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December 7, 2001

**Confidential**

Mr. Michael Mackey  
Synhrgy HR Technologies, Inc.  
2 Arena Place  
Suite 1400  
Houston, Texas 77074

Dear Mike:

Enclosed is the draft copy of the valuation of Synhrgy HR Technologies, Inc. (Synhrgy) as of September 30, 2001. This valuation is made to enable Synhrgy to determine the fair market value for common stock related transactions during the fourth quarter of calendar year 2001.

This independent assessment by Burton Grad Associates, Inc. (BGAI) is based on materials supplied by Synhrgy and information obtained through interviews with Synhrgy management. The financial and customer information supplied by Synhrgy were not independently verified.

All projections of revenues, costs and profits produced by BGAI were based on information available as of the valuation date and do not necessarily reflect Synhrgy's own forecasts or the actual results which have occurred since the effective date of this valuation study (September 30, 2001).

Please review this report carefully to ensure that the assumptions, analyses and explanations are clear and accurate. The final copy will be sent after we receive your feedback.

Sincerely,

Burton Grad

Enclosure  
5449.RPT

**Valuation Report on**  
**Synhrgy HR Technologies, Inc.**  
**as of September 30, 2001**

**Prepared for:**

Synhrgy HR Technologies, Inc.  
2 Arena Place  
Suite 1400  
Houston, Texas 77074

**Prepared by:**

Burton Grad Associates, Inc.  
5 Saint John Place  
Westport, Connecticut 06880

Burton Grad

**Date:**

December 7, 2001

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## EXECUTIVE SUMMARY

At your request, Burton Grad Associates, Inc. (BGAI) has appraised the value of Synhrgy HR Technologies, Inc. (Synhrgy) as of September 30, 2001. The purpose of this appraisal is to provide a formal valuation of the Synhrgy common stock which can then be used as a basis for all internal stock transactions for October 1, 2001 through December 31, 2001.

Synhrgy provides a wide range of companies with the following human resources and employee benefits outsourcing services:

- Employee Benefits Management
- Retirement Planning
- Employee Development
- Management Reporting
- Recruiting
- Staff Planning
- Payroll Integration

The principal focus is on establishing on-line access to the appropriate information by employees, retirees and company managers. This access is not just to computerized databases, but also to Synhrgy's employee relations services representatives.

BGAI has used market-based and profit projection-based techniques which are valuation methods commonly applied to appraising privately held corporations in consulting and operational services businesses.

The market-based method used for valuation was a market capitalization-based valuation approach using results from the previous twelve months considering available price/earnings and price/revenue ratios for comparable public companies. This market-based valuation includes special consideration of relevant comparative information from other operational services companies and has been adjusted to recognize private company vs. public company valuation differences. A similar market valuation was performed using Synhrgy's own projected twelve-month revenues and operating income.

In addition, BGAI has valued the company based on the net present value of its projected cash flow over a six-year forecast period; this includes revenues from its customer base and from projected new customers. This is another widely used valuation technique.

Based on these analyses, BGAI believes that the fair market value of Synhrgy HR Technologies, Inc. as of September 30, 2001 was \$42,677,000. BGAI recommends that Synhrgy use this company value as the basis for its common stock valuation.

As of September 30, 2001, there were 1,718,364 shares of common stock issued and outstanding to founders and other employees (plus 150,896 treasury shares). There were also 4,123,552 Series A and B convertible preferred shares held by Richland and Validus as of that date (one share of preferred was convertible to one share of common). Clarite (Uniprise) held 1,833,211 Series B convertible preferred shares while T. Rowe Price held 125,000 Series B convertible shares.

Based on the above company valuation, and considering the total of 7,951,024 outstanding common shares (including treasury shares) and equivalent convertible preferred shares, the value per share of Synhrgy common stock was \$5.37 as of September 30, 2001.

As of the end of the second quarter of 2001, there were outstanding warrants for 150,700 shares issued to Richland, Validus and Clarite (Uniprise) exercisable at \$8.00 per share. There was an SBC option for 109,240 shares at \$2.746 per share.

As of the end of the third quarter of 2001, Synhrgy had granted 1,161,540 stock options to certain employees and executives at a price of \$6.00 per share. These options are vested proportionately over the four years following the grant date.

Also, there were an additional 907,840 common stock shares in an employee option pool as of 9/30/01. When any of these options are granted, they will be made at or above the then current computed common stock value.

Because the per share value as of September 30, 2001 has been computed at \$5.37, most of the above warrants and options are not yet in the money and, therefore, no adjustment to the price per share needs to be made to reflect their potential dilution.

However, the SBC options for 109,240 shares are at \$2.746 per share and therefore they are dilutive. Taking into consideration the \$300,000 to be paid by SBC to exercise its options, the adjusted value per share is \$5.33.

BGAI recommends using a price of \$5.33 per share or higher for any common stock transactions during 4Q01.

## **SECTION I. Objectives and Work Plan**

Synhrgy HR Technologies, Inc. (Synhrgy) wishes to have an independent valuation performed, using commonly accepted valuation techniques, of its total business operations including the value of its established customer base. Synhrgy will use this valuation to help determine the fair market value of the company and of its common stock for internal stock transactions.

At Synhrgy's request, Burton Grad Associates, Inc. (BGAI) has performed a valuation study of Synhrgy as of September 30, 2001. BGAI has used commonly accepted valuation techniques and its extensive experience in valuing computer software and services companies to determine the then current value of Synhrgy and the value of its common stock. Burton Grad's professional profile is included as Appendix A.

### **Work Plan**

BGAI has performed the valuation study following these steps:

1. Requested and collected materials and information which provided the basis for the valuation study. A list of the information received is shown in Appendix B-1.
2. BGAI examined these materials and conducted phone interviews with selected Synhrgy executives and managers (see Appendix B-2) to obtain additional information and to amplify the materials received.
3. BGAI selected appropriate valuation methodologies (revenue, cost and profit projections; market comparables) and analyzed materials and interview notes so as to construct the valuation models needed.
4. For these models, key valuation factors were determined including expected customer life, NPV factors, market valuation ratios, projected tax rates, etc. Using these factors, the recommended company valuation was developed.
5. The company value was then used to determine the per share value of the common stock.
6. A report was first delivered in draft form to ensure that all information was accurate and complete and that the logic and calculations used were clear. The final report was then prepared and submitted, including appropriate appendices.

## **SECTION II. Description of Synhrgy HR Technologies, Inc.**

Synhrgy HR Technologies, Inc. (Synhrgy) is a Houston, Texas based company providing worldwide services to various companies in many industries to help them more effectively perform their human relations and resource management functions. Synhrgy uses some proprietary software and procedural methodologies to carry out its activities.

Synhrgy has had four years of experience (previously under the name of The AAC Group, Inc.) providing human resources consulting and, more recently, employee services outsourcing. Synhrgy is national in scope, focus and experience, using full-time, trained and experienced consultants and employee service representatives.

### **Services Provided**

Synhrgy now primarily offers employee services and other human resources outsourcing using advanced Web technology with electronic voice and call center responses to its customers. Appendix B-3 describes Synhrgy's current business operations and plans. These are some of the functional areas addressed by Synhrgy:

- Employee Benefits Management
- Retirement Planning
- Employee Development
- Management Reporting
- Recruiting
- Staff Planning
- Payroll Integration

In addition, Synhrgy also performs certain one-time consulting services for its clients.

### **Organization and Financials**

Synhrgy's headquarters are in Houston, Texas with a substantial operation in Dallas and a smaller operation in Minneapolis. The Synhrgy employee summary as of September 30, 2001 is shown in Appendix C-1. The key management team profiles are shown in Appendix C-2.

Appendix C-6 shows the summary financial results for 3Q01 and for YTD through 3Q01. Appendix D-1 shows the actual income statements by quarter for Synhrgy for calendar year 2000 and for 1Q01, 2Q01 and for 3Q01. Appendix D-2 includes the balance sheets by quarter for 2000, for 1Q01, 2Q01 and for 3Q01 and the cash flows during 2000, 1Q01, 2Q01 and 3Q01.

The audited financial statements for 2000 are shown in Appendix C-5; these are substantially different from the unaudited statements used in the BGAI report on valuation as of 12/31/00. Based on extensive discussions between Synhrgy and its auditors, certain revenues and expenses were revised to reflect current interpretations of revenue recognition rules (related to SEC's SAB101). The effect of these interpretations is that certain implementation revenues are deferred and recognized over the contracted operation period on a pro rata basis. The expenses directly related to these deferred



implementation revenues are also deferred and charged ratably over the same time period as the revenues are recognized. Since these interpretations applied to 1999 as well as to 2000, certain 1999 revenues were deferred until 2000 and beyond and certain 2000 revenues were deferred to 2001 and beyond. These same interpretations have been applied to the revenue and related expense actuals and projections for 2001 and beyond.

As part of the discussion process, all of the revenues formerly considered as implementation were examined and classified either as implementation (requiring deferral and ratable recognition) or as consulting which could be recognized as performed within the terms of the contract. Approximately 85% of what was previously identified as implementation revenue has now been classified as consulting revenue. This leads to an integration (for book purposes) between consulting related to implementation/operational contracts and independent consulting efforts.

Furthermore, Synhrgy has decided, with auditor approval, to capitalize some of its product development costs in accordance with the FAS 86 rules. This has the effect of reducing current development expenses since the capitalized values will be amortized over the projected product life of 3 years.

There was also a charge in 1Q01 for conversion of warrants. This was treated (for book purposes) as an EBITDA expense.

Since most computers and systems software have been purchased, these costs are depreciated over 3-6 years and handled as a post EBITDA expense.

Certain bad debts were written off during 2000; these were not covered by the Bad Debt reserves.

Recovery of certain direct costs were formerly treated as revenues and the costs were included as part of cost of sales. This has now been modified so that the billable charges are deducted from the cost of sales and not treated as revenue.

Appendix C-5 also includes the audited financial statements with selected financial notes for 1998 and 1999 as well as for 2000.

The net effect of these audit-approved changes was to reduce revenues for 2000 from \$17,721K to \$16,827K and to increase EBITDA losses from \$11,144K to \$13,808K. For future years, the effect will be to reduce revenues and to increase losses (or reduce profits). The adjustments for 2000 are shown in detail in Appendix D-3A.

In order to provide consistency and comparability for the valuation process, BGAI has restated certain of the financial results for 2000, 1Q01, 2Q01 and 3Q01 dealing with actual operating revenues and costs. BGAI has also used these same rules in making its future revenue/profit projections. These rules and the financial reconstruction are used in Sections IV and V.

The presentation on the first page of Appendix D-6 shows the formal GAAP-based financial statements (see Appendix D-1). 4Q00 shows audited results, but 1Q01, 2Q01 and 3Q01 are not yet audited. The problem with both the revenue figures and the EBITDA operating income is that they do not reflect the pro forma revenue and income values which would be considered by financial

analysts in assessing a public company. Analysts would make adjustments to construct a pro forma return if one were not provided by the company.

In our opinion the revenues would be increased to include the net deferred revenue (current and long term) of \$868K (Appendix D-2, page 5) as of the end of 3Q01. This implementation revenue has been earned and is only being treated as deferred because of the SEC SAB 101 interpretation which requires this revenue to be spread over the life of the operating contract even though there is no customer recourse. In compensation, certain expenses have been treated as prepaid (\$573K) corresponding to the deferred implementation revenues (Appendix D-2, page 4).

There were other one-time expenses which were included in the operating costs which analysts would eliminate for valuation purposes. The IBM web hosting termination fees of \$1050K resulted from canceling use of the IBM web hosting and do not represent an operational cost. The value of the exercise of the Clarite warrants of \$882K was a one-time non-operational expense. Similarly, the write-off of the acquired IBM technology of \$6,771K would not be considered an operating expense.

Finally, the bad debt write-off (\$834K) represents account receivables which Synhrgy does not believe are collectible. However, this adjustment has been treated as an expense when it would be considered by most analysts as a reduction in previously booked revenues.

Using all of these adjustments, BGAI has prepared a pro forma Income Statement covering 4Q00-3Q01 which has been used for the market-based valuation and as the basis for the projected twelve month calculations and the starting point for the BGAI business forecasts. The pro forma for the trailing twelve months is shown on the second page of Appendix D-6 which summarizes all the adjustments identified above.

During 3Q01, the results of Synhrgy's large investments in development, marketing and infrastructure continued to bear fruit through significantly increased revenue (\$8,723K), primarily related to new Health and Welfare (H&W) outsourcing service implementation fees. This revenue level was accompanied by continuing high direct costs but operating expenses were significantly reduced leading to a small 3Q01 EBITDA operating profit of \$1,055K.

### **Markets and Operations**

Historically, Synhrgy had primarily provided general consulting services, assisting companies in setting up their employee benefits and employee development programs. However, during the latter half of 1999, Synhrgy moved aggressively to start providing computer-assisted, on-line employee benefits and other human resources management services as an outsourcing option for medium to large organizations. Synhrgy began building its staff, investing in the necessary infrastructure and started actively selling these new employee benefits-related outsourcing services.

During the fourth quarter of calendar year 1999, Synhrgy was able to negotiate significant agreements to provide the funds and skills needed for accelerated growth in the employee services outsourcing market. As of December 1, 1999, Synhrgy licensed certain human relations software from the SBC Systems Company, Inc. in order to broaden the range of outsourced services it could offer. Synhrgy

also started supporting a venture called Clarite with Uniprise, a United Health Group company, to market benefits management outsourcing services.

During 2000 Synhrgy was able to sell a large number of H&W outsourcing projects and even obtained an initial foothold in the full HR outsourcing business, closing its first order during 2Q00. The Clarite connection generated significant H&W leads. Further, some of the new orders and pipeline accounts were proposed at somewhat higher implementation/consulting fees and ongoing operational fees than in earlier projections, although others came in at a more modest level.

A major business and financial change occurred during 3Q00 with Synhrgy signing an agreement with IBM for a world-wide license to use IBM's Employee Services Information Tools software code and documentation for its applications services. This services remarketing right is exclusive for an 18 month period through YE2002. IBM also agreed to include Synhrgy as an IBM Healthcare Partner and has developed a co-marketing and selling strategy to promote use of Synhrgy's H&W and Human Relations Services. However, during 4Q00, Synhrgy re-examined the expected value of the acquired IBM technology and wrote down the \$8M initial capitalization by \$6.8M.

During 3Q01, the results of the IBM relationship from both a technology and marketing viewpoint were further re-examined and a decision made to terminate the agreement as of September 30, 2001. The technology license agreement was ended which resulted in Synhrgy returning the relevant files and documentation to IBM. The intangible asset value was fully amortized/written off as of 12/31/00. The marketing agreement was also terminated. The unamortized portion of this intangible was written off. The web hosting agreement was also terminated and invoices totaling \$1.7 million were waived by IBM as part of the settlement. The 1,250,000 shares allocated to IBM were purchased by Synhrgy and its investors at \$3.60 per share where Synhrgy purchased 1/3 of the shares and Richland/Validus bought 2/3 of them.

Synhrgy is proceeding to develop the additional software it needs to meet the market opportunities and has increased its partnership relationships with other organizations to strengthen its marketing and sales.

After disappointing new sales during 1Q01, the 2Q01 results were quite strong, closing 8 new accounts while losing 16 bids (see Appendix C-4). The 3Q01 results were even stronger winning 22 contracts while losing 45 proposals. The dollar value of the contracts won in 3Q01 was greater than in 2Q01. However, the 3Q01 pipeline appears much smaller than in 2Q01 (Appendix C-3A). This is due to so many proposals being resolved in 3Q01. The Synhrgy backlog report (Appendix C3-B) shows some further strengthening as a result of the wins in 3Q01.

Synhrgy's lines of business going into 4Q01 were:

1. General Consulting Services -- contracts for specific people-only assignments. These tend to be relatively short-term, special purpose projects which do not necessarily lead directly to implementation or operations services revenue.
2. Health & Welfare (benefits) Administrative Services -- There have turned out to be three types of projects:

- Hi-Tech” Health & Welfare which only involves using Synhrgy’s on-line operations facilities
  - “Hi-Touch” Health & Welfare which also involves using Synhrgy’s employee services people as an online-resource
  - Defined Benefits which only deals with the administration and valuation of these specific types of IRAs
3. Integrated Human Resources Services -- These include all principal human resources administrative functions providing both on-line computer-based and people-based services. Customers appear to be dealing with this in two different modes. Some are following an integrated, full scale approach implementing all of the functions over a 2 year period. But most customers are taking a step at a time approach, implementing only 1 or 2 functions each year, with the objective of ending up with a full integrated system over a 5 year period.

In each of the last 2 categories there are three types of revenues:

- Implementation - Specific assistance in preparing for outsourced operations
- Operations - Running outsourced services in preparing for automated, on-line H&W or HR services
- Consulting - Broad-based customer assistance

Synhrgy became a dramatically new company as of the end of 4Q00 with a successful shift away from non-repetitive consulting activities to a high level of implementation projects and to large, recurring revenue operations services contracts. This led to an expectation of strong revenue growth over the next few years. The major concerns were whether the company could continue to fund the very high expenses needed to provide the sales and operations infrastructure required to build this new on-line business and how soon Synhrgy could generate profits while pursuing such rapid growth. The results during the first three quarters of 2001 indicate that Synhrgy can meet these challenges.

In understanding the Synhrgy business, one must appreciate the nature of any application services provider (ASP) business:

- There are serious up front costs required to develop or acquire the professional software needed to run an industrial strength operation
- There are serious up front costs involved in acquiring and installing the equipment and operating systems needed to provide efficient, reliable, responsive computer and communications systems
- There are serious up front costs involved in recruiting and training implementation personnel, prior to actually having signed contracts and for recruiting and training services and operations personnel before the contracted revenues are received
- The revenues build slowly in an ASP business, just as in any processing services business, but the costs are front-loaded. This requires competent investors to use more sophisticated valuation models, similar to those required for rental companies.

### **SECTION III. Valuation Methodologies**

There are a number of generally accepted methods used to value a consulting and operational services company. The principal techniques used are:

- Market capitalization of comparable public companies and relevant private transactions
- Net present value of projected pretax profits from company operations

Other techniques like reconstruction costs for software and book value of assets are not appropriate for companies like Synhrgy HR Technologies, Inc. (Synhrgy).

To help determine overall market value, market capitalization information can be examined for on-line operational services companies. This market capitalization information can then be used to select price/earnings and price/revenue ratios to be used to value the company as a whole.

The second common method used for valuing an on-line operational services company is through determining the net present value of the projected pretax profit stream by forecasting the future revenues and profits from existing and new customers as of the valuation date over their expected economic life.

BGAI has performed the valuation of Synhrgy as of September 30, 2001 using both market-based calculations and the net present value of the projected profit stream from the customer base and from new customers.

#### **A. Market-Based Company Valuation**

Determining overall company value can be approached on the basis of market assessment for comparable companies. The primary method used is to examine the market assessment of comparable publicly held companies (nature of business, revenues, profit margins, balance sheet, market opportunity).

The public market comparison procedure requires obtaining market capitalization and other relevant data for a number of similar on-line operational services companies and then determining the value pattern related to various business factors. From this, appropriate p/e and p/r ratios are selected (median value for selected comparables) and applied to historic and projected Synhrgy data.

The values are adjusted to reflect the specific business factors at Synhrgy which may be significantly different from the comparable companies in terms of market opportunity, growth expectation, profit margins and balance sheet elements. Finally, there are adjustments made to recognize the substantially lower market value of private companies versus public companies and of new start-up companies versus more experienced companies.

Another approach is to see what kinds of interest and capitalizations are being shown for other companies similar to Synhrgy in various private transactions.

These procedures are carried out in Section IV.

#### **B. Projected Profit-Based Valuation**

The following steps were used to determine the net present value of the projected profit stream from the customer base and from new customers for Synhrgy's on-line employee benefits and human resources operational services projects:

1. Identified the customers who signed up for Synhrgy operational services during 1999, 2000 and 1Q-3Q2001 and determined the expected annual revenue from these customers over the forecast period for operational services.
2. Projected the acquisition and retention of new customers and their associated annual revenues over the forecast period.
3. Estimated corresponding operating costs and calculated pre-tax operating profits, using Synhrgy projected financial accounts and industry experience as the primary information sources.
4. Computed the net present value of the profits from the customer base and new customers, adjusting for tax liability for on-line operational services.

Section V covers the projected profit-based company valuation process.

#### **C. Adjustments and Common Stock Valuation**

These market and profit-based values are then used to determine the overall company valuation. The net company value is used to establish the per share value of the outstanding shares of common stock and convertible preferred shares. Dilution from stock options and warrants is considered in determining a recommended per share value to be used for future stock-related transactions.

These procedures are described and implemented in Section VI.

## SECTION IV. Market-Based Valuation of Synhrgy HR Technologies, Inc.

Following the procedure described in Section III A, BGAI has determined the market-based valuation of Synhrgy.

### A. Market Assessment Based on Publicly Held Comparable Companies

BGAI has used selected public sources for comparable company statistics (see Appendix F-2). In BGAI's opinion, Synhrgy falls most closely into the categories called payroll processing and HR technology solutions. The figures listed below represent the weighted mean and median of the values in those categories (see Appendix F-1). All of the figures shown in the table are based on ratios to trailing 12-month revenues and operating income as of 6/30/0:

	<u>Mean</u>	<u>Median</u>
• TEV/TTMR Ratio (price/revenue) <sup>1</sup>	4.7	3.4
• Median TEV/TTMOI Ratio (price/earnings) <sup>2</sup>	17.1	12.4

Based on our assessment we have chosen to use the median ratios for the public-market based calculations for the 9/30/01 valuation:

- Price/Revenue 3.4
- Price/EBITDA 12.4

Synhrgy's adjusted trailing 12-month figures (10/1/00 - 9/30/01) were (see Appendix D-6):

- Revenues \$28,858,000
- Pre-tax Operating Income/(loss) (\$15,115,000)

Using the selected ratios with Synhrgy's adjusted trailing twelve-month figures, the market value for Synhrgy would be calculated on a p/e basis and on a p/r basis as follows:

- Synhrgy cannot be valued on a price/earnings basis since it lost substantial money during the trailing twelve months. This is a significant negative factor in determining the overall value.
- On a price/revenue basis, if Synhrgy were a public company, it would be valued at \$98,117,000.

Because Synhrgy is a privately-held company, this value should be reduced by 30%. This produces a revenue-based valuation of \$68,682,000. However, because of the ongoing losses we would reduce this figure by an additional 20% to \$54,946,000.

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<sup>1</sup> \* TEV = Total Enterprise Value;  
TTMR = Trailing Twelve-Months Revenue

<sup>2</sup> \*\* TTMOI = Trailing Twelve-Months Operating Income

Since Synhrgy has been achieving substantial growth from its on-line computer-based human resources information-based outsourcing services, we believe that its market value should also consider its projected twelve-month revenue and operating income.

Synhrgy's closed orders, pipeline and contracted ongoing revenue (Appendices C-3A, C-3B and C-4) as of 9/30/01 support a further substantial growth during the projected period of 10/1/01 - 9/30/02 (see Appendix D-7), entirely because of the growth in outsourcing operations services, much of which is recurring revenue for at least 3 years. Moreover, Synhrgy predicts only small operating losses during the twelve month period since its related start-up costs for outsourcing will not continue through most of 2002. Appendix D-7 shows adjusted projected 12 months revenue of \$38.167 million, a further increase from the trailing 12 months figure, but still shows an anticipated loss of \$2.8 million.

In considering projected twelve months (PTM) revenues and operating income, most analysts use substantially lower ratios than for trailing twelve months revenues and operating income. For this situation, we would reduce the ratios of 3.4 and 12.4 by 25% to:

TEV/PTMR Ratio	2.55
TEV/PTMOI Ratio	9.3

Using projected revenues of \$38,167,000, the revenue based value would be \$97,326,000 and after a 30% reduction for a private versus a public company, the value would be \$68,128,000. After a 10% reduction for continued losses, the value would be \$61,315,000.

As expected, this PTM value is somewhat higher than the TTM calculation which yielded \$54,946,000.

4Q00-3Q01 TTM Revenue-Based Value	\$54,946,000
4Q01-3Q02 PTM Revenue-Based Value	<u>61,315,000</u>
	116,261,000
Divided by 2	\$58,131,000

We have also looked at Synhrgy's balance sheet versus its future cash needs. To compete effectively, Synhrgy needs to continue to invest in extending its operational infrastructure, and has to further develop the licensed applications software for the full HR functions.

During 1Q01, Synhrgy was able to obtain substantial additional funding, although with significant dilution to some of its previous stockholders. Even after the repurchase of the IBM shares, Synhrgy should now have the cash needed to see it through 2002 and into a cash flow positive situation without the need to raise more investment capital.

Given these various factors, we will hold with the market-based valuation of \$58,131,000 as of 9/30/01.



## **SECTION V. Projected Profit-Based Valuation of Synhrgy HR Technologies, Inc.**

There are four primary steps in determining the net present value of the projected pretax profit stream from Synhrgy current and projected customers as of September 30, 2001:

1. Identify the customer base as of September 30, 2001. Determine the expected revenue from those customers for 2001 and subsequent years during the expected economic life for the customer base using projected erosion patterns.
2. Forecast the acquisition of new customers and the revenues to be generated from these new customers during their expected economic life for operational, implementation and consulting services.
3. Project corresponding operating costs for each revenue stream and calculate pre-tax losses and profits from the forecast revenues.
4. Compute the net present value of each profit stream after adjusting for expected tax liabilities

### **A. Revenue Forecast - Standalone Consulting Services**

While standalone Consulting Services was a principal revenue producer for Synhrgy in 1999, the change in strategy has left this area as a minor part of Synhrgy's future plans. This is even more so since there is little repeat business from Synhrgy's consulting clients because of the nature of the projects.

Synhrgy's revised financial statements do not separate the standalone consulting services from those involved in preparing customers to use Synhrgy's on-line and support services.

However, it is our belief that with the growth of Synhrgy's online operations services business, some of these new customers will look to Synhrgy to perform various specialized consulting activities even where the customers plan to use their own computer facilities. Therefore, we will show stable revenues during 4Q01 and then a plateau with a limited reduction over the next five years. So, our revenue forecast is:

4Q2001	\$ 500,000
2002	2,000,000
2003	1,800,000
2004	1,600,000
2005	1,400,000
2006	1,200,000

### **B. Operating Costs, Pre-tax Profits and Net Present Value—Consulting**

Synhrgy consulting services margins should fare well compared to the typical professional services company since it principally does selected consulting work and has a specialized niche which justifies high billing rates. While Synhrgy does not effectively analyze operating cost data by type of offering, we believe that based on 1999 and 2000 results and comparisons with other niche

professional services companies, a pre-tax operating profit margin of 12% is appropriate on consulting services.

In calculating the costs and pretax profit margins for consulting services, we deal only with operating costs, omitting any interest payments or taxes.

We compute the following costs and operating income for 4Q01-2006 for Synhrgy's consulting business:

(\$000)	4Q 2001	2002	2003	2004	2005	2006	Total
Revenue	500	2,000	1,800	1,600	1,400	1,200	8,500
Operating Cost Ratio	.88	.88	.88	.88	.88	.88	
Operating Income	60	240	216	192	168	144	1,020

### C. Net Present Value—Consulting

In calculating the net present value of the projected profit stream the following additional factors must be determined:

- Discount Rate
- Federal and State Tax Rate

The discount rate selected by BGAI for the Synhrgy consulting business as of September 30, 2001 was 20%, based on the rate of return on investment expected by Synhrgy, and the risks inherent in the revenue forecast and cost projections.

The tax rate is projected at 36%, given the federal tax rate in 2001 and the average of rates for the states in which Synhrgy does business.

The following table shows the net present value of the projected operating profit stream from the Synhrgy consulting customer base and from new consulting customers. The results from these calculations are summarized below:

(\$000)	4Q 2001	2002	2003	2004	2005	2006	Total
Operating Income	60	240	216	192	168	144	1,020
Income After Tax (36%)	38	154	138	123	108	92	653
NPV Factors (20%) *	.979	.816	.680	.567	.472	.394	
NPV	37	126	94	70	51	36	414

\*Adjusted for 4Q01

The net present value of Synhrgy's consulting services as of September 30, 2001 based on this five-year plus projection is \$414,000.

#### **D. Customer Base and New Customers for Employee Benefits Outsourcing**

While initially aimed at just the Health and Welfare Benefits administration activities, Synhrgy has been expanding its operational outsourcing services to cover the whole range of Human Resources functions (employee development, employee records, et al). We will deal separately with Employee Benefits services outsourcing and Human Resources services outsourcing.

1Q01 showed very weak sales in new implementation and ongoing operations service contracts. The win/loss report (Appendix C-4 page 4) showed Synhrgy winning only one out of 20 bids during 1Q01. 2Q01 was much stronger as shown in page 3 of Appendix C-4. Eight projects were won while 16 were lost and 3Q01 was even better, with 22 wins and 45 losses. Moreover, the pipeline (Appendix C-3A) at the end of 3Q01 was still healthy even though many proposals were resolved. This position was achieved in spite of the economic downturn, but may be partly a result of the cyclical nature of the Employee Benefits Outsourcing business.

The total ongoing revenue backlog of contracted services for the remainder of 2001 and for 2002-2005 is shown in Appendix C-3B. As can be seen, most contracts are for 3 years with a few for only 1 or 2 years and one for 5 years. These totals do not include any implementation or consulting revenue. This report shows a solid base for 2002-2003 with the likelihood that new contracts will substantially increase the ongoing revenue, particularly in the 2003-2005 period.

We expect continued growth in Synhrgy's customer base for H&W Benefits, with substantially stronger future growth in the full HR services.

#### **E. Revenue Forecast-Employee Benefits Outsourcing**

With its infrastructure established and marketing alliances with Uniprise, T. Rowe Price and SEI Investments, the Health and Welfare outsourcing business should continue to grow in 2002 and in the following years, with many new customers. Note, however, that the revenue cycle on this new business is such that implementation may require three to six months for typical implementation and consulting fees of \$200,000 to \$600,000 which is then followed by annual operating income of typically \$200,000 to \$900,000. These operations contracts are usually written for a three year commitment before they are up for renewal (see Appendix E-3).

