

April 1994

Electronic Data Systems (EDS)

**Chairman,
President
& CEO:** Lester M. Alberthal, Jr.
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Dallas, TX 75230
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Status:	Wholly-owned Subsidiary
Parent:	General Motors Corporation
Employees:	70,000 (12/93)
Revenue:	\$8,561,800,000
Non-GM Revenue	\$5,222,700,000
Information Services Revenue:	\$8,507,300,000
FYE:	12/31/93

Federal Government Segment:
George Newstrom, Vice President

**International and Global Industries
Segment:**
Mal Gudis, Vice President

1. Key SI Contacts:

Corporate Business Development:
Gary J. Fernandes, Senior Vice President

**Manufacturing, Warehousing and
Distribution Segment:**
Hartmut Burger, Vice President

2. Description of Principal Business

Electronic Data Systems (EDS) was originally founded in 1962 by Ross Perot to provide systems operations services to insurance companies, government-funded health insurance programs and financial institutions. Today it provides systems management, systems integration (SI), consulting, systems development and processing services to



1. The first part of the document is a list of the names of the persons who were present at the meeting.

2. The second part of the document is a list of the names of the persons who were not present at the meeting.

nearly all vertical industries. In addition, EDS may act as a fiscal agent for a client and take full responsibility for data processing as well as other administrative duties, such as paying and processing insurance claims.

EDS is among the leaders that provides SI to the federal government. The company entered the commercial SI market in the early 1980s, and continues to gain experience and a substantial lead in this area.

EDS was acquired by General Motors (GM) in 1984 and operates as a wholly-owned subsidiary. EDS provides virtually all information processing services to GM.

EDS, however, has access to the public capital markets with approximately 44% of EDS capital stock (GM Series E) being sold to the public. At the current market price of publicly-traded GME shares, EDS is valued at close to \$15 billion, including the portion of EDS owned by GM.

3. EDS Competitive Position

EDS is the largest systems operations and processing provider in the world with worldwide 1993 revenues of \$8.5 billion and a net income of \$724.0 million. Approximately 39% of EDS's current revenues are from captive GM business. This percentage has spiraled downward over the past 10 years from the 59% level. The remainder of EDS' revenues is from systems operations and other professional services for outside clients.

EDS's SI revenues in 1993, estimated at close to \$1.2 billion, have made EDS the fourth largest provider of SI services among U.S. vendors.

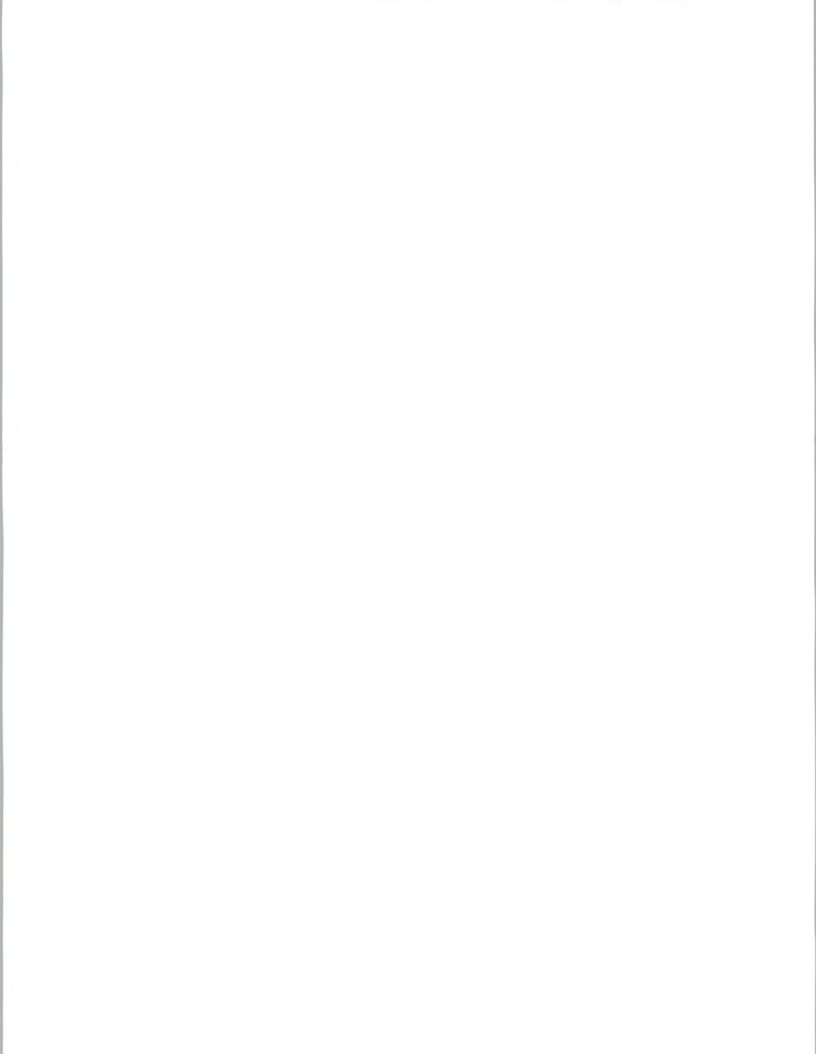
EDS has a strong set of information services capabilities and resources—including consulting, development, SI and systems operations. Its operational data processing experience, that develops and operates large and small data centers, makes it a real "pro" in efficient and cost-effective use of technology. EDS systems operations experience with insurance, financial, transportation and energy companies, among others, also provides the company with a strong applications knowledge of such industries. The delivery of information systems (IS) responsibility for GM provides real business experience in manufacturing, retail, distribution and networking. In addition, its alliance with GM Hughes provides it with aerospace industry knowledge.

The major competitors of EDS in the areas of SI are: Andersen Consulting, CSC, IBM, ISSC and CAP GEMINI.

