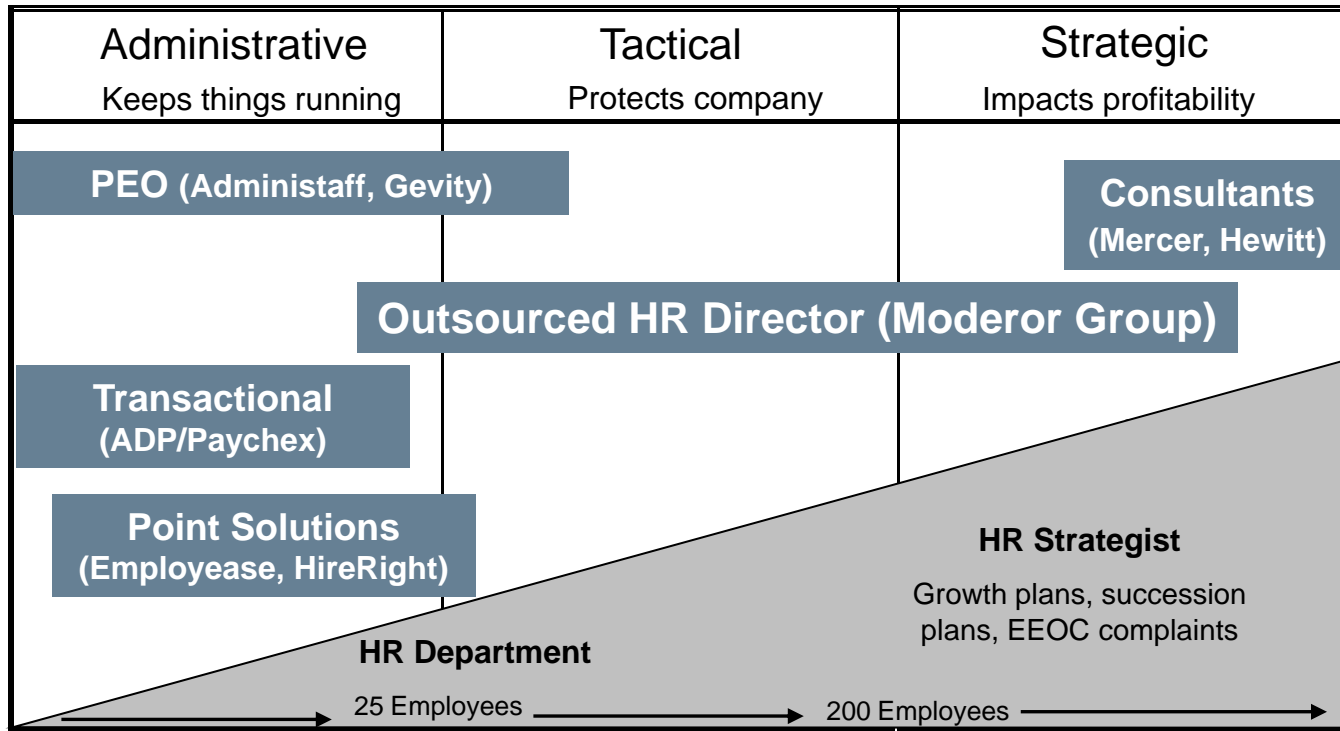


Service Offerings

- Each customer is assigned an internal Moderator HR professional known as an “HR Director” dedicated to the client’s needs and responsible for overall development of the client's HR function
- This “HR Director” becomes a “virtual employee” of the client performing over time some or all of the typical HR tasks indicated below



