EQUATERRA

State of West Virginia

Proposal for ERP Consulting and Project Management Services
EOI Number: FAR106065

January 6, 2010

EquaTerra
700 Twelfth Street, NW
Suite 700
Washington, DC 20005

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1. Cover Letter

January 6, 2010

Ms. Krista Ferrell
Department of Administration
Purchasing Division
Building 15
2019 Washington Street, East
Charleston, WV 25305-0130

EOI Number: FAR106065

Dear Ms. Ferrell:

We are pleased to present EquaTerra's proposal to provide ERP consulting and project management services to the State of West Virginia.

EquaTerra is the market leader for complex information technology (IT) and business process-related advisory services. As such, we not only know enterprise applications, we also know the business processes they are designed to support.

During the past year, we have worked with a number of clients on their enterprise applications-related initiatives, including Florida's Broward County, the Commonwealth of Pennsylvania, the US Department of Energy, State of Florida, Conseco, Illinois Tool Works, Celanese, US Air Force and Los Angeles Unified School District.

The majority of EquaTerra's advisors have a "trifecta" of experience. In addition to being consultants on large-scale IT transformation projects, they have led them as organizational CIOs, having selected, implemented and managed Enterprise Resource Planning (ERP) applications during their careers. Many of them have also been either providers of IT services or vendors of technology products as well.

For purposes of this engagement, EquaTerra will be teaming with Sierra Systems. Sierra Systems is a leading professional services firm that specializes in providing business consulting, systems integration, outsourcing, implementation, and management consulting services largely to public sector organizations. Dating back to 1990, Sierra was one of the first ERP implementation partners certified by software vendors to perform system implementations. Having implemented, upgraded and supported over 300 ERP customers, Sierra has the track record of delivering on time, on budget and as expected.

Hereinafter EquaTerra and Sierra Systems will be referred to as the "EquaTerra Team."

In support of this critical project, the EquaTerra Team fully expects that we would be assisting the State with its needs assessment and planning; preparation of the ERP system solicitation document, proposal and system evaluations; ERP system contract negotiations; system acquisition, configuration, installation and data conversion; and potential project advisory, quality assurance and management oversight for the upcoming ERP project. Not only are we confident that we can expertly provide the requested support, we also truly believe we will exceed your expectations because:

- We are a superbly qualified team: EquaTerra and Sierra Systems have worked successfully together as a team before. The firms are working successfully together in the State of Texas for its Department of Information Resources.

» We have first-hand knowledge of software products and systems integrators. Not only do EquaTerra and Sierra Systems provide ERP assurance advisory services to commercial and public sector organizations, Sierra Systems also has successfully implemented them.

» Our advisors are real, full-time employees, not contractors. As opposed to some of our competitors – who prefer to work with contractors and retain their services on a 1099 basis – both EquaTerra and Sierra Systems' advisors are full-time employees.

» We are long-standing viable companies that stand behind our work products. Both EquaTerra and Sierra Systems have been in business for years. Founded in 2003, EquaTerra today is 300+ advisors strong and approximately $100M in 2009 annual revenues. Sierra Systems was founded in 1966, has 1000 advisors and $200M in revenues in 2009.

» We have satisfied customers. As opposed to some of our competitors – whose projects have not gone well and caused financial and public relations issues for their clients – both EquaTerra and Sierra Systems' clients are 100 percent reference-able.

» We have deep expertise in the functional areas that enterprise applications support. EquaTerra and Sierra Systems, together, come with unparalleled understanding and appreciation of the technology that supports business support functions such as finance, human resources, procurement and facilities management. Not only do they know enterprise resource planning (ERP) applications, they also have an in-depth knowledge of the functions they support.

» We work with state and local governments. Both EquaTerra and Sierra Systems have served as advisors to state and local governments before. EquaTerra, in the past year, has worked with the Commonwealth of Pennsylvania, Commonwealth of Virginia, and the States of Florida and Wisconsin, among other public sector organizations. Sierra Systems' advisors have assisted such state-level governments the States of Washington, Texas, and Louisiana, and the Province of British Columbia.

For these reasons, we believe that the EquaTerra Team is the State's best choice among consulting firms to provide the services and assistance it seeks. We hope you agree and provide us with the opportunity to support you in this important initiative.

Sincerely,

Glenn K. Davidson
Managing Director, Public Sector
700 Twelfth Street, NW, Suite 700
Washington, DC 20005
202.904.2311 (Office Phone)

2. General

a. Form of Business and Designated Contact Information

Describe the form of business (i.e. individual, sole proprietor, corporation, non-profit corporation; partnership, Limited Liability Company) and detail the name, mailing address, telephone number and e-mail address of the contact person representing the firm and who will be the designated contact person.

EquaTerra, Inc. is a corporation and was incorporated in March of 2003 in the State of Delaware.

The primary contact person representing the EquaTerra Team is Glenn Davidson, Managing Director of our Public Sector Practice. His contact information is as follows:

700 Twelfth Street, NW, Suite 700
Washington, DC 20005
Phone: 202-904-2311
glenn.davidson@equaterra.com

b. History of Company Mergers, Acquisitions, or Sales

Provide a statement of whether there have been any mergers, acquisitions, or sales of the company within the last ten (10) years. If so, include an explanation/information providing relevant details.

EquaTerra, Inc. is the parent company and is privately held. EquaTerra, Inc. has not been sold, acquired or merged with another company within the last 10 years. Since our inception in 2003, EquaTerra has grown our advisory practice both organically and through various acquisitions in order to expand our services and offer our clients talented advisors in specific functions, expertise, and industries. Our growth has had a positive effect on our services. We excel at meeting the needs of multiple clients at the same time with resources that can travel globally and be available as either fully-dedicated resources or on an as-needed basis. EquaTerra is not currently in the process of merging or acquiring other firms and does not foresee any activity that would impact this engagement. Prior acquisitions and the value they provide to our clients include:

- Morgan Chambers – EquaTerra acquired Morgan Chambers in 2007. Morgan Chambers is Europe's leading specialist sourcing advisory firm as ranked by the Black Book of Outsourcing in 2007 with knowledge and services across all business support functions, including Information Technology (IT), Human Resources (HR), Finance & Accounting (F&A), Procurement and Customer Care. The combined firms have additional expertise in sector-specific processes such as claims management, mortgage processing and policy administration.

- World 50 – EquaTerra acquired World 50 in 2007. World 50 is a leadership network which brings together the world's most influential C-level executives for strategic collaboration. Launched in 2004, the firm's first network, "Marketing 50," created an exclusive club for Chief Marketing Officers from the most valuable corporations in the world, including P&G, Nike, Coca-Cola, GM, Starbucks, GE, British Petroleum and many others. In 2005, World 50 successfully launched similar exclusive clubs for Global 1000 Chief Human Resource Officers and Presidents/COOs. The firm now plays a lead role in facilitating connections between the world's most influential leaders in business, government, entertainment and social arenas.

- Avanti Advisory, LLC. – EquaTerra acquired Avanti in 2006. Avanti is an outsourcing advisory firm founded in 2001 by Peter Iannone, past president of TPI. The acquisition added a team of senior executive-level IT outsourcing (ITO) advisors to EquaTerra's already robust ITO practice.

Avanti has advised clients in the U.S., Canada, Europe and Asia-Pacific with outsourcing transactions totaling more than $20 billion.

» InSource Partners Corp. - EquaTerra acquired InSource Partners in 2005. Insource Partners is an IT infrastructure consulting firm. The acquisition enabled EquaTerra to provide its clients with more information technology expertise, robust assessment tools and methodologies.

» Relationship Management Solutions – EquaTerra acquired RMS in 2003. The acquisition enhanced EquaTerra's intellectual property and advisor base in outsourcing relationships and governance.

c. Details Regarding Any Pending Litigation

Provide a statement of whether there is any pending litigation against the firm and status of claims.

EquaTerra, Inc. is currently the defendant in a lawsuit in Texas regarding claims stemming from the hiring of individuals previously employed by a competitor. The specific details of this litigation are as follows:

Case Name: Information Services Group, et al. v. EquaTerra, Inc. and Tony Rawlinson
Case ID: Cause No. 2008-44979, in the 61st Judicial District of Harris County, Texas
Project Involved (if any): None
Current Status: EquaTerra has been successful in two interim judgments that have been in our favor and we anticipate no real dollar impact except for costs.

d. Statement Regarding Any Bankruptcy or Insolvency Proceedings

Provide a statement of whether the firm has filed (or had filed against it) any bankruptcy or insolvency proceedings, whether voluntary or involuntary, or undergone the appointment of a receiver, trustee, or assignee for the benefit of creditors during the last ten (10) year period including the current status.

EquaTerra, Inc. has never filed (or had filed against it) any bankruptcy or insolvency proceedings.

e. EquaTerra's Understanding of the State's Requirements

Provide a narrative that illustrates the firm's understanding of the State's requirements.

Purpose of the EOI

It is our understanding that the State of West Virginia is seeking a firm that can assist it with its needs assessment and planning; preparation of the Enterprise Resource Planning (ERP) system solicitation document; proposal and system evaluations; ERP system contract negotiations; system acquisition, configuration, installation and data conversion; and potential project advisory, quality assurance and management oversight for the upcoming ERP project.

It is our understanding that the needs assessment will yield a list of detailed requirements and selection criteria that would be used develop an RFP and assist in the selection and contract negotiations for an ERP solution. The resulting selection would be implemented to meet the requirements of both the Finance and Human Resources departments, but would need to be flexible enough to encompass other functions, modules and features in the future.

Only Independent Advisors Requested

It is also our understanding that only vendor neutral organizations should respond to this EOI and should have no financial interests with any software vendors, third-party organizations, or resellers providing ERP system software, which can typically be identified by requesting the partner list from any software service provider.

We understand that should we be selected to provide these services, we will be precluded from performing any subsequent work related to system implementation services. However, if we are selected, we would not be precluded from providing independent advisory services, utilizing our experience with ERP and our working knowledge of the State of West Virginia from our experience performing this needs analysis and writing the RFP. We also understand that if we are not selected that we are not precluded from performing systems implementation services; however, EquaTerra is fully independent of all ERP providers and does not perform systems integration services, only advisory services.

f. EquaTerra's Concepts and Approach for the Consulting Engineering Requirements

Provide a narrative that explains and illustrates the firm's concepts for this project as references in section 3.5.

Enterprise Systems Methodology

We believe that best practice services provided by EquaTerra are successful because we employ a standard approach to implement change. The methodology is sequential (each phase, stage and task is designed to develop deliverables, building upon all previous tasks and must be completed in order to ensure success. The following section provides:

- A full discussion of our methodology for this project;
- A description for each stage, which is broken down into steps and tasks;
- Key tasks and deliverables;
- Key success factors, and
- Example deliverables.

Our methodology emphasizes the integration and delivery of Change Management and Training services into the service model. In our experience, this has proven to be very effective; since we would bear the responsibility to assure that the project is implemented on-time and under budget, it makes good sense for EquaTerra to be responsible for the transformation from the current state environment to the new ERP system environment; this is most effectively accomplished through expert Change Management and Training.

ERP Advisory and Implementation Methodology

1. Strategy	2. Solution	3. Implementation	4. Optimization
1. Prepare and Define 2. Assess current delivery 3. Define future delivery options	1. Preparation for Sourcing 2. Conduct Sourcing Transaction 3. Negotiate and Contract for Implementation	1. Prepare for Implementation 2. Build Solution 3. Test Solution 4. Solution Education and Transition	1. Measure, Analyze, Improve and Monitor

Phase 1: Strategy

The first phase in the methodology is designed for comprehensive assessment of the current situation to allow for a complete understanding of issues and risks that are driving the inefficiencies and/or relationship challenges.

Stage 1.1: Prepare and Define

The first stage focuses on finalizing the Statement of Work, ensuring the work plan and the deliverables proposed, along with the billing and payment terms are incorporated into the contract for services. Additional tasks include logistics setup and data collection.

Step 1.1.1: Finalize Statement of Work

The first step required is to finalize the terms and conditions for the contract and the technical statement of work. This step allows both parties to place all assumptions on the table, along with what was proposed and finalize what will be provided, along with the associated contractual and payment terms.

Task 1.1.1.1: Negotiate Terms and Conditions

The negotiation of terms and conditions can range in difficulty depending upon the standard terms and conditions. This task focuses on leveling any expectations with regard to these terms and conditions to provide mutually agreeable contract terms for services provided.

Task 1.1.1.2: Negotiate Statement of Work (SOW)

The negotiation of the statement of work provides a forum for question and answer related to the services and deliverables being proposed. This allows both parties to ensure that the technical expectation of services is clearly defined and that billing and payment terms are tied to the expected results.

Task 1.1.1.3: Sign Contract and Appended SOW

At the conclusion of negotiation, the contract will be reviewed by both parties for legal and technical accuracy and then signed, signaling the beginning of the project.

Tasks and Deliverables

Tasks	Deliverables
Task 1.1.1.1: Negotiate Terms and Conditions	» Approved Contract Terms and Conditions
Task 1.1.1.2: Negotiate Statement of Work (SOW)	» Approved Statement of Work
Task 1.1.1.3: Sign Contract and Appended SOW	» Final Contract with Appended SOW

Step 1.1.2: Launch Project

The next step of the project is to establish logistical needs. These include meeting locations, meeting schedules, and equipment needs. While logistics are begin arranged and schedules are being defined, the project team will also be collected data required for the Strategy Phase.

Task 1.1.2.1: Logistical Preparation

When the project begins, project logistics must be arranged. This begins by determining the stakeholders who will be involved and at what frequency they will be interviewed or attend facilitated discussions for analysis. Once this is determined a schedule of interviews and facilitated sessions is created and approved, which is subsequently used to coordinate analysis through stakeholder discussion and data collection. In addition to stakeholders, meetings rooms and meeting equipment needs are defined in this task.

Task 1.1.2.2: Data Collection

As logistics are being finalized, the project team will begin developing data surveys and data collection. This will include existing documentation, such as contracts, communications, service level agreements, data scorecards, budgetary data and personnel data.

Tasks and Deliverables

Tasks	Deliverables
Task 1.1.2.1: Logistical Preparation	» Project Logistics Plan, to include meeting rooms, meeting schedules and project stakeholders
Task 1.1.2.2: Data Collection	» Data required for analysis provided to EquaTerra

Stage 1.2: Assess Current Delivery

Once data collection concludes, the analysis of current delivery begins. The analysis will result in an understanding of costs associated to the current solution and to derive the current process inefficiencies. These inefficiencies are identified through a combination of benchmarking, cost driver assessment and stakeholder interviews. Once identified, the process is diagramed and ERP requirements are applied that provide the best fit and level of maturity to support organizational capabilities to change. These requirements are documented for valuation for any competitive procurement to follow analysis.

Step 1.2.1: Analyze, quantify the cost of, and benchmark current business solution

The first step in the methodology is designed to perform comprehensive activity-based cost analysis on all stakeholders to determine the costs of current business solution. The analysis is conducted through facilitated discussions, surveys, one on one interviews, and queries for data from existing systems. Once the analysis begins additional tasks are completed in this step, including the review of the existing contract, definition of a desired deployment strategy for change, identification of additional performance measures, and additional software and hardware needs.

Task 1.2.1.1: Analyze/Quantify the Cost of Current Business Solution

It is critical at the outset of any common management system transformation to understand how business processes are conducted in the current environment and how much each process costs. This can only be accomplished using activity-based costing. The process begins with collecting the budget and employee salary data from each department. This data is used to spread the costs across the processes of the departments through facilitated discussions, led by EquaTerra. Each department will be reviewed and the results will be a list of processes performed by each department and the associated cost of those processes.

Once we understand the cost of current processes we begin the process of identifying inefficiencies. Typical inefficiencies include: lack of automation, manual activity, and personnel skill/assignment issues. This task will provide a baseline for calculating the costs of inefficiencies identified and provide the ability to compare processes, both internally and externally. These sessions will also provide insight into organizational transition (change management) risks that must be managed and mitigated to ensure project success. Many organizations do not value the analysis of current state activities and allow ERP Software and Integration Providers to sell them on ERP systems providing best or leading practices. EquaTerra does not believe this to be true, as one size does not fit all. Without this analysis, training end users to migrate from the current environment to the new ERP system is impossible.

Task 1.2.1.2: Define Deployment Strategy

The deployment strategy defines the phases, stages and associated timeline required to implement all desired improvements. Once the facilitated sessions are completed, the deployment strategy is drafted to depict application change or consolidation. This will be provided at a high level during this project, depicting potential changes in applications and the typical deployment time frames to conduct those changes.

Task 1.2.1.3: Define Recommended Software/Hardware Needs

A critical part of the analysis process is to identify the software and hardware needs associated with potential change. Software changes to include upgrades, new versions, add-on software, and customization to existing software, all of which may impact hardware, have likely been discussed. This analysis will determine those needs.

Key Success Factor

Without taking an activity based cost analysis approach, comparison data cannot be used effectively, because the unit cost values cannot be identified for comparison purposes. Only the EquaTerra team brings an activity cost analysis tool set that has been used to collect similar data.

Tasks and Deliverables

Tasks	Deliverables
Task 1.2.1.1: Analyze/Quantify the Cost of Current Business Processes	» Analysis that will be incorporated into the Activity Based Cost Analysis Report
Task 1.2.1.2: Define Deployment Strategy	» Deployment Strategy
Task 1.2.1.3: Define Recommended Software/Hardware Needs	» Recommended Software/Hardware Needs

Example Deliverable – Sample Activity-Based Cost Analysis Output

Activity Name	Unit of Measure	Quantity	Total Cost	Unit Cost
General and Administrative			*$1,170,376*	
General and Administrative Time	# of finance employees	50	$737,386	$14,747
Support Customer Inquiries and Requests	# customer requests	145,000	$432,990	$2.99
Financial Accounting			*$593,093*	
Prepare Journal Entries for the G/L	# periods	13	$115,498	$8,884
Determine Funding Requirements for Pay & Taxes	# employees	4,350	$40,158	$9.23
File Sales and Use Tax	# tax fillings	105	$6,186	$58.92
Perform Reconciliations	# reconciliations	2,400	$257,033	$107.10

Step 1.2.2: Identify and quantify the cost of process, system and personnel inefficiencies
The second step in the methodology is designed to utilize the comprehensive activity-based cost analysis conducted on all departments in Step 1 to determine the costs of current inefficiencies. The analysis is conducted through the same facilitated discussions and cost driver surveys. Once these inefficiencies are identified and the associated costs are understood, the process of defining the associated list of requirements, that will remove the inefficiencies, begins.

Task 1.2.2.1: Identify/Quantify the Cost of Inefficiencies
The next step in successfully changing is assessing the impact of inefficiencies, created by current processes, organizational alignment and version/instances of ERP software. Inefficiencies are typically created by a lack of automation, poor automation, manual activities, poor personnel assignments and personnel skill deficits. There are all types of cost drivers that can cause inefficiencies, all of which are reviewed and documented, along with their total impact to current processes. These inefficiencies will also begin to demonstrate the organizational readiness risks that must be managed and mitigated to ensure a successful transition to an improved common business management solution. These inefficiencies are allocated costs depending upon their individual impact to the organization. This can only be done through activity-based cost analysis. Therefore, the need for this level of analysis is substantiated to quantify the costs of inefficiencies and the ability to map solution requirement directly to inefficiencies to provide a quantitative return on investment model for change.

Task 1.2.2.2: Define Solution Requirements
The next task focuses on beginning to remove these inefficiency costs by identifying requirements for the new solution. These requirements, once met by the new solution, will create value that will provide a return on investment. These requirements are known in general and have a level of maturity that range from completely manual to completely automated. The standard list of known requirements can be discussed and planned for the cost to implement, but without activity-based cost analysis, these requirements cannot be accurately mapped to replace existing inefficiencies.

Key Success Factor

Identification of the cost of process inefficiency is possible in any type of analysis. However, having the ability to trace these inefficiency costs back to the budget, once they have been aligned to requirements that will remove the inefficiency, is only possible using activity-based cost analysis. Only the EquaTerra team brings an activity cost analysis tool set that has proven effective to accomplish this difficult task.

EQUATERRA KEY TASKS AND DELIVERABLES

Tasks	Deliverables
Task 1.2.2.2: Identify/Quantify the Cost of	» Activity-Based Cost Analysis Report

Inefficiencies	
Task 1.2.2.3: Define Solution Requirements	

Example Deliverable– Sample Inefficiency Breakdown and Requirements Alignment

Activity / Cost Driver Hits	Adjusted Based on Analysis	Impact and Mitigation
Manage Position Control B: Resources =25% C: Training = 25% F: Technology = 50% G: Standards/Procedures = 25% I: Accountability = 50%	B: = 15% C: = 25% F: = 25% G: = 15% I: = 35%	• Heavy technology and accountability issues push the focus to developing performance metrics as a part of the technical design. • Development of a full coverage and lasting training program, performance metrics and a set of best-practice standards and procedures will help address the Resources and Accountability shortfalls.
Advertise Positions C: Training = 25% F: Technology = 50% G: Standards/Procedures = 25% I: Accountability = 50%	C: = 25% F: = 25% G: = 15% I: = 35%	• Same as above without the Resource issue.
Applicant Tracking A: Funding =25% B: Resources =25% C: Training = 25% F: Technology = 75% G: Standards/Procedures = 25% I: Accountability = 50%	A: = 15% B: = 15% C: = 25% F: = 50% G: = 15% I: = 35%	• Extreme Technology shortfalls recorded by the department. • Heavy Accountability issues. • Moderate Funding, Resource, Training and Standards shortfalls.

Stage 1.3: Define Future Delivery Options

Once the analysis stage is concluded, the assessment of future delivery options begins. This stage focuses on definition of the desired future solution. In this stage, the ERP requirements are valued and prepared to be used for procurement of an ERP solution. In parallel, the business case is established by defining the total cost to own the solution as compared to the solution's total return on investment. Other tasks include initial planning of project governance, project staffing, change management approach, and the project's training approach.

Step 1.3.1: Define the Desired Future Solution

This step is designed to utilize the analysis performed in Stage 2 to define the desired future solution. Once activity-based cost analysis has been conducted, requirements have been assigned a value based on their impact to the inefficiency, the value that can be achieved by removing inefficiencies and the importance of the requirement to the process. This weighting factor will then be used to define the value of the requirement. Once requirement value is understood and the path is traced back to the department budget to ensure the value can be achieved, the Total Cost of Ownership Model is initially drafted. This model will contain every cost component of the ERP implementation. The model will be supported by a defined governance model, project organization, appropriately skilled/available resources, a strategic change management approach and a comprehensive training approach.

Task 1.3.1.1: Solution Requirements Alignment

With a focus on removing inefficiencies in the current solution, this alignment will begin to identify the value of the change proposed. Solution requirements will include software, hardware, process, internal staff and vendor skill requirements and responsibilities. A holistic set of ERP requirements can be as large as 5000 individual requirements. The value of alignment is the ability to quantify a vendor's capability to meet requirements by weighting the requirements based on the cost of their associated process inefficiency being replaced. These weighting factors will be used to determine the value of each requirement. Because the Deployment Strategy will be complete at this juncture of the project, the requirements will also be aligned to each phase of the project. This task can only be conducted in the add-on project proposed.

Task 1.3.1.2: Define the Value of the ERP Requirements (Return on Investment (ROI))
Once the requirements are documented and mapped to the current environment, EquaTerra will calculate the value of each requirement, based on its weighting factor. This will determine the value of the requirement. Once this is calculated, the value is then traced back to the department's budget to ensure the value can be achieved and from where the value will be acquired. The value of these requirements will determine the return on investment related to the future solution. This is a critical part of the project, as only activity based cost analysis will allow the mapping of requirements to budgetary dollars in return for the investment.

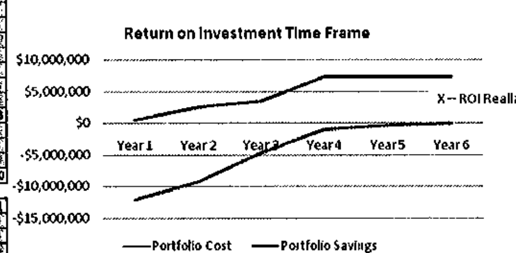
Task 1.3.1.3: Total Cost of Ownership Model (TCO)
Once EquaTerra understands the process costs, costs of inefficiencies and the requirements for the future solution, the TCO is developed. The TCO is a financial reference tool that displays the total value returned for the future solution or the Return on Investment (ROI). The ROI is based on the value created by the future solution requirements in comparison to the costs to implement the future solution. Once the initial ROI is established, the remaining TCO contains projected costs for Software/Hardware, Software/Hardware Maintenance, Application Maintenance and Support Services, Education Curriculum, Facilities, Integration Services, and Advisory Services. These projected costs will serve as a guide as to what to expect from a remediation or competitive procurement effort. The TCO begins to provide quantitative proof of what the future solution is returning in value, once implemented.