4. Organization

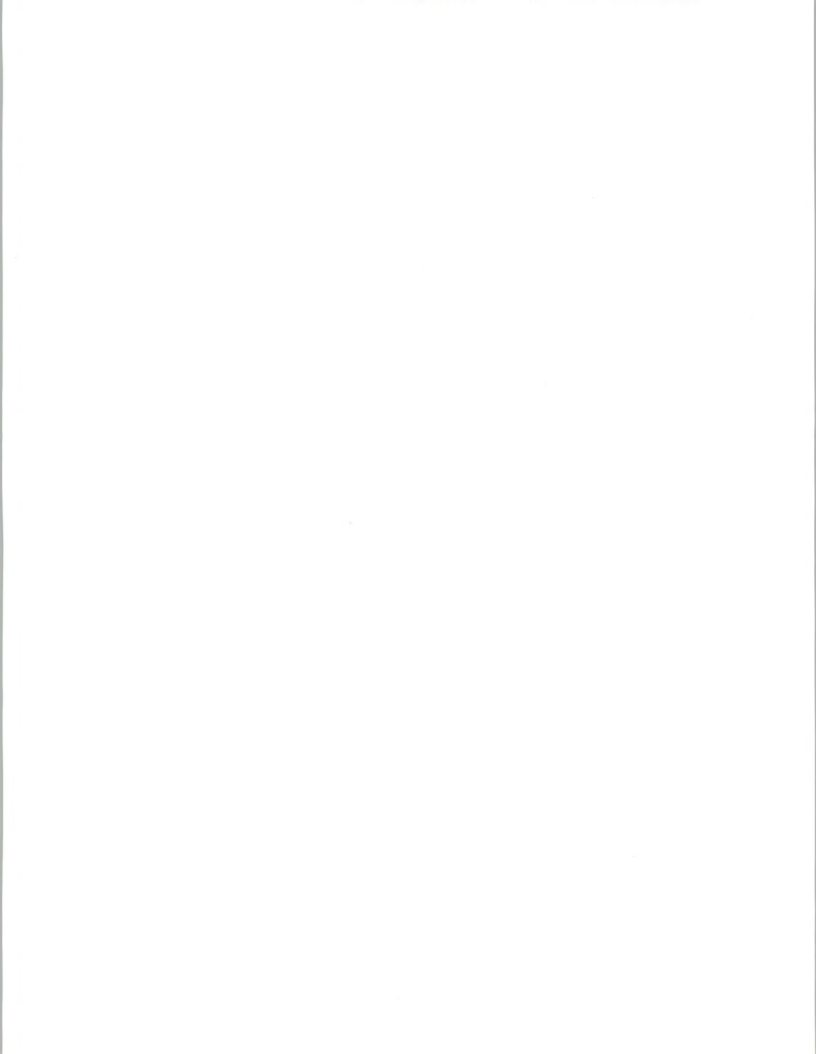
In the fourth quarter of 1992, EDS restructured its organization to focus more on the customer at the center of the company's structure. The change reinforced its focus on individual industries and business needs rather than product lines or technologies.

The organization features four components, summarized in Exhibit 1.



Electronic Data Systems Corporation Organizational Components

Component	Group	Unit(s)
Industry	General Motors	Planning and Integration; GM Europe; Advanced Technology; Powertrain and Delco Electronics; North American Vehicle Sales and Marketing; Dealer Systems; Worldwide Components; Operations and Staffs Support; Allison Transmission, AGT and Electro-motive; N.A. Passenger Car & Truck Platforms; Regional Support Centers
	Manufacturing	Manufacturing and Distribution; High Technology
	Financial	Large Financial Institutions; Small Financial Institutions; GMAC
	Transportation	Transportation
	Communications	Communications
	Energy	Energy
	Insurance	Health; Property & Casualty; Life
Geography/Culture Americas	U.S.	Government—Federal; Government—Military; Government—State and Local; Commercial Services
	Non U.S.	Canada; Mexico; South and Central America
Geography/Culture Europe	Europe—Central	Germany
	Europe—North	U.K.; Benelux and Scandinavia
	Europe—South	France; Spain and Italy
Geography/Culture Asia/Pacific	Japan	Japan
	Asia/Pacific	Korea; Australia and New Zealand; Taiwan; Hong Kong; China; Singapore



Electronic Data Systems Corporation Organization Components

Component	Group	Unit(S)
Infrastructure	Administration	Chief Information Office; Employee Administration; Purchasing; Real Estate
	Business Development	Americas; Asia/Pacific and Japan; Europe
	Centers of Service	Core Capabilities; Electronic Commerce; Shared Services; Technical Products; Unigraphics
	Consulting	—
	Customer Business Services	Account Services; Field Services
	Employee Development	Compensation; Industry Training; Leadership Development; Quality; Staffing; Technical Development
	Infrastructure Engineering	Applied Engineering; Core Engineering
	Market Development	Marketing; Marketing Support; Sales Leadership; Strategic Planning
	Operating Services	Operating Services—Client/Server; Operations; Operations—Europe
	Research & Development	—
Corporate	Technology Architecture	Infrastructure Planning; Systems & Methods; Technology Architecture—Client/Server
	Audit; Communications & Public Affairs; Controller; Government Affairs; Legal; Tax; Treasurer	—

Exhibit 1 included the following components:

- Industry: Strategic Business Units (SBUs) organized by industry
- Geography/Culture: SBUs organized along geographic lines
- Infrastructure: Strategic Support Units (SSUs), such as IMC Operations, Field Services and Applied Engineering, with additional support units in employee development, purchasing, marketing, planning and consulting
- Corporate: Administrative support for SSUs

There are three levels of corporate governance within each of the four above components as follows:

- Unit: The SBU and SSU levels are the most significant because they are closest to the customer. SBUs functions include marketing and business development, sales and sales support, systems engineering, products and services, business operations and financial responsibilities. SBUs are responsible for working with other SBUs and SSUs to find resources, products and services that best meet customers' needs.
- Group: Group Executives develop five-year business plans, coordinate marketing and selling functions and monitor and enforce teamwork, as well as quality and customer satisfaction. In the Industry, Infrastructure and

Corporate components, Group Executives are responsible for developing global strategy within their areas. Group Executives in the Geography/Cultural component are responsible for the strategy within their region.

