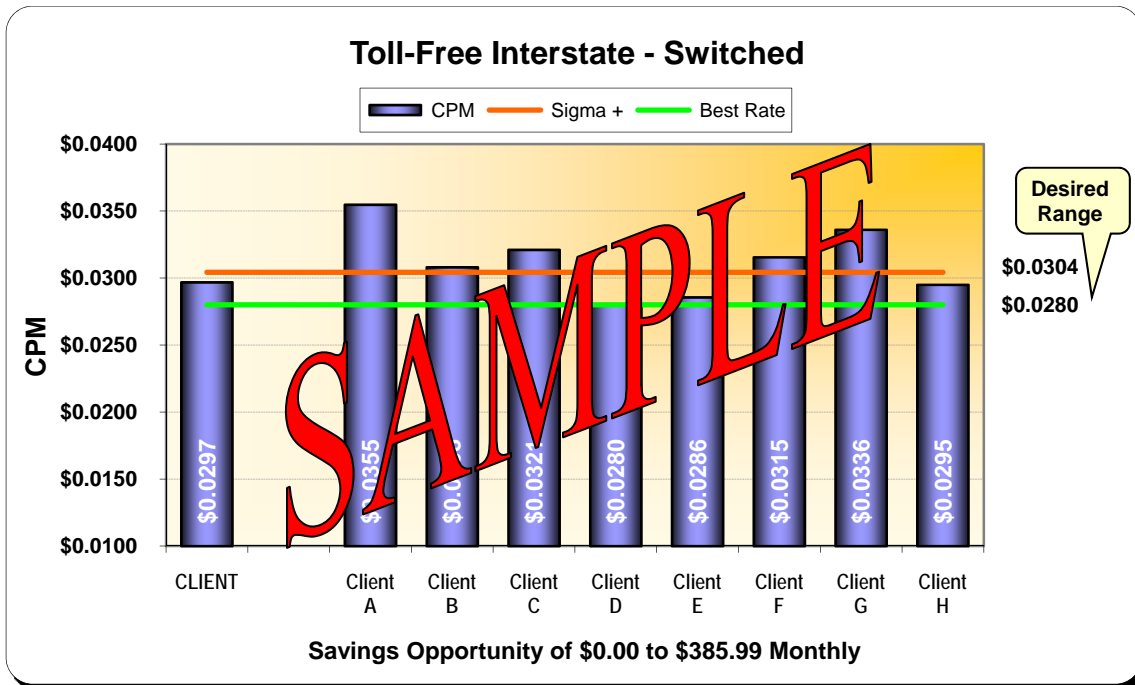
Canada Outbound service represents calls placed to and terminating in Canada. As above, calls to Canada are further classified by their access to the carrier's network (switched versus dedicated). Preparing this analysis, MacBeth Williams found [CLIENT] consumed **80,505** minutes in calls in August from the larger facilities using dedicated access trunks. There was an additional **4,919** switched access minutes placed to Canada from the smaller locations throughout the enterprise.

The average cost per minute, as determined from actual billing and contract analysis was **\$0.0500** for dedicated access and **\$0.0939** for switched access. The average cost per minute representing the **Desirable Range** for **dedicated access service** starts at **\$0.0417** and extends to a **Best Documented Rate** of **\$0.0380**. The average cost per minute representing the **Desirable Range** for **switched access service** starts at **\$0.0599** and extends to a **Best Documented Rate** of **\$0.0450**.

Based on the pure potential as represented by these ranges, [CLIENT] could save upwards of **\$14,479** annually using the Best Documented Rates or **\$10,057** annually by using the cost per minutes representing the lower end of the price range.

**InterState Inbound**



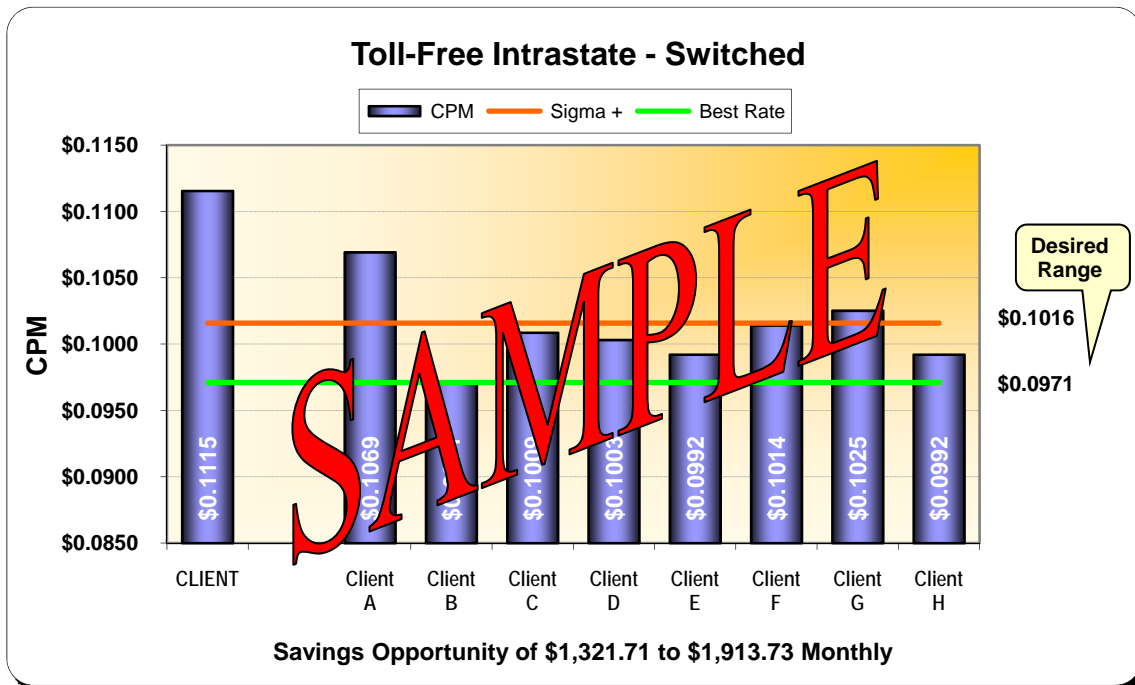
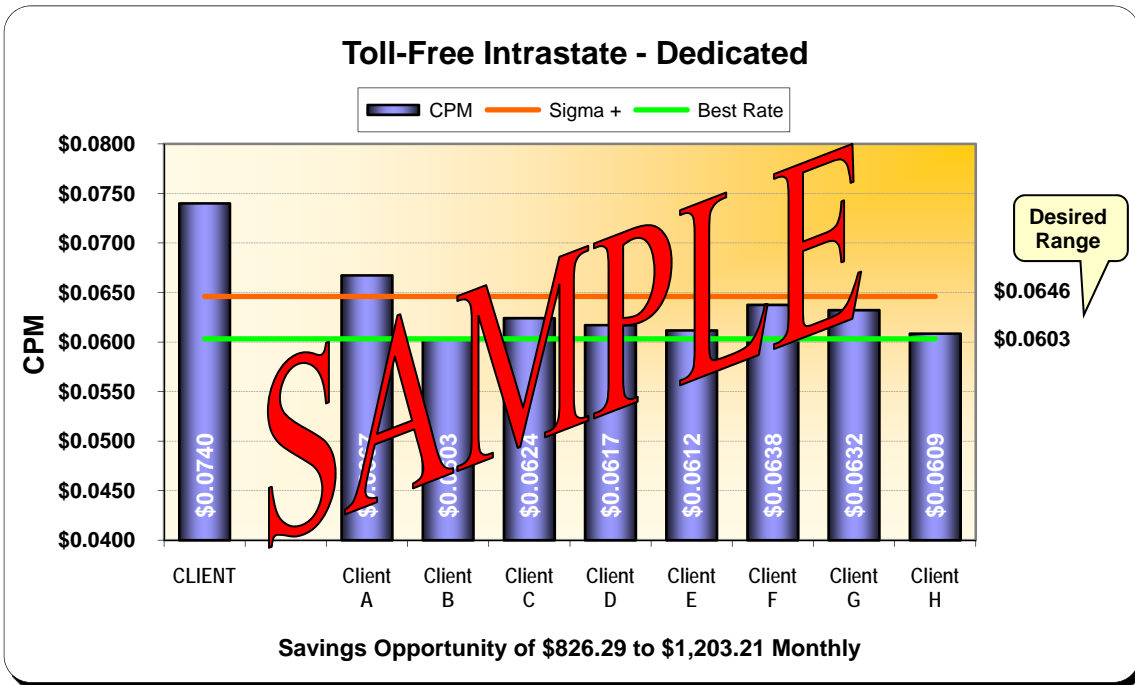


Characterized as toll-free calls received from states other than the state where the call terminates, the interstate rate, as found with the inbound rate structure, is further defined by the means of access used to reach a carrier's network (switched versus dedicated). Reviewing the August reports and invoicing, MacBeth Williams found [CLIENT] processed **908,697** minutes over dedicated access trunks and an additional **229,508** minutes over switched access lines.

The average cost per minute, as determined from actual billing and contract analysis was **\$0.0175** for dedicated access and **\$0.0297** for switched access. The average cost per minute representing the **Desirable Range** for **dedicated access service** starts at **\$0.0163** and extends to a **Best Documented Rate** of **\$0.0150**. The average cost per minute representing the **Desirable Range** for **switched access service** starts at **\$0.0304** and extends to a **Best Documented Rate** of **\$0.0280**.

Based on the pure potential as represented by these ranges, [CLIENT] could save upwards of **\$31,893** annually using the Best Documented Rates or **\$14,479** annually by using the cost per minutes representing the lower end of the price range.