EXAMPLE DELIVERABLE – Sample TCO

ROI	-$11,644,019	-$6,732,531	-$1,210,495	$6,345,796	$6,904,321	$7,284,921	$1,047,995

Department	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2012	Total ROI
Information Technology	$446,763	$893,606	$893,606	$893,606	$893,606	$893,606	$4,914,285
Payroll	$0	$283,626	$283,626	$283,626	$283,626	$283,626	$1,417,631
Plant Management	$0	$0	$940,061	$940,061	$940,061	$940,061	$3,760,246
Procurement	$0	$47,927	$47,927	$47,927	$47,927	$47,927	$229,636
Insurance and Benefits	$0	$64,681	$64,681	$64,681	$64,681	$64,681	$323,405
Personnel Services	$0	$293,426	$293,426	$293,426	$293,426	$293,426	$1,467,127
Capital Project Management	$0	$185,191	$185,191	$185,191	$185,191	$185,191	$925,956
Accounting and Property Control	$0	$146,338	$146,338	$146,338	$146,338	$146,338	$729,690
Transportation	$0	$0	$0	$3,880,424	$3,880,424	$3,880,424	$11,641,273
Budget	$0	$143,861	$143,861	$143,861	$143,861	$143,861	$719,304
Food Services and Warehouse	$0	$284,748	$284,748	$284,748	$284,748	$284,748	$1,423,738
HR, Recruitment, Professional Standards	$0	$122,232	$122,232	$122,232	$122,232	$122,232	$611,159
Project Total Return on Investment	$446,763	$2,464,438	$3,404,497	$7,284,921	$7,284,921	$7,284,921	$28,170,450

Module	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2012	Total Cost
Program 1	$576,667	$576,667	$576,667	$0	$0	$0	$1,730,000
Program 2	$380,600	$380,600	$380,600	$380,600	$380,600	$0	$1,903,000
Program 3	$649,756	$100,000	$126,000	$0	$0	$0	$875,756
Program 4	$7,731,760	$5,497,700	$1,462,976	$104,276	$0	$0	$15,098,700
Program 5	$662,400	$516,760	$176,000	$43,750	$0	$0	$1,100,000
Program 6	$348,500	$422,500	$227,400	$146,600	$0	$0	$1,144,000
Program 7	$0	$498,760	$1,021,250	$285,000	$0	$0	$1,805,000
Program 8	$380,000	$0	$0	$0	$0	$0	$380,000
Program 9	$600,000	$0	$0	$0	$0	$0	$600,000
Program 10	$1,092,000	$1,092,000	$546,000	$0	$0	$0	$2,730,000
Project Total Cost	$11,990,772	$9,196,967	$4,614,992	$939,126	$380,600	$0	$27,122,465



Task 1.3.1.4: Define Project Governance Model
As a part of drafting the Total Cost of Ownership, the means by which the project is governed must be discussed and approved. This consists of Executive Communication, the project Steering Committee, the Program Management Office and the management and oversight of individual Project Teams.

Task 1.3.1.5: Define Project Organization Chart and Resource Requirements
Once the governance model is established the project team staffing requirements must be assessed. This will provide a framework for the Integration Vendors who compete for the integration services. The project organization chart will be framed based on resource requirements. The internal staff model will be based on one of the aforementioned staff models, resource capabilities and availability to serve on the project.

Task 1.3.1.6: Define Change Management Approach

The change management approach will be defined at this time in the project to begin to frame the organizational transition and readiness issues and risks that were identified. These issues/risks will be logged and mitigation strategies will be created and approved. The approach will also initially identify key project sponsorship, advocates and change agents for the transition.

Task 1.3.1.7: Define Training Approach
The training approach will focus on the logistics of training. This will include preparatory project training, instructional styles, facilities/facility availability, end user tracking, and examination management. It is critical to begin this definition during these early project steps, as the training team will play a critical knowledge transition role during the early steps of the implementation and must be a part of all design sessions.

Key Success Factor

The TCO is very specific about what costs will be incurred and what value will be returned. A TCO will not be reliable unless all previous steps are completed in sequence. If all steps are completed in sequence, all requirements will be documented and the associated costs and value in the TCO will ensure that a competitive procurement will provide a selected vendor who can achieve the success sought in transition to the new ERP System, while managing the expectations around the cost to implement the new ERP System.

Tasks and Deliverables

Tasks	Deliverables
Task 1.3.1.1: ERP System Requirements Alignment	» ERP Requirements by Module
Task 1.3.1.2: Define the Value of the ERP System Requirements	» Return on Investment Model
Task 1.3.1.3: Total Cost of Ownership Model (TCO)	» Total Cost of Ownership Model
Task 1.3.1.4: Define Project Governance Model	» Project Governance Model
Task 1.3.1.5: Define Project Organization Chart and Resource Requirements	» Project Organization Chart and Resource Requirements
Task 1.3.1.6: Define Change Management Approach	» Change Management Approach
Task 1.3.1.7: Define Training Approach	» Training Approach

Phase 2: Solution

The second phase is focused on procuring the Software and Integration Provider. These procurements can be conducted jointly or separately. There are pluses and minuses to both approaches. The requirements and other supporting information that was created in Phase Three will be leveraged to create the competitive procurement document. The procurement scoring will be supported by a scoring model that places an emphasis on the value of the vendor responses, as well as the comprehensiveness of the responses. The final TCO will be produced, as well, during this step and will be used to educate the organizational executives on the expected costs and value that can be achieved. The vendor responses will determine what is proposed for costs and what value can be achieved based on what requirements can be met. The presentation and discussion process with the organization's executives will be supported during this step, as will the procurement process, selection process, and vendor contracting process.

Stage 2.1: Preparation and Design Considerations

The first stage is focused on ensuring that all preparation and design considerations are clear, concise and comprehensive and leveraged in the sourcing process.

Task 2.1.1.1: Competitive Procurement for ERP Software and Integration Services

The first task in preparing the procurement document for the ERP Software and Integration Services is to draft the competitive procurement for integration services. There are many approaches to sourcing both the software and integration vendors. The competitive procurement will be a compilation of standard competitive procurement documents and the ERP System Requirements developed. Once released, the responding vendors will have to provide experience, answers and demonstrations of their capabilities and desire to meet all documented requirements.

Task 2.1.1.2: Integration Vendor Scoring and Selection

Scoring the vendor responses to the competitive procurement focuses on providing the highest score for those requirements met that provide the highest value to the organization. This prohibits the vendors responding to the competitive procurement from providing a generic response with examples of generic experience. Instead Integration Vendors demonstrate the requirements in oral presentations that are scripted based on the requirements of the competitive procurement. Vendors should not be allowed to provide self-directed demonstrations or attempt to base the organization's needs on standard software capabilities. The vendor must provide an agreement to implement the requirements as listed, which will eventually be a part of the selected vendor's contract. Once the scoring is finalized, an Integration Vendor will be selected.

Tasks and Deliverables

Tasks	Deliverables
Task 2.1.1.1: Integrate Deliverables into Final Competitive Procurement Document	» Final Vendor Competitive Procurement Document(s)
Task 2.1.1.2: Establish Vendor Scoring and Selection Criteria	» Vendor Scoring and Selection Criteria

Stage 2.2: Conduct Sourcing Transaction

The second stage focuses on executing the sourcing transaction, either as the lead or in support of the organization's efforts to procure its implementation vendors.

Task 2.1.1.1: Assist with Competitive Procurement, Vendor Selection, and Define Vendor Contracts

EquaTerra will support the competitive procurement process, vendor selection and creation of vendor contracts in an Advisory role until the implementation steps begin. This will include planning the sourcing transaction, participation in key meetings with vendors, and support in review and evaluation of the participating vendors.

Task 2.2.1.2 - Final Total Cost of Ownership Model (TCO)

Once the Integration Vendor is selected all components of the TCO are updated and finalized. This will be provided to the organization's executives with a decision to approve funding for all elements of the ERP System implementation. The final TCO will involve all cost elements of the project in combination with the expected value the project is expected to yield. It is important to note that elements of expected value may be assessed and identified, but may not be related to the implementation of the ERP System.

This, however, does not preclude this value from the scope of the project and does not preclude the value to be achieved from being used to offset the costs of the ERP implementation.

Task 2.2.1.3 - Funding Approval

Once the TCO is finalized, an agenda item can be drafted and prepared for Commission funding approval. The funding requested will be for the entire projected budget for the ERP System Implementation. The funding, when approved, will be managed by the Program Management Office, based on vendor contract terms and conditions, along with the ERP Steering Committee.

Tasks	Deliverables
Task 2.2.1.1: Execute Sourcing Transaction	» Participate in Pre-Bid Conference, Vendor Demonstrations, Vendor Response Review, Oral Presentations and Vendor Evaluation.
Task 2.2.1.2: Finalize Total Cost of Ownership Model (TCO)	» Updated and Finalized Total Cost of Ownership Model
Task 2.2.1.3: Funding Approval to Implement	» Implementation Funding Approval

Stage 2.3: Negotiate and Contract for Implementation

The final stage in this phase is focused on the negotiation and finalization of terms and conditions and the technical scope of work for both the software and integration vendors for the implementation.

Task 2.3.1.2: Finalize Implementation Contract Negotiations

Once the organization's executives approve the funding for the ERP System Implementation, negotiations with the selected vendors begins. This contract will define how the vendors are compensated and measured, as well as what will be provided for the compensation. EquaTerra will be responsible for assisting with contract negotiations to ensure that all terms and conditions required are included. Key terms and conditions that must be present are Ownership of Intellectual Property, Contingency Funding, Post Implementation Support Funding, Default, and Notice of Cancellation.

Tasks and Deliverables

Tasks	Deliverables
Task 2.3.1.2: Finalize Implementation Contract Negotiations	» Signed Software and Integration Vendor Contracts

At the conclusion of phase two, the pre-implementation steps will be complete and the implementation steps will begin. The TCO will indicate the costs of all implementation steps and in conjunction with the Deployment Strategy will define these costs across all project phases. As implementation steps begin, the project will transition into planning and preparation mode. Phase Three begins the transition to implementation and will follow, as desired by the State to complete the implementation of all project phases. This phase's tasks will be detailed as the implementation begins, but the general tasks that make up each step have been defined below to provide a holistic view of the EquaTerra Methodology and demonstrate our comprehensive knowledge of ERP Advisory Services.

Phase 3: Implementation

The implementation of the new solution begins with detailed planning and preparation activities. Once planned, prepared and properly staffed, the implementation begins with a detailed design. The design is the key to assurance that all ERP requirements are included in the future solution. The design is also where technical customizations are contemplated and defined. Once design is concluded the solution is developed or built, tested and then transitioned to the organization's users through end user education and go live transition tasks.

Stage 3.1: Prepare for Implementation

The preparation for implementation includes both the implementation planning and design tasks. Planning begins with ensuring that the project plan is finalized and that the project has the appropriate staff to be successful. Design focuses on assuring that all ERP requirements are included in the future solution.

Step 3.1.1: Project Planning

Project planning includes program management activities such as staffing the project, finalizing work plans, assessing risk, establishing the project's governance structure and defining the quality assurance plan for all deliverables. The technical team begins the process of planning the technical environment and ordering hardware, while the change management and training teams begin getting users familiar with the selected solution through standard or university training and preparing initial communication and change management plans.

Task 3.1.1.1 - Staff Project Team

The first objective when planning to begin an ERP System Implementation is to staff the project team. At this juncture, all contracts have been finalized and a model for internal staffing has been selected. It is critical to ensure that all required skills are being provided by both internal organization and the Integration Provider.

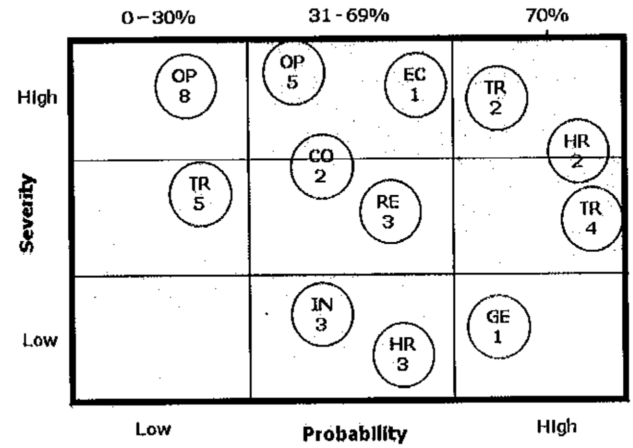
Task 3.1.1.2 - Finalize Project Work Plan

The Project work plan will be consistent with all tasks from Phase three of this document for all phases implemented. The level of detail may be expanded with detailed tasks that have defined start and end dates, that are resource loaded, and that lead to deliverables that are contractually obligated.

Task 3.1.1.3 - Conduct Initial Implementation Risk Assessment

The Initial Risk Assessment is conducted to educate the organization on the typical failure points of an ERP System Implementation, while evaluating and preparing mitigation plans for those risks. The fundamental approach used to analyze risks is Failure Modes, Effects and Criticality Analysis. There are various types of Failure Mode Effect Analysis (FMEA). EquaTerra will use Qualitative Criticality Analysis (QFMEA), which uses probability and severity ratings and compares risk criticalities via a criticality matrix using criticality scores to identify and mitigate risk.

Example Deliverable – Risk Management Matrix



Task 3.1.1.4 - Establish Project Governance Structure

Project Governance is the biggest success factor in most ERP System Implementations. Governance refers to the structure of how the project is managed and how decisions are made. The first part of the Governance Model is the definition of a Project Management Office (PMO). The PMO contains the project managers from EquaTerra and the Integration Vendor and a project administrative assistant. The PMO is responsible for managing project progress, issues, risks, change orders, resource staffing/calendars/vacation/time billed, deliverable approval and invoice payment approval. The PMO must manage with the defined project budget by phase/stage of the implementation. The PMO reports to the Steering Committee. The Steering Committee is established next. The Steering Committee is responsible for meeting on a regular basis (monthly, semi-monthly, weekly), depending on the need for its members' advice and guidance. The Steering Committee is typically made up of five resources that represent finance, information technology, human resources, operations, and a Project Sponsor. The Steering Committee is not and should not be involved in day-to-day project activities, but instead is responsible for ensuring that the project is on-time, under budget, high quality, and has a positive perception form users. No changes orders of any kind can be approved without Steering Committee Approval.

Task 3.1.1.5 - Define Deliverable Quality Assurance/Acceptance Process

EquaTerra will define the process for reviewing deliverables that are scheduled through the approved work plan. These deliverables will build upon each other as the project moves from planning to completion. It is critical that the quality of the deliverables is assured and that the deliverables are available to all resources as required. The process of payment to the Integration Provider will be based on successful completion of deliverables.

Task 3.1.1.6 - Define/Purchase System Architecture and Migration Plan

When the ERP System Implementation begins, the Hardware to house the software is ordered and must be installed. Prior to placing this order, a System Architecture and Migration Plan must be established. An ERP System is complicated and so is the hardware used. The hardware is typically purchased for sequential environments where development begins and progresses to its production state (Sandbox, Test, QA, and Production). The hardware design and the process for migrating development from the Sandbox to the Production are defined and the hardware is purchased.

At this juncture, in most implementations, the overall capabilities of IT have been assessed and all risks and issues related to the organization's ability to transition to the new operational model have been reviewed. At this point, additional analysis is performed to define the knowledge transfer required of the IT resources that will support the new ERP System, skills gaps are identified for training purposes and capabilities gaps are identified to be filled by new resources. Based on the budget, this further analysis can lead to additional decisions such as hosting or outsourced management of all or part of the application. Approval of the new IT organization is sought at this point in the project and the process of staffing, training, and managing any outsource or hosting transactions begins.

KEY SUCCESS FACTOR

If a client believes their IT organization may not be capable of supporting the new ERP system, from a skills, capabilities, or availability perspective, this more detailed analysis of hosting and outsourcing options should be conducted during in parallel in phase two.

Task 3.1.1.7 - Create Communications Plan

Communications are critical to ERP System implementation success. The communications plan articulates the audiences that will receive communications, the types of communications that will be used, the frequency of communications, and how to measure buy-in from users. The communications plan, its methods of communicating and key messages, will be utilized throughout the project.

Task 3.1.1.8 - Conduct Change Agent Training

Prior to beginning the implementation, the project team will be provided an overview of the difficulties of change and the role they will play in assisting the organization transition from the current environment to the new ERP System. This will come in the form of Change Agent Training. This training provides the project team with new skills to assist the Change Agent Network with assisting all users through the transition to the new ERP System.

Task 3.1.1.9 - Attend Pre-Project Training/Review Current Processes

The first step in developing the skills of the Internal Staff is to schedule them for Pre-Project Training Classes. Since these project team members know how the current business processes are performed, they need to understand how the new software performs these processes. This training is hands on with the software, performing transactions, so they can familiarize themselves with the software prior to design sessions beginning. While the State staff is attending the Pre-Project Training, the Integration Vendor's functional teams will review the current business processes and associated inefficiencies as documented by EquaTerra to prepare for how they will meet the contractual requirements of the new system.

KEY SUCCESS FACTOR

It is critical that the organization's resources attend preparatory training at the conclusion of Step 3.1.1 and prior to starting the Design Step 3.1.2. This training will provide insight into the selected software application's capabilities and will allow the client resources to compare and contrast to current systems. It is equally important that the selected Integration Provider study the assessment results focusing on developing an understanding of current processes, current inefficiencies and how the contractual requirements address those inefficiencies.

Step 3.1.2: ERP System and Training Design

The next step is the design step. There are three critical aspects of the design step. The first critical aspect is the assurance that all ERP requirements are incorporated into the future solution's design. The second critical aspect is the identification and definition of all technical objects expected to be developed during the build steps. The last and most important critical aspect is the planning for training logistics and participation of training developers in design sessions. The technical team will also install hardware in this step.

Task 3.1.2.1 - Define and Approve ERP System Design

The ERP System Design begins with the process flow diagrams from the current environment. The contractual requirements are then input into the processes as they are reviewed in design sessions. As the requirements are input the processes, supporting technology and people's roles are affected. These impacts constitute the changes from the current environment to the ERP System and are documented for development and training purposes.

Task 3.1.2.2 - Create Training and Logistics Plan

While the Design is being established, the Training Team must begin to plan for the logistic arrangements associated with conducting Training. Considering the size of the organization, this exercise may be time consuming as facilities and technology needed to conduct training have to be accounted for and reserved. In addition to logistics plans, the training templates, tools and methods are defined to form the Training Strategy.

Task 3.1.2.3 - Install Hardware Architecture Environments

Once the Hardware arrives, the IT support organization and the project team will work together to install and ensure the operability of the Hardware System Architecture, as planned.

Task 3.1.2.4 - Define Technical Development Objects

During the course of the Design sessions, the base software system will fall short of the user's expectations. Whether it falls short of the depth of an existing report or an old system must be retained and communicate with the new ERP System, these missing expectations can be fulfilled using Development Objects. A critical part of the Integration Team is its development resources. These resources will document the development needs and verify that they can't be fulfilled by the base software. Then they will provide a level of effort for each object to allow the team to build a work plan for development and testing of these objects.

Task 3.1.2.5 - Define Change Agent Network/Communicate Change

The Change Agent Network is created during Design. This network will consist of strategically-placed resources who will support the project and who can influence users that surround them or look to them for guidance. This team will meet frequently to discuss the progress of the project, current rumors about the project and any perception issues related to the project. The team then communicates in support of all other communication methods to the end users to assist them in transitioning to and being comfortable with the new ERP System.

Task 3.1.2.6 - Redefine the Future IT Organization to support the ERP System

Unlike the other departments of an organization, the IT support organization that will eventually support the new ERP System must be defined during the system design. This evaluation will address the capabilities, strengths and weaknesses associated with the IT support organization. It will then define the best IT support organization to be used for the future. This may include changes to current roles, needs for new skills, and additional training classes. Once defined and approved the organization must work through a knowledge curve and be ready to support the project at Go Live.

Task 3.1.2.7 - Manage Project Risks, Issues, Change Orders and Staff

The PMO will continue to provide management for project progress, issues, risks, change orders, resource staffing/calendars/vacation/time billed, deliverable approval and invoice payment approval. The PMO will manage within the defined project budget by phase/stage of the implementation. The PMO will report to the Steering Committee. A scorecard for the project will be monitored to determine project health.

KEY SUCCESS FACTOR

The ERP System Design must include all requirements that were agreed, contractually, to be implemented by the Integration Provider. EquaTerra will monitor the Design to ensure all requirements are included. Development should not begin until Design has be finalized, documented and signed off by the organization, EquaTerra and the Integration Provider.

Stage 3.2: Build Solution

The next stage is the development of the solution, as designed. This stage is straight forward – that is, if the design was created with appropriate due diligence and all development objects were identified and defined correctly. The costs that cause ERP projects to fail are typically found in this stage. Having a clear, concise and comprehensive understanding of what is expected from the solution is critical, prior to beginning the build stage.

Step 3.2.1: ERP System and Training Development

The first step includes the development of the design, which includes configuration, conference room pilots, and programming development. Adjustments to the work plan may be made prior to beginning the build stage. As development occurs, integration test scripts are created through unit testing of the configuration. This begins the preparation process for the Testing stage.

Task 3.2.1.1 - Redefine Work Plan based on Design Impacts

The Project Work Plan, which will resemble phase three of this document and the tasks used here to describe the process of planning for an ERP Implementation, will be redefined at the end of the Design. These changes will include more detail and new time lines depending upon what is required from the approved design for configuration and development of technical objects.

Task 3.2.1.2 - Configure, Develop and Unit Test ERP System Design

The Integration Provider will take the design documents and will configure the software system to perform as it was designed. The technical development team will develop all technical objects during this step. The IT support organization will support this effort as a part of their knowledge transfer process. Once the configuration is complete, the Integration Provider will perform a unit test on each part of the configuration to ensure that it performs as expected.

Task 3.2.1.3 - Create Integration Test Scripts

Once configuration, development and unit testing is complete, the project team will develop integration test scripts that will validate the integration all configured modules, development objects, and security of the developed system design.

Task 3.2.1.4 - Develop Training Curriculum for ERP System Design

Once the Design is complete, the training classes will be developed. These classes will cover the content of how to perform all business processes affected by the ERP System. Each class will have an associated exam that validates the user's skills upon completion of the course. The classes are assigned to users based on the how users utilize the system.

Task 3.2.1.5 - Define ERP System Security

System security is also addressed at this time. The team developed an understanding of what users responsibilities are per the design. These responsibilities must be articulated into security roles and profiles. These security profiles are assigned to users, which allow them to log in and use the system.

Task 3.2.1.6 - Administer ERP System Migration and Patches

The IT support organization and Integration Provider must consistently support all project operations by ensuring the hardware and software are operating correctly. This will include the application of patches and management of migration of data from one environment to another.

Task 3.2.1.7 - Manage Change Agent Network/Communicate Change

The Change Agent Network that was created during Design will now be used to provide communication to the entire organization. The team will communicate messages per the Communication Plan and user feedback to users who are transitioning to the new ERP System.

Task 3.2.1.8 - Begin Knowledge Transfer for Future IT Organization

With the newly defined IT support organization approved, the organization must be staffed, improve current skills, and develop new skills to be ready to support the project at Go Live. The required skills that must be garnered to support the ERP System in the future will include architecture support and administration, security administration, technical development and system support. Each member of this organization will be given a knowledge transfer plan that will be monitored by EquaTerra and supported by the Integration Provider to ensure the Internal Staff are ready to support at Go Live.

Task 3.2.1.9 - Manage Project Risks, Issues, Change Orders and Staff

The PMO will continue to provide management for project progress, issues, risks, change orders, resource staffing/calendars/vacation/time billed, deliverable approval and invoice payment approval. The PMO will manage within the defined project budget by phase/stage of the implementation. The PMO will report to the Steering Committee. A scorecard for the project will be monitored to determine project health.

Stage 3.3: Test Solution

The final stage prior to training end users is the Test phase. Multiple rounds of testing are conducted during this phase providing a comprehensive sign-off and approval that all ERP requirements designed have been developed and are functioning properly. The key to the transition -- to the end user training and final stage of the Implementation Phase -- is User Acceptance Testing. This will be the culmination of change management preparation efforts and if conducted correctly will provide an added sponsorship and advocacy boost going into the training sessions.

Step 3.3.1: ERP System Testing

Testing begins with Unit Testing complete, as a part of the Build stage. Testing consists of two rounds of integration testing, which test the complete functionality of the system and its performance.

Task 3.3.1.1 - Conduct Integration Testing 1 (No Security)

The first Integration Test signifies that the system has been configured and Unit tested. This positions the team to test the integration of the system. The Integration Test is conducted using Test Scripts that dictate what must be done systematically with all processes. Errors are likely to occur during these tests, as this is the first time all modules will be working together. All system errors and test script errors will be documented and repaired prior to beginning second Integration Test. EquaTerra will focus on ensuring all requirements have been tested and are functioning as expected and will ensure that the users are still supportive of those requirements as developed and tested. At this point, any final changes to what will be released to User Acceptance Testing must be finalized and approved.

Task 3.3.1.2 - Conduct Integration Testing 2 (Included Security)

The second Integration Test signifies that the system has been integration tested and all system errors and test script errors have been repaired. This means the system is should to be operable. To ensure that the system is completely operable, the second Integration Test includes security, which is the number one Post Implementation Support need. Once the system has been tested and all system errors and integration test script errors are corrected, the system is ready for User Acceptance Testing. EquaTerra will again focus on ensuring all requirements have been tested and are functioning as expected and will ensure that the users are still supportive of those requirements as developed and tested.

Task 3.3.1.3 - Administer ERP System Migration and Patches

The IT support organization and Integration Provider must consistently support all project operations by ensuring the hardware and software are operating correctly. This will include the application of patches and management of migration of data from one environment to another. At this point in the project a Change Management Strategy is developed to manage all changes being made to the system after testing is complete.