Synhrgy's customer analysis for 1Q01, 2Q01 and 3Q01 shows that they received Benefits Outsourcing implementation/consulting revenues from 21 customers and operations revenues from 42 customers (see Appendix E-1). However, a number of these customers only used Synhrgy for Defined Benefits functions. Others used Synhrgy only for the Hi-Tech functions (computer operations only), while the remainder used the Hi-Touch functions which includes Synhrgy personnel performing employee service/response activities. During 2001, approximately 1/3 of all total Benefits customers fell into each of the three categories.

For computational convenience, we will postulate a typical Synhrgy Benefits account based on the following projection model (see Appendix E-3):

- Implementation period                      6 months
- Implementation revenue                      \$400,000
- Annual operations revenue                      \$500,000

We will use the following assumptions to project the revenues for the new H&W employee benefits outsourcing line of business:

- Forty customers will remain from 2001, each of which will generate a full year of operational revenue in 2002.
- We will use a six-year projection starting in 2002.
- Synhrgy will add twenty-five more new customers in 2002, all of whom will provide six months of operating revenue during 2002. This is equivalent to adding 50% of the new accounts to the old account base. All will provide implementation/consulting revenue during 2002.
- Synhrgy will add 30-40 more new customers each succeeding year, with a similar revenue pattern in that these customers will contribute six months of operating revenue and all new customers will provide implementation revenue in that year.
- Erosion at the rate of 10% will begin in 2004, affecting only the operating revenue account base.

These assumptions produce the following revenue projections:

(\$000)	2002	2003	2004	2005	2006	2007	Total
Number of Accounts at Beginning of Year	40	65	95	121	149	174	
Erosion of Starting Accounts (10%/year)	--	--	9	12	15	17	
New Accounts	25	30	35	40	40	40	
Implementation Revenue (\$400k/new account)	10,000	12,000	14,000	16,000	16,000	16,000	84,000
Effective Total Number of Accounts (for Operations)	52	80	103	129	154	194	
Operations Revenue (\$500,000/year per Effective Account)	26,000	40,000	51,500	64,500	77,000	97,000	356,000
Projected Revenue	36,000	52,000	65,500	80,500	93,00	113,000	440,000

## **F. Revenue Forecast: Total HR Outsourcing**

There were only a few HR outsourcing customers as of 9/30/01. The 9/30/01 pipeline (Appendix C-3A) shows just seven active prospects, a sharp drop since the last report. Synhrgy expects to sell partial HR implementations as a way of attracting customers, rather than depending entirely on blockbuster full HR sales. Since there are 9 principal HR applications and Synhrgy expects that 90% of the sales each year will be for the single applications (either new accounts or additional applications from previous accounts), we will treat nine partial HR sales in total as equivalent to one full HR sale. We will therefore use the full HR values as the model (see Appendix E-3):

- Each project will be spread over two years with six months of implementation/consulting each year. This will yield \$1M in implementation/consulting fees for the first and second years.
- The operating revenue per account will be \$3.5M which will kick in equally over two years starting in the year after the contract is signed.

We will use the following assumptions to project the revenues from the total HR outsourcing line of business:

- The first customer was activated in 2000 and the next two in 2001
- We will use a six-year projection starting 2002
- Synhrgy will add the equivalent of three new HR outsourcing customers in 2002, five in 2003, seven in 2004 and eight in each year from 2005-2007
- Each new customer will generate \$1,000,000 of implementation/consulting revenue during its first year, and \$1,000,000 of implementation/consulting revenue during its second year
- Each new customer will generate \$1,750,000 of operating revenue during its second year and \$3,500,000 during each subsequent year
- Erosion will begin in 2006 at the rate of 10% per year, affecting only the operating revenue.

These assumptions produce the following revenue projections:

(S000)	2002	2003	2004	2005	2006	2007	Total
Number of Accounts at Beginning of Year (1 from 2000)	2	6	11	18	26	31	
Erosion (10%/year starting 2005)	--	--	--	--	3	3	
Number of New Accounts	3	5	7	8	8	8	
Implementation Revenue (\$1M/account in year 1)	3,000	5,000	7,000	8,000	8,000	8,000	39,000
(\$1M/account in year 2)	2,000	3,000	5,000	7,000	8,000	8,000	33,000
Effective # Operating Accounts Year 2	2	3	5	7	8	8	
Following Years	1	3	6	11	15	20	
Operating Revenue (\$1.75M/account in year 2)	3,500	5,250	8,750	12,250	14,000	14,000	57,750
(\$3.5M/account in following years)	1,750	10,500	21,000	38,500	52,500	70,000	194,250
Projected Revenue	10,250	23,750	41,750	65,750	82,500	100,000	324,000

#### **G. Operating Costs, Pre-tax Profits and Net Present Value—Total Operational Services Outsourcing**

There is no significant track record on profits for either of the employee services outsourcing businesses, but the costs have continued to be relatively high in 2001. We can expect costs to drop over time as Synhrgy is able to improve its processes and retain a trained, productive staff. Moreover, it is Synhrgy's current strategy to grow the employee services outsourcing operations in a controlled fashion, which should lead to better operating income margins.

On this basis, we expect the operational services customer business to break even in 4Q01 and then to generate profits of 5%, 8%, 12%, 15%, 15% and 15% over the next 6 years.

In calculating the net present value, we will combine the employee benefits and total HR outsourcing revenues, assume a tax rate of 36%, and use a discount rate of 20% to reflect the level of risk for the revenue forecasts and cost projections of these new businesses. While the revenue calculations were made for calendar years 2002-2007, we will adjust the cost, profit and NPV forecasts to cover 4Q2001-3Q2007.

(S000)	4Q2001	2002	2003	2004	2005	2006	1-3Q2007	Total
Revenue: Ben.Svcs.	8,000	36,000	52,000	65,500	80,500	93,000	84,750	419,750
Revenue: HR	<u>1,475</u>	<u>10,250</u>	<u>23,750</u>	<u>41,750</u>	<u>65,750</u>	<u>82,500</u>	<u>75,000</u>	<u>300,475</u>
Services Rev. Total	9,475	46,250	75,750	107,250	146,260	175,500	159,750	720,225
Op. Cost Ratio	1.00	.95	.92	.88	.85	.85	.85	
Operating Income	0	2,312	6,060	12,870	21,937	26,325	23,963	93,467
Inc. After 36% Tax	0	1,480	3,878	8,237	14,040	16,848	15,336	59,819
NPV Factors (20%)	.979	.816	.680	.567	.472	.394	.328	
NPV	0	1,207	2,637	4,670	6,627	6,638	5,030	26,809

The net present value of Synhrgy's operational services outsourcing business, as of September 30, 2001, is \$26,809,000 based on this six-year projection.

#### **H. Total Net Present Value**

Adding the consulting value of \$414,000 to the employee services outsourcing value of \$26,809,000 yields an operations-based value of \$27,223,000. Note that this figure does not reflect the residual value at the end of the sixth year from the contracted operating revenue from both the employee benefits services and the full HR services accounts.

## SECTION VI. Valuation Summary and Recommendations

From Section IV we determined that a reasonable private company market-based value was \$58,131,000 for Synhrgy. From Section V, we determined that a profit projection based valuation for Synhrgy's consulting and employee services outsourcing business would be \$27,223,000. These values are substantially different.

Based on BGAI's analysis and assessment we believe that the value of Synhrgy is best represented by using a 50% weight for the market-based value and a 50% weight for the projected profit-based value:

Market-Based Value	\$58,131,000	x .50	=	\$29,065,000
Operations-Based Value	\$27,223,000	x .50	=	\$13,612,000
Computed Value of Company				\$42,677,000

Therefore, BGAI has computed the company value as of September 30, 2001 at \$40,256,000 without any adjustments for balance sheet related items.

As of 9/30/01, the total securities summary is shown in Appendix D-5 and all previous stock transactions are described briefly in Appendix D-4.

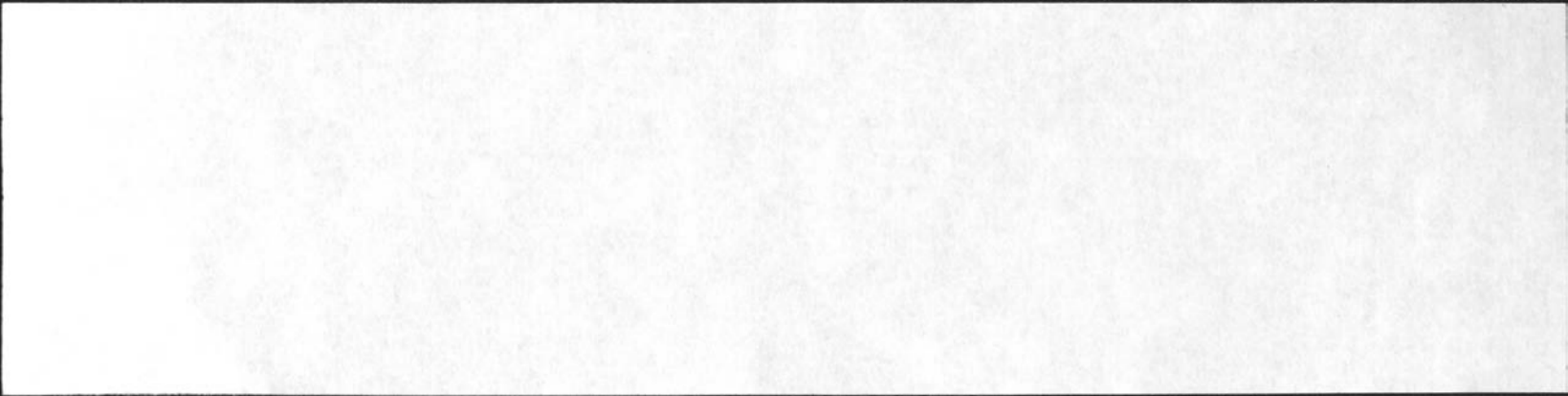
As of 9/30/01, there were 7,951,024 common shares and equivalent outstanding, including the convertible preferred shares held by Richland, Validus, Clarite (Uniprise) and T. Rowe Price. Based on the company value of \$42,677,000 as of 9/30/01, the value would be \$5.37 share as of that date.

Given the September 30, 2001 value per share of \$5.37 the outstanding 1,161,540 employee stock options (at \$6.00 per share) would not be dilutive as of that date. The 150,700 warrants held by Richland, Validus and Clarite at \$8.00 per share would also not be dilutive.

However, the SBC options for 109,240 shares at \$2.746 per share would be in the money and could be exercised, so the value per share needs to be adjusted. Since SBC would pay \$300,000 for their shares, this amount needs to be added to the company value of \$42,677,000 yielding \$42,977,000. Dividing this value by 8,060,264, the increased number of common shares, yields \$5.33 per share as the adjusted value.

Therefore, the per share value of each common share should be \$5.33 as of September 30, 2001. BGAI recommends using this or a higher value for any stock transactions (sales, grants or options) which take place during 4Q01 unless there are special circumstances which would affect the transaction value.





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## Professional Summary

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Burton Grad, President of Burton Grad Associates, Inc. (BGAI), has a long record of significant contributions to the computer software and services industry. He has experience both as a user and developer of application and systems products and as consultant, innovator, businessman and leader in the computer software and services industry.

Since 1978 he has been a consultant to companies providing software products, software professional services, processing services and other computer software and services offerings:

- ❖ Strategic planning, management and organizational consulting, and product analysis, evaluation and review
- ❖ Company and product acquisition studies including due diligence and business valuations
- ❖ Planning, assessment and analysis of business operations including quality and productivity measurements

Work is performed personally or with the assistance of experienced specialists in market analysis, customer services, systems programs and industry applications on mainframe and departmental computers as well as on client/server and Internet/based systems.

This is a partial list from the more than 200 BGAI clients:

Artesyn Technologies	Grace Consulting and Technologies
Broadview Associates	i2 Technologies, Inc
CIBER, Inc.	Keane, Inc.
DA Consulting Group	Mediware, Inc.
Decision Consultants, Inc.	Sterling Commerce, Inc.
Elron Software, Inc.	Sterling Software, Inc.
Discount Investment Corporation	Summit Partners
First Dallas, Ltd.	Synhrgy HR Technologies
Geocapital Partners	TSI International

**Burton Grad**

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**Work Achievements****Burton Grad Associates, Inc. (1978 - Present)**

- \* Strategic planning, management and organizational consulting, and product analysis, assessment and review
- \* Company, product and technology valuation studies for financial, tax, capitalization and acquisition purposes
- \* Due diligence studies on acquisitions of computer software/services companies
- \* Business assessment studies and implementation projects for product strategy, development, quality management and customer service

**Customer Care, Inc. (1992 - 1996)**

- \* Published *CustomerCare Newsletter* and *CustomerCare Survey* directed at software companies' customer services activities: support, documentation, training and product-related consulting
- \* Provided consulting on customer service processes and training for customer service personnel

**Heights Information Technology Service (1979 - 1983)**

- \* Performed professional services for applications and systems development
- \* Used professionals on a remote, work at home basis with effective project management

**International Business Machines Corporation (1960 - 1978)**

- \* Definition, design and implementation of application development systems strategy resulting in release of IBM's development management systems
- \* Development of application programs for every major industry
- \* Establishment of joint planning and programming development with European operations
- \* Announcement, development and initial support of CICS
- \* Management of application development for small business and process control systems
- \* Responsibility for the production, release and maintenance of almost 200 programs
- \* Conception of approach to and programs for text processing and office automation systems
- \* Development and expansion of computer based training systems
- \* Development of management science and scientific programs
- \* Participation in the structuring and unbundling of IBM program products
- \* Creation of the Study Organization Plan for specifying and designing application systems

**General Electric Company (1949 - 1960)**

- \* Programming of the first commercial computer (Univac I in Louisville)
- \* Development of discrete simulation techniques for manufacturing planning and control
- \* Invention of decision tables
  
- \* Study of automated factory design and implementation
- \* Initiation and use of advanced techniques for production, inventory and quality control

**Other Professional Activities**

**1972-1996**

**ITAA**

- \* Computer Software and Services Trade Association
- \* President, Treasurer and Board member of American Software Association Division of ITAA
- \* Member of ITAA Board
- \* Chair and member of various committees (Industry Relations, Software Capitalization, Software Openness, Technology Information Services, Quality Management)
- \* Executive Committee of Information Technology Foundation (Project Office)

**1968 and 1979**

Principal author of *Management Systems*, published by Holt, Rinehart and Winston. Used for colleges and businesses for computer application system methodology and design.

**1950-Present**

Speaker and chair at conferences and workshops and contributor to professional journals on various information technology subjects including decision tables, quality control, systems engineering and software capitalization

**1997-Present**

Founder and Treasurer of the Software History Center, a non-profit organization aimed at preserving and communicating the legacy of the software industry

## List of Materials Received

- A. Company Information
  - 1. Employee Summary-Location and Major Department
  - 2. Organization Chart
  - 3. Most recent business plan
  - 4. Most recent president's report to the Board
  
- B. Financial Information
  - 1. Quarterly and YTD financial statements
  - 2. Quarterly financial statement forecasts for current and future years
  - 3. Revenue by customer by LOB for quarter and YTD
  - 4. Forecasted revenue by type and by LOB for current and future years
  - 5. Revenue model
  - 6. Depreciation and Amortization internal allocation by department
  
- C. Sales Information
  - 1. Sales pipeline
  - 2. Backlog report for signed contracts
  - 3. Win report
  - 4. Loss report
  
- D. Equity Information
  - 1. Capitalization table at end of quarter
  - 2. Summary of stock related transactions during quarter
  - 3. List of stockholders and holdings at end of quarter
  
- E. Market Information
  - 1. Market valuations for comparable companies

**People Contacted**

Keith Anderson

Elvis Foster

Michael Mackey

## EXECUTIVE SUMMARY

Synhrgy HR Technologies, Inc. (Synhrgy) is a leading provider of comprehensive human resources (HR) technology and outsourcing solutions for Fortune 1000 and Global 500 corporations. Synhrgy provides technology and services that enable employers to streamline traditional HR delivery processes, achieve substantial cost reductions in HR functions and access integrated HR data for strategic value, thereby improving the level of HR services provided to employees, retirees, managers and other constituents of the particular corporation.

**Market Overview** – The market for providing integrated HR solutions is characterized by extremely rapid growth and a lack of established service firms capable of providing comprehensive, integrated HR solutions. According to Dataquest, a division of the Gartner Group, the worldwide HR outsourcing market is projected to grow from approximately \$26.2 billion in 1999 to approximately \$76.4 billion in 2004. The rapid growth in HR outsourcing services among large employers is due to a number of factors, including:

- Recognition that the internal systems or non-integrated multi-vendor systems traditionally used to support the HR staff are inadequate to deal with the complexity and critical nature of today's HR functions
- Need to reduce total administrative costs of delivering HR services
- Recognition of the strategic value of developing the corporation's human capital

These drivers, coupled with the increasing desire of organizations to outsource non-core business functions, are expected to create strong demand for integrated HR solutions over the next decade.

**Business Overview** – Synhrgy has a systematic approach to implementing our technology and service solutions that has been proven to deliver significant value to our clients. Our ability to successfully compete in the market for delivering total HR services requires that we continue to demonstrate market leadership in each of the following areas:

- **Technology Leadership** - Through our internally developed technology, Synhrgy currently has the ability to provide comprehensive technology applications that support the entire range of HR functions. A key component of our strategy is our web portals and service centers, which were developed to provide self-service delivery of information to business managers, HR managers, employees, retirees, and third party service providers. These portals constitute a critical element of a corporation's global HR information systems and allow users to access information and process transactions. Our portals operate on a 24/7 basis, and eliminate the numerous organizational, transactional and communication barriers that exist within large corporations. Our services allow clients to achieve substantial reductions in the cost of administering HR programs.
- **Human Resource Expertise** - HR domain expertise is a requirement for organizations seeking to provide outsourced services to large corporations. Synhrgy's senior management team and staff have extensive expertise across all areas of HR functions and includes several individuals recognized nationally as leaders in the HR services field. In addition, our vendor integrator approach to outsourcing allows us to integrate providers of niche HR services, thus allowing us to deliver "best in class" expertise to our clients across the full range of HR functions.
- **Business Process Outsourcing (BPO) Expertise** - We collaborate with our clients to design and reengineer HR processes to increase productivity, service and quality while significantly reducing overall HR costs. Our transition and change management specialists manage the transformation and/or integration of our clients' existing systems to our operational infrastructure. Our extensive implementation experience includes the installation of our self-service web-based applications at the client site.

**Strategic Partnerships** – To provide the comprehensive range of HR solutions required by large organizations and meet the strong demand for these services and technologies, Synhrgy has completed several strategic alliances with leading firms, including:

- UnitedHealth Group (UHG – December 1999) – Synhrgy became the exclusive provider of HR technology and services to clients of Uniprise, the subsidiary of UHG that provides services to Fortune 1000 companies. Under the agreement, Uniprise will distribute Synhrgy's services and technology to its clients' 250+ organizations averaging 14,300 lives each.
- T. Rowe Price (TRP – June 1999) - Synhrgy became the exclusive provider of pension administration technology and services for clients of TRP. We are currently in discussion to expand the scope of the alliance to encompass all health and welfare plan administration services to TRP clients.
- SEI Investments (SEI – September 2000) – Synhrgy manages the administration of defined benefit retirement plans and health and welfare plans for clients served by SEI.
- Hackett Benchmarking & Research (Answerthink-April 2001) – Synhrgy has an exclusive arrangement with Hackett, the leading firm in HR benchmarking, which arrangement allows us to share best practices across all HR functions and to cross-sell each other's services.

**Growth Strategy** – With an existing client base of over 50 firms, Synhrgy has an established business and is well positioned for rapid growth. Our future growth will be based on the following strategies:

- Expanding our relationships with existing clients. From our current ongoing client base, we provide HR services for over 735,000 employees both active and retirees. These existing clients have a total employee population in excess of 1.5 million (including retired employees) and in most cases; we are not yet providing the complete range of HR services possible. We therefore have significant opportunities to expand the range of services provided to our clients and we expect to gain additional revenue from existing clients in the near term.
- Leverage our strategic relationships. Our strategic partners represent an important distribution channel for reaching the large (over 5,000 employees) employer market. We have demonstrated the value of these strategic alliances through the acquisition of new clients such as Sabre, US Airways, Clorox, Bcom3 (Leo Burnett) and Enron.
- Continue our leadership position in the application of technology to support HR functions. Our technology architecture is based on an open design that allows us to integrate pre-built technologies with proprietary software components that together support a patent-pending process for delivering highly scalable human resource self-service solutions. We currently have proprietary technology for benefit administration, comp administration, performance management and e-learning, workforce administration and special event services. This technology includes web and IVR solutions plus the business function software. In addition, we have a full suite of call center technology to support our service centers.
- Extend our services to target Global 500 companies. We currently provide services to the US operations of global corporations such as BAE Systems, Fujitsu, Textron and others. We are in discussions with global HR consulting firms to secure alliances that would allow us to work jointly on global opportunities for these clients and others with Synhrgy providing the technology and outsourcing services as well as certain consulting services.
- Extend our services to middle market employers. We are currently developing simplified and standardized versions of our services for application to middle market employers with 1,000 to 5,000 employees. We believe there are major opportunities to provide standardized services in this market segment, which has been underserved by the traditional providers of HR service.

Our objective is to become the leading provider of comprehensive, integrated HR solutions on a BPO basis that enable large, multinational corporations to reduce their HR costs and increase the productivity of their human capital while also addressing the needs of middle market employers. We believe that our



existing client base, technology capabilities, and strong partnerships with leading firms give us the basis for meeting our objective over the next three to five years.

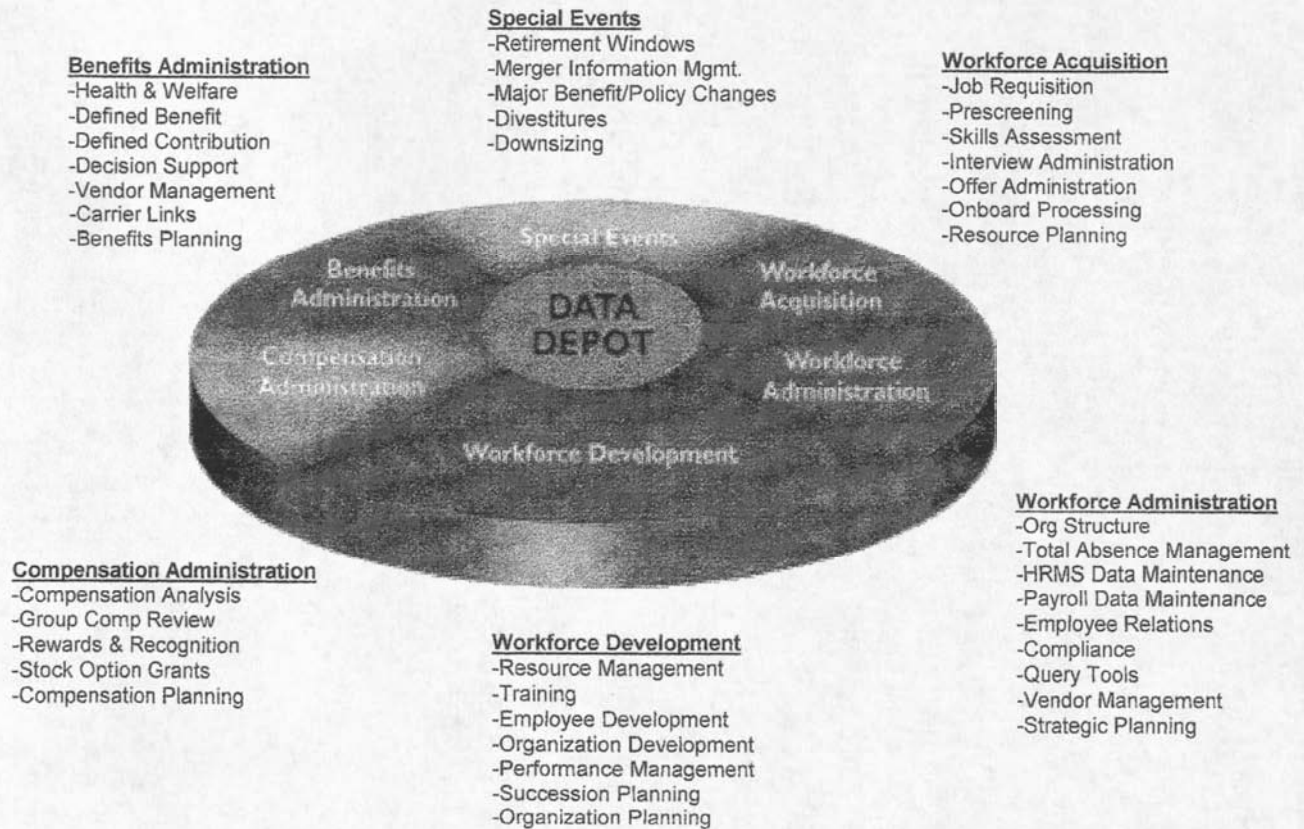
## Value Proposition to our Clients

### The Synhrgy Vision

Our vision identifies three value propositions for our clients. The three value propositions are:

- Reduced costs as evidenced by a strong ROI (a case study can be found in the appendix)
- Better service to HR constituents (employee and retirees groups along with business managers)
- Improved management of human capital through integrated, accessible information

Most organizations are just beginning to focus on all three propositions with the first two being the primary focus today. As companies move from the first value to the third value, centralized data and web-enabled access across HR functions becomes more critical to gain value. That is why Synhrgy's vision is to provide a single point of access that integrates data across HR functions, thereby maximizing value to the organization, by offering the following:



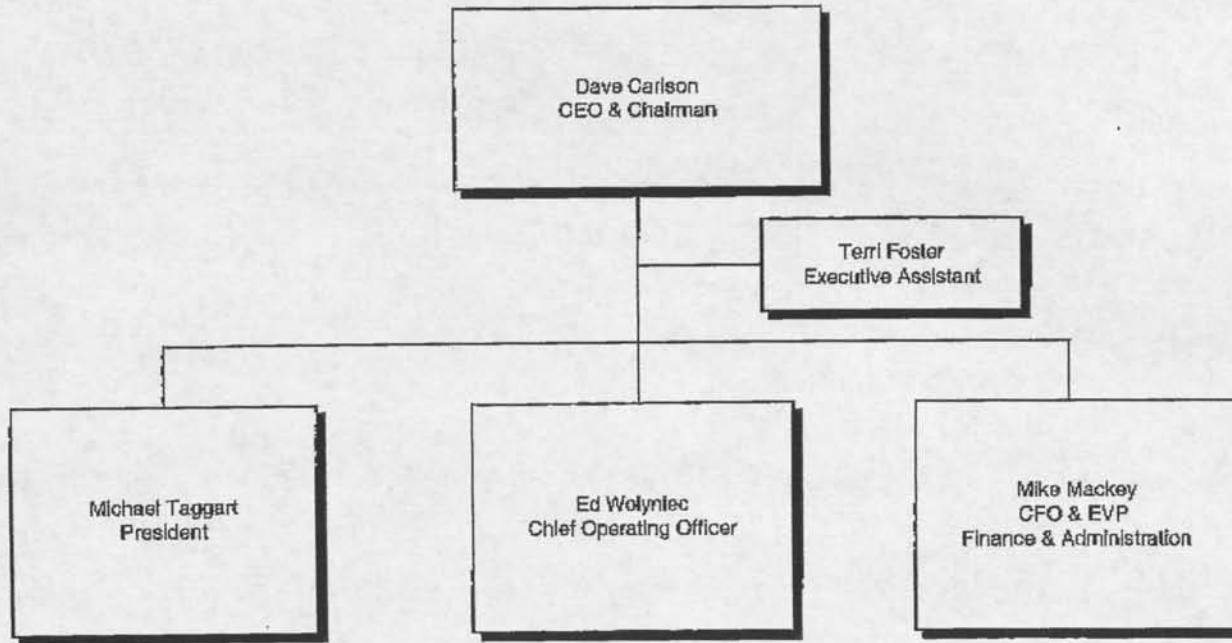
Synhrgy HR Technology  
Personnel Detail - September 01

Department	Total
Client Delivery - Benefits	180
Client Delivery - HR	46
Client Technology - Benefits	13
I-HR Professional Services	10
Client Consulting	6
Client Services Special Procects	0
<b>Client Services Total</b>	<b>255</b>
Account Management	8
Marketing	3
Sales	11
Sales & Marketing Special Procects	0
<b>Sales &amp; Marketing Total</b>	<b>22</b>
Product Managers	0
Development	16
IT Operations	12
Technology Management	0
Technology Special Procects	0
<b>Technology Total</b>	<b>28</b>
Accounting	9
Administration	4
Corporate	3
Human Resources	8
Administration Special Procects	0
<b>General Administration Total</b>	<b>24</b>
<b>Total</b>	<b>329</b>