*IntraState Inbound*

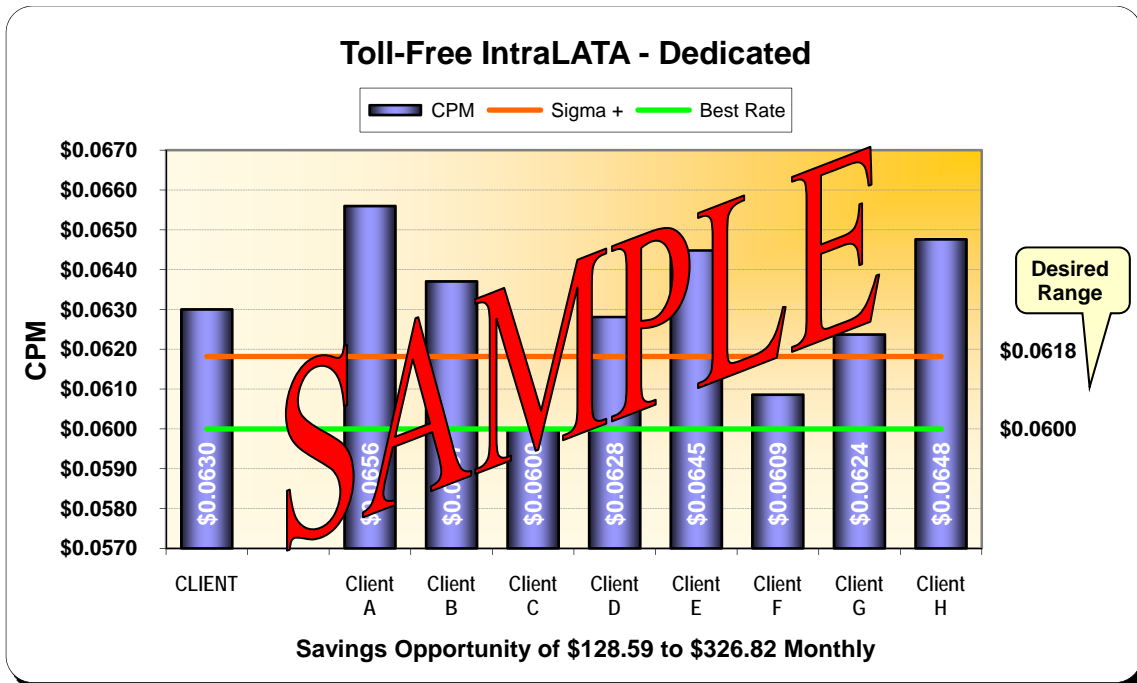


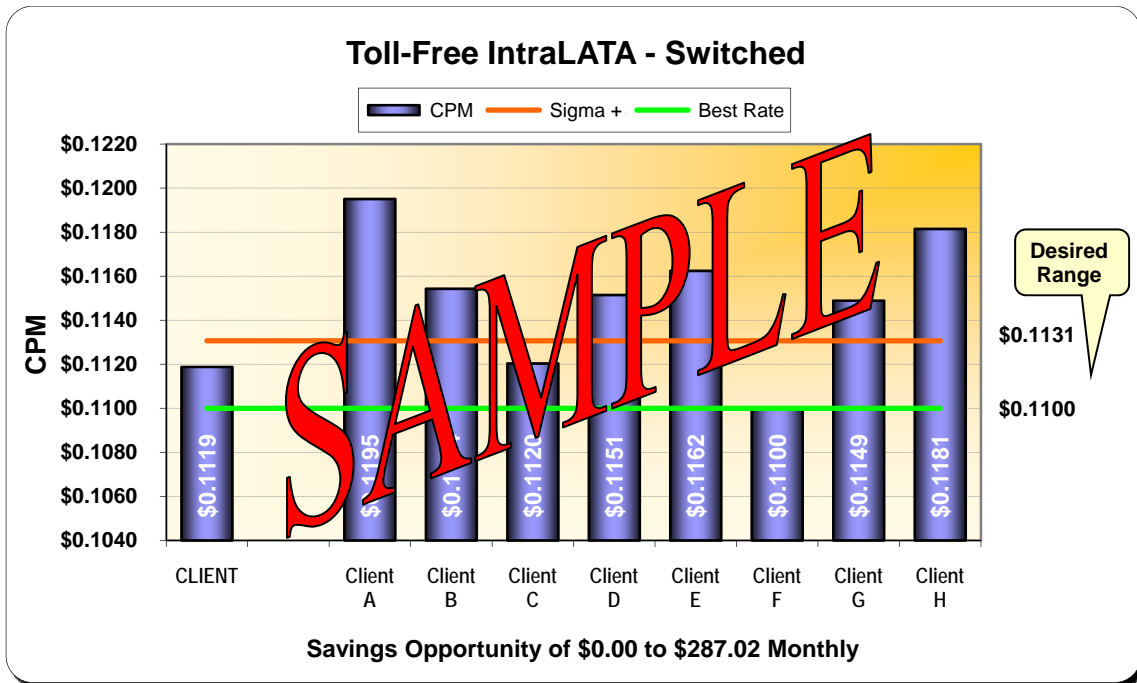
Described as toll-free calls originating within the state but outside the LATA serving the call termination point, the intrastate call and its rates are also defined by access to the carrier’s network (switched versus dedicated). As part of due diligence, MacBeth Williams found from the August invoicing **87,963** minutes processed over dedicated access trunks. The consultants also found **132,612** switched access minutes processed presumably by the smaller stores and offices found at the [CLIENT’s] enterprise edge.

The average cost per minute, as determined from actual billing and contract analysis *across all states*, was **\$0.0740** for dedicated access and **\$0.01115** for switched access. The average cost per minute representing the **Desirable Range** for **dedicated access service** starts at **\$0.0646** and extends to a **Best Documented Rate** of **\$0.0603**. The average cost per minute representing the **Desirable Range** for **switched access service** starts at **\$0.1016** and extends to a **Best Documented Rate** of **\$0.0971**.

Based on the pure potential as represented by these ranges, [CLIENT] could save upwards of **\$37,403** annually using the Best Documented Rates or **\$25,776** annually by using the cost per minutes representing the lower end of the price range.

**IntraLATA Inbound**



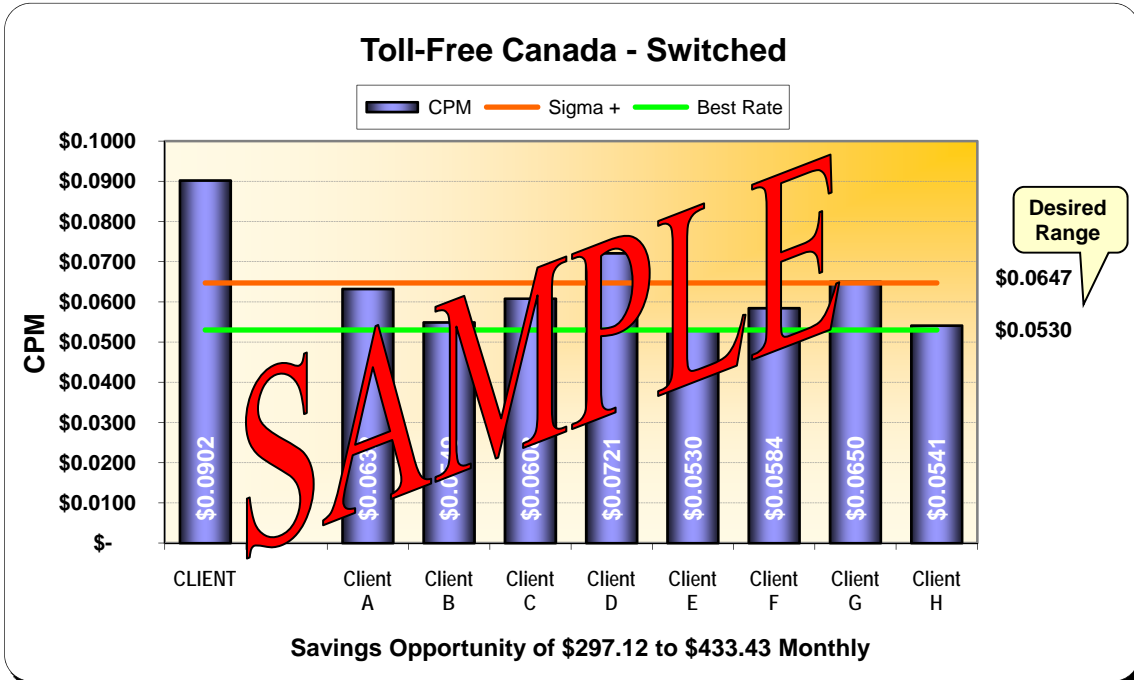
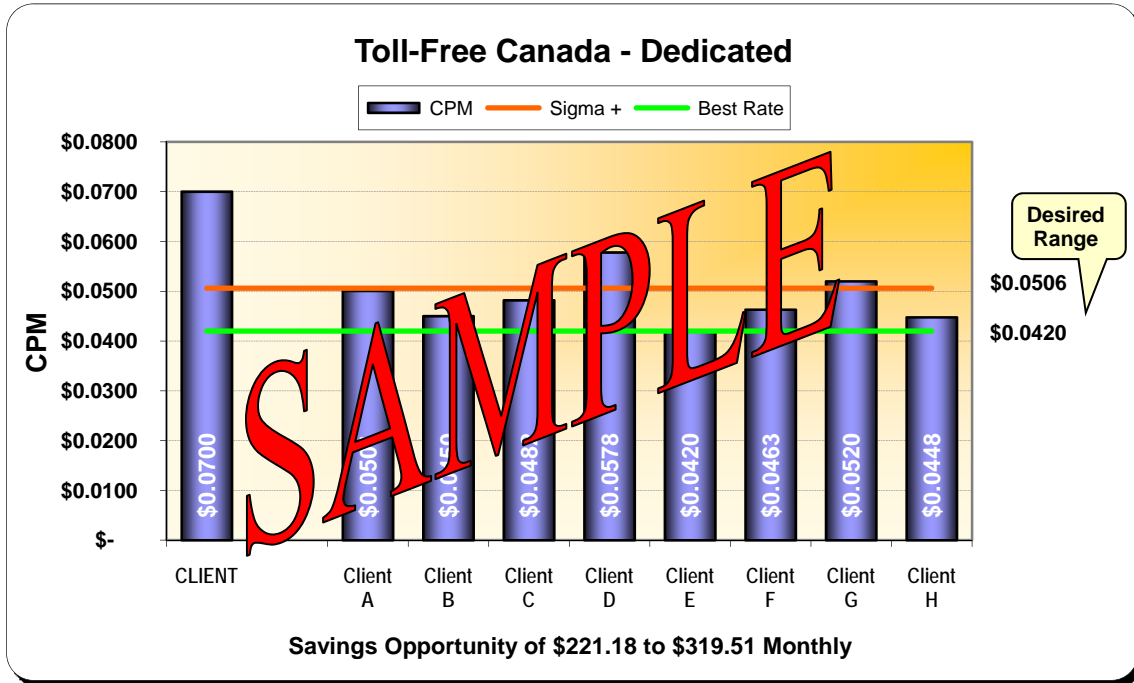


Toll-free calls originating and terminating within the Local Access and Transport Area, the IntraLATA call, is also rate differentiated by its access to the carrier's network (switched versus dedicated). Analyzing August invoicing MacBeth Williams found [CLIENT] processed **108,939** minutes over dedicated access trunks. The team also found **152,668** switched access minutes processed likely by the smaller [CLIENT] stores and locations.