Market Positioning / Competitive Analysis



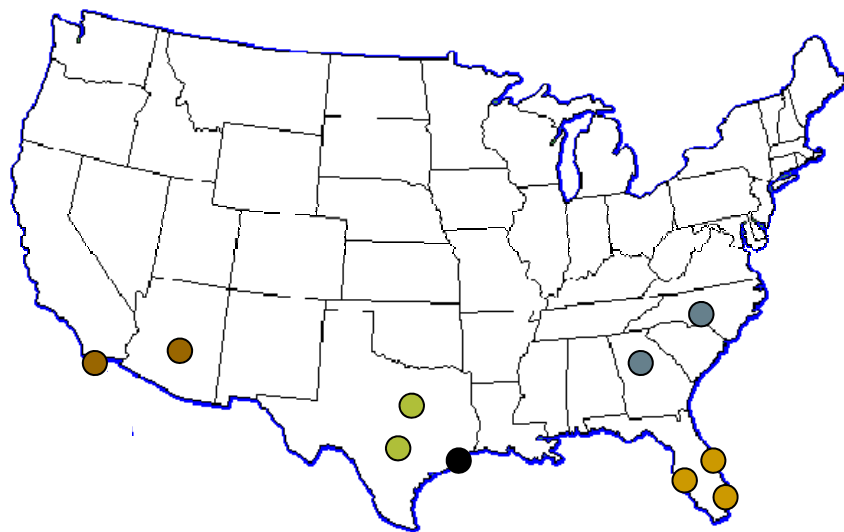
- The Company provides services in areas that are not effectively served by competing point and transactional solutions
- Areas of core competency for Moderor are high value added activities for the SMB market
- Service offerings are hard to duplicate by the client internally or through another outsourced alternative

Growth Opportunity Landscape

Organic	Strategic	Acquisition
<ul style="list-style-type: none">• New customers• New geographies• Referral partners	<ul style="list-style-type: none">• Channel marketing and channel development• Customer network as a distribution system for additional HRO services• Additional services to new customers	<ul style="list-style-type: none">• Similar companies to add to core business• Functional specialties within HR suite• Service providers in strategically attractive niches<ul style="list-style-type: none">• Recruiting• Training• Safety/Compliance

- Growth strategy evolves from core operations and broader industry opportunities
- Opportunity to deploy SMB customer base as a distribution system
- Leverages management competencies against corporate development prospects

Expansion Footprint



METROPOLITAN AREA	IDEAL TARGETS	TOTAL POD SIZE TARGET BUS.	MARKET VALUE	TOTAL POD VALUE
Houston TX CMSA	1,573	4,437	\$14,043,744	\$39,613,536
DFW	1,915		\$17,097,120	
Aus/SA	949		\$8,472,672	
Miami--Fort Laud	1,487	2,712	\$13,275,936	\$24,212,736
Tampa	691		\$6,169,248	
Orlando, FL MSA	534		\$4,767,552	
Atlanta, GA MSA	1,438	1,954	\$12,838,464	\$17,445,312
Charlotte, NC MSA	516		\$4,606,848	
Phoenix, AZ MSA	1,068	1,898	\$9,535,104	\$16,945,344
San Diego, CA MSA	830		\$7,410,240	
10 Locations	11,001	11,001	\$98,216,928	\$98,216,928

Criteria	Number of Companies
Houston SMBs	17,000
100 to 1,000 employees with website	2,066
Targeted profile	1,573
Qualification survey	786
Potential clients	393

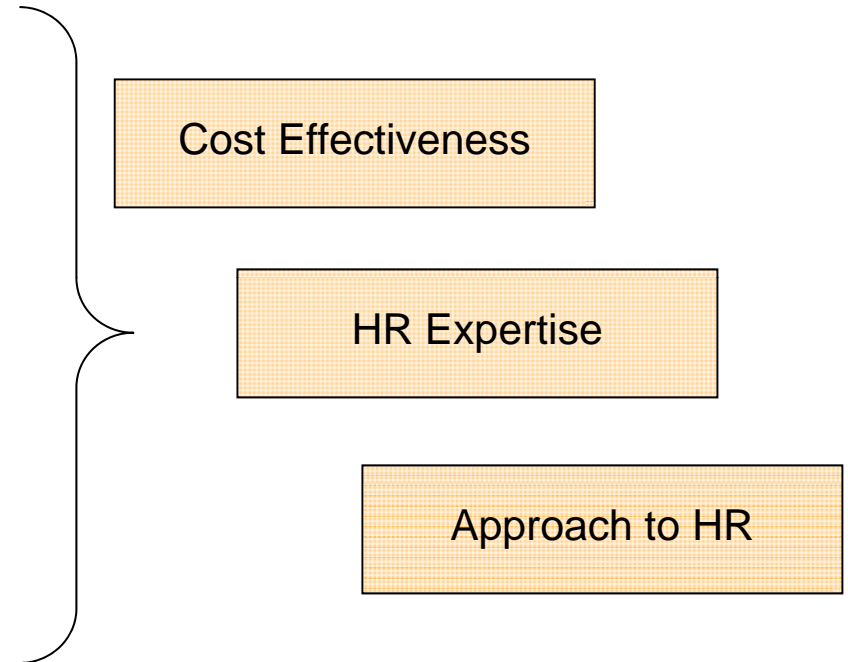
► **400 clients with effective marketing and sales**