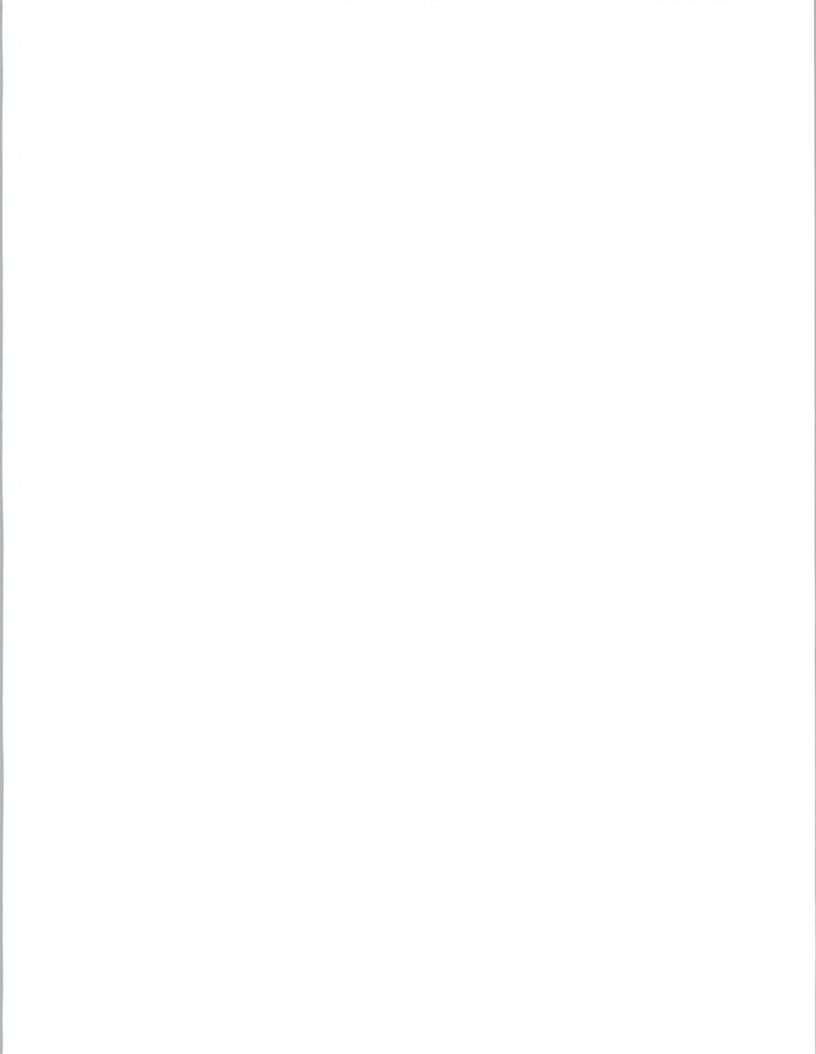
- Global Operations Council: The most senior executives in global industries have the responsibility for market planning and direction. The Council will link business strategies among industry SBUs and geography/culture SBUs.

The Leadership Council remains the company's policy-setting body.

Centers of Service:

The Centers of Service (COS) program, introduced in 1992, is a new dimension to EDS business pursuits. While the SBUs continue to concentrate on their specific industries, the COS provides specialized products and services horizontally to multiple SBUs. Sometimes, an SBU will sell a company service. In other cases, the company service will go directly to the customer with the SBU sales force. There are currently six COS, as follows:

- Customer Services Technologies: Enhances EDS' production by creating and operating customer assistance centers for GM and others, and provides everything from computer systems and equipment, to facilities and assistance center staff.
- Business Process Systems and Services: Focuses on integrating business processes, people and



technology to automate paper-intensive processes such as claims processing and customer correspondence.

- **Human Performance Services:** Provides a range of training services, from standard classes to custom-designed formats.
- **Electronic Commerce:** Includes two operating units, Electronic Financial and Information Transaction (EFIT) Services and Card Processing Services (CPS) that process transactions initiated by ATM/debit cards, MasterCard, VISA, JCB and private label cards.
- **Unigraphics:** Represents its CAD/CAM product line. Unigraphics' distribution channels extend across multiple SBU areas.
- **Technical Products Division (TPD):** Provides a desktop system services program and is one of the top 10 microcomputer resellers in the U.S. Equipment from all major vendors is offered, including Apple, Compaq, DEC, Dell and IBM. Services include hardware, software, education and training, consulting, support services, client/server and LAN solutions, management services, SI, installation and maintenance and help desk solutions.

When interviewed, the EDS organizations that address most SI opportunities, responded quite differently as to their organization in executing and managing SI contracts. This is illustrated in Exhibit 2.

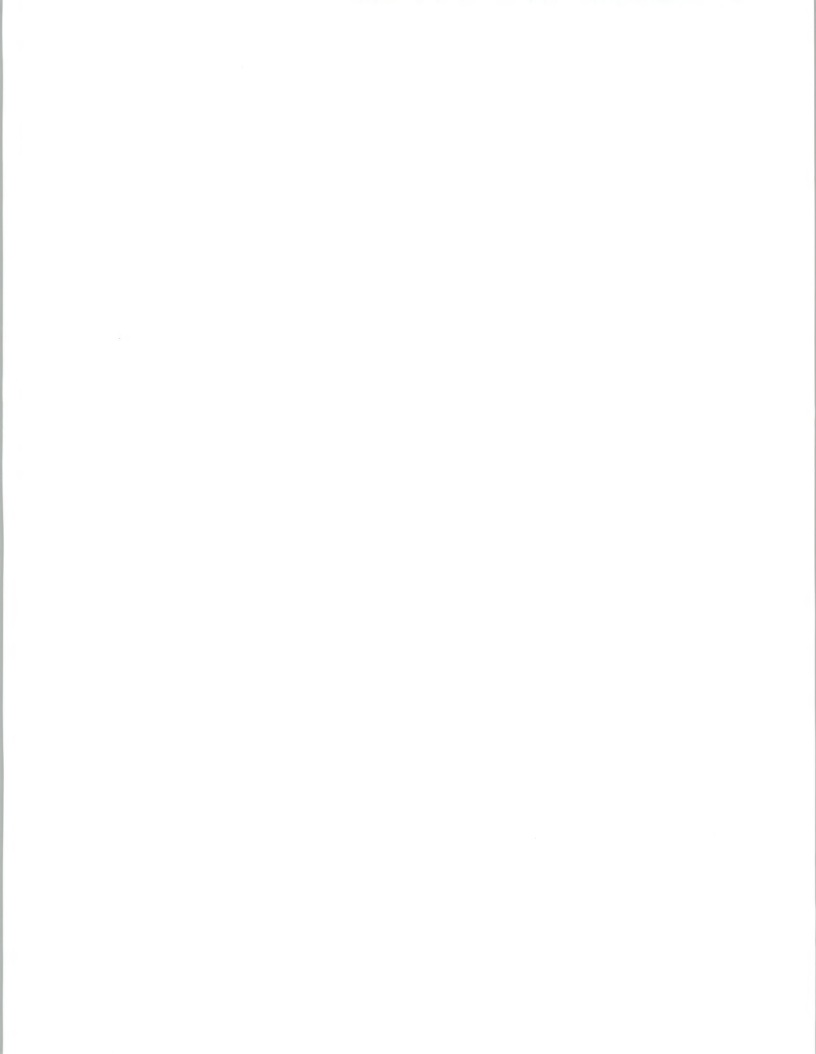
Exhibit 2

**Centralization/Decentralization of
SI Business Functions,
Electronic Data Systems**

Responsibilities	Commercial	Federal
Strategy and long-range planning	D	B
Marketing and promotion	B	B
Account management/ sales	B	D
Contract review/approval	C	C
Project management/ control	B	B
Implementation/ development	B	D
Hardware/software acquisition	C	C
Systems operations	C	C

C = Centralized, D = Decentralized, B = Both

The Government Systems Group:
Operates in a decentralized mode, with the exception of hardware and software acquisition and centrally controlled systems operations. Commercial organizations have been more centrally controlled, with the exception of strategy and long-range planning, project management and implementation and development that is controlled from Dallas. These three responsibilities were shared by Dallas and decentralized locations. The major reason for the differing responses is the result of contrasting customer requirements and



the commercial organizations' proximity to EDS corporate headquarters.