The average cost per minute, as determined from actual billing and contract analysis *across all states*, was **\$0.0630** for dedicated access and **\$0.1119** for switched access. The average cost per minute representing the **Desirable Range** for **dedicated access service** starts at **\$0.0618** and extends to a **Best Documented Rate** of **\$0.0600**. The average cost per minute representing the **Desirable Range** for **switched access service** starts at **\$0.1131** and extends to a **Best Documented Rate** of **\$0.1100**.

Based on the pure potential as represented by these ranges, [CLIENT] could save upwards of **\$7,366** annually using the Best Documented Rates or **\$1,543** annually by using the cost per minutes representing the lower end of the price range.

Canada Inbound

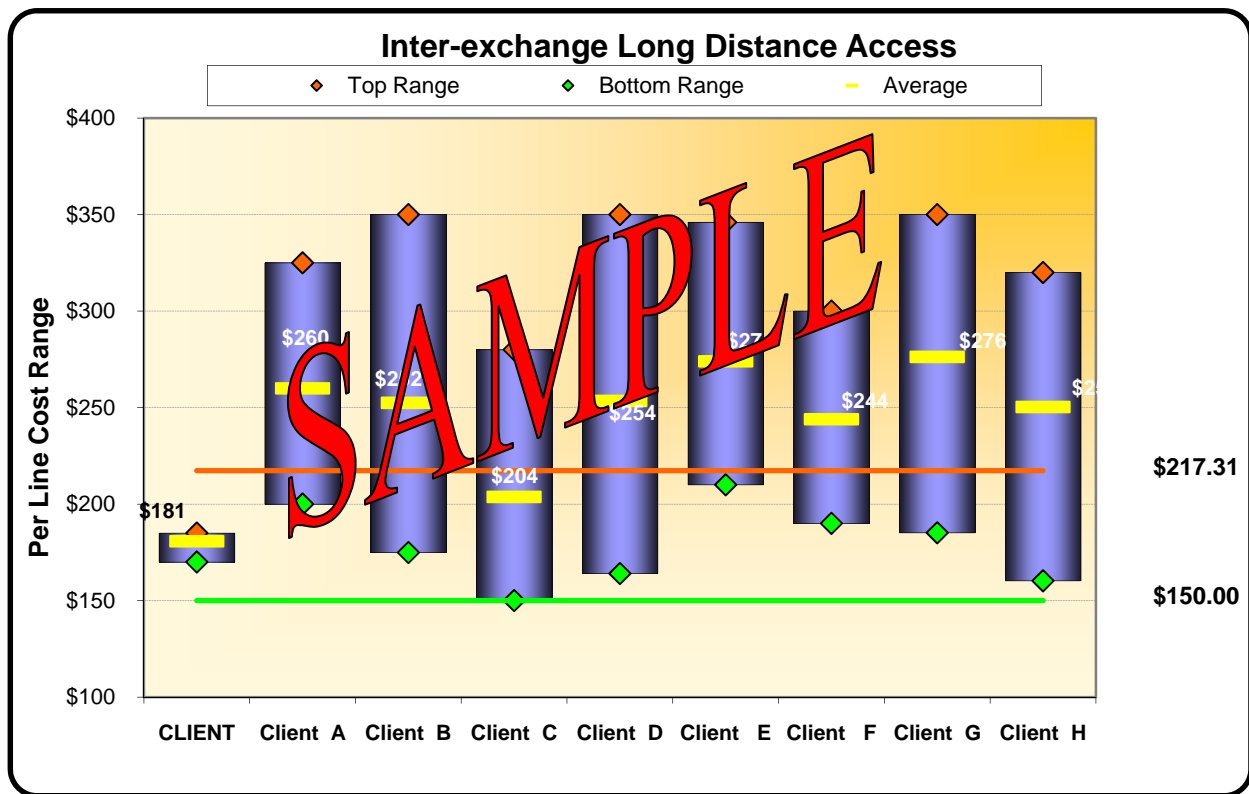


Canadian Inbound service reflects calls received from Canada and terminating in the US, as its predecessors, calls from Canada are further segregated by their access to the carrier's network (switched versus dedicated). Evaluating [CLIENT's] Canadian toll-free calling in August MacBeth Williams found **11,411** minutes were delivered over dedicated access trunks. There was an additional **11,655** toll-free minutes received from Canada processed over switched access lines.

The average cost per minute, as determined from billing and contract analysis was **\$0.0700** for dedicated access and **\$0.0902** for switched access. The average cost per minute representing the **Desirable Range** for **dedicated access service** starts at **\$0.0506** and extends to a **Best Documented Rate** of **\$0.0420**. The average cost per minute representing the **Desirable Range** for **switched access service** starts at **\$0.0647** and extends to a **Best Documented Rate** of **\$0.0530**.

Based on the pure potential as represented by these ranges, [CLIENT] could save upwards of **\$9,035** annually using the Best Documented Rates or **\$6,219** annually by using the cost per minutes representing the lower end of the price range.

**INTER-EXCHANGE LONG DISTANCE SERVICES**



Commonly referred to as the “last mile” or the digital 1.544Mb local access loop, Local Access connects the carrier’s Class 5 central office with customer’s telephone switch. [CLIENT] has 32 DS1 local access circuits serving the long distance voice infrastructure.

The circuits, range in price from a high of **\$185.00** per circuit per month to a low of **\$175.00** per circuit per month. The average cost over the 32 circuits **\$181.00** per circuit per month. The average cost per circuit representing the **Desirable Range** for T1 circuits starts at **\$217.31** and extends to a **Best Documented Rate** of **\$150.00**.

Based on the potential as represented by these ranges [CLIENT] could save upwards of **\$11,820** annually using the Best Documented DS1 Rates or spend more money annually by using the cost per circuits representing the lower end of the price range.

## **WIRELINE DATA SERVICES**

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### **INTER-EXCHANGE DATA SERVICES**

#### ***Point to Point - to - MPLS***

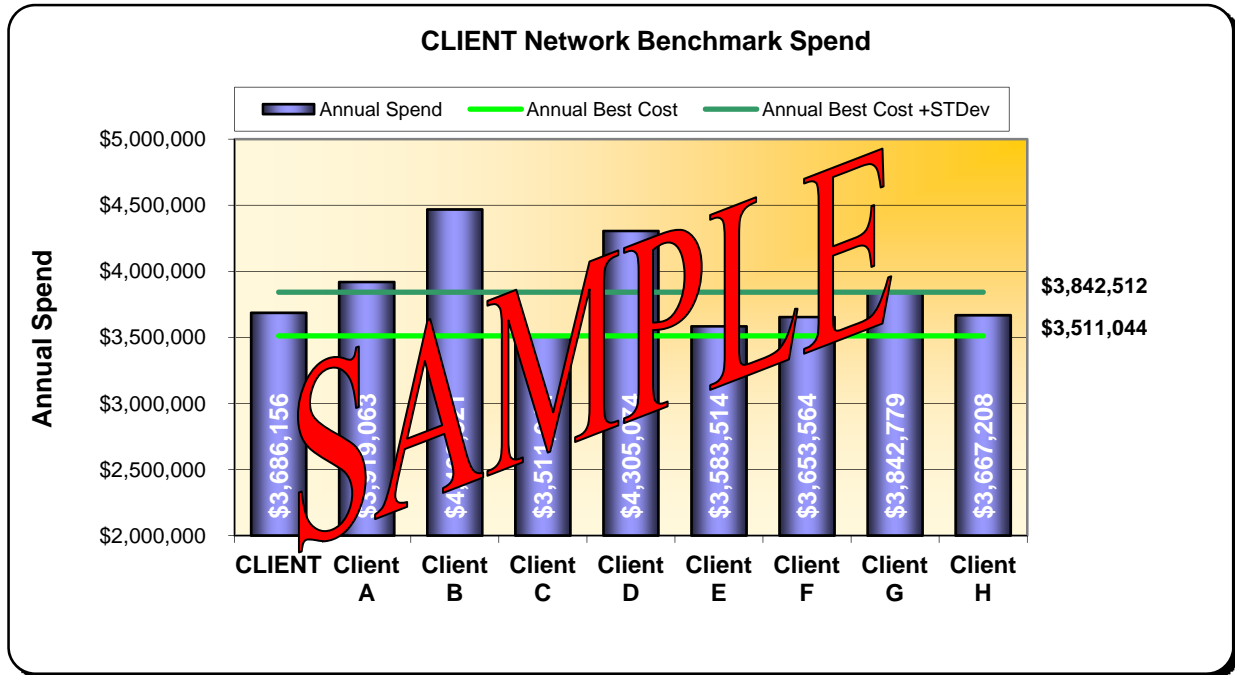
The [CLIENT] enterprise network architecture is a mixture of point to point private lines, ATM, frame relay and MPLS. Each subsidiary in the construct of their WAN devised an enterprise architecture suited to their very specific needs.

Among the subsidiaries there are a total of 673 circuits provided by [Carrier] and the new [Carrier]. [Subsidiary A] has the largest network by far with 427 MPLS circuits of varying port speeds and 17 private lines. [Subsidiary B] has 92 circuits primarily comprised of frame relay and ATM/FRASI’s, [Subsidiary C], the owner of the third largest network has 82 circuits most of which are frame relay. [Subsidiary D], the only other subsidiary other than [Subsidiary A] to have MPLS, has 35 circuits. [Subsidiary E] has 15 MPLS circuits and 2 frame relay circuits. [Subsidiary F] has 1 ATM circuit and 9 frame relay circuits. [Subsidiary G] has 7 frame relay circuits. [Subsidiary H] the owner of the smallest WAN has 3 frame relay circuits.