Houston Market Size	
Number of potential clients	393
Average yearly revenues	\$ 36,000
Total Potential Market	<u>\$ 14,148,000</u>

► **\$14MM = Market potential of fully qualified profiles**

Customer Profile and Value Proposition

- Entrepreneurs: The alternative to doing HR themselves/bootstrap
- Growing businesses: Outgrowing their current HR capabilities
- PEO refugees: Companies looking for added value services (non transactional services) to traditional PEO / ASO offerings
- Limited internal expertise: Companies without a current HR department
- Transitional: Companies bridging to an internal staff



The customer profile and the value proposition create a **binary sales process**: A strong positive in terms of selling cycle and channel effectiveness.

Customer Value Proposition

Cost Effectiveness

- Provides client companies the expertise of a Fortune 500 HR department, for about half the cost of hiring an internal HR person.
- Processes developed by the company allow Moderor HR Directors to handle multiple clients spread over multiple industries.
- Reduces the charge necessary to generate profitable outsourcing relationships across its revenue base.

HR Expertise

- SMBs require the same level of domain expertise and sophistication with respect to HR matters as larger businesses when issues arise.
- Moderor offers an opportunity for SMBs to afford ongoing access to this sophistication through an outsourced HR department.
- Much HR activity is driven by regulatory compliance: Moderor keeps SMB clients compliant with the regulatory environment and reduces employee based liability.

Approach to HR

- Key differentiator for Moderor is its strategic approach to HR -- connects functional domain expertise to the strategic activities and direction of the client business
 - We focus on process improvement and desired outcomes
 - We are business thinkers first, and HR experts next
 - We don't do HR for the sake of HR, we do it for the sake of the business
- Clients buy us for expertise, but retain us for our strategic HR approach

Pricing Model

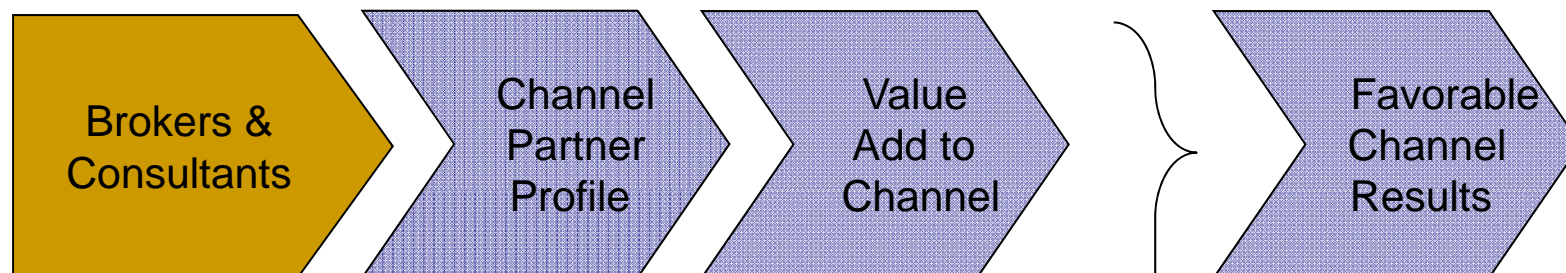
- Initiation fees equal to one month of recurring revenue – covers a portion of initial cost ramp
- Clients pay a fixed monthly rate based on customer type (transitional or long term), number of employees and geographic footprint

