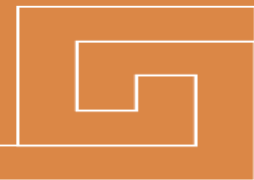




Human Capital Services Brief

solving the value equation



Payroll Trends & Drivers

- Payroll outsourcing **driven by Finance** and supported by HR
- Employers demanding **more holistic set of services** from payroll providers.
- Payroll vendors partner for delivery of payroll in additional geographies and **for access to systems integration expertise.**
- Top vendor selection criteria is **service provider experience**, followed by price..... followed by ability to be a strong partner, vendor financial stability and strength of technology
- Payroll critical success factors must include cost savings,...while for the mid-market and national market it is important to help clients lower cost per payslip and be able to **provide wider HR functionality** alongside payroll.

Perceived Benefits of Consolidated HR Outsourcing Offerings:

- **Integration and streamlined processes.** With HR technology being at the core of many HR service offerings, several transactional processes can be automated. This is especially true if all HR processes are managed within a single system or by a common vendor. An example of this would be when an employee is terminated, a COBRA notification is automatically sent because the payroll provider and COBRA vendor are one in the same. Another example may be when an HRIS system has the functionality to initiate an electronic job offer to a candidate and through process workflow an automated alert for instructions to complete a drug/background check is initiated to the screening vendor and the pending candidate. In many instances, employers are able to eliminate headcount or reallocate duties as manual processes become automated and less error prone.
- **Multiple service offerings allow for the most competitive pricing structure.** A bundled offering includes the benefit of economies of scale. The more revenue that a vendor earns, the more leverage a company has for negotiating volume discounts. This also holds true for guaranteeing higher service-level agreements or contract terms.
- **Simplified employee experience.** Having one point of contact or one system to access for managing multiple requests or transactions creates an efficient employee experience. This heightens employee productivity and increases employee satisfaction.

HR Fractional Support Services Value-Proposition to Employers with 50 to 500 W-2s

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 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.
- Moderator 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: Keeps SMB clients compliant with the regulatory environment and reduces employee based liability.