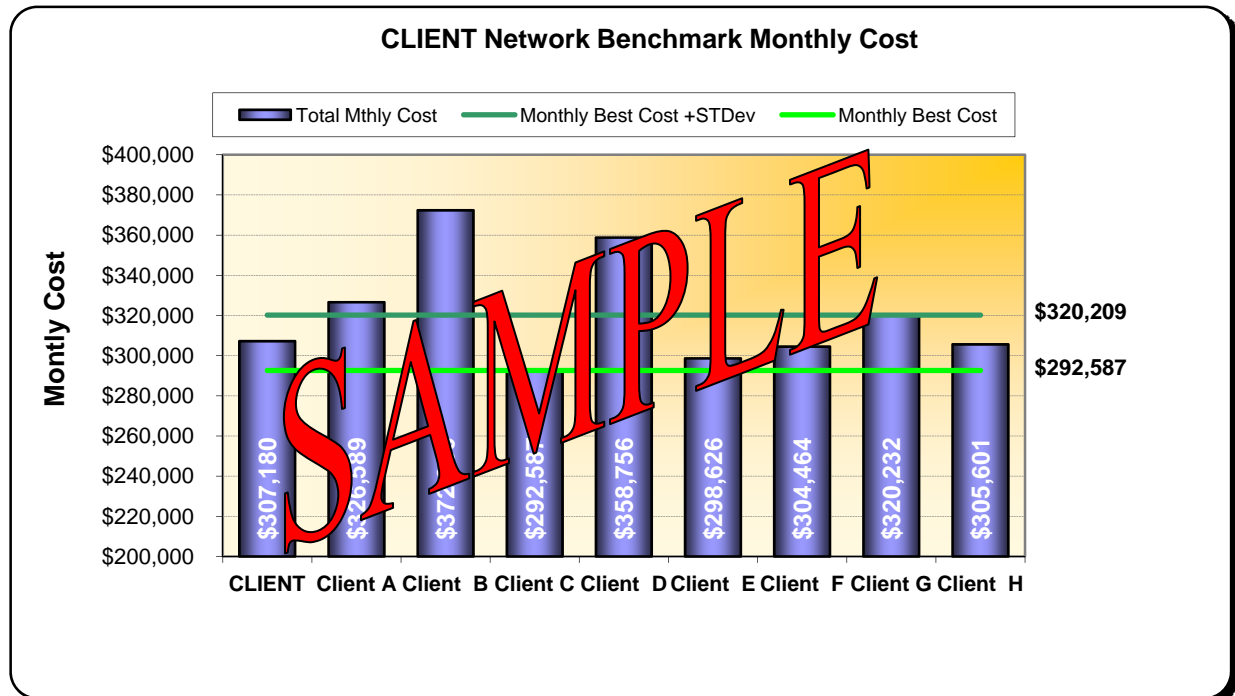
The speeds of these networks range from 56kbps to OC3. Most network speeds have port speeds of 128kbps to 256 kbps. Some of the subsidiaries have networks with reach into Canada others do not.

The charts below reveal the aggregation of all data transport technology provided by [Carrier] and [Carrier]. Building the chart below MacBeth Williams applied [CLIENT’s] current circuit portfolio against “other” benchmark participants’ and their comparable contract pricing for the very same circuits. The chart below reveals those differences with some comparables offering greater potential than [CLIENT’s] current pricing and other comparables performing inferior to [CLIENT’s] current rate position. The first chart offers an annual cost perspective while the second chart provides the same perspective stated as a monthly cost.

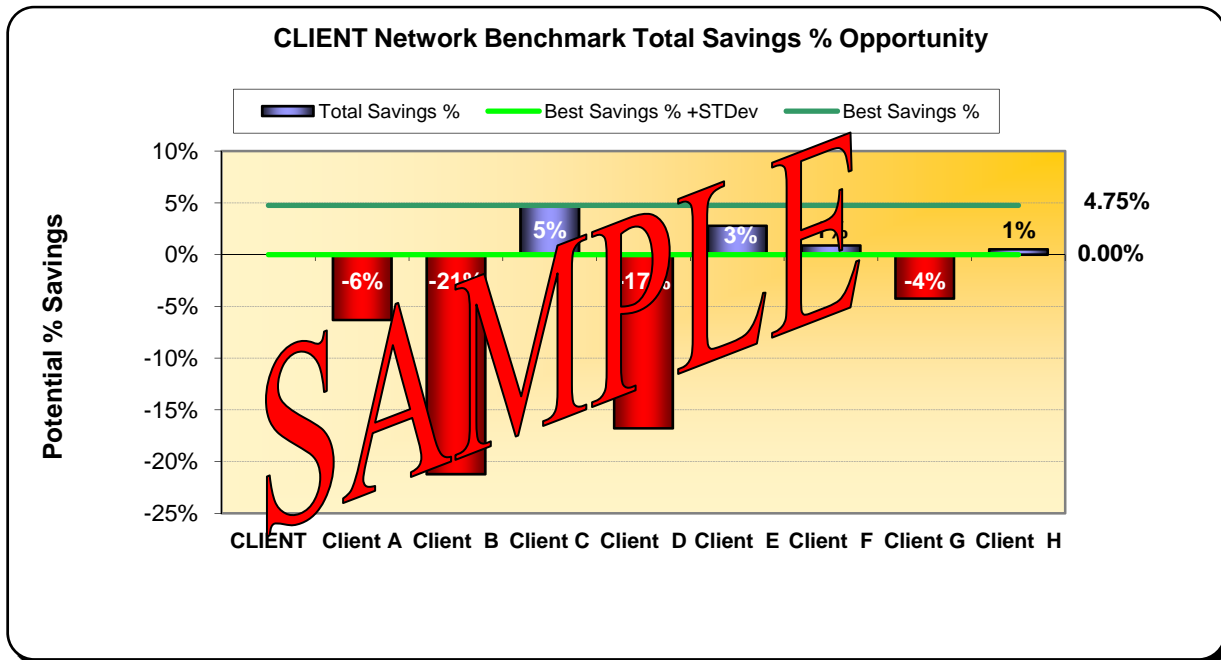
### Annual Spend



### Monthly Spend



## Savings Opportunity



Expressed as dollars, the monthly cost for the current [CLIENT] enterprise network is an approximate **\$307,180**. Comparing that pricing range with the MacBeth Williams benchmark data for that same technology and network configuration, we have a **Desirable Range** starting at **\$320,209** per month to a **Best Documented Cost** of **\$292,587** per month. [CLIENT] falls squarely in the middle of that range performing far better than the existing higher threshold for network costs.

Based on the pure potential as represented by these ranges, [CLIENT] could save upwards of **\$175,112** annually using the best documented circuit prices or spend more money annually by using the cost per circuit representing the lower end of the price range.

## REMOTE ACCESS SERVICES

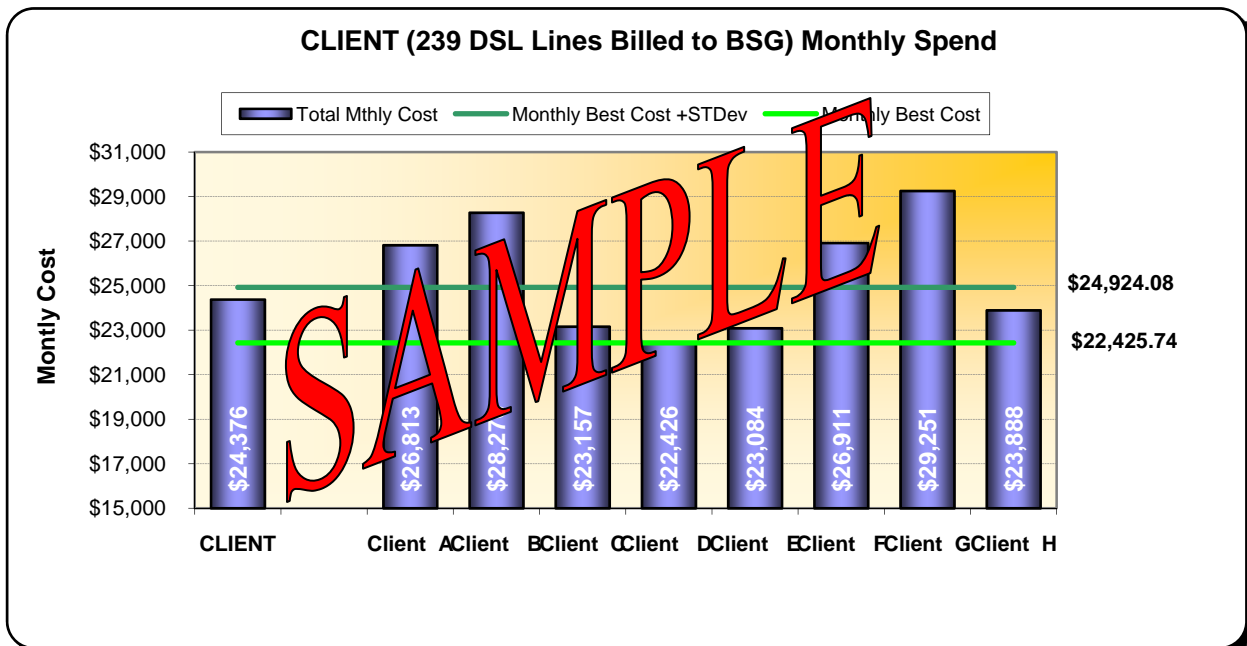
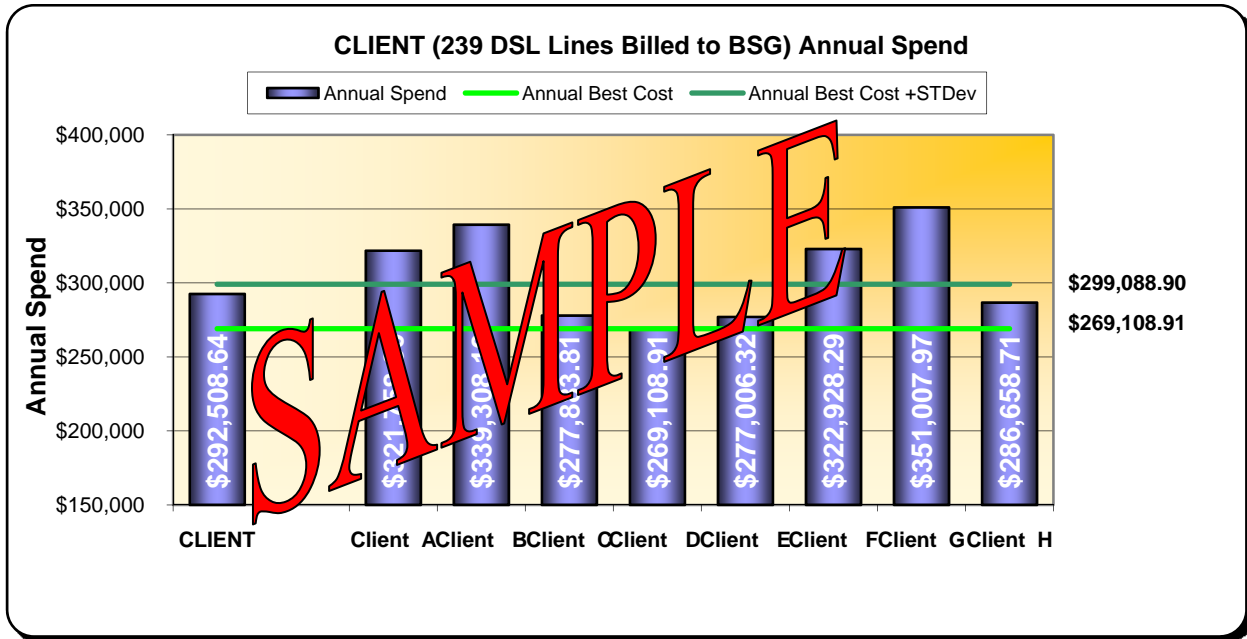
### DSL, ISDN BRI