As EDS's new organization unfolds with its focus on more autonomy and delegation of decision authority, INPUT anticipates commercial organizations will become much more decentralized.

5. Key Products and Services

EDS' traditional area of information services concentration has been systems management. However, in recent years the company has significantly expanded its participation in other major areas of the information services industry, such as SI, systems/application development, consulting services and process management. This has significantly increased the company's capability to provide a full-cycle information services program to potential customers. In addition, there is more overlap in the definition of contracts by various

product/service sectors. For example, many times, a contract involves a variety of SI services (including application development and consulting) as well as a systems management component.

There has been major growth in the company's consulting business—estimated to have increased several hundred percent over the past three years.

A major strength of EDS is its ability to provide a full life cycle SI delivery program to its large, private international data network that, in turn, strengthens EDS' competitive position in marketing network-based solutions and services on a global basis.

EDS' definitional approach segmenting its various revenue streams is outlined in Exhibit 3.

Exhibit 3

Electronic Data Systems Corporation, 1993 Source Of Revenue (\$Millions)

Service	U.S. (\$)	International (\$)	Total (\$)
Systems Management	3,720	854	4,574
Systems Integration	949	266	1,215
Systems Development	688	318	1,006
Consulting	287	128	415
Product	366	255	621
Process Management	423	68	491
Other	117	68	185
TOTAL	6,550	1,957	8,507

EDS's definition of its SI product and services offerings differs slightly from INPUT's definition of the SI product/service sector. INPUT includes within the category of SI (when there is total project management risk responsibility), professional services, such as consulting and education, application development, system implementation and life cycle support (systems operations/management and/or maintenance).

Based on EDS's publicly-reported revenue definitions, SI represented 14% of total company revenues in 1993. If systems development and consulting revenues are added to the reported SI revenues, EDS' SI revenues represented close to 31% of total company revenues in 1993.

Usually, systems integrators work with independent software products vendors to provide the software application for a particular SI project. However, EDS is one of the SI vendors that provides many core applications software solutions for various industry-specific markets from internally developed and/or acquired companies.

EDS' definition of its various information services programs, as included below, can, in effect, be nearly subsumed under INPUT's definition of a life cycle SI product and services offering. However, its systems and process management programs, when not offered as part of SI life cycle projects, can be classified under the product/services sectors category of systems operations.

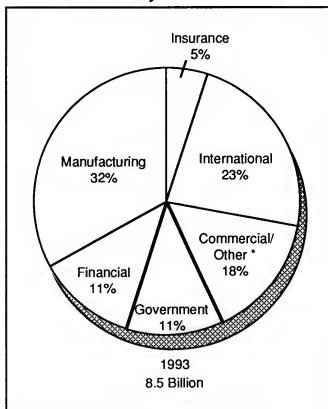
6. Markets Served

EDS has traditionally had a marketing approach focused on vertical industries. Current focus is on the following vertical markets:

- Communications
- Federal government
- Discrete and Process Manufacturing
- State and local governments
- Banking and finance
- Insurance
- Health and Benefits
- Energy/Utilities/Chemical
- Retail
- Transportation

EDS has also been very successful in penetrating the international markets, as indicated in Exhibit 4, that outlines the company's revenues in 1993 by market sector.

Of EDS' estimated 70,000 employees, more than 16,000 work outside the U.S. with nearly 850 locations worldwide. Many employees have skills and knowledge applicable to SI, however, INPUT has not attempted to estimate the precise number of personnel. Systems development and implementation are areas with the highest percentage of SI personnel.

Revenue by Market Sector

* Commercial/other primarily includes health services, retail trade, energy, communications and transportation

The following is a summary of EDS' SI services by industry market:

Government:

EDS provides SI services to federal, state and local government customers.

More recent federal government SI contracts include the following:

- In 1993, EDS signed a three-year cost reimbursement contract to participate as a mentor firm in the Department of Defense Mentor-Protégé program. EDS will work closely with its designated

protégé firm, Soza & Company Ltd., in four key areas: business management, advanced training technologies, process redesign and business development.

- In 1993, EDS' Government Services SBU signed a five-year, time and materials contract to provide maintenance and technical services to the U.S. Customs Service. EDS will conduct maintenance site surveys and perform quality assurance and inspection services in the Washington, D.C., Detroit and Dallas areas.
- In 1993, EDS signed a contract with Zenith Data Systems to provide microcomputer software, documentation, upgrades and support to the U.S. Department of Defense (DoD) as part of Desktop IV, a personal computer contract. EDS will be the sole provider of DOS Microsoft applications software.

EDS's State and Local Government SBU, headquartered in Hendon (VA) with 4,700 employees, provides consulting, systems development, SI, systems management and process management services to various governmental agencies in 27 states and the District of Columbia. The company has more than 100 local-government customers nationwide and supports a range of areas, from health care and human services, to transportation, justice, education and the environment.

- EDS currently provides Medicaid claims-processing services for 18 states and processes more than two-thirds of all Medicaid claims submitted in the U.S. EDS also supports states' managed-care initiatives.
- Clients added in 1993 include the cities of Dallas and Indianapolis for new parking enforcement systems; New York City Department of Transportation; City of Auburn Hills, Michigan; Los Angeles County Department of Public Social Services; and the state of West Virginia.
- Also in 1993, EDS signed a contract with TaxNet Governmental Communications Corp. (TGCC), a non-profit organization of state revenue departments, to develop a streamlined tax filing system for businesses by eliminating paper returns.

Banking and Finance:

EDS offers financial institutions a suite of industry-specific offerings and professional services designed to assist clients in areas from strategic planning to process design, to implementation and management. The company provides IT-based business solutions to more than 5,000 financial services organizations worldwide.

Recent acquisitions include BEI Golembe and Ampersand, Inc. to enhance the company's SI role in consulting and client/server-based technology for branch sales and service delivery.