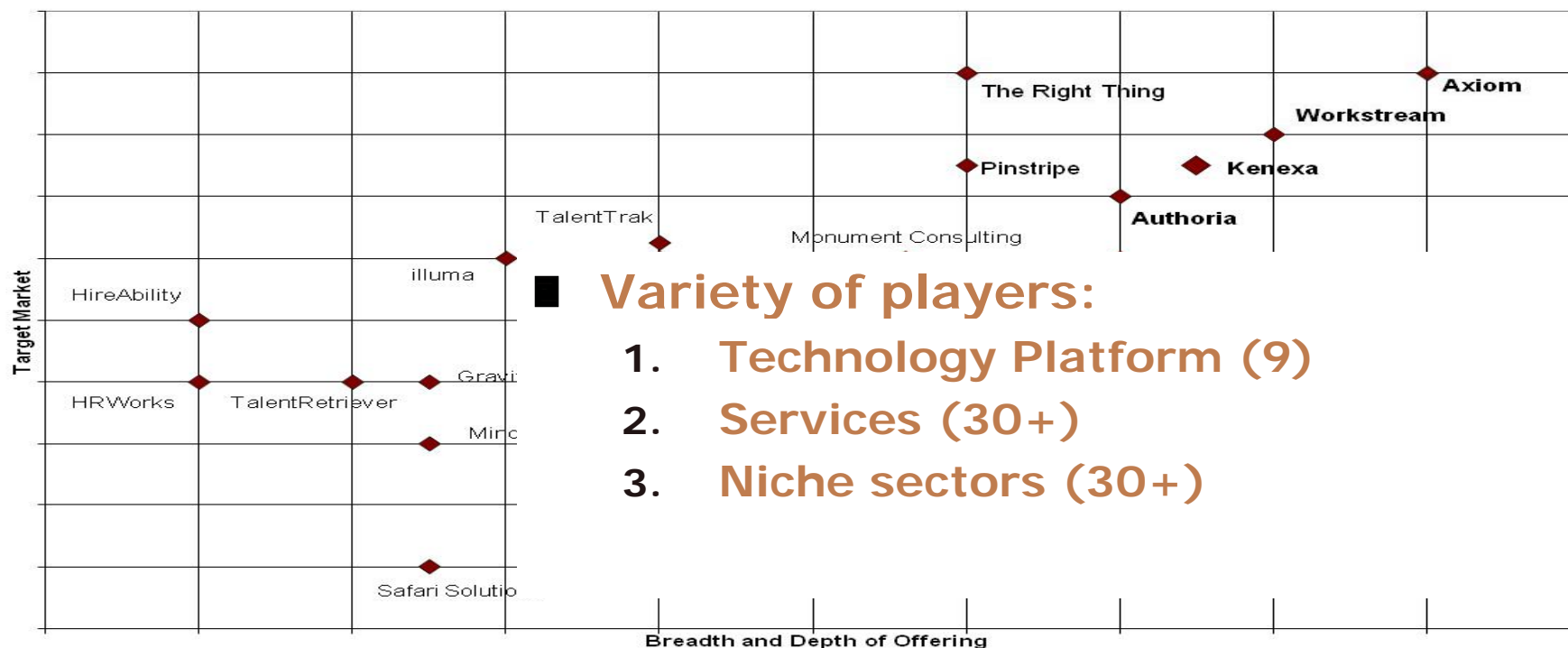
Approach to HR

- Key differentiator is the focus on strategic Human capital Management -- 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

Recruitment Process Outsourcing (RPO) is a form of business process outsourcing (BPO) where an employer outsources or transfers all or part of its recruitment activities to an external service provider.

In RPO the service provider assumes ownership of the process, while in other types of staffing the service provider is part of a process controlled by the organization buying their services.

RPO Landscape: Illustrative Firms



- **Variety of players:**
1. **Technology Platform (9)**
 2. **Services (30+)**
 3. **Niche sectors (30+)**

Ephor Group is a strategic advisory firm which helps our clients (technology, VAR and outsourcing providers) create wealth by achieving their growth goals.

Benefits of our methodology approach (as opposed to traditional consulting, coaching or iBanking) includes our Methodologies and our Perform Model.

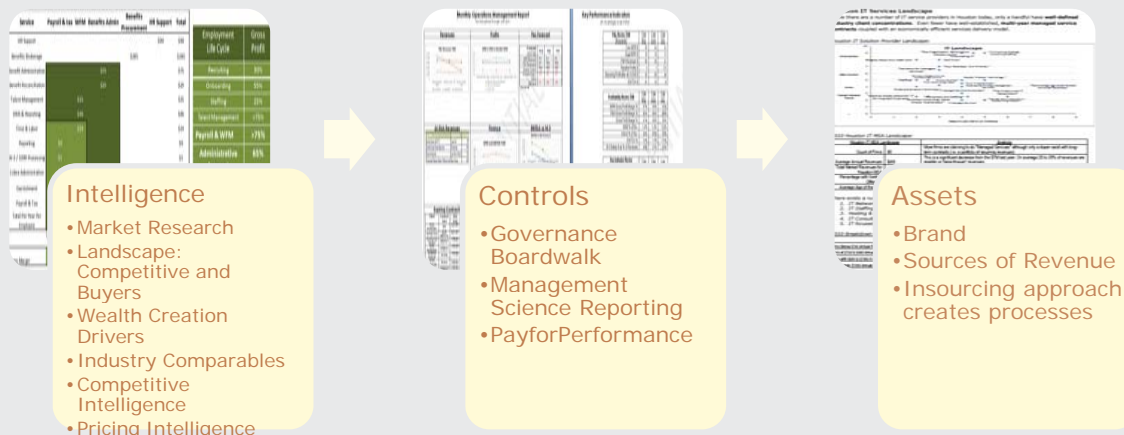
Ephor Perform Business Process™ methodologies:

❖ **FlightPlan™** for GoToMarket ensures effective/efficient revenue strategy.

❖ **GrowthSTEP™** guides companies to their next plateau including Alliances, Distribution and/or M&A Corporate Development.

❖ **Boardwalk Management Science™** provides Controls and Intelligence and ensures optimum asset creation, monetization and value realization.

Read more about our methodologies online.



■ Ephor was created as an alternative to traditional consulting. We put our own “skin in the game” and truly work in the company’s interest as part of our Perform Model and we insource our Methodologies to our clients.

■ Ephor Group was founded as the “family office” for Garry E. Meier and other high net worth individuals to **provide advisory services** to our investments and portfolio of clients.