Rather than extending the frame relay network to the individual [CLIENT] stores, [CLIENT] has sought and acquired less expensive network access in the form of xDSL and ISDN BRI service. Each of these transport technologies is used to extend to the stores applications for inventory tracking, point of sale and dispatch/delivery. Discussed and compared in the section to follow is xDSL and ISDN BRI.

### xDSL

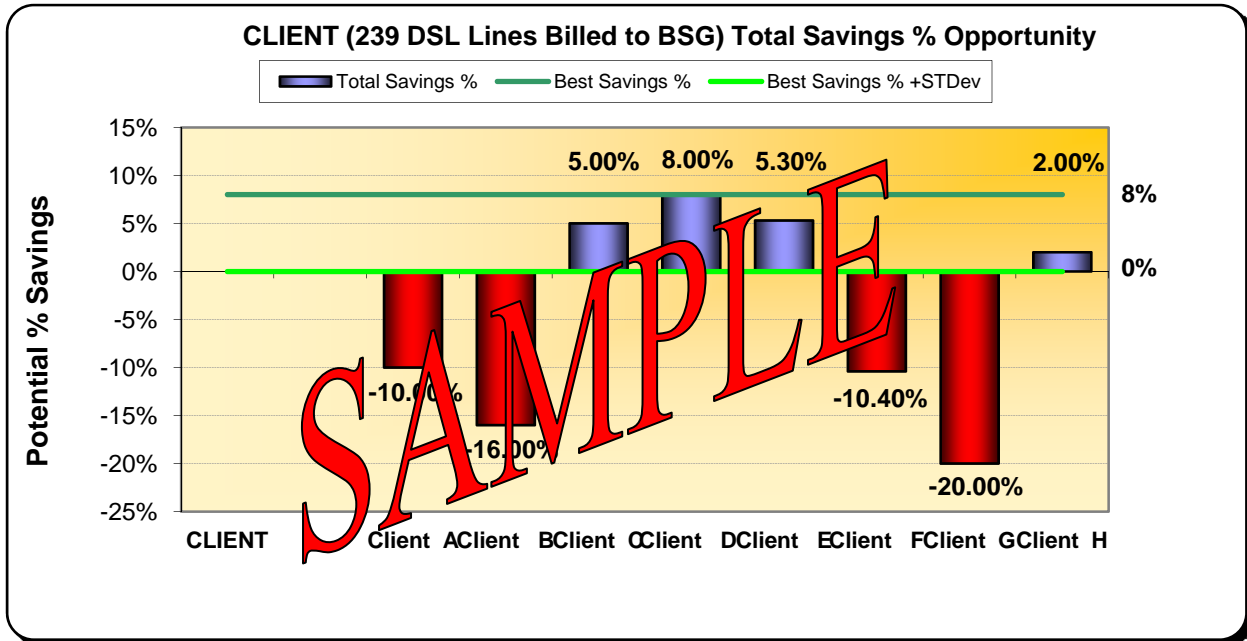
The charts below reveal the aggregation of all xDSL service provided primarily by [Carrier] and [Carrier]. Constructing the chart below MacBeth Williams applied [CLIENT's] requirement for xDSL

service in the different markets using each of the “other” benchmark participants’ comparable xDSL contract rates in those markets. The chart as expressed yields those differences with some comparables offering greater potential than what [CLIENT] currently receives and other comparables performing inferior to [CLIENT’s] current rate position. The first chart offers an annual cost perspective while the second chart provides the same perspective stated as a monthly cost.



The “Savings” chart below plots the xDSL savings opportunity as a percentage higher or lower from [CLIENT’s] current contract position.

### Savings Opportunity



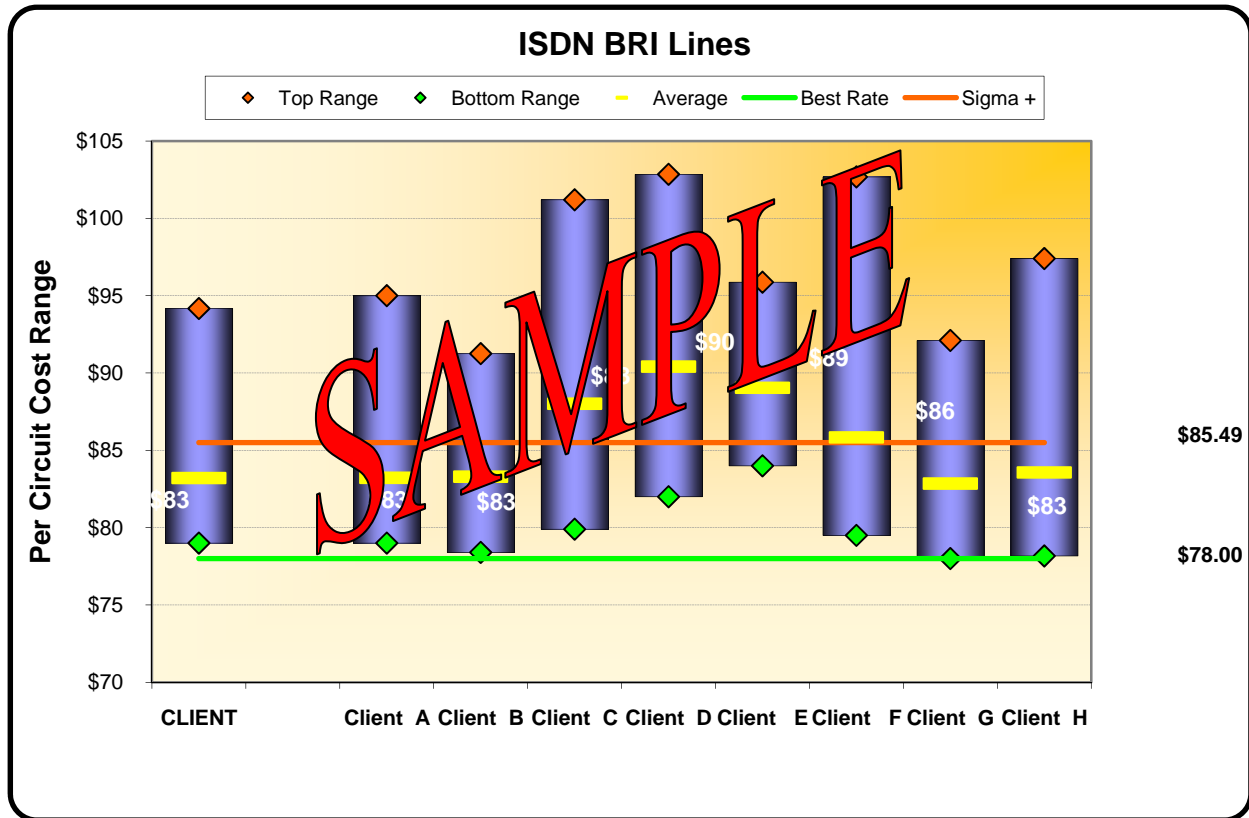
Expressed as dollars, the monthly cost for the current [CLIENT] xDSL network is an approximate **\$24,376**. Comparing that pricing range with the MacBeth Williams benchmark data for that same technology and network configuration, we have a **Desirable Range** starting at **\$24,924** per month to a **Best Documented Cost** of **\$22,426** per month. [CLIENT] falls within that range performing better than the existing higher threshold but with a reasonable opportunity for rate improvement based on the lower threshold.

Based on the pure potential as represented by these ranges, [CLIENT] could save upwards of **\$23,400** annually using the Best Documented circuit prices or spend more money annually by using the cost per circuits representing the lower end of the price range.

### ISDN BRI

In addition to the **239** xDSL's [CLIENT] has **22** Basic Rate ISDN circuits serving **22** [CLIENT] stores around the southeast. Predominantly in [state], the BRI ISDN circuits provided by [Carrier] have an average cost per month of **\$88.95**.

The chart below reveals comparable pricing for BRI ISDN service as observed from other benchmark pricing data.