Recent SI projects include:

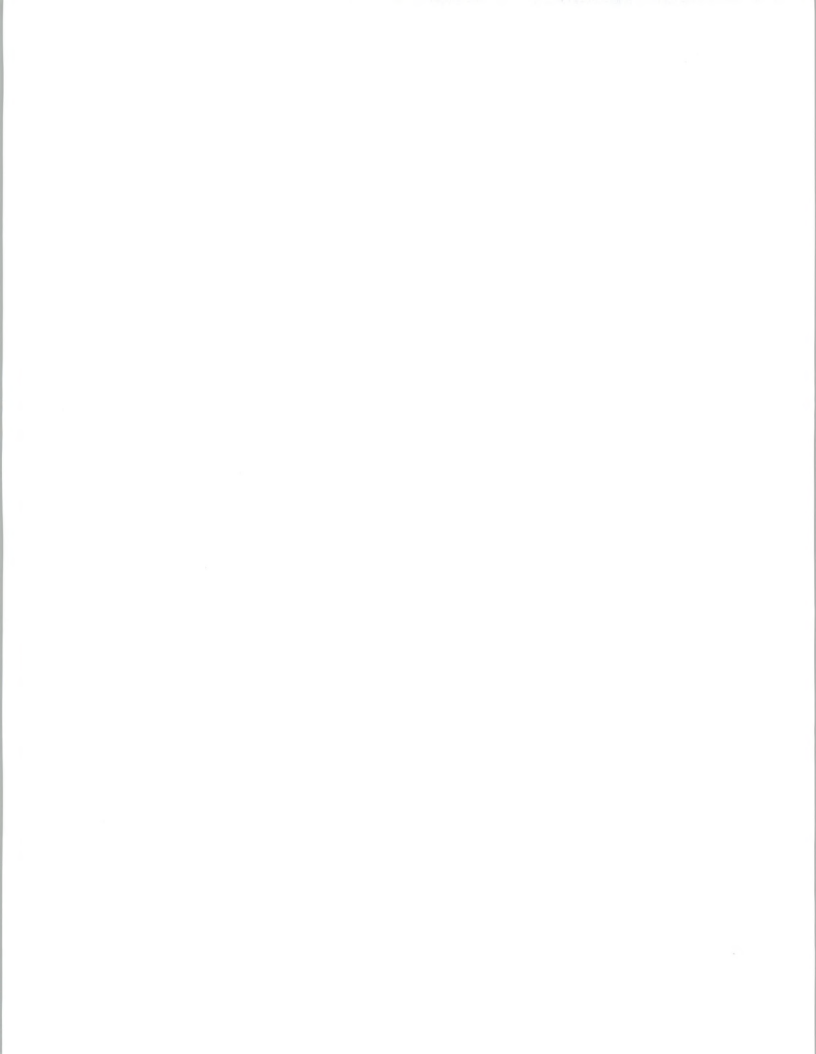
- Installation of EDS' Strategic Banking System for U.S. Bancorp throughout its operation.
- First Union Bank, Charlotte, NC and BACOB Savings Bank, Belgium, to install EDS' secondary mortgage system.
- Republic Bank of New York to integrate an enterprise-wide communications network.

Insurance and Health Care:

EDS provides a range of services to commercial insurance companies and managed care organizations.

More recent SI contracts include the following:

- In early 1993, EDS was awarded a three-year contract with Blue Cross and Blue Shield of Texas to install and upgrade its Medicare claims processing system and provide ongoing consulting and maintenance.
- In 1993, EDS' Energy Division signed a 12-month contract with Johnson and Johnson's LifeScan unit to provide software design, development and implementation. EDS is also designing and developing LifeScan's Customer product Quality Services system, to handle customer service queries.
- In 1993, EDS was selected by San Francisco-based Axion Pharmaceuticals to develop and implement client/server technology to



provide services to physicians who treat cancer patients. EDS will provide Axion with internal financial, accounting and order-management systems designed to eliminate the paper associated with current fax and mail orders.

- EDS will provide an imaging and intelligent character recognition (ICR) system for Sanus Corp. Health System, a managed care company. This is the first imaging and ICR agreement EDS has signed with an HMO, and adds to EDS's existing imaging and ICR systems at several Blue Cross and Blue Shield Plans.

Retail:

The Retail Services Division, part of the Commercial Services SBU, provides business and IT products and services to retailers in the department, specialty apparel, drug, convenience store, food and beverage and discount and wholesale club segments.

- In 1993, EDS entered into a strategic alliance with Southland Corporation, the world's largest convenience store retailer, NCR (now part of AT&T Global Information Solutions) and Canmax. The pact will provide 7-Eleven stores in the continental U.S. and Canada with network services that support 7-Eleven business functions such as logistics and supply chain management.
- EDS customized, integrated and installed credit application processing systems for the Zale Corporation, Profitt Jewelers, Sterling, Inc. and

Daniel's Jewelers to link with credit bureaus for on-line credit approval.

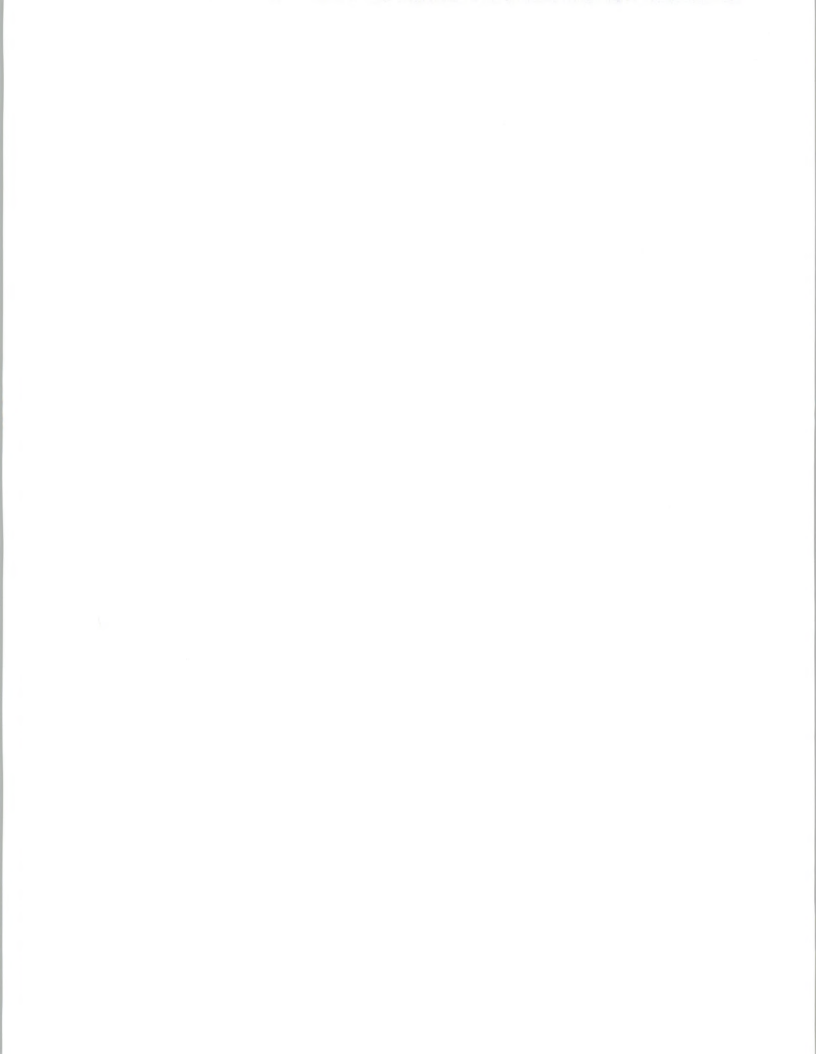
- In 1992, EDS was awarded a systems development and maintenance agreement by Montgomery Ward. Under the agreement, EDS assumes full responsibility for developing and implementing fully integrated retail applications.