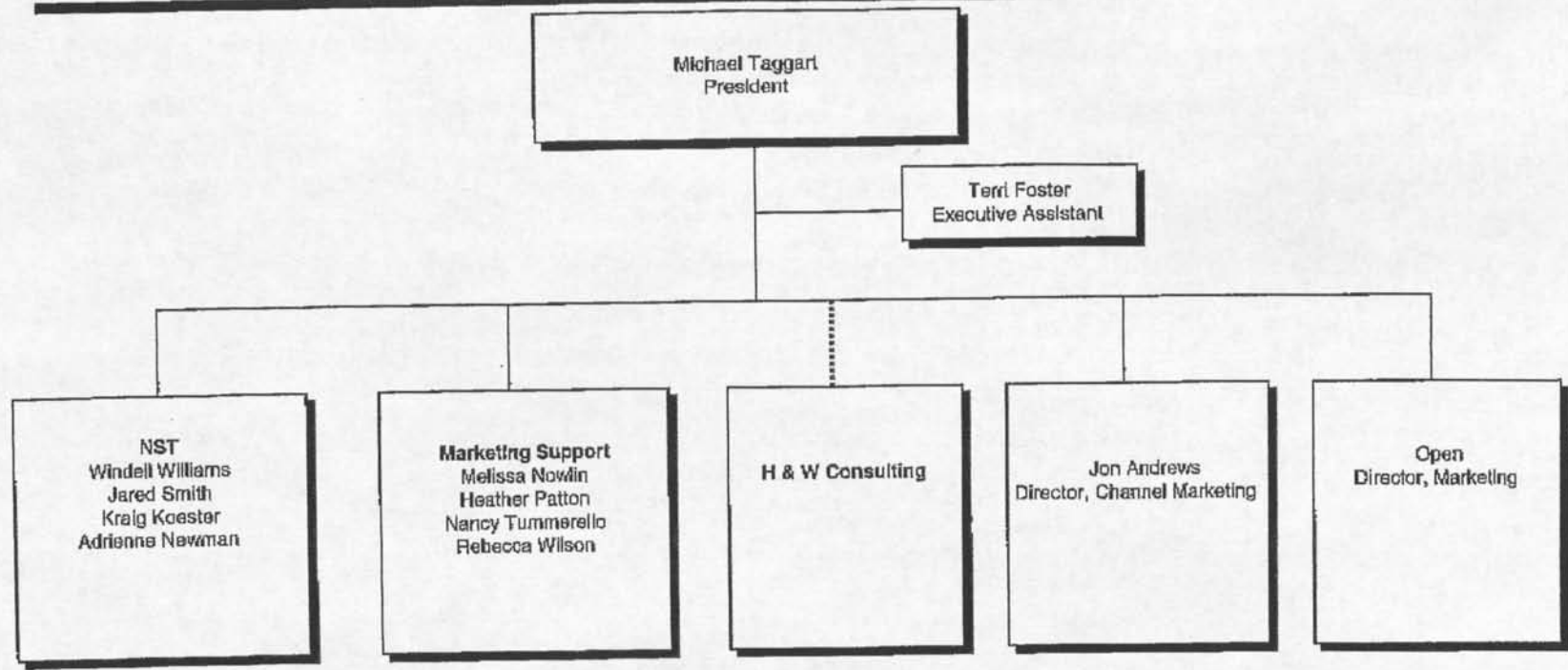
**Synhrgy HR Technology  
Personnel Detail - October 2001**

<b>Department</b>	Atlanta	Boston	Chicago	Columbus	Houston	Dallas	Minn	San Fran	Corporate	Total
Client Services	0	0	1	0	197	55	14	0	8	<b>275</b>
Sales & Marketing	1	2	1	4	1	3	0	2	8	<b>22</b>
Technology	0	0	0	0	0	0	0	0	28	<b>28</b>
General Administration	0	0	0	0	0	0	0	0	24	<b>24</b>
<b>Total</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>198</b>	<b>58</b>	<b>14</b>	<b>2</b>	<b>68</b>	<b>349</b>

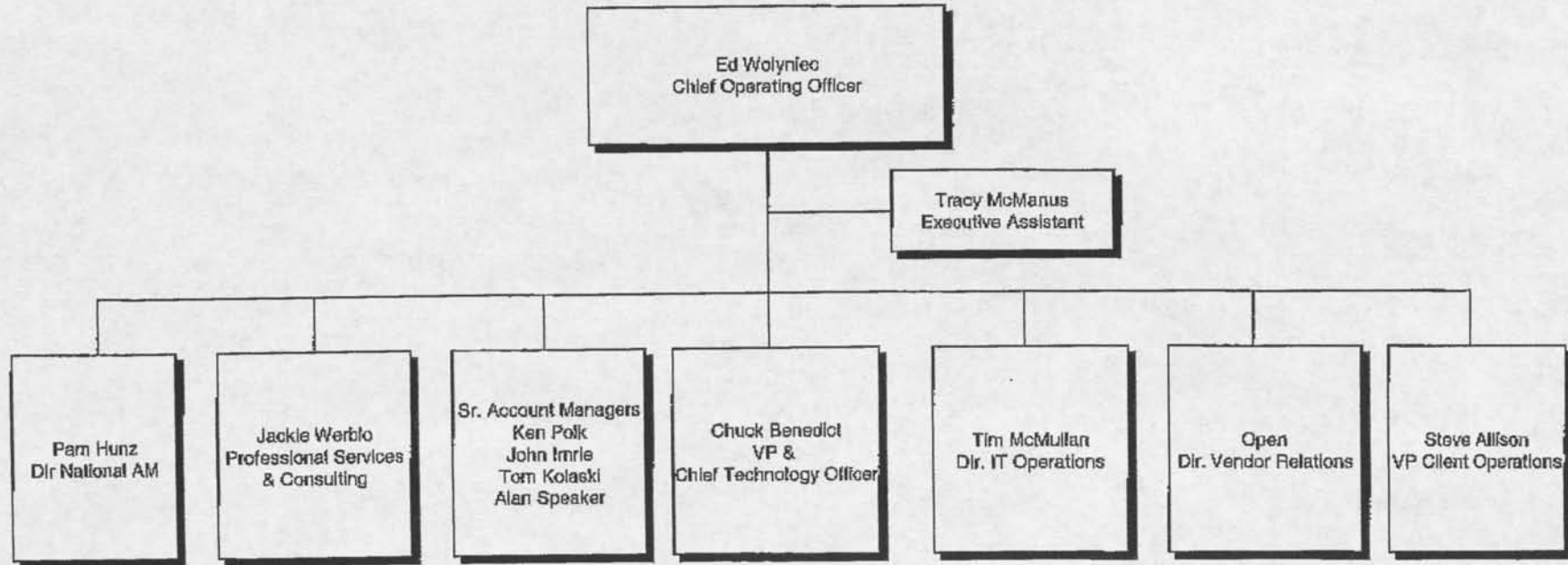
# Synhrqy Organization Chart



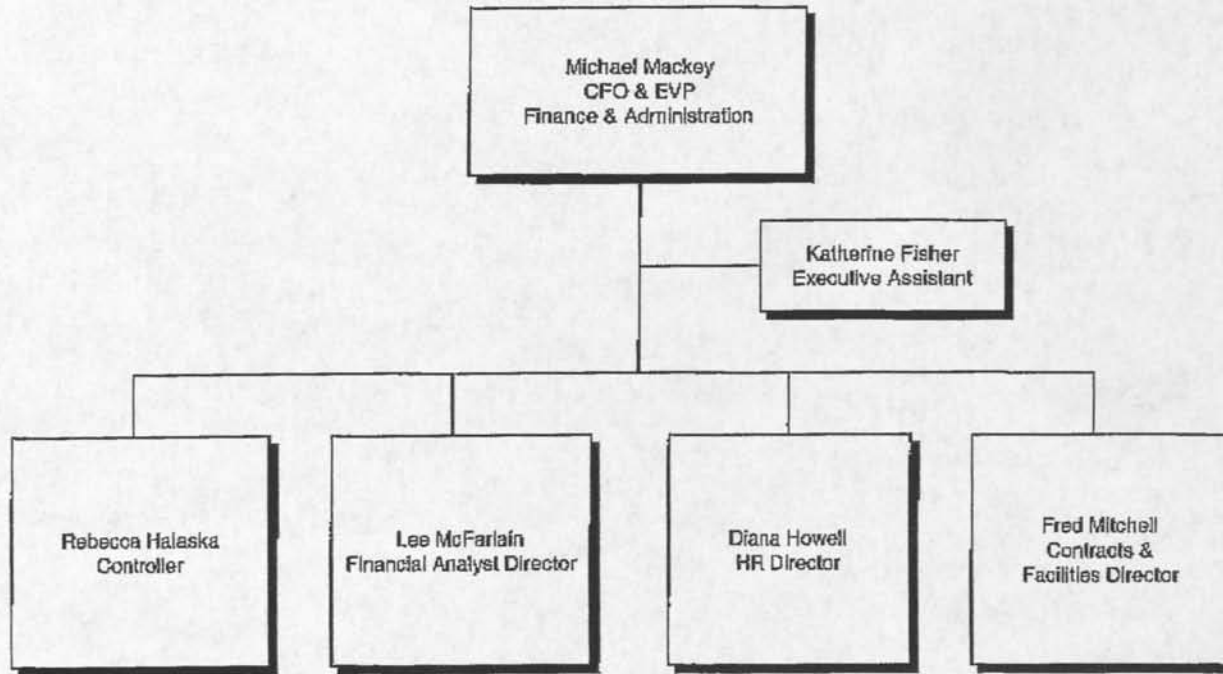
# Sales & Marketing



# Service and Technology



# Finance & Administration



## FACILITIES

Our corporate headquarters are located in Houston, Texas and we will have leased an aggregate of over 88,488 sq. ft. in Houston, Dallas, Boston, Columbus and Chicago.

The Houston and Dallas service centers are designed to house our personnel engaged principally in call center and other support activities necessary to meet our service commitments to our current clients.

## MANAGEMENT

### Executive Officers, Selected Employees and Directors

The following table provides information with respect to our executive officers and key employees as of September 2000:

Name	Age	Position(s)
Dave Carlson	44	Chairman, CEO, Co-Founder, and Board Member of Synhrgy HR Technologies, Inc.
Michael Taggart	48	President, Co-Founder and Board Member of Synhrgy HR Technologies, Inc.
Edward S. Wolyniec	43	CFO & EVP, Finance and Administration
Michael Mackey	43	Chief Operating Officer
John Imrie	44	Executive Vice President and Co-Founder of Synhrgy HR Technologies, Inc.
Ken Polk	54	Executive Vice President and Co-Founder of Synhrgy HR Technologies, Inc.
Steve Allison	31	VP Client Operations
Chuck Benedict	33	Chief Technology Officer
Tim McMullan	54	Director IT Operations

### Selected Management Biographies

**Dave Carlson, Chairman, CEO and Co-Founder of Synhrgy HR Technologies, Inc.**, drives the vision, thought leadership and strategic initiatives behind the company's innovative HR solutions. With 20 years of experience in the human resources industry, Carlson has acquired a broad and in-depth knowledge of the HR industry with expertise in business process outsourcing for benefit programs, human resource programs and information systems implementation. Prior to co-founding Synhrgy, Carlson served as Principal and Director of outsourcing at Hewitt Associates, where he led the development and operation of a national service center in Houston. He received his Bachelor's of Science degree in Business from Taylor University, and a Master's degree in Management, and Management Information Systems from Northwestern University.

**Michael Taggart, President and Co-Founder**, leads the company's strategic business development unit, bringing extensive expertise in both the healthcare and HR industries to Synhrgy. Previously, Taggart served as the Executive Director for MethodistCare, the HMO and managed care subsidiary of the Methodist Health Care System. Prior to that, he was the Principal and regional healthcare practice leader for the Southwest region of William M. Mercer, an international benefits and healthcare consulting firm. Taggart received his Bachelor's of Business Administration from the University of Texas at Austin, and is a Fellow of the Society of Actuaries and Member of the American Academy of Actuaries.



**Edward S. Wolyniec, Chief Operating Officer**, brings more than 20 years of technology experience to his role at Synhrgy HR Technologies, Inc. Wolyniec (pronounced Vo-win-yetz) is responsible for managing all aspects of operations as they relate to Synhrgy's core business and financial objectives, including service delivery, information technology and product development. Wolyniec is currently focused on refining the company's technology and service delivery infrastructure to achieve greater efficiencies and to ensure client satisfaction across all functions. Prior to joining Synhrgy, Wolyniec leveraged his business and technology expertise as president and chief operating officer of MyWay.com, a provider of customizable portal solutions for online businesses. He also spent 10 years with Compaq Computer Corporation, most recently as vice president of the Worldwide Business Application unit. Wolyniec was the driving force behind Compaq's strategic partnerships with major ERP, CRM and supply chain partners, developing bundled product solutions to reduce delivery and support costs. He received a bachelor's degree in electrical engineering from the Lawrence Institute of Technology in Southfield, Michigan.

**Michael Mackey, Chief Financial Officer and Executive Vice President of Finance and Administration**, brings extensive experience to Synhrgy in accounting, finance, mergers and acquisitions, and oversees the financial, human resources and administrative organization of the company. Mackey joined Synhrgy from FastWeb.com, a leading online provider of direct marketing services targeting college or college bound students with over 5 million registered users. Previously he was CFO of DA Consulting Group, a leading end user education services firm, and was instrumental in the company's IPO. His experience is further enhanced by his role as CFO at Global Software in Raleigh, NC and financial roles at other companies and was with the auditing practice of PricewaterhouseCoopers. Mackey holds a Masters of Business Administration and a Masters in Accounting from the University of Central Florida and has a Bachelor's degree in Accounting from the University of Florida. He is also a Certified Public Accountant.

**John Imrie, Executive Vice President and Co-Founder**, provides leadership to project teams in the areas of marketing, consulting, design, development and implementation of tailored HR business process outsourcing solutions. Imrie served as National Marketing Director of benefit outsourcing services for Buck Consultants, an international human resources consulting firm. Prior to that, he was the Southwest Region Manager for defined benefit administration services at Hewitt Associates, where he was responsible for marketing and managing all client activity for defined benefit administration and outsourcing services. He received his Bachelor's of Science degree in Business and Management Information Systems from Taylor University.

**Ken Polk, Executive Vice President and Co-Founder**, provides expertise in the design and implementation of HR and benefits programs, particularly in the areas of funding and financial reporting for pension plans. He is also an author and frequent speaker on various employee benefits issues. Polk served as Southwest Region Manager at Buck Consultants before joining Synhrgy. He is an enrolled actuary with memberships with the Fellow of the Society of Actuaries, the Conference of Consulting Actuaries and the American Academy of Actuaries. He received his Bachelor's of Business Administration in Actuarial Science from the University of Texas at Austin.

**Steve Allison, Vice President – Client Operations**, specializes in the implementation and management of business process outsourcing. Allison's responsibilities include client delivery management - focused on delivering technology, quality assurance, system analysis and design, and integrating voice response and web technologies. Prior to joining Synhrgy, Allison worked for Hewitt Associates implementing outsourcing solutions for large clients. Allison received his Bachelor's of Science in Management from Purdue University.

**Chuck Benedict, Chief Technology Officer**, leads Synhrgy's technology team. Benedict is a recognized IT strategist who is pioneering the company's HR technology vision through his expertise in system design, development, and integration relating to software and hardware solutions for service centers – specifically in the areas of data warehousing, middleware, interactive voice response (IVR), advanced web solutions, telephony, case management and workflow applications. Prior to joining Synhrgy,

Benedict owned a software development firm. He received his Bachelor's of Business Administration in Business Analysis and Management Information Systems from Texas A&M University.

**Tim McMullan, Director of Information Technology Operations**, brings 31 years' experience to his position at Synhrgy HR Technologies, Inc. McMullan oversees Synhrgy's IT infrastructure, including the management of multiple data centers and the servers within these centers, the wide area network, the local area network and telephony services. Prior to joining Synhrgy, McMullan worked for a non-profit organization where he managed a Houston data center that supported IT services for 32 hospitals. McMullan received his Bachelor of Arts degree in public relations from California State – Fullerton.

## **Board Members**

Mr. David A. Carlson, CEO  
Mr. Kelly DeKeyser, Uniprise  
Mr. Robert Newkirk, Validus Partners  
Mr. W. Partick Ortale III, Richland Ventures  
Mr. Michael Taggart, President

## **Board Member Biographies**

### **Kelly DeKeyser, Senior Vice President Business Process Outsourcing, Uniprise**

Mr. DeKeyser is Senior Vice President of business process outsourcing for Uniprise, a United Health Group (UNH) company, which specializes in large account relationships, high volume transaction processing, and leading edge technology. Before joining Uniprise in December 2000, Mr. DeKeyser was chief operating officer of Vivra, Inc., a progressive healthcare technology and services company. Prior to that, Mr. DeKeyser held senior executive positions with venture-backed First Physician Care, and with managed care concerns CIGNA and FHP, International. Mr. DeKeyser has a Bachelor's and Master's of Business Administration from Arizona State University.

### **Robert G. Newkirk, Partner, Validus Partners**

Mr. Newkirk has served as Partner of Validus Partners, a venture capital fund manager, since October 1998. Validus Partners manages the Validus venture capital funds, of which UnitedHealth Group is the sole limited partner. Prior to joining Validus, Newkirk practiced corporate law at UnitedHealth Group, a national law firm, the Securities and Exchange Commission, and worked in the entrepreneurial services group of an international accounting firm. Newkirk currently attends as a director or observes board meetings of several companies in the Validus portfolio. Mr. Newkirk holds a Juris Doctorate from the University of Chicago Law School and a Bachelor's of Science in Accountancy and a Bachelor's in Science in Economics from the University of Illinois.

### **W. Patrick Ortale, Managing Partner, Richland Ventures**

Mr. Ortale co-founded Richland Ventures in 1994, Richland Ventures II in 1996 and Richland Ventures III in 1999. These three venture capital funds have combined committed capital of \$340 million. Prior to Richland Ventures, Mr. Ortale was a founding general partner of Lawrence, Tyrrell, Ortale & Smith I and II, venture capital funds formed in 1985 and 1990, respectively. Mr. Ortale currently serves on the board of directors of Network One Communications, Synhrgy HR Technologies, Inc., Swell, Inc. and Televox Software. He holds a B.A. degree from Hanover College and a J.D. degree from the Nashville School of Law.

## **Venture Capital Investors**

Validus Partners manages \$175 million in venture capital funds and invests in private health technology, healthcare and wellness companies.

Richland Ventures has raised over \$300 million and invests in health care, communications, media and information services technology companies with a proven business model and large target market.

Synhrgy HR Technologies, Inc.  
 Ongoing Revenue Backlog Detail  
 Last Updated: 8/31/01

Location	Client	Ongoing Start Date	Ongoing End Date	Contract Term (Years)	Total Backlog Estimate as of 8/31/01	Total Sep-01-Dec-01	Total-02	Total-03	Total-04	Total-05	Total
	ADS (Net of Clarite)	8/1/01	7/31/04	3	1,494,946	166,472	514,248	514,248	299,978	0	1,494,946
	Amoseas	1/1/01	12/31/03	3	1,078,000	154,000	462,000	462,000	0	0	1,078,000
	Aventis (HMRI)	1/1/01	12/31/03	3	660,800	94,400	283,200	283,200	0	0	660,800
	BAE Systems	1/1/00	12/31/02	3	4,140,524	973,328	3,167,196	0	0	0	4,140,524
	BCom3	1/1/02	12/31/04	3	676,800	0	225,600	225,600	225,600	0	676,800
	Bell Helicopter Annual Enrollment	1/1/01	12/31/03	3	800,000	200,000	300,000	300,000	0	0	800,000
	Cemex	10/1/01	9/30/04	3	2,034,000	169,500	678,000	678,000	508,500	0	2,034,000
	City of Dallas (Net of Clarite)	12/1/01	11/30/04	3	2,279,988	63,333	759,996	759,996	696,663	0	2,279,988
	City of L.A.	6/1/01	5/31/04	3	3,518,625	426,500	1,279,500	1,279,500	533,125	0	3,518,625
	Clorox (Net of Clarite)	10/1/00	9/30/03	3	234,000	78,000	78,000	78,000	0	0	234,000
	Consolidated Freight	8/1/01	7/31/04	3	542,500	62,000	186,000	186,000	108,500	0	542,500
	Cooper Tire	12/1/01	11/30/04	3	1,173,000	123,000	360,000	360,000	330,000	0	1,173,000
	CSR America	9/1/01	8/31/04	3	2,402,640	266,960	800,880	800,880	533,920	0	2,402,640
	Delaware North	1/1/00	12/31/03	4	1,087,100	155,300	465,900	465,900	0	0	1,087,100
	Delta Airlines Student Verify (Net of Clarite)	1/1/01	12/31/03	3	1,152,000	52,000	550,000	550,000	0	0	1,152,000
	Eastman Kodak	2/1/01	1/31/02	1	10,000	8,000	2,000	0	0	0	10,000
	Enron	1/1/01	12/31/03	3	4,036,648	576,664	1,729,992	1,729,992	0	0	4,036,648
	Fujitsu (Net of Clarite)	10/1/01	10/31/03	2	1,804,842	277,668	833,004	694,170	0	0	1,804,842
	Getronic	1/1/01	12/31/03	3	1,832,842	256,834	788,004	788,004	0	0	1,832,842
	Guide	2/1/00	11/30/05	5	2,113,236	165,744	497,232	497,232	497,232	455,796	2,113,236
	HB Fuller	3/1/00	12/31/03	3	1,119,360	177,000	471,180	471,180	0	0	1,119,360
	KRATON Polymers	2/1/01	12/31/03	3	367,500	52,500	157,500	157,500	0	0	367,500
	Level 3	12/1/01	11/30/04	3	1,050,012	29,167	350,004	350,004	320,837	0	1,050,012
	Other				0	0	0	0	0	0	0
	Navigator System				58,500	6,000	18,000	18,000	16,500	0	58,500
	Palm (Net of Clarite)	1/1/01	12/15/02	1	102,000	25,500	76,500	0	0	0	102,000
	Providian	9/1/00	12/31/01	3	213,544	213,544	0	0	0	0	213,544
	Reliant Energy	6/1/00	12/31/02	1	1,200,000	300,000	900,000	0	0	0	1,200,000
	Resolution Performance Products (Shell Resins)	12/1/00	12/31/03	3	367,500	52,500	157,500	157,500	0	0	367,500
	Revlon Consumer Products Corp.	12/1/00	11/30/03	3	1,005,723	148,996	446,988	409,739	0	0	1,005,723
	Sabre, Inc. (Net of Clarite)	10/1/00	4/30/03	3	1,398,688	273,004	852,684	273,000	0	0	1,398,688
	Stryker	12/1/00	11/30/03	3	999,000	148,000	444,000	407,000	0	0	999,000
	Tenet	9/1/01	8/31/04	3	5,135,000	200,000	1,785,000	1,990,000	1,160,000	0	5,135,000
	Textron	1/1/01	12/31/03	3	1,636,320	233,760	701,280	701,280	0	0	1,636,320
	Tyco	1/1/02	1/31/04	3	870,572	20,572	408,000	408,000	34,000	0	870,572
	United Health Group (HW) (Net of Clarite)	11/1/00	12/31/03	3	4,344,928	620,704	1,862,112	1,862,112	0	0	4,344,928
	United Health Group (Total HR)	1/1/01	12/31/03	3	15,891,028	1,391,028	7,500,000	7,000,000	0	0	15,891,028
	US Airways (Net of Clarite)	6/1/01	5/31/03	2	716,225	164,467	275,879	275,879	0	0	716,225
	US Industries	4/1/00	3/31/03	3	618,016	88,288	264,864	264,864	0	0	618,016
	Veridian	1/1/02	12/31/04	3	1,300,313	17,813	427,500	427,500	427,500	0	1,300,313
	World Kitchen	6/1/99	1/31/03	3	597,908	142,908	420,000	35,000	0	0	597,908
	YMCA	1/1/01	12/31/03	3	777,750	165,750	306,000	306,000	0	0	777,750
	<b>Grand Total</b>				<b>72,814,028</b>	<b>6,712,854</b>	<b>31,785,743</b>	<b>26,167,280</b>	<b>5,692,355</b>	<b>455,796</b>	<b>72,814,028</b>

Appendix C-3B  
(2 pages)

ynhrgy HR Technologies, Inc.  
 Ongoing Contract Backlog Detail  
 Last Updated: 07/26/01

Customer Number	Contract Term (Years)	Total Backlog Estimate as of 6/30/01						Total
			Total Jul-01-Dec-01	Total-02	Total-03	Total-04	Total-05	
1	3	1,005,000	201,000	402,000	402,000	0	0	1,005,000
2	3	708,000	141,600	283,200	283,200	0	0	708,000
3	3	794,988	264,996	264,996	264,996	0	0	794,988
4	3	3,731,875	639,750	1,279,500	1,279,500	533,125	0	3,731,875
5	3	450,000	62,500	150,000	150,000	87,500	0	450,000
6	3	390,000	78,000	156,000	156,000	0	0	390,000
7	3	1,001,196	207,144	414,288	379,764	0	0	1,001,196
8	3	1,753,200	350,640	701,280	701,280	0	0	1,753,200
9	2	827,637	275,879	275,879	275,879	0	0	827,637
10	3	662,160	132,432	264,864	264,864	0	0	662,160
11	3	765,000	153,000	306,000	306,000	0	0	765,000
12	3	1,542,750	214,271	514,250	514,250	299,979	0	1,542,750
13	3	2,402,640	266,960	800,880	800,880	533,920	0	2,402,640
14	1	325,000	325,000	0	0	0	0	325,000
15	3	3,317,976	1,105,992	2,211,984	0	0	0	3,317,976
16	3	1,980,000	165,000	660,000	660,000	495,000	0	1,980,000
17	3	68,340	68,340	0	0	0	0	68,340
18	3	1,080,000	30,000	360,000	360,000	330,000	0	1,080,000
19	3	1,164,750	232,950	465,900	465,900	0	0	1,164,750
20	1	14,000	12,000	2,000	0	0	0	14,000
21	3	4,324,980	864,996	1,729,992	1,729,992	0	0	4,324,980
22	2	1,943,676	416,502	833,004	694,170	0	0	1,943,676
23	3	1,882,500	376,500	753,000	753,000	0	0	1,882,500
24	5	2,196,108	248,616	497,232	497,232	497,232	455,796	2,196,108
25	3	1,177,950	235,590	471,180	471,180	0	0	1,177,950
26	3	393,750	78,750	157,500	157,500	0	0	393,750
27	1	38,250	38,250	0	0	0	0	38,250
28	3	320,316	320,316	0	0	0	0	320,316
29	1	1,350,000	450,000	900,000	0	0	0	1,350,000
30	3	393,750	78,750	157,500	157,500	0	0	393,750
31	3	1,080,221	223,494	446,988	409,739	0	0	1,080,221
32	3	1,039,174	319,174	540,000	180,000	0	0	1,039,174
33	3	4,985,000	360,000	1,725,000	1,740,000	1,160,000	0	4,985,000
34	3	7,400,000	0	2,600,000	2,400,000	2,400,000	0	7,400,000
35	3	4,655,280	931,056	1,862,112	1,862,112	0	0	4,655,280
36	3	2,160,030	432,006	864,012	864,012	0	0	2,160,030
37	3	1,496,580	299,316	598,632	598,632	0	0	1,496,580
38	3	2,273,130	454,626	909,252	909,252	0	0	2,273,130
39	3	838,185	202,593	317,796	317,796	0	0	838,185
40	3	1,112,664	317,904	635,808	158,952	0	0	1,112,664
41	3	1,094,868	193,212	386,424	386,424	128,808	0	1,094,868
42	3	1,282,500	0	427,500	427,500	427,500	0	1,282,500
43	3	250,089	214,362	35,727	0	0	0	250,089
44	3	850,000	0	408,000	408,000	34,000	0	850,000
		70,478,513	11,721,800	27,529,680	23,147,506	7,623,731	455,796	70,478,513

Synhrgy HR Technologies, Inc.  
Profit & Loss (EBITDA)  
For the Three Months Ending September 30, 2001

	<u>Actual Year-to-Date</u>
<b>Revenue</b>	<b>8,723,224</b>
<b>Client Services</b>	<b>5,451,548</b>
<b>Gross Margin (EBITDA)</b>	<b><u>3,271,676</u></b>
<b>SG&amp;A Expenses</b>	
<b>Sales &amp; Marketing</b>	<b>1,085,472</b>
<b>Technology</b>	<b>1,100,804</b>
<b>General Administration</b>	<b>30,414</b>
<b>Total SG&amp;A Expenses</b>	<b><u>2,216,690</u></b>
<b>EBITDA</b>	<b>1,054,986</b>
<b>Total Depreciation &amp; Amortization</b>	<b>2,438,854</b>
<b>Operating Income</b>	<b><u>(1,383,868)</u></b>
Other Income/(Expense)	<u>(194,696)</u>
<b>Income Before Taxes</b>	<b><u>(1,578,564)</u></b>
Taxes	<u>10,795</u>
<b>Net Income/(Loss)</b>	<b><u>(1,589,359)</u></b>

Synhrgy HR Technologies, Inc.  
Interim Balance Sheet  
As of September 30, 2001

	<u>September 2001</u>
<b>ASSETS</b>	
Current Assets	9,710,086
Fixed Assets, net	11,761,363
Intangible Assets, net	0
Other Assets	365,781
<b>Total Assets</b>	<b>21,837,230</b> =====
<b>Liabilities &amp; Shareholders Equity</b>	
<b>Liabilities</b>	
Current Liabilities	7,614,902
Long Term Liabilities	4,452,517
<b>Total Liabilities</b>	<b>12,067,419</b> -----
Redeemable Preferred Stock	0
Stockholder's Equity	9,769,810
<b>Total Liabilities &amp; Stockholder's Equity</b>	<b>21,837,229</b> =====

Synhrgy HR Technologies, Inc.  
Cash Flow Statement  
For the Three Months Ending September 30, 2001

	<u>Actual Year-to-Date</u>
<b>Operating Activities:</b>	
Net income (loss)	(1,589,359)
Noncash adjustments	2,539,474
Changes in operating assets & liabilities	(652,056)
Net cash provided by (used in) operating activities	298,059
Net cash provided by (used in) investing activities	(1,743,972)
Net cash provided by (used in) financing activities	(1,094,678)
Net increase (decrease) in cash and cash equivalents	(2,540,591)
Cash and cash equivalents at beginning of period	6,609,349
Cash and cash equivalents at end of period	4,068,758 =====



Synhrgy HR Technologies, Inc.  
 Profit & Loss (EBITDA)  
 For the Nine Months Ending September 30, 2001