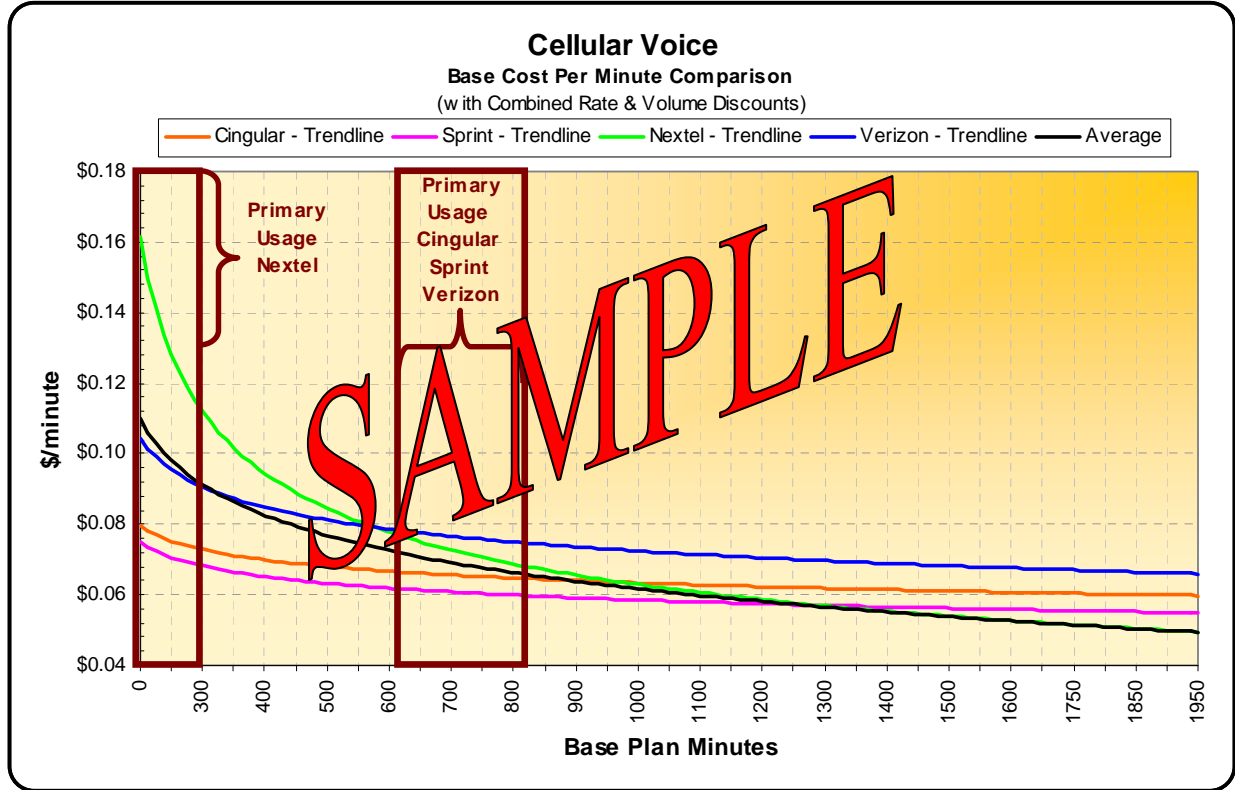
### Savings Opportunity

Expressed as dollars, the monthly cost for the current [CLIENT] [Carrier] BRI ISDN inventory is **\$1,957**. Comparing that pricing range with the MacBeth Williams benchmark data for the same services, we have a **Desirable Range** starting at **\$1,881** per month to a **Best Documented Cost** of **\$1,716** per month.

Based on the pure potential as represented by these ranges, [CLIENT] could save upwards of **\$2,892** annually using the Best Documented circuit prices or **\$914** annually by using the circuit prices representing the lower end of the price range.

## WIRELESS VOICE & DATA SERVICES

### VOICE SERVICES



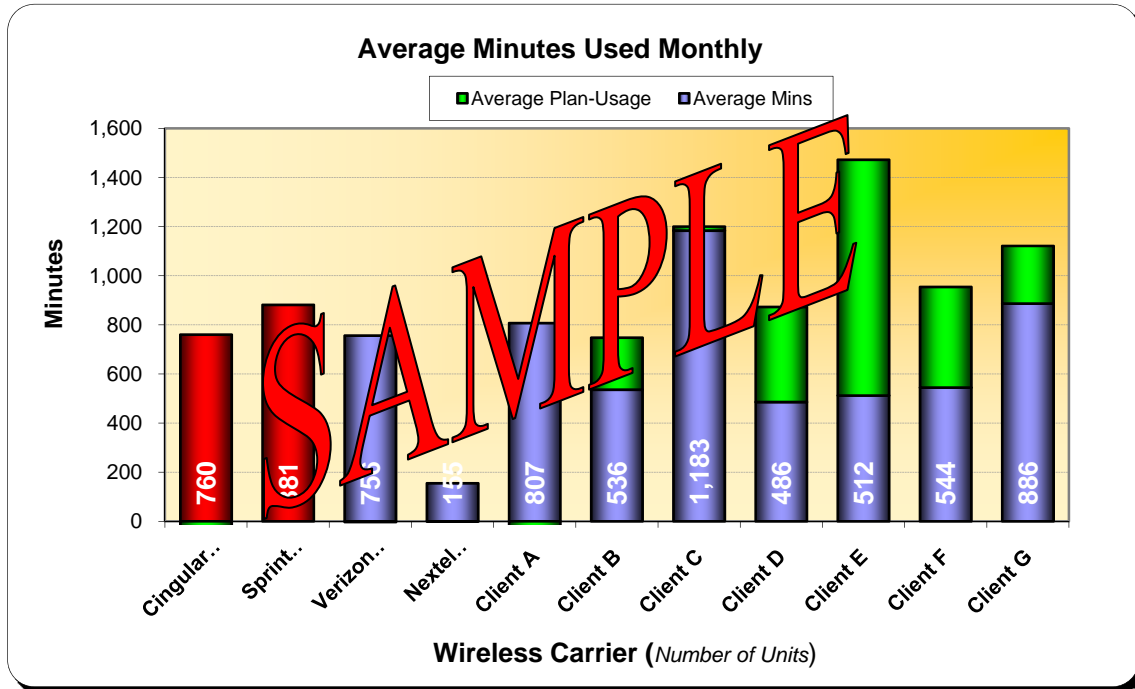
Cellular voice pricing may consider local, on-net/push-to-talk, roaming, and long distance calling all under a separate pricing structure, or in an aggregate pricing presentation that wraps each of these pricing categories into single rate or plan. The graph above, however, represents the separation of the voice rates, placing focus on network access and “base plan” cost per minutes. Measuring data in this manner affords comparisons based upon different points of utilization, which is a major factor in driving a preferential cost per minute from a base plan of prepackaged wireless minutes. The graph above also provides comparative analysis between [CLIENT’S] incumbent wireless providers and rates seen from other companies who fit the profile of significant users of wireless services.

### VOICE CALLING

Wireless voice calling is characterized as originating and terminating local exchange and inter-exchange calls from areas served by the contracting carrier or, in areas where the contracting carrier has no presence, a partnering carrier. Calls placed to other carrier subscribers can be deeply discounted and even free; calls placed from partnering carriers territories can come at a premium. Long distance calls can be absorbed within a calling plan or a premium can be charged for inter-exchange calls. Calls at certain times-of-day or week can be deeply discounted or free and not accounted for in call pricing plans.

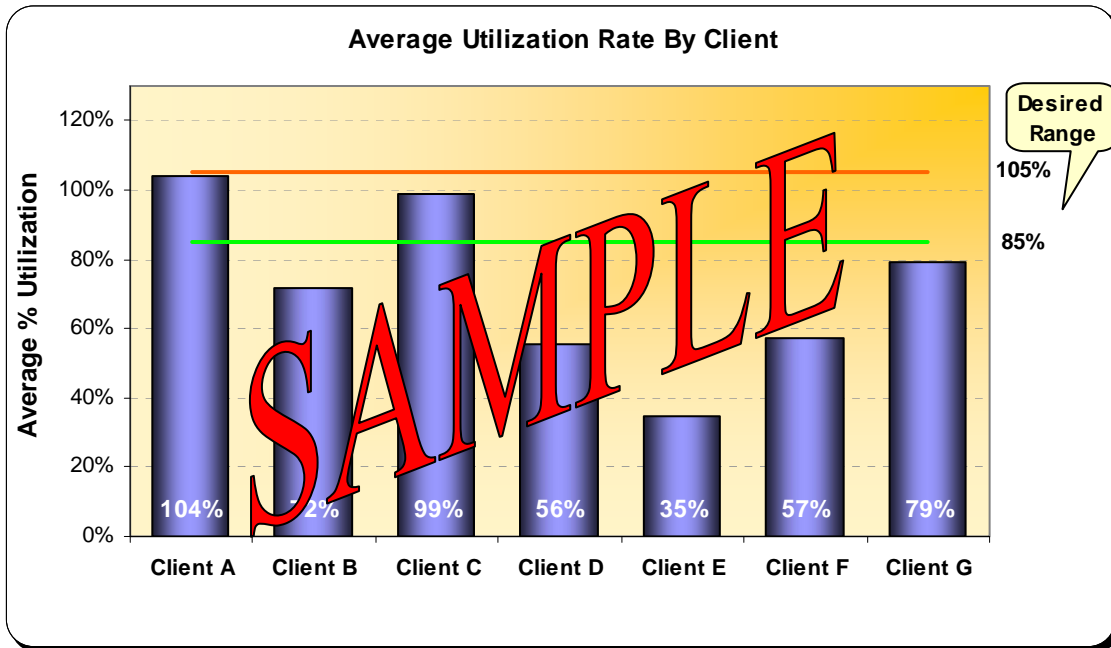
[CLIENT] has **three** primary wireless providers, [Carrier], [Carrier] and [Carrier] collectively providing **4,626** cellular devices as indicated by reporting in August of this year. In all, from these three carriers MacBeth Williams was able to determine [CLIENT] spent **\$182,118** for voice calling in August.

The charts below reveals average usage uncovered by carrier.