Communications:

This unit serves the telecommunications, cellular, cable, entertainment, multimedia and publishing industries. Products and services include industry-specific offerings such as billing, customer information, customer service, operator support services, cellular intercarrier services and cellular management information system/billing services.

More recent examples of SI contracts include the following:

- In 1993, EDS completed a one-year SI project for Dow Jones which implemented a client/server environment for expanding its electronic mail and office automation needs with a new router-based communication solution.
- In 1993, EDS signed a six-month feasibility study of the operational support systems for A/O Intertelekom, the long-distance telecommunications carrier for the Commonwealth of Independent States. EDS will conduct a feasibility study of the operational support systems requirement for A/O



Interteklekom's domestic and international operations.

- In 1993, EDS Communications Industry Group signed a five-year contract with BellSouth Telecommunications to provide a work-force management system to be used by three BellSouth groups. The contract incorporates conversion, implementation and support activities, as well as an upgrade to a new UNIX client/server version of the product.
- In 1993, Sprint selected EDS to enhance and integrate Sprint's Customer Invoice Management Systems, a local exchange billing system.

Transportation:

The Transportation Group, with approximately 2,000 employees worldwide, provides SI and management, as well as IT products, to the airtransport, travel, freight and fleet markets.

- In late 1993, EDS signed an agreement with Southwest Airlines Company to develop a new passenger revenue accounting system. Under this agreement, EDS develops the system, supplies related hardware and provides system training. The system will be marketed by EDS to other airlines under the name EDS*PRAS.
- In 1993, EDS was selected by Celebrity Cruise Lines, Inc., the fourth largest cruise fleet in the world, to design, develop and implement a new cruise line reservation system. In addition, EDS will migrate Celebrity's existing

systems to a client/server, open-systems platform.

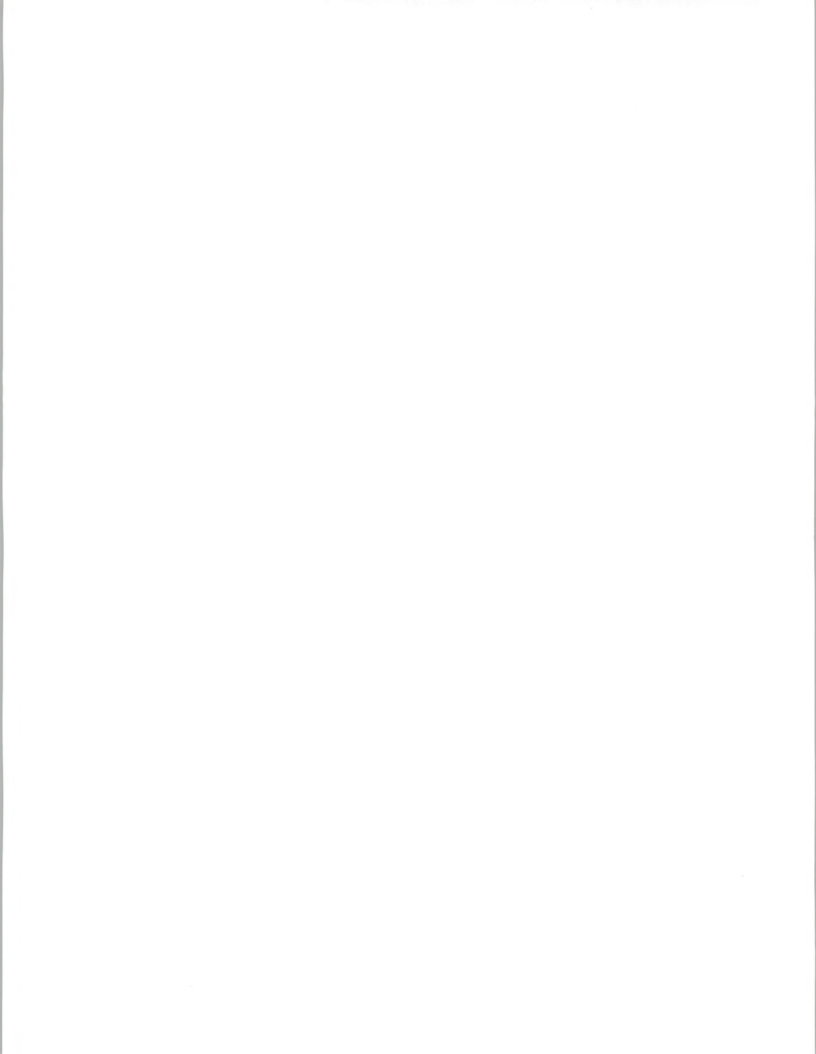
Energy/Utilities:

The Energy/Chemical Group provides SI and IT to petroleum, natural gas, mining, chemical, pharmaceutical, environmental and electric utility customers.

- In early 1993, EDS signed a one-year contract with Du Pont's Polymer Division to provide SI of hardware and software for new order management, shipping and warehousing systems and processes.
- In early 1993, EDS signed an SI contract with Lagoven, S.A. a subsidiary of Petroleos de Venezuela, S.A. (PDVSA) for the customization and installation of existing third-party software at selected customer sites in Venezuela.
- In 1993, EDS and Data Marine Systems Limited were awarded a contract by British Petroleum Exploration (BPX) to provide IT support services and offshore communications.

Manufacturing:

EDS's SI manufacturing expertise encompasses a range of discrete and process manufacturing markets, including aerospace and defense, automotive, distribution, heavy machinery, food processing, instruments, high technology, electrical/electronic equipment and primary metal industries.