# of Employees	Monthly Fee
1 – 25	\$1,500
26 – 50	\$2,250
51 – 75	\$3,000
76 – 100	\$3,500
101 – 199	\$4,000
200 – 299	\$4,500
For every 100 additional employees	\$500

- *Multi-State operations are an additional \$500 per month*
- *Transitional clients minimum 25% premium*

- Proof of concept has illustrated significant pricing flexibility and potential for increases

Channel Partner



- Source:

- Current partners
- Research: Online, Journals, Chambers
- Profiling prospects and clients in new location

- Key Attributes:

- 'Trusted Advisor'
- Solution selling style / Relationship based
- Frequent and in-person customer communication norms

- Moderator Part:

- Total HR solution
- HR training / certification
- HR professional support
- Marketing support (newsletter content, etc.)
- Compensation: 25% setup fee, 10% commission

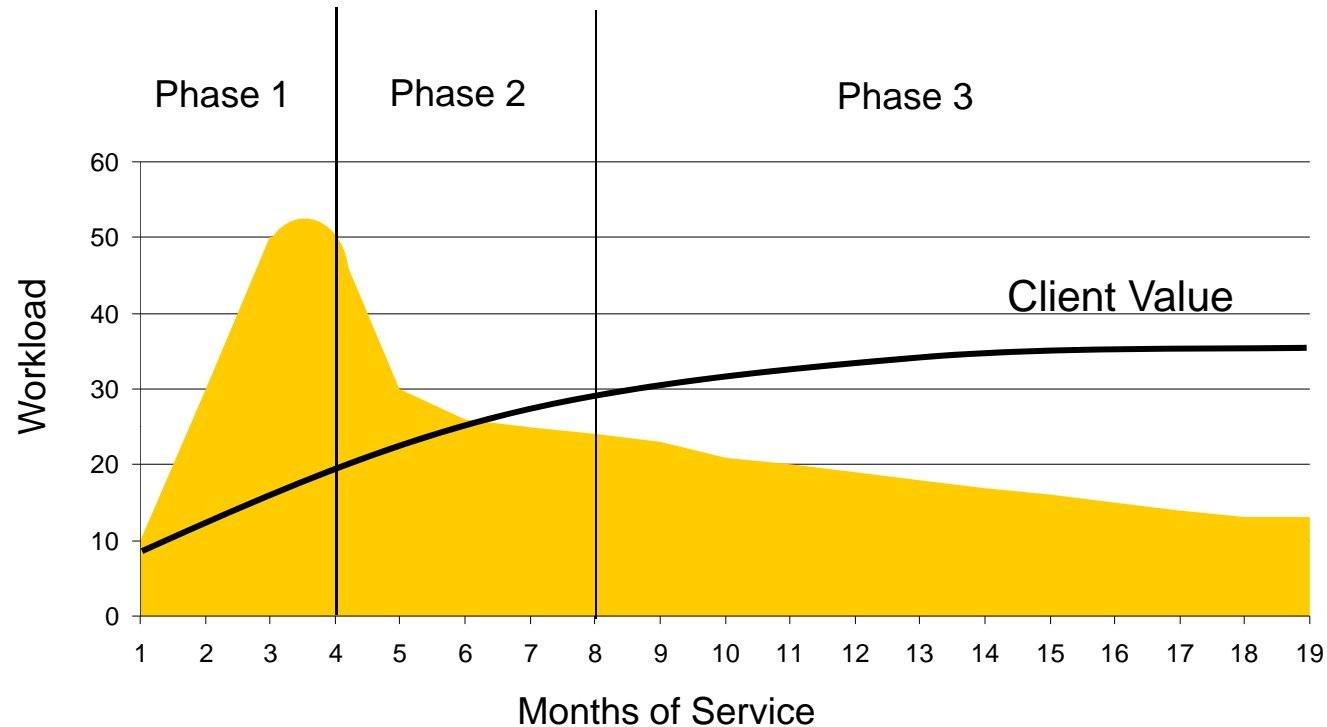
- Channel Manager:

- HR domain expert
- Relationship builder
- Area Manager

Channel Benefits:

- One to many (scale and distribution)
 - Leveraging established relationships
- Pull demand
- Expanded value proposition
- Pricing – test via channels
- Non-profiled prospects

Client Lifecycle



- Client lifecycle rewards client retention: strong value and high margins as relationship lengthens
- Company is focused on client retention through structured program of lifecycle management
- Average service life approximately twenty-two months

Client Tenure & Customer Count

Tenure in Months		Client Count	2005	2006	6/30/07
Company 1	46	Beginning	25	35	46
Company 2	19	Additions	20	25	14
Company 3	6 *	Terminations	(10)	(14)	(5)
Company 4	61	Ending	35	46	55
Company 5	27				
Company 6	14				
Company 7	16				
Company 8	9 *				
Company 9	12 *				
Company 10	7				
Company 11	17				
Company 12	14				
Company 13	6 *				
Company 14	23				
Company 15	57				
Company 16	60				
Company 17	42				
Company 18	25				
Company 19	21				
Company 20	3				
Average	24				

- Tenure reflects two year average life, even with effect of transitional clients
- Customer count is increasing with more sophisticated selling proposition and better customer profiling
- Most client attrition has been due to customer selection issues

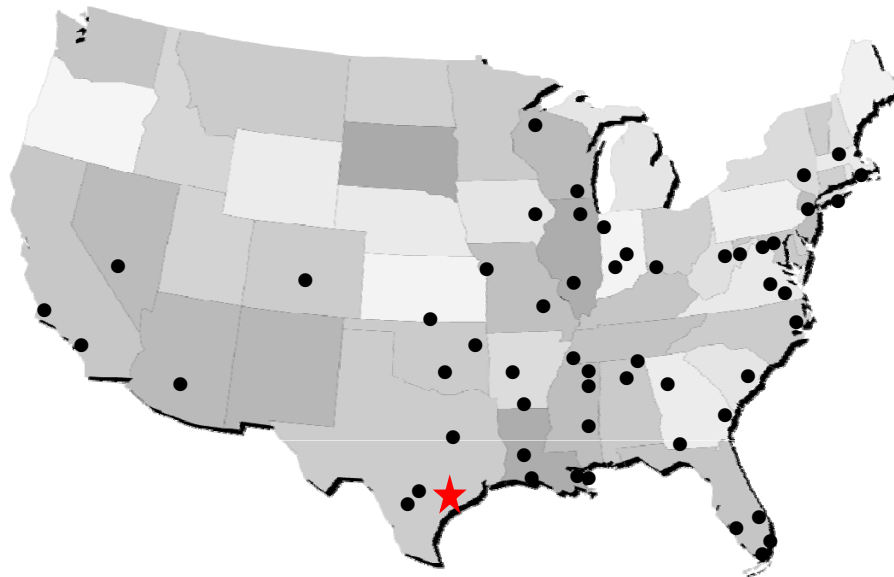
* Transitional clients

Low Customer Concentrations

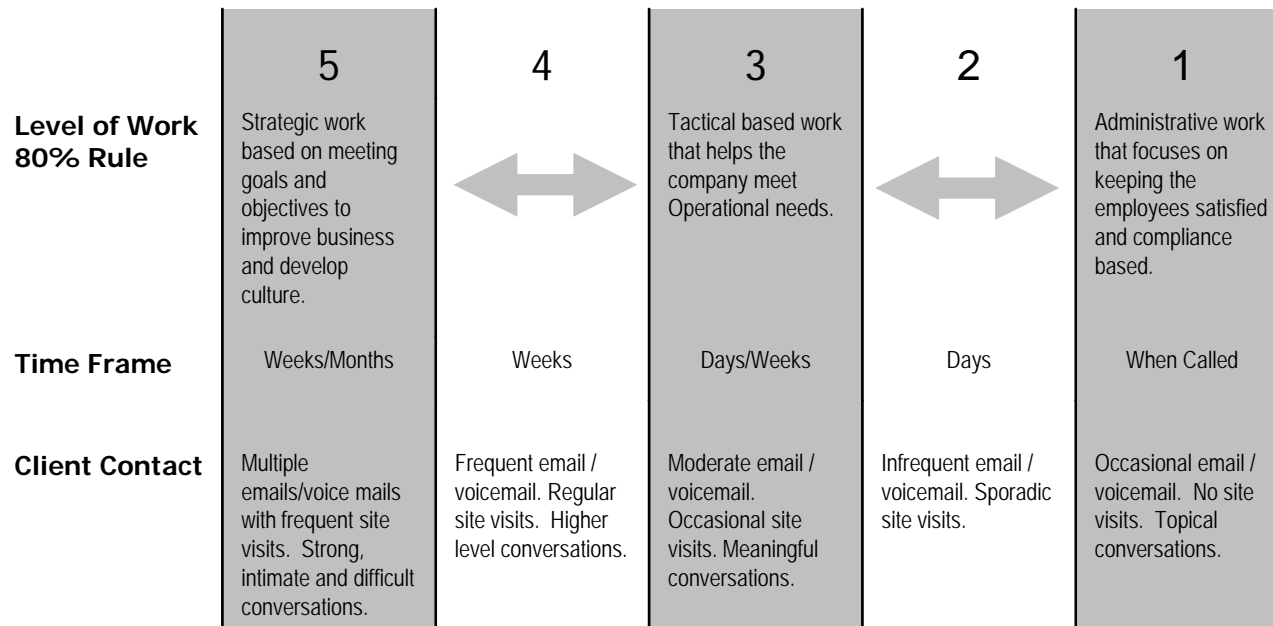
- No meaningful customer concentrations by:
 - Customer industry
 - Customer size
- Excellent geographic dispersion out of a single operating location

	% of Total
Professional Service	20.0%
Construction	14.0%
Medical	14.0%
Distribution	11.0%
Manufacturing - Other	9.0%
Restaurant	9.0%
Chemical	7.0%
Technology	7.0%
Hospitality	4.0%
Manufacturing - Energy	4.0%
Exploration	1.0%
Retail	1.0%

	% of Total
Customer 1	6.0%
Customer 2	5.4%
Customer 3	4.0%
Customer 4	3.8%
Customer 5	3.3%
Customer 6	2.8%
Customer 7	2.8%
Customer 8	2.8%
Customer 9	2.6%
Customer 10	2.6%
Customer 11	2.5%
Customer 12	2.2%
Customer 13	2.2%