Task 3.3.1.4 - Manage Change Agent Network/Communicate Change

The Change Agent Network will continue to communicate messages per the Communication Plan and user feedback to users who are transitioning to the new ERP System.

Task 3.3.1.5 - Continue Knowledge Transfer for IT Support Organization

Knowledge Transfer plans should be nearing completion for the IT support organization, ensuring that the State staff are ready to support at Go Live.

Task 3.3.1.6 - Manage Project Risks, Issues, Change Orders and Staff

The PMO will continue to provide management for project progress, issues, risks, change orders, resource staffing/calendars/vacation/time billed, deliverable approval and invoice payment approval. The PMO will manage within the defined project budget by phase/stage of the implementation. The PMO will report to the Steering Committee. A scorecard for the project will be monitored to determine project health.

KEY SUCCESS FACTOR

The second round of integration testing must be completed with no errors or additions per Integration Scripts developed prior to beginning User Acceptance Testing (UAT). EquaTerra will ensure that all requirements that were included in the design have been developed and tested to perform correctly. EquaTerra will also ensure that the transition from as-is controls to go live controls is documented prior to beginning user acceptance testing. It is critical that no enhancements to what was developed and tested be created after integration testing is complete and signed off.

Step 3.3.2: ERP User Acceptance Testing

Testing concludes with signoff from the Change Agent Network, which conducts user acceptance testing.

Task 3.3.2.1 - Conduct and Approve User Acceptance Testing (UAT)

The Change Management Team will lead UAT. The team will utilize the Change Agent Network applying the integration test scripts to validate the system requirements have all been satisfied and that the system work correctly. Many new ideas and enhancements, along with items that are not desired or require attention will likely be identified during the UAT. It is critical that no new functionality is approved, but instead documented to be review during Post Implementation Support. All other changes that relate to the designed, developed and tested system, as approved, must be addressed prior to the completion of UAT.

Task 3.3.2.2 - Conduct Final QA for Training Curriculum and Logistics

The final changes to the Training Curriculum are made during UAT. This is because training cannot begin until the UAT is signed off by the users. The Training Team will finalize their curriculum, ensure its quality and ensure that all logistical arrangement are finalized and ready to begin training.

Task 3.3.2.3 - Administer ERP System Migration and Patches

The IT support organization and Integration Provider must consistently support all project operations by ensuring the hardware and software are operating correctly. This will include the application of patches and management of migration of data from one environment to another. At this point in the project the Change Management Strategy will be implemented to track all changes to the user acceptance tested system.

Task 3.3.2.4 - Manage Change Agent Network/Communicate Change

The Change Agent Network will continue to communicate messages per the Communications Plan and user feedback to users who are transitioning to the new ERP System.

Task 3.3.2.5 - Complete Knowledge Transfer for IT Support Organization

Knowledge Transfer plans should be complete for the IT support organization, ensuring that State staff are ready to support at Go Live. Internal Staff should transition into their roles in Administration, Support and Development as the team prepares to Go Live.

Task 3.3.2.6 - Manage Project Risks, Issues, Change Orders and Staff

The PMO will continue to provide management for project progress, issues, risks, change orders, resource staffing/calendars/vacation/time billed, deliverable approval and invoice payment approval. The PMO will manage within the defined project budget by phase/stage of the implementation. The PMO will report to the Steering Committee. A scorecard for the project will be monitored to determine project health.

Key Success Factor

User Acceptance Testing should be performed by the Change Agent Organization, managed by EquaTerra, using completed and signed off Integration Scripts. No errors should be found, but in the case errors exist, these errors must be repaired prior to completing UAT. No enhancements should be created or agreed to during UAT. All go live controls should be reviewed and all changes must be communicated to the Training Team to ensure the Training Curriculum is accurate.

Key Success Factor

Training must be assured for quality and logistics planning during UAT. No training should be provided prior to the completion and signoff of UAT.

Stage 3.4: Solution Education and Transition

Once testing is completed, end users are trained and tested to ensure the new solution is understood and that users can adopt the system. A go live check list is created to ensure an accurate transition from the current system to the future system and the transition is managed to take the new solution live for end users. This signals the end of phase three and transitions into phase four, which focuses on optimization of the implementation, prior to starting a new implementation phase.

Step 3.4.1: ERP User Training and Examinations

The first step is to train end users and perform individual examinations of users to validate their understanding of the new solution.

Task 3.4.1.1 - Conduct Training Curriculum and Manager User

The Training Curriculum will be administered and all users will be trained and tested to ensure they have the appropriate skills to utilize the ERP System.

Task 3.4.1.2 - Administer ERP System Migration and Patches

The IT support organization will begin to take over for the Integration Provider, who will become a support group. The IT support organization must consistently support all project operations by ensuring the hardware and software are operating correctly. This will include the application of patches and management of migration of data from one environment to another. At this point in the project the Change Management Strategy will be implemented to track all changes to the user acceptance tested system.

Task 3.4.1.3 - Manage Change Agent Network/Communicate Change

The Change Agent Network will continue to communicate messages per the Communications Plan and user feedback to users who are transitioning to the new ERP System. The Change Management team will be capturing user feedback and verifying that all change messages were effective.

Task 3.4.1.4 - Support by IT Support Organization

Knowledge Transfer plans are complete for the IT support organization, which has now transitioned into their roles in Administration, Support and Development as the team prepares to Go Live.

Task 3.4.1.5 - Manage Project Risks, Issues, Change Orders and Staff

The PMO will continue to provide management for project progress, issues, risks, change orders, resource staffing/calendars/vacation/time billed, deliverable approval and invoice payment approval. The PMO will manage within the defined project budget by phase/stage of the implementation. The PMO will report to the Steering Committee. A scorecard for the project will be monitored to determine project health.

Task 3.4.1.6 - Define Go Live Check List and Prepare for Go Live

A Go Live Check List is prepared after UAT and prior to Go Live. This check list provides a guide of all steps required to complete the implementation and transition all users onto the new ERP System.

Task 3.4.1.7 - Finalize Post Implementation Support Plan

The Post Implementation Support Plan will be finalized at this time, as well. This will include the expectations of the organization's help desk and the timeframes and responsibilities around leveled support.

Step 3.4.2: ERP System Go Live

The go live check list is created and once training is complete, the transition to the new solution begins. This can occur smoothly or can take multiple passes, depending upon how well the methodology was followed and the assurance of success of preceding milestones.

Task 3.4.2.1 - Execute and Support Go Live Check List

The transition to Go Live is supported by the Go Live Check List. Once the list is complete and all systems are up and running as expected, the Go Live and transition to the new ERP System is complete.

Task 3.4.2.2 - Administer ERP System Migration and Patches

The IT support organization will be supporting all project operations by ensuring the hardware and software are operating correctly. The Integration Vendor will provide support as required. This will include the application of patches and management of migration of data from one environment to another. At this point in the project the Change Management Strategy will be implemented to track all changes to the user acceptance tested system.

Task 3.4.2.3 - Manage Change Agent Network/Communicate Change

The Change Agent Network will continue to communicate messages per the Communications Plan and user feedback to users who have transitioned onto the new ERP System. The Change Management team will continue to capture user feedback and verify that the new ERP System works as expected.

Task 3.4.2.4 - Provide Post Implementation Support

As a part of Go Live, EquaTerra will conduct a final review the documentation on controls and the transition from current controls to post implementation controls. This will ensure that any gaps are managed and recommendations can be made for control improvements. The Post Implementation Support team will support the user base using a leveled support strategy. The focus will be to support all Level 1 calls through the help desk, with Level 2 and Level 3 calls being handled by the team assigned to perform maintenance and support of the solution. This process will be monitored closely to ensure that these funds are managed appropriately.

Phase 4: Optimization

The optimization phase provides a conclusion to a project phase and seeks to maximize the efficiency and benefits sought through implementation of the phase. Critical aspects for success are end-user adoption, end-user self sufficiency, management of the maintenance and support model and monitoring funds to be utilized to support downstream growth and expansion of the phase.

Stage 4.1: Measure, Analyze, Improve and Monitor

Once transitioned to a live environment, the new solution must be measured, analyzed and monitored to assure all objectives of the phase were met. Improvements may be made during optimization to provide the results being sought through the implementation of the phase.

Task 4.1.1.1 - Provide Post Implementation Support

The Post Implementation Support team will support the user base using a leveled support strategy. The focus will be to support all Level 1 calls through the help desk, with Level 2 and Level 3 calls being handled by the Post Implementation Support Team. This process will be monitored closely to ensure that Post Implementation Support funds are managed appropriately.

KEY SUCCESS FACTOR

A key success factor is clearly defining the support levels for the implemented system and the responsible party for each level. The typical approach used is a three-tiered support system that begins with basic help desk management and routing (Tier 1). This tier is typically managed by the organization's IT department. The second tier (Tier 2) is typically assigned to implementation vendor for corrections to the existing solution, where the solution is not functioning as designed, developed or tested. This tier may or may not require funds, depending on the terms and conditions related to warranties in the vendor's contract. The third and final tier (Tier 3) is the typically assigned to enhancements to the implemented solution. This tier always has funds associated and can be easily mismanaged if not monitored closely. Expert advisors will assist the organization in planning the level of effort to be funding in advance and will not rely on ad-hoc requests for enhancement.

Task 4.1.1.2 - Define Knowledge Transfer Plan for Support Items

EquaTerra will assist the Internal Organization Staff in developing knowledge transfer plans to be used to support users who are reliant on Post Implementation Support of system or business processes, as well as to ensure that all help desk requests are captured in one location and as answered, managed in a central knowledge base. Each plan will have a defined time frame and once complete will signify the end of Post Implementation Support for the projected Phase of the Project.

KEY SUCCESS FACTOR

Most organizations do not implement 100 percent of the system's capability during the implementation. This is typically limited due to organizational considerations such as staffing levels or capabilities. However, as the system can and likely will be enhanced over time, the same expectation should also be planned for and managed in correlation to the changes to business processes and the organization, as the system changes. This is particularly critical in an outsourced or hosted situation.

Task 4.1.1.3 - Conduct QA for Implemented Project or Phase

At the completion of the project and its associated knowledge transfer plans, a Quality Assurance Assessment is conducted. This assessment measures the overall satisfaction of the project and the resulting ERP System in conjunction with the Total Cost of Ownership Model that was used to justify its funding.

g. Significant Problems/Resolutions With Previous ERP System Projects

Describe any significant problems encountered by the firm in other ERP system projects, explain issues and problem resolution and how those problems may be avoided in this project.

With any large-scale ERP project, there are inherent challenges and risks associated with the undertaking. People, politics and technology can all get in the way of a successful project implementation. After many years of working in this space, the EquaTerra Team has encountered many of these potential issues and has developed a method and strategy to help mitigate these factors and decrease the overall risk to the project.

One example that clearly illustrates the potential problem and EquaTerra's approach to minimize these effects is described below.

With one very large Public Sector client we were faced with an ERP implementation effort that required the consolidation and standardization of 32 totally independent organizations with their own administration, IT infrastructure and independent software legacy systems. On the surface this was viewed as a political nightmare and had all the indications of another ERP project in trouble. Instead of ignoring these potential pitfalls and forging ahead, we elected to attack these issues upfront and determine a course of action that would lead to our eventual success.

Rather than have one agency with the funding and the political influence dictate the overall ERP solution, we chose a different approach. In order to gain buy-in from the disparate organizations, we elected to form a project team that consisted of representatives from many of these contributing agencies. The team was formed with consideration to many factors – size, budget, complexity, political clout, unique functionality, etc. This combined project team was then viewed as a representative sample of all the agency organizations, each representing the needs and requirements of themselves and their similar counterparts.

This approach was very effective and we were able to receive the buy-in from both the large and the small agencies. When presentations were made about the approach and the decisions for moving forward, these agency representatives were the ones to make the presentations versus the consulting advisors. Having "one of your own" who fully understands your functional needs, present a solution that will better enhance your working situation went a long way into the overall buy-in and ultimate user acceptance of the new ERP solution.

h. EquaTerra's Approach and Methodology for Retaining Qualified Consulting Staff for the Duration of the Project

Describe your firm's approach and methodology for retaining a stable consulting staff throughout the contract duration for this project. Include processes currently I place for motivating staff and ensuring technical competence in a changing technological environment.

Staff Turnover

EquaTerra is proud of the attention we pay to the careful management of our advisors in the field and this is reflected in a lower staff turnover rate than the industry average.

EquaTerra's ability to minimize staff turnover during the performance of the project is due to our resourcing process, which starts before the project begins. Our goal is to provide the best resource to meet the client requirements – the first time. EquaTerra's Resourcing Group, coupled with input from the Client Executive and/or Project Director, understands both the skills and fit required to source the appropriate individual. The qualification process is performed by professional interviewers, peers and often another advisors working at the same client-site. Once an advisor is working at the client-site, EquaTerra provides management and support to help minimize any potential staff turnover.

Should turnover occur, EquaTerra has developed a two-step talent acquisition/replacement methodology that is highly effective and produces results quickly:

1. The EquaTerra Corporate Resource Pool (those advisors employed who are between assignments) is reviewed for skills and personality fit for the available position. If a fit is found, we can replace a departing consultant within a day or two. Where there are senior EquaTerra resources already working with the client (Project Directors, Team Leads), they interview the proposed advisors to ensure proper fit and when appropriate, the client is invited and encouraged to participate in these interviews.
2. If there is no one available in the company, EquaTerra's Resource Management group, will look for a subcontractor through our network. These are proven professionals with whom EquaTerra has previously worked and whose standards of work and work ethic are known to us. If this avenue proves unsuccessful, our Resource Management Group is highly practiced, smoothly functioning, and experienced at delivering consultants within tight timelines. With over 24,000 on file, the breadth and scope of this 'reach' allows EquaTerra to consistently fill project roles for our clients, with top quality consultants, and in an efficient and timely manner.

Staff Retention

EquaTerra has a reputation for being an excellent place to work .We cultivate this reputation carefully, offering a people-oriented environment with strong ethical standards. Some of the things that contribute to an above average stability in our workforce and differentiate the employment experience at EquaTerra include:

» **Challenging Assignments:** Advisors are encouraged to stretch their skills and talents in a supportive environment working on a variety of interesting projects

» **Career Growth Program:** A formalized program offering advisors the opportunity to define and reach their career goals – in terms of both professional and personal growth

» **Best of Breed:** Advisors stay current with technology and industry best practices
» **Life after Work:** EquaTerra employees work hard, but also have fun through company sponsored Employee Appreciation events.
» **Competitive Compensation:** Includes Market and performance-based salaries plus comprehensive benefits
» **Flat organization** and an open door policy
» **Training anywhere/anytime** – EquaTerra has a corporate training library available to all employees, with online course available and a reference library of books 24/7.

Care is taken when selecting advisors to ensure a good 'fit' with the EquaTerra environment and culture. As we have an excellent network of "associate" advisors and service agencies, should the need to replace a advisor occur, candidates can usually be found quickly (typically within 1-5 working days). In the event of such a situation, the skill and experience level of the resource required, the seniority of position, and the urgency of in-hand contractual commitments to clients would be considered.

i. Identify and Describe Business Partner or Alliance Relationships EquaTerra has with ERP Software Vendors and Consultants of ERP Software

Disclose any legal or organizational relationships your company has with consultants of ERP software. Describe the nature of the relationship. Also, identify any business partner or alliance relationships you have with consultants of ERP software. Describe the nature of the partnership or alliance.

EquaTerra is not a certified partner, and does not have any alliance relationships with any of the ERP software vendors. It is our belief that to be an effective advisor, we must remain completely independent and unbiased in our recommendations. However, we do work collaboratively with Oracle, PeopleSoft, SAP, and other enterprise application providers and are familiar with the inner workings of their products.

EquaTerra, for the purposes of conducting this engagement, will be working with Sierra Systems, an ERP consulting and systems integrator. EquaTerra and Sierra Systems have a previous working relationship, supporting the State of Texas' Department of Information Resources with an executive-level IT strategy decision-making project. Although, Sierra Systems has performed ERP systems integration services in the past, their roll in this project will be completely consultative in nature.

j. Conflict of Interest Disclosure Regarding Current Agreements or Relationships with Software or Hardware Vendors

Disclose any agreements or relationships with software or hardware consultants that may present a conflict of interest to your company and potentially affect your ability to objectively advise the State on hardware or software selection.

EquaTerra does not currently have any agreements or relationships with software or hardware consultants that could be considered a conflict of interest and therefore affect our objectivity in providing the State with hardware or software selection services. As stated in previous sections of this proposal, EquaTerra is a completely independent and objective third-party trusted advisor, with no formal connections with ERP service and hardware/software providers.

k. Best Practices Adopted by EquaTerra and Attained Certifications

Provide any information on any industry accepted best practices that your company has adopted or attained certifications in such as ISO 9001 or the Software Engineering Institute's (SEI) Capability Maturity Model (CMM).

The EquaTerra Team does not currently possess ISO 9001 or SEI CMM certifications; however, many of our advisors are ITIL-trained and certified. Our advisors are also thought leaders on the subject and have written whitepapers discussing the critical role ITIL may plan in helping organizations achieve cost reduction, improved performance, and increased efficiency. Two of the more recent papers may be accessed via the following URLs.

» "ITIL and its Impact in a Multi-provider Environment"
http://www.equaterra.com/KR/research/ITIL-and-its-impact-in-a-multi-provider-environment-IT.aspx

» "ITIL: Measuring the ROI of Internal ITIL Investments"
http://www.equaterra.com/KR/research/measuring-the-roi-of-internal-ITIL-investments-IT.aspx

l. Most Recent Audited Financial Statement and DUNS Number

Provide the firm's most recent audited financial statement and DUNS number.

EquaTerra, Inc. is profitable, cash flow positive, has a strong balance sheet and is growing rapidly. EquaTerra's independently audited Balance Sheets for the 2007 and 2008 fiscal years may be found attached to this proposal in Appendix A.

EquaTerra's DUNS number is 134368609.

m. Subcontractors Utilized in this Engagement

Provide a list of subcontractor which may be utilized in this engagement.

As stated previously in this proposal, EquaTerra is partnering with Sierra Systems on this engagement.

3. Qualifications

a. Number of Years in Business and Number of Years of ERP Experience

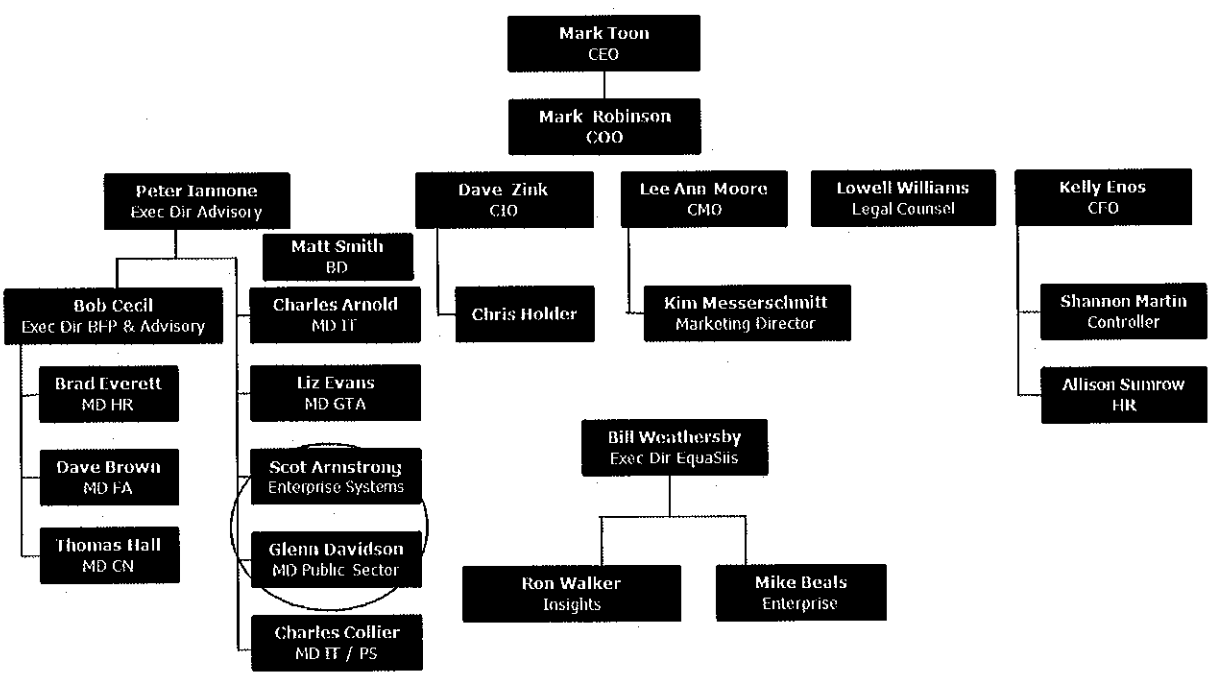
Describe how long the firm has been performing the services required by this Expression of Interest and include the number of years in business overall.

EquaTerra has been in business for over six years and has provided clients with ERP related third-party advisory services for over three years. Last August, EquaTerra, understanding the increasing importance of ERP and other enterprise applications to its client base, formed a dedicated Enterprise Systems Practice.

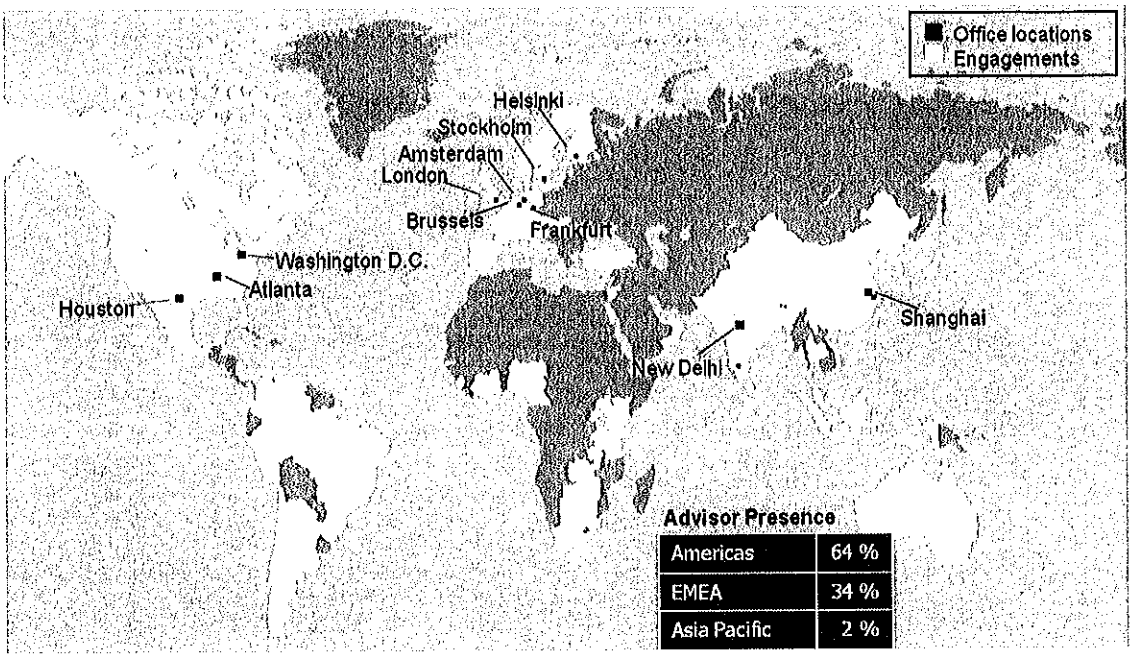
b. EquaTerra's Organizational Structure, Including Number of Employees, Client Base, and Location of Offices

Describe the firm's organizational structure including number of employees, client base and location of offices.

The EquaTerra Executive Team is displayed in the Organizational Structure/Chart below, highlighting both our Public Sector and Enterprise Applications practices, which will provide a seamless approach for this engagement.



EquaTerra's 300+ sourcing advisors have on average over 20 years of experience in assisting clients to achieve operational excellence. Our advisors are located worldwide, with offices throughout North America, Europe and Asia Pacific, as demonstrated in the chart below:



Additionally, Sierra Systems has offices in the following locations:

» Austin, TX	» Olympia, WA
» Bucharest, Romania	» Ottawa, ON
» Calgary, AB	» Regina, SK
» Edmonton, AB	» Seattle, WA
» Fredericton, AB	» Toledo, OH
» Halifax, NS	» Toronto, ON
» Hartford, CT	» Vancouver, BC
» Los Angeles, CA	» Victoria, BC
» Mount Olive, NJ	» Winnipeg, MB

EquaTerra has successfully completed over 830 pure IT projects for clients with 100 percent satisfaction. We are able to accomplish a high level of service delivery as a result of having a strong program management discipline combined with a proven results-oriented methodology framework. The methodology is further supported by a comprehensive governance model that provides monitoring and continuous visibility of the project through the utilization of scorecards.

Client Base

Focus Area	# of Customers	% of Total Revenue	# of Employees Supporting Focus Area
BPO	78	11%	Embedded in other practice areas
F&A	46	7%	38
HR	110	17%	57
IT	269	35%	93
Procurement / Supply Chain	26	4%	31
Other (Includes Enterprise Applications)	25	26%	51

c. Statement Regarding EquaTerra's Ability to Complete Work and List of Services Proposed for Subcontracting

Provide a statement regarding the firm's ability to complete work associated with this Expression of Interest and whether the firm plans to subcontract work. If subcontracting is anticipated, please provide a list of services proposed for subcontracting.