■ Ephor Group’s approach is pragmatic, proven, and performance-oriented. Ephor works with technology and outsourcing providers. We have led, advised, and invested in some of the **most successful business service companies** in the Americas.

Ephor Group Background

- Garry E. Meier founded the Ephor Group in 2002 to apply the performance methodologies and shareholder value processes Garry and his associates developed over the past three decades.
- We are an experienced, highly effective, and results-driven team that combines over 150 years of domain, functional, strategic management and board level expertise in our domain areas.
- Ephor Group focuses exclusively on technology enabled outsourcing oriented business models specifically in the areas of BPO, Human Resource Outsourcing, IT Outsourcing, Marketing Services Outsourcing and Healthcare Business Services.
- Our **focus** allows Ephor to identify and forecast unsatisfied outsourcing demand curves for the future. As a result, we identify organizations that provide value propositions that can satisfy the future demand curves.
- Ephor Group creates wealth for our financial partners and operating companies by developing or transforming the existing business model into an emerging platform or sector impact participant. Often by increasing organizational effectiveness and efficiency, adding product and distribution venues, creating scalable service delivery constructs, all combined with a measurement and metric centric management process.



Ephor Group Clients: A track record of results *Solving the Value Equation.*

Client engagements:

- ✓ **Brand Refresh and GoToMarket:** Sentric (Workforce Management Technology)
- ✓ **Product Launch:** ProBenchmark (SaaS), Polus Group (FAO), Bullseye (SaaS)
- ✓ **M&A Corporate Development:** Serenity (IT MSP), Moderor (HRO)
- ✓ **Expansion:** Bluware (Staffing), Novo (Call Center, Contact Center, BPO).

Board Advisory Clients:

Administrative & Transactional	Functional
<p><u>Outsource Int. (OSI)</u> (HRO/PEO)</p> <ul style="list-style-type: none"> • <i>Chairman/CEO 1998-2001</i> <ul style="list-style-type: none"> ○ Revenue: \$480m Turnaround ○ Exit: Divestiture of Brands <ul style="list-style-type: none"> ▪ Strategic Buyer: TeamStaff ▪ Strategic Buyer: Spherion 	<p><u>Tandem/(OSI)</u> (Recruiting & Staffing)</p> <ul style="list-style-type: none"> • <i>Chairman 1998-2001</i> <ul style="list-style-type: none"> ○ Division Revenue from \$180m to \$280m ○ Exit: Financial Buyer: Cerberus
<p><u>HR America</u> (ASO)</p> <ul style="list-style-type: none"> • <i>Chairman 2002-2006</i> <ul style="list-style-type: none"> ○ Revenue from \$3m to \$22m ○ Exit: Strategic Buyer: Gevity 	<p><u>Talent Tree</u> (Recruiting & Staffing)</p> <ul style="list-style-type: none"> • <i>Chairman/CEO 2002-2005</i> <ul style="list-style-type: none"> ○ Revenue from \$90m to \$145m ○ Exit: Financial Buyer: Crystal
<p><u>SmartTime Software</u> (T&L Mgmt)</p> <ul style="list-style-type: none"> • <i>Chairman/Interim CEO 2004-2007</i> <ul style="list-style-type: none"> ○ Revenue from \$6m to \$15m ○ Exit: Strategic Buyer: Kronos 	<p><u>HR Advance</u> (Benefit Admin)</p> <ul style="list-style-type: none"> • <i>BOD Advisor 2008-2010</i> <ul style="list-style-type: none"> ○ Revenue from \$9m – \$19m ○ Exit: Strategic Buyer: Hewitt/AON
<p><u>Perquest</u> (Payroll/WFM)</p> <ul style="list-style-type: none"> • <i>BOD Advisor 2007-2011</i> <ul style="list-style-type: none"> ○ Revenue from \$4m to \$19m ○ Exit: Strategic Buyer: ADP 	<p><u>Achilles</u> (HRO)</p> <ul style="list-style-type: none"> • <i>Chairman 2007-Current</i> <ul style="list-style-type: none"> ○ Revenue from \$4m to \$11m ○ Exit: Current Holdings

Recent Client Accomplishments:

- Grew provider from \$1M to \$9M in 18 months and then strategic investment by Hewitt.
- Projects oriented transactional business transitioned into recurring solutions provider.
- Acquired add-on “book of business” which added additional revenues, clients, and team members.
- Received \$2.56M in funding capital raise.
- Rolled up \$30M of payroll service providers to create a national provider of “Workforce Management Solutions.”
- Doubled staffing provider revenues from \$40M to \$80M.



