

NPM No. 12-2009

04 March 2009

HON. GIL S. BELTRAN

Undersecretary

Chairman, Bids and Awards Committee

DEPARTMENT OF FINANCE

Roxas Boulevard Corner Pablo Ocampo, Sr. St.
Manila 1004

Re : Procurement of Consulting Services

Dear Undersecretary Beltran:

This has reference to your letter dated 08 December 2008 requesting an opinion relative to the engagement by the Department of Finance (DOF) of the services of 365 Services, Inc. for the development of cost-saving measures.

As per your representation, we gather the following factual considerations:

1. 365 Services, Inc. is the local counterpart of the Expense Reduction Analysts (ERA);
2. ERA is a worldwide network of consultants specializing in finding extra profits for mid-sized companies by reducing non-core costs and by determining ways on how to find significant savings opportunities;
3. That "if ERA finds no savings, there is no fee,"; and
4. If savings are found through ERA's recommendations, the extra profit is split 50/50 between ERA and the procuring agency for 18 months.

The DOF now seeks guidance on whether it could directly engage the consulting services of 365 Services, Inc. to assist the Department in reviewing its expenditures, and, to recommend and monitor the implementation of such cost-saving devices.

Public Bidding: the General Rule

Pursuant to the principles of transparency, competitiveness and accountability, *Republic Act No. 9184* (R.A. 9184) otherwise known as the *Government Procurement*

*Reform Act*¹, and its *Implementing Rules and Regulations – Part A* (IRR-A) prescribes that all procurement shall be done through Competitive Bidding.² Public or competitive bidding presupposes a method which is open to participation by any and all qualified suppliers, consultants or contractors to determine which party that can offer the most advantageous deal to the government.

Alternative methods shall be resorted to only in highly exceptional cases,³ provided that the prior approval of the HOPE or his duly authorized representative is obtained and, provided, further, that the conditions under Rule XVI of the Act are complied with.⁴ Pointedly, the conditions referred to are limited to those which are explicitly provided in the law. Any condition, however exceptional, not included nor contemplated therein, is deemed to have not been considered by the law to warrant the use of the alternative methods.

Direct Contracting is one of the alternative methods allowed under R.A. 9184 and its IRR-A. However, this applies only to procurement of goods and not to consulting services as contemplated in herein's request.

Another alternative mode is through Negotiated Procurement. One instance hereof is found under Section 53 (f) of IRR-A whereby the procuring entity directly negotiates a contract with a technically, legally, and financially capable consultant. However, this applies only to individual consultants and not to consulting firms.

Please note, that, to streamline the procurement process, and to strengthen the system of accountability being implemented, the law vests upon the procuring entity through the Bids and Awards Committee (BAC), the prerogative to determine the nature and classification of procurement to be undertaken, and, under particular circumstances, the discretion of recommending to the HOPE, the use of the alternative methods.⁵ This Office does not have the legal mandate and authority to decide, in behalf of the BAC, on the propriety of the mode of procurement to be used.

Thus, we opine, that the DOF is constrained to adopt public bidding for the procurement of consulting services unless and until the BAC recommends otherwise, in accordance with the conditions abovementioned.

“...If ERA finds no sayings, there is no fee.”

Anent the foregoing, we deem it noteworthy to mention the manifest inconsistency with your representation that “if ERA finds no savings, there's no fee”, and the provisions laid down in the proposed Client Agreement by ERA. Further perusal of the said document, particularly Item No. 4, Paragraph 3 thereof, reveals that “on acceptance of ERA's recommendation, ERA shall invoice client for a deposit (“*Report Fee*”) equivalent to ten percent (10%) of the total Cost Savings **estimated** to

¹ Signed by Pres. Gloria Macapagal-Arroyo on 10 January 2003, and published on 11 January 2003, in two (2) newspapers of general circulation, namely, Manila Times and Malaya. It took fifteen (15) days after its publication or on 26 January 2003.

² Section 10, Article IV

³ Section 48.2, IRR-A.

⁴ Section 48.1, IRR-A.

⁵ Section 12.1, IRR-A.

be realized during the Monitoring Period. Upon implementation, ERA will invoice fees of a further 10% of the total savings **anticipated** during the Monitoring Period ("*Implementation Fee*")." (Emphasis supplied)

Moreover, the last paragraph of Item No. 4 is categorical in stating that "ERA invoices are due and payable within seven days of delivery to Client. Interest shall be paid on all overdue amounts at the highest annual percentage rate permitted by law."

Based on the foregoing provisions, it can be aptly deduced that the DOF shall be obliged to pay for a "Report Fee" and "Implementation Fee" equivalent to 10% of the estimated Cost Savings and 10% of the total savings anticipated during the Monitoring Period, respectively, within seven days of delivery of the invoices to DOF, even without actual realization of such savings.

Finally, may we also point out that while it was represented that 365 Services Inc. is the "local counterpart" of ERA, no sufficient description or relevant document pertaining to its nature of incorporation, primary purpose or interrelationship with ERA was provided. Hence, neither its association with ERA nor its nature of business was established.

We hope that this clarifies matters. Should you have additional concerns, please do not hesitate to contact us.

Very truly yours,


for RUBY U. ALVAREZ
Executive Director III



TECHNICAL SUPPORT OFFICE

Unit 2506 Raffles Corporate Center,
F. Ortigas Jr. Avenue, Ortigas Center,
Pasig City, Philippines 1605

Byam,
Please see my shared docs.
FN: DOF. ERA Consulting Services
(for printing)

13 January 2009

MR. GIL S. BELTRAN

Undersecretary

BAC Chairman

DEPARTMENT OF FINANCE

Roxas Boulevard Corner Pablo Ocampo, Sr. St.

Manila 1004

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We hope that this clarifies matters. Should you have additional concerns, please do not hesitate to contact us.

Very truly yours,

RUBY U. ALVAREZ
Executive Director III

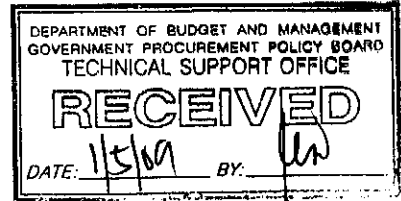


Republic of the Philippines
DEPARTMENT OF FINANCE

Roxas Boulevard Corner Pablo Ocampo, Sr. Street
Manila 1004

December 8, 2008

Executive Director Ruby Alvarez
Government Procurement Policy Board
Technical Support Office
Unit 2506 Raffles Corporate Center
Ortigas Center, Pasig City



Dear **Executive Director Alvarez**:

This is to request clarificatory opinion as to whether the Department of Finance can directly engage the services of 365 Services Incorporated, a consulting firm who will assist the Department in reviewing its expenditures, recommend and monitor implementation of measures for cost savings.

As a backgrounder, it may be informed that 365^o Services Incorporated is the local counterpart of Expense Reduction Analysts (ERA), a worldwide network of consultants specializing in finding extra profits for mid-sized companies by reducing expenses in non-core categories. ERA will assist the agencies in determining ways on how to find significant savings opportunities. If ERA finds no savings, there is no fee. If savings are found and the client implements ERA's recommendations, the extra profit is split 50/50 for 18 months. During this time, the consultants remain actively involved in the project to ensure its success.

If ever the Department will be granted the authority to engage this type of consultancy service, the DOF will be the pioneer in the bureaucracy.

Anticipating your prompt reply on our request.

Thank you.

Very truly yours,

[Signature]
GIL S. BELTRAN
Undersecretary and
BAC Chair

Atty. Alvarez,

I think DOF will have to go into public bidding for this.

There's nothing to substantiate resort to either LSB or Reg. Proc. CFS.F - this is limited to individual consultants). Can't go into Direct Contracting 'cuz this is consulting services.

Also, the statement that if there's no savings, there's no fee" seems to be misleading. Attached docs. would show that there's Report fee + Implementation fee based on the anticipated total savings that will be charged. Expense,

- 1. Brochures of ERA
- 2. Sample Contract

Further, the attached docs. all pertain to ERA. There's nothing to show 365 Services Incorporated's credentials, track record, etc.

Let's discuss your own recommendation.

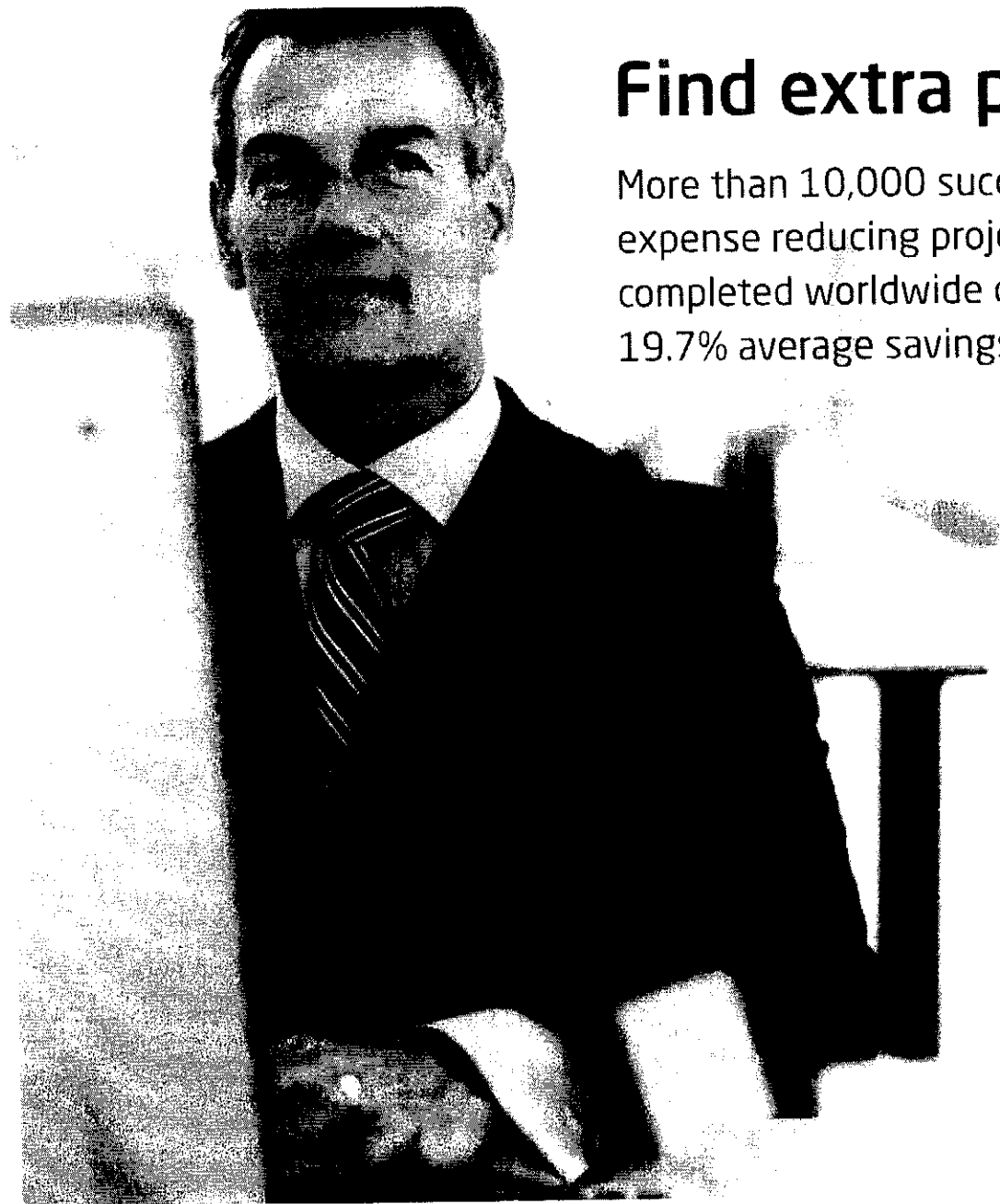
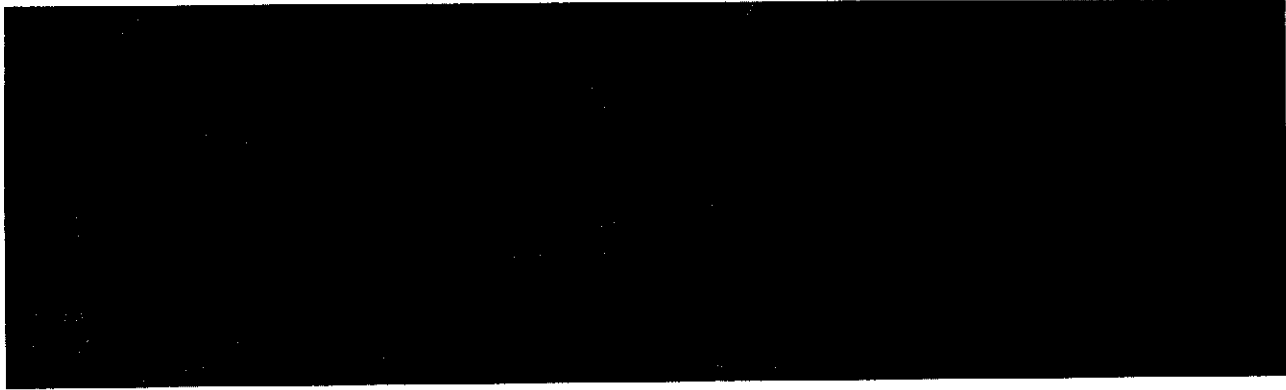
on our meeting next Monday, Jan. 13, 2009.