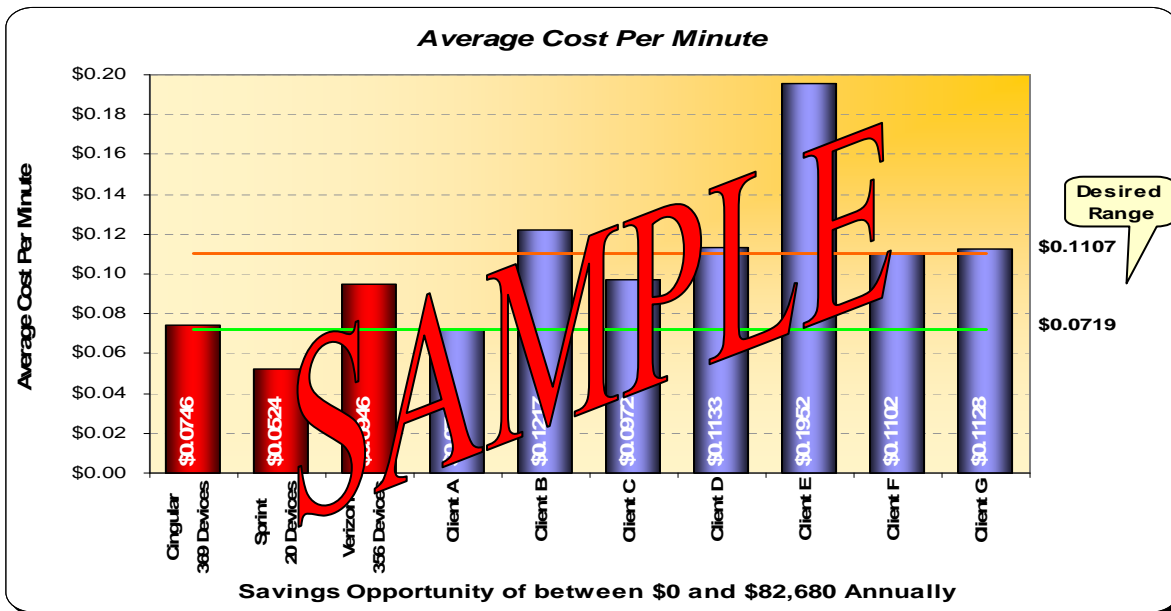
One of the most significant determinates in wireless cost control is management of consumption relative to cellular pricing plan option. A consumption level less than **85%** relative to pricing plan, even considering “shared and roll-over” minutes, provides the user with an undesirable rate at the higher end of the pricing scale. Conversely, a consumption level above **105%** relative to the same pricing plan with overage penalties included provides the user with the same pricing undesirables.

This next chart provides an example of how other benchmarked companies also struggle with managing consumption.



As can be plainly seen, utilization relative to the prepackaged plan minutes ranges from a low of **35%** for Client E to a high of **104%** for Client A. **Client E** as represented in the chart to follow had a cost per minute of **\$.1952** due to their poor utilization of the plan package. **Client A** also represented in the chart to follow actually had a cost per minute of **\$.0719** even with overages figured into their cost per minute.

The chart below represents the potential opportunity for an aggressive cost per minute based on enterprise pooling under a carrier, and managing consumption to an **85 to 105** percent level of utility.



In light of these conditions the average cost per minute across all wireless carriers, as determined from actual billing and contract designs, was **\$0.0746** for [Carrier], **\$0.0524** for [Carrier] and **\$0.0946** for [Carrier]. The 3,881 [Carrier] devices are not depicted on this chart as 50% of their usage is Radio Calling (Push to Talk) and insufficient detail was provided to accurately analysis these plans, however at an average cost **\$26.24** per device [Carrier] Devices where considered **Best Documented Rate**.

The average cost per minute representing the **Desirable Range** for wireless voice services merging network access with prepackaged minutes less nights and weekends, mobile to mobile, roaming and long distance starts at **\$0.1107** and extends to a **Best Documented Rate** of **\$0.0719**.

Based on the potential as represented by these ranges, [CLIENT] could save upwards of **\$82,680** annually using the Best Documented Rates or **\$0.00** annually by using the cost per minutes representing the lower end of the price range.

### **DATA SERVICES**

Wireless data connectivity is characterized as originating access to a carrier cloud at three connection speeds; wireless dial-up (up to 56 Kbs), second generation wireless access (EDGE speeds between 75 to 135 Kbs or 1RxTT speeds between 70 to 140 Kbs) and third generation wireless access (HSDPA and EVDO with speeds between 400 to 700 Kbs). Access to any of these speeds is based on proximity to the carriers' equipment and the status of the carriers' network upgrades. Data access charges may be priced on a per kilobyte basis, a package of kilobytes or an unlimited access offering.

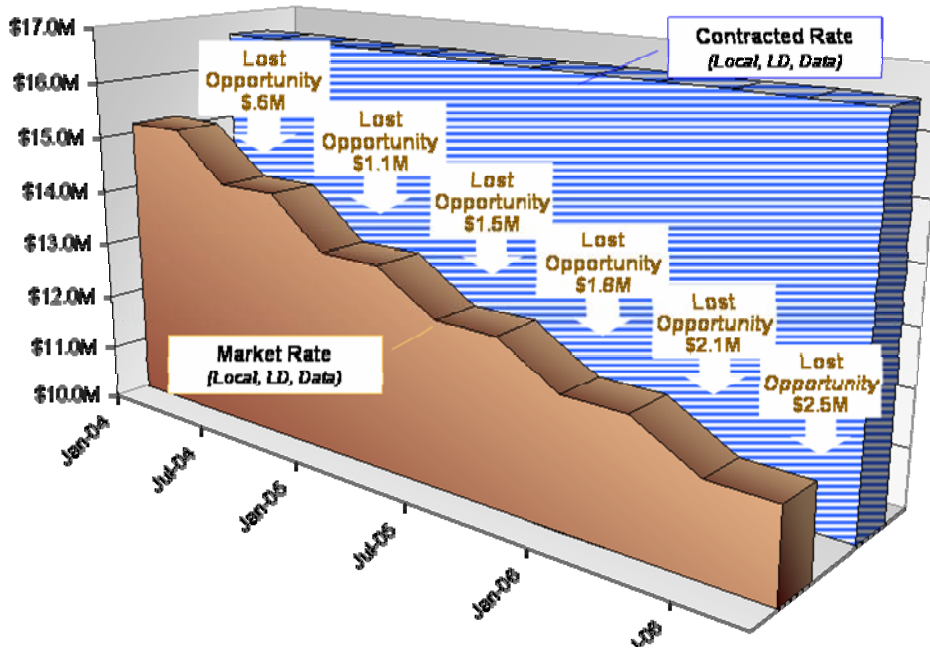
There is no specific data pertaining to the existence of "aircards" at [CLIENT]. There are PDAs including a presumed modest number of BlackBerrys in the wireless base. As the case with voice, consumption of wireless data likely ranges from tens of kilobytes to instances where tens of megabytes are used from month to month.

Calculating opportunity for wireless data MacBeth Williams makes the following recommendation:

## CONTRACT MANAGEMENT BEST PRACTICES

### CONTRACT STRATEGY

#### THE “VIRTUAL-CONTRACT”



*Why is it that every 36 months, contracts give back 20% to 35%? Does that happen only after the 30<sup>th</sup> day in the 35<sup>th</sup> month, or is there erosion caused by market pressures that take effect almost immediately after a contract has been executed? The obvious answer is that market pressures are always at work and change is constant and when measured from quarter-to-quarter change can represent the prospect for savings.*

How then can a subscriber and purchaser of telecom services and products get these prospective savings?

*The paragraph to follow goes about answering the “how” in securing intra-contract savings.*

## **CONTRACT BEST PRACTICES**

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### **CONTRACT STRATEGIES**

The table below takes a look at the most common contract terms found within telecom service contracts. The table in its presentation will describe the contract term, offer an observed or generally accepted Best Practice relative to the treatment of the contract term, and offer an explanation of the motives and concerns pertaining to the contract term. MacBeth Williams then offers a scorecard of performance based on an in-depth review of your current contract documents.

MacBeth Williams' intent in presenting and evaluating the legacy and proposed contracts was to continue to demonstrate the challenges and value of a robust contract strategy.

## CURRENT CONTRACT SCORECARD

Current Contract Scorecard	NETWORK SERVICE	Verizon Business	at&t	[Carrier] Local	Verizon Wireless
Contract Area	Desired Conditions				
<b>CONTRACT TERMS</b>					
TERMS	Explanation of contract terms				
		Discussion of observed contract trait.	Discussion of observed contract trait.	Discussion of observed contract trait.	Discussion of observed contract trait.
<b>COMMITMENT</b>					
FORMS OF COMMITMENTS	Explanation of contract commitments				
		Discussion of observed contract trait.	Discussion of observed contract trait.	Discussion of observed contract trait.	Discussion of observed contract trait.

SAMPLE

Contract Area	Desired Conditions	Verizon Business	at&t	[Carrier] Local	Verizon Wireless
<b>TERMINATION</b>					
REASONS FOR CONTRACT TERMINATION	Explanations for potential termination conditions				
		Discussion of observed contract trait.	Discussion of observed contract trait.	Discussion of observed contract trait.	Discussion of observed contract trait.

Contract Area	Desired Conditions	Verizon Business	at&t	[Carrier] Local	Verizon Wireless
<b>CONTRACT MAINTENANCE</b>					
TOOLS FOR CONTRACT MANAGEMENT	Descriptions of tools				
		Discussion of observed contract trait.	Discussion of observed contract trait.	Discussion of observed contract trait.	Discussion of observed contract trait.
<b>BILLING/INVOICING</b>					
BILLING/INVOICING CONTRACT PRACTICES	Description of billing/invoicing contract practices				
		Discussion of observed contract trait.	Discussion of observed contract trait.	Discussion of observed contract trait.	Discussion of observed contract trait.

SAMPLE

PRICING					
REFERENCE TO CONTRACT PRICING	Explanation of contract pricing terms				
		Discussion of observed contract trait.	Discussion of observed contract trait.	Discussion of observed contract trait.	Discussion of observed contract trait.

Contract Area	Desired Conditions	Verizon Business	at&t	[Carrier] Local	Verizon Wireless
CUSTOMER SERVICE					
CONTRACT TREATMENT OF ACCOUNT STEWARDSHIP	Explanation of account management, contract opportunities				
		Discussion of observed contract trait.	Discussion of observed contract trait.	Discussion of observed contract trait.	Discussion of observed contract trait.