The combined team of EquaTerra and Sierra Systems is an unparalleled team in the area of ERP business case development, requirements definition, ERP RFP development and implementation experience. With several hundred successful projects in both Public Sector and Commercial engagements, this team has a track record that will deliver a high quality product and exceed expectations for an on-time quality implementation.

Some of our competitors have a background working solely with Public Sector clients. We feel strongly that our team with the combined strengths in both Public Sector and Private Sector disciplines makes the EquaTerra Team one that will make the State of West Virginia ERP project a reference study for other states and organizations to follow. By combining the best practices from both the Commercial and Public Sector organizations we have worked with, we will once again blend our experiences into one that will ensure the success of your implementation.

Our methodology and team structure give us an advantage that few can match. By combining world-class RFP development skills with those of a professional services firm committed to implementing ERP package solutions for the Public Sector, we know that we will be able to deliver the value desired by the state.

Given some of the recent State-wide missteps by other organizations during the implementation phase of the effort, we feel that we have strongly addressed these potential shortcomings and put together a team with the desired front-end and implementation skills to properly oversee the success of this project.

In many cases, firms will form a partnership to bid on an opportunity based on how they believe they can win that particular opportunity. This partnership of EquaTerra and Sierra Systems is not one that was simply thrown together for a chance to bid/win the State of West Virginia EOI. Our two firms have a history of working together and are currently engaged in a joint venture with the State of Texas to assist the Department of Information Resources (DIR).

As partners in this response to the needs of the State of West Virginia, EquaTerra and Sierra Systems will provide the most qualified resources from both parties to complete the tasks at hand. In general, EquaTerra and Sierra Systems have complementary skill sets that will meet all of the needs of the State. EquaTerra is rich in management consulting, strategy, operational design, and business process transformation; Sierra Systems is rich in ERP experience, from selection and business process re-design to implementation and quality assurance. In determining the resources required for West Virginia, we foresee a coordinated approach using the best skills available. EquaTerra will provide the management and business consulting skills and Sierra Systems will provide the ERP practical knowledge and technical skills. We feel that the EquaTerra and Sierra Systems team brings combined strength, depth and experience of two highly qualified firms in both the Public and Private sector.

4. Experience

a. Experience in Assisting Governments with Scope of Services Requested in EOI

Describe the Consultant's experience in assisting governments in the development of the solicitation document, preparation of responses to inquiries during the bid process, assisting in the evaluation of solicitation responses, assisting in conducting interviews and ERP system demonstrations; assisting in negotiating a contract with the selected ERP vendor.

EquaTerra and Sierra Systems have a breadth of experience in the determination of requirements, selection process and contract negotiations for large ERP systems in government. We have worked on the client side of selection and implementation where Oracle, PeopleSoft and SAP ERP solutions have been selected.

On one of the most recent engagements with the State of Louisiana, Sierra Systems was a 50-50 partner with another consulting firm acting as the prime contractor. Our organization provided key resources to:

» Complete the requirements;
» Prepare the RFP documents;
» Evaluate the clients' responses both written and demonstrations;
» Prepare and execute Quality Assurance and IV&V plans; and,
» Provide technical support for client side responsibilities.

In addition to our team's ERP selection and implementation experience, our organizations have also assisted clients with selection, evaluation and implementation of various other technologies from infrastructure to business intelligence. We have a complete methodology and set of tools for selection, evaluation and contracting for technology based on industry-wide ITSM™ best practices.

The consultants and advisors assigned to this project have years of State-wide ERP experience on which to draw on. Those skills coupled with the additional resources of both firms will give this project the necessary tools required to be successful.

b. Experience with ERP Software and Implementers in Government

Describe the Consultant's experience with multiple ERP software systems and multiple software implementers in government applications.

As previously stated, EquaTerra is not directly aligned nor partnered with any ERP software product in the market space. That being said, both EquaTerra and Sierra Systems have significant experience working with all the Tier-1 ERP solution providers worldwide. While not being directly linked to any one software solution, our firms stay in close contact with all the major vendors to ensure our knowledge and expertise when evaluating and recommending solutions to our clients.

By keeping this "arms length" relationship with the software community, we are able to effectively and objectively evaluate the strengths and weaknesses of each application as it pertains to our respective client. To-date, we have recommended Oracle, PeopleSoft, Lawson, CGI and SAP for many Public Sector client engagements based on their specific functional needs and best fit scenario.

c. Experience with Making Decisions About Hosting Software

Describe experience with making decisions about hosting software, including risks, benefits and cost analysis.

Outsourcing: What's the Track Record?

When looking at outsourcing/hosting your software solution, you need to take a simple yet thorough approach to addressing these key questions about technology outsourcing/hosting:

- What are the valid (and invalid) reasons for outsourcing, and how does one know if it is appropriate for your organization?
- How does one evaluate and select an outsourcing partner, and in a manner that provides significant cost savings?
- Likelihood that the outsourcing arrangement will be successful?
- How does one assess the economics of whether an outsourcing decision is justified?

Technology outsourcing is a hot topic these days—and there are new outsourcing trends and conditions such as Offshoring, Managed Services and Software as a Service (SaaS) that are converging, making it even a hotter and livelier topic than it has been in the past. Outsourcing gets its fair share of negative press too, as some spectacular failures and megadeals have made the headlines. We can also be fairly certain there are other failures that don't make the news simply because neither party wants to talk about it.

As a result, there are plenty of critics that attempt to discount the whole concept of outsourcing—or worse yet, make the outsourcing practice into something more complex, more expensive, more risky and daunting than it really is.

In truth, successful outsourcing has been around for ages, and indeed has been—and still is—a very practical and achievable reality. It is accelerating and growing in acceptance and there are more opportunities to outsource than at any point in the past. Think about the many externally sourced services that are staples of businesses today—from the mundane janitorial services that are typically contracted out, to the taken-for-granted telephony (dial tone) services, and lately to broadband network services. Basically, these are reliable and dependable commodities that allow businesses to focus their limited resources on core, business-centric issues. IT outsourcing is following suit and businesses are being increasingly asked to justify why limited internal resources are supporting administrative or commodity based IT functions.

Outsourcing can and does work—if it is done for the right reasons and if the outsourcing selection and governance processes are defined and executed with exact rigor.

The Degrees of Outsourcing

Before a business can launch a truly effective outsourcing initiative, it first must develop a basic outsourcing strategy. In large part, this involves understanding the reasons to outsource, and all of its costs, benefits and risks. But more tactically, it includes defining two dimensions of the "all or nothing?" question:

- Do we search for and implement a single-sourcing solution, or do we multi-source?
- How much of the business function do we turn over?

Of course, in reality these are sliding scales. At one extreme is the ultimate single-source relationship where everything is outsourced to a single service provider—such as what an EDS or IBM attempts to offer. And then at the other end of the spectrum is where each outsourced business function is supplied by different service providers with niche offerings focused on the function or task.

There is nothing inherently wrong with either outsourcing model—it is more a question of fit than anything. However, the more a business leans towards achieving "best-of-class" capabilities in each business function, the more likely it is that a multi-sourced strategy will fit (simply because the more specialized service providers are more likely to provide the world-class expertise due to their focus). With the evolution of integration technologies, increased numbers of niche outsourcing providers and effective managed services business models, it is more feasible than ever to consider multisource strategies.

A second dimension to an outsourcing strategy includes how much of a business function is given over to the external party. While this too is a sliding scale, it is easier to defi ne in terms of discrete stages. The following are the typical degrees of outsourcing that can be pursued:

» **Business Process Outsourcing (BPO)** – where the entire process is handed over to the service provider. The classic example of BPO is complete payroll processing as with ADP's service offering.
» **Technology Platform Outsourcing (TPO)** – where the ownership and operation of only the hardware computing assets needed to support the business function are handled by a third-party provider. This is sometimes referred to as RCO, or a remote computing option, as well as co-location services.
» **Application Management Services (AMS)** – where only software support and maintenance are provided by the third party.
» **Application Service Provisioning (ASP)** – also called Application Service Provider or Application Hosting, which combines the two preceding options, where the third party supplies both the technology computing platforms as well as the application layer support and maintenance services.

Outsourcing, like any other business tool, should be pursued to both (a) solve or prevent specific problems, and (b) enhance and create business opportunities. In examining all the potential reasons for outsourcing a business function, it is helpful to categorize them—albeit somewhat arbitrarily—into high level motivators. This allows us a "divide and conquer" approach that makes the numerous reasons a lot more digestible. Michael Corbett, of Corbett and Associates, Ltd., has suggested these categories of uses:

» Tactical
» Strategic
» Transformational

These categories make sense, not only from the usage perspective, but also in terms of the motivations behind the outsourcing actions, and the types of business issues that they can help address.
For instance, from a **Tactical** perspective, outsourcing can be useful in achieving short-term and more immediate benefits. These types of reasons tend to focus on near-term budget pressures and/or personnel shortages, and include the needs to: reduce and/or control operating costs; obtain scarce and expensive skill sets not internally available; fix or gain control of a runaway function; free up or create investment dollars.

Next, from a **Strategic** perspective, outsourcing can be utilized to achieve more long-term impacts that can often have far-reaching consequences. These types of motivators come into play for businesses that want to go beyond jumping troublesome hurdles, and are now looking to augment growth strategies. These reasons would include the desires to: gain access to world-class capabilities; free up resources to redirect focus on more core business issues; reengineer a specific business process; and to share or offload risk.

Lastly, there is the **Transformational** category, which ratchets the strategic view up yet another level, and addresses the desire to fundamentally change whole aspects about the business itself. Transformational reasons sometimes approach wholesale re-engineering, and would include new business plan mandates to: develop new customer solutions faster; enter whole new markets with reduced risk and increased speed; respond to shortening product cycles; and even to redefine supply chains.

Certainly there are variations of these. And it is mostly an arbitrary convenience to divide these potential reasons for outsourcing neatly among three high-level categories. Realistically, however, we fi nd that the most compelling business cases for outsourcing will combine several components from two or all three of these categories.

The bottom line: it is crucial that businesses understand the possible reasons for outsourcing, which of them apply, and how these will ultimately drive expectations and outcomes.

Armed with a good understanding of why a business may take an outsourcing path, we should also examine the flip side—when is outsourcing inappropriate?

The cardinal rule of outsourcing is **never outsource a core competency.** That would be the near equivalent of abdicating responsibility for the core of your business. And while this may sound fairly obvious, it's interesting to note that some businesses have great difficulty in defining what those core competencies actually are.

Most often we find that an organization tends to confuse an actual competitive differentiator with its supporting mechanisms and tools. For example, a staffing company may define its ability to recruit, retain and place highly skilled personnel as a key core competency. But the Human Resources computer system that enables and supports this business process is typically a commodity that in itself is not a differentiator.

An interesting and noteworthy corollary to this golden rule is **never outsource a service to a provider who has outsourced its own core competency.** This may sound obvious, but once you define the real function that you are seeking to fulfill, you may find some service providers don't actually possess the pertinent fulfillment capabilities themselves—they depend on yet another party to provide it.

A similar concept to explain the above points is **core verses context.** As Geoffrey Moore has written on the topic, focus on your core business and outsource the context to a business that treats that work as its core. This keeps your eye on the ball and ensures your operation is getting the value out of the efficiencies, scale and continued improvements of a partner focused on your context as its core business.

So just exactly how does an outsourcer provide a customer with increased benefi ts yet at the same time allow them to cut costs? We often hear the mantra of "economies of scale," and that may be a good descriptive label. However, it does little to explain the details behind why an outsourcer actually can do it better, faster and cheaper.

The implementation of an Enterprise Application system is a solution to a business need. And like all such solutions, it involves the effective and balanced use of **Technologies, People and Processes.** Each of these components brings both benefits and costs to the solution. In this section, we will examine how an outsourcer can bring significant advantages to each.

The Technology Costs

In the **Technology** realm, while the cost drivers are of significant magnitude, it is also critical to note the multipliers that come into play, including (a) frequent intervals of updating and modernization expenditures, (b) the ever increasing complexity of the solutions, and (c) planning for peak demands often results in capacity inefficiencies during non-peak demand periods. The specific technology cost drivers and their investment implications are:

» The **Mission Criticality** of the application leads to various technology solution needs such as high availability configurations, including redundancy and failover for servers, disk storage, gateways, and network components. This driver also calls for disaster recovery solutions and sophisticated security measures.
» The **Performance Requirements** of the application users leads to the need for additional technologies such as RISC based processors in SMP configurations, large amounts of random access memory, high-speed disk storage, and high-speed networks.
» The **Application Architecture** itself may demand several tiers of servers, particularly if it is Internet-enabled, including web, application and database platforms, all of which are typically subject to the criticality and performance requirements described above.
» The **Numbers and Types of Application Users** will generate additional technology costs to account for more power and capacity to handle the numbers of concurrent users and the heavy power users.
» The **Geographic Dispersion** of the application users will add costs for additional networking connectivity from numerous and widely dispersed locations.

The Outsourcer's Technology Cost Advantage
An N-tier (client-web-application-database) architecture can be daunting and costly when the redundancy and performance requirements apply to all tiers. An outsourcer will architect such redundancy and fail over in every technology component, and at every tier level, along with a disaster recovery solution and best practices in security. It can also utilize massive capacities for performance in its servers, network and data storage solutions.

An outsourcer attains a significant cost advantage because it **specializes** in these extraordinarily complex areas and therefore will be more efficient in its acquisition, deployment and scaling. It also **purchases in volume** to obtain better discounts. And it is able to **leverage** these investments across multiple customers and platforms, via partitioning and load balancing solutions that only make economic sense when done on a very large scale. Likewise, since it is core to its business, an outsourcer will excel at **capacity planning,** which allows it to exactly size the technologies needed. Finally, an outsourcer is able and willing to plan its technology environment for **renewal and modernization** at more frequent intervals, because this favorably and directly impacts its bottom line.

The People Costs
As we examine the **People** cost drivers, it is important to note that (a) there are significant and hidden costs associated with *attracting and retaining* the referenced skill sets; (b) increased complexity calls for corresponding increases in *specialization;* and (c) planning for *peak demands* frequently results in inefficiencies in unused staffing levels during non-peak demand periods. The specific people cost drivers and their investment implications are:

» The **Infrastructure Support** skill sets needed to install, operate, administer, maintain and manage the varied technology platforms. These skills can be quite extensive and specialized when considering the hardware variances, operating systems, networking and security needs, and overall complexity of the technology configurations.
» The **Application Support** skill sets needed to install, operate, administer, maintain and manage the application programs. These skills and knowledge bases can also be quite complex and specialized when dealing with setup and configuration for an enterprise wide system, along with the need to continually apply patches, fixes and new releases.

- The **Geographic Location(s)** of staff or limitations to types of remote staff can either add or subtract to the people costs, particularly when IT support personnel may be required to co-locate in high cost-of-living areas. Unless businesses have ready access to offshore talent pools, IT cost structures will be materially higher given reliance on onshore resources.
- The **End User Support** requirements are always demanding, but typically are more time consuming and complex with enterprise level applications.
- The **Training** demands—both initial and ongoing—for end users and IT personnel can require significant investment in specialized skill sets that can accommodate training delivery and content.

The Outsourcer's People Cost Advantage
Achieving staffing levels that are both cost-effective and process-efficient is the challenge of all organizations. It is a difficult and often frustrating balancing act in any realm, but one that is more problematic in the world of information technology. Ever increasing complexity and specialization needs are exacerbated by the constantly changing technology landscape, and the varieties of technologies that come into play are mind boggling.

An outsourcer who focuses only on certain technologies can achieve both staffing efficiencies and economies again by virtue of its *specialization.* Such specialization allows it to groom a unique and dedicated pipeline for talent. At the infrastructure level—where server platforms, operating systems, data storage and networking components require complex skill sets—a specialized outsourcer can employ a degree of *standardization* and *interoperability* that will be unachievable otherwise. This allows it to achieve an equivalent productivity level with fewer personnel.

Additionally, an outsourcer will be able to leverage a particular skill set across multiple customers, achieving a leveling effect that results in even lower cost. As an example, one DBA will service many databases for many clients and remain at a *high and constant level of utilization.* The same is true for other specialties, such as Unix administrators, Enterprise Application experts, Upgraders, etc.

Lastly, an outsourcer will have access to the entire value chain of resources, including subject matter experts (consultants), onshore administrators and support personnel, and offshore personnel. Pulling from the entire value chain based on the task at hand provides considerable process and economical advantages, while also providing broader coverage and support options.

The Process Benefits
In addition to providing access to best of class People and Technology resources in a more effective and less expensive fashion, an outsourcing arrangement will also enable a complete set of best practices that would otherwise be difficult to achieve and maintain. These translate to **best-of-class Processes** that add more value to the solution.

Among the reasons why an outsourcer can increase your benefits (as well as do it more cost-effectively) is again its specialization—motivating it to *hire and retain the best talent* in its particular areas of focus. This talent is groomed with years of experience that by default improves the quality and speed of the processes they operate—e.g., the implementation, maintenance and operation of the systems.

Secondly, an outsourcer is incented not only to improve and streamline these processes, but also to make them as *repeatable* as possible. This repeatability enables the outsourcer to service multiple systems without having to add corresponding personnel in a linear fashion. Once again, the gains achieved directly and favorably impact the outsourcer's bottom line.

Thirdly, an outsourcer's focus and specialization, along with its volume-based business model allow it to *purchase or build the best high-end tools* that are available. Such tools further improve the processes and their scalability. From top-of-the-line systems management suites, to sophisticated change control mechanisms, to automated software distribution, the outsourcer has access to tools that would otherwise be cost-prohibitive in smaller scale operations.

Process quality results from the combination of (a) highly skilled and experienced specialists, (b) proven and repeatable processes, and (c) state-of-the-art tools. An outsourcer who can deliver on all three of these can offer you substantial improvements in both operational quality and consistency.

The Importance of Resource Utilization

Capacity demands for both technology and people occur in periodic waves having significant peaks and valleys over the course of time. The capacity demands for people will be high at certain times—such as when periodic software upgrades or service packs must be applied and tested—and much lower at other times. Likewise, technology capacity requirements will often spike during intense system usage periods—such as with certain types of employee self service, where large numbers of concurrent users tax the systems in a compressed time period.

When an individual organization equips itself—via staffing levels and/or computing power—to handle such peak loads, the result can be considerable over capacity during the lower periods of demand. This over capacity is typically of a specialized nature, and is then difficult to optimally re-deploy elsewhere, yet inefficient and expensive if not.

On the other hand, if the business provides a lower level of staffing and computing power (typically based on an average capacity demand), then it risks either: (1) sacrificing quality and performance during the critical peak loads, or (2) having to quickly augment available capacities through expensive short-term measures.

A specialized outsourcer can often accommodate such fluctuations in a number of ways. First, by servicing more than one client system, it can distribute peak demands more evenly over time. Second, it can dynamically draw on support resources from its pool of field consultants. And third, the efficiencies it realizes via its sophistication in processes and tools helps immeasurably in its ability to deal with such peaks without resorting to "brute force" methods.

This concept of maximizing utilization is one of the key contributors to the "economies of scale" principle that allows the outsourcer to offer a lower cost base, while still offering increases in quality of service.

A Final Note on Economics

While we have seen that not all motivations for outsourcing are simply cost-based decisions, an analysis must still show that there is good economic justification for pursuing an outsourced solution. We often find, however, that the typical attempt at a Return-on-Investment (ROI) analysis will be problematic, perhaps even misleading.

Traditional ROI analyses are attempts at measuring the impact an investment will have on cash flow, and typically will use either Net Present Value (NPV), or Internal-Rate-of-Return (IRR) calculations. These methods attempt to place a value on the cash flows that will be generated in the future, with investments that are made today.

One of the problems with this approach is that it requires correlating technology investments to the business's bottom line. This is extraordinarily difficult for basic infrastructure components that serve to enable many—sometimes all—processes, procedures and tasks that span the enterprise. Consider technology staples such as the PBX telephone system, or the local area network, or printers and fax machines—these are investments that support numerous underlying and multi-threaded business processes. A similar argument can be made for CRM, ERP and other enterprise applications.

And there are other problems with technology-based ROIs, such as predicting useful life, and accurately estimating support and maintenance costs. Thus, while the cost reduction impacts are fairly easy to isolate and quantify, the direct correlation between the increased opportunity and the bottom-line cash and revenue impacts will remain fuzzy. Here consider the alternative of measuring and justifying the effort via specific operational metrics using Key Performance Indicators (KPIs). These are associated with, but not the same as, the ultimate cash flow/financial measures.

As an example, a staffing company that outsources its back office accounting systems can reduce and/or avoid costs associated with the hardware, software and personnel expenditures needed to internally source such operations. But an additional and important consequence is its ability to focus more on its core business processes, and thus its productivity metrics of placement counts and utilization rates should experience an increase over current levels. These can and should be measured over time.

An Approach to Cost Justification
We understand the difficulty that IT organizations face in documenting an economic justification for any initiative. The contribution of IT assets and services to the business bottom line is simply not clear-cut. However, we find that analyzing outsourcing arrangements can be easier to address when the following four categories of savings and benefits are specifically quantified:

- » Cost Reduction
- » Cost Avoidance
- » Opportunity Creation
- » Other Benefits and Intangibles

Cost Reduction
Cost reductions can come from eliminating or reducing internal resource expenditures as a result of such an outsourcing arrangement wherein the outsourcer pays these as a part of the monthly hosting fees. These can include such cost line items as:

- » RDBMS licensing or maintenance fees
- » Hardware (server) maintenance fees
- » System software maintenance fees (e.g., OS, compilers, etc,)
- » Other third-party software maintenance fees (e.g., report writers)
- » Training and conference fees
- » Reductions in support staff headcount (e.g., DBA, Unix/NT admin, level 2/3 technical support, security admin, etc.)

Cost Avoidance
Cost avoidance can come from obviating the need for future resource expenditures that would otherwise be required if you were to continue "internal self hosting" of the ERP applications. These can include such cost line items as:

- » Upgrades to existing server platforms (Web, Application and DB servers) to accommodate the increased capacity demands of the ERP architecture, including:
  - o Additional CPU
  - o Additional memory (RAM)
  - o Additional disk storage
- » Upgrades to workstations for core support personnel
- » Updates to the security architecture (firewalls, proxies, Web/DMZ)
- » Installation services for ERP databases and components
- » Technology spending to implement failover and/or disaster recovery capabilities
- » Additions to IT staff to handle increased workloads that result from new initiatives and projects
- » Real or tangible business costs from downtime or poorly operating systems that would be remedied through an outsourcing arrangement

Opportunity Creation
Opportunity Creation comes from the fact that resources currently assigned to the maintenance and support of the ERP applications and infrastructure can now be redirected towards more value-added initiatives and activities. Of course the economics of this particular factor can vary greatly among organizations, and must take into account the projected value of such new efforts:

» Value derived from staffing the new business initiatives
» Sale of capital assets no longer required under an outsourcing arrangement

Other Benefits and Intangibles
Other less tangible benefits often result from an outsourcing arrangement simply because existing service levels will be increased without having to add additional resource expenditures. Such items can include:

» Higher availability and reliability due to system redundancies and failover
» Increased functionality due to faster application of upgrades and patches
» Tighter security controls that reduce exposure and risks
» Implementation of a disaster recovery solution that further reduces risks
» More predictability in year-to-year support budgets
» Immediate availability of world-class ERP expertise

While the required "payback" metrics can vary greatly among organizations, we recommend that justification calculations be addressed for the term length of the initial outsourcing contract (typically three years or greater). Tactical outsourcing results will be more immediate though less impacting, with Strategic and Transformational results being longer term and more impacting to the organization.

An Economic Justification Calculator
Organizations need a tool to enable them to perform their *own* economic analyses on outsourcing options. We've developed such a tool—a simple and relatively straightforward Excel spreadsheet. All of the factors described above are itemized and totaled, and then compared to the hosting costs, all over a three-year contract period. An "equivalent ROI" is automatically calculated to allow a quick determination if the Hosting arrangement is economically justified based on the conditions unique to that organization's profile.

Outsourcing/Hosting Summary
The possible reasons for outsourcing are many and varied. Nor do they occur in isolation—both internal and external factors will influence the need for and the timing of an outsourcing solution. Compelling cases for outsourcing will combine several different motivators that collaborate and combine in synergy.

A properly conceived and justified outsourcing initiative will recognize and accommodate these realities, and as a result produce a higher likelihood of success. Ultimately, the successful outsourcing initiative will (a) understand and specifically define its reasons and motivations, then (b) carefully and objectively select its solution on the basis of fulfilling those reasons, and (c) measure its success with specific metrics for each of them.

When outsourcing failures occur, the underlying cause of failure is rarely in the motivations and justifications. (Indeed, it is more typical for businesses to overlook situations where outsourcing would have better served them when compared to *"insourcing."*)

In actuality, the majority of outsourcing failures occur due to poor execution of the evaluation and selection process. Specific shortcomings range from the failure to involve the appropriate stakeholders and executive sponsorship, all the way to a failure in translating the outsourcing goals and objectives to specific, detailed requirements—upon which an objective evaluation and decision can be based.

Next Step: Documenting Your Business Case

The difference between suspecting and knowing that outsourcing is right for you is in the details of a properly developed business case. Generic justifications are fine marketing tools, and even appropriate for early conceptual stages, but getting a concept off of the drawing board requires detailed specifics for:

» Alternatives assessment
» Quantification of business benefits and costs
» Financial return and justification
» Assessment of risks
» Analysis of strategic fit
» Internal acceptance and mandate to proceed

As daunting as this may sound, EquaTerra has tools and methods readily available that can help in the development of such a business case.

d. Completed ERP Projects

Provide a list of all government related ERP projects completed by the firm. Address how the experience gained (successes and failures) from these engagements can be applied to the Requirements Definition phase of the West Virginia ERP project.