	<u>Actual Year-to-Date</u>
<b>Revenue</b>	<b>22,366,395</b>
<b>Client Services</b>	<b>15,815,744</b>
<b>Gross Margin (EBITDA)</b>	<b><u>6,550,651</u></b>
<b>SG&amp;A Expenses</b>	
<b>Sales &amp; Marketing</b>	<b>4,338,812</b>
<b>Technology</b>	<b>3,604,397</b>
<b>General Administration</b>	<b>2,905,466</b>
<b>Total SG&amp;A Expenses</b>	<b><u>10,848,675</u></b>
<b>EBITDA</b>	<b>(4,298,024)</b>
<b>Total Depreciation &amp; Amortization</b>	<b>4,099,424</b>
<b>Operating Income</b>	<b><u>(8,397,448)</u></b>
Other Income/(Expense)	<b>(585,759)</b>
<b>Income Before Taxes</b>	<b><u>(8,983,207)</u></b>
Taxes	<b>19,316</b>
<b>Net Income/(Loss)</b>	<b><u>(9,002,523)</u></b>

Synhrgy HR Technologies, Inc.  
Interim Balance Sheet  
As of September 30, 2001

	<u>September 2001</u>
<b>ASSETS</b>	
Current Assets	9,710,086
Fixed Assets, net	11,761,363
Intangible Assets, net	0
Other Assets	365,781
<b>Total Assets</b>	<b>21,837,230</b>
<hr/> <hr/>	
<b>Liabilities &amp; Shareholders Equity</b>	
<b>Liabilities</b>	
Current Liabilities	7,614,902
Long Term Liabilities	4,452,517
<b>Total Liabilities</b>	<b>12,067,419</b>
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Redeemable Preferred Stock	0
Stockholder's Equity	9,769,810
<b>Total Liabilities &amp; Stockholder's Equity</b>	<b>21,837,229</b>
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Synhrgy HR Technologies, Inc.  
Cash Flow Statement  
For the Nine Months Ending September 30, 2001

	<u>Actual Year-to-Date</u>
<b>Operating Activities:</b>	
Net income (loss)	(9,002,522)
Noncash adjustments	4,415,245
Changes in operating assets & liabilities	(9,801,569)
Net cash provided by (used in) operating activities	(14,388,846)
Net cash provided by (used in) investing activities	(4,810,117)
Net cash provided by (used in) financing activities	22,279,766
Net increase (decrease) in cash and cash equivalents	3,080,803
Cash and cash equivalents at beginning of period	987,941
Cash and cash equivalents at end of period	4,068,744

Synhrgy HR Technologies, Inc.  
Financial Forecast

← SUPERSEDED →

	Actual Q1-00	Actual Q2-00	Actual Q3-00	Actual Q4-00	Actual TOTAL-00	Actual Q1-01	FCST Q2-01	FCST Q3-01	FCST Q4-01	FCST TOTAL-01
<b>Revenue</b>										
Client Administration - Implementation	0	0	0	152,712	152,712	110,056	110,306	110,261	110,171	440,794
Client Administration - Ongoing	875,953	1,134,982	1,170,325	3,081,805	6,263,065	5,078,645	4,975,118	5,987,743	7,251,426	23,292,932
Consulting Revenue	1,035,411	2,100,758	3,920,665	3,010,644	10,067,478	1,296,032	2,476,912	3,713,795	3,314,241	10,800,980
Client Billable Expense	(39,145)	45,080	126,399	210,767	343,101	97,230	106,713	121,626	132,713	458,282
Other Revenue	238	252	0	0	490	0	0	0	0	0
<b>Total Revenue</b>	<b>1,872,457</b>	<b>3,281,072</b>	<b>5,217,389</b>	<b>6,455,928</b>	<b>16,826,846</b>	<b>6,581,963</b>	<b>7,669,050</b>	<b>9,933,424</b>	<b>10,808,550</b>	<b>34,992,987</b>
<b>Direct Expenses</b>										
Royalties	0	20,066	126,870	142,959	289,895	181,294	190,430	231,348	277,976	881,047
Client Rebillable Expenses	116,721	71,704	19,076	604,640	812,141	93,793	96,042	109,463	119,442	418,740
Salaries and Wages	893,932	1,288,546	1,930,017	2,543,567	6,656,062	2,924,111	3,245,614	3,438,074	3,793,941	13,401,739
Commissions	0	0	0	0	0	0	0	0	0	0
Bonuses	122,196	176,386	392,287	730,551	1,421,421	354,656	576,246	597,183	654,717	2,182,803
Fringe Benefits	150,117	243,014	348,051	773,177	1,514,360	403,670	682,590	722,748	798,671	2,607,678
Recruiting & Relocation	60,264	185,935	68,137	75,274	389,610	37,749	33,275	22,183	26,008	119,215
Travel & Entertainment	44,776	53,054	83,610	69,331	250,771	95,986	110,040	111,060	113,730	430,816
Advertising & Marketing	0	0	564	0	564	0	0	0	0	0
Professional Fees	0	0	1,675	43,214	44,889	11,489	0	0	0	11,489
Computer & Equipment Costs	12,408	12,114	14,183	13,070	51,775	63,093	55,323	38,912	97,501	254,829
Office Costs	133,367	182,418	298,306	617,656	1,231,747	573,474	484,063	500,540	525,114	2,083,191
Other Expenses	0	0	0	(468,407)	(468,407)	(48,633)	(161,711)	(302,916)	(246,448)	(759,708)
Bad Debt Expense	0	0	0	0	0	0	0	0	0	0
<b>Total Client Services</b>	<b>1,533,781</b>	<b>2,233,238</b>	<b>3,282,775</b>	<b>5,145,300</b>	<b>12,195,094</b>	<b>4,690,682</b>	<b>5,311,911</b>	<b>5,468,594</b>	<b>6,160,651</b>	<b>21,631,839</b>
<b>Gross Margin (EBITDA)</b>	<b>338,676</b>	<b>1,047,834</b>	<b>1,934,613</b>	<b>1,310,628</b>	<b>4,631,751</b>	<b>1,891,281</b>	<b>2,357,139</b>	<b>4,464,830</b>	<b>4,647,899</b>	<b>13,361,148</b>
<b>SG&amp;A Expenses</b>										
<b>Sales &amp; Marketing</b>										
Salaries and Wages	614,449	651,180	602,061	603,316	2,471,006	696,597	556,601	585,381	585,381	2,423,960
Commissions	0	0	0	0	0	36,733	64,881	64,881	64,881	231,376
Bonuses	61,512	73,562	143,365	152,936	431,375	271,490	116,728	127,528	127,528	643,275
Fringe Benefits	61,415	76,345	59,941	112,570	310,270	126,636	116,404	122,326	122,326	487,692
Recruiting & Relocation	47,376	66,361	66,407	4,071	184,215	37,898	9,552	11,091	12,630	71,171
Travel & Entertainment	206,895	211,827	188,637	118,061	725,420	116,203	207,987	212,807	217,460	754,457
Advertising & Marketing	86,169	169,736	124,970	247,932	628,806	57,423	334,785	190,874	176,963	760,045
Professional Fees	2,884	81,714	78,812	132,480	295,890	48,042	4,419	5,508	6,597	64,566
Computer & Equipment Costs	12,860	1,463	1,013	2,229	17,564	1,553	8,500	7,089	8,178	25,320
Office Costs	40,015	65,259	67,300	112,076	284,650	151,089	101,955	112,593	111,468	477,105
Other Expenses	0	0	0	0	0	25	862	877	877	2,641
Bad Debt Expense	0	0	0	0	0	0	0	0	0	0
<b>Total Sales &amp; Marketing</b>	<b>1,133,574</b>	<b>1,397,446</b>	<b>1,332,504</b>	<b>1,485,672</b>	<b>5,349,196</b>	<b>1,543,689</b>	<b>1,522,674</b>	<b>1,440,955</b>	<b>1,434,289</b>	<b>5,941,607</b>

APPENDIX 2-1  
(8 pages)

Synhrgy HR Technologies, Inc.  
Financial Forecast

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	Actual Q1-00	Actual Q2-00	Actual Q3-00	Actual Q4-00	Actual TOTAL-00	Actual Q1-01	FCST Q2-01	FCST Q3-01	FCST Q4-01	FCST TOTAL-01
<b>Technology</b>										
Salaries and Wages	415,318	809,198	754,078	743,358	2,721,952	617,791	593,475	596,915	596,915	2,405,096
Commissions	0	0	0	0	0	0	0	0	0	0
Bonuses	55,877	117,431	125,933	146,272	445,513	89,070	106,335	106,335	106,335	408,076
Fringe Benefits	55,312	116,927	134,064	191,396	497,699	95,591	128,445	129,133	129,133	482,302
Recruiting & Relocation	297,010	71,229	10,500	0	378,739	0	2,673	5,742	7,821	16,236
Travel & Entertainment	29,502	39,251	34,913	64,529	168,195	18,907	35,100	35,100	35,100	124,207
Advertising & Marketing	0	0	0	0	0	0	0	0	0	0
Professional Fees	116	17,402	52,653	17,996	88,166	377,699	173,101	169,557	116,204	836,561
Computer & Equipment Costs	85,145	76,898	161,947	496,637	820,627	87,478	182,033	240,343	255,796	765,649
Office Costs	41,712	117,106	238,215	177,506	574,540	127,551	54,728	54,644	53,550	290,474
Other Expenses	0	0	0	(993,121)	(993,121)	0	2,967	2,985	2,985	8,937
Bad Debt Expense	0	0	0	0	0	0	0	0	0	0
<b>Technology</b>	<b>979,992</b>	<b>1,365,443</b>	<b>1,512,302</b>	<b>844,572</b>	<b>4,702,310</b>	<b>1,414,087</b>	<b>1,278,857</b>	<b>1,340,754</b>	<b>1,303,839</b>	<b>5,337,538</b>
<b>General Administration</b>										
Salaries and Wages	274,443	481,203	634,293	555,626	1,945,565	468,081	479,730	483,085	483,085	1,913,981
Commissions	0	0	0	0	0	0	0	0	0	0
Bonuses	29,366	60,412	119,357	135,844	344,969	121,740	174,113	174,113	174,113	644,079
Fringe Benefits	43,819	77,816	84,994	346,999	553,628	61,645	102,446	103,117	103,117	370,325
Recruiting & Relocation	95,967	82,364	46,740	20,410	245,480	144,711	88,775	7,752	9,939	251,177
Travel & Entertainment	9,599	40,713	64,585	118,930	233,828	60,056	73,400	73,400	73,400	280,256
Advertising & Marketing	0	0	0	0	0	0	0	0	0	0
Professional Fees	128,993	347,299	455,673	267,555	1,199,520	214,349	117,099	119,988	122,877	574,313
Computer & Equipment Costs	11,690	4,697	25,005	1,102,611	1,144,003	29,949	28,116	15,531	22,446	96,042
Office Costs	41,961	71,922	245,997	82,480	442,360	33,957	59,424	61,044	61,912	216,337
Other Expenses	3,715	12,864	52,349	918,872	987,800	44,971	20,402	21,401	22,400	109,174
Bad Debt Expense	14,442	15,073	177,255	1,084,402	1,291,173	43,000	79,073	103,830	111,824	337,727
<b>Total General Administration</b>	<b>653,986</b>	<b>1,194,363</b>	<b>1,906,248</b>	<b>4,633,728</b>	<b>8,388,325</b>	<b>1,222,459</b>	<b>1,222,578</b>	<b>1,163,260</b>	<b>1,185,113</b>	<b>4,793,411</b>
<b>Total SG&amp;A Expenses</b>	<b>2,767,552</b>	<b>3,957,252</b>	<b>4,751,054</b>	<b>6,963,972</b>	<b>18,439,831</b>	<b>4,180,235</b>	<b>4,024,109</b>	<b>3,944,969</b>	<b>3,923,242</b>	<b>16,072,556</b>
<b>EBITDA</b>	<b>(2,428,876)</b>	<b>(2,909,418)</b>	<b>(2,816,441)</b>	<b>(5,653,345)</b>	<b>(13,808,079)</b>	<b>(2,288,954)</b>	<b>(1,666,971)</b>	<b>519,860</b>	<b>724,657</b>	<b>(2,711,408)</b>
Total Depreciation & Amortization	103,117	196,123	1,169,047	8,469,020	9,937,307	779,794	1,807,480	1,840,480	1,888,480	6,316,234
<b>Operating Income</b>	<b>(2,531,993)</b>	<b>(3,105,541)</b>	<b>(3,985,487)</b>	<b>(14,122,365)</b>	<b>(23,745,386)</b>	<b>(3,068,748)</b>	<b>(3,474,451)</b>	<b>(1,320,620)</b>	<b>(1,163,823)</b>	<b>(9,027,642)</b>
Other Income/(Expense)	(36,390)	(21,555)	(97,910)	(266,299)	(422,154)	(278,289)	(404,997)	(437,343)	(466,352)	(1,586,981)
<b>Income Before Taxes</b>	<b>(2,568,383)</b>	<b>(3,127,096)</b>	<b>(4,083,397)</b>	<b>(14,388,664)</b>	<b>(24,167,540)</b>	<b>(3,347,037)</b>	<b>(3,879,447)</b>	<b>(1,757,963)</b>	<b>(1,630,176)</b>	<b>(10,614,623)</b>
Taxes	957	7,837	(4,057)	5,617	10,354	6,948	0	0	0	6,948
<b>Net Income/(Loss)</b>	<b>(2,569,340)</b>	<b>(3,134,933)</b>	<b>(4,079,340)</b>	<b>(14,394,281)</b>	<b>(24,177,894)</b>	<b>(3,353,985)</b>	<b>(3,879,447)</b>	<b>(1,757,963)</b>	<b>(1,630,176)</b>	<b>(10,621,571)</b>

Synhrgy HR Technologies, Inc.  
 Financial Forecast  
 V-5.6 Forecast

	Actual Q1-01	Actual Q2-01	Actual Q3-01	FCST Q4-01	FCST TOTAL-01	FCST Q1-02	FCST Q2-02	FCST Q3-02	FCST Q4-02	FCST TOTAL-02
<b>Technology</b>										
Salaries and Wages	617,791	534,816	643,583	594,262	2,390,452	608,622	584,705	566,804	611,604	2,371,735
Commissions	0	0	0	0	0	0	0	0	0	0
Bonuses	89,070	94,920	46,347	43,155	273,492	76,092	73,079	67,053	67,053	283,277
Fringe Benefits	95,591	131,731	93,994	87,526	408,842	130,158	122,054	104,371	99,242	455,825
Recruiting & Relocation	0	0	0	0	0	0	0	0	0	0
Travel & Entertainment	18,907	29,682	16,504	9,600	74,693	19,500	19,500	19,500	19,500	78,000
Advertising & Marketing	0	0	0	0	0	0	0	0	0	0
Professional Fees	377,699	363,615	167,334	91,597	1,000,245	160,000	160,000	170,000	90,000	580,000
Computer & Equipment Costs	87,478	257,619	270,911	305,055	921,063	233,436	382,373	464,382	467,784	1,547,975
Office Costs	127,551	77,121	62,131	67,802	334,605	90,790	87,583	73,102	71,052	322,527
Other Expenses	0	(400,000)	(200,000)	(150,000)	(750,000)	(499,999)	(350,000)	0	0	(849,999)
Bad Debt Expense	0	0	0	0	0	0	0	0	0	0
<b>Technology</b>	<b>1,414,087</b>	<b>1,089,504</b>	<b>1,100,804</b>	<b>1,048,997</b>	<b>4,653,392</b>	<b>818,599</b>	<b>1,079,294</b>	<b>1,465,212</b>	<b>1,426,235</b>	<b>4,789,340</b>
<b>General Administration</b>										
Salaries and Wages	468,081	546,625	532,846	492,144	2,039,696	412,263	431,263	446,940	427,940	1,718,406
Commissions	0	0	0	0	0	0	0	0	0	0
Bonuses	121,740	188,728	48,439	35,469	394,376	92,199	92,199	92,199	92,199	368,796
Fringe Benefits	61,645	146,937	270,911	71,170	370,040	86,646	85,338	81,638	77,859	331,481
Recruiting & Relocation	144,711	85,514	232,879	0	463,104	0	0	0	0	0
Travel & Entertainment	60,056	83,744	62,552	45,000	251,352	48,000	48,000	48,000	48,000	192,000
Advertising & Marketing	0	0	0	0	0	0	0	0	0	0
Professional Fees	214,349	345,818	235,369	27,877	823,413	98,000	128,000	198,000	98,000	522,000
Computer & Equipment Costs	29,949	(8,481)	3,028	0	24,496	0	0	0	0	0
Office Costs	33,957	66,891	57,403	56,466	214,717	56,699	58,837	56,726	54,123	226,385
Other Expenses	44,971	50,815	(1,365,846)	7,995	(1,262,065)	12,000	12,000	12,000	12,000	48,000
Bad Debt Expense	43,000	146,000	133,456	(322,117)	339	0	0	0	0	0
<b>Total General Administration</b>	<b>1,222,459</b>	<b>1,652,591</b>	<b>30,414</b>	<b>414,004</b>	<b>3,319,468</b>	<b>805,807</b>	<b>855,637</b>	<b>935,503</b>	<b>810,121</b>	<b>3,407,068</b>
<b>Total SG&amp;A Expenses</b>	<b>4,180,235</b>	<b>4,465,793</b>	<b>2,216,690</b>	<b>2,671,416</b>	<b>13,534,134</b>	<b>2,549,555</b>	<b>2,821,302</b>	<b>3,290,976</b>	<b>3,119,022</b>	<b>11,780,855</b>
<b>EBITDA</b>	<b>(2,288,952)</b>	<b>(3,064,045)</b>	<b>1,054,986</b>	<b>303,359</b>	<b>(3,994,652)</b>	<b>381,932</b>	<b>375,685</b>	<b>1,084,691</b>	<b>2,289,363</b>	<b>4,131,671</b>
Total Depreciation & Amortization	779,794	880,776	2,438,854	1,125,488	5,224,912	1,154,159	1,238,864	1,515,575	1,583,371	5,491,969
<b>Operating Income</b>	<b>(3,068,746)</b>	<b>(3,944,821)</b>	<b>(1,383,868)</b>	<b>(822,129)</b>	<b>(9,219,564)</b>	<b>(772,227)</b>	<b>(863,179)</b>	<b>(430,884)</b>	<b>705,992</b>	<b>(1,360,298)</b>
Other Income/(Expense)	(278,289)	(112,774)	(194,696)	(177,869)	(763,628)	(182,258)	(203,632)	(255,821)	(241,170)	(882,881)
<b>Income Before Taxes</b>	<b>(3,347,035)</b>	<b>(4,057,595)</b>	<b>(1,578,564)</b>	<b>(999,998)</b>	<b>(9,983,192)</b>	<b>(954,485)</b>	<b>(1,066,811)</b>	<b>(686,705)</b>	<b>464,822</b>	<b>(2,243,179)</b>
Taxes	6,948	1,575	10,795	0	19,318	0	0	0	0	0
<b>Net Income/(Loss)</b>	<b>(3,353,983)</b>	<b>(4,059,170)</b>	<b>(1,589,359)</b>	<b>(999,998)</b>	<b>(10,002,510)</b>	<b>(954,485)</b>	<b>(1,066,811)</b>	<b>(686,705)</b>	<b>464,822</b>	<b>(2,243,179)</b>

Synhrgy HR Technologies, Inc.  
 Financial Forecast  
 V-5.6 Forecast

	Actual Q1-01	Actual Q2-01	Actual Q3-01	FCST Q4-01	FCST TOTAL-01	FCST Q1-02	FCST Q2-02	FCST Q3-02	FCST Q4-02	FCST TOTAL-02
<b>Revenue</b>										
Client Administration - Implementation	110,058	117,923	129,859	133,156	490,794	150,756	171,102	177,664	182,649	682,171
Client Administration - Ongoing	5,078,645	5,099,350	5,862,744	7,375,409	23,416,148	7,870,751	7,678,401	8,228,072	9,515,943	33,293,167
Consulting Revenue	1,296,033	1,564,495	2,496,967	1,787,081	7,144,576	315,233	951,214	2,447,821	2,823,239	6,537,507
Client Billable Expense	97,229	279,443	233,854	179,715	790,241	117,291	189,933	219,759	241,935	768,918
Other Revenue	0	0	0	0	0	0	0	0	0	0
<b>Total Revenue</b>	<b>6,581,963</b>	<b>7,061,211</b>	<b>8,723,224</b>	<b>9,475,361</b>	<b>31,841,759</b>	<b>8,454,031</b>	<b>8,990,650</b>	<b>11,073,316</b>	<b>12,763,766</b>	<b>41,281,763</b>
<b>Client Services</b>										
Royalties	181,294	90,324	150,473	218,000	640,091	206,091	199,164	215,838	257,706	878,799
Client Expenses	93,792	234,847	181,545	176,199	686,383	123,156	199,431	230,748	254,031	807,366
Salaries and Wages	2,886,909	3,234,578	3,584,042	4,083,361	13,788,890	3,273,117	3,421,784	4,046,111	4,578,977	15,319,989
Commissions	0	0	0	0	0	0	0	0	0	0
Bonuses	354,656	532,373	307,692	318,277	1,512,998	354,196	367,478	411,700	446,372	1,579,746
Fringe Benefits	403,669	825,257	710,219	701,406	2,640,551	761,937	789,711	893,413	954,431	3,399,492
Recruiting & Relocation	37,749	2,768	95,929	55,500	191,946	16,650	44,400	194,250	124,875	380,175
Travel & Entertainment	95,986	187,980	75,758	60,000	419,724	40,000	40,000	40,000	40,000	160,000
Advertising & Marketing	0	0	0	0	0	0	0	0	0	0
Professional Fees	11,489	(3,340)	7,398	0	15,547	0	0	0	0	0
Computer & Equipment Costs	63,093	5,507	11,681	0	80,281	0	0	0	0	0
Office Costs	573,474	580,713	501,260	670,674	2,326,121	627,530	688,524	798,505	870,792	2,985,351
Other Expenses	(11,431)	(31,544)	(174,449)	(102,325)	(319,749)	77,597	(1,782)	(188,283)	(235,622)	(348,090)
Bad Debt Expense	0	0	0	319,494	319,494	42,270	44,953	55,367	63,819	206,409
<b>Total Client Services</b>	<b>4,690,680</b>	<b>5,659,463</b>	<b>5,451,548</b>	<b>6,500,586</b>	<b>22,302,277</b>	<b>5,522,544</b>	<b>5,793,663</b>	<b>6,697,649</b>	<b>7,355,381</b>	<b>25,369,237</b>
<b>Gross Margin (EBITDA)</b>	<b>1,891,283</b>	<b>1,401,748</b>	<b>3,271,676</b>	<b>2,974,775</b>	<b>9,539,482</b>	<b>2,931,487</b>	<b>3,196,987</b>	<b>4,375,667</b>	<b>5,408,385</b>	<b>15,912,526</b>
<b>SG&amp;A Expenses</b>										
<b>Sales &amp; Marketing</b>										
Salaries and Wages	696,597	662,620	625,809	827,615	2,812,641	387,303	387,303	410,636	422,303	1,607,545
Commissions	36,733	191,417	0	0	228,150	78,675	78,675	78,675	78,675	314,700
Bonuses	271,490	105,534	777	0	377,801	59,088	59,088	59,088	59,088	236,352
Fringe Benefits	126,636	174,318	80,207	88,628	469,789	82,314	80,985	76,428	72,645	312,372
Recruiting & Relocation	37,898	8,759	313	0	46,970	5,175	0	0	0	5,175
Travel & Entertainment	116,203	226,474	176,112	142,500	661,289	114,000	114,000	114,000	114,000	456,000
Advertising & Marketing	57,423	148,352	37,657	28,000	271,432	115,475	82,325	68,025	53,425	319,250
Professional Fees	48,042	29,432	(3,797)	0	73,677	0	0	0	0	0
Computer & Equipment Costs	1,553	7,304	4,483	0	13,340	0	0	0	0	0
Office Costs	151,089	169,513	163,781	121,672	606,055	83,119	83,995	83,409	82,530	333,053
Other Expenses	25	(25)	130	0	130	0	0	0	0	0
Bad Debt Expense	0	0	0	0	0	0	0	0	0	0
<b>Total Sales &amp; Marketing</b>	<b>1,543,689</b>	<b>1,723,698</b>	<b>1,085,472</b>	<b>1,208,415</b>	<b>5,561,274</b>	<b>925,149</b>	<b>886,371</b>	<b>890,261</b>	<b>882,666</b>	<b>3,584,447</b>

Synhrgy HR Technologies, Inc.  
 Financial Forecast  
 V-5.6 Forecast

	Actual Q1-01	Actual Q2-01	Actual Q3-01	FCST Q4-01	FCST TOTAL-01	FCST Q1-02	FCST Q2-02	FCST Q3-02	FCST Q4-02	FCST TOTAL-02
<b>Combined Departments</b>										
Salaries and Wages	4,669,378	4,978,639	5,386,280	5,997,382	21,031,679	4,681,305	4,825,055	5,470,491	6,040,824	21,017,675
Commissions	36,733	191,417	0	0	228,150	78,675	78,675	78,675	78,675	314,700
Bonuses	836,956	921,555	403,255	396,901	2,558,667	581,575	591,844	630,040	664,712	2,468,171
Fringe Benefits	687,541	1,278,243	974,708	948,730	3,889,222	1,061,055	1,078,088	1,155,850	1,204,177	4,499,170
Recruiting & Relocation	220,358	97,041	329,121	55,500	702,020	21,825	44,400	194,250	124,875	385,350
Travel & Entertainment	291,152	527,880	330,926	257,100	1,407,058	221,500	221,500	221,500	221,500	886,000
Advertising & Marketing	57,423	148,352	37,657	28,000	271,432	115,475	82,325	68,025	53,425	319,250
Professional Fees	651,579	735,525	406,304	119,474	1,912,882	258,000	288,000	368,000	188,000	1,102,000
Computer & Equipment Costs	182,073	261,949	290,103	305,055	1,039,180	233,436	382,373	464,382	467,784	1,547,975
Office Costs	886,071	894,238	784,575	916,614	3,481,498	858,138	918,939	1,011,742	1,078,497	3,867,316
Other Expenses	33,565	(380,754)	(1,740,165)	(244,330)	(2,331,684)	(410,402)	(339,782)	(176,283)	(223,622)	(1,150,089)
Bad Debt Expense	43,000	146,000	133,456	(2,623)	319,833	42,270	44,953	55,367	63,819	206,409
Depreciation & Amortization	779,794	880,776	2,438,854	1,125,488	5,224,912	1,154,159	1,238,864	1,515,575	1,583,371	5,491,969
<b>Total Combined Departments</b>	<b>9,375,623</b>	<b>10,680,861</b>	<b>9,775,074</b>	<b>9,903,291</b>	<b>39,734,849</b>	<b>8,897,011</b>	<b>9,455,234</b>	<b>11,057,614</b>	<b>11,546,037</b>	<b>40,955,896</b>
Gross Margin % (EBITDA)	29%	20%	38%	31%	30%	35%	36%	40%	42%	39%
EBITDA %	-35%	-43%	12%	3%	-13%	5%	4%	10%	18%	10%
<b>Total FTE's</b>										
# of Client Services Employees	234	276	276	320	320	263	291	364	405	405
# of Sales & Marketing Employees	22	23	22	24	24	21	21	25	21	21
# of Information Technology Employees	27	32	35	35	35	30	30	35	35	35
# of General Administration Employees	28	28	26	27	27	24	25	25	24	24
<b>Total # of Employees</b>	<b>311</b>	<b>359</b>	<b>360</b>	<b>405</b>	<b>405</b>	<b>337</b>	<b>366</b>	<b>448</b>	<b>484</b>	<b>484</b>
<b>Average FTE's</b>										
Avg. # of Client Services Employees	223	257	261	321	271	274	276	332	393	319
Avg. # of Sales & Marketing Employees	25	24	23	25	24	22	21	22	24	22
Avg. # of Information Technology Employees	38	30	33	35	34	30	30	30	35	31
Avg. # of General Administration Employees	30	30	31	27	30	25	25	25	25	25
<b>Total # of Employees</b>	<b>316</b>	<b>341</b>	<b>368</b>	<b>408</b>	<b>359</b>	<b>350</b>	<b>351</b>	<b>409</b>	<b>476</b>	<b>397</b>
Annualized Rev per Avg. Client Srvc EE	117,941	109,692	124,177	118,112	117,648	123,417	130,536	133,280	129,801	129,494
Annualized Rev per Avg. Employee	83,297	82,740	94,728	92,801	88,807	96,526	102,604	108,208	107,259	104,104
Avg Salary & Wages - CS	51,730	50,247	51,020	50,900	50,947	47,783	49,681	48,699	46,566	48,056
Avg Salary & Wages - SM	111,456	112,515	107,512	130,350	115,703	72,056	73,772	75,810	71,375	73,209
Avg Salary & Wages - IT	64,988	71,249	77,587	68,143	70,249	80,258	79,282	74,743	70,911	76,098
Avg Salary & Wages - GA	62,791	72,178	68,995	72,259	68,998	67,308	70,410	71,510	69,868	69,783
Avg Salary & Wages - Total	59,093	58,338	58,491	58,738	58,657	53,450	55,065	53,458	50,763	53,002



**Synhrgy HR Technologies, Inc.**  
**Financial Forecast**  
**V-5.6 Forecast**

	FCST Q1-03	FCST Q2-03	FCST Q3-03	FCST Q4-03	FCST TOTAL-03	FCST Q1-04	FCST Q2-04	FCST Q3-04	FCST Q4-04	FCST Total-04
<b>Revenue</b>										
Client Administration - Implementation	254,602	250,401	247,349	222,204	974,557	352,053	327,890	326,229	300,021	1,306,193
Client Administration - Ongoing	10,158,252	10,503,402	12,194,739	14,140,944	46,997,336	15,599,919	16,799,235	18,761,405	21,111,777	72,272,336
Consulting Revenue	2,175,621	3,019,549	3,409,133	3,276,573	11,880,875	3,330,204	3,834,133	4,457,466	3,921,156	15,542,959
Client Billable Expense	241,935	241,935	241,935	241,935	967,740	241,935	241,935	241,935	241,935	967,740
Other Revenue	0	0	0	0	0	0	0	0	0	0
<b>Total Revenue</b>	<b>12,830,410</b>	<b>14,015,287</b>	<b>16,093,156</b>	<b>17,881,656</b>	<b>60,820,508</b>	<b>19,524,111</b>	<b>21,203,192</b>	<b>23,787,035</b>	<b>25,574,889</b>	<b>90,089,228</b>
<b>Client Services</b>										
Royalties	246,340	254,710	295,725	342,921	1,139,695	378,301	407,385	454,968	511,965	1,752,619
Client Expenses	254,032	254,032	254,032	254,032	1,016,130	254,032	254,032	254,032	254,032	1,016,130
Salaries and Wages	4,964,714	5,240,174	5,639,381	6,067,715	21,911,984	7,096,371	7,468,748	7,793,412	8,082,800	30,441,331
Commissions	0	0	0	0	0	0	0	0	0	0
Bonuses	511,945	540,349	581,514	625,683	2,259,490	731,754	770,152	803,631	833,471	3,139,008
Fringe Benefits	1,156,749	1,220,929	1,313,942	1,413,742	5,105,362	1,653,412	1,740,174	1,815,819	1,883,245	7,092,650
Recruiting & Relocation	20,791	130,685	89,104	124,745	365,324	142,566	74,253	139,596	133,655	490,069
Travel & Entertainment	54,426	54,426	54,426	54,426	217,704	73,754	73,754	73,754	73,754	295,016
Advertising & Marketing	0	0	0	0	0	0	0	0	0	0
Professional Fees	0	0	0	0	0	0	0	0	0	0
Computer & Equipment Costs	0	0	0	0	0	0	0	0	0	0
Office Costs	1,015,829	1,072,190	1,153,872	1,241,514	4,483,405	1,451,986	1,528,178	1,594,608	1,653,819	6,228,592
Other Expenses	(63,778)	(170,969)	(221,230)	(222,457)	(678,435)	(138,188)	(217,352)	(295,514)	(247,610)	(898,665)
Bad Debt Expense	64,152	70,076	80,466	89,408	304,103	97,621	106,016	118,935	127,874	450,446
<b>Total Client Services</b>	<b>8,225,199</b>	<b>8,666,603</b>	<b>9,241,231</b>	<b>9,991,728</b>	<b>36,124,762</b>	<b>11,741,610</b>	<b>12,205,340</b>	<b>12,753,239</b>	<b>13,307,006</b>	<b>50,007,196</b>
<b>Gross Margin (EBITDA)</b>	<b>4,605,211</b>	<b>5,348,684</b>	<b>6,851,924</b>	<b>7,889,927</b>	<b>24,695,746</b>	<b>7,782,501</b>	<b>8,997,852</b>	<b>11,033,796</b>	<b>12,267,883</b>	<b>40,082,032</b>
<b>SG&amp;A Expenses</b>										
<b>Sales &amp; Marketing</b>										
Salaries and Wages	434,794	434,794	464,857	476,759	1,811,204	542,547	542,547	579,503	591,560	2,256,157
Commissions	116,513	116,513	116,513	116,513	466,051	190,330	190,330	190,330	190,330	761,322
Bonuses	63,926	63,926	68,346	70,096	266,295	79,769	79,769	85,202	86,975	331,715
Fringe Benefits	88,712	88,712	94,846	97,274	369,543	110,697	110,697	118,237	120,697	460,328
Recruiting & Relocation	10,000	0	25,000	0	35,000	25,000	0	30,000	0	55,000
Travel & Entertainment	148,200	148,200	148,200	148,200	592,800	207,480	207,480	207,480	207,480	829,920
Advertising & Marketing	106,988	106,988	106,988	106,988	427,950	171,180	171,180	171,180	171,180	684,720
Professional Fees	0	0	0	0	0	0	0	0	0	0
Computer & Equipment Costs	0	0	0	0	0	0	0	0	0	0
Office Costs	94,585	94,585	101,125	103,714	394,010	118,026	118,026	126,065	128,688	490,805
Other Expenses	0	0	0	0	0	0	0	0	0	0
Bad Debt Expense	0	0	0	0	0	0	0	0	0	0
<b>Total Sales &amp; Marketing</b>	<b>1,063,717</b>	<b>1,053,717</b>	<b>1,125,874</b>	<b>1,119,544</b>	<b>4,362,853</b>	<b>1,445,029</b>	<b>1,420,029</b>	<b>1,507,999</b>	<b>1,496,911</b>	<b>5,869,967</b>

Synhrgr HR Technologies, Inc.  
 Financial Forecast  
 V-5.6 Forecast

	FCST Q1-03	FCST Q2-03	FCST Q3-03	FCST Q4-03	FCST TOTAL-03	FCST Q1-04	FCST Q2-04	FCST Q3-04	FCST Q4-04	FCST Total-04
<b>Technology</b>										
Salaries and Wages	775,067	775,067	816,701	903,576	3,270,412	1,104,471	1,104,471	1,165,518	1,292,773	4,667,233
Commissions	0	0	0	0	0	0	0	0	0	0
Bonuses	92,573	92,573	97,546	107,922	390,614	131,917	131,917	139,208	154,407	557,448
Fringe Benefits	156,409	156,409	164,810	182,342	659,969	222,882	222,882	235,202	260,882	941,848
Recruiting & Relocation	0	0	0	0	0	0	0	0	0	0
Travel & Entertainment	21,450	21,450	21,450	21,450	85,800	25,740	25,740	25,740	25,740	102,960
Advertising & Marketing	0	0	0	0	0	0	0	0	0	0
Professional Fees	99,000	99,000	99,000	99,000	396,000	148,500	148,500	148,500	148,500	594,000
Computer & Equipment Costs	516,018	516,018	516,018	516,018	2,064,071	722,425	722,425	722,425	722,425	2,889,699
Office Costs	149,837	150,212	152,681	144,076	596,806	152,381	158,719	170,912	166,868	648,880
Other Expenses	(400,000)	(300,000)	0	0	(700,000)	(400,000)	(300,000)	0	0	(700,000)
Bad Debt Expense	0	0	0	0	0	0	0	0	0	0
<b>Technology</b>	<b>1,410,353</b>	<b>1,510,729</b>	<b>1,868,206</b>	<b>1,974,384</b>	<b>6,763,672</b>	<b>2,108,315</b>	<b>2,214,653</b>	<b>2,607,505</b>	<b>2,771,594</b>	<b>9,702,068</b>
<b>General Administration</b>										
Salaries and Wages	457,784	489,925	513,087	504,619	1,965,415	577,512	661,120	676,176	665,015	2,579,823
Commissions	0	0	0	0	0	0	0	0	0	0
Bonuses	98,247	105,145	110,116	108,299	421,808	123,943	141,886	145,118	142,722	553,669
Fringe Benefits	92,722	99,232	103,923	102,208	398,086	116,972	133,907	136,956	134,696	522,531
Recruiting & Relocation	10,000	10,000	0	0	20,000	30,000	10,000	0	0	40,000
Travel & Entertainment	52,800	52,800	52,800	52,800	211,200	58,080	58,080	58,080	58,080	232,320
Advertising & Marketing	0	0	0	0	0	0	0	0	0	0
Professional Fees	107,800	140,800	217,800	107,800	574,200	150,920	197,120	304,920	150,920	803,880
Computer & Equipment Costs	0	0	0	0	0	0	0	0	0	0
Office Costs	63,324	67,771	70,974	69,803	271,873	79,886	91,452	93,534	91,990	356,863
Other Expenses	13,200	13,200	13,200	13,200	52,800	14,520	14,520	14,520	14,520	58,080
Bad Debt Expense	0	0	0	0	0	0	0	0	0	0
<b>Total General Administration</b>	<b>895,877</b>	<b>978,873</b>	<b>1,081,901</b>	<b>958,729</b>	<b>3,915,381</b>	<b>1,151,833</b>	<b>1,308,085</b>	<b>1,429,303</b>	<b>1,257,944</b>	<b>5,147,166</b>
<b>Total SG&amp;A Expenses</b>	<b>3,369,948</b>	<b>3,543,319</b>	<b>4,075,981</b>	<b>4,052,657</b>	<b>15,041,905</b>	<b>4,705,177</b>	<b>4,942,768</b>	<b>5,544,807</b>	<b>5,526,449</b>	<b>20,719,201</b>
<b>EBITDA</b>	<b>1,235,263</b>	<b>1,805,365</b>	<b>2,775,943</b>	<b>3,837,270</b>	<b>9,653,841</b>	<b>3,077,324</b>	<b>4,055,085</b>	<b>5,488,989</b>	<b>6,741,434</b>	<b>19,362,831</b>
Total Depreciation & Amortization	1,620,295	1,719,906	1,806,809	1,818,031	6,965,041	1,863,281	2,060,114	2,233,128	2,266,573	8,423,096
<b>Operating Income</b>	<b>(385,032)</b>	<b>85,459</b>	<b>969,134</b>	<b>2,019,239</b>	<b>2,688,800</b>	<b>1,214,043</b>	<b>1,994,970</b>	<b>3,255,861</b>	<b>4,474,861</b>	<b>10,939,735</b>
Other Income/(Expense)	(194,503)	(228,663)	(268,717)	(241,957)	(933,840)	(223,811)	(247,112)	(276,306)	(238,687)	(985,916)
<b>Income Before Taxes</b>	<b>(579,535)</b>	<b>(143,204)</b>	<b>700,417</b>	<b>1,777,282</b>	<b>1,754,961</b>	<b>990,232</b>	<b>1,747,858</b>	<b>2,979,554</b>	<b>4,236,174</b>	<b>9,953,819</b>
Taxes	0	0	0	0	0	0	0	0	0	0
<b>Net Income/(Loss)</b>	<b>(579,535)</b>	<b>(143,204)</b>	<b>700,417</b>	<b>1,777,282</b>	<b>1,754,961</b>	<b>990,232</b>	<b>1,747,858</b>	<b>2,979,554</b>	<b>4,236,174</b>	<b>9,953,819</b>

Synhrgy HR Technologies, Inc.  
 Financial Forecast  
 V-5.6 Forecast

	FCST Q1-03	FCST Q2-03	FCST Q3-03	FCST Q4-03	FCST TOTAL-03	FCST Q1-04	FCST Q2-04	FCST Q3-04	FCST Q4-04	FCST Total-04
<b>Combined Departments</b>										
Salaries and Wages	6,632,359	6,939,960	7,434,026	7,952,670	28,959,014	9,320,900	9,776,886	10,214,609	10,632,149	39,944,544
Commissions	116,513	116,513	116,513	116,513	466,051	190,330	190,330	190,330	190,330	761,322
Bonuses	766,691	801,994	857,522	912,000	3,338,207	1,067,382	1,123,724	1,173,159	1,217,576	4,581,841
Fringe Benefits	1,494,591	1,565,282	1,677,522	1,795,566	6,532,961	2,103,964	2,207,660	2,306,214	2,399,519	9,017,357
Recruiting & Relocation	40,791	140,685	114,104	124,745	420,324	197,566	84,253	169,596	133,655	585,069
Travel & Entertainment	276,876	276,876	276,876	276,876	1,107,504	365,054	365,054	365,054	365,054	1,460,216
Advertising & Marketing	106,988	106,988	106,988	106,988	427,950	171,180	171,180	171,180	171,180	684,720
Professional Fees	206,800	239,800	316,800	206,800	970,200	299,420	345,620	453,420	299,420	1,397,880
Computer & Equipment Costs	516,018	516,018	516,018	516,018	2,064,071	722,425	722,425	722,425	722,425	2,889,699
Office Costs	1,323,575	1,384,758	1,478,652	1,559,107	5,746,093	1,802,280	1,896,375	1,985,120	2,041,366	7,725,140
Other Expenses	(450,578)	(457,769)	(208,030)	(209,257)	(1,325,635)	(523,668)	(502,832)	(280,994)	(233,090)	(1,540,585)
Bad Debt Expense	64,152	70,076	80,466	89,408	304,103	97,621	106,016	118,935	127,874	450,446
Depreciation & Amortization	1,620,295	1,719,906	1,806,809	1,818,031	6,965,041	1,863,281	2,060,114	2,233,128	2,266,573	8,423,096
<b>Total Combined Departments</b>	<b>12,715,070</b>	<b>13,421,086</b>	<b>14,574,264</b>	<b>15,265,463</b>	<b>55,975,883</b>	<b>17,677,735</b>	<b>18,546,805</b>	<b>19,822,175</b>	<b>20,334,031</b>	<b>76,380,745</b>
Gross Margin % (EBITDA)	36%	38%	43%	44%	41%	40%	42%	46%	48%	44%
EBITDA %	26%	26%	33%	36%	31%	16%	19%	23%	26%	21%
<b>Total FTE's</b>										
# of Client Services Employees	395	449	478	522	522	558	596	643	679	679
# of Sales & Marketing Employees	23	23	28	23	23	29	33	43	40	40
# of Information Technology Employees	41	41	48	48	48	57	57	67	67	67
# of General Administration Employees	26	28	28	28	28	34	36	36	36	36
<b>Total # of Employees</b>	<b>485</b>	<b>541</b>	<b>582</b>	<b>621</b>	<b>621</b>	<b>678</b>	<b>722</b>	<b>769</b>	<b>822</b>	<b>822</b>
<b>Average FTE's</b>										
Avg. # of Client Services Employees	393	410	464	510	444	540	576	624	666	601
Avg. # of Sales & Marketing Employees	23	23	24	26	24	26	31	36	43	34
Avg. # of Information Technology Employees	40	41	42	48	43	56	57	59	67	60
Avg. # of General Administration Employees	26	27	28	28	27	31	36	36	36	35
<b>Total # of Employees</b>	<b>481</b>	<b>501</b>	<b>558</b>	<b>612</b>	<b>538</b>	<b>652</b>	<b>700</b>	<b>754</b>	<b>812</b>	<b>729</b>
Annualized Rev per Avg. Client Svc EE	131,146	134,979	140,654	145,973	138,675	144,712	147,330	152,603	153,526	149,826
Annualized Rev per Avg. Employee	107,293	111,306	117,755	123,535	115,427	119,749	121,219	126,163	126,011	123,502
Avg Salary & Wages - CS	50,542	51,165	48,668	47,590	49,349	52,598	51,896	49,998	48,521	50,627
Avg Salary & Wages - SM	76,728	75,616	78,018	72,880	75,730	83,469	69,261	64,389	55,676	66,439
Avg Salary & Wages - IT	77,669	75,616	77,474	75,298	76,464	79,601	77,507	79,467	77,180	78,386
Avg Salary & Wages - GA	71,343	72,582	73,298	72,088	72,347	74,518	74,144	75,131	73,891	74,418
Avg Salary & Wages - Total	55,136	55,446	53,338	51,964	53,840	57,169	55,895	54,177	52,386	54,759

Synhrgy HR Technologies, Inc.  
Financial Forecast

← SUPERSEDED →

Balance Sheet

Assets

Current Assets

	Actual Q1-00	Actual Q2-00	Actual Q3-00	Actual Q4-00	Actual TOTAL-00	Actual Q1-01	FCST Q2-01	FCST Q3-01	FCST Q4-01	FCST TOTAL-01
Cash & Equivalents	3,274,395	1,066,821	650,974	987,941		8,674,246	7,558,132	4,833,793	4,641,937	
Investments	0	300,000	300,000	0		0	0	0	0	
Accounts Receivable, net	1,582,089	2,525,443	4,394,955	4,556,911		6,696,574	6,100,725	7,460,584	7,936,087	
Prepaid Expenses	344,601	465,203	389,083	639,024		303,644	764,739	758,739	752,739	
Other Current Assets	71,082	130,353	88,267	83,748		135,795	100,270	100,270	100,270	
<b>Current Assets</b>	<b>5,272,167</b>	<b>4,487,820</b>	<b>5,823,279</b>	<b>6,267,624</b>		<b>15,810,259</b>	<b>14,523,866</b>	<b>13,153,386</b>	<b>13,431,032</b>	
Property and Equipment, net	1,856,300	4,536,508	7,507,657	9,321,469		9,522,636	9,908,077	9,594,265	8,182,453	
Intangible Assets	0	0	9,222,222	1,722,220		2,016,012	1,499,996	1,333,328	1,166,660	
Other Assets	365,781	365,781	365,781	365,781		365,781	365,781	365,781	365,781	
<b>Total Assets</b>	<b>7,494,248</b>	<b>9,390,109</b>	<b>22,918,940</b>	<b>17,677,094</b>		<b>27,714,688</b>	<b>26,297,721</b>	<b>24,446,761</b>	<b>23,145,927</b>	

Synhrgy HR Technologies, Inc.  
Financial Forecast

← SUPERSEDED →

Liabilities & Shareholders Equity

Current Liabilities

	Actual Q1-00	Actual Q2-00	Actual Q3-00	Actual Q4-00	Actual TOTAL-00	Actual Q1-01	FCST Q2-01	FCST Q3-01	FCST Q4-01	FCST TOTAL-01
Accounts Payable	403,010	990,357	3,410,241	5,186,786		3,188,999	3,254,626	948,917	1,160,690	
Accrued Liabilities	559,689	2,002,890	1,830,792	3,764,826		2,784,628	3,785,847	4,722,819	5,025,023	
Line of Credit	300,000	0	0	0		0	0	0	0	
Short Term Debt	160,673	156,482	155,151	149,412		149,412	796,383	636,759	149,412	
Deferred Tax Liability	132,721	132,721	132,721	132,721		132,721	132,721	132,721	132,721	
Deferred Revenue	676,056	430,149	409,239	624,752		622,969	645,653	645,653	645,653	
Other Current Liabilities	0	0	0	0		0	0	0	0	
<b>Current Liabilities</b>	<b>2,232,149</b>	<b>3,712,599</b>	<b>5,938,144</b>	<b>9,858,498</b>		<b>6,878,730</b>	<b>8,615,230</b>	<b>7,086,869</b>	<b>7,113,499</b>	

Long Term Liabilities

Long Term Debt	715,995	693,394	5,673,442	9,889,183		1,129,245	1,676,015	2,977,039	3,145,410	
Deferred Tax Liability	233,060	233,060	233,060	233,062		233,062	233,062	233,062	233,062	
Dividends Payable	0	0	557,132	818,815		1,516,073	1,970,937	2,420,937	2,870,937	
Other Long Term Liabilities	0	0	0	0		0	0	0	0	
<b>Long Term Liabilities</b>	<b>949,055</b>	<b>926,454</b>	<b>6,463,634</b>	<b>10,941,060</b>		<b>2,878,380</b>	<b>3,880,014</b>	<b>5,631,038</b>	<b>6,249,409</b>	

Total Liabilities

<b>Total Liabilities</b>	<b>3,181,204</b>	<b>4,639,053</b>	<b>12,401,778</b>	<b>20,799,558</b>		<b>9,757,110</b>	<b>12,495,244</b>	<b>12,717,907</b>	<b>13,362,908</b>	
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Redeemable Preferred Stock

<b>Redeemable Preferred Stock</b>	<b>4,388,680</b>	<b>8,000,020</b>	<b>8,000,020</b>	<b>8,000,020</b>		<b>8,000,020</b>	<b>8,000,020</b>	<b>8,000,020</b>	<b>8,000,020</b>	
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Shareholder's Equity

Preferred Stock	4,000,000	4,000,000	4,110,900	4,110,900		29,215,388	29,215,388	29,215,388	29,215,388	
Common Stock	30,750	30,750	30,750	186,926		186,926	186,926	186,926	186,926	
APIC	3,222,216	3,222,216	13,111,316	13,837,140		13,887,140	13,887,140	13,887,140	13,887,140	
Dividends	0	0	0	0		0	0	0	0	
Deferred Stock Based Comp	(1,162,523)	(1,039,246)	(873,574)	(739,232)		(649,671)	(470,549)	(336,209)	(201,869)	
Shareholder Loans	0	0	0	0		0	0	0	0	
Treasury Stock	(40,000)	(40,000)	(61,882)	(61,882)		(174,642)	(174,642)	(174,642)	(174,642)	
Accumulated Earnings(Deficit)	(6,126,073)	(9,422,681)	(13,800,372)	(28,456,340)		(32,507,583)	(36,841,894)	(39,049,857)	(41,130,033)	
<b>Shareholder's Equity</b>	<b>(75,630)</b>	<b>(3,248,961)</b>	<b>2,517,138</b>	<b>(11,122,488)</b>		<b>9,957,558</b>	<b>5,802,369</b>	<b>3,728,746</b>	<b>1,782,910</b>	

Total Liab & Shareholder's Equity

<b>Total Liab &amp; Shareholder's Equity</b>	<b>7,494,254</b>	<b>9,390,113</b>	<b>22,918,936</b>	<b>17,677,090</b>		<b>27,714,688</b>	<b>26,297,633</b>	<b>24,446,673</b>	<b>23,145,839</b>	
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Synhrgy HR Technologies, Inc.  
 Financial Forecast  
 V-5.6 Forecast

	Actual Q1-01	Actual Q2-01	Actual Q3-01	FCST Q4-01	FCST TOTAL-01	FCST Q1-02	FCST Q2-02	FCST Q3-02	FCST Q4-02	FCST TOTAL-02
<b>Balance Sheet</b>										
<b>Assets</b>										
Current Assets										
Cash & Equivalents	8,722,882	6,609,349	4,068,758	3,835,861		3,777,006	2,864,999	2,005,962	3,252,114	
Investments	0	0	0	0		0	0	0	0	
Accounts Receivable, net	6,696,573	5,169,497	5,060,692	5,801,439		5,472,270	5,693,820	5,972,466	6,399,140	
Prepaid Expenses	303,644	961,193	573,230	567,290		656,561	650,561	644,561	638,561	
Other Current Assets	135,795	27,262	7,417	7,417		7,417	7,417	7,417	7,417	
<b>Current Assets</b>	<b>15,858,894</b>	<b>12,767,301</b>	<b>9,710,097</b>	<b>10,211,947</b>		<b>9,913,254</b>	<b>9,216,797</b>	<b>8,630,406</b>	<b>10,297,233</b>	
Property and Equipment, net	9,522,637	11,060,378	11,761,363	10,835,875		10,511,716	11,332,852	11,522,277	10,243,906	
Intangible Assets	2,016,011	1,388,885	0	0		0	0	0	0	
Other Assets	365,781	365,781	365,781	365,781		365,781	365,781	365,781	365,781	
<b>Total Assets</b>	<b>27,763,323</b>	<b>25,582,345</b>	<b>21,837,241</b>	<b>21,413,603</b>		<b>20,790,751</b>	<b>20,915,430</b>	<b>20,518,464</b>	<b>20,906,920</b>	

Synhrgy HR Technologies, Inc.  
 Financial Forecast  
 V-5.6 Forecast

	Actual Q1-01	Actual Q2-01	Actual Q3-01	FCST Q4-01	FCST TOTAL-01	FCST Q1-02	FCST Q2-02	FCST Q3-02	FCST Q4-02	FCST TOTAL-02
<b>Liabilities &amp; Shareholders Equity</b>										
<b>Current Liabilities</b>										
Accounts Payable	3,236,141	1,866,202	990,388	1,247,449		1,273,522	1,223,543	1,354,306	1,402,477	
Accrued Liabilities	2,900,634	5,564,013	4,900,593	5,248,990		4,879,256	4,552,156	4,270,012	4,442,145	
Line of Credit	0	0	0	0		1,000,000	2,000,000	2,000,000	2,000,000	
Short Term Debt	429,596	839,680	1,050,370	1,199,782		1,210,199	1,251,865	1,283,115	1,279,172	
Deferred Tax Liability	132,721	132,721	132,721	132,721		132,721	132,721	132,721	132,721	
Deferred Revenue	193,654	210,641	540,830	488,163		345,108	338,094	321,977	292,367	
Other Current Liabilities	0	0	0	0		0	0	0	0	
<b>Current Liabilities</b>	<b>6,892,745</b>	<b>8,613,256</b>	<b>7,614,901</b>	<b>8,317,105</b>		<b>8,840,805</b>	<b>9,498,379</b>	<b>9,362,131</b>	<b>9,548,882</b>	
<b>Long Term Liabilities</b>										
Long Term Debt	849,062	857,175	1,020,605	575,453		493,794	1,082,275	1,333,950	863,873	
Deferred Tax Liability	233,060	233,060	233,060	233,060		233,060	233,060	233,060	233,060	
Deferred Revenue	313,310	287,238	327,614	512,583		522,292	487,847	720,049	1,027,009	
Dividends Payable	1,516,073	2,091,894	2,871,239	3,684,945		4,515,034	5,361,836	6,225,687	7,106,930	
Other Long Term Liabilities	0	0	0	0		0	0	0	0	
<b>Long Term Liabilities</b>	<b>2,911,505</b>	<b>3,469,367</b>	<b>4,452,518</b>	<b>5,006,041</b>		<b>5,764,181</b>	<b>7,165,018</b>	<b>8,512,745</b>	<b>9,230,872</b>	
<b>Total Liabilities</b>	<b>9,804,250</b>	<b>12,082,623</b>	<b>12,067,419</b>	<b>13,323,145</b>		<b>14,604,986</b>	<b>16,663,397</b>	<b>17,874,876</b>	<b>18,779,754</b>	
<b>Redeemable Preferred Stock</b>	<b>8,000,020</b>	<b>8,000,020</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Shareholder's Equity</b>										
Preferred Stock	29,215,388	29,215,388	808,176	808,176		808,176	808,176	808,176	808,176	
Common Stock	186,926	186,926	186,926	186,926		186,926	186,926	186,926	186,926	
APIC	13,887,140	13,937,140	49,881,038	49,881,038		49,881,038	49,881,038	49,881,038	49,881,038	
Dividends	0	0	0	0		0	0	0	0	
Deferred Stock Based Comp	(649,671)	(524,031)	(416,429)	(282,089)		(202,208)	(122,327)	(80,217)	(80,217)	
Shareholder Loans	0	0	0	0		0	0	0	0	
Treasury Stock	(174,642)	(174,642)	(263,440)	(263,440)		(463,440)	(563,440)	(663,440)	(763,440)	
Accumulated Earnings(Deficit)	(32,506,088)	(37,141,079)	(40,426,451)	(42,240,155)		(44,024,729)	(45,938,342)	(47,488,898)	(47,905,319)	
<b>Shareholder's Equity</b>	<b>9,959,053</b>	<b>5,499,702</b>	<b>9,769,820</b>	<b>8,090,456</b>		<b>6,185,763</b>	<b>4,252,031</b>	<b>2,643,585</b>	<b>2,127,164</b>	
<b>Total Liab &amp; Shareholder's Equity</b>	<b>27,763,323</b>	<b>25,582,345</b>	<b>21,837,239</b>	<b>21,413,601</b>		<b>20,790,749</b>	<b>20,915,428</b>	<b>20,518,462</b>	<b>20,906,918</b>	

Synhrgy HR Technologies, Inc.  
 Financial Forecast  
 V-5.6 Forecast

	Actual Q1-01	Actual Q2-01	Actual Q3-01	FCST Q4-01	FCST TOTAL-01	FCST Q1-02	FCST Q2-02	FCST Q3-02	FCST Q4-02	FCST TOTAL-02
<b>Indirect Cash Flow Statement</b>										
<b>Net Income(Loss)</b>	(3,353,983)	(4,059,170)	(1,589,359)	(999,998)	(10,002,510)	(954,485)	(1,066,811)	(686,705)	464,822	(2,243,179)
<b>Noncash Adjustments</b>										
Depreciation	591,710	735,525	1,042,987	1,125,488	3,495,710	1,154,159	1,238,864	1,515,575	1,583,371	5,491,969
Amortization	188,084	145,251	1,388,885	0	1,722,220	0	0	0	0	0
Stock based Compensation	89,561	125,640	107,602	134,340	457,143	79,881	79,881	42,110	0	201,872
Other	0	0	0	0	0	0	0	0	0	0
<b>Noncash Adjustments</b>	<b>869,355</b>	<b>1,006,416</b>	<b>2,539,474</b>	<b>1,259,828</b>	<b>5,675,073</b>	<b>1,234,040</b>	<b>1,318,745</b>	<b>1,557,685</b>	<b>1,583,371</b>	<b>5,693,841</b>
<b>Changes in Operating Assets &amp; Liab</b>										
Accounts Receivable	(2,139,663)	1,527,076	108,805	(740,747)	(1,244,529)	329,169	(221,550)	(278,646)	(426,674)	(597,702)
Prepaid Expenses	335,380	(657,549)	387,963	6,000	71,794	(89,331)	6,000	6,000	6,000	(71,331)
Other Current & Noncurrent Assets	(52,047)	108,533	19,845	0	76,331	0	0	0	0	0
Accounts Payable	(1,949,159)	(1,369,939)	(875,814)	257,061	(3,937,851)	26,073	(49,978)	130,763	48,171	155,028
Accrued Liabilities	(964,197)	2,663,379	(663,420)	348,397	1,384,159	(369,734)	(327,100)	(282,144)	172,134	(806,845)
Deferred Revenue	(17,788)	(9,085)	370,565	132,301	475,993	(133,345)	(41,459)	216,085	277,350	318,631
Deferred Tax Liability	0	0	0	0	0	0	0	0	0	0
Other Current & Noncurrent Liabilities	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
<b>Changes in Operating Assets &amp; Liab</b>	<b>(4,787,474)</b>	<b>2,262,415</b>	<b>(652,056)</b>	<b>3,013</b>	<b>(3,174,102)</b>	<b>(237,168)</b>	<b>(634,088)</b>	<b>(207,942)</b>	<b>76,980</b>	<b>(1,002,219)</b>
<b>Net Cash Provided (Used) By Ops Activities</b>	<b>(7,272,102)</b>	<b>(790,339)</b>	<b>298,059</b>	<b>262,843</b>	<b>(7,501,539)</b>	<b>42,387</b>	<b>(382,154)</b>	<b>663,038</b>	<b>2,125,172</b>	<b>2,448,443</b>
<b>Investing Activities</b>										
Additions(Retire) to Property & Equipment	(792,877)	(2,273,266)	(1,743,972)	(200,000)	(5,010,115)	(830,000)	(2,060,000)	(1,705,000)	(305,000)	(4,900,000)
Additions to Intangibles	(481,875)	481,875	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
<b>Net Cash Used in Investing Activities</b>	<b>(1,274,752)</b>	<b>(1,791,391)</b>	<b>(1,743,972)</b>	<b>(200,000)</b>	<b>(5,010,115)</b>	<b>(830,000)</b>	<b>(2,060,000)</b>	<b>(1,705,000)</b>	<b>(305,000)</b>	<b>(4,900,000)</b>
<b>Financing Activities</b>										
Investments	0	0	0	0	0	0	0	0	0	0
Proceeds from Borrowings (share loan, redeem)	228,164	984,039	1,101,307	0	2,313,510	1,250,000	2,000,000	750,000	0	4,000,000
Payments of Debt	(8,988,121)	(565,842)	(727,187)	(295,740)	(10,576,890)	(321,242)	(369,853)	(467,075)	(474,020)	(1,632,190)
Purchase of Treasury Stock	(112,760)	0	(88,798)	0	(201,558)	(200,000)	(100,000)	(100,000)	(100,000)	(500,000)
Proceeds From Issuance of Stock	0	0	0	0	0	0	0	0	0	0
Preferred (except Redeemable)	25,104,488	0	0	0	25,104,488	0	0	0	0	0
Common	0	0	0	0	0	0	0	0	0	0
APIC	50,000	50,000	(1,380,000)	0	(1,280,000)	0	0	0	0	0
Dividends	(697,258)	(575,821)	(779,345)	(813,706)	(2,866,130)	(830,089)	(846,802)	(863,851)	(881,243)	(3,421,985)
Dividends Payable	697,258	575,821	779,345	813,706	2,866,130	830,089	846,802	863,851	881,243	3,421,985
<b>Net Cash Provided(Used) in Financing Act</b>	<b>16,281,771</b>	<b>468,197</b>	<b>(1,094,678)</b>	<b>(295,740)</b>	<b>15,359,550</b>	<b>728,758</b>	<b>1,530,147</b>	<b>182,925</b>	<b>(574,020)</b>	<b>1,867,810</b>
<b>Net In(De)crease in Cash &amp; Cash Equivalents</b>	<b>7,734,917</b>	<b>(2,113,533)</b>	<b>(2,540,591)</b>	<b>(232,897)</b>	<b>2,847,896</b>	<b>(58,855)</b>	<b>(912,007)</b>	<b>(859,038)</b>	<b>1,246,153</b>	<b>(583,747)</b>
<b>Beginning Cash &amp; Cash Equivalents</b>	<b>987,965</b>	<b>8,722,882</b>	<b>6,609,349</b>	<b>4,068,758</b>	<b>987,965</b>	<b>3,835,861</b>	<b>3,777,006</b>	<b>2,864,999</b>	<b>2,005,962</b>	<b>3,835,861</b>
<b>Ending Cash &amp; Cash Equivalents</b>	<b>8,722,882</b>	<b>6,609,349</b>	<b>4,068,758</b>	<b>3,835,861</b>	<b>3,835,861</b>	<b>3,777,006</b>	<b>2,864,999</b>	<b>2,005,962</b>	<b>3,252,114</b>	<b>3,252,114</b>



Synhrgy HR Technologies, Inc.  
 Financial Forecast  
 V-5.6 Forecast

Balance Sheet

Assets

	FCST Q1-03	FCST Q2-03	FCST Q3-03	FCST Q4-03	FCST TOTAL-03	FCST Q1-04	FCST Q2-04	FCST Q3-04	FCST Q4-04	FCST Total-04
Current Assets										
Cash & Equivalents	2,403,910	2,729,897	4,566,391	7,007,085		7,496,974	7,623,499	11,963,205	17,866,125	
Investments	0	0	0	0		0	0	0	0	
Accounts Receivable, net	6,992,251	7,680,794	8,331,728	8,979,225		9,853,033	10,783,326	11,778,677	12,754,969	
Prepaid Expenses	727,892	721,892	715,892	709,892		799,223	793,223	787,223	781,223	
Other Current Assets	7,417	7,417	7,417	7,417		7,417	7,417	7,417	7,417	
<b>Current Assets</b>	<b>10,131,469</b>	<b>11,140,000</b>	<b>13,621,428</b>	<b>16,703,618</b>		<b>18,156,647</b>	<b>19,207,465</b>	<b>24,536,521</b>	<b>31,409,734</b>	
Property and Equipment, net	9,453,611	10,443,705	9,691,896	8,178,865		7,245,584	9,995,470	8,917,342	7,255,769	
Intangible Assets	0	0	0	0		0	0	0	0	
Other Assets	365,781	365,781	365,781	365,781		365,781	365,781	365,781	365,781	
<b>Total Assets</b>	<b>19,950,862</b>	<b>21,949,486</b>	<b>23,679,106</b>	<b>25,248,265</b>		<b>25,768,012</b>	<b>29,568,716</b>	<b>33,819,644</b>	<b>39,031,284</b>	

Synhrgr HR Technologies, Inc.  
**Financial Forecast**  
**V-5.6 Forecast**

	FCST Q1-03	FCST Q2-03	FCST Q3-03	FCST Q4-03	FCST TOTAL-03	FCST Q1-04	FCST Q2-04	FCST Q3-04	FCST Q4-04	FCST Total-04
<b>Liabilities &amp; Shareholders Equity</b>										
<b>Current Liabilities</b>										
Accounts Payable	1,462,685	1,567,651	1,550,967	1,606,869		1,699,684	1,947,577	2,037,943	3,467,939	
Accrued Liabilities	4,272,340	4,119,515	5,016,684	5,298,467		5,185,377	5,023,965	6,239,719	6,584,646	
Line of Credit	2,000,000	2,000,000	2,000,000	2,000,000		2,000,000	2,000,000	2,000,000	2,000,000	
Short Term Debt	1,278,913	1,379,008	1,339,843	1,218,196		1,228,613	1,335,905	1,362,988	1,339,409	
Deferred Tax Liability	132,721	132,721	132,721	132,721		132,721	132,721	132,721	132,721	
Deferred Revenue	346,906	369,584	393,248	412,659		0	0	0	0	
Other Current Liabilities	0	0	0	0		0	0	0	0	
<b>Current Liabilities</b>	<b>9,493,565</b>	<b>9,568,479</b>	<b>10,433,463</b>	<b>10,668,911</b>		<b>10,246,395</b>	<b>10,440,168</b>	<b>11,773,371</b>	<b>13,524,715</b>	
<b>Long Term Liabilities</b>										
Long Term Debt	626,213	2,491,682	2,421,411	1,779,455		1,241,536	2,810,225	2,384,122	1,354,515	
Deferred Tax Liability	233,060	233,060	233,060	233,060		233,060	233,060	233,060	233,060	
Deferred Revenue	1,063,582	1,285,146	1,577,525	1,875,910		2,485,980	2,796,483	3,218,647	3,572,376	
Dividends Payable	8,005,916	8,923,002	9,858,552	10,812,938		11,786,539	12,779,743	13,792,943	14,826,542	
Other Long Term Liabilities	0	0	0	0		0	0	0	0	
<b>Long Term Liabilities</b>	<b>9,928,771</b>	<b>12,932,890</b>	<b>14,090,548</b>	<b>14,701,363</b>		<b>15,747,116</b>	<b>18,619,511</b>	<b>19,628,772</b>	<b>19,986,493</b>	
<b>Total Liabilities</b>	<b>19,422,336</b>	<b>22,501,369</b>	<b>24,524,012</b>	<b>25,370,274</b>		<b>25,993,511</b>	<b>29,059,679</b>	<b>31,402,143</b>	<b>33,511,208</b>	
<b>Redeemable Preferred Stock</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Shareholder's Equity</b>										
Preferred Stock	808,176	808,176	808,176	808,176		808,176	808,176	808,176	808,176	
Common Stock	186,926	186,926	186,926	186,926		186,926	186,926	186,926	186,926	
APIC	49,881,038	49,881,038	49,881,038	49,881,038		49,881,038	49,881,038	49,881,038	49,881,038	
Dividends	0	0	0	0		0	0	0	0	
Deferred Stock Based Comp	(336)	79,545	121,655	121,655		201,536	281,417	323,527	323,527	
Shareholder Loans	0	0	0	0		0	0	0	0	
Treasury Stock	(963,440)	(1,063,440)	(1,163,440)	(1,263,440)		(1,463,440)	(1,563,440)	(1,663,440)	(1,763,440)	
Accumulated Earnings(Deficit)	(49,383,840)	(50,444,130)	(50,679,263)	(49,856,367)		(49,839,736)	(49,085,081)	(47,118,727)	(43,916,153)	
<b>Shareholder's Equity</b>	<b>528,524</b>	<b>(551,885)</b>	<b>(844,908)</b>	<b>(122,012)</b>		<b>(225,500)</b>	<b>509,036</b>	<b>2,417,500</b>	<b>5,520,074</b>	
<b>Total Liab &amp; Shareholder's Equity</b>	<b>19,950,860</b>	<b>21,949,484</b>	<b>23,679,104</b>	<b>25,248,263</b>		<b>25,768,011</b>	<b>29,568,714</b>	<b>33,819,642</b>	<b>39,031,282</b>	

Synhrgy HR Technologies, Inc.  
 Financial Forecast  
 V-5.6 Forecast

	FCST Q1-03	FCST Q2-03	FCST Q3-03	FCST Q4-03	FCST TOTAL-03	FCST Q1-04	FCST Q2-04	FCST Q3-04	FCST Q4-04	FCST Total-04
<b>Indirect Cash Flow Statement</b>										
<b>Net Income(Loss)</b>	(579,535)	(143,204)	700,417	1,777,282	1,754,961	990,232	1,747,858	2,979,554	4,236,174	9,953,819
Noncash Adjustments										
Depreciation	1,620,295	1,719,906	1,806,809	1,818,031	6,965,041	1,863,281	2,060,114	2,233,128	2,266,573	8,423,096
Amortization	0	0	0	0	0	0	0	0	0	0
Stock based Compensation	79,881	79,881	42,110	0	201,872	79,881	79,881	42,110	0	201,872
Other	0	0	0	0	0	0	0	0	0	0
<b>Noncash Adjustments</b>	<b>1,700,176</b>	<b>1,799,787</b>	<b>1,848,919</b>	<b>1,818,031</b>	<b>7,166,913</b>	<b>1,943,162</b>	<b>2,139,995</b>	<b>2,275,238</b>	<b>2,266,573</b>	<b>8,624,968</b>
Changes in Operating Assets & Liab										
Accounts Receivable	(593,110)	(688,543)	(650,934)	(647,497)	(2,580,084)	(873,808)	(930,294)	(995,351)	(976,292)	(3,775,744)
Prepaid Expenses	(89,331)	6,000	6,000	6,000	(71,331)	(89,331)	6,000	6,000	6,000	(71,331)
Other Current & Noncurrent Assets	0	0	0	0	0	0	0	0	0	0
Accounts Payable	60,208	104,967	(16,684)	55,901	204,392	92,816	247,893	90,366	1,429,996	1,861,071
Accrued Liabilities	(169,806)	(152,825)	897,170	281,782	856,321	(113,090)	(161,412)	1,215,754	344,927	1,286,179
Deferred Revenue	91,112	244,242	316,043	317,796	969,193	197,411	310,503	422,164	353,729	1,283,807
Deferred Tax Liability	0	0	0	0	0	0	0	0	0	0
Other Current & Noncurrent Liabilities	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
<b>Changes in Operating Assets &amp; Liab</b>	<b>(700,927)</b>	<b>(486,160)</b>	<b>551,595</b>	<b>13,983</b>	<b>(621,509)</b>	<b>(786,002)</b>	<b>(527,309)</b>	<b>738,933</b>	<b>1,158,360</b>	<b>583,981</b>
<b>Net Cash Provided (Used) By Ops Activities</b>	<b>419,714</b>	<b>1,170,423</b>	<b>3,100,931</b>	<b>3,609,296</b>	<b>8,300,365</b>	<b>2,147,392</b>	<b>3,360,544</b>	<b>5,993,725</b>	<b>7,661,107</b>	<b>19,162,768</b>
Investing Activities										
Additions(Retire) to Property & Equipment	(830,000)	(2,710,000)	(1,055,000)	(305,000)	(4,900,000)	(930,000)	(4,810,000)	(1,155,000)	(605,000)	(7,500,000)
Additions to Intangibles	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
<b>Net Cash Used in Investing Activities</b>	<b>(830,000)</b>	<b>(2,710,000)</b>	<b>(1,055,000)</b>	<b>(305,000)</b>	<b>(4,900,000)</b>	<b>(930,000)</b>	<b>(4,810,000)</b>	<b>(1,155,000)</b>	<b>(605,000)</b>	<b>(7,500,000)</b>
Financing Activities										
Investments	0	0	0	0	0	0	0	0	0	0
Proceeds from Borrowings (share loan, redeem )	250,000	2,575,000	650,000	0	3,475,000	250,000	2,575,000	650,000	0	3,475,000
Payments of Debt	(487,919)	(609,436)	(759,436)	(763,603)	(2,620,394)	(777,502)	(899,020)	(1,049,020)	(1,053,186)	(3,778,728)
Purchase of Treasury Stock	(200,000)	(100,000)	(100,000)	(100,000)	(500,000)	(200,000)	(100,000)	(100,000)	(100,000)	(500,000)
Proceeds From Issuance of Stock	0	0	0	0	0	0	0	0	0	0
Preferred (except Redeemable)	0	0	0	0	0	0	0	0	0	0
Common	0	0	0	0	0	0	0	0	0	0
APIC	0	0	0	0	0	0	0	0	0	0
Dividends	(898,986)	(917,086)	(935,550)	(954,386)	(3,706,008)	(973,601)	(993,203)	(1,013,200)	(1,033,600)	(4,013,605)
Dividends Payable	898,986	917,086	935,550	954,386	3,706,008	973,601	993,203	1,013,200	1,033,600	4,013,605
<b>Net Cash Provided(Used) in Financing Act</b>	<b>(437,919)</b>	<b>1,865,564</b>	<b>(209,436)</b>	<b>(863,603)</b>	<b>354,606</b>	<b>(727,502)</b>	<b>1,575,980</b>	<b>(499,020)</b>	<b>(1,153,186)</b>	<b>(803,728)</b>
<b>Net In(De)crease in Cash &amp; Cash Equivalents</b>	<b>(848,204)</b>	<b>325,987</b>	<b>1,836,495</b>	<b>2,440,693</b>	<b>3,754,970</b>	<b>489,890</b>	<b>126,525</b>	<b>4,339,706</b>	<b>5,902,920</b>	<b>10,859,040</b>
<b>Beginning Cash &amp; Cash Equivalents</b>	<b>3,252,114</b>	<b>2,403,910</b>	<b>2,729,897</b>	<b>4,566,391</b>	<b>3,252,114</b>	<b>7,007,085</b>	<b>7,496,974</b>	<b>7,623,499</b>	<b>11,963,205</b>	<b>7,007,085</b>
<b>Ending Cash &amp; Cash Equivalents</b>	<b>2,403,910</b>	<b>2,729,897</b>	<b>4,566,391</b>	<b>7,007,085</b>	<b>7,007,085</b>	<b>7,496,974</b>	<b>7,623,499</b>	<b>11,963,205</b>	<b>17,866,125</b>	<b>17,866,125</b>

Synhrgy HR Technologies, Inc.				
Summary of Adjustments to Preliminary P&L				
	Pre Adj	Adj	F/(U)	
	TOTAL-00	TOTAL-00	TOTAL-00	Notes
<b>Revenue</b>				
Client Administration - Implementation	10,067,944	152,712	(9,915,232)	
Client Administration - Ongoing	6,263,065	6,263,065	-	
Consulting Revenue	1,045,901	10,067,478	9,021,577	
Client Billable Expense	343,101	343,101	-	
Other Revenue	490	490	-	
<b>Total Revenue</b>	<b>17,720,501</b>	<b>16,826,846</b>	<b>(893,655)</b>	SAB 101
<b>Direct Expenses</b>				
Royalties	289,895	289,895	-	
Client Administration Expense	268	268	-	
Consulting Expense	-	-	-	
Client Rebillable Expenses	509,281	812,141	(302,860)	Reversed non-billable Client Expense
<b>Total Direct Expenses</b>	<b>799,444</b>	<b>1,102,304</b>	<b>(302,860)</b>	
<b>Gross Margin (Internal)</b>	<b>16,921,057</b>	<b>15,724,542</b>	<b>(1,196,515)</b>	
<b>Client Services</b>				
Salaries and Wages	6,642,976	6,656,062	(13,086)	
Commissions	-	-	-	
Bonuses	1,421,421	1,421,421	-	
Fringe Benefits	1,364,191	1,514,360	(150,169)	FICA withholding for 2000 Bonus
Recruiting & Relocation	389,610	389,610	-	
Travel & Entertainment	250,771	250,771	-	
Advertising & Marketing	584	584	-	
Professional Fees	44,889	44,889	-	
Computer & Equipment Costs	51,775	51,775	-	
Office Costs	1,231,747	1,231,747	-	
Other Expenses	-	(468,407)	468,407	SAB 101
Bad Debt Expense	-	-	-	
<b>Total Client Services</b>	<b>11,397,942</b>	<b>11,092,790</b>	<b>305,152</b>	
<b>Gross Margin (External)</b>	<b>5,523,115</b>	<b>4,631,751</b>	<b>(891,363)</b>	
<b>SG&amp;A Expenses</b>				
<b>Sales &amp; Marketing</b>				
Salaries and Wages	2,471,006	2,471,006	-	
Commissions	-	-	-	
Bonuses	431,375	431,375	-	
Fringe Benefits	310,270	310,270	-	
Recruiting & Relocation	184,215	184,215	-	
Travel & Entertainment	725,420	725,420	-	
Advertising & Marketing	628,806	628,806	-	
Professional Fees	295,890	295,890	-	
Computer & Equipment Costs	17,564	17,564	-	
Office Costs	284,650	284,650	-	
Other Expenses	-	-	-	
Bad Debt Expense	-	-	-	
<b>Total Sales &amp; Marketing</b>	<b>5,349,196</b>	<b>5,349,196</b>	<b>-</b>	
<b>Technology</b>				
Salaries and Wages	2,721,952	2,721,952	-	
Commissions	-	-	-	
Bonuses	445,513	445,513	-	
Fringe Benefits	497,699	497,699	-	
Recruiting & Relocation	378,739	378,739	-	
Travel & Entertainment	168,195	168,195	-	
Advertising & Marketing	-	-	-	
Professional Fees	88,166	88,166	-	
Computer & Equipment Costs	470,627	820,627	(350,000)	IBM Hosting Expense
Office Costs	574,540	574,540	-	
Other Expenses	641	(993,120)	993,761	Capitalized Software Development
Bad Debt Expense	-	-	-	
<b>Total Technology</b>	<b>5,346,072</b>	<b>4,702,311</b>	<b>643,761</b>	

Synhrgy HR Technologies, Inc.				
Summary of Adjustments to Preliminary P&L				
	Pre Adj	Adj	F/(U)	
	TOTAL-00	TOTAL-00	TOTAL-00	Notes
<b>General Administration</b>				
Salaries and Wages	1,945,565	1,945,565	-	
Commissions	-	-	-	
Bonuses	344,969	344,969	-	
Fringe Benefits	553,628	553,628	-	
Recruiting & Relocation	245,480	245,480	-	
Travel & Entertainment	233,828	233,828	-	
Advertising & Marketing	-	-	-	
Professional Fees	1,199,520	1,199,520	-	
Computer & Equipment Costs	444,003	1,144,003	(700,000)	IBM Termination Fee
Office Costs	442,360	442,360	-	
Other Expenses	105,800	987,800	(882,000)	Clarite Warrants
Bad Debt Expense	456,771	1,291,173	(834,402)	Bad Debt Writeoff
<b>Total Administration</b>	<b>5,971,923</b>	<b>8,388,325</b>	<b>(2,416,402)</b>	
<b>Total SG&amp;A Expenses</b>	<b>16,667,191</b>	<b>18,439,832</b>	<b>(1,772,641)</b>	
<b>EBITDA</b>	<b>(11,144,076)</b>	<b>(13,808,080)</b>	<b>(2,664,004)</b>	
Total Depreciation & Amortization	3,166,388	9,937,307	(6,770,919)	IBM Intangible Writeoff
<b>Operating Income</b>	<b>(14,310,464)</b>	<b>(23,745,387)</b>	<b>(9,434,923)</b>	
Other Income/(Expense)	(308,439)	(422,154)	(113,715)	SAB 101 Prior Year (1999) Impact
<b>Income Before Taxes</b>	<b>(14,618,903)</b>	<b>(24,167,541)</b>	<b>(9,548,638)</b>	
Taxes	10,354	10,354	-	
<b>Net Income/(Loss)</b>	<b>(14,629,257)</b>	<b>(24,177,895)</b>	<b>(9,548,638)</b>	
<b>Combined Departments</b>				
Salaries and Wages	13,781,498	13,794,584	(13,086)	
Commissions	-	-	-	
Bonuses	2,643,277	2,643,277	-	
Fringe Benefits	2,725,788	2,875,957	(150,169)	
Recruiting & Relocation	1,198,044	1,198,044	-	
Travel & Entertainment	1,378,213	1,378,213	-	
Advertising & Marketing	629,370	629,370	-	
Professional Fees	1,628,466	1,628,466	-	
Computer & Equipment Costs	983,970	2,033,970	(1,050,000)	
Office Costs	2,533,297	2,533,297	-	
Other Expenses	106,441	(473,727)	580,168	
Bad Debt Expense	456,771	1,291,173	(834,402)	
Depreciation & Amortization	3,166,388	9,937,307	(6,770,919)	
<b>Total Combined Departments</b>	<b>31,231,521</b>	<b>39,469,929</b>	<b>(8,238,408)</b>	

**Synhrgy HR Technologies  
Depreciation & Amortization Internal Allocation**

Depreciation & Amortization					YTD
	2000	Q1-01	Q2-01	Q3-01	2001
Client Services	778,188	386,917	522,424	812,849	1,722,190
Sales & Marketing	89,826	45,495	50,043	69,337	164,875
Technology	228,806	117,315	111,764	89,087	318,166
Administration	8,840,488	230,067	196,545	1,467,581	1,894,193
Total	9,937,308	779,794	880,776	2,438,854	4,099,424

Depreciation					YTD
	2000	Q1-01	Q2-01	Q3-01	2001
Client Services	778,188	386,917	522,424	812,849	1,722,190
Sales & Marketing	89,826	45,495	50,043	69,337	164,875
Technology	228,806	117,315	111,764	89,087	318,166
Administration	70,124	41,983	51,294	78,696	171,973
Total	1,166,944	591,710	735,525	1,049,969	2,377,204

Amortization					YTD
	2000	Q1-01	Q2-01	Q3-01	2001
Client Services	0	0	0	0	0
Sales & Marketing	0	0	0	0	0
Technology	0	0	0	0	0
Administration	8,770,364	188,084	145,251	1,388,885	1,722,220
Total	8,770,364	188,084	145,251	1,388,885	1,722,220

## Summary of Stock Related Agreements as of 9/30/01

- 1. Clarite (Uniprise) Series B and B-1 Convertible Preferred Stock and Debt**  
Clarite holds 1,833,211 preferred convertible debt shares (Series B and B-1)  
Includes bridge note and interest conversions in 2001
- 2. SBC Systems Company, Inc. Stock Options**  
December 1, 1999  
109,240 shares exercisable at \$2.746 per share (\$300,000)
- 3. Richland and Validus Series A Convertible Preferred Stock**  
December 10, 1999 and September 30, 2001  
2,833,333 Preferred A Convertible shares  
8% dividend rate  
Includes purchase of 2/3 of IBM's 1,250 shares at \$3.60/share
- 4. Richland and Validus Series B and B-1 Convertible Debt**  
1,290,219 shares of preferred convertible debt  
Includes bridge note and interest conversions in 2001
- 5. Employee Options Granted**  
By the end of 3Q01, 1,161,540 stock options had been granted at \$6.00 per share to employees and executives. Vesting of these options will take place proportionately over the succeeding four years. The remaining option pool as of 9/30/01 was 907,840 shares.
- 6. Treasury Shares**  
150,896 common shares were held as Treasury shares as of 9/30/01
- 7. Employee and Founders Shares**  
1,718,364 shares were held by employees and founders
- 8. Richland and Validus Convertible Debt Warrants**  
125,000 warrants  
Exercisable up to 7/14/05 at \$8.00/share
- 9. Clarite (Uniprise) Convertible Debt Warrants**  
25,700 warrants  
Exercisable at \$8.00 per share
- 10. T. Rowe Price Series B Preferred**  
125,000 shares of Series B preferred issued in 2001

Attached is a further explanation of the Series B plan including conversion of previous holdings.

Synhrgy Capitalization -- As of September 30, 2001

Investor Name	Series A	A %	Series B1	Series B2	B%	All Pref %	Common O/S	All O/S %	Common Options & Warrants	Fully Diluted Shares	All %
Richland Ventures III, L.P.	1,305,559	46.08%	752,628		23.17%	33.84%		26.39%	72,916	2,131,103	21.04%
Validus L.P.	833,330	29.41%	537,591		16.55%	22.54%		17.58%	52,083	1,423,004	14.05%
Validus II L.P.	671,285	23.69%			0.00%	11.04%		8.61%		671,285	6.63%
Validus II Exec Fund L.P.	23,159	0.82%			0.00%	0.38%		0.30%		23,159	0.23%
Clarite, LLC		0.00%	1,391,731	441,480	56.43%	30.14%		23.50%	25,700	1,858,911	18.35%
T. Rowe Price Associates, Inc.		0.00%	125,000		3.85%	2.06%		1.60%		125,000	1.23%
Carlson (1)		0.00%			0.00%	0.00%	288,750	3.70%	305,000	593,750	5.86%
Taggart (1)		0.00%			0.00%	0.00%	288,750	3.70%	232,500	521,250	5.15%
Imrie		0.00%			0.00%	0.00%	288,750	3.70%		288,750	2.85%
Polk		0.00%			0.00%	0.00%		0.00%	197,790	197,790	1.95%
Mackey (1)		0.00%			0.00%	0.00%		0.00%	180,000	180,000	1.78%
Wolyniek		0.00%			0.00%	0.00%	563,364	7.22%	246,250	809,614	7.99%
Other employees		0.00%			0.00%	0.00%		0.00%	907,840	907,840	8.96%
Unallocated Options		0.00%			0.00%	0.00%		0.00%	109,240	109,240	1.08%
SBC option		0.00%			0.00%	0.00%		0.00%		-	0.00%
Leasing warrant		0.00%			0.00%	0.00%		0.00%			
	<u>2,833,333</u>	<u>100.00%</u>	<u>2,806,951</u>	<u>441,480</u>	<u>100.00%</u>	<u>100.00%</u>	<u>1,718,364</u>	<u>100.00%</u>	<u>2,329,319</u>	<u>10,129,447</u>	<u>100.00%</u>
							Treasury Stock				
									150,896	150,896	
									1,869,260	10,280,343	

(1) 50,000 of the options granted to each of these persons will vest only based on 2001 performance.

Richland	72,916
Validus	52,083
Clarite	25,700
ISO	2,069,380
SBC	109,240
	<u>2,329,319</u>



**Actual Trailing Twelve Months Revenues, Costs and  
Operating Income (10/1/00-9/30/01)**

(\$000)	By Quarter				
	4Q00-2Q01 Actual	4Q00 Actual	1Q01 Actual	2Q01 Actual	3Q01 Actual
Revenues					
Implementation (Note 1)	511	153	110	118	130
Ongoing Service	19,123	3,082	5,079	5,099	5,863
Consulting (Note 1)	8,368	3,011	1,296	1,564	2,497
Billable Expense	<u>822</u>	<u>211</u>	<u>97</u>	<u>279</u>	<u>234</u>
Total Revenues	28,824	6,456	6,582	7,061	8,723
Direct Expenses (Note 1)	20,947	5,145	4,691	5,659	5,452
Dept. Expenses					
Sales and Marketing	5,839	1,486	1,544	1,724	1,085
Technology (Note 2)	4,450	845	1,414	1,090	1,101
G&A (Note 3)	<u>7,539</u>	<u>4,634</u>	<u>1,222</u>	<u>1,653</u>	<u>30</u>
Total Dept. Expenses	17,827	6,964	4,180	4,466	2,217
Total Operating Expenses	38,774	12,109	8,871	10,125	7,669
Operating Income/(Loss)-EBITDA	(9,950)	(5,653)	(2,289)	(3,064)	1,055
Other Expenses					
Depreciation and Amortization (Note 3)	12,569	8,469	780	881	2,439
Other Expenses	852	266	278	113	195
Income Tax	<u>26</u>	<u>6</u>	<u>7</u>	<u>2</u>	<u>11</u>
Total Other Expenses	13,447	8,741	1,065	996	2,645
Net Income	(23,397)	(14,394)	(3,354)	(4,060)	(1,590)

**Notes** (based on information in Appendix D-3A):

1. These revenues and direct expenses have been adjusted based on audited interpretation of SEC SAB101. The differences are treated as deferred revenue and prepaid expenses.
2. The technology costs for 4Q00 do not include capitalized software of \$994K but do include payment to IBM for unused hosting of \$350K for 4Q00.
3. The G&A for 4Q00 includes a write off of \$6,771K representing a reevaluation of the acquired IBM technology assets.

**Pro Forma Trailing Twelve Months Revenues, Costs and  
Operating Income (10/1/00-9/30/01)**

(S000)	4Q00-3Q01 Actual GAAP	Adjustments	4Q00-3Q01 Pro Forma
<b>Revenues</b>	28,824	+868 (note 1) -834 (note 2)	28,858
Direct Expenses	20,947	+573 (note 3)	21,520
Sales and Marketing	5,839	--	5,839
Technology	4,450	+993 (note 4) +600 (note 4)	6,043
G&A	7,539	-1,050 (note 5) -882 (note 6) -834 (note 2)	4,773
Depreciation and Amort.	12,569	<u>-6,771 (note 7)</u>	<u>5,798</u>
<b>Total Operating Expenses</b>	51,344	-7,371	43,973
<b>Operating Income</b>	(22,520)	-7,405	(15,115)
Other Non-Operating Exp.	878	+882 (note 6) +1,050 (note 5) <u>+6,771 (note 7)</u>	9,581
<b>Net Income</b>	(23,398)	-1,298	(24,696)

**Notes:**

1. Appendix D-2: 3Q01 Deferred Revenues
2. Appendix D-3A: Bad Debt write-off
3. Appendix D-2: 3Q01 Prepaid Expenses
4. Appendix D-3A and D-1: Capitalized Software Development
5. Appendix D-3A: IBM Hosting Expense and IBM Termination Fee
6. Appendix D-3A: Clarite Warrants
7. Appendix D-3A: IBM Intangible Write-off

**Projected Twelve Months Revenues, Costs and  
Operating Income (4Q01-3Q02)**

(\$000)	4Q01-3Q02 Projected	By Quarter			
		4Q01 Projected	1Q02 Projected	2Q02 Projected	3Q02 Projected
Revenues					
Implementation	633	133	151	171	178
Ongoing Service	31,152	7,375	7,871	7,678	8,228
Consulting	5,501	1,787	315	951	2,448
Billable Expense	<u>707</u>	<u>180</u>	<u>117</u>	<u>190</u>	<u>220</u>
Total Revenues	37,993	9,475	8,454	8,991	11,073
Direct Expenses	24,516	6,501	5,523	5,794	6,698
Dept. Expenses					
Sales and Marketing	3,909	1,208	925	886	890
Technology	4,412	1,049	819	1,079	1,465
G&A	<u>3,012</u>	<u>414</u>	<u>806</u>	<u>856</u>	<u>936</u>
Total Dept. Expenses	11,333	2,671	2,550	2,821	3,291
Total Operating Expenses	35,849	9,172	8,073	8,615	9,989
Operating Income/(Loss)-EBITDA	2,144	303	381	376	1,084
Other Expenses					
Depreciation and Amortization	5,034	1,125	1,154	1,239	1,516
Other Expenses	820	178	182	204	256
Income Tax	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Expenses	5,854	1,303	1,336	1,443	1,772
Net Income	(3,710)	(1,000)	(955)	(1,067)	(688)

**Adjustments to Projected Revenues and Costs  
for 4Q01-3Q02**

<b>(\$000)</b>	<b>3Q01</b>	<b>3Q02</b>	<b>Adjustment</b>
Deferred Revenue	868	1,042	+174
Prepaid Expenses	573	645	+72
Intangible Assets	0	0	0
Property and Equipment	11,761	11,522	-239

<b>(\$000)</b>	<b>Projected</b>	<b>Adjustment</b>	<b>Revenue Projection</b>
Revenues	37,993	+174	38,167
Direct Expenses	24,516	+72	24,588
Dept. Expenses	11,333	--	11,333
Depreciation & Amort.	<u>5,034</u>	<u>--</u>	<u>5,034</u>
Total Operating Expenses	40,883	+72	40,955
Operating Income/Loss	(2,890)	+102	(2,788)

Synhrgy HR Technologies  
Revenue by Business Type and Customer  
As of 9/30/2001

	Q1-01	Q2-01	Q3-01	YTD
<b>Benefit Administration</b>				
Abbott Laboratories	0	0	169,000	169,000
ADS	0	107,500	236,238	343,738
Amoseas	107,142	139,374	111,372	357,888
Aventis (HMRI)	62,296	63,708	66,977	192,981
BAE Systems	534,037	689,181	636,016	1,859,234
BCOM 3	0	0	62,500	62,500
Bell Helicopter Annual Enrollment	242,322	57,306	57,597	357,225
Cemex	0	0	423,168	423,168
City of Dallas	0	0	259,375	259,375
City of L.A.	275,200	376,000	400,000	1,051,200
Consolidated Freights	20,833	62,499	76,066	159,398
Consulting - Assessment	0	0	32,818	32,818
Cooper Tire & Rubber Company	0	0	206,250	206,250
CSR America, Inc.	0	61,200	303,156	364,356
Delaware North	112,448	115,625	115,558	343,631
Delta Airlines Student Verify	357,945	51,613	52,020	461,578
Delta Technology	4,100	52,250	52,250	108,600
Eastman Kodak	3,000	2,000	7,250	12,250
Enron	459,149	471,021	470,382	1,400,552
Fujitsu	269,611	186,000	188,500	644,111
Getronic	201,877	200,297	297,539	699,713
Guide	127,863	130,407	129,202	387,472
HB Fuller	130,712	113,257	116,096	360,065
KRATON Polymers	30,011	41,229	39,673	110,913
Level 3	0	0	112,500	112,500
Palm	16,825	15,867	14,021	46,713
Providian	164,657	159,800	166,800	491,257
Reliant Energy	249,887	211,915	210,918	672,720
Resolution Performance Products (Shell Resins)	41,012	39,631	39,512	120,155
Revlon Consumer Products Corp.	214,895	161,822	118,197	494,914
Sabre, Inc.	331,942	313,742	211,582	857,266
SGS	0	0	52,484	52,484
Stryker	108,364	145,603	111,986	365,953
Tenet	0	0	200,000	200,000
Textron	199,854	176,556	174,696	551,106
Tyco	89,092	140,410	150,984	380,486
United Health Group (Benefits)	732,536	800,337	771,412	2,304,285
US Airways	0	0	75,840	75,840
US Industries	69,326	76,997	77,426	223,749
Veridian	0	0	112,500	112,500
World Kitchen	137,673	114,709	101,869	354,251
YMCA	90,064	64,522	59,044	213,630
<b>Total Benefit Administration Revenue</b>	<b>5,384,673</b>	<b>5,342,378</b>	<b>7,270,774</b>	<b>17,997,825</b>

**Synhrgy HR Technologies**  
**Revenue by Business Type and Customer**  
As of 9/30/2001

	Q1-01	Q2-01	Q3-01	YTD
<b>Consulting</b>				
Administaff	220,921	179,873	50,397	451,191
Aventis (HMRI)	35,984	0	(35,984)	0
Bank of Oklahoma	5	15,410	15,375	30,790
Cigna Group Ins	0	58,819	0	58,819
Condea Vista	25,709	24,800	13,180	63,689
Eastern Health System	0	36,184	0	36,184
EDS (LTV Steels)	0	25,000	0	25,000
Ennis	45,020	35,005	970	80,995
Getronic	0	0	25,120	25,120
HCC Employee Benefits	0	37,000	7,467	44,467
Kerr McGee Corp.	24,415	22,500	22,500	69,415
Kirby Corp	3,926	4,731	0	8,657
Maclean	5,000	0	0	5,000
Navigator System	0	0	5,000	5,000
Ogilvy & Mather	8,332	0	0	8,332
Partner	2,704	0	0	2,704
Riversoft	4,361	6,626	0	10,987
Shell People Services-Americas	0	7,000	0	7,000
Temple-Inland Inc.	39,162	37,500	37,500	114,162
Whole Foods	20,000	33,000	4,491	57,491
Williams Companies	30,085	55,233	38,550	123,868
<b>Total Consulting Revenue</b>	<b>465,624</b>	<b>578,681</b>	<b>184,566</b>	<b>1,228,871</b>
<b>HR Services</b>				
Cemex KB	0	0	53,333	53,333
Getronics KB	0	0	52,000	52,000
Navigator System	0	27,000	4,500	31,500
United Health Group (Total HR)	963,936	1,168,326	1,395,652	3,527,914
<b>Total HR Services Revenue</b>	<b>963,936</b>	<b>1,195,326</b>	<b>1,505,485</b>	<b>3,664,747</b>
<b>Total Revenue</b>	<b>6,814,233</b>	<b>7,116,385</b>	<b>8,960,825</b>	<b>22,891,443</b>
SAB 101 Adjustments (net)	6,387	(22,458)	(228,085)	(244,156)
Misc. Adjustments	(238,657)	(32,716)	(9,516)	(280,889)
<b>Revenue per Financial Statements</b>	<b>6,581,963</b>	<b>7,061,211</b>	<b>8,723,224</b>	<b>22,366,398</b>

Synhrgr HR Technologies  
Forecasted Revenue by LOB and Type

Line of Business	Revenue Type	Q4-01	Q1-02	Q2-02	Q3-02	Q4-02	Total-02	Q1-03	Q2-03	Q3-03	Q4-03	Total-03	Q1-04	Q2-04	Q3-04	Q4-04	Total-04
<b>Total</b>																	
Implementation		1,637,412	249,416	905,744	2,408,912	2,789,315	6,353,387	2,500,607	3,339,079	3,539,867	3,322,650	12,702,203	4,192,274	4,130,746	4,273,201	3,747,650	16,343,870
Ongoing		7,375,409	7,870,752	7,678,401	8,228,072	9,515,943	33,293,168	9,901,828	10,248,233	12,125,319	14,131,031	46,406,406	14,903,862	16,644,471	19,085,859	21,399,264	72,033,457
Consulting		282,824	216,573	216,573	216,573	216,573	866,292	216,573	216,573	216,573	216,573	866,292	216,573	216,573	216,573	216,573	866,292
Client Billable Expenses		179,714	117,291	189,933	219,759	241,935	768,918	211,402	211,402	211,402	211,402	845,608	211,402	211,402	211,402	211,402	845,608
<b>Total Revenue</b>		<b>9,475,359</b>	<b>8,454,032</b>	<b>8,990,651</b>	<b>11,073,316</b>	<b>12,763,766</b>	<b>41,281,765</b>	<b>12,830,410</b>	<b>14,015,287</b>	<b>16,093,156</b>	<b>17,881,656</b>	<b>60,820,509</b>	<b>19,524,111</b>	<b>21,203,192</b>	<b>23,787,035</b>	<b>25,574,889</b>	<b>90,089,227</b>
<b>Benefit Administration</b>																	
Implementation		1,185,412	224,416	705,744	2,183,912	1,922,647	5,036,719	1,117,274	1,305,746	1,648,201	1,622,650	5,693,870	2,017,274	1,905,746	2,048,201	1,522,650	7,493,870
Ongoing		6,315,138	5,970,231	5,769,547	6,252,551	7,465,422	25,457,751	7,784,640	7,885,212	8,778,959	9,793,010	34,241,822	9,811,675	10,814,784	12,485,338	13,577,910	46,689,706
Consulting		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Client Billable Expenses		179,714	54,969	54,969	54,969	54,969	219,876	54,969	54,969	54,969	54,969	219,876	54,969	54,969	54,969	54,969	219,876
<b>Total Revenue</b>		<b>7,680,264</b>	<b>6,249,616</b>	<b>6,530,260</b>	<b>8,491,432</b>	<b>9,443,038</b>	<b>30,714,346</b>	<b>8,956,883</b>	<b>9,245,927</b>	<b>10,482,129</b>	<b>11,470,629</b>	<b>40,155,568</b>	<b>11,883,917</b>	<b>12,775,498</b>	<b>14,588,508</b>	<b>15,155,529</b>	<b>54,403,452</b>
<b>HR Services</b>																	
Implementation		452,000	25,000	200,000	225,000	866,668	1,316,668	1,383,333	2,033,333	1,891,667	1,700,000	7,008,333	2,175,000	2,225,000	2,225,000	2,225,000	8,850,000
Ongoing		1,060,271	1,900,521	1,908,854	1,975,521	2,050,521	7,835,417	2,117,188	2,363,021	3,346,354	4,338,021	12,164,584	5,092,188	5,829,688	6,600,521	7,821,354	25,343,751
Consulting		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Client Billable Expenses		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Revenue</b>		<b>1,512,271</b>	<b>1,925,521</b>	<b>2,108,854</b>	<b>2,200,521</b>	<b>2,917,189</b>	<b>9,152,085</b>	<b>3,500,521</b>	<b>4,396,354</b>	<b>5,238,021</b>	<b>6,038,021</b>	<b>19,172,917</b>	<b>7,267,188</b>	<b>8,054,688</b>	<b>8,825,521</b>	<b>10,046,354</b>	<b>34,193,751</b>
<b>Consulting</b>																	
Implementation		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ongoing		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Consulting		282,824	216,573	216,573	216,573	216,573	866,292	216,573	216,573	216,573	216,573	866,292	216,573	216,573	216,573	216,573	866,292
Client Billable Expenses		0	62,322	134,964	164,790	186,966	549,042	156,433	156,433	156,433	156,433	625,732	156,433	156,433	156,433	156,433	625,732
<b>Total Revenue</b>		<b>282,824</b>	<b>278,895</b>	<b>351,537</b>	<b>381,363</b>	<b>403,539</b>	<b>1,415,334</b>	<b>373,006</b>	<b>373,006</b>	<b>373,006</b>	<b>373,006</b>	<b>1,492,024</b>	<b>373,006</b>	<b>373,006</b>	<b>373,006</b>	<b>373,006</b>	<b>1,492,024</b>

Appendix E-2

**Synhrgy HR Technologies  
Slot Assumptions**

Type of Slot	Months to Imp	Imp	Annual Ongoing	Contract Value
<b>Benefits</b>				
HW(Hi-Tech)	9	300,000	450,000	750,000
HW(Hi-Touch)	7	400,000	700,000	1,100,000
DB(Tier II)	3	200,000	200,000	400,000
<b>IHR</b>				
Full	9	1,500,000	2,750,000	4,250,000
Partial	3	75,000	100,000	175,000

2002

Type of Slot	Months to Imp	Imp	Annual Ongoing	Contract Value
<b>Benefits</b>				
HW(Hi-Tech)	3	300,000	450,000	750,000
HW(Hi-Touch)	6	600,000	900,000	1,500,000
DB(Tier II)	6	200,000	200,000	400,000
<b>IHR</b>				
Full	6	2,000,000	3,500,000	5,500,000
Partial	3	200,000	400,000	600,000

2003

Type of Slot	Months to Imp	Imp	Annual Ongoing	Contract Value
<b>Benefits</b>				
HW(Hi-Tech)	3	300,000	450,000	750,000
HW(Hi-Touch)	6	600,000	900,000	1,500,000
DB(Tier II)	6	200,000	200,000	400,000
<b>IHR</b>				
Full	6	2,000,000	3,500,000	5,500,000
Partial	3	200,000	400,000	600,000



**Computation of Market Value Ratios (9/01)**  
**Selected Sample Public Companies**

Name	LTM Revenue (\$M)	CY2001 EBITDA (\$M)	Enterprise Value (\$M)	Enterprise Value/LTM Revenue	Enterprise Value/2001 Earnings
ADP	7,018	1,987	28,774	4.1	14.5
Ceridian	1,184	241	2,486	2.1	10.3
Exult	161	(50)	1,047	6.5	NA
Paychex	901	412	11,353	12.6	27.6
ProBusiness	150	(24)	420	2.8	NA
TalX	47	13	132	2.8	10.1
Mean	1,577	430	7,369	4.7	17.1
Median	531	127	1,766	3.4	12.4

These companies' results are listed in Appendix F-2. As is evident, the Enterprise Value to revenue ratios vary over a very wide range from 2.1 to 12.6.

With this wide a range, it is obviously difficult to determine an appropriate Enterprise Value to revenue ratio for this sub-industry. While we believe that Synhrgy more closely resembles the ebusiness companies than the traditional human resources batch processing services companies, nevertheless, at this date, we will use conservative ratios for public company-based value calculations based upon a 50-50 blend of the means and medians in the table above:

Price/Revenue 4.0  
Price/Pretax EBITDA Earnings 14.7

## COMPARABLE COMPANY ANALYSIS

### Revenue Analysis

(figures in thousands, except per share data)

Company	Revenues			Firm Value / Revenues			Revenue Growth		Gross Margin		EBITDA Margin	
	LTM	CY 2001E	CY 2002E	LTM	CY 2001E	CY 2002E	Latest Fiscal Year	1-Year Proj. (01-02)	CY 2001	CY 2002	CY 2001	CY 2002
<b>ERM Service Vendors</b>												
Automatic Data Processing, Inc.	\$ 7,017,570	\$ 7,096,100	\$ 8,160,515	4.1 x	4.1 x	3.6 x	11.6 %	15.0 %	59.2 %	60.1 %	28.0 %	28.0 %
Ceridian Corporation	1,184,300	1,176,600	1,238,200	2.1	2.1	2.0	4.3	5.2	54.2	55.8	20.5	22.7
Exult, Inc.	160,694	265,100	400,600	6.5	4.0	2.6	NM	51.1	(2.8)	11.6	(18.8)	6.6
Paychex, Inc.	900,788	933,900	1,073,985	12.6	12.1	10.5	19.5	15.0	77.7	77.7	44.1	44.1
Pro Business Services, Inc.	149,861	166,150	208,800	2.8	2.5	2.0	44.0	25.7	47.7	49.2	(14.2)	(1.3)
TALX Corporation	46,651	44,744	58,349	2.8	3.0	2.3	24.0	30.4	55.0	63.9	28.9	38.8
<hr/>												
High				NM	NM	NM	NM	NM	NM	NM	NM	NM
Synhrgy Comparable Mean (1)				6.3	5.6	4.7	11.8	21.6	47.1	51.3	18.4	25.3
Trimmed Mean				3.7	3.1	2.5	20.7	23.7	48.5	53.1	14.7	23.1
Low				NM	NM	NM	NM	NM	NM	NM	NM	NM

Note: LTM = Latest Twelve Months.

NM = Not Meaningful; NA = Not Available; \* = Trimmed data

All estimates are presented on a calendar basis.

Stock price and First Call Estimates as of October 18, 2001.

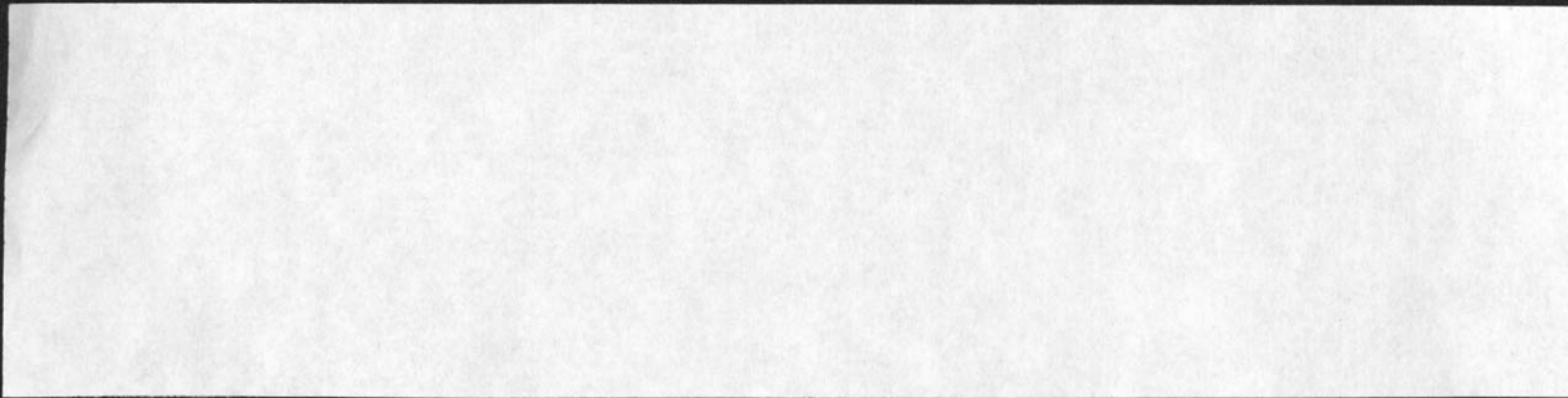
Firm Value (FV) equals Market Value plus Net Debt.

(1) Synhrgy comparable mean consists of: ADP, Ceridian, Exult and Paychex.

### Synhrgy Revenue, Cost and Profit Forecasts for 2002-2004

(S000)	2002	2003	2004	Total
Revenues	41,282	60,821	90,089	192,192
Cost of Goods Sold	25,369	36,125	50,007	
Other Expenses	11,781	15,042	20,719	
Total Operating Expenses	37,150	51,167	70,726	159,043
Operating Income (EBITDA)	4,132	9,654	19,363	33,149

**Note:** This is a forecast from 3Q01. It has recently been updated by Synhrgy. The revised revenue forecasts for 2002-2004 are shown in Appendix E-2. The revised costs are obtained from Appendix D-1.



**BURTON GRAD ASSOCIATES, INC.**

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February 12, 2002

**Confidential**

Mr. Michael Mackey  
Synhrgy HR Technologies, Inc.  
2 Arena Place  
Suite 1400  
Houston, Texas 77074

Dear Mike:

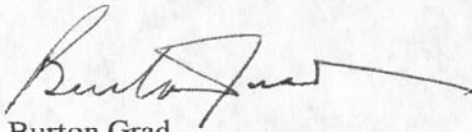
Enclosed is the draft copy of the valuation of Synhrgy HR Technologies, Inc. (Synhrgy) as of December 31, 2001. This valuation is made to enable Synhrgy to determine the fair value for common stock related transactions during the first quarter of calendar year 2002.

This independent assessment by Burton Grad Associates, Inc. (BGAI) is based on materials supplied by Synhrgy and information obtained through interviews with Synhrgy management. The financial and customer information supplied by Synhrgy were not independently verified.

All projections of revenues, costs and profits produced by BGAI were based on information available as of the valuation date and do not necessarily reflect Synhrgy's own forecasts or the actual results which have occurred since the effective date of this valuation study (December 31, 2001).

Please review this draft report carefully to ensure that the assumptions, analyses and explanations are clear and accurate. The final copy will be sent after we receive your feedback.

Sincerely,



Burton Grad

Enclosure  
5455.RPT

**Valuation Report on**  
**Synhrgy HR Technologies, Inc.**  
**as of December 31, 2001**

**Prepared for:**

Synhrgy HR Technologies, Inc.  
2 Arena Place  
Suite 1400  
Houston, Texas 77074

**Prepared by:**

Burton Grad Associates, Inc.  
5 Saint John Place  
Westport, Connecticut 06880

Burton Grad

**Date:**

February 12, 2002

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## EXECUTIVE SUMMARY

At your request, Burton Grad Associates, Inc. (BGAI) has appraised the value of Synhrgy HR Technologies, Inc. (Synhrgy) as of December 31, 2001. The purpose of this appraisal is to provide a formal valuation of the Synhrgy common stock which can then be used as a basis for all internal stock transactions for January 1, 2002 through March 31, 2002.

Synhrgy provides a wide range of companies with the following human resources and employee benefits outsourcing and consulting services:

- Employee Benefits Management
- Retirement Planning
- Employee Development
- Management Reporting
- Recruiting
- Staff Planning
- Payroll Integration

The principal focus is on establishing on-line access to the appropriate information by employees, retirees and company managers. This access is not just to computerized databases, but also to Synhrgy's employee relations services representatives.

BGAI has used market-based and profit projection-based techniques which are valuation methods commonly applied to appraising privately held corporations in consulting and operational services businesses.

The market-based method used for valuation was a market capitalization-based valuation approach using results from the previous twelve months considering available price/earnings and price/revenue ratios for comparable public companies. This market-based valuation includes special consideration of relevant comparative information from other operational services companies and has been adjusted to recognize private company vs. public company valuation differences. A similar market valuation was performed using Synhrgy's own projected twelve-month revenues and operating income.

In addition, BGAI has valued the company based on the net present value of its projected cash flow over a six-year forecast period; this includes revenues from its customer base and from projected new customers. This is another widely used valuation technique.

Based on these analyses, BGAI believes that the fair market value of Synhrgy HR Technologies, Inc. as of December 31, 2001 was \$50,200,000. BGAI recommends that Synhrgy use this company value as the basis for its common stock valuation.

As of December 31, 2001, there were 1,718,364 shares of common stock issued and outstanding to founders and other employees (plus 150,896 treasury shares). There were also 4,123,552 Series A and B convertible preferred shares held by Richland and Validus as of that date (one share of preferred was convertible to one share of common). Clarite (Uniprise) held 1,833,211 Series B convertible preferred shares while T. Rowe Price held 125,000 Series B convertible shares. The total preferred shares were 6,081,764.

Based on the above company valuation, and considering the total of 7,951,024 outstanding common shares (including treasury shares) and equivalent convertible preferred shares, the value per share of Synhrgy common stock was \$6.31 as of December 31, 2001.

As of the end of the fourth quarter of 2001, there were outstanding warrants for 150,700 shares issued to Richland, Validus and Clarite (Uniprise) exercisable at \$8.00 per share. There was also an SBC option for 109,240 shares at \$2.746 per share.

As of the end of the fourth quarter of 2001, Synhrgy had granted 1,134,770 stock options to certain employees and executives at a variety of prices from \$4.47 to \$6.00 per share. These options are vested proportionately over the four years following the grant date.

Also, there were an additional 934,610 common stock shares still available in an employee option pool as of 12/31/01. When any of these options are granted, they will be made at or above the then current computed common stock value.

Because the per share value as of December 31, 2001 has been computed at \$6.31, all of the 1,244,010 options granted are in the money and, therefore, an adjustment to the price per share needs to be made to reflect their potential dilution. The 150,700 warrants were above the current price and are not dilutive.

Taking into consideration the \$6,003,250 to be paid by the option holders to exercise their options, the adjusted value for the company would be \$56,203,250

Dividing this adjusted company value by 9,195,034, the increased shares, yields a fully diluted value per share of \$6.11.

BGAI recommends using a price of \$6.11 per share or higher for any common stock transactions during 1Q02.

## **SECTION I. Objectives and Work Plan**

Synhrgy HR Technologies, Inc. (Synhrgy) wishes to have an independent valuation performed, using commonly accepted valuation techniques, of its total business operations including the value of its established customer base. Synhrgy will use this valuation to help determine the fair market value of the company and of its common stock for internal stock transactions.

At Synhrgy's request, Burton Grad Associates, Inc. (BGAI) has performed a valuation study of Synhrgy as of December 31, 2001. BGAI has used commonly accepted valuation techniques and its extensive experience in valuing computer software and services companies to determine the then current value of Synhrgy and the value of its common stock. Burton Grad's professional profile is included as Appendix A.

### **Work Plan**

BGAI has performed the valuation study following these steps:

1. Requested and collected materials and information which provided the basis for the valuation study. A list of the information received is shown in Appendix B-1.
2. BGAI examined these materials and conducted phone interviews with selected Synhrgy executives and managers (see Appendix B-2) to obtain additional information and to amplify the materials received.
3. BGAI selected appropriate valuation methodologies (revenue, cost and profit projections; market comparables) and analyzed materials and interview notes so as to construct the valuation models needed.
4. For these models, key valuation factors were determined including expected customer life, NPV factors, market valuation ratios, projected tax rates, etc. Using these factors, the recommended company valuation was developed.
5. The company value was then used to determine the per share value of the common stock.
6. A report was first delivered in draft form to ensure that all information was accurate and complete and that the logic and calculations used were clear. The final report was then prepared and submitted, including appropriate appendices.

## **SECTION II. Description of Synhrgy HR Technologies, Inc.**

Synhrgy HR Technologies, Inc. (Synhrgy) is a Houston, Texas based company providing worldwide services to various companies in many industries to help them more effectively perform their human relations and resource management functions. Synhrgy uses some proprietary software and procedural methodologies to carry out its activities.

Synhrgy has had five years of experience (previously under the name of The AAC Group, Inc.) providing human resources consulting and, more recently, employee services outsourcing. Synhrgy is national in scope, focus and experience, using full-time, trained and experienced consultants and employee service representatives.

### **Services Provided**

Synhrgy now primarily offers employee services and other human resources outsourcing using advanced Web technology with electronic voice and call center responses to its customers. Appendix B-3 describes Synhrgy's current business operations and plans. These are some of the functional areas addressed by Synhrgy:

- Employee Benefits Management
- Retirement Planning
- Employee Development
- Management Reporting
- Recruiting
- Staff Planning
- Payroll Integration

In addition, Synhrgy also performs certain one-time consulting services for its clients.

### **Organization and Financials**

Synhrgy's headquarters are in Houston, Texas with a substantial operation in Dallas and a smaller operation in Minneapolis. The Synhrgy employee summary as of December 31, 2001 is shown in Appendix C-1. The key management team profiles are shown in Appendix C-2.

Appendix C-6 shows the summary financial results for calendar year 2001. Appendix D-1 shows the actual income statements by quarter for Synhrgy for 2001. Appendix D-2 includes the balance sheets and cash flows by quarter for 2001.

The audited financial statements for 2000 are shown in Appendix C-5; these are substantially different from the unaudited statements used in the BGAI report on valuation as of 12/31/00. Based on extensive discussions between Synhrgy and its auditors, certain revenues and expenses were revised to reflect current interpretations of revenue recognition rules (related to SEC's SAB101). The effect of these interpretations is that certain implementation revenues are deferred and recognized over the contracted operation period on a pro rata basis. The expenses directly related to these deferred implementation revenues are also deferred and charged ratably over the same time period as the

revenues are recognized. Since these interpretations applied to 1999 as well as to 2000, certain 1999 revenues were deferred until 2000 and beyond and certain 2000 revenues were deferred to 2001 and beyond. These same interpretations have been applied to the revenue and related expense actuals and projections for 2001 and beyond.

As part of the discussion process, all of the revenues formerly considered as implementation were reexamined and classified either as implementation (requiring deferral and ratable recognition) or as consulting which could be recognized as performed within the terms of the contract. Approximately 85% of what was previously identified as implementation revenue has now been classified as consulting revenue. This leads to an integration (for book purposes) between consulting related to implementation/operational contracts and independent consulting efforts.

Furthermore, Synhrgy has decided, with auditor approval, to capitalize some of its product development costs in accordance with the FAS 86 rules. This can have the effect of reducing current development expenses since the capitalized values will be amortized over the projected product life of 3 years.

There was also a charge in 1Q01 for conversion of warrants. This was treated (for book purposes) as an EBITDA expense. Since most computers and systems software have been purchased, these costs are depreciated over 3-6 years and handled as a post EBITDA expense. Certain bad debts were written off during 2000 which were not covered by the Bad Debt reserves. Recovery of certain direct costs were formerly treated as revenues and the costs were included as part of cost of sales. This has now been modified so that the billable charges are deducted from the cost of sales and not treated as revenue.

Appendix C-5 also includes the audited financial statements with selected financial notes for 1998 and 1999 as well as for 2000.

During 4Q01, the results of Synhrgy's large investments in development, marketing and infrastructure continued to bear fruit through significantly increased revenue (\$10,194K), primarily related to new Health and Welfare (H&W) outsourcing service implementation fees. This revenue level was accompanied by relatively high direct costs, but operating expenses were significantly reduced from earlier in the year, leading to a small 4Q01 EBITDA operating profit of \$492K (see Appendix C-6).

### **Markets and Operations**

Historically, Synhrgy had primarily provided general consulting services, assisting companies in setting up their employee benefits and employee development programs. However, during the latter half of 1999, Synhrgy moved aggressively to start providing computer-assisted, on-line employee benefits and other human resources management services as an outsourcing option for medium to large organizations. Synhrgy began building its staff, investing in the necessary infrastructure and started actively selling these new employee benefits-related outsourcing services.

During the fourth quarter of calendar year 1999, Synhrgy was able to negotiate significant agreements to provide the funds and skills needed for accelerated growth in the employee services outsourcing market. As of December 1, 1999, Synhrgy licensed certain human relations software from the SBC

Systems Company, Inc. in order to broaden the range of outsourced services it could offer. Synhrgy also started supporting a venture called Clarite with Uniprise, a United Health Group company, to market benefits management outsourcing services.

During 2000 Synhrgy was able to sell a large number of H&W outsourcing projects and even obtained an initial foothold in the full HR outsourcing business, closing its first order during 2Q00. The Clarite connection generated significant H&W leads. Further, some of the new orders and pipeline accounts were proposed at somewhat higher implementation/consulting fees and ongoing operational fees than in earlier projections, although others came in at a more modest level.

A major business and financial change occurred during 3Q00 with Synhrgy signing an agreement with IBM for a world-wide license to use IBM's Employee Services Information Tools software code and documentation for its applications services. This services remarketing right is exclusive for an 18 month period through YE2002. IBM also agreed to include Synhrgy as an IBM Healthcare Partner and has developed a co-marketing and selling strategy to promote use of Synhrgy's H&W and Human Relations Services. However, during 4Q00, Synhrgy re-examined the expected value of the acquired IBM technology and wrote down the \$8M initial capitalization by \$6.8M.

During 3Q01, the results of the IBM relationship from both a technology and marketing viewpoint were further re-examined and a decision made to terminate the agreement as of September 30, 2001. The technology license agreement was ended which resulted in Synhrgy returning the relevant files and documentation to IBM. The intangible asset value was fully amortized/written off as of 12/31/00. The marketing agreement was also terminated. The unamortized portion of this intangible was written off. The web hosting agreement was also terminated and invoices totaling \$1.7 million were waived by IBM as part of the settlement. The 1,250,000 shares allocated to IBM were purchased by Synhrgy and its investors at \$3.60 per share where Synhrgy purchased 1/3 of the shares and Richland/Validus bought 2/3 of them.

Synhrgy is proceeding to develop the additional software it needs to meet the market opportunities and has increased its partnership relationships with other organizations to strengthen its marketing and sales.

After disappointing new sales during 1Q01, the 2Q01 results were quite strong, closing 8 new accounts while losing 16 bids (see Appendix C-4). The 3Q01 results were even stronger winning 22 contracts while losing 45 proposals. The dollar value of the contracts won in 3Q01 was greater than in 2Q01. However, the 3Q01 pipeline was much smaller than in 2Q01 (Appendix C-3A), due to so many proposals being resolved in 3Q01, but the Synhrgy backlog report (Appendix C3-B) showed some further strengthening as a result of the wins in 3Q01. 4Q01 was quite weak on new sales (only 3 wins and 14 losses). This is partly the cyclical nature of the business and partly the weak economy in the U.S. in 4Q01.

Synhrgy's lines of business going into 2002 were:

1. General Consulting Services -- contracts for specific people-only assignments. These tend to be relatively short-term, special purpose projects which do not necessarily lead directly to implementation or operations services revenue. Synhrgy added a new consumer health practice consultancy to its business in 4Q01 by "acquiring" 15 experienced consultants in this specialty. This will increase Synhrgy's consulting revenues.
2. Health & Welfare (benefits) Administrative Services -- There have turned out to be three types of projects:
  - Defined Benefits which only deals with the administration and valuation of these specific types of IRAs
  - Hi-Tech" Health & Welfare which only involves using Synhrgy's on-line operations facilities
  - "Hi-Touch" Health & Welfare which also involves using Synhrgy's employee services people as an online-resource
3. Integrated Human Resources Services -- These include all principal human resources administrative functions providing both on-line computer-based and people-based services. Customers appear to be dealing with this in two different modes. A few are following an integrated, full scale approach implementing all of the functions over a 2 year period. But most customers are taking a step at a time approach, implementing only 1 or 2 functions each year, with the objective of ending up with a full integrated system over a 5 year period.

In each of the last 2 categories there are three types of revenues:

- Implementation - Specific assistance in preparing for outsourced operations
- Operations - Running outsourced automated and people-based on-line H&W or HR services
- Consulting - Broad-based customer assistance

Synhrgy became a dramatically new company as of the end of 4Q00 with a successful shift away from non-repetitive consulting activities to a high level of implementation projects and to large, recurring revenue operations services contracts. This led to an expectation of strong revenue growth over the next few years. The major concerns were whether the company could fund the very high expenses needed to provide the sales and operations infrastructure required to build this new on-line business and how soon Synhrgy could generate profits while pursuing such rapid growth. The results during the 2001 indicate that Synhrgy can meet these challenges.

In understanding the Synhrgy business, one must appreciate the nature of any application services provider (ASP) business:

- There are serious up front costs required to develop or acquire the professional software needed to run an industrial strength operation

- There are serious up front costs involved in acquiring and installing the equipment and operating systems needed to provide efficient, reliable, responsive computer and communications systems
- There are serious up front costs involved in recruiting and training implementation personnel, prior to actually having signed contracts and for recruiting and training services and operations personnel before the contracted revenues are received
- The revenues build slowly in an ASP business, just as in any processing services business, but the costs are front-loaded. This requires competent investors to use more sophisticated valuation models, similar to those required for rental companies.



### **SECTION III. Valuation Methodologies**

There are a number of generally accepted methods used to value a consulting and operational services company. The principal techniques used are:

- Market capitalization of comparable public companies and relevant private transactions
- Net present value of projected pretax profits from company operations

Other techniques like reconstruction costs for software and book value of assets are not appropriate for companies like Synhrgy HR Technologies, Inc. (Synhrgy).

To help determine overall market value, market capitalization information can be examined for on-line operational services companies. This market capitalization information can then be used to select price/earnings and price/revenue ratios to be used to value the company as a whole.

The second common method used for valuing an on-line operational services company is through determining the net present value of the projected pretax profit stream by forecasting the future revenues and profits from existing and new customers as of the valuation date over their expected economic life.

BGAI has performed the valuation of Synhrgy as of December 31, 2001 using both market-based calculations and the net present value of the projected profit stream from the customer base and from new customers.

#### **A. Market-Based Company Valuation**

Determining overall company value can be approached on the basis of market assessment for comparable companies. The primary method used is to examine the market assessment of comparable publicly held companies (nature of business, revenues, profit margins, balance sheet, market opportunity).

The public market comparison procedure requires obtaining market capitalization and other relevant data for a number of similar on-line operational services companies and then determining the value pattern related to various business factors. From this, appropriate p/e and p/r ratios are selected (median value for selected comparables) and applied to historic and projected Synhrgy data.

The values are adjusted to reflect the specific business factors at Synhrgy which may be significantly different from the comparable companies in terms of market opportunity, growth expectation, profit margins and balance sheet elements. Finally, there are adjustments made to recognize the substantially lower market value of private companies versus public companies and of new start-up companies versus more experienced companies.

Another approach is to see what kinds of interest and capitalizations are being shown for other companies similar to Synhrgy in various private transactions.

These procedures are carried out in Section IV.

#### **B. Projected Profit-Based Valuation**

The following steps were used to determine the net present value of the projected profit stream from the customer base and from new customers for Synhrgy's on-line employee benefits and human resources operational services projects:

1. Identified the customers who signed up for Synhrgy operational services during 1999, 2000 and 2001 and determined the expected annual revenue from these customers over the forecast period for operational services.
2. Projected the acquisition and retention of new customers and their associated annual revenues over the forecast period.
3. Estimated corresponding operating costs and calculated pre-tax operating profits, using Synhrgy projected financial accounts and industry experience as the primary information sources.
4. Computed the net present value of the profits from the customer base and new customers, adjusting for tax liability for on-line operational services.

Section V covers the projected profit-based company valuation process.

#### **C. Adjustments and Common Stock Valuation**

These market and profit-based values are then used to determine the overall company valuation. The net company value is used to establish the per share value of the outstanding shares of common stock and convertible preferred shares. Dilution from stock options and warrants is considered in determining a recommended per share value to be used for future stock-related transactions.

These procedures are described and implemented in Section VI.

## SECTION IV. Market-Based Valuation of Synhrgy HR Technologies, Inc.

Following the procedure described in Section III A, BGAI has determined the market-based valuation of Synhrgy.

### A. Market Assessment Based on Publicly Held Comparable Companies

BGAI has used selected public sources for comparable company statistics (see Appendix F-2). In BGAI's opinion, Synhrgy falls most closely into a category of HR processing companies. The figures listed below represent the weighted mean and median of the values in those categories (see Appendix F-1). All of the figures shown in the table are based on ratios to estimated 12-month revenues and operating income as of 12/01:

	<u>Mean</u>	<u>Median</u>
• TEV/Rev. Ratio (price/revenue) <sup>1</sup>	4.3	5.3
• TEV/EBITDA Ratio (price/earnings) <sup>2</sup>	16.7	18.9

Based on our assessment we have chosen to use the mean ratios for the public-market based calculations for the 12/31/01 valuation:

- Price/Revenue 4.3
- Price/EBITDA 16.7

Synhrgy's 2001 results (unaudited) were (see Appendix D-6):

• Revenues	\$32,561,000
• EBITDA Operating Income/(loss)	(\$3,806,000)

Using the selected ratios with Synhrgy's trailing twelve-month figures, the market value for Synhrgy would be calculated on a p/e basis and on a p/r basis as follows:

- Synhrgy cannot be valued on a price/earnings basis since it lost substantial money during 2001. This is a negative factor in determining the overall value.
- On a price/revenue basis, if Synhrgy were a public company, it would be valued at \$140,012,000.

Because Synhrgy is a privately-held company, this value should be reduced by 30%. This produces a revenue-based valuation of \$98,009,000. However, because of the losses in 2001, we would reduce this figure by an additional 20% to \$78,406,000.

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<sup>1</sup> \* TEV = Total Enterprise Value;  
Rev. = Revenue for 2001

<sup>2</sup> \*\* EBITDA= Earnings before interest, taxes, depreciation and amortization

Since Synhrgy has been achieving rapid growth from its on-line computer-based human resources information-based outsourcing services, we believe that its market value should also consider its projected twelve-month revenue and operating income.

Synhrgy's closed orders, pipeline and contracted ongoing revenue (Appendices C-3A, C-3B and C-4) as of 12/31/01 support a projection of further substantial growth during 2002 (see Appendix D-7), entirely because of the growth in outsourcing operations services, much of which is recurring revenue for at least 3 years. Moreover, Synhrgy predicts an EBITDA operating profit during the prospective twelve month period since its related start-up costs for outsourcing will not continue in 2002. Appendix D-7 shows projected 12 months revenue of \$46.369 million, a further increase from the trailing 12 months figure, and shows an anticipated EBITDA income of \$4.164 million.

In considering projected twelve months (PTM) revenues and operating income, most analysts use substantially lower ratios than for trailing twelve months revenues and operating income. For this situation, we would reduce the ratios of 4.3 and 16.7 by 25% to:

TEV/Rev. Ratio	3.2
TEV/EBITDA Ratio	12.5

Using projected revenues of \$46,369,000, the revenue based value would be \$148,381,000. On a p/e basis, the value would be 12.5 x \$4,164K or \$52,050,000. Averaging the P/R and P/E based values yields a composite value of \$100,216,000. After a 30% reduction for a private versus a public company, the value would be \$70,151,000.

This PTM value is slightly lower than the TTM calculation.

2001 TTM Value	\$78,406,000
2002 PTM Value	<u>70,151,000</u>
	148,557,000
Average Value	\$74,278,000

We have also looked at Synhrgy's balance sheet versus its future cash needs. To compete effectively, Synhrgy needs to continue to invest in extending its operational infrastructure, and has to further develop the licensed applications software for the full HR functions.

During 1Q01, Synhrgy was able to obtain substantial additional funding, although with significant dilution to some of its previous stockholders. Even after the repurchase of the IBM shares, Synhrgy should now have the cash needed to readily see it through 2002 and with a cash flow positive situation there should be no need to raise more investment capital except for acquisitions or geographic expansion.

Given these various factors, we will hold with the market-based valuation of \$74,278,000 as of 12/31/01.

## **SECTION V. Projected Profit-Based Valuation of Synhrgy HR Technologies, Inc.**

There are four primary steps in determining the net present value of the projected pretax profit stream from Synhrgy current and projected customers as of December 31, 2001:

1. Identify the customer base as of December 31, 2001. Determine the expected revenue from those customers for 2002 and subsequent years during the expected economic life for the customer base using projected erosion patterns.
2. Forecast the acquisition of new customers and the revenues to be generated from these new customers during their expected economic life for operational, implementation and consulting services.
3. Project corresponding operating costs for each revenue stream and calculate pre-tax profits or losses from the forecast revenues.
4. Compute the net present value of each profit stream after adjusting for expected tax liabilities

### **A. Revenue Forecast - Standalone Consulting Services**

While standalone Consulting Services was a principal revenue producer for Synhrgy in 1999, the change in strategy left this area as a minor part of Synhrgy's future plans. This is even more so since there is little repeat business from Synhrgy's consulting clients because of the nature of the projects. However, in late 2001, Synhrgy recruited a group of 15 consultants who offer leading edge design for the consumer health market.

Synhrgy's revised financial statements do not separate the standalone consulting services from those related to customers preparing to use Synhrgy's on-line and support services.

However, it is our belief that with the growth of Synhrgy's online operations services business, some of these new customers will look to Synhrgy to perform various specialized consulting activities even where the customers plan to use their own computer facilities. Therefore, with the new consumer health practice, we will show increased revenues during 2002 and then continued growth primarily because of the new consumer health practice:

2002	\$5,000,000
2003	5,500,000
2004	6,000,000
2005	6,500,000
2006	7,000,000

### **B. Operating Costs, Pre-tax Profits and Net Present Value—Consulting**

Synhrgy consulting services margins should fare well compared to the typical professional services company since it principally does selected consulting work and has a specialized niche which justifies high billing rates. While Synhrgy does not effectively analyze operating cost data by type of offering, we believe that based on 2000 and 2001 results and comparisons with other niche

professional services companies, a pre-tax operating profit margin of 15% is appropriate for Synhrgy's consulting services.

In calculating the costs and pretax profit margins for consulting services, we deal only with operating costs, omitting any depreciation on equipment, interest payments or taxes.

We compute the following costs and operating income for 2002-2006 for Synhrgy's consulting business:

(\$000)	2002	2003	2004	2005	2006	Total
Revenue	5,000	5,500	6,000	6,500	7,000	30,000
Operating Cost Ratio	.85	.85	.85	.85	.85	
Operating Income	750	825	900	975	1,050	4,500

### C. Net Present Value—Consulting

In calculating the net present value of the projected profit stream the following additional factors must be determined:

- Discount Rate
- Federal and State Tax Rate

The discount rate selected by BGAI for the Synhrgy consulting business as of December 31, 2001 was 20%, based on the rate of return on investment expected by Synhrgy, and the risks inherent in the revenue forecast and cost projections.

The tax rate is projected at 36%, given the federal tax rate in 2001 and the average of rates for the states in which Synhrgy does business. By including taxes, BGAI has generated a very conservative NPV since Synhrgy has a very large tax loss carryforward.

The following table shows the net present value of the projected operating profit stream from the Synhrgy consulting customer base and from new consulting customers. The results from these calculations are summarized below:

(\$000)	2002	2003	2004	2005	2006	Total
Operating Income	750	825	900	975	1,050	4,500
Income After Tax (36%)	480	528	576	624	672	2,880
NPV Factors (20%) *	.917	.764	.637	.530	.442	
NPV	440	403	367	331	297	1,838

The net present value of Synhrgy's consulting services as of December 31, 2001 based on this five-year projection is \$1,838,000.

#### **D. Customer Base and New Customers for Employee Benefits Outsourcing**

While initially aimed at just the Health and Welfare Benefits administration activities, Synhrgy has been expanding its operational outsourcing services to cover the whole range of Human Resources functions (employee development, employee records, et al). We will deal separately with Employee Benefits services outsourcing and Human Resources services outsourcing.

4Q01 showed fairly weak sales in new implementation and ongoing operations service contracts with only three new contracts won and 14 lost with seven others changing their strategy (Appendix C-4). However, the pipeline (Appendix C-3A) at the end of 4Q01 was quite healthy. This position was achieved in spite of the economic downturn, but also partly reflects the cyclical nature of the Employee Benefits Outsourcing business.

The total ongoing revenue backlog of contracted services for 2002-2005 is shown in Appendix C-3B. As can be seen, most contracts are for 3 years with a few for only 1 or 2 years and one for 4 and one for 5 years. These totals do not include any implementation or consulting revenue. This report shows a solid base for 2002-2003 with the likelihood that new contracts will substantially increase the ongoing revenue, particularly in the 2003-2005 period.

We expect continued growth in Synhrgy's customer base for H&W Benefits, with stronger future growth in the full HR services.

#### **E. Revenue Forecast-Employee Benefits Outsourcing**

With its infrastructure established and marketing alliances with Uniprise, T. Rowe Price and SEI Investments, the Health and Welfare outsourcing business should continue to grow in 2002 and in the following years, with many new customers. Note, however, that the revenue cycle on this new business is such that implementation may require three to six months for typical implementation and consulting fees of \$200,000 to \$400,000 which is then followed by annual operating income of typically \$200,000 to \$700,000. These operations contracts are usually written for a three year commitment before they are up for renewal (see Appendix E-3).

Synhrgy's customer analysis for 2001 shows that they received Benefits Outsourcing implementation/consulting and/or operations revenues from 40 customers (see Appendix E-1). However, a number of these customers only used Synhrgy for Defined Benefits functions. Others used Synhrgy only for the Hi-Tech functions (computer operations only), while the remainder used the Hi-Touch functions which includes Synhrgy personnel performing employee service/response activities. During 2001, approximately 1/3 of all total Benefits customers fell into each of the three categories.

For computational convenience, we will postulate a typical Synhrgy Benefits account based on the following projection model (see Appendix E-3):

- Implementation period           6 months
- Implementation revenue       \$300,000
- Annual operations revenue     \$450,000

We will use the following assumptions to project the revenues for the new H&W employee benefits outsourcing line of business:

- Forty customers will remain from 2001, each of which will generate a full year of operational revenue in 2002.
- We will use a six-year projection starting in 2002.
- Synhrgy will add twenty more new customers in 2002, all of whom will provide six months of operating revenue during 2002. This is equivalent to adding 50% of the new accounts to the old account base. All will provide implementation/consulting revenue during 2002.
- Synhrgy will add 25-40 more new customers each succeeding year, with a similar revenue pattern in that these customers will contribute six months of operating revenue and all new customers will provide implementation revenue in that year.
- Erosion at the rate of 10% will begin in 2004, affecting only the operating revenue account base.

These assumptions produce the following revenue projections:

(\$000)	2002	2003	2004	2005	2006	2007	Total
Number of Accounts at Beginning of Year	40	60	85	106	130	157	
Erosion of Starting Accounts (10%/year)	--	--	9	11	13	16	
New Accounts	20	25	30	35	40	40	
Implementation Revenue (\$300K/new account)	6,000	7,500	9,000	10,500	12,000	12,000	57,000
Effective Total Number of Accounts (for Operations)	50	72	91	112	137	161	
Operations Revenue (\$450,000/year per Effective Account)	22,500	32,400	40,950	50,400	61,650	72,450	280,350
Projected Revenue	28,500	39,900	49,950	60,900	73,650	84,450	337,350



## **F. Revenue Forecast: Total HR Outsourcing**

There was only one substantial HR outsourcing customer as of 12/31/01. The 12/31/01 pipeline (Appendix C-3A) shows just six active prospects. Synhrgy expects to sell partial HR implementations as a way of attracting customers, rather than depending entirely on blockbuster full HR sales. Since there are 9 principal HR applications and Synhrgy expects that 90% of the sales each year will be for the single applications (either new accounts or additional applications from previous accounts), we will treat nine partial HR sales in total as equivalent to one full HR sale. We will therefore use the full HR values as the model (see Appendix E-3):

- Each project will be spread over two years with one-half of the implementation/consulting each year. This will yield \$750K in implementation/consulting fees for both the first and second years for a total of \$1.5M.
- The annual operating revenue per account will be \$2.750M which will kick in equally over two years starting in the year after implementation begins.

We will use the following assumptions to project the revenues from the total HR outsourcing line of business:

- The first customer was sold in 2000 and the next three will be activated in 2002
- We will use a six-year projection starting in 2002
- Synhrgy will add the equivalent of three new HR outsourcing customers in 2002, four in 2003, six in 2004 and eight in each year from 2005-2007
- Each new customer will generate \$750,000 of implementation/consulting revenue during its first year, and \$750,000 of implementation/consulting revenue during its second year
- Each new customer will generate \$1,375,000 of operating revenue during its second year and \$2,750,000 during each subsequent year
- Erosion will begin in 2007 at the rate of 10% per year, affecting only the operating revenue.

These assumptions produce the following revenue projections:

(\$000)	2002	2003	2004	2005	2006	2007	Total
Number of Accounts at Beginning of Year (1 from 2000)	1	4	8	14	22	30	
Erosion (10%/year starting 2007)	--	--	--	--	--	3	
Number of New Accounts	3	4	6	8	8	8	
Implementation Revenue (\$ .750M/account in year 1)	2,250	3,000	4,500	6,000	6,000	6,000	27,250
(\$ .750M/account in year 2)	0	2,250	3,000	4,500	6,000	6,000	21,250
Effective # Operating Accounts Year 2	0	3	4	6	8	8	
Following Years	1	1	4	8	14	19	
Operating Revenue (\$1.375M/account in year 2)	0	4,125	5,500	8,250	11,000	11,000	39,875
(\$2.750M/account in following years)	2,750	2,750	11,000	22,000	38,500	52,250	129,250
Projected Revenue	5,000	12,125	24,000	40,750	61,500	75,250	218,625

#### **G. Operating Costs, Pre-tax Profits and Net Present Value—Total Operational Services Outsourcing**

There is the beginning of a significant track record on profits for employee benefits outsourcing, but the costs continued to be relatively high in 2001. We can expect costs to drop over time as Synhrgy is able to improve its processes and retain a trained, productive staff. Moreover, it is Synhrgy's current strategy to grow the employee services outsourcing operations in a controlled fashion, which should lead to better operating income margins.

On this basis, we expect the operational services customer business to make money starting in 2002, generating profits of 8%, 10%, 12%, 15%, 15% and 15% over the next 6 years.

In calculating the net present value, we will combine the employee benefits and total HR outsourcing revenues, assume a tax rate of 36%, and use a discount rate of 20% to reflect the level of risk for the revenue forecasts and cost projections of these new businesses. The NPV forecasts cover 2002-2007.

(\$000)	2002	2003	2004	2005	2006	2007	Total
Revenue: Ben.Svcs.	28,500	39,900	49,950	60,900	73,650	84,450	337,350
Revenue: HR	<u>5,000</u>	<u>12,125</u>	<u>24,000</u>	<u>40,750</u>	<u>61,500</u>	<u>75,250</u>	<u>218,625</u>
Services Rev. Total	33,500	52,025	73,950	101,650	135,150	159,700	555,975
Op. Cost Ratio	.92	.90	.88	.85	.85	.85	
Operating Income	2,680	5,202	8,874	15,247	20,273	23,955	76,231
Inc. After 36% Tax	1,715	3,330	5,679	9,758	12,975	15,331	48,788
NPV Factors (20%)	.917	.764	.637	.530	.442	.368	
NPV	1,573	2,544	3,618	5,172	5,735	5,642	24,284

The net present value of Synhrgy's operational services outsourcing business, as of December 31, 2001, is \$24,284,000 based on this six-year projection.

#### **H. Total Net Present Value**

Adding the consulting value of \$1,838,000 to the employee services outsourcing value of \$24,284,000 yields an operations-based value of \$26,122,000. Note that this figure does not reflect the residual value at the end of the sixth year from the contracted operating revenue from both the employee benefits services and the full HR services accounts.

## SECTION VI. Valuation Summary and Recommendations

From Section IV we determined that a reasonable private company market-based value was \$74,278,000 for Synhrgy. From Section V, we determined that a profit projection based valuation for Synhrgy's consulting and employee services outsourcing business would be \$26,122,000. These values are substantially different.

Based on BGAI's analysis and assessment we believe that the value of Synhrgy is best represented by using a 50% weight for the market-based value and a 50% weight for the projected profit-based value:

Market-Based Value	\$74,278,000	x .50 =	\$37,139,000
Operations-Based Value	\$26,122,000	x .50 =	\$13,061,000
Computed Value of Company			\$50,200,000

Therefore, BGAI has computed the company value as of December 31, 2001 at \$50,200,000 without any adjustments for balance sheet related items.

As of 12/31/01, the total securities summary is shown in Appendix D-5 and key previous stock transactions are described briefly in Appendix D-4.

As of 12/31/01, there were 7,951,024 common shares and equivalent outstanding, including the convertible preferred shares held by Richland, Validus, Clarite (Uniprise) and T. Rowe Price and treasury stock. Based on the company value of \$50,200,000 as of 12/31/01, the value would be \$6.31 per share as of that date.

Given the December 31, 2001 value per share of \$6.31, the 150,700 warrants held by Richland, Validus and Clarite at \$8.00 per share would not be dilutive. However, all of the outstanding 1,134,770 employee stock options (at \$4.47 to \$6.00 per share) would be dilutive as of that date, as would the SBC options for 109,240 shares at \$2.746 per share. Therefore, the value per share needs to be adjusted. The table below shows the calculation of the money to be paid to exercise the available options:

<u># Shares</u>	<u>Exercise Price</u>	<u>Total Cost</u>
109,240	2.746	\$300,000
488,750	4.47	2,184,712
293,100	4.78	1,401,018
<u>352,920</u>	6.00	<u>2,117,520</u>
1,244,010		\$6,003,250

The company value would be increased by the option exercise value:

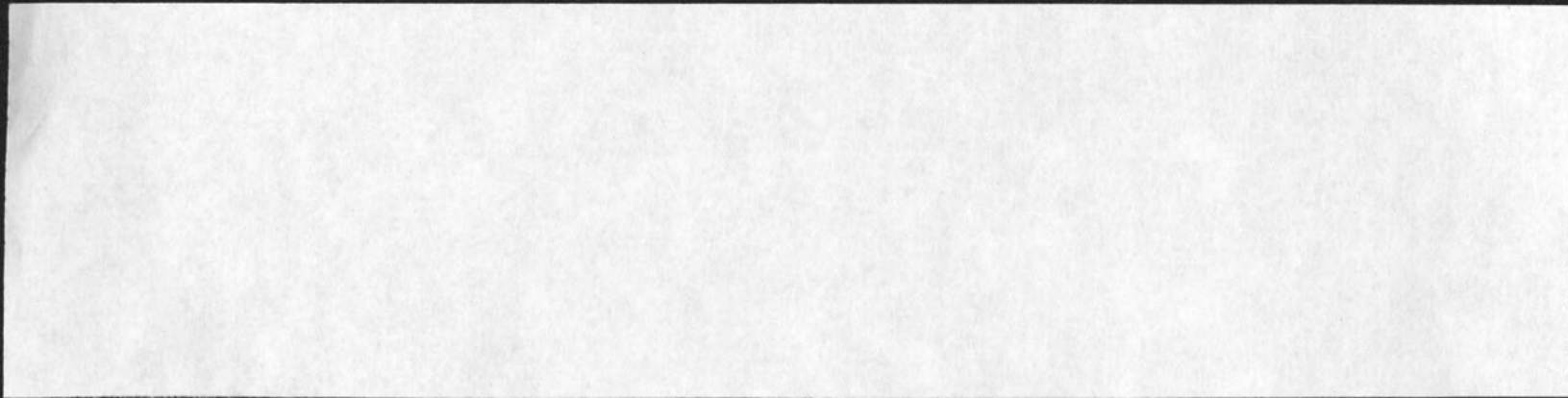
Company value	\$50,200,000
Exercise value	<u>6,003,250</u>
Enhanced value	\$56,203,250

The number of shares would be increased by the options exercised:

Shares issued	7,951