

Philip Morris USA
Contract Approval Form

Date Prepared: December 17, 1999

Contract Start Date: January 1, 2000

Project Sponsor/Requestor: Scott Lerry

Name of Vendor: Image Entry

Project Description: Marlboro Fulfillment – Order Entry
Processing Q4 1999, C '2000

Financial Elements:

Fees:	\$ 8,600,000
Expenses:	\$ 1,400,000
Total:	\$ 10,000,000

Accounting/Project Code: 043-315-3301-10-15A2

Compliance with Competitive Bidding Policy: (See Also Attached Bid Waiver)
(was the project competitively bid and if not document the exception)

Image Entry has performed mail opening and data entry procedures for PM since Q4 1998, and in 1999 PM and Image Entry developed a new order processing system that will meet MSA order processing rule sets for Marlboro promotions. Management agreed in July of 1999 not to bid the fulfillment business. Reasons included the extensive efforts required for data migration, the processing changes required by the MSA on or before 11/23/99, and the timing and level of promotional activities. Issuance of an RFI in 2000 and re-evaluating migration and/or consolidation was also agreed to for the calendar year 2001.

Image Entry's pricing reflects the processing changes required to meet MSA obligations. Processing under MSA guidelines reduces overall productivity by approximately 50%. This has resulted in unfavorable pricing variances in most areas. The proposal reflects an aggregate increase of \$1.7mm dollars (20.7%) for the year 2000.

Proposed costs from Image Entry are comparable or less than both current and proposed 2000 pricing of the OPB & D vendor performing similar services.

Approvals:

Initials

Date

Requisitioner
Group Manager, Incentive
Fulfillment
Director, Purchasing
PM Legal
Risk Management
PM Finance
VP Marketing Services

SDL
See
Whe
See Attached
See Master
RSC

1/17/00
1/17/00
1/10/00
1/11/00
1/11/00
1/11/00

2080464525