We Understand Staffing, Technology and Outsourcing Firms.

Mid-Market Research Findings from 2011:

- I. The demand drivers have shifted from license software to SaaS solutions, from cost savings to capability enabling solutions, and from functional specific to business-centric.
- II. Utilization improving based on adaption of technology to meet today's work requirements (flattening span of control, global multi-location complexities, younger workforce, mobile and contingent workforce).
- III. Recurring oriented business models are the market leaders. Portfolio and distribution key contributors to more efficient model leaders.

Since 2006, we conduct quarterly research surveys on utilization and best practices for technology and outsourcing buyers.

We also, interview 400 businesses every year to determine the market landscape, forecast, and opportunities.

Defining the SME Middle-Market Buyer:

The mid-market is significant as the table illustrates the potential universe of SME & mid-market employers with 50 to 10,000 full-time W-2 employees:

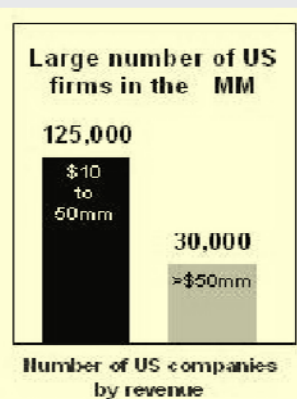
TARGET (thousands)	Americas	India & Middle East	Asia	Europe
Mid-market	100,000	10,000	25,000	100,000

What will satisfy the needs of the SME market is simplifying the technology and functional processes with a business-centric mindset.

The majority of businesses consider themselves mid-market enterprises. They have multiple vendors complicated by changing business demands and evolving landscape, and lack efficient and effective processes and expertise to adequately fit their needs.

The ideal customer buys to simplify their business, while valuing the solutions based approach coupled with industry vertical specific domain expertise.

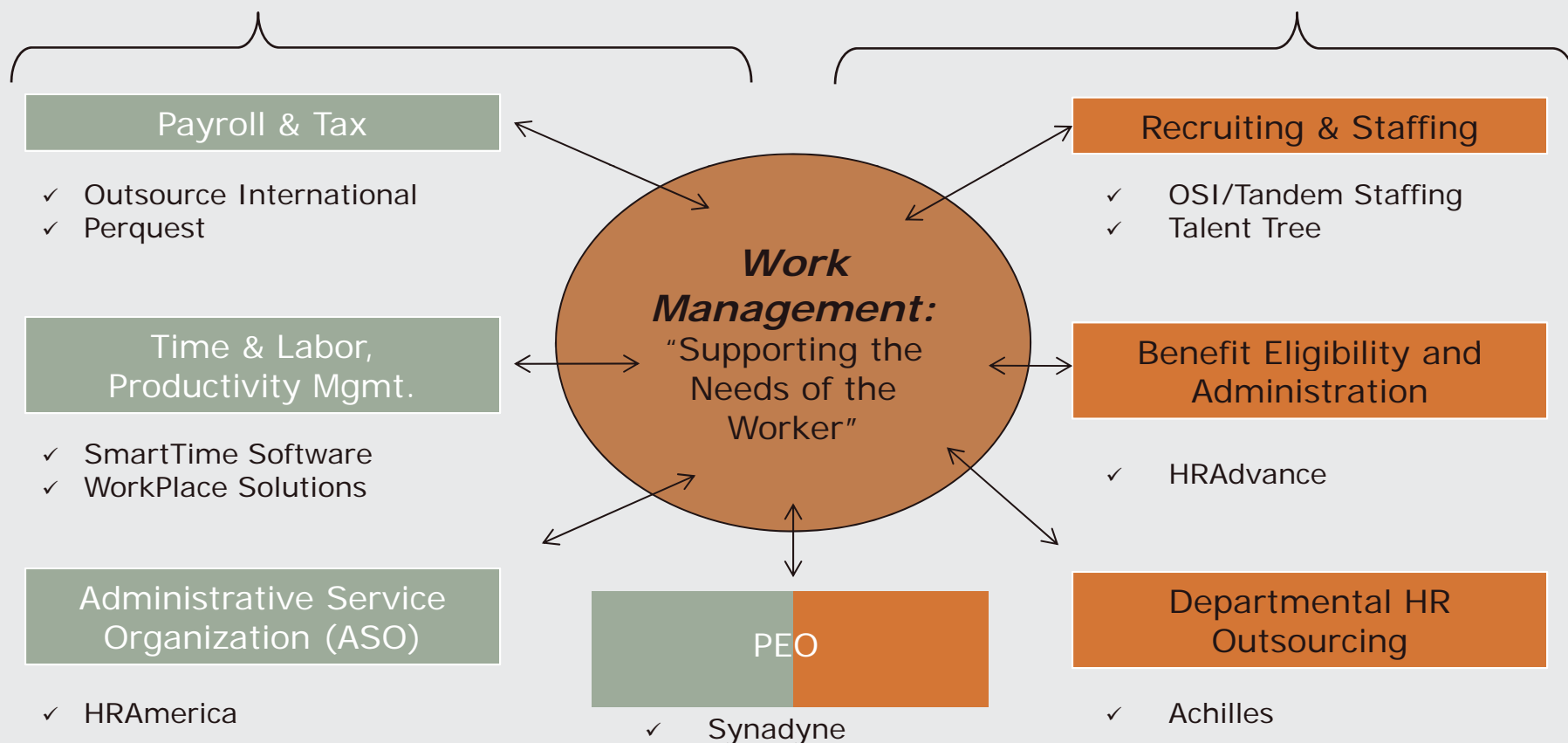
By making the buying process easy, the long-term profitability potential is great.