More recent SI contracts include the following:

- In 1992, EDS signed a new five-year contract with GM, primarily a systems management/operations contract. However, a major new element of the contract is an emphasis on business process re-engineering.
- In 1992, EDS' Technical Products Division signed an agreement with Memorex Telex N.V. to manage product integration and distribution processes for desktop systems in North America.
- In early 1993, EDS was awarded a systems development contract by Allied Signal to develop and implement a system that accesses worldwide information on suppliers, contracts, parts and commodities using a client/server-based repository.
- EDS has a systems development and support agreement with Baxter Diagnostics to develop, test and implement a quality management system.
- EDS was selected by Nestle USA to manage the migration of Nestle's corporate data processing center from Los Angeles to Tempe.
- EDS installed an integrated client/server solution for Del Monte's manufacturing plants that provides access to regional database information resources.

International:

Recent SI contracts include the following:

- In Britain, EDS-Scion won a contract with London Underground Limited to provide technical support to the centrally controlled, train-arrival and service-status system for London Underground's Central Line.
- In 1992, EDS was selected by Polska Telefonia Komorkowa, the consortium responsible for building Poland's national cellular network, to provide the information management and billing system for the project.
- In 1993, in Japan, EDS signed a re-engineering consulting contract with Mitsubishi Corporation under which EDS will study and document the flow of information through the Special Steel and Wire Section of Mitsubishi's Corp.'s Domestic Sales Division.
- In 1993, EDS's Northern Europe SBU signed a Business Information Planning (BIP) and systems development/integration contract with Fortifikationsforvaltningen (FortF), the largest real estate owner in Sweden. FortF has ownership and maintenance responsibility for all defense-related land, buildings and military bases in Sweden.
- In 1993, EDS signed a five-year, systems-development and integration agreement with VDAB, the Belgian government agency responsible for dealing with issues such as unemployment, re-employment and retraining. EDS will design and

implement a client/server architecture linking all VDAB offices that, when completed, will be the largest client/server operation in Belgium.

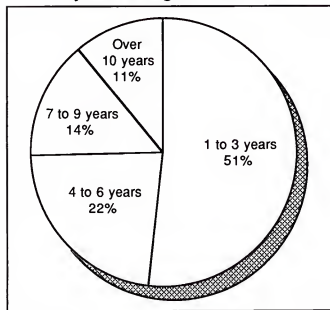
GM:

EDS' GM revenue comes from designing, installing and operating GM IS and supports the automaker's large, private digital telecommunications network.

Exhibit 5 shows the typical duration of EDS SI contracts (combined federal and commercial), based on the total percentage of SI contracts.

Exhibit 5

Duration of EDS' Systems Integration Contracts



7. SI Objectives and Revenues

EDS's business objectives are identified in Exhibit 6. Management has set a goal to reduce its dependence on GM business to 30% by 1994. It is attempting to accomplish this by holding GM-derived revenues level, while increasing

traditional non-GM SI revenues by approximately 20%.

Exhibit 6

EDS Business Objectives

- 20% SI growth from non-GM sources
- 80% renewal rate
- SI as a source of systems operations contracts
- Control of existing customer base

Moreover, EDS has a business objective of maintaining a client renewal rate in excess of 80%. It is offering SI in response to its customers' demands, and recognizes SI as a vehicle to attract new systems operations candidates and maintain control over its existing customer base.

8. Internal SI Capabilities Evaluation

- Business Consulting: EDS has good consulting experience in large project development and technical consulting capability. Vertical-industry business consulting capability should be particularly strong in its base businesses—process and discrete manufacturing, retail and distribution, aerospace and networking—all areas of SI concentration. EDS' new organization should improve its knowledge of additional vertical industry markets.
- Design Methodology, Design and Integration, Project Management, Software Development, Education,

Training and Documentation: Based on the experience gained in its basic systems operations business and at GM, EDS is very capable in all of these areas.

- **Packaged Systems Software:** The company prefers to use off-the-shelf products provided by other vendors.
- **Standard Computer Hardware:** EDS uses standard off-the-shelf hardware provided by other computer manufacturers.
- **Custom Computer Hardware:** EDS indicates it has some custom hardware capability, but would clearly prefer to use off-the-shelf hardware.
- **Network Management and Operations:** EDS has extensive experience in developing and managing GM networks, as well as its own, that supports its processing services capability. Today EDS operates one of the largest networks in the world.
- **Service and Repair:** EDS has moderate capability in hardware service and repair.
- **Software Maintenance:** The company has adequate software maintenance capability.

9. SI Strategic Alliances and Acquisition Activity

EDS has developed ongoing relationships with more than 5,000 vendors worldwide for product resale, application development and other technical capabilities. The company has also acquired/and or invested in a number of

companies to gain technical and industry expertise. Examples of these acquisitions are shown in Exhibit 7.

Exhibit 7

EDS-Significant Acquisitions 1991-1993

1991-	SD-Scicon
1991-	McDonnell Douglas Systems Integration Company
1992-	mbgh Software & Systems (Germany)
1993-	Energy Management Associates
1993-	Ampersand Corporation
1993-	BEI Golembe
1993-	TWP/Businessland Canada

Equipment alliances have been established with leading vendors, including IBM, AT&T/NCR, Tandem, DEC, Sun and Apple. The Tandem alliance includes a strong focus on the manufacturing industry. EDS's alliance with GM Hughes is focused on factory automation and telecommunications applications that require satellite-based products and services.

Customer partnerships, such as the EDS Banc One Corporation & Norwest Corporation alliance are used to develop application offerings in areas where EDS lacks applications skills.

Software alliances, though small in number, have provided solid gains for EDS in the telecommunications market.

EDS has established a number of international alliances.

Examples of some more recent alliances and investments, highlighted in Exhibit 7, include the following:

- In 1991, EDS acquired SD-Scicon, a then, \$470 million company, that substantially increased EDS's base of global SI customers. SD-Scicon brought to EDS, expertise in consulting, systems development, as well as facilities management.
- In 1991, EDS acquired McDonnell Douglas Systems Integration Company (MDSI). Included in the MDSI acquisition, were the Unigraphics and Graphics Design System (GDS) product lines and Shape Data, a solids modeling research and development company based in Cambridge, England.
- In 1991, EDS acquired Creative Software Systems, Inc. (CMS) of Toms River, New Jersey. CMS provided information management services to the cable TV industry, including subscriber and financial management systems, bill processing and mailing services.
- In 1992, EDS acquired a small equity interest in mainframe software maker, 4th Dimension Software Ltd., in Costa Mesa, CA.
- In 1992, EDS acquired mbp Software and Systems, Germany's oldest IT service and software company. The acquisition brings EDS broader knowledge in the areas of production-

control technology in the steel, chemical, manufacturing and energy industries.

- In 1992, EDS acquired Cummins Cash and Information (CCIS), a subsidiary of Cummins Engine Co. CCIS is a leading provider of IT services to the trucking industry.
- In 1992, EDS signed an agreement with The Freedom Group (TFG), a provider of insurance industry software systems and services. This alliance combines TFG's property and casualty software products and third-party administration experience with EDS' consulting, SI and systems management expertise.
- In 1993, EDS purchased shares in Enron Corp., a leading natural gas company that operates a natural gas transmission system; markets natural gas liquids, crude oil and refined products worldwide, and owns 84% of Enron Oil & Gas Company, a large independent natural gas exploration and production company.
- In 1993, EDS acquired an equity interest in Japan Systems KK, a publicly-held corporation providing SI, software development, communications systems and hardware to the Japanese market. The company serves customers in a wide variety of industries, including, manufacturing, utilities, telecommunications, financial and government.

- In 1993, EDS acquired Atlanta-based Energy Management Associates (EMA). EMA provides planning software and regulatory and management consulting to the electric and gas utilities industries.
- In 1993, EDS acquired Ampersand Corp. of York, PA. Ampersand develops and installs open-systems-based branch automation products for financial institutions, employing client/server architecture.
- In 1993, EDS purchased BEI Golembe, a diversified consulting firm headquartered in Atlanta, Georgia.
- In 1993, EDS Canada acquired JWP/Businessland Canada, which provides personal computer products, integration services and after-sale support to large corporate customers.
- In 1993, EDS joined with Amdahl Corporation in the formation of the Antares Alliance Group, a joint-venture software products company. The new company offers products that enhance development time for software products and allows those products to be used on cross-platform technologies—from mainframe to desktop.

10. SI Capabilities Summary

EDS has a very strong set of capabilities and few weaknesses in the SI arena (See Exhibit 8). It has outstanding IS operating knowledge in the services industries, based on experience in running data processing installations for many clients in the banking, financial

and insurance industries. It has similar experience with federal, state and local government customers.

Exhibit 8

EDS' Competitive Status

Strengths	Weaknesses
Operational experience	Systems operations/ processing mentality
Vertical industry knowledge	Limited sales office network
Large experienced skill base	Perceived lack of corporate flexibility - very structured
Understands new technologies	
Alliances	
Financial clout	
Market position	
Vast resources	
Track record	

Based on its experience with General Motors, EDS has developed operating experience in virtually all areas of large manufacturing companies, from CIM applications to the consolidation and installation of a worldwide communications network.

These actual operating experiences make EDS uniquely qualified to develop and operate total information solutions. They also provide EDS with an experienced skill base that addresses a very broad range of industry applications.

EDS lacks hardware and software products (with the exception of its ownership position in Hitachi, USA), preferring to obtain other vendors' off-the-shelf products through its strong set of alliances. INPUT does not consider this a weakness because of EDS' strong financial resources and buy-in power.

EDS has a solid understanding of new technologies and integration techniques based on its experience in running 20 or more large internal data centers and well over 100 customer site data centers.

INPUT does not believe EDS has significant weaknesses. However, its traditional systems operation focus will most likely limit its competitiveness in some SI opportunities. Some prospects, committed to running their own data processing operations, will be reluctant to ignore EDS's traditional motivations when an SI solution is proposed. This is justified, since it appears to INPUT that, in most cases, systems operations is an underlying motivation for EDS's SI activities.

EDS does not have an extensive sales office network. This may prove to be a disadvantage, as it competes with hardware manufacturers that have near-site sales personnel.

11. SI Marketing Strategy

Exhibit 9 identifies the key elements in EDS's marketing strategy. EDS wants to provide total service—from developing an integrated solution, through SI, to total systems operations—for the customer.

Exhibit 9

EDS SI Marketing Strategy

- Complete service provider
- CBroad market coverage
- CBuild on vertical industry experience

INPUT believes EDS will continue to leverage its buying power with hardware and software vendors and partners, along with industry partners having vertical-industry application knowledge.

Finally, a key element of EDS's strategy is the reference use of successful SI and systems operations contracts to accumulate new clients. The company will use its own data processing centers to demonstrate its capabilities and use satisfied customers as references.

In addition, EDS's new organization is focused on broadening its market coverage by establishing organizations responsible for solutions and growth in all vertical markets.

Communications is also expected to be a major marketing focus for EDS' SI services in the future. In addition to a major emphasis on EDI applications services, it may include an emphasis on interactive networking applications.

12. SI Customer Base

EDS has a broad range of systems operations customers. In many cases, the first stage of these contracts requires EDS to develop a total integrated system solution. The majority of its revenue,

however, comes from follow-on systems operations activities. The following table, Exhibit 10, identifies representative customers where SI is an element of the total systems operation offering. Contract values are not provided, since INPUT believes the systems operation content would make these values misleading.

Exhibit 10

Examples of EDS's Customers and Contracts

Company/Industry	Project Description
State Government	Medicaid claims
First Nationwide Bank	Consolidating item processing and back-office services
United New Mexico Financial Corp.	Conversion of the company's bank data cities to EDS' integrated banking system
Bank One	Integrated large commercial banking system

13. Summary and Future Directions

EDS's broad range of operational experiences makes it a very capable competitor in the SI arena. These strengths include:

- Vertical-industry knowledge of its traditional client base as well as GM-based discrete and process manufacturing, distribution and aerospace experience

- Operational project development and technology transition management skills, based on actually running GM and EDS data centers and communications networks. This includes the capability to manage very large projects.
- A large, satisfied customer base
- Experience, financial resources and product-buying leverage provided by its strong financials and access to public capital markets. This insures its ability to add significant technical and other capacities to provide strong revenue growth.
- A focus on total systems management that allows EDS to spread initial SI risk over a longer time period and revenue stream

This last strength, a preoccupation with providing total systems management, may also turn out to be EDS' one major weakness. As a weakness it can:

- Lower EDS's priority on bidding on SI-only projects
- Preclude EDS from serious consideration by the SI customer that wants an integrated solution only, not a systems management contract.

INPUT believes EDS will continue to move toward the total systems management concept, deriving its revenues not only from front-end SI work, but also from follow-on systems operations contracts. The company will be extremely successful in systems management contracts, but will need to

continue to focus more on front-end consulting capabilities, such as business process change, to obtain strong, continued growth from standalone SI

contracts. Internationally, EDS is showing strong growth in the consulting and systems development areas.