A list of the EquaTerra Team's government related ERP projects are as follows.

EquaTerra's ERP Related Government Clients	
Client	**Scope – ERP Services**
Broward County, Florida	Requirements Definition, Fit/Gap Analysis, Business Case
Commonwealth of Pennsylvania, Treasury Department	IT and Enterprise Systems Strategy Definition, As-is Assessment, Future-State Definition
Cuyahoga County, Ohio	ERP Assessment, Functional Recommendations Definition
District of Columbia Government	HR ERP Assessment
Los Angeles Unified School District (LAUSD)	ERP Assessment, Implementation Remediation
State of Florida	HR ERP Assessment and Recommendations Definition
United States Air Force	Enterprise Systems Assessment

Sierra System's ERP Related Government Clients	
Client	**Scope – ERP Services**
British Columbia, Safety Authority	Requirements Definition, Sourcing Strategy, RFP Development, Project Management
British Columbia, Transit	BPR, Training
British Columbia, Transportation and Highways	Training
Canada, Correctional Services	Planning, Data Conversion
City of Abbotsford, British Columbia	Third-party Implementation Oversight and Advisory
City of Burnaby, British Columbia	Implementation
City of Edmonton, Alberta	Quality Assurance, Support

City of Kelowna, British Columbia	Fit Analysis, Implementation Support
City of Tacoma, Washington	Implementation
Canada, Department of Fisheries and Oceans	Data Conversion, Implementation, Workflow
Canada, Department of Foreign Affairs	Position Management Implementation
Canada, Department of Indian and Northern Affairs	Implementation
Canada, Department of National Defense	Project Management, Assessment, Business Case
Federal Aviation Administration	Implementation
Government of Alberta, Canada	Implementation
Metropolitan Water District, Los Angeles	Implementation
Ministry of Transportation, Ontario	Pilot Implementation
Nova Scotia, Department of Education	Project Management and Implementation
Nova Scotia, Department of Finance	Fit/Gap Analysis
Nova Scotia, Department of Health	Implementation
Nova Scotia, Liquor Commission (NSLC)	Strategy and Fit/Gap Analysis
Nova Scotia, Regional Housing Authority (NSRHA)	Project Management and Change Management
Royal Canadian Mounted Police (RCMP)	Report and Interface Development
Simon Frasier University	Implementation
State of Louisiana	State-Wide ERP Selection and IV&V
State of Texas Education Agency	Application Managed Services, Upgrades
State of Texas, Health & Human Services	Implementation, Support
State of Washington, Department of Personnel	Project Management, Change Management
The World Bank	Training
University of British Columbia	Requirements Study, Testing, Upgrade Implementation

To illustrate how these project experiences have prepared our team to perform the tasks and produce the deliverables under the Requirements Definition phase of the ERP Consulting Services project, the EquaTerra Team is proving the following narratives on the relevance of our past performance.

Cuyahoga County, Ohio

EquaTerra was engaged by the government of Cuyahoga County, Ohio to conduct a complete review and as-is assessment of its HR organization, service delivery, and its enterprise applications, which included SAP. As part of this assessment, EquaTerra collected data to assess the current-state operational and cost structure of the organization; performed a gap analysis and compared the current-state with external best practices; defined a future-state model to meet the organization's needs; defined progress checkpoints to determine fit with goals and expectations; and, designed a detailed future-state delivery model and implementation roadmap.

As part of the future-state model and recommendations, EquaTerra outlined several ways the County could improve performance and reduce costs regarding its use of the current SAP system. It was determined that the County was making considerable financial investments in the implementation, upgrade, and ongoing maintenance and support of their SAP ERP. Additionally, the County was not capitalizing on its investment and not realizing the appropriate level of return on investment by not using SAP to its full capacity.

The County's original objective in implementing SAP was to establish on HR system of record for all County employees; however, EquaTerra determined that many paper-based processes were still in use and that several County agencies were continuing to use and/or pursue their own HR systems. EquaTerra made several serious recommendations stating that the County should:

- Broaden the use of SAP and make necessary changes and improvements to empower SAP users and fully take advantage of SAP's capabilities.
- Position the SAP system as Cuyahoga County's one HR system of record for all County employees.
- Develop and implement a shared services delivery model focused on the employee customer.

This experience illustrates that EquaTerra not only possesses subject matter expertise in critical government business processes, but also the underlying technologies and systems that support them. More specifically, EquaTerra has significant experience in developing as-is and future-state service delivery models around SAP (and other) ERP systems. Additionally, our experience with Cuyahoga County exposed our advisors to the missteps and failures state and local governments regularly face when implementing ERP systems. This is one example, out of many, where EquaTerra has been retained by a client to fix ERP related operational problems. Like with the proposed West Virginia ERP Consulting project, EquaTerra assessed a government entities' current-state, documented their requirements, and proposed measures to improve operational performance and lower costs.

United States Air Force

EquaTerra was engaged by the US Air Force (USAF) to perform an assessment of the current capabilities of the Defense Integrated Military Human Resources System (DIMHRS) and the system's ability to meet the US Air Force's needs. DIMHRS is a customized PeopleSoft solution that will provide the services with an integrated, multi-component, personnel and pay system. As such, DIMHRS should improve the delivery of military human resources services, providing each Service Member with a single, comprehensive record and self-service capabilities to empower Service Members to update portions of their personal information. DIMHRS is expected to eventually roll-out across all branches of the Defense Department.

As part of this third-party assessment, EquaTerra conducted a functional and technical assessment around the DIMHRS' core product capabilities. The functional assessment looked at several factors including but not limited to the suitability towards serving the USAF's mission, as well as its ability to perform under strict functional compliance guidelines and laws. The technical assessment centered on the system's maintainability in an effort to determine if the USAF should continue to make significant investments in customizing the DIMHRS solution.

EquaTerra made a number of significant recommendations in both the functional and technical areas. The primary one being that the USAF should consider the current DIMHRS product as a good foundation to further the original objectives of DIMHRS and deploy a best of breed enterprise system. Also included in the recommendations was a strong urging for the USAF to execute a detailed requirements analysis and review, along with completion of the functional and technical documentation of the DIMHRS core system.

The experiences EquaTerra gained on this project are directly relevant to West Virginia's ERP Consulting initiative in several ways. Firstly, EquaTerra performed a review and analysis of the functional and technical requirements for what is considered the largest enterprise resource planning program ever implemented for human resources, which is planned to replace over 90 legacy enterprise systems. This clearly illustrates that EquaTerra is not only experienced in providing third-party consulting services around Oracle PeopleSoft based ERP systems, but also that our team is experienced with some of the largest systems in existence. Secondly, our expertise is illustrated by the Air Force's confidence in our recommendations, which will be guiding their adoption and roll-out of DIMHRS in their HR organization.

State of Florida

The State of Florida contracted with Convergys, in 2002 to build and support a human resources management system (HRMS), including a personnel information system, and provide a variety of human resources (HR) services such as payroll preparation, time and attendance, recruitment and staffing, benefits administration and reporting. The resulting system and services, known as People First, provide HR services to approximately 230,000 State employees and retirees. In August 2011, the State of Florida's contract with Convergys, the service provider for the People First system, will expire.

With expiration of the contract less than three years in the future, the State now faces the challenge of determining the best path forward against the backdrop that over 200,000 current and past State employees currently depend on People First for essential services. At the direction of the State of Florida's Legislature, the Office of Program Policy Analysis and Government Accountability (OPPAGA) contracted with EquaTerra to conduct an analysis of People First, identify and evaluate potential options for moving forward, and provide a recommendation on the most viable path forward in the context of the current contract's expiration set for August 2011.

As part of this project, EquaTerra assessed the State's People First HR Management System, which is based on SAP, related to its functionality, maintenance and security. To complete this analysis and provide thoughtful recommendations on the State's most viable path forward, EquaTerra utilized its proven methodology and tailored its methods and tools to meet both OPPAGA's requirements and the defined timeline. As part of our final report, EquaTerra indicated to the legislature of the State of Florida that the SAP platform presented a solid foundation around which the State could continue to deploy People First.

This experience represents another project where a State & Local government required our expertise to assess a troubled ERP implementation, conduct and as-is assessment and make recommendations for a successful path forward.

Commonwealth of Pennsylvania, Treasury Department

EquaTerra is currently engaged with the Commonwealth of Pennsylvania's Treasury Department – an independent agency, led by a popularly-elected Treasurer, that is charged with the collecting, managing and disbursing of State funds, among other functions.

As directed, EquaTerra has been engaged by the Department for purposes of:

- » Developing information technology objectives in support of the Department's strategic business objectives;
- » Characterizing the Department's current IT architecture (including systems) and mapping current processes;
- » Evaluating the Department's litany of disparate enterprise systems;
- » Capturing current requirements and the true costs of delivering services;
- » Providing a conceptual design for a preferred Treasury's IT architecture – one that supports the Department's strategic objectives – and mapping future-state processes;
- » Conducing a gap analysis between current and future-state IT architecture, processes and requirements;

- Identifying short-term actions that could be taken to reduce costs and improve service delivery effectiveness; and,
- Developing an IT strategy implementation roadmap.

This project has an almost identical scope to West Virginia's ERP Consulting initiative. As state above, EquaTerra is experienced in conducing as-is assessments of business processes and the underlying IT architectures for the purposes of improving service delivery and cost effectiveness through the selection of an ERP software solution and integration partner. Although EquaTerra is still in the process of conducting work on this project, it shows our team has relevant and recent experience performing the activities required during the Requirements Definition phase of the West Virginia project.

State of Louisiana

West Virginia is requesting assistance in the selection and evaluation of a Statewide ERP system. As an equal partner with STA, Sierra Systems provided 50 percent of the staffing for the ERP Requirements, RFP Development and Evaluation process for the state-wide ERP project. Sierra provided project management, subject matter experts (functional experts) and technical resources to develop RFP requirements, participate in the RFP evaluation process and demonstrations by the ERP vendors. This is exactly the same process that West Virginia is requesting.

Subsequent to the award of the RFP, to IBM-SAP, Sierra Systems continued to provide for 50 percent of the IV&V staff and more recently implementation staff with SAP specific skills to assist the State in fulfilling their responsibilities under the contract with IBM. In this regard, Sierra Systems provided SAP trainers, SAP technical/programmers and functional experts to ensure that the systems being implemented met State requirements. West Virginia will require similar skills and assistance during their implementation phase. Sierra Systems can provide like resources for any vendor solution selected by the State.

Texas Education Agency, State of Texas

The Sierra Systems relationship with the Texas Education Agency, (TEA) is very relevant to the West Virginia Financial Systems requirements. Sierra Systems has established a unique relationship with the agency as a trusted advisor and business partner. The TEA is responsible for all K12 education in Texas. All funds from both the Federal and State levels go through the agency to provide funding to all state school districts. This funding is over $20B per year and is managed using PeopleSoft financials, currently Version 8.8. TEA wanted a single company to provide both Application Management and Support services (AMS) and Application Development Services (ADS) to the agency for their PeopleSoft Financials application in order to increase service levels and reduce costs. Sierra Systems is currently providing both AMS and ADS services to TEA using a single pool of resources. This provides TEA with a flexible resource pool to enable focusing on either AMS or ADS requirements as they arise. TEA is receiving higher service levels at reduced cost, compared to earlier outsourcing contacts and compared to performing these services in-house.

In comparison to the West Virginia requirements, Sierra Systems provides support for all of financials modules required by WV. The HR modules are not currently in scope at this time. Supported modules include:

- Finance and Accounting
- General Ledger/general Accounting
- Accounts Payable
- Accounts Receivable
- Projects Accounting
- Fixed Assets
- Investment Accounting

- Financial Accounting and Reporting, including ARRA
- Operating Expenses and Revenue
- Procurement
- Asset Management
- Materials Management
- Inventory Control and accounting
- Material Request
- Grants management
- Treasury
- Cash Management
- Investment Management
- Debt Management
- Cash Flow Forecasting
- Capita Budgeting
- Financial Data Warehouse and Reporting Tools

Sierra Systems has completed one four year contract with TEA and successfully competed for a second contract which is in progress for the 2007 -2011 time period. During these contract periods Sierra has conducted several feasibility studies and additional implementation work for TEA. These include:

- Feasibility of incorporating Educational Materials Management in PeopleSoft
- Feasibility of Selecting a compatible Budget Management System
- Feasibility of building or buying a Cash Receipts System
- Pilot Project for Use of Cognos for Financial Reporting

These are relevant to West Virginia's need to complete requirements, complete Gap Analysis and Build/Buy decisions and conducting vendor demos and evaluations.
Sierra has included major upgrade work as part of these contracts. These include:

- Upgrade for PeopleSoft 8.4 to 8.8
- Upgrade from Sybase to Oracle
- Upgrade from PeopleSoft 8.8 to 9.0 planned for 2010-11

These are relevant to West Virginia's requirements to manage ERP projects successfully including implementations, data conversions and deployments. Sierra has undertaken significant implementation and development work as part of the contracts. These include:

- Building a Cash Receipts Module (underway)
- Implementation and development of the Educational Materials Management System (EMAT) (Live May 2009)

Each initiative required the development of a business case, funding proposal and implementation strategy in order to be successful as will the West Virginia ERP initiative.

Particularly relevant to West Virginia's initiative is the experience and knowledge that Sierra Systems has of Government process and legislative mandates. As part of our ongoing contract with TEA we continually evaluate the changes being proposed by both the State Legislature and the State Board of Education and provide estimates for systems impact and costs. As West Virginia undertakes it initiative there will be constant needs for executive communications, and re-justifications of the projects.

British Columbia Safety Authority

Background

The British Columbia Safety Authority was established in April 2004 through the Safety Authority Act and administrative agreements with the Province of British Columbia to oversee safety services previously provided by the Province. It is an independent, self-funded, not-for-profit corporation that provides cost-effective and essential safety services to businesses, industries and the general public throughout the Province. It oversees the safety of technical systems for a specific set of industries ranging from electrical and gas to boiler, ice rink, elevator and escalator, amusement ride, ski lift, and railway.
The BCSA is responsible for administering the provincial Safety Standards Act, the Railway Safety Act, and related regulations that promote a safe living environment while supporting BC's economy. Working with a wide variety of industries, BCSA services include permits, inspection, certification, education and incidents investigation.

The BCSA employee base is approximately 300 of which about 85% are affiliated with the British Columbia Government Employees' Union (BCGEU). BCSA has a large group of Safety Officers who travel throughout the province performing safety inspections, as well as administrative staff who are located at their headquarters in New Westminster and regional offices across the province. The workforce is comprised of full-time, part-time, and casual staff with the occasional use of independent contractors.

The BCSA, at the time of project initiation was using the services of TELUS Sourcing Solutions through the BC Provincial Government, for its' HR and Payroll processing. There were limitations to the ongoing use of the provincial platform that would constrain future growth for BCSA. Therefore, BCSA was seeking to move to an independent arrangement that would provide the organization with increased flexibility and control in the area of Human Capital Management (HCM).

Scope and Objectives

The scope of the BCSA HRMS Requirements Definition and Selection Project encompassed three major components similar to the first stage requirements for West Virginia:

- Understand, define and document BCSA's business and functional requirements now and for the future in the areas of Human Resource Management and Payroll.
- Develop a comprehensive RFP which properly reflects the defined requirements and distribute to a screened, short-list of suitable vendors. Evaluate the responses and support the conducting of interviews with the revised short-list (those that qualified after proposal review) to arrive at a single 'preferred' vendor.
- Draft a Business Case to support the implementation of the preferred HRMS solution.

For BCSA, the primary overall objectives for initiating this project were to:

- Implement an HRMS solution including Payroll processing that would provide increased flexibility and control in the area of Human Capital Management.
- Implement a single solution that would help BCSA manage, automate and integrate the Recruitment, Human Resources, Benefits Management, Time & Attendance and Payroll processing requirements with robust Reporting capabilities.
- Increase Efficiency and Effectiveness of key People & Processes:
  - Streamline Recruitment, Hiring (On Boarding), HR & Time Capture Processes
  - Increase Automation and Level of Integration across Business Functions
  - Increase Accuracy, Timeliness and Accessibility to critical employee information

Methodology/Approach

In order to minimize the demands on client staff time and maximize the available time, a fair amount of pre-work was done for the requirements gathering phase. This included:

- The identification of all the processing areas that needed to be addressed (such as Payroll, Benefits, Workforce Management, etc.).

- » Determining, in conjunction with the project sponsor and project manager, who the BCSA subject matter experts were for each processing area.
- » Grouping the topics for the workshops appropriately so as to minimize the number of workshops required and optimizes the time from the client resources. In all, 8 workshops were held, varying in length from 2 to 3 hours – they included 1) Vision; Position Management; Performance Management; Competencies; Succession Planning. 2) Occupational Health and Safety; Training. 3) Workforce Management; Labor Relations (we addressed the Collective Agreement here); Recruitment and Selection. 4) Payroll and Benefits (addressed the Collective Agreement again). 5) Payroll and Benefits continued. 6) HR 'other' (Discipline, Termination, Grievance, Leave Management, etc.) (the Collective Agreement was addressed again in relation to these topics). 7) Technical. 8) Finance.
- » Preparing templates for the workshops in addition to lists of functional questions for each processing area (e.g. for Payroll, what pay types does BCSA employ? What are their pay cycles?; for Benefits, how many Benefit Plans does BCSA support? Which Benefits are company paid and which are employee paid? etc.). The questions were distributed to the subject matter experts ahead of the workshops so they might give some thought to the information we needed to collect and come to the workshops prepared.
- » Background reading in order to understand the history of the organization, its current environment, the current issues around HR and Payroll processing, and the rules and constraints of the Collective Agreement.

The workshop process proceeded with a single facilitator / scribe using the prepared materials (templates, questions, etc.):

- » Rough notes were taken; a 'to do' section at the end of each set of notes facilitated logging of items that needed reference to other areas or resources. These were addressed during meetings with the appropriate resources and then cycled back to the workshop participants for confirmation / approval. In addition, any 'general' items were noted and used to support the development of the RFP.
- » After the workshop the facilitator reworked the notes – making them more comprehensive and extracting the requirements (at a high level).
- » The reworked notes were sent to the workshop participants for their review – they were given approximately 3 to 4 days to review.
- » Formal review sessions were held with the appropriate subject matter experts where the notes were modified and agreement was reached on the requirements – these sessions were 1 to 2 hours depending on the size of the functional area being dealt with (e.g. Payroll and Benefits needed several review cycles).
- » The requirements, once finalized, were transposed into tables for the RFP and a BCSA rating assigned to each requirement (e.g. Mandatory, Desirable, Nice to Have). Some of the functional areas were combined (what worked for the workshops didn't necessarily work for the RFP presentation in terms of grouping functional areas). Each set of requirements was given an Overview section in which over-arching requirements were stated and response particulars defined. The material for the Overview sections was drawn from the workshop notes.

As requested by West Virginia, we conducted vendor research in order to identify those vendors who would be suitable for BCSA's needs given their top high level requirements (e.g. data (in a hosted or outsourced solution) must reside in Canada; payroll processing must be available for Canadian Federal and Provincial laws). The short-list was presented to the client in addition to justification for the non-inclusion of those vendors who were eliminated. A review and discussion was entered into in order to confirm the short-list.

The RFP process for West Virginia will follow a similar process at that conducted for BCSA as follows:

- » RFP development was undertaken in accordance with the standard RFP process and presentation used by BCSA. The RFP document was put through several cycles of review and refinement by key client resources and the Sierra Systems consultant until a final version was agreed upon. The RFP was distributed to the vendors selected for the short-list.

» A single conference call was held one week after RFP distribution to answer vendors' questions. The Q&A session was documented and the final document sent out to the vendors. A three week period elapsed between the distribution of the RFP and the return of the proposals.
» Proposals were received on time and an evaluation process was started involving the key client resources and Sierra Systems. Individual evaluations were undertaken and then the whole group met to compare notes and prioritize the vendors based on the group evaluation. At this time a couple of vendors were eliminated based on their responses – mandatory requirements that could not be met, and poor quality of proposal (presentation fragmented or incomplete, or proposed solution not workable for BCSA). The vendors remaining are scheduled for interviews and demonstrations at the end of January 2010 during which time a further level of evaluation will be conducted and a preferred vendor selected.
» A draft Business Case has been developed and will be completed once the vendor interviews / demonstrations are finished and the preferred vendor is known.

e. Proposed Project Personnel

Provide a list of employees proposed for this project including employee name, title, and time with the firm, education, employment history, and detail for specific ERP experience.

The personnel proposed for this project represent years of Statewide ERP experience from both EquaTerra and Sierra Systems. In addition to these resources, we also offer best practices from our Private Sector engagements. It is our strong belief that by not only looking at our wealth of knowledge in the Public Sector area, the project can also benefit from our years of experience working with our Commercial clients to bring a combined knowledge base to this engagement.

Scot Armstrong

Scot is the Managing Director of EquaTerra's Global ERP Advisory Services. He is a leader in the consulting industry and has developed the methodologies and delivery approaches for many large consulting firms whose primary services are ERP Integration. He is a detail-oriented, results-driven executive with over fifteen years of experience serving clients in multiple industries, including Government (Federal, State, County, Municipal, and K12) Aerospace, Airlines, Energy, Forest Products, Manufacturing, Healthcare, and Retail. Scot possesses strong leadership presence with in-depth SAP experience and is a subject-matter expert in Performance Audit and Measurement, Program Management, Change Management, and Shared Services. He has led the development of ERP portfolios, strategic plans and subsequent implementation of large, complicated SAP solutions for clients such as: Coca-Cola, PG&E, Oakridge National Labs, Georgia Pacific, Motorola and Shell Oil. Scot holds an Undergraduate Degree in Management Information Systems from the University of Georgia where he also lettered in football for four years and was an Academic All-SEC performer. He has been with EquaTerra since 2008.

Jay Hiller

Jay is a Project Director with EquaTerra. He specializes in assisting Public Sector organizations in the implementation of new Enterprise Resource Planning (ERP), eProcurement, and customer/constituent relationship management (CRM) systems. Jay's background in consulting and state government includes more than twenty-seven (27) years of experience in information technology, project engagement, and ERP implementations in State/Local Government, Higher Education, Public Utility and Public School K-12 clients from across the United States and Puerto Rico. He has a thorough knowledge of public sector financial management, budget development, procurement, human resources, payroll, and student administration functionality. During his career he was a senior manager in a Big 5 consulting firm, and an eleven (11) year partner in an ERP public sector consulting firm that he co-founded. Jay holds a BBA in Business Administration from the University of Texas at Austin. He has been with EquaTerra since 2009.

John Galloway

John is a Partner with Sierra Systems and has experience in project management, systems analysis and delivery, information management, technology strategic planning and business process engineering. John has extensive experience with implementing complex Statewide and large county wide applications and services. He background includes Statewide government experience in Corrections, Labor and Industries, Social and Health Services, Agriculture, and Public Health. Local government experience in Judicial Administration, Sheriff's Office, Public and Mental Health. John holds a BA in Geography from the University of Guelph, an MA in Geography from the University of Guelph, and is a member of the Project Management Institute (PMI), and Healthcare Information and Management Systems Society (HIMSS). He has been with Sierra Systems for over 10 years.

Allen Brower

Allen is a Senior Database Administrator and Technical Architect with over 25 years experience in the information technology ERP industry. His background includes technical project leadership, architecture configuration and tuning, database administration and application development in both ERP and custom development projects across a variety of industries. Allen has extensive DBA experience with all the major ERP software solution providers. Allen holds a BS in Computer Science engineering from the University of Texas at Arlington and has completed professional development courses in Project Management, Solutions Delivery, Oracle Implementation Champion 10g GRID, Implementation Champion 10g RAC, Oracle Database 10g Administration Workshop I, and Oracle Database 10g Administration Workshop II. He has been with Sierra Systems for over 14 years.

Resource Conclusion:

Many firms will tout their firm's experience and what they have done in the past. Our team approach is to not only profess our State and Global experience in both Public and Private Sector, but to also demonstrate our individual project team member skills. The EquaTerra and Sierra Systems team bring not only our company references, we also bring full-time W-2 employees with deep Public Sector skills, continuing education training, mentoring, career path advancement, and employee retention to your project. We would like to draw your attention to the fact that our staffing matrix includes employees and not 1099 contract employees that are hired/retained if and only if this project is won. We feel that our team structure and overall continuity from project to project makes the EquaTerra/Sierra Systems team the right choice for the State of West Virginia ERP implementation.

State-wide/Large Scale Public Sector ERP Experience	Scot	Jay	John	Allen
State of Texas		✓		✓
State of Georgia	✓			
Transportation Security Administration	✓			
State of Texas Education Agency			✓	✓
State of Louisiana		✓	✓	

State of Alabama	✓			
State of Minnesota		✓		
State of Texas Health & Human Services				✓
State of Florida	✓			
Bexar County, Texas			✓	
King County, Washington			✓	
Department of Homeland Security	✓			
Government of Puerto Rico (Commonwealth)		✓		
Ontario Ministry of Agriculture and Food			✓	
Washington Department of Labor			✓	
Department of Defense	✓	✓		

f. References

Provide no less than 3 but no more than 5 reference for similar projects completed by the firm. Include the business name, address, and phone number, e-mail address, length of contract and total amount.