HRO Expertise

Processing & Administration

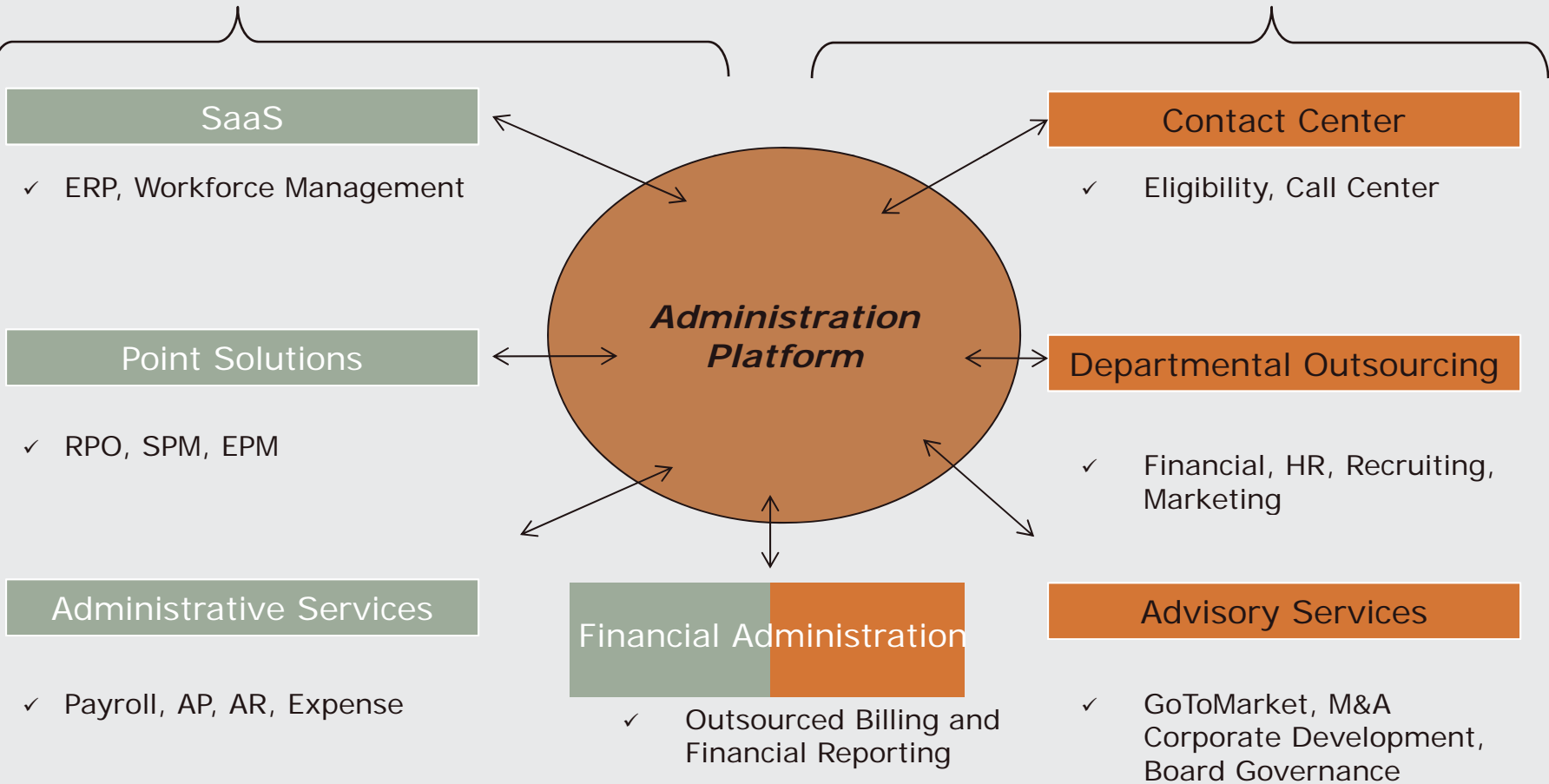
Functional Support



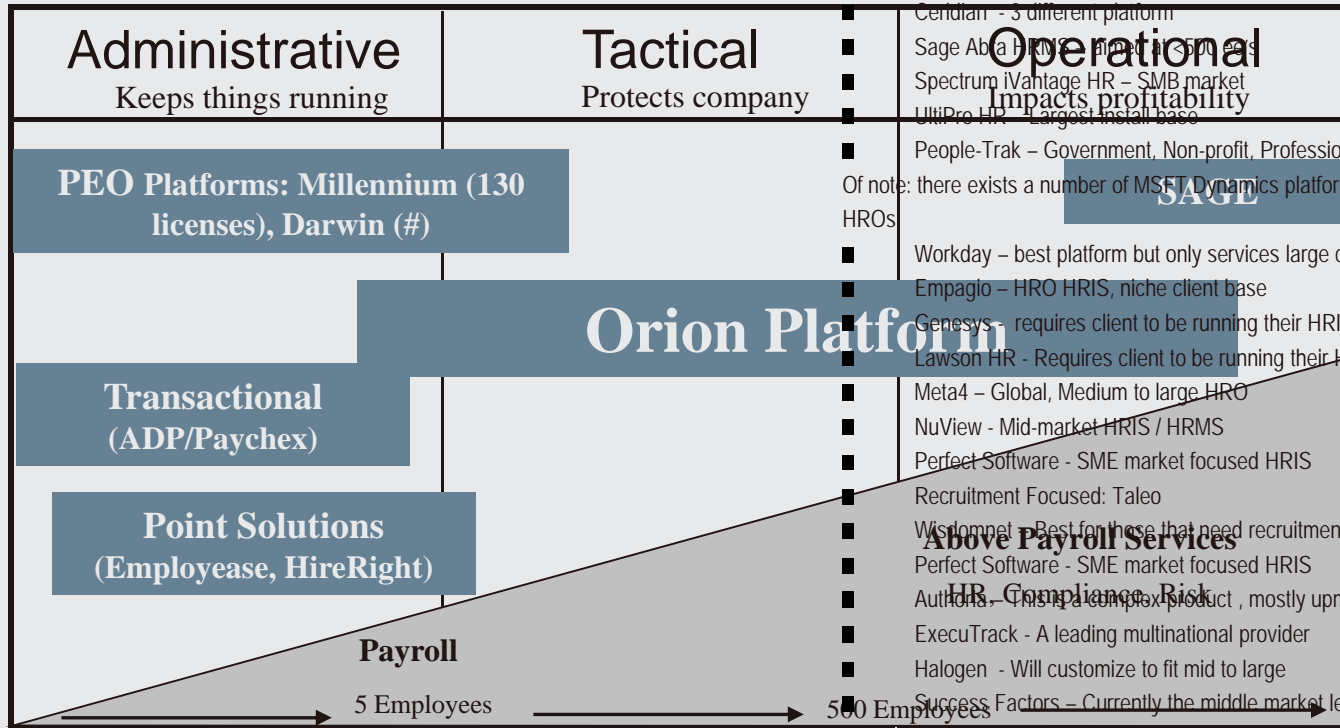
BPO Expertise

Processing & Administration

Functional Expertise



Market Landscape



SMB Technology Focused:

- ADP – requires client to use their payroll system
 - Paychex - #2 USA SMB payroll provider
 - Ceridian - 3 different platform
 - Sage Abra HRMS - 300,000 users
 - Spectrum iVantage HR – SMB market
 - UllPro HR – Largest install base
 - People-Trak – Government, Non-profit, Professional Services and Hospitality for <100 ee)
- Of note: there exists a number of MSFT Dynamics platforms, start-ups.
- SAGE**
- Workday – best platform but only services large companies
 - Empagio – HRO HRIS, niche client base
 - Genesys - requires client to be running their HRIS
 - Lawson HR - Requires client to be running their HRIS
 - Meta4 – Global, Medium to large HRO
 - NuView - Mid-market HRIS / HRMS
 - Perfect Software - SME market focused HRIS
 - Recruitment Focused: Taleo
 - Wisdomnet – Best for those that need recruitment integrated
 - Perfect Software - SME market focused HRIS
 - Authoria – This is a complex product , mostly upmarket
 - ExecuTrack - A leading multinational provider
 - Halogen - Will customize to fit mid to large
 - Success Factors – Currently the middle market leader
 - Workscape - Mid and Large (No SMB)
 - Workstream – Mid and Large (No SMB)
 - Cezanne Software – European primary focus
 - Onyxstone On-Demand HRIS in Learning market
 - Kenexa – “One-stop shopping” comprehensive solution
 - Kronos - K-12 and Government Solution
 - Performix – Processing center focused, library (3200) of KPIs
 - Pilat HR Solutions – Consulting + Technology approach
 - Saba – Large University and Government Solutions
 - Softscape – Ideal for large multinationals with custom needs
 - ViDesktop – Legal Service industry

Global payroll vendor league table led by ADP and Paychex with 43% of the market

....followed by Ceridian, NorthgateArinso and HP.....

....followed by Intuit, Raet and Aditro.....

....followed by Logica, CGI and Equifax

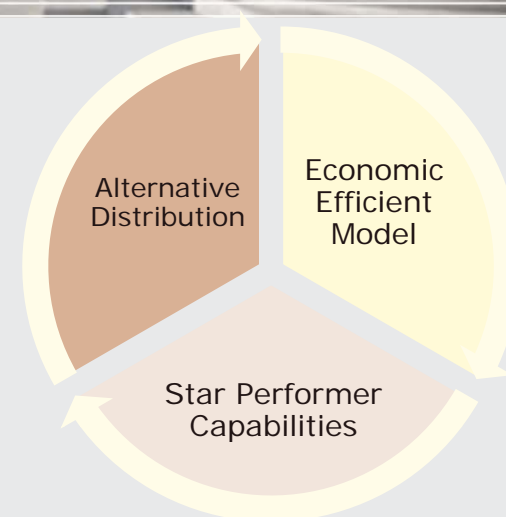
North American payroll vendor league table led by ADP and Paychex with 50% of the total marketplace....

....followed by Ceridian, Intuit and CGI

EMEA Payroll Outsourcing market led by ADP with 25% market share.....

Calls to Action

- 1. Examine your Strategy.** An Effective Strategy is Required including Brand Asset Management, Go-To-Market, Product Management, and Channel Management.
- 2. Have a Market Validated Growth Strategy.** Focus on expansion via a portfolio of products and revenue sources.
- 3. Do Not Accept Mediocrity.** *Mediocrity Promotes Failure!*



Contact us, when you need interim Board or Management help, or a **Chief Marketing Advisor** or **Chief Strategy Officer**, as there are proven, pragmatic methods for expanding revenues.

Getting started, we can discuss and share insights regarding:

- I. Star Performer Checklist to Increasing Valuations for your industry.
- II. Revenue Growth and Expansion Plan.
- III. Our Industry Investment Thesis for your sector.

“In 2012 and beyond, wealth will be created for those **unique revenue models**, that are the most **economically efficient**, promote and excel at owing their communities, and **focus on key strategic initiatives** (i.e. customer satisfaction).”

-Garry E. Meier, Epher Group Founder

> Download additional resources at: <http://www.ephorgroup.com/resources.asp>