Customer 14	2.2%
Customer 15	2.2%
All Others	52.7%
Total	100.0%



Client Management – Director Effectiveness



- Metric oriented approach to service delivery best illustrated by “Director Effectiveness” measurement
- Key indicator of client turnover and HR Director scalability
- Controls the customer relationship so customer belongs to company, not any individual HR director

Measurements & Metrics

KPIs	DEFINITION
Clients	
Tenure of clients	Length in months
Number of clients	Billed last month
Business Development / Sales	
Average number of days in the pipeline by category	Duration of pipeline
Number of entries by category and conversion points by outcome	Velocity of pipeline
Service / Delivery Operations	
HR director's effectiveness quotient	Qualitative: Average future engagement score (1-5 scale)
Client satisfaction index	Qualitative survey
Capacity / Complexity per director	Qualitative average (1-5 scale)
Revenue	
Trailing 90 day MRR per location (monthly recurring revenue)	Current and last month's monthly recurring revenue
Trailing 60 day MRR for each location	Average revenue of last and current month divided by 2
Revenue per HR Director	Billed last month
Average MRR per client	Average monthly revenue
Cost	
Labor gross profit percent per location	MRR minus direct labor = gross profit / total MRR as a percent
SG&A as percent of revenue per location	Billed last month

- Service companies are “perform businesses” that respond to measurement
- Management has developed metrics that make conversations about performance pragmatic, not anecdotal
 - Measurement oriented/accountability-based culture has several benefits:
 - Increases EBITDA and cash generating ability/capacity of the business across varying economic conditions
 - Develops long-term operating infrastructure to insure performance is maximized at scale
 - Positions the company to attract an array of strategic options for value realization

The Moderator Distribution Opportunity