Client	Reference Contact	Project Description
Los Angeles Unified School District	**Client Contact Name:** David Holmquist **Position Title:** General Counsel **Address:** 333 S. Beaudry Ave. Floor 24 Los Angeles, CA 9001 **Phone:** +1 (213) 241-6601 **Email:** David.Holmquist@lausd.net	EquaTerra was initially engaged by LAUSD in July 2007 to undertake a root cause analysis on the failure of a SAP HR/Payroll/Benefits implementation, which had resulted in large scale under and overpayments to employees over a period of several months, and had attracted the attention of the media, legislators and unions as well as garnering several class action lawsuits. Subsequently, EquaTerra was retained in August 2007 to lead the remediation efforts, which by January 2008 had reduced the payroll error rate to within industry norms. In the course of this assignment, EquaTerra provided business and IT leadership, worked on labor relations, communications and litigation support, provided legislative briefings, organized customer care services, and participated at every level in problem resolution activities. Reporting to the Chief Operating Officer, EquaTerra gained the confidence and respect of all the diverse stakeholder groups and played a key role in garnering support for the remediation efforts.

		EquaTerra also served as the architect of a large-scale transformation initiative for LAUSD's administrative operations that addressed both organization and technology change programs, and will fully realize the vision that drove LAUSD's adoption of SAP. Additionally, as part of the transformation initiative, EquaTerra developed the "as-is" and future state service delivery models and underlying processes for payroll, human resources, and employee services.
Broward County, Florida	**Client Contact Name:** Joanne Greiser **Position Title:** Project Director **Address:** 115 S. Andrews Avenue, Room 212 Fort Lauderdale, Fla. 33301 **Phone:** +1 (954) 790-9181 **Email:** jgreiser@broward.org	EquaTerra was awarded this agreement for the purpose of utilizing our skills and experience to serve as a Third Party Assurance Provider to assess, plan, and assist Broward County in managing the full life-cycle implementation of an ERP system. A major component of this initiative was comprised of business process modeling development. Broward County required a comprehensive and detailed overview of its back office operation. EquaTerra provided Broward County an approach to business process modeling development that focused on the assessment of current state processes followed by the transition to future state processes supported by ERP functionality. This framework provided Broward County with detailed process model diagrams that visually depicted key activity/tasks in and out of sequence with the use of swim lanes, which documented how the activities/tasks span across multiple functional areas. EquaTerra has provided independent assurance activities in conjunction with business process modeling development related to implementing an ERP system for all Broward County agencies that report to the County Administrator. Specifically, EquaTerra is developing a Business Case for going forward with an ERP Implementation, which includes the following: » Analysis and Benchmarking of Current Processes & County Readiness For Change » Identification and Assignment of Costs To Inefficiencies » Development of Business Process Models documenting the County's "as-is" and "to-be" processes for all major functional areas (HR, Payroll, Finance, Supply Chain, etc.) » Definition ERP System Requirements, Total Cost of Operation and Potential Return on Investment from implementing an ERP » Prepare Procurement Documents and Assist with The Selection Process » Once a decision is made to purchase and implement ERP software, another Statement of

		Work will be developed to address the work involved to manage the implementation of the ERP on behalf of the County.
Simon Fraser University (SFU)	**Client Contact Name:** Jim Cranston **Position Title:** Chief Information Officer **Address:** 8888 University Drive, Burnaby, B.C. Canada V5A 1S6 **Phone:** (778) 782-5807 **Email:** cranston@sfu.ca	**Objective:** Simon Fraser University (SFU) is one of Canada's top universities with three campuses in the Greater Vancouver area. SFU offers programs at both the undergraduate and graduate levels and has a student population of about 25,000. To improve services to students and faculty and reduce the workload on administrative staff, SFU selected the PeopleSoft suite of products, including the Student Administration system, HRMS/Payroll (HCM), and Financial (Financials and Budget) systems, to replace its aging, custom-built administrative systems. The three main drivers behind this project were: » Implementation of Web-based systems scalable to the university's current and future needs » Replacement of legacy functionality to allow the existing PowerHouse/VAX-based applications to be retired » Implementation of a low cost solution in a timely and cost-effective manner In the first phase, SFU implemented the Student Administration system. In the second phase, SFU implemented the HCM system. In the final phase, SFU implemented the Financials and Budget systems. **Scope:** Since the project's start in May 2002, Sierra Systems has provided key resources to SFU, as part of a joint internal/external team, to manage the customization and deployment of the PeopleSoft suite of products. Sierra Systems resources included a project manager, business analysts, PeopleSoft functional and technical leads, and PeopleSoft technical consultants (with development, conversion, and interface skills). During the first phase, Sierra Systems' project manager had the overall responsibility for day-to-day project management activities for a diverse team of 35 people. In addition to managing the implementation of the PeopleSoft Student Administration system, the project manager filled the role of PeopleSoft project integrator with responsibility for overall integration of the four PeopleSoft systems: Student Administration, HCM, Financials, and Portal. The Student Administration system went live in October 2003.

		During the second phase, the Sierra Systems project manager assumed responsibility for the HCM project and provided leadership for a team of 15 people. The scope of the implementation involved Payroll, HR, Base Benefits, a customized time entry system, customized academic personnel events systems, employee self-service, and integration with LDAP. The HCM system went live in June 2004. During the final phase, Sierra Systems provided functional and technical leadership for the implementation of the Financials and Budget systems including General Ledger, Accounts Payable and Purchasing modules. These applications went live in December 2004. **Benefits:** The integration of the PeopleSoft suite of applications, over time, will eliminate hundreds of "shadow" databases and improve the quality of the data by enforcing common definitions and standards. Extended reporting and query capabilities will not only replace the "shadow" systems, but provide significantly improved management support. The benefits SFU has achieved since implementing the PeopleSoft suite are: » Increased responsiveness to students » Provision of management-level information that supports effective decision-making and planning for student-centered education and services delivery » Increased productivity of SFU employees due to the easy to use self-service system » Increased accuracy and efficiency in employee time entry due to the online time entry system that has replaced paper timesheets SFU is in a position to leverage some of the more advanced features of PeopleSoft, such as Recruitment, Training, and Manager Self Service.
Texas Education Agency (TEA)	**Client Contact Name:** Rick Goldgar **Position Title:** Assistant CIO **Address:** 1701 N. Congress Avenue Austin, Texas, 78701 **Phone :** (512) 475-1494 **Email:** rick.goldgar@tea.state.tx.us	**Objective:** TEA is responsible for all K12 education in Texas. All funds from both the Federal and State levels go through the agency to provide funding to all state school districts. This funding is over $20B per year and is managed using PeopleSoft financials, currently Version 8.4. **Scope:** TEA wanted a single company to provide both Application Management and Support services (AMS) and Application Development Services (ADS) to the

		agency for their PeopleSoft Financials application in order to increase service levels and reduce costs. Sierra Systems is currently providing both AMS and ADS services to TEA using a single pool of resources. **Benefits:** This provides TEA with a flexible resource pool to enable focusing on either AMS or ADS requirements as they arise. TEA is receiving higher service levels at reduced cost, compared to earlier outsourcing contacts and compared to performing these services in-house.

Appendix A

The EquaTerra Team is providing the following documents as Appendix A to this EOI response. The documents are in the following order:

1. EOI Signature / Addendum Acknowledgement
2. EquaTerra's 2007/2008 Audited Financials
3. Insurance Certificate Specimen
4. West Virginia Certificate of Authority
5. Proof of Vendor Registration
6. Executed and Notarized Purchasing Affidavit

State of West Virginia
Department of Administration
Purchasing Division
2019 Washington Street East
Post Office Box 50130
Charleston, WV 25305-0130

Request for Quotation

RFQ NUMBER	PAGE
FAR106065	1

ADDRESS CORRESPONDENCE TO ATTENTION OF:
KRISTA FERRELL
304-558-2596

VENDOR:
RFQ COPY
TYPE NAME/ADDRESS HERE
EquaTerra, Inc.
700 Twelfth Street, NW
Suite 700
Washington, DC 20005

SHIP TO:
DEPARTMENT OF ADMINISTRATION
FINANCIAL ACCOUNTING AND
REPORTING SECTION
2101 WASHINGTON ST E
CHARLESTON, WV
25305-1510 304-558-4083

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
11/23/2009				

BID OPENING DATE: 12/30/2009 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
0001	1	LS		906-29		

SOFTWARE ENGINEERING SERVICES FOR ERP

EXPRESSION OF INTEREST
(EOI)

THE WEST VIRGINIA DIVISION OF PURCHASING FOR THE AGENCY, THE WEST VIRGINIA DIVISION OF ADMINISTRATION'S DIVISION OF FINANCE IS SOLICITING EXPRESSIONS OF INTEREST FOR SOFTWARE ENGINEERING, CONSULTING, AND PROJECT MANAGEMENT SERVICES FOR AN ENTERPRISE RESOURCE PLANNING SYSTEM PER THE ATTACHED.

TECHNICAL QUESTIONS CONCERNING THIS EXPRESSION OF INTEREST MUST BE SUBMITTED IN WRITING TO KRISTA FERRELL IN THE WEST VIRGINIA STATE PURCHASING DIVISION VIA MAIL AT THE ADDRESS SHOWN IN THE BODY OF THIS EOI, VIA FAX AT 304-558-4115, OR VIA EMAIL AT KRISTA.S.FERRELL@WV.GOV. DEADLINE FOR ALL TECHNICAL QUESTIONS IS MONDAY, DECEMBER 14, 2009 AT THE CLOSE OF BUSINESS. ALL TECHNICAL QUESTIONS RECEIVED, IF ANY, WILL BE ANSWERED BY ADDENDUM AFTER THE DEADLINE HAS LAPSED.

QUESTIONS CONCERNING THE PROCESS BY WHICH A VENDOR MAY SUBMIT AN EXPRESSION OF INTEREST TO THE STATE OF WEST VIRGINIA ARE NOT CONSIDERED TO BE TECHNICAL QUESTIONS AND MAY BE SUBMITTED AT ANY TIME PRIOR TO THE EOI OPENING AND IN ANY FORMAT.

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE	TELEPHONE 202-904-2311	DATE 1-5-09
TITLE Managing Director	FEIN 35-2200676	ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'

State of West Virginia
Department of Administration
Purchasing Division
2019 Washington Street East
Post Office Box 50130
Charleston, WV 25305-0130

Request for Quotation

RFQ NUMBER	PAGE
FAR106065	2

ADDRESS CORRESPONDENCE TO ATTENTION OF:
KRISTA FERRELL
304-558-2596

VENDOR:
RFQ COPY
TYPE NAME/ADDRESS HERE
EquaTerra, Inc.
700 Twelfth Street, NW
Suite 700
Washington, DC 20005

SHIP TO:
DEPARTMENT OF ADMINISTRATION
FINANCIAL ACCOUNTING AND
REPORTING SECTION
2101 WASHINGTON ST E
CHARLESTON, WV
25305-1510 304-558-4083

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
11/23/2009				

BID OPENING DATE: 12/30/2009 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT. NO	ITEM NUMBER	UNIT PRICE	AMOUNT

EXHIBIT 10

REQUISITION NO.: ....

ADDENDUM ACKNOWLEDGEMENT

I HEREBY ACKNOWLEDGE RECEIPT OF THE FOLLOWING CHECKED ADDENDUM(S) AND HAVE MADE THE NECESSARY REVISIONS TO MY PROPOSAL, PLANS AND/OR SPECIFICATION, ETC.

ADDENDUM NO.'S:

NO. 1 ....

NO. 2 ....

NO. 3 ....

NO. 4 ....

NO. 5 ....

I UNDERSTAND THAT FAILURE TO CONFIRM THE RECEIPT OF THE ADDENDUM(S) MAY BE CAUSE FOR REJECTION OF EOIS.

VENDOR MUST CLEARLY UNDERSTAND THAT ANY VERBAL REPRESENTATION MADE OR ASSUMED TO BE MADE DURING ANY ORAL DISCUSSION HELD BETWEEN VENDOR'S REPRESENTATIVES AND ANY STATE PERSONNEL IS NOT BINDING. ONLY THE INFORMATION ISSUED IN WRITING AND ADDED TO THE SPECIFICATIONS BY AN OFFICIAL ADDENDUM IS BINDING.

....
SIGNATURE

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE	TELEPHONE 202-904-2311	DATE 1-5-09
TITLE Managing Director	FEIN 35-2200676	ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'

State of West Virginia
Department of Administration
Purchasing Division
2019 Washington Street East
Post Office Box 50130
Charleston, WV 25305-0130

Request for Quotation

RFQ NUMBER	PAGE
FAR106065	3

ADDRESS CORRESPONDENCE TO ATTENTION OF:
KRISTA FERRELL
304-558-2596

VENDOR:
RFQ COPY
TYPE NAME/ADDRESS HERE
EquaTerra, Inc.
700 Twelfth Street, NW
Suite 700
Washington, DC 20005

SHIP TO:
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FINANCIAL ACCOUNTING AND
REPORTING SECTION
2101 WASHINGTON ST E
CHARLESTON, WV
25305-1510 304-558-4083

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11/23/2009				

BID OPENING DATE: 12/30/2009 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT. NO	ITEM NUMBER	UNIT PRICE	AMOUNT

EquaTerra, Inc.
....
COMPANY

1-5-09
....
DATE

NOTE: THIS ADDENDUM ACKNOWLEDGEMENT SHOULD BE SUBMITTED WITH THE EOI.

REV. 09/21/2009

BANKRUPTCY: IN THE EVENT THE VENDOR/CONTRACTOR FILES FOR BANKRUPTCY PROTECTION, THE STATE MAY DEEM THE CONTRACT NULL AND VOID, AND TERMINATE SUCH CONTRACT WITHOUT FURTHER ORDER.

NOTICE

A SIGNED EOI MUST BE SUBMITTED TO:

DEPARTMENT OF ADMINISTRATION
PURCHASING DIVISION
BUILDING 15
2019 WASHINGTON STREET, EAST
CHARLESTON, WV 25305-0130

THE EOI SHOULD CONTAIN THIS INFORMATION ON THE FACE OF THE ENVELOPE OR THE EOI MAY NOT BE CONSIDERED:

SEALED EOI

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE	TELEPHONE 202-904-2311	DATE 1-5-09
TITLE Managing Director	FEIN 35-2200676	ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'

State of West Virginia
Department of Administration
Purchasing Division
2019 Washington Street East
Post Office Box 50130
Charleston, WV 25305-0130

Request for Quotation

RFQ NUMBER	PAGE
FAR106065	4

ADDRESS CORRESPONDENCE TO ATTENTION OF:
KRISTA FERRELL
304-558-2596

VENDOR:
RFQ COPY
TYPE NAME/ADDRESS HERE
EquaTerra, Inc.
700 Twelfth Street, NW
Suite 700
Washington, DC 20005

SHIP TO:
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FINANCIAL ACCOUNTING AND
REPORTING SECTION
2101 WASHINGTON ST E
CHARLESTON, WV
25305-1510 304-558-4083

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
11/23/2009				

BID OPENING DATE: 12/30/2009 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT

BUYER: KRISTA FERRELL-FILE 21

EOI. NO.: FAR106065

EOI OPENING DATE: 12/30/2009

EOI OPENING TIME: 1:30 PM

PLEASE PROVIDE A FAX NUMBER IN CASE IT IS NECESSARY
TO CONTACT YOU REGARDING YOUR EOI:
202-904-2313

CONTACT PERSON (PLEASE PRINT CLEARLY):
Glenn Davidson

****** THIS IS THE END OF RFQ FAR106065 ****** TOTAL: N/A

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE	TELEPHONE 202-904-2311	DATE 1-5-09
TITLE Managing Director	FEIN 35-2200676	ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'

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25305-1510 304-558-4083

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
12/22/2009				

BID OPENING DATE: 01/06/2010 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT. NO	ITEM NUMBER	UNIT PRICE	AMOUNT

ADDENDUM NO. 1

THIS ADDENDUM IS ISSUED TO:

1.) ANSWER ALL TECHNICAL QUESTIONS SUBMITTED AND ACCEPTED IN ACCORDANCE WITH THE PROVISIONS OF REQUEST FOR QUOTATION FAR106065,

2.) REPLACE THE PURCHASING AFFIDAVIT FORM WITH THE ATTACHED PURCHASING AFFIDAVIT FORM,

3.) REPLACE THE STANDARD TERMS AND CONDITIONS WITH THE ATTACHED TERMS AND CONDITIONS, AND

4.) TO EXTEND THE BID OPENING DATE.

BID OPENING DATE IS EXTENDED TO: 01/06/2010
BID OPENING TIME REMAINS: 1:30 PM

*************** END ADDENDUM NO. 1 ***************

LINE	QUANTITY	UOP	CAT. NO	ITEM NUMBER	UNIT PRICE	AMOUNT
0001	1	LS		906-29		

SOFTWARE ENGINEERING SERVICES FOR ERP

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE		TELEPHONE 202-904-2311	DATE 1-5-09
TITLE Managing Director	FEIN 35-2200676	ADDRESS CHANGES TO BE NOTED ABOVE	

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'

Consolidated Financial Statements and Report of Independent Certified Public Accountants

EquaTerra, Inc., and Subsidiaries

December 31, 2008 and 2007

Contents

Grant Thornton

Audit • Tax • Advisory
Grant Thornton LLP
333 Clay Street, 27th Floor
Houston, TX 77002-4168
T 832.476.3600
F 713.655.8741
www.GrantThornton.com

Report of Independent Certified Public Accountants

To the Shareholders
EquaTerra, Inc.

We have audited the accompanying consolidated balance sheets of EquaTerra, Inc. and subsidiaries as of December 31, 2008 and 2007 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of EquaTerra, Inc. and subsidiaries as of December 31, 2008 and 2007 and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Houston, Texas
June 29, 2009

EquaTerra, Inc., and Subsidiaries

CONSOLIDATED BALANCE SHEETS
December 31,

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,203,355	$ 3,904,966
Accounts receivable, net	20,665,543	19,898,217
Prepaid and other current assets	1,103,328	1,149,099
Deferred income tax asset	64,777	937,941
Total current assets	26,037,003	25,890,223
CAPITAL ASSETS, net	810,739	985,822
GOODWILL	18,588,444	19,555,762
OTHER INTANGIBLE ASSETS, net	11,613,044	18,471,465
DEFERRED INCOME TAX ASSET	3,333,891	1,034,120
TOTAL ASSETS	$ 60,383,121	$ 65,937,392

The accompanying notes are an integral part of these consolidated financial statements.

EquaTerra, Inc., and Subsidiaries

CONSOLIDATED BALANCE SHEETS - CONTINUED
December 31,

	2008	2007
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 6,617,790	$ 5,845,544
Accrued payroll	3,914,706	3,216,566
Deferred revenue	8,137,608	5,543,870
Current maturities of long-term debt	4,200,000	15,333,333
Current maturities of capital leases	29,305	2,018
Related party notes payable	-	3,933,181
Lines of credit	-	8,854,699
Income taxes payable	3,006,184	346,498
Total current liabilities	25,905,593	43,075,709
LONG-TERM DEBT, less current maturities	13,650,000	10,000,000
LINE OF CREDIT	6,400,000	-
CAPITAL LEASES, less current maturities	58,205	-
DEFERRED INCOME TAX LIABILITY	1,884,406	1,548,411
OTHER LONG-TERM LIABILITIES	315,000	1,245,000
MINORITY INTEREST	313,285	129,873
STOCKHOLDERS' EQUITY:		
Common stock Class A	99,889	99,889
Common stock Class B	10,668	9,648
Preferred stock Series A	3,424	3,424
Preferred stock Series A-1	2,704	1,040
Additional paid-in capital	40,773,386	30,888,068
Less: Treasury stock, at cost	(18,300,708)	(18,246,990)
Accumulated other comprehensive income	(5,505,437)	278,436
Accumulated deficit	(5,227,294)	(3,095,116)
Total stockholders' equity	11,856,632	9,938,399
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 60,383,121	$ 65,937,392

The accompanying notes are an integral part of these consolidated financial statements.

EquaTerra, Inc., and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31,

	2008	2007
Revenues:		
Service revenue	$ 81,603,779	$ 60,309,087
Other revenue	9,973,364	4,591,818
Reimbursed costs	5,766,924	6,121,325
	97,344,067	71,022,230
Cost of revenues	63,318,205	43,534,118
Gross profit	34,025,862	27,488,112
Selling, general and administrative expenses:		
Depreciation	705,560	502,328
Amortization	4,410,493	2,288,125
Other selling, general and administrative expenses	26,423,577	23,524,097
Operating earnings	2,486,232	1,173,562
Interest expense	(2,582,386)	(2,175,040)
Interest income	18,200	140,842
Other income, net	390,668	26,379
Net earnings (loss) before provision for income taxes and minority interest	312,714	(834,257)
Provision (benefit) for income taxes	2,116,110	(148,993)
Net loss before minority interest	(1,803,396)	(685,264)
Minority interest	(328,782)	(93,896)
Net loss	$ (2,132,178)	$ (779,160)

The accompanying notes are an integral part of these consolidated financial statements.

EquaTerra, Inc., and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the years ended December 31,

	Common Stock													
	Class A		Class B		Preferred Series A		Preferred Series A-1			Treasury Stock Common Class A and B		Accumulated Other Comprehensive	Retained Earnings/ (Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Paid-in Capital	Shares	Amount	Income	Deficit)	Total
Balance, December 31, 2006	995,750	$ 9,958	47,479	$ 475	342,438	$ 3,424	104,008	$ 1,040	$ 29,360,662	411,349	$ (18,161,156)	$ 134,354	$ (2,315,956)	$ 9,032,801
Issuance of restricted stock	3,125	32	14,283	143	-	-	-	-	443,981	-	-	-	-	444,156
Issuance of stock for W50 purchase	-	-	34,714	347	-	-	-	-	1,076,481	-	-	-	-	1,076,828
Stock option compensation expense	-	-	-	-	-	-	-	-	98,851	-	-	-	-	98,851
Tax benefit related to stock compensation	-	-	-	-	-	-	-	-	6,675	-	-	-	-	6,675
Purchase of Treasury shares, at cost	-	-	-	-	-	-	-	-	-	3,434	(85,834)	-	-	(85,834)
Stock split	8,989,875	89,899	868,284	8,683	-	-	-	-	(98,582)	3,733,047	-	-	-	-
Comprehensive income (loss):														
Foreign currency translation	-	-	-	-	-	-	-	-	-	-	-	144,082	-	144,082
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	(779,160)	(779,160)
Comprehensive income (loss)														(635,078)
Balance, December 31, 2007	9,988,750	99,889	964,760	9,648	342,438	3,424	104,008	1,040	30,888,068	4,147,830	(18,246,990)	278,436	(3,095,116)	9,938,399
Issuance of restricted stock	-	-	102,069	1,020	-	-	-	-	195,171	-	-	-	-	196,191
Issuance of preferred stock	-	-	-	-	-	-	168,125	1,681	9,697,964	-	-	-	-	9,699,645
Stock option compensation expense	-	-	-	-	-	-	-	-	92,171	-	-	-	-	92,171
Purchase of Treasury shares, at cost	-	-	-	-	-	-	-	-	-	18,250	(53,718)	-	-	(53,718)
Purchase and cancellation of shares, at cost	-	-	-	-	-	-	(1,687)	(17)	(99,988)	-	-	-	-	(100,005)
Comprehensive loss:														
Foreign currency translation	-	-	-	-	-	-	-	-	-	-	-	(5,783,873)	-	(5,783,873)
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	(2,132,178)	(2,132,178)
Comprehensive loss														(7,916,051)
Balance, December 31, 2008	9,988,750	$ 99,889	1,066,829	$ 10,668	342,438	$ 3,424	270,446	$ 2,704	$ 40,773,386	4,166,080	$ (18,300,708)	$ (5,505,437)	$ (5,227,294)	$ 11,856,632

The accompanying notes are an integral part of these consolidated financial statements.

EquaTerra, Inc., and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31,

	2008	2007
Cash flows from operating activities:		
Net loss	$ (2,132,178)	$ (779,160)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	5,116,053	2,790,453
Non-cash interest on related party notes payable	-	7,450
Non-cash compensation expense	288,362	543,007
Income tax benefit from stock issuance	-	6,675
Deferred income taxes	(1,442,116)	(575,668)
Minority interest	328,782	93,896
Change in assets and liabilities:		
Accounts receivable	(2,923,083)	(1,967,527)
Prepaid and other assets	(983,378)	745,466
Income taxes payable/receivable	2,694,009	(538,951)
Accounts payable and accrued expenses	1,574,471	(3,798,559)
Deferred revenue	2,872,500	2,022,620
Net cash provided by (used in) operating activities	5,393,422	(1,450,298)
Cash flows from investing activities:		
Purchase of capital assets	(476,748)	(392,325)
Acquisitions, net of cash received	-	(29,394,880)
Proceeds from sale of capital assets	-	414
Net cash used in investing activities	(476,748)	(29,786,791)
Cash flows from financing activities:		
Proceeds from/(payments on) line of credit, net	(2,122,880)	4,708,030
Proceeds from long-term debt	21,000,000	27,000,000
Payments on long-term debt	(28,483,333)	(1,666,667)
Purchase of treasury shares	(153,723)	(85,834)
Principal payments on capital lease obligations	(10,829)	(69,730)
Proceeds from related party notes payable	-	2,888,928
Payments on related party notes payable	(1,148,157)	(2,587,121)
Proceeds from issuance of preferred stock	6,914,621	-
Net cash provided by (used in) financing activities	(4,004,301)	30,187,606
Effect of exchange rates on cash and cash equivalents	(613,984)	(269,425)
Net increase in cash and cash equivalents	298,389	(1,318,908)
Cash and cash equivalents at beginning of period	3,904,966	5,223,874
Cash and cash equivalents at end of period	$ 4,203,355	$ 3,904,966
Supplemental cash flow information		
Interest paid	$ 2,828,967	$ 1,760,054
Income tax payments, net	$ 1,081,277	$ 1,681,494
Supplemental schedule of non-cash activities:		
Conversion of notes payable into preferred shares	$ 2,785,024	$ -
Additions of capital leases	$ 96,322	$ -
Class B restricted common shares issued for acquisitions	$ -	$ 1,076,828
Deferred consideration on W50 acquisition	$ -	$ 2,500,000

The accompanying notes are an integral part of these consolidated financial statements.