Contract Area	Desired Conditions	Verizon Business	at&t	[Carrier] Local	Verizon Wireless
LEGAL ISSUES					
REFERENCE TO MOST COMMON LEGAL ISSUES	Explanation of most common contract legal issues				
		Discussion of observed contract trait.	Discussion of observed contract trait.	Discussion of observed contract trait.	Discussion of observed contract trait.

SAMPLE

PERFORMANCE AND MAINTENANCE					
SERVICE LEVEL AGREEMENTS	Explanation of Service Level Agreements				
		Discussion of observed contract trait.	Discussion of observed contract trait.	Discussion of observed contract trait.	Discussion of observed contract trait.
GENERAL OBSERVATIONS					
Overall Contract Comments	Areas for Improvement	Areas of	Commitments and sub-commitments	This was a secondary contract signed under some duress	Standard RBOC contract
	contract strength				Not Rated

SAMPLE

## CLIENT CONTRACT STRATEGY

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### CONTRACT PROFILES

As mentioned earlier, MacBeth Williams reviewed five vendor contracts and one proposed offer to contract with [Carrier]. The contracts included the [Carrier] contract originally executed in June of 2004, the [Carrier] inter-exchange services contract signed in April of 2006, a proposed [Carrier] Contract Service Agreement proposed in March of 2005 and a [Carrier], [Carrier] and [Carrier] contracts that all expired in 2006. The collective annual spend represented by these contracts approaches 12 million dollars.

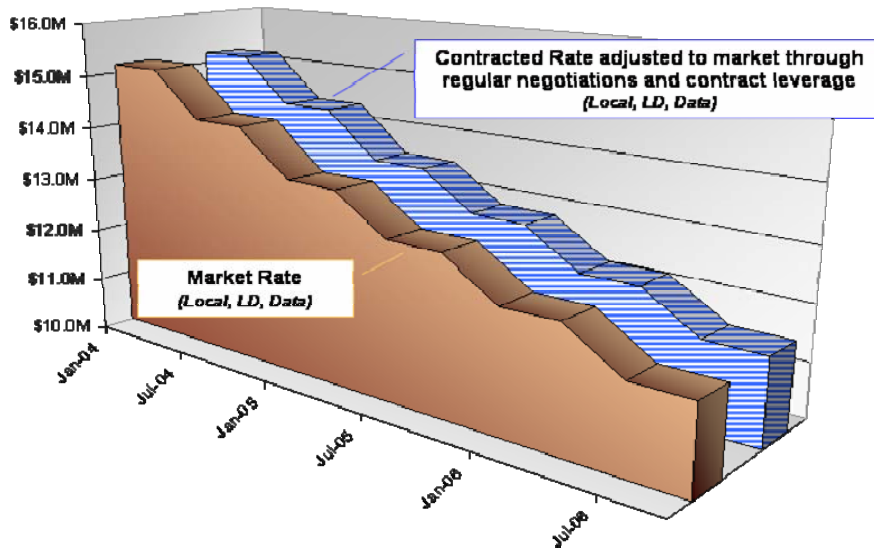
Of the six contracts, the [Carrier] contract is the most aggressive in creating a business relationship grounded in performance. There are a number of service level guarantees still not seen regularly in even the most recently executed contracts.

*The discussion introduced here provides an individual analysis of each vendor's contract and its impact on the client's contract relationship. Contract features are isolated and discussed as pros or cons in the contract governance.*

In summary, the contracts analyzed for this benchmark reflected the business conditions at the time of their negotiation including the leverage that [CLIENT] held. Some of the contracts such as the [Carrier] contract even with the benefit of the most recent contract comparisons still offer some "trailblazing" contract baselines. With those contract innovations however come some lessons regarding commitments and contract terms. The [Carrier] contract in the midst of all the other contracts pushed a vendor more toward an equitable business relationship based on performance and leverage.

## CONTRACT “GO-FORWARD” STRATEGY

### TRANSITIONING CONTRACT BEST PRACTICES



#### *The Leverage*

*Leverage is defined in the paragraph to follow in its most compelling term of contract usefulness for the client.*

#### *Current Contract Status*

*Individual contracts are discussed in terms of their contract timing and perceptions of held leverage by the client.*

#### *The Go-Forward Strategy*

The recommendations to follow represent a go-forward strategy for capitalizing on a virtual contract strategy based on .....

## STRATEGY SPECIFICS:

MacBeth Williams is aware of a building strategy to include a primary and secondary wireline enterprise network provider. Consistent with that strategy MacBeth Williams would recommend...

- I. The three wireless contracts are close to completion and the obvious first step in the new contract strategy. The biggest challenge posed by a contract relationship with a wireless provider... The recommendation offered here... For data and walkie-talkie services, MacBeth Williams recommends... The contract language should include... The revenue or “unit” commitment to the carriers should be less than... The term of the contract should evaluate... The bill dispute process must be clearly annunciated... The vendor’s resources to include any management tools and capabilities including staff and their qualified performance capabilities...
- II. The second significant contract strategy step is the present and ongoing negotiation with [Carrier] and [Carrier]. Each contract is set to expire in early 2009. The [Carrier] contract signed in March of 2006 is within 90 days of... The [Carrier] contract is a 36 month contract with a six month commitment free ramp down. The contract called for [Carrier], at the time, to receive at minimum **\$25,840,000** over the 36 month term. Through August billing [Carrier] has recognized upwards of **\$10,000,000** in net revenue...
- III. The third contract strategy opportunity comes from the remaining local exchange and other ancillary telecommunication services contracts. This group includes companies such as [Carrier], [Carrier] and [Carrier] and almost countless other providers in which contracts may or may not exist. The third step in the contract strategy calls for...

## MARKET OPPORTUNITIES & A PROCESS EXECUTION STRATEGY

### QUANTIFIED SAVINGS

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#### SECURING THE SAVINGS INDICATED BY MARKET TRENDS

By now, a range of potential savings has been proffered, driven by comparative information provided by other industry leaders faced with the same rate and contract challenges you face. The case has been made for a contract strategy which creates the prospect for a virtual contract subject to change when customer leverage is applied. Everything has come together to begin the process of trending contract rates and terms closer to the market and its inevitable changes from year to year. In the section to follow a “roadmap” has been developed to assist in the securing of the potential savings indicated in previous sections. Taking into consideration the state of the contract strategy, the roadmap will put forth “immediate”, “intermediate” and “long-term” recommendations for securing the preferential rates.

### IMMEDIATE SAVINGS

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#### SAVINGS WHICH CAN BE SECURED NOW

##### *Leverage*

The leverage in all contract cases; the wide area network contracts, any local exchange contracts, the voice long distance contracts and the wireless contracts, is ...

##### *Opportunity*

The **wireless savings opportunity**, as indicated by the benchmark data, could save upwards of **\$82,680** on the known wireless **4,626** instruments. There is still a significant number of instruments voice and data believed not represented in these numbers suggesting an even greater opportunity for savings. This report was only able to quantify **\$1,789,650** in annual wireless spend leaving almost **\$3,110,715** unaccounted for suggesting an even greater opportunity for savings.

##### *Execution Strategy*

#### **Wireless Contracts:**

- ⇒ **Step One:** In creating an effective execution strategy the first step is...
- ⇒ **Step Two:** In the event the first step is unsuccessful, the second step calls for the negotiating team to... This step is the attention grabber and must be performed not only in front of your account executives but also their management team.
- ⇒ **Step Three:** In this step make effective use of ...

- ⇒ **Step Four:** Include ...
- ⇒ **Step five:** Given the opportunity to negotiate new contracts, incorporate the Contract Best Practice Strategies espoused in this document to move the contracts further towards the virtual contract philosophy where leverage is ever present.

## INTERMEDIATE SAVINGS

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### SAVINGS WHICH CAN BE SECURED 6-TO-12 MONTHS FROM NOW

#### *Leverage*

As mentioned in the current contract status in the previous section the **[Carrier] contract** and soon the [Carrier] contract will have...

#### *Opportunity*

The **wireline voice and data opportunity including local exchange savings opportunity**, as indicated by the benchmark data, could be as much as **\$1,132,213**.

#### *Execution Strategy*

##### **Wireline Contracts:**

- ⇒ **Step One:** Execution of the strategy begins with ...
- ⇒ **Step Two:** Create a process for ... In this step you will create documents specifying...
- ⇒ **Step Three:** Give the incumbent and or new vendor...
- ⇒ **Step four:** Given the opportunity to negotiate new contracts, incorporate the Contract Best Practice Strategies espoused in this document to move the contracts further towards the virtual contract philosophy where leverage is ever present.

## LONG-TERM SAVINGS

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### SAVINGS WHICH ARE POTENTIALLY 12 MONTHS & LATER FROM NOW

None of the current significant contracts have to fall into the category of long-term opportunities. Rather, with proper leverage, aggressive negotiating and a strategy to pro-actively manage contracts from this point forward MacBeth Williams foresees [CLIENT] positioning the voice and data wireline and wireless contracts for future renegotiations based on fresh benchmark data each and every year.

## SUMMARY

The Benchmark Analysis set forth a goal to provide participating companies with useful information relevant for creating and managing contract opportunities. After participating in this process, [CLIENT] should no longer be satisfied with three year, two year, or even a one year representation by a vendor of what a good rate or contract term might be. Rather, [CLIENT] should look to industry peers for their experience to help in the continual re-defining of market rates and contract terms. Further, [CLIENT] should move contracts in the direction of increasing leverage by incorporating contract Best Practices whenever an appropriate occasion arises. Over time, a contract strategy emerges that enables rates and terms to be adjusted merely from [CLIENT]'s communication to the vendor of their knowledge of new rates and term benchmarks. This is the end game for the contract management strategy.

For [CLIENT], the Benchmark Analysis and developing Contract Management Strategy revealed an almost immediate savings opportunity of as much as **82 thousand dollars** with the potential of another **1 million dollars** within 12 months.

MacBeth Williams would like to take this opportunity to thank [CLIENT] for their interest in our communications expense and contract management strategy. We look forward to providing the next installment of our service.