This is a difficult question. Pls. handle.

Let's discuss our response before issuing opinion. Don't know if we still need GPPB to resolve it.

[Signature] 1/7/09

74
[Signature] 1/10/09



Find extra profit

More than 10,000 successful
expense reducing projects
completed worldwide deliver
19.7% average savings



**Expense Reduction
Analysts**



Predictable, double digit savings in your non-core expenses.

Small airline in Brussels, 17% saved.

Healthcare giant, turnover US\$227.55 billion.

20% saved. Manufacturer, USA, \$250,000

savings straight to the bottom line

Latest data released by Expense Reduction Analysts from more than 10,000 projects with cost conscious companies worldwide has generated surprise in the business community.

In the US alone, across 297 projects through April 2007, savings amounted to \$18,018,006.00, at an average saving of 19.4%

In Europe, a similar story emerges. In the UK, £30,773,105.00 was saved across 3,172 projects with an average saving of 13%.

Every business person responsible for a P&L knows that the fastest way to generate extra profit is to cut costs. It's simply easier to trim expense than it is to generate sales growth. So you would think that most companies have their costs well under control.

Yet the results show predictable, double digit savings in pretty much every company P&L. And it works not only for corporations but with government, educational institutions and non-profit organizations.

How can these savings have been missed? What is the secret to finding them?



Deloitte



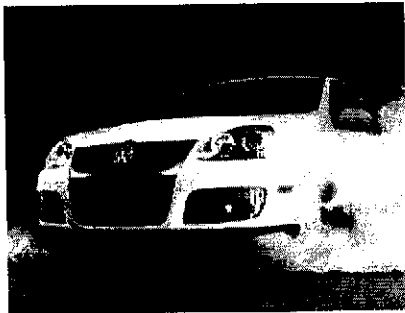
ERNST & YOUNG
Quality In Everything We Do



KIA MOTORS



Inter IKEA Systems B.V.



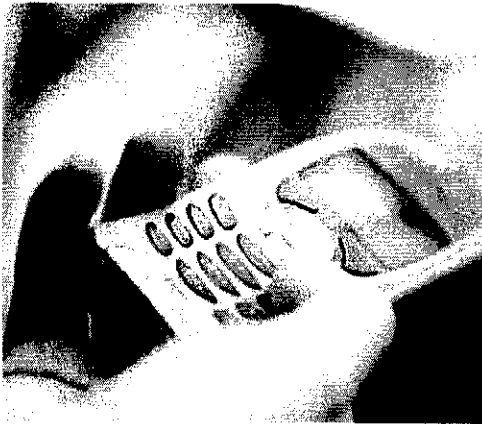
"The savings on insurance that we achieved exceeded all our expectations. We could not have made those savings without your valuable guidance."

Geoff Hunt, Deputy General Counsel,
Volkswagen Group United Kingdom Limited

USA: \$107,670 average savings per client
Average saving 19.4%

There is no magic bullet.

The trouble with the traditional corporate approach to lowering cost is that it quickly runs in to two key limitations.



First you need to avoid cutting back so far that quality suffers. A drop off in the quality of your suppliers can harm efficiency, and ultimately harm sales to your customers.

Secondly, and perhaps more importantly, you can simply run out of areas to trim.

As founder Frederick Marfleet explains, Expense Reduction Analysts have achieved spectacular results by focusing on non-core costs. The approach yielded immediate gains and

has now been proven to work again and again over 14 years.

In our experience companies know their own business well. They tend to have the best suppliers in place and have strategic costs locked down.

But when it comes to the non-core costs, that's where a specialist who knows the sector inside out can make a difference. This is not about the usual spreadsheet methodology.

What's required is real and practical knowledge of each cost category.

This is why whatever expense category you care to review, over 10,000 projects the results are the same. We have the practical innovations and experience in each area to make these gains.

While most financial or accounting consultants merely run over the spreadsheets and make recommendations on where costs can be chipped away, the Expense Reduction Analysts approach is to support clients through implementation and monitoring.

The savings are driven by flawless execution of new processes and vendor compliance with new terms, Marfleet continues.

We work with our clients for at least 18 months to ensure that the estimated savings come to fruition. Most of our clients see an immediate and significant impact to their bottom line within 90 days.

UNEXPLORED OPPORTUNITIES



Ernst & Young saves €250,000 on car fleet expenses.

Expense Reduction Analysts in Brussels was called in to look at the way Ernst & Young purchased and managed its 1000-strong vehicle fleet.

We were able to achieve a quarter of a million Euros in savings by redefining the service level requirements of the fleet to achieve better pricing with fewer suppliers. A new car supply process combined with software and management tool gave Ernst & Young total control over the cost of its car fleet.

Lower cost is not incompatible with higher quality, according to Ghislain Vanfraechem, facilities manager at Ernst & Young.

The new system ensures rigorous cost control over areas such as car maintenance, fines, insurance issues, fuel consumption and breakdowns.

 **ERNST & YOUNG**
Quality In Everything We Do

Contact us
today
to find your
extra profit

Revealed: Where savings are found

This chart represents a sample of our most common category results for North America, Western Europe and Australasia. We also review custom expense categories as needed by our clients worldwide.

Category	North America		United Kingdom		Continental Europe		Australasia	
	Average review	Average savings %	Average review	Average savings %	Average review	Average savings %	Average review	Average savings %
Cleaning Services			£30,983	19%	€211,388	27.14%	\$130,000	20%
Construction			£214,241	4%				
Couriers	\$401,401	20%	£79,337	13%	€42,330	15.87%	\$185,000	21%
Factory Consumables	\$215,655	22%	£86,476	13%			\$210,000	13%
Financial Services			£74,933	13%				
Fleet Management	\$900,000	9%	£292,512	9%	€480,000	7.5%	\$800,000	8%
Food Services	\$168,564	20%	£152,875	9%			\$150,000	14%
Fork Lift Services	\$724,607	18%						
Freight	\$553,158	18%	£228,521	8%	€782,571	20.16%	\$280,000	19%
Fuel			£408,290	12%				
Information Technology	\$118,734	14%						
Insurance			£168,407	13%	€163,522	25.52%	\$196,000	21%
Janitorial Supplies	\$450,709	31%					\$90,000	16%
Laboratory Supplies	\$205,000	25%	£79,829	14%			\$110,000	17%
Leasing			£51,065	12%				
Merchant Card Fees	\$64,143	33%					\$140,000	20%
Office Products	\$126,229	35%	£36,639	20%	€101,597	21.12%	\$132,000	23%
Packaging	\$445,390	21%	£85,834	11%			\$170,000	14%
Payroll Processing	\$63,047	44%						
Postage			£58,530	13%				
Print	\$485,000	14%	£39,793	22%	€167,362	20.04%	\$225,000	26%
Records Management	\$30,000	38%					\$73,000	24%
Telecommunications	\$162,024	26%	£46,684	22%	€110,889	35.40%	\$139,000	21%
Travel			£248,012	6%				
Uniforms	\$35,388	24%					\$61,000	21%
Utilities	\$503,816	7%	£49,102	13%			\$156,000	9%
Waste Management	\$161,415	29%	£64,653	17%			\$96,000	24%

The averages described in this brochure are aggregated from our customer relationship management database ("CRM") and other consultant reporting. This reporting is comprised of data input by all of our consultants worldwide and accordingly may contain human errors or omissions. The data may not include every project we have worked on. The data provided is not a representation of any savings that you may experience in your business. Your actual savings may be more or less.

How it's done

Toshiba "delighted" after 40% is slashed from courier costs

By setting a benchmark against which Toshiba could measure their spending on couriers Expense Reduction Analysts found a way to cut 40% from their costs. Interestingly, the way it was done is the opposite of traditional notions of saving.

ERA recommended that Toshiba continue with their three incumbent suppliers, but that they also needed to take on a fourth courier company and change their insurance arrangements.

So how does bringing in another courier generate savings?

Toshiba is a massive company; a household name in technology. Chances are you have one of their products in your own home. Toshiba is on every continent, and while global presence is an achievement, it also brings with it the tangled logistics of interoffice shipments. Of course, a huge company like Toshiba can negotiate a great deal with a courier company, can't they?

"We were happy with the service being provided by each of the three couriers we were using but were keen to learn whether or not our expenditure in this area could be reduced," said Remy Reinker, Finance Manager with Toshiba.

This is a common trend when discussing courier costs. Most companies are under the impression that they already have good rates, that they monitor closely and that they are benefiting from negotiated contract rates.

"They've been told they're getting a good price. But if they don't have a benchmark to measure against, how do they know if they are really getting any discount at all? As a result of their courier review, Toshiba now gets benchmark pricing on every service, so they know not just what they should be spending, but exactly what they should be saving."

A key decision point for Remy was that Expense Reduction Analysts was prepared to carry all the risk, meaning Toshiba had absolutely nothing to lose by letting ERA review the situation.

Expanding the scope of the review

Established in Mexico in 1951, Pfizer produces a wide range of consumer healthcare products. Employing 22,000 people in 60 countries and registering turnover of US\$227.55 billion, Pfizer Mexico approached Expense Reduction Analysts in a bid to reduce its business costs.

Expense Reduction Analysts began looking at several categories including courier, telecommunications, insurance and printing expenses. After completing an examination of courier and insurance expenditure, Expense Reduction Analysts was able to make recommendations that would save Pfizer 20%, with further studies in its outgoings still to be completed.

"Expense Reduction Analysts has delivered good results because it put together detailed analysis of our business expenditures which we would never be able to do ourselves in the short-term," says Luisa Barraza, standards end processes manager of Pfizer Mexico. "Their knowledge of operating costs enabled our company to improve business efficiency."



"You guys have done what I have been trying to do for three years, but couldn't - either - didn't have the time or the energy, or the expertise."

Chris Richards, Sr. Vice President, General Manager, Gleason Industries, US

"We already monitor costs closely."

According to Expense Reduction Analysts COO, Ken Hagerstrom, this is something his people in the field hear all the time.



We are dealing with a variety of companies from the medium sized firms that make up the backbone of the economy, right up to big global players.

They have their in-house teams and retained accountants who are focused on costs and profitability. So understandably managers are skeptical that we will be able to find anything extra.

Yet, at the end of the day we have been able to find savings without impacting quality.

So when we are out on site or in the boardroom with clients for the first time, being able to prove the savings we expect to deliver, in any category, encourages companies to decide to work with us.

No fees means no risk.

Your in-house people and accountants are likely to be doing a great job of what they do. But on average, because of our specific expertise in each category, we are able to find that 19.7% extra in the non-core spend says Hagerstrom.

The best thing for our clients is that the benefit of the saving is shared.

We don't charge fees. Instead we split the future benefit of the savings with the client.

So, it works well to have Expense Reduction Analysts working alongside your existing team. We work closely with a number of accounting firms who are happy to bring us in to work with their clients because it drives results for everyone.

It's a powerful mix. The manager at an East Coast Hospital we worked with saved \$100,000 for every hour invested in the project.

Deloitte office costs cut

Expense Reduction Analysts achieved cost savings averaging 20% for global professional services firm Deloitte, after being invited to review expenditure in areas including communications and courier services.

"We took an interest in Expense Reduction Analysts' proposal because despite continued efforts to keep our office costs at reasonable levels, we thought it would be interesting to know whether a fresh and independent perspective might

identify new cost saving opportunities for us", says Raul Rivas, a partner at Deloitte Uruguay.

"Expense Reduction Analysts' proposal carried no financial risks and as the company has been working successfully with Deloitte in other parts of the world, we engaged its services."

Key areas of expenditure were identified for investigation and after conducting a thorough review, savings averaging 20% were achieved without

affecting the quality and efficiency of Deloitte's internal office services.

Deloitte



Couriers and overnight delivery: \$250,000 saved

Janome CFO, Michael McDonagh called in Expense Reduction Analysts to review their annual \$1,000,000 expenditure on overnight delivery.

Janome needed to distribute sewing machines and accessories to over 600 distributors around the country, including the QVC Channel, JCPenney, and a wealth of smaller retailers. On-time delivery, reliability, and delivery area coverage were top priorities in addition to cost savings. In addition, the technology capabilities of the supplier to integrate easily

with the operations of Janome's three warehouse locations was a prime requirement.

After a thorough data analysis, and a trial with a competing carrier, more advantageous contractual terms were negotiated with the incumbent supplier, UPS. An additional benefit for Janome was the implementation of electronic invoicing which eliminated the manual processing of data, and created a wealth of additional shipping information, available electronically to Janome's database for further

analysis and reporting. This has been of benefit as we look at the supplier's performance and assess their compliance with the new contract, said Carol Della Valle, Janome's office manager.

Together, Janome and Expense Reduction Analysts monitored the carrier's shipping performance while Janome enjoyed the 25% savings generated.

Save time and money by leaving the details to Expense Reduction Analysts

ABB called in Expense Reduction Analysts in Brussels to assist in reducing the company's outsourced building maintenance costs and facility services at four of its plants in Belgium, Holland and Luxembourg.

As a leader in power and automation technologies which enable improved performance while lowering environmental impact, Asea Brown Boveri (ABB) operates in close to 100 countries worldwide and employs more than 103,000 people. As the company's priorities shifted, facilities management was no longer a focus.

"Building maintenance was one of the activities we decided to abandon some years ago," explains ABB Benelux chief executive officer Marco Kroon. "Today, our core products include robots, various electrical and

ABB Benelux
ABB Benelux

electronic automation systems and naval turbines. Building maintenance is not part of this anymore." says ABB real estate director Gerald de Leeuw. "We're happy to have used this service which has taken very little involvement on our side."

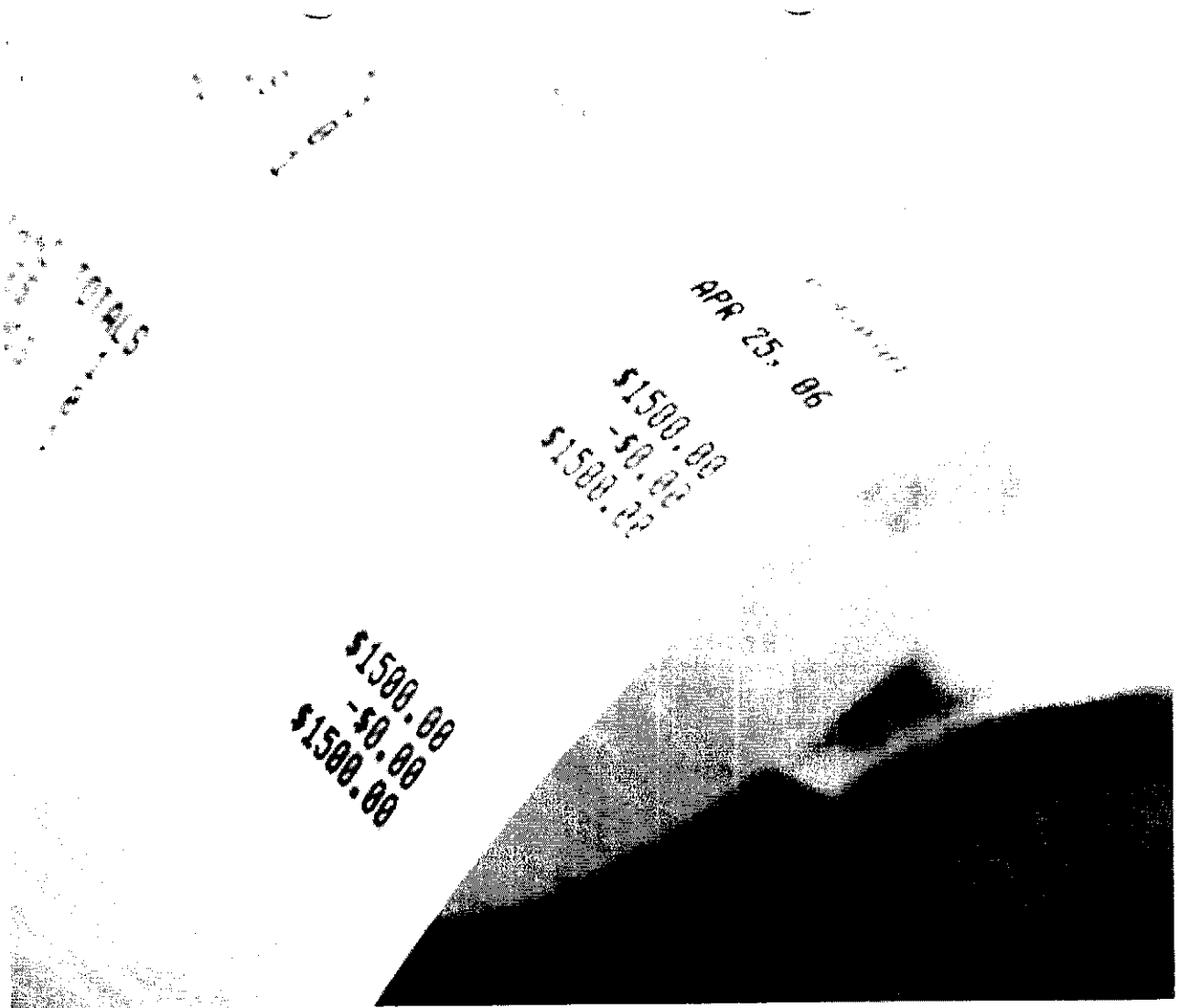
After extensive reviews, Expense Reduction Analysts was able to make recommendations to reduce ABB's maintenance and facilities expenditure.

The incumbent supplier was more focused on providing means rather than results. The benefit of bringing in a temporary outside partner, such as Expense Reduction Analysts is that we can isolate savings opportunities more easily, leaving the client to rightly focus on its core business activity.

"Businesses worldwide, in every industry have one thing in common - savings opportunities in non-core operating expenses."

Whether your spend is \$5,000 or \$500,000, a focus on non-core expense reduction can still help you drive savings. The irony is often that the smaller a business is, the fewer resources it has in place to keep costs under control and the more likely

we can help find significant savings in key cost categories. As a result, Expense Reduction Analysts is as relevant to a smaller business as it is to a FTSE 100 or Fortune Global 500 corporation...



Finding the extra profit. The question for any manager looking at this savings data, is where might you be missing savings opportunities?

While the work of Expense Reduction Analysts is involved and complex, for the companies themselves, unlocking the savings is actually very easy.

Your time investment is low.
Your costs are nil.

Your only decision - where would you like to find that extra profit?

Whatever category you choose to name, we know on average how much you are going to save - and those savings will go straight on the bottom line.

It's all there in black and white.



find extra profit

Argentina Australia Austria Belgium Brazil Canada Chile Columbia Ecuador France
Germany Greece Hungary Jordan Italy Lebanon Luxemburg Mexico Morocco Netherlands
New Zealand Panama Portugal Spain Taiwan United Kingdom United States Uruguay

Contact us
today
to find your
extra profit



**Expense Reduction
Analysts**

www.expensereduction.com



Expense Reduction Analysts

CLIENT AGREEMENT

CLIENT AGREEMENT, effective as of _____, 2008 ("effective date") between _____, located at _____, ("Client") and Expense Reduction Analysts, located at 4733 Torrance Boulevard, #122, Los Angeles, CA, 90503, ("ERA") on the following terms:

ERA agrees that if no savings are identified there will be no fee

1. Engagement.

Client hereby engages ERA to review its expenditures in the category (ies) set forth in Section 17 ("Category"), to report recommendations for Cost Savings (defined in Section 4, below) and, upon Client's acceptance of those recommendations, assist in implementation and afterwards monitor Cost Savings realized.

2. Intention and Scope.

The intention of ERA and Client is to realize Cost Savings in the selected Categories for the business of Client. Both ERA and Client are committed to this outcome and agree to work together to achieve it.

Client agrees to facilitate ERA's review by providing resources necessary to perform its assignment including summary information, source documents and written authorization enabling ERA to communicate directly with suppliers on Client's behalf. Within 3 business days of request by ERA, Client agrees to provide ERA with access to, or copies of, all applicable information reasonably requested by ERA, including but not limited to, all relevant bills, supply contracts and agreements.

For avoidance of doubt, Client agrees the Category is not being reviewed currently by Client or any other party and that Client will not itself, or through an affiliate or any third party, perform work substantially similar to the services that ERA is engaged to perform pursuant to this Agreement.

3. The Process.

ERA will analyze Client's expenditures in each Category, document expense levels, confirm Client's prices currently in effect (the "Baseline Prices"), and endeavor to identify Cost Savings opportunities for Client. ERA will provide the Client, at no cost, with a Baseline Report, establishing the Baseline Cost.

ERA will present a written report to Client setting forth ERA recommendations to achieve Cost Savings (the "Recommendation Report"). Client agrees to consider and accept and implement each recommendation to achieve Cost Savings, no later than 14 days from the date of receipt of the Report. ERA will assist Client in the implementation process.

During the twenty-four (24) month period following Client's acceptance of the Report and implementation of ERA's recommendations (the "Monitoring Period") ERA will monitor Client's usage and periodically report Cost Savings realized to Client. During the Monitoring Period, Client shall within 24 hours of a request from ERA, provide access to, or copies of, all applicable information reasonably requested by ERA, including but not limited to, all relevant bills, supply contracts and agreements. For each Category, the Monitoring Period shall begin upon the effective date of revised pricing implemented due to ERA's efforts hereunder.

In addition ERA will identify and report to Client any overpayment to or overcharge by supplier(s) for which Client may claim a refund or credit ("Overpayments").

4. Calculation and Payment of Fees.

i) Savings Fee
Client agrees to pay ERA fifty per cent (50%) of the Cost Savings realized during the Monitoring Period for each Category, regardless of the source of Cost Savings.

"Cost Savings" is defined for each Category as the difference between the Baseline Prices and prices Client receives as a result of ERA's services hereunder, multiplied by the quantities purchased during the Monitoring

Period. Cost Savings realized will also include any signing bonuses received by Client resulting from implementation of ERA's recommendations.

On acceptance of ERA's recommendation, ERA shall invoice Client for a deposit ("Report Fee") equivalent to ten per cent (10%) of the total Cost Savings estimated to be realized during the Monitoring Period. Upon implementation, ERA will invoice fees of a further 10% of the total savings anticipated during the Monitoring Period ("Implementation Fee"). A credit for the Report Fee and the Implementation Fee will be apportioned across the periodic invoices such that ERA's total fee will not exceed 50% of the actual savings achieved during the Savings Period.

ii) Overpayment Fee

In the event ERA identifies any Overpayments, Client agrees to promptly pay ERA fifty per cent (50%) of the value of any refund, credit or other consideration due to Client as a result of ERA's identification of such Overpayments.

ERA invoices are due and payable within seven days of delivery to Client. Interest shall be paid on all overdue amounts at the highest annual percentage rate permitted by law. Such interest shall accrue from the due date of payment until payment is made.

5. Application of Recommendations.

If, at any time during the Monitoring Period or for a period of 18 months thereafter, ERA recommendations are (i) implemented by Client or (ii) used as the basis for implementing similar cost savings, elsewhere within Client's organization including but not limited to affiliates, subsidiaries, divisions, business units, franchises or branches, then Client agrees to pay ERA 50% of all cost savings as may be generated elsewhere within Client's organization for a period of 24 months following any implementation of recommendations based on services provided by ERA hereunder. Client shall promptly notify ERA of any such implementation of cost savings.

6. Confidentiality.

ERA and Client will treat as confidential all information directly or indirectly disclosed to or made known to the other party and neither party will use or disclose or authorize the use or disclosure of the information obtained to any other person, company or entity without prior consent in writing of the other party. Confidential information shall not include information otherwise known to the receiving party or information generally available to the public or in the public domain.

7. ERA Not a Supplier/Independent Contractor.

Client acknowledges that ERA is not a supplier (and receives no remuneration of any kind from any supplier) and does not represent, warrant or guarantee the quality of any service or product supplied to Client. Client undertakes to verify the suitability of recommended suppliers prior to implementing ERA recommendations.

At all times during the term of this Agreement and any renewals hereof, the parties shall be considered independent contractors, and neither the making of this Agreement nor the performance of any of the provisions hereof shall be construed to make either party an agent, employee or legal representative of the other, nor shall this Agreement be deemed to establish a joint venture or partnership.

8. Term. This Agreement shall be effective from the date hereof until the later of (a) completion of the Monitoring Period(s); or (b) payment by Client of all fees due and owing hereunder. This Agreement may be renewed or extended by written agreement of the parties.

9. Termination. If either party to this Agreement fails to abide by any of the terms of this Agreement, the other party shall have the right to terminate this Agreement upon ten (10) days' written notice to the defaulting party specifying the default; provided, however, if said defaulting party cures the default within the ten (10) day period this Agreement shall continue in full force and effect.

10. Indemnification. Client shall defend, indemnify and hold ERA and its employees, directors, officers, affiliates and agents harmless from and against any and all claims, losses, damages, liabilities, judgments, awards and costs whatsoever, including reasonable attorneys' fees and court costs, and including without limitation bodily injury, death or property damages arising out of or resulting from (i) any act or omission to act which is the responsibility of Client or Client's employees, directors, officers, agents or subcontractors or any persons connected with Client under this Agreement; or (ii) any breach by Client of Client's representations, warranties or obligations hereunder.

11. Acknowledgement.
(a) Client acknowledges that time is of the essence in the performance of this Agreement, and that the prompt supply of information by Client is necessary for ERA to deliver the services contemplated hereunder.
(b) In the event that this Agreement is terminated pursuant to Section 9, ERA reserves the right to charge and Client agrees to pay ERA, at ERA's standard per diem rate, for work performed hereunder from the effective date to the date of termination.

12. Entire agreement.
This agreement constitutes the entire agreement between ERA and Client. No modification or alteration of any clause shall be valid unless in writing and signed by each party.

17. Categories Indicate categories for ERA review.....

- | | | |
|--|---|---|
| <input type="checkbox"/> Small Package Freight (Courier) | <input type="checkbox"/> Janitorial Contracts & Consumables | <input type="checkbox"/> Temporary Labor |
| <input type="checkbox"/> Merchant Card Fees | <input type="checkbox"/> Manufacturing Consumables | <input type="checkbox"/> Travel |
| <input type="checkbox"/> Equipment Maintenance | <input type="checkbox"/> Freight | <input type="checkbox"/> Uniforms Rental & Laundering |
| <input type="checkbox"/> Payroll Processing | <input type="checkbox"/> Office Consumables | <input type="checkbox"/> Vehicle & Equipment Leasing |
| <input type="checkbox"/> Document Storage and Disposal | <input type="checkbox"/> Packaging | <input type="checkbox"/> Waste Management |
| <input type="checkbox"/> Printing, Photocopying | | <input type="checkbox"/> Shipping Consumables |

Other categories or special conditions:

Other expense categories may be added from time to time by the agreement of the parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives effective as of the day and year first above written.

CLIENT: _____

By: _____
Title: _____
Date: _____

13. Governing Law.

This agreement shall be governed and construed in accordance with the laws of the City of Mandaluyong, Philippines.

14. Severance.

If a court of competent jurisdiction determines that any portion of this Agreement is unenforceable, then that portion shall be considered to be removed from this Agreement and it shall not affect the enforceability of the remainder of this Agreement.

15. Counterparts.

This Agreement may be executed in two or more counterparts (and by facsimile), each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

16. Notices.

Any notice given to a party under or in connection with this Agreement shall be in writing and shall be (i) personally delivered or deposited in the addresses below, mail, postage prepaid, by certified mail with return receipt requested, (ii) sent by facsimile transmission (confirmed receipt) or (iii) personally delivered by a reputable courier service, to the party at the address set forth below for such party:

To ERA: Expense Reduction Analysts, Inc.
4733 Torrance Boulevard, #122
Torrance, CA 90503
Attn: Marylou Garcia
Telephone No: 310 791-5570
Facsimile No: 310 370-6399

To CLIENT:

Attn:
Telephone No.:
Facsimile No.:

Client Agreement General Insurance Expense

Expense Reduction Analysts

Client
Address
Contact

Zip Code
Position

The Client hereby engages Expense Reduction Analysts Insurance, Inc. ("ERAI"), to the exclusion of all others, to analyze its General Insurance Expense, for the purpose of identifying Savings and implementing proposals in order to generate the Savings, improvements in cover, service and other benefits (the "Services").

ERAI undertakes to:

- 1. Treat all Client information in strict confidence if not already in the public domain.
2. Keep the Client regularly informed of progress, as required.
3. Be respectful of the relationship between the Client and existing insurance intermediary, and include intermediary in the process, unless instructed otherwise.
4. Accept no fees or other consideration from intermediaries (brokers or agents) or insurers, and in no way act as an agent or broker for insurers with respect to this Agreement while this Agreement is in force.
5. Consult with the Client in order to determine its needs and requirements.
6. Provide the Client, at no cost, with the Baseline Report, detailing its current insurance program, establishing the Baseline Cost (defined below) and suggesting Strategies going forward, providing that ERAI has received all the information necessary for such Report.
7. Prepare for the Client the Options Evaluation Report detailing the insurer alternatives if Client requests exclusive consultation with the incumbent or a preferred intermediary, or the "Request For Proposal" (RFP) Evaluation Report if participation includes more than one intermediary, identifying appropriate coverage improvement and cost reduction options consistent with the needs and requirements of the Client, provided that ERAI has received all the information necessary for such Report.
8. Assist the Client, so far as the Client permits or requests, with subsequent implementation.
9. Negotiate Second Year Renewal to maintain or improve First Year Savings, if possible.
10. Monitor intermediary and insurer performance for a period of 24 months following implementation (Savings Period) and annually provide the Client with details of accrued Savings.
11. Provide the Client with professional and ethical service.

Client undertakes to:

- 1. Treat all information provided by ERAI, or any intermediary invited to bid, in strict confidence if not already in the public domain.
2. Provide ERAI with access to, or copies of, all relevant invoices, renewal reports including loss runs (claims history), reports from the incumbent intermediary for all Client situations for the current and immediately preceding insurance period and for the Savings Period, and make its best effort to ensure the co-operation of its incumbent intermediary in the provision of information to ERAI.
3. If Savings of ten percent (10%) or more is demonstrated in the Baseline Report by the ERAI benchmarking process, the Client has the obligation to proceed with one of the recommended Strategies of either the RFP bid process or exclusive consultation with the incumbent or a preferred intermediary, or pay to ERAI \$25,000 or other amount agreed in writing, for the review work completed to that stage.
4. Commence implementation of the accepted Savings initiatives at the next renewal date.
5. Share on a 50:50 basis with ERAI the Client's total Savings, being (i) all Savings (defined below) achieved during the Savings Period, (ii) all other Savings achieved anywhere within the Client's organization during the Savings Period, regardless of the source of such Savings (even if the source is the incumbent intermediary), and including all credits or refunds obtained from prior transactions, such as Dividend Plans.
6. Provide access to all records required to calculate Savings, and all other sums referred to in the foregoing paragraph, for the full term of the Agreement.
7. Acknowledge that the General Insurance renewal process is under cost reduction analysis by ERAI alone for the next 24 months, and that all Savings, regardless of the source even if that source is the incumbent intermediary, will be eligible for the same share of Savings entitlement.
8. Acknowledge and agree that in consideration for ERAI's reliance on the exclusivity of this agreement, ERAI will commence work for the benefit of Client and, accordingly, for the term of this Agreement and, for a period of one year thereafter Client shall not seek the Services from any other entity and shall not use information provided by ERAI to achieve Savings without compensating ERAI as set out below.

Calculating and Sharing Savings

Savings are the difference between (i) the Baseline Cost and (ii) the Client's insurance expenditure resulting directly or indirectly from ERAI's activity under the Agreement. "Baseline Cost" is the Client's total insurance expenditure for the current insurance period, adjusted for increases or decreases in value: deductibles, unusual claims and other relevant risk factors such as increases or decreases in payroll and revenues, unless otherwise agreed.

Market changes are excluded unless specifically agreed in writing, in which case the Baseline Cost will be adjusted for the increase or decrease determined or estimated by the RIMS Benchmark Survey for the applicable quarter, if relevant to your Company and Industry Sector.

If any part of the increase in the Second Year Premium is caused by an unusual adverse claims experience in the First Year in comparison to the current insurance period, it will be assumed the same percentage increase would have occurred under the pre-existing supply arrangement and the Baseline Cost will be increased accordingly to reflect the unusual occurrence.

ERAI's Fee will be invoiced in two stages. The First Year Fee (50% of the first 12 months' Total Savings) will be invoiced on the implementation (renewal) of new Policies. The Second Year Fee, (50% of the second 12 months' Total Savings, if any) will be invoiced on the first anniversary date after implementation of the new Policies. ERAI's total fee will not exceed 50% of the actual Savings achieved during EACH year of the Savings Period. For example, the current total annual insurance cost and agreed Baseline Cost is \$100,000. The First Year's total annual insurance cost achieved by ERAI is \$80,000 and the Second Year total annual insurance cost achieved by ERAI is \$70,000, the ERAI's fee for the First Year is \$10,000 (50% of the First Year's \$20,000 Total Savings) and for the Second Year is \$15,000 (50% of the Second Year's \$30,000 Total Savings).

Should the Client wish to continue to use the services of ERAI for Year Three and subsequent years, the annual fee will be mutually agreed upon.

ERAI facilitates Savings through a variety of cost management strategies, Request for Proposal (RFP), conceptual RFP and other processes, including exclusive consultation with the Client's preferred intermediary. The Client selects the intermediary from options identified by ERAI. The Client verifies the suitability of the intermediary prior to implementing any agreed Savings options. ERAI cannot warrant or guarantee the quality of the service or policies from any intermediary or insurer. It is hereby acknowledged that ERAI provides only factual advice and does not provide financial product advice. ERAI invoices are payable within seven days. Any charges incurred as the result of the recovery of accounts outstanding in excess of 90 days will be payable by the Client.

The Client acknowledges its understanding that the ERAI Process often results in insurance cost Savings and program improvements being achieved from the incumbent intermediary and/or insurers, and that such Savings and improvements are included in Total Savings in this Agreement.

Client
Date

Expense Reduction Analysts
Date