EquaTerra, Inc., and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 AND 2007

NOTE A – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Description of Business

EquaTerra, Inc., formerly EquaTerra Sourcing Lifecycle Management, Inc. (the "Company"), is a Delaware corporation formed on March 27, 2003. Effective December 3, 2004, the Company amended its articles of incorporation to change its name to EquaTerra, Inc. The Company provides large corporations with outsourcing and insourcing advisory, research and governance services designed to enable them to achieve service delivery excellence for their selling, general and administrative processes.

During 2007, the Company acquired three businesses (see Note B). Two of the companies, Morgan Chambers Limited and Compupro Limited (a significant owner of Morgan Chambers Limited whose only assets were its shares in Morgan Chambers Limited) further expanded the Company's presence throughout Europe. World 50, Inc. ("W50") was acquired through an asset purchase and is in the business of organizing and building networks for strategic collaboration among corporate executives. W50 represented approximately 10% and 6% of consolidated revenues for the years ended December 31, 2008 and 2007, respectively.

The Company operates in Europe, Canada, India and Asia in addition to its operations in the United States. The Company is subject to risks generally associated with international operations, including currency, political and other related risks. Further, the foreign subsidiaries are also generally subject to the risks of compliance with additional laws and regulations, as well as the risk that the Company may not be able to transfer cash balances to the United States or at favorable terms. The Company's foreign subsidiaries generated approximately 37% and 24% of the Company's revenues in 2008 and 2007, respectively. These subsidiaries also had 37% and 47% of the accounts receivable, net, as of December 31, 2008 and 2007, respectively.

2. Principles of Consolidation and Basis of Financial Statement Presentation

The consolidated financial statements include the accounts of EquaTerra, Inc. and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

3. Revenue Recognition

The Company derives the majority of its revenues from consulting services. Revenues are recognized as services are performed either on a time and materials basis or using the Proportional Performance model, depending on the terms of the engagement. The subscription revenues for its business involved in the organizing and building networks for strategic collaboration among corporate executives is recognized using the Proportional Performance model with revenues spread ratably over the term of the subscription period.

NOTE A – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Company uses the Proportional Performance model for reporting revenues and cost of revenues for prepaid engagements and fixed fee or not-to-exceed engagements. Revenues are recognized on the ratio of costs incurred to date on the engagement to total estimated costs. Estimates of total engagement costs are reviewed periodically during the engagement and adjustments are made as necessary. The Company reviews each project periodically and, if applicable, records losses on such engagements as they are identified. The Company did not incur any significant losses on these types of engagements during 2007 or 2008. Billings in excess of revenues on fixed fee engagements are included in deferred revenue. Revenue in excess of billings ("Unbilled Receivables") are included in Accounts Receivable, net (Note A-6).

The Company reports reimbursable out-of-pocket travel and entertainment costs as revenue with an equal offset of the amount included in cost of revenues. Revenues are reported net of taxes collected from customer and remitted to governmental authorities.

4. Income Taxes

The Company accounts for income taxes using the asset and liability method in accordance with Statement of Financial Accounting Standards No. 109 ("SFAS 109"), *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for deferred tax assets when it is more likely than not that the assets will not be realized.

5. Cash and Cash Equivalents

The Company considers all highly liquid investments with original or remaining maturities at the time of purchase of three months or less to be included in cash and cash equivalents. Cash balances of approximately $2,202,000 and $1,582,000 are held in foreign currencies in foreign banks as of December 31, 2008 and 2007, respectively.

The Company accrues interest income on its cash and cash-equivalent balance as it is earned.

The Company maintains its cash and cash equivalents at financial institutions for which the combined account balances in individual institutions may exceed Federal Deposit Insurance Corporation ("FDIC") insurance coverage and, as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage.

NOTE A – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

6. Accounts Receivable and Allowance for Doubtful Accounts

The Company's accounts receivable are reported in the balance sheet net of allowances for doubtful accounts. Included in Accounts Receivable at December 31, 2008 and 2007 are unbilled receivables of approximately $1,418,000 and $1,513,000, respectively.

The Company maintains an allowance for doubtful accounts based upon the expected collectibility of accounts receivable. When specific amounts are determined to be uncollectible, they are charged to the allowance. Management determines the collectibility of accounts receivable based on detailed periodic account review, past experience and knowledge of individual customers. As of December 31, 2008 and 2007, the Company had an allowance of approximately $83,000 and $78,000, respectively.

Following is a schedule of the changes in the allowance for doubtful accounts for the years ended December 31:

	2008	2007
Balance at beginning of period	$ 77,610	$ 127,001
Balance at acquisition	-	56,477
Charged to income	152,878	62,187
Write-offs	(147,824)	(168,055)
Balance at end of period	$ 82,664	$ 77,610

7. Deferred Financing Costs

Costs directly incurred in obtaining long-term financing are deferred and amortized over the term of the debt.

NOTE A – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

8. Capital Assets

Property and equipment are stated at cost. Depreciation expense is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Depreciation of capital assets is calculated using the straight-line method using the following estimated useful lives:

	Lives
Equipment	2 years
Furniture and fixtures	3 years
Software	3 years

The Company reviews its property and equipment for impairment upon the occurrence of certain events or circumstances that indicate the related amounts may be impaired. As of December 31, 2008, no impairment has been recorded. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

The Company capitalizes internal-use software in accordance with Statement of Position ("SOP") 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.* These standards require that certain costs related to the development or purchase of internal-use software and systems be capitalized and amortized over the estimated useful life of the software or system. SOP 98-1 also requires that costs related to the preliminary project stage, data conversion and post implementation/operation stage of an internal-use software development project be expensed as incurred.

9. Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, notes payable, and capital lease obligations. The carrying values of these instruments approximate fair values due to the relatively short period to maturity or because the associated interest rates approximate market rates.

10. Goodwill and Other Intangible Assets

The Company accounts for goodwill and other intangible assets in accordance with Statement of Financial Accounting Standards No. 142 ("SFAS 142"), *Goodwill and Other Intangible Assets.* Goodwill represents the excess of costs over the fair value of the acquired business net assets. Other intangible

NOTE A – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

assets primarily consist of Non-compete Covenants, Customer Relationships, Intellectual Property, Trade names and Backlog. Non-compete covenants with value are amortized ranging from two to three years over the term of the Non-compete agreement. Customer-related intangible assets are being amortized over their estimated useful lives of between 3 and 10 years, depending on the nature of the relationship.

Intellectual Property is being amortized over the estimated useful life of five years, and backlog is being amortized over the estimated life of one year. Goodwill is tested at least annually, or more frequently, if events occur that suggest the asset might be impaired. As of December 31, 2008, no impairment has been recognized.

11. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

12. Professional Fees

Prior to 2007, the Company recorded liabilities for audit and tax compliance services that included approximately $280,000 of expenses that related to the 2006 year but had not yet been incurred. At December 31, 2008 and 2007, the liability represents amounts for services rendered through that date. The adjustment of the 2006 excess accrual was recorded as a reduction of the 2007 expenses.

13. Stock Based Compensation

The Company's 2005 Long-Term Incentive Plan (the "2005 Plan") provides for the granting of stock options, restricted stock, performance stock awards and other stock-based awards to selected employees and non-employee directors of the Company. Options and stock based awards available for issuance under the 2005 Plan totals 94,314 shares.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Statement No. 123R ("SFAS 123R") which requires companies to measure and recognize compensation expense for all stock-based payments at fair value. SFAS 123R is being applied on the prospective basis. Prior to the adoption of SFAS 123R, the Company applied the variable method of accounting for certain of its options that were considered to be variable options that were issued to two board members as prescribed by

NOTE A – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees, and related interpretations,* including FASB Interpretation No. 44, *Accounting for Certain Transactions involving Stock Compensation, an interpretation of APB Opinion No. 25,* to account for its variable stock options and followed the disclosure requirements of SFAS No. 123, *Accounting for Stock-Based Compensation (SFAS 123),* as amended by SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure.* Additionally, the Company accounted for its stock options issued to non-employees under SFAS 123 and recognized expense based on the fair value of the options at the date of the grant.

In 2005, for the variable options issued to non-employee members of the Board of Directors of the Company, compensation expense was measured as the excess, if any, of the fair market value of the Company's shares at the date of the grant over the amounts an employee may pay to acquire the underlying shares. Variable stock option awards required estimating, recording and revising the compensation expense for each period at each reporting date. For unvested awards forfeited due to termination, compensation expense previously recognized was reversed into income in the year of forfeiture.

SFAS No. 123R requires that compensation cost for stock options is recognized as of the effective date, based on the requirements of (a) SFAS No. 123R for all share-based payments granted after January 1, 2006 and (b) SFAS No. 123 for all share-based payments granted to employees prior to January 1, 2006 that were accounted for pursuant to the minimum value method and that remain unvested on January 1, 2006. SFAS No. 123R requires that any unearned compensation related to share-based payments awarded prior to adoption be eliminated against the appropriate equity account. Additionally, SFAS No. 123R requires that the excess tax benefit (tax deduction that is in excess of the compensation costs related tax benefit) be reported prospectively as cash flows from financing activities. Under SFAS 123R, the Company has recorded an estimate for forfeitures of awards of stock grants. This estimate will be adjusted as actual forfeitures differ from the estimate.

In June of 2006, the Company granted stock options to certain employees under the 2005 Plan. The fair value of the options granted under the 2005 Plan at the time was estimated by the use of an independent third party appraisal on the date of grant using Black-Scholes pricing model. For the compensation cost recognized during the twelve months ended December 31, 2008 and 2007, the fair value of these options was calculated using a risk free rate of 5.1%, and expected dividend yield of 0%, volatility of 48.3%, and expected lives of 5.5 years. Additional options were granted during November 2006. The fair value of these options was calculated using a risk free rate of 4.5%, expected dividend yield of 0%, volatility of 46.6% and expected lives of 5.5 years.

NOTE A – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

14. Advertising

The Company expenses the cost of advertising as incurred. Advertising expense was not material for the years ended December 31, 2008 and 2007.

15. Comprehensive Income and Foreign Currency Translation

Net assets of the Company's foreign subsidiaries are translated at the balance sheet date rates of exchange. Income and expense items are translated as of the relative transaction dates, approximated using the applicable weighted average monthly rates. The resulting translation adjustments are recorded directly as a separate component of stockholders' equity and included in accumulated other comprehensive income. The Company has an intercompany demand note payable from its UK subsidiary. Based on management's evaluation, including the determination to pursue long-term expansion programs overseas, the payable has been determined to be of a long-term investment nature and, thus, translation adjustments have been reported as a component of accumulated other comprehensive income.

Transactions denominated in a currency other than the Company's functional currency are translated at the transaction date rates of exchange. Any related transaction gains or losses are reported in other income. Transaction gains of approximately $323,000 and losses of $2,000 from foreign currency transactions are included within other income for the years ended December 31, 2008 and 2007, respectively.

16. Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109.* FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS No. 109 ("SFAS 109"), *Accounting for Income Taxes.* It prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. In December 2008, the FASB issued FASB Staff Position ("FSP") FIN 48-3 ("FSP FIN 48-3), *Effective Date of FASB Interpretation No. 48 for Certain Non-Public Enterprises.* FSP FIN 48-3 permits an entity within its scope to defer the effective date of FIN 48 to its annual financial statements for fiscal years beginning after December 15, 2008. The Company has elected to defer the application of FIN 48 for the year ending December 31, 2008. The Company evaluates its uncertain tax positions using the provisions of SFAS No. 5, *Accounting for Contingencies.* Accordingly, a loss contingency is recognized when it is probably that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

NOTE B – ACQUISITIONS

Effective May, 1, 2007, the Company acquired substantially all of the assets and assumed certain liabilities of World 50, Inc. ("W50"). W50 is based in Atlanta, Georgia and is in the business of organizing and building networks for strategic collaboration among corporate executives. In addition to the financial benefits of the acquisition, the acquisition of W50 allows the Company to have increased interaction with key corporate executives who may be involved in outsourcing projects. In connection with its acquisition, W50's previous owners received $10,000,000 in cash at closing. The Company has agreed to certain deferred cash payments of $840,000 on April 1, 2008 and $207,500 on the first day of each of next eight quarters beginning July 1, 2008. Thus, as of December 31, 2007, payments totaling $1,255,000 that were due by December 31, 2008 were included in Accounts Payable and Accrued Expenses and payments totaling $1,245,000 that are due thereafter are included in Other Long-term Liabilities. Additionally, at acquisition, the Company issued 34,714 of Class B common shares valued at $31.02 based on independent appraisal (total value of $1,076,828) which were restricted based on minimum revenue targets. These restrictions had lapsed as of December 31, 2007 as the targets were met. The Company also agreed to issue up to $5,220,000 of additional consideration (to be settled in a combination of cash and cash or stock, at the Company's election) upon the meeting of certain contingent restrictions, including revenue and EBITDA targets. Finally, the Company and the previous owners agreed to an adjustment to the consideration based on a target working capital amount received by the Company. Based on exceeding this target working capital, the Company agreed to pay additional consideration totaling approximately $149,898 of which $117,770 was paid in 2007 and the remaining $32,128 paid in 2008. Additionally, the Company incurred $254,188 of transaction expenses that are included in the total purchase price.

During July 2008, the Company and the former owner reached a separation agreement ("Separation Agreement"). As a part of the Separation Agreement, EquaTerra agreed to pay approximately $512,000 in severance to Rick Smith over the following twelve months. Additionally, the payment terms of the $2,500,000 deferred cash payments for the acquisition of W50 were modified. Under the new terms, $515,000 was paid during 2008, $1,670,000 will be paid during 2009 (included in Accounts Payable and Accrued Expenses) and the remaining $315,000 will be paid during 2010 (included in Other Long-term Liabilities). As a part of the Separation Agreement, the possibility of any potential contingent consideration payment was removed.

Prior to acquisition, EquaTerra was a customer of W50. EquaTerra had accounts payable from W50 totaling $20,000 at April 30, 2007 and had recognized $12,000 in expenses related to its membership in a W50 group.

Effective September 1, 2007, the Company acquired all of the outstanding shares of Morgan Chambers Limited and Compupro Limited (collectively, "Morgan Chambers") for $19,105,018 of cash and incurred $1,112,443 in transaction expenses that are included in total consideration. Morgan Chambers Limited is a company registered in the United Kingdom with operating assets in various European countries. Morgan Chambers Limited is a professional consulting firm with services substantially similar to those of the Company. They have a customer focus primarily in Europe, India and Asia. Compupro Limited was a company registered in the United Kingdom whose sole purpose was to serve as an investment company for one of Morgan Chambers Limited's owners. Compupro Limited's only assets at the date of acquisition were its shares in Morgan Chambers Limited.

NOTE B – ACQUISITIONS – Continued

The acquisitions are accounted for under the purchase method as prescribed in Statement of Financial Accounting Standards No. 141 ("SFAS 141"), *Business Combinations*. Under this method, the Company has allocated the purchase price to the assets acquired and liabilities assumed at estimated fair values, considering a number of factors, including the use of an independent appraisal for the shares issued. The excess of fair value of the net assets acquired compared to the total consideration is allocated to goodwill. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition of each of the acquisitions:

	W50	Morgan Chambers
Allocation of purchase price:		
Cash	$ 790,427	$ 406,112
Current assets, net of cash acquired	1,497,437	5,250,174
Fixed assets	115,006	267,065
Deferred tax asset	-	194,044
Goodwill	11,349,166	3,288,779
Intangible assets	3,395,692	14,948,906
Total assets	17,147,728	24,355,080
Current liabilities	3,166,814	4,137,619
Deferred tax liabilities	-	-
Total liabilities	3,166,814	4,137,619
Net assets acquired	$ 13,980,914	$ 20,217,461

EquaTerra, Inc., and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED
December 31, 2008 AND 2007

NOTE B – ACQUISITIONS – Continued

Management performed analysis for a determination of the existence and valuation of other intangible assets at acquisition date for each of the acquisitions and used an independent third party appraisal for the shares issued to W50.

The intangible asset allocations as of December 31 are as follows:

W50	Value at acquisition	Currency translation adjustment	Accumulated amortization	Value at 2008	Estimated life
Customer relationships	$ 2,830,330	$ -	$ (1,572,405)	$ 1,257,925	3 years
Trade name	192,362	-	(32,060)	160,302	10 years
Non-compete covenant	373,000	-	(207,223)	165,777	3 years
Goodwill	11,349,166	-	-	11,349,166	Indefinite
Total intangible assets	$ 14,744,858	$ -	$ (1,811,688)	$ 12,933,170	

Morgan Chambers	Value at acquisition	Currency translation adjustment	Accumulated amortization	Value at 2008	Estimated life
Customer relationships	14,672,204	$ (3,254,882)	$ (3,681,661)	$ 7,735,661	5 years
Non-compete covenant	276,702	(36,810)	(173,580)	66,312	2 years
Goodwill	3,288,779	(922,139)	-	2,366,640	Indefinite
Total intangible assets	$ 18,237,685	$ (4,213,831)	$ (3,855,241)	$ 10,168,613	

NOTE B – ACQUISITIONS – Continued

Other intangible assets at December 31 consist of the following:

	2008				2007		
	Value at acquisition	Currency Translation Adjustment	Accumulated amortization	Value at 2008	Value at acquisition	Accumulated amortization	Value at 2007
Customer relationships	$ 19,199,534	$ (3,254,882)	$ (5,917,465)	$ 10,027,187	$ 19,199,534	$ (2,101,213)	$ 17,098,321
Intellectual property	1,747,938	-	(1,398,238)	349,700	1,747,938	(1,075,438)	672,500
Debt issuance costs - LT	974,647	-	(130,881)	843,766	-	-	-
Trade name	192,362	-	(32,060)	160,302	192,362	(12,824)	179,538
Non-compete covenant	649,702	(36,810)	(380,803)	232,089	649,702	(129,006)	520,696
Backlog	423,000	-	(423,000)	-	423,000	(423,000)	-
Other	5,209	-	(5,209)	-	5,209	(4,799)	410
Total other intangible assets	$ 23,192,392	$ (3,291,692)	$ (8,287,656)	$ 11,613,044	$ 22,217,745	$ (3,746,280)	$ 18,471,465

Estimated future amortization expense for the next five year is as follows:

For the year ended December 31,	Total
2009	$ 3,755,549
2010	2,681,485
2011	2,298,660
2012	1,595,425
2013	188,936

NOTE C – CAPITAL ASSETS

Capital assets consisted of the following at December 31:

	2008	2007
Equipment	$ 840,564	$ 987,133
Purchased software	924,769	767,245
Other	230,754	139,441
	1,996,087	1,893,819
Less: accumulated depreciation	(1,185,348)	(907,997)
	$ 810,739	$ 985,822

NOTE C – CAPITAL ASSETS – Continued

For the years ended December 31, 2008 and 2007, the Company recorded depreciation expense of approximately $706,000 and $502,000, respectively.

NOTE D – INCOME TAXES

Due to a change in the ownership of the Company (See Note G) during 2005, the Company no longer meets the criteria to file its income tax return as a qualified personal service corporation ("QPSC"). As a result, the Company was required to change its method of accounting for income tax purposes from the cash basis to the accrual basis for 2005 and future tax years. The change in method results in additional taxable income related to temporary differences. As a non-QPSC, the Company's federal tax rate is reduced from 35% to 34%. Pursuant to Internal Revenue Service procedures the Company recognizes the additional taxable income related to this conversion over a four year period beginning with the 2005 tax return.

Sources of net earnings (loss) before income taxes and minority interest are summarized below:

	2008	2007
Domestic operations	$ 2,025,033	$ (1,432,947)
Foreign operations	(1,712,319)	598,690
	$ 312,714	$ (834,257)

The Company's provision (benefit) for income taxes consisted of the following for the years ended December 31:

	2008	2007
Current provision:		
Federal	$ 1,608,695	$ 51,435
State	81,593	94,978
Foreign	1,867,938	449,892
	3,558,226	596,305
Deferred provision:		
Federal	(551,777)	(428,345)
State	-	(149,972)
Foreign	(890,339)	(166,981)
	(1,442,116)	(745,298)
	$ 2,116,110	$ (148,993)

NOTE D – INCOME TAXES – Continued

The differences between the federal statutory income tax rate and the Company's effective income tax rate for the years ended December 31, 2008 and 2007 are detailed below:.

	2008	2007
Tax at statutory rate (34%)	$ 161,939	$ (283,647)
State income tax, net	53,851	(36,296)
Non-deductible expenses	110,811	68,043
Imputed income	178,394	23,702
Transaction costs	-	53,695
Non-deductible amortization	1,249,324	-
Return-to-accrual	122,787	-
Valuation allowance	94,104	-
Foreign tax rate differential	140,664	12,109
Other	4,236	13,401
	$ 2,116,110	$ (148,993)

Following is a summary of the significant components of the Company's deferred tax assets and liabilities at December 31:

	2008	2007
Deferred income tax assets:		
Accrued compensation	$ 39,668	$ 8,104
Net operating loss carry forward	1,948,367	677,131
Other assets	8,338	8,338
Deferred stock compensation	362,473	348,885
Section 481(a) adjustment	-	921,846
Allowance for doubtful accounts	56,439	7,757
	2,415,285	1,972,061
Deferred income tax liabilities:		
Change in accounting method	-	(1,229,128)
Depreciation	(14,658)	(297,869)
Amortization	(431,516)	-
Currency translation	(272,443)	-
Other	(88,302)	(21,414)
	(806,919)	(1,548,411)
Valuation allowance	(94,104)	-
Net deferred income tax liability	$ 1,514,262	$ 423,650

NOTE D – INCOME TAXES – Continued

	2008	2007
Current asset	$ 64,777	$ 937,941
Non-current asset	3,333,891	1,034,120
Non-current liability	(1,884,406)	(1,548,411)
	$ 1,514,262	$ 423,650

As of December 31, 2008, the Company has available net operating loss carryforwards of approximately $7,249,727 related to foreign operations. These carryforwards have indefinite lives. It is the judgment of EquaTerra management that there is a sufficient source of future taxable income in the UK operations that the realization of the net operating loss of $6,622,367 is more likely than not. It is the judgment of EquaTerra management that there are not sufficient sources of future taxable income in the German operations to allow the net operating loss of $627,360 to meet the more likely that not criteria for realization. Therefore, a valuation allowance has been established for the tax-affected NOL of $94,104.

At December 31, 2008, the Company had not recognized a deferred tax liability on the undistributed earnings for foreign subsidiaries in Canada and the Netherlands because these earnings are intended to be permanently reinvested. If such earnings were distributed, some countries may impose withholdings taxes. It is not practicable to determine the amount of the related unrecognized deferred income tax liability.

Deferred taxes are not provided for temporary differences related to earnings (loss) of non-U.S. subsidiaries that are intended to be permanently reinvested.

Management believes that adequate provisions for income taxes have been reflected in the financial statements and is not aware of any significant exposure items that have not been reflected in the financial statements. Amounts considered probable of settlement within one year have been included within the accrued expenses and income taxes payable in the accompanying consolidated balance sheets.

NOTE E – RETIREMENT PLAN

The Company offers a retirement savings plan under Section 401(k) of the Internal Revenue Code, including profit sharing participation to eligible employees, as defined in the Plan document. The Plan allows a participant to make pre-tax contributions up to the maximum allowable percentage of eligible earnings under IRS guidelines. In addition, the Company can elect to make a discretionary matching contribution based on a uniform percentage of participants' contributions determined by management each year as well as a discretionary profit sharing contribution. The Company made no discretionary contributions for the years ended December 31, 2008 and 2007.

NOTE F – BUSINESS AND CREDIT CONCENTRATIONS

The Company provides consulting services to clients located in the United States and throughout Europe. During the years ended December 31, 2008 and 2007, the Company had no customers who accounted for greater than ten percent of consolidated revenues. As of December 31, 2008 and 2007, the Company had no customers with receivables greater than ten percent of consolidated accounts receivable.

NOTE G – STOCKHOLDERS' EQUITY

The amount of stock authorized, issued and outstanding is summarized as follows:

	Year ended December 31, 2008				Year ended December 31, 2007			
	Class A Common Stock	Class B Common Stock	Series A Preferred Stock	Series A-1 Preferred Stock	Class A Common Stock	Class B Common Stock	Series A Preferred Stock	Series A-1 Preferred Stock
Authorized	15,000,000	3,111,110	349,426	271,447	15,000,000	3,111,110	349,426	115,000
Issued	9,988,750	1,066,839	342,438	270,446	9,988,750	964,760	342,438	104,008
Outstanding	5,948,420	941,075	342,438	270,446	5,948,420	857,256	342,438	104,008
Treasury	4,040,330	125,754	-	-	4,040,330	107,504	-	-

During 2003, the Company amended its articles of incorporation and created a second class of $.01 Class B common stock. The Class B shares have no voting rights with all other rights being equal to the Class A shares.

Effective May 24, 2005, the Company amended its articles of incorporation to increase the number of authorized Class A common shares to 1,200,000. The amendment also authorized 349,426 shares of $.01 par value Convertible Series A preferred stock ("Series A preferred"). Effective March 28, 2006, the Company amended its articles of incorporation to increase the number of authorized shares of Class A common shares, and to authorize a new class of Series A-1 preferred stock. Total authorized shares of Class A common and Series A-1 preferred stock were 1,500,000, and 115,000, respectively.

Effective May 12, 2007, the Company amended its articles of incorporation to increase the number of authorized Class A common shares to 15,000,000 and the number of authorized Class B common shares to 3,111,110. Additionally, the Company declared a ten-for-one stock split in the form of a 900% stock dividend of Class A common shares and Class B common shares.

Effective April 17, 2008, the Company amended its articles of incorporation to increase the number of authorized Series A-1 preferred stock to 215,648 shares.

Effective December 30, 2008, the Company amended its articles of incorporation to increase the number of authorized Series A-1 preferred stock to 271,447 shares.

NOTE G – STOCKHOLDERS' EQUITY – Continued

Each share of Series A preferred is convertible into .98 shares of common at the option of the shareholder. The shares are automatically converted without any act of the corporation with the closing of the first public offering of Class A shares. The Series A preferred shares have a liquidation preference of $59.28 in the event of a liquidation of the Company. All remaining assets will be distributed ratably between all common and preferred shareholders on an as-converted basis. Series A preferred shareholders vote on an as-converted basis. Series A preferred shareholders can request all or a portion of its shares to be redeemed at any time after the sixth anniversary of the issuance of the shares at the greater of the liquidation preference or fair market value as prescribed in the articles of incorporation.

The Series A and Series A-1 preferred stock rank pari passu with each other with respect to all rights preferences or privileges.

During February 2008, the Company purchased 1,687 shares of Preferred Series A-1 and 17,500 shares of Class B common stock (see further discussion of Class B shares earned via stock compensation in note H below) from a former employee for approximately $151,000 at $59.28 per share and $2.90, respectively. The Preferred Series A-1 shares were cancelled after purchase.

On April 17, 2008, the Company sold 100,648 shares of series A-1 preferred stock for approximately $5,970,000, including 46,647 shares that were purchased using the net proceeds of the convertible related party notes payable described in Note K (the employee note holder elected to receive $100,000 of the principal back in cash). The shares were sold primarily to existing shareholders and employees. The proceeds of the offering were used for repay debt to Silicon Valley bank in connection with entering into a new credit facility with the bank. See further discussion of the credit agreement in Note I.

On December 31, 2008, the Company sold 67,477 shares of Preferred Series A-1 for approximately $4,000,000. The shares were sold primarily to existing shareholders and were used for working capital purposes.

NOTE H – STOCK BASED COMPENSATION

The Company has a stock based compensation plan for certain of its employees. The plan grants shares valued at the fair market value as determined by management on the date of grant. Under the plan, shares vest ratably over periods between three and four years. During 2005, the Company discontinued the granting of Class A common shares and began granting Class B common shares. As the shares vest and restrictions are lifted, they are treated as issued by the Company. Compensation expense of approximately $195,000 and $444,000 was recognized in 2008 and 2007, respectively. Unearned compensation expense related to nonvested awards not yet recognized as of December 31, 2008 is approximately $60,000 and is expected to be earned over the next 2 years.

NOTE H – STOCK BASED COMPENSATION – Continued

Under SFAS 123R, the Company has recorded an estimate for forfeitures of awards of stock grants. This estimate is adjusted as actual forfeitures differ from the estimate. During 2008 and 2007, certain employees who had received stock grants left the Company. During 2008 and 2007, these employees forfeited 10,403 and 7,485 shares of Class B common stock, respectively. As part of their termination, the Company also repurchased certain of the employee's outstanding stock. During 2008, the Company repurchased 18,250 shares of Class B common shares at a value of approximately $53,000. During 2007, the Company repurchased 3,434 shares of Class B common shares at a value of approximately $85,000.

Due to elections made by employees and tax requirements for recognition of compensation expense related to restricted stock, values recognized for financial reporting under United States GAAP and for tax purposes may differ. In this case, a permanent difference is calculated and tax effected. If the difference is favorable, it is credited to paid-in capital. If the difference is unfavorable, it is charged against paid-in capital to the extent previous credits exist. The remaining unfavorable difference is charged to income tax expense.

In connection with the Series A preferred issuance, the Company granted stock options to 3 individuals. Options were issued to two board members and were accounted for as variable stock options under APB 25 (see Note A-13). During 2006, the Company accounted for the options under FAS 123(R) and recognized expense for their services as directors of approximately $115,000 for any unvested options. The remaining option grant was issued to a member of the firm who acquired the preferred shares and was accounted for under SFAS 123 during 2005. As of December 31, 2008 and 2007, 6,988 and 12,532 options are outstanding for purchase of Series A preferred shares, and Class A common stock, respectively. All options were granted with a strike price of $59.28, which was the implied price of the preferred shares as of the date of issuance. As of December 31, 2008, 6,988 Series A preferred share options and 12,532 Class A common stock options are exercisable. The weighted average contractual life remaining on these options is 6.4 years.

Additionally, during 2006, the Company granted options to employees for purchase of Class B common stock that have an exercise price at fair market value around the date of issuance (determined through the use of an independent appraisal) and that expire 10 years after issuance. Of these options, the fair market value of 32,600 options issued in June 2006 was $8.57 and the fair market value of the remaining 13,500 was $10.98. These options vest over four years and are dependent on continued employment with the Company. None of these options have expired as of December 31, 2008. During 2008 and 2007, the Company recognized approximately $92,000 and $99,000 of expense, respectively, related to these options under SFAS 123(R). Unearned compensation expense related to nonvested options not yet recognized as of December 31, 2008 is approximately $155,000 and is expected to be earned over the next 2 years.

NOTE H – STOCK BASED COMPENSATION – Continued

The summary of activity for these options is below:

	Number of options		Weighted average exercise price	Weighted average remaining contractual life (years)
Outstanding at December 31, 2006	46,100	$	17.62	-
Options granted	-			-
Options exercised	-		-	-
Options forfeited	(5,000)	$	17.20	-
Outstanding at December 31, 2007	41,100	$	17.67	8.6
Options granted	-		-	-
Options exercised	-		-	-
Options forfeited	(2,600)		17.20	-
Outstanding at December 31, 2008	38,500		17.70	7.6
Options exercisable at December 31, 2008	24,865		17.70	7.6

NOTE I – LINES OF CREDIT AND LONG-TERM DEBT

In July 2006, the Company refinanced its revolving credit facility with another financial institution. The prior facility was paid in full and terminated, and a new facility was opened. The new credit facility carried a maximum borrowing potential of $5 million, bearing variable interest at the greater of the bank's prime interest rate (the "Prime Rate") plus 1% (effective rate of 9.25% at December 31, 2006). Available borrowings at any time were calculated from eligible receivables, as defined by the facility, approximating 80% of the domestic customer receivables. Interest was payable monthly, with principal due at termination. The facility had an expiration date in July 2008 and was secured by trade receivables. In addition to various affirmative and negative covenants, the new facility carried certain financial covenants including a minimum liquidity coverage requirement, based on the U.S. parent company's individual balance sheet and an operating achievement requirement, based on the operating results of the consolidated company versus the plan approved by the Board of Directors.

EquaTerra, Inc., and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED
December 31, 2008 AND 2007

NOTE I – LINES OF CREDIT AND LONG-TERM DEBT – Continued

In March 2007, the Company amended its existing debt facility to increase the revolving line of credit to $7 million and establish a term debt facility of $5 million, as well as update covenants related primarily to the new borrowings (collectively, the "Loan and Security Agreement"). In May 2007, the Loan and Security Agreement was further amended to provide an extension of the term debt facility to $15 million for acquisition financing. Under these amendments, the revolving facility carried interest at a floating rate of prime rate, plus a margin between 0.25% and 0.75%, depending on a certain ratio related to total debt outstanding, as measured at each month-end. The term facility bore interest at LIBOR, plus 3.2% to 3.95% or prime rate plus 0.5% to 1.25%, each depending on a certain ratio related to total debt outstanding to the bank, at each month end. The Company could select either LIBOR or prime rates be used, and could change such selection while the loan remains outstanding. The term loan was payable quarterly from July 2007 through October 2011.

In August 2007, a new loan and security agreement ("the New Loan and Security Agreement") was entered into for additional acquisition financing, providing for continuation of the $15 million loan under the same principal payment and interest terms, a $12 million short-term note, and a replacement revolving facility with total capacity of $15 million (approximately $7.6 million drawn as of December 31, 2007 is included in Lines of Credit) on substantially the same terms as the prior facility, including expiration in July 2008, but with consideration of worldwide accounts receivable for the borrowing base. The short-term note carried interest at the greater of 10% or the bank's prime interest rate plus 1.75% with interest payable monthly and principal to be repaid, extended or refinanced in January 2008. The New Loan and Security Agreement was collateralized by the assets of EquaTerra, Inc. and the listed subsidiaries. It included covenants requiring a Fixed Coverage Ratio of at least a range between 1.10 and 1.25 to 1, Senior Funded Debt to EBITDA Ratio not exceeding a range between 3 and 3.5 to 1, delivery of monthly performance to plan and weekly receivable reports, among other affirmative and negative covenants.

Effective for reporting periods ending August 2007 through March 2008, the Company received forbearance on certain financial and reporting covenants from the bank including the total debt to EBITDA and fixed charge coverage requirements. This was provided to exclude certain expenditures from covenant requirements and in anticipation of refinancing the various outstanding facilities by the bank into a new debt structure to accommodate final execution of the Morgan Chambers acquisition for which debt proceeds were used.

On April 17, 2008, the Company entered into a new $32 million, five year, Senior Secured Credit Facility with Silicon Valley Bank (the "Bank Facility"). The proceeds of the Bank Facility along with the sale of Series A-1 Preferred Stock (described below) retired the Loan and Security Agreement dated as of July 26, 2006. The Bank Facility consists of $21 million of Term Loans and up to $11 million of Revolving Credit Loans. Loans under the Bank Facility bear interest at the election of the Company at either Prime Rate plus a margin of 2% to 4% or LIBOR plus a margin of 4.5% to 6.5%. The Bank Facility is secured by substantially all of the assets of the Company. The covenants contained in the Bank Facility are normal and customary for secured credit facilities and include but are not limited to a Fixed Charge Coverage Ratio test and a Leverage Ratio and Current Ratio test. The Term loan is fully amortizing over 5 years beginning June 30, 2008 with quarterly principle payments of $1.05 million.

NOTE I – LINES OF CREDIT AND LONG-TERM DEBT – Continued

Effective for reporting periods December 31, 2008 and through March 2009, the Company received forbearance on certain financial and reporting covenants from the bank including the Consolidated Fixed Charge Coverage Ratio and the Consolidated Leverage Ratio requirements.

Included in interest costs for 2008 and 2007 are approximately $200,000 and $290,000, respectively, related to the amortization of debt financing costs and approximately $37,000 and $50,000, respectively, due to the write-off of debt financing costs due to the changes in the term loans described above.

During July 2007, Morgan Chambers entered into an overdraft facility ("Facility") with a bank that allowed for Morgan Chambers to overdraw its bank account balance for up to £750,000 through September 29, 2007 and £500,000. The amount outstanding (approximately $1.2 million at December 31, 2007) under the Facility is included in Lines of Credit. The term of the Facility was through January 8, 2008 and any amounts drawn under the Facility paid interest monthly calculated based on the Bank of Scotland's base rate plus 1.5%. The Facility covenants include an EBIT to Total Interest of not less than 2 to 1 (from the date of the initial borrowing) and a coverage ratio of 2 to 1 (from the date of the initial borrowing).

Aggregate maturities of long-term debt and lines of credit as of December 31, 2008 are summarized as follows:

	Lines of credit	Long-term debt	Total
2009	$ -	$ 4,200,000	$ 4,200,000
2010	-	4,200,000	4,200,000
2011	-	4,200,000	4,200,000
2012	-	4,200,000	4,200,000
2013	6,400,000	1,050,000	7,450,000
	$ 6,400,000	$ 17,850,000	$ 24,250,000

NOTE J – COMMITMENTS AND CONTINGENCIES

The following is an analysis of equipment held under capital leases at December 31:

	2008	2007
Equipment	$ 132,907	$ 170,591
Less accumulated depreciation	(50,981)	(164,506)
	$ 81,926	$ 6,085

Certain of the Company's equipment are leased under non-cancelable operating leases that expire at various dates through 2011. Following is a schedule of future minimum lease payments under capital and operating lease obligations at December 31, 2008:

	Capital leases	Operating leases	Total
2009	$ 37,664	$ 781,826	$ 819,490
2010	37,944	689,741	727,685
2011	26,637	304,134	330,771
Thereafter	-	51,301	51,301
	102,245	$ 1,827,002	$ 1,929,247
Less amounts representing interest	14,735		
Present value of net minimum lease payments	87,510		
Less current portion	29,305		
Long-term obligations under capital leases	$ 58,205		

Rent expense related to operating leases approximated $738,000 and $480,000 for the years ended December 31, 2008 and 2007, respectively.

During 2007, the Company implemented the 2007 Equity Appreciation Rights Plan ("the Plan"). Through an Equity Appreciation Right ("EAR"), the Plan awards employee a right to share in any increase in the value of the Company if the employee remains employed at the date of a change in control of the Company. If the employee is terminated prior to the date of a change in control, any unvested EARs are forfeited. Each EAR has a basis established for the employee at the time of issuance. There are 2,800,000 EARs authorized under the Plan. During 2008, 2,777,500 EARs were issued. Of these EARs, 152,500 were forfeited due to termination. The remaining issued EARs have a total basis of $15,640,000.

NOTE K – RELATED PARTY TRANSACTIONS

In connection with the 2005 acquisition of InSource Partners Corporation ("INP"), the Company issued a note payable for approximately $4,200,000. The note was payable approximately 50% on the first anniversary, with 25% due in six month increments and was paid in full during 2007. The note was a non-interest bearing note. In accordance with Accounting Principles Board Opinion, No. 21 ("APB 21"), "Interest on Receivables and Payables" the Company had imputed a discount of approximately $334,000 using an incremental borrowing rate of 6%. This reduced the face value of the note to approximately $3,840,000. The imputed interest was charged to interest expense using the effective interest method over the term of the note.

As part of the INP acquisition, the Company acquired certain related party notes payable. The outstanding notes are to current or former INP employees. During 2005, the Company received additional funding of $250,000 through the issuance of similar notes. The notes, which bear interest at 9%, were approximately $582,000 at issuance. Per the agreement, accrued interest is added to the face amount of the note on an annual basis. These amounts were due upon 30 days notice from the note holders, but not later than August 31, 2006. One of the notes was extended to February 2007 at which time it was paid in full.

As described in Note G, one of the founders and officers left the Company on March 31, 2006. The Company repurchased his outstanding shares using cash and a promissory note payable, which carries a face value of approximately $2 million, bearing interest at 7%. The note is due in two equal annual installments on the first and second anniversary date of the stock repurchase. A portion of shares is pledged as collateral until the promissory note is paid by the Company.

In October 2007, the Company entered into a note payable for $1.9 million with a key employee of the Company. Per agreement with the bank, the note was subordinate to the New Loan and Security Agreement described in Note I. Interest on the note accrues at 7.75% annually and is payable on a quarterly basis until maturity date on October 31, 2008, at which time the final interest payment and the principal balance is due. At the option of the note holder and in connection with an equity financing, a minimum of $500,000 of the note principal and accrued interest balance may be converted into Class B common shares. The covenants of the note included payment of principal and accrued interest, corporate existence, payment of all lawful claims and taxes, including timely payment of the New Loan and Security Agreement, and comply with all laws. This note was converted to preferred shares as described in Note G.

In December 2007, the Company entered into a note payable for £485,000 with the former spouse of a key employee of the Company. Per agreement with the bank, the note is subordinate to the New Loan and Security Agreement described in Note I. Interest on the note accrues at 7.75% annually and is payable on a quarterly basis until maturity date on October 31, 2008, at which time the final interest payment and the principal balance is due. At the option of the note holder and in connection with an equity financing, a minimum of £120,000 of the note principal and accrued interest balance may be converted into Class B common shares. The covenants of the note includes payment of principal and accrued interest, corporate existence, payment of all lawful claims and taxes, including timely payment of the New Loan and Security Agreement, and comply with all laws. This note was converted to preferred shares as described in Note G.

NOTE L – SUBSEQUENT EVENTS (Unaudited)

On June 12, 2009, the Company entered into amendment to the Bank Facility with Silicon Valley Bank (the "Amendment") which waived certain covenants for the first quarter of 2009, among other items. Interest rates for loans under the Bank Facility were amended to bear interest at LIBOR plus a spread that varies based on amended covenants. The covenants contained in the Bank Facility are normal and customary for secured credit facilities and include but are not limited to a Fixed Charge Coverage Ratio test and a Leverage Ratio and Current Ratio test. The Term loan continues fully amortizing over 5 years beginning June 30, 2008 with quarterly principle payments of $1.05 million.

Cert ID 24704

ACORD CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 11/18/2009

PRODUCER
HUB Intl Rigg - Houston
777 Westheimer, Suite 300
Houston TX 77042-3454
(713) 978-6668

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURED
Equaterra, Inc.
EquaSiis, LLC
Three Riverway, Suite 1290
Houston TX 77056

INSURERS AFFORDING COVERAGE	NAIC #
INSURER A: Valley Forge Insurance Co.	20508
INSURER B: Wausau Underwriters Insurance	26042
INSURER C: Continental Casualty Co.	20443
INSURER D:	
INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	ADD'L INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A		GENERAL LIABILITY X COMMERCIAL GENERAL LIABILITY CLAIMS MADE X OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: X POLICY PRO-JECT LOC	B4012369763	4/15/2009	4/15/2010	EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG	$ 1,000,000 $ 1,000,000 $ 10,000 $ 1,000,000 $ 2,000,000 $ 2,000,000
A		AUTOMOBILE LIABILITY ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS X HIRED AUTOS X NON-OWNED AUTOS	B4012369763	4/15/2009	4/15/2010	COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)	$ 1,000,000 $ $ $
		GARAGE LIABILITY ANY AUTO				AUTO ONLY - EA ACCIDENT OTHER THAN AUTO ONLY: EA ACC AGG	$ $ $
C		EXCESS/UMBRELLA LIABILITY X OCCUR CLAIMS MADE DEDUCTIBLE X RETENTION $ 10,000	B4014207211	4/15/2009	4/15/2010	EACH OCCURRENCE AGGREGATE	$ 5,000,000 $ 5,000,000 $ $ $
B		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below	WCJZ91449126019	4/15/2009	4/15/2010	X WC STATU-TORY LIMITS OTH-ER E.L. EACH ACCIDENT E.L. DISEASE - EA EMPLOYEE E.L. DISEASE - POLICY LIMIT	 $ 1,000,000 $ 1,000,000 $ 1,000,000
C		OTHER Professional Liab.	BNR267864181	4/15/2009	4/15/2010	$5,000,000	

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

FOR INFORMATION AND/OR BID PURPOSES ONLY

CERTIFICATE HOLDER

Specimen

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

IMPORTANT

If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

DISCLAIMER

The Certificate of Insurance on the reverse side of this form does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.

State of West Virginia

Certificate

I, Natalie E. Tennant, Secretary of State of the State of West Virginia, hereby certify that

EQUATERRA, INC.

Control Number: 99HSL

a corporation formed under the laws of Delaware has filed its "Application for Certificate of Authority" to transact business in West Virginia as required by the provisions of the West Virginia Code. I hereby declare the organization to be registered as a foreign corporation from its effective date of December 17, 2009.

Therefore, I issue this

CERTIFICATE OF AUTHORITY

to the corporation authorizing it to transact business in West Virginia

Given under my hand and the Great Seal of the State of West Virginia on this day of December 17, 2009

Natalie E. Tennant

Secretary of State

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
PURCHASING DIVISION
2019 WASHINGTON STREET, EAST
POST OFFICE BOX 50130
CHARLESTON, WEST VIRGINIA 25305-0130
07/07/2009

GLENN DAVIDSON
EQUATERRA INC
THREE RIVERWAY STE 1290

HOUSTON TX 77056

THIS IS TO CONFIRM RECEIPT OF YOUR VENDOR REGISTRATION FEE. PAYMENT OF THE FEE ENABLES YOU TO PARTICIPATE IN THE PURCHASING DIVISION'S COMPETITIVE BID PROCESS AND ENTITLES YOU TO A ONE-YEAR SUBSCRIPTION TO THE WEST VIRGINIA PURCHASING BULLETIN. A NEW ISSUE OF THE WEST VIRGINIA PURCHASING BULLETIN IS POSTED ON OUR WEB SITE EACH WEEK. BID OPPORTUNITIES ESTIMATED AT $25,000 OR MORE ARE ADVERTISED IN THIS PUBLICATION. WE ENCOURAGE YOU TO LOG ON AND VIEW THE BULLETIN EVERY FRIDAY SO AS NOT TO MISS IMPORTANT BIDDING OPPORTUNITIES. OUR WEB ADDRESS IS:

HTTP://WWW.STATE.WV.US/ADMIN/PURCHASE

IN ORDER TO ACCESS THE WEST VIRGINIA PURCHASING BULLETIN, YOU WILL NEED YOUR VENDOR NUMBER, GROUP NUMBER (IF ANY), AND YOUR PASSWORD WHICH ARE PRINTED BELOW. YOUR ACCESS WILL BECOME EFFECTIVE ON THE FIRST MONDAY AFTER 07/07/2009, STATE HOLIDAYS EXCLUDED.

HELPFUL TIPS: YOUR COMPUTER-GENERATED VENDOR NUMBER BEGINS WITH AN ASTERISK, BUT DO NOT USE THE ASTERISK WHEN LOGGING IN. ALSO, OUR LOGIN SCRIPT IS CASE SENSITIVE. THEREFORE, IF YOUR VENDOR NUMBER CONTAINS A CHARACTER LIKE A, B, OR C, PLEASE TYPE IT IN UPPER CASE.

IF YOU HAVE QUESTIONS, FEEL FREE TO CONTACT US AT 304-558-2311 OR JEANNE.B.BARNHART@WV.GOV. THANK YOU.

SINCERELY YOURS,

Jeanne Barnhart
VENDOR REGISTRATION

VENDOR NUMBER	:	*707130522
GROUP NUMBER	:	
PASSWORD	:	166930

* 707130522
EquaTerra Inc
WV PURCHASING DIV V. R.
2019 WASHINGTON ST E 2ND
CHARLESTON, WV 25305

Merchant ID: 529943295300 #01

Ref #: [illegible]

Sale

1002		Exp: 04/11
AMEX		Entry Method: Manual
Amount:	$	125.00
Tax:	$	0.00
Total:	$	125.00
07/07/09		12:01:39
Inv #: 907073		Appr Code: 106930
Apprvd: Online		Batch#: 000106
CVV2 Code: NOT PROCESSED P		
Cust #: 12012		
Order #: 0		Zip Code: 20190

Customer Copy

via phone

RFQ No. ____________

STATE OF WEST VIRGINIA
Purchasing Division

PURCHASING AFFIDAVIT

West Virginia Code §5A-3-10a states: No contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and the debt owed is an amount greater than one thousand dollars in the aggregate.

DEFINITIONS:
"Debt" means any assessment, premium, penalty, fine, tax or other amount of money owed to the state or any of its political subdivisions because of a judgment, fine, permit violation, license assessment, defaulted workers' compensation premium, penalty or other assessment presently delinquent or due and required to be paid to the state or any of its political subdivisions, including any interest or additional penalties accrued thereon.

"Debtor" means any individual, corporation, partnership, association, limited liability company or any other form or business association owing a debt to the state or any of its political subdivisions. "Political subdivision" means any county commission; municipality; county board of education; any instrumentality established by a county or municipality; any separate corporation or instrumentality established by one or more counties or municipalities, as permitted by law; or any public body charged by law with the performance of a government function or whose jurisdiction is coextensive with one or more counties or municipalities. "Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceed five percent of the total contract amount.

EXCEPTION: The prohibition of this section does not apply where a vendor has contested any tax administered pursuant to chapter eleven of this code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

Under penalty of law for false swearing (***West Virginia Code*** §61-5-3), it is hereby certified that the vendor affirms and acknowledges the information in this affidavit and is in compliance with the requirements as stated.

WITNESS THE FOLLOWING SIGNATURE

Vendor's Name: EquaTerra, Inc.

Authorized Signature: Kelly Evans Date: 12/23/09

State of Texas

County of Harris, to-wit:

Taken, subscribed, and sworn to before me this 23 day of December, 2009.

My Commission expires July 29, 2012.

AFFIX SEAL HERE **NOTARY PUBLIC** [signature]

CATHERINE SPRADLEY
Notary Public, State of Texas
My Commission Expires
July 29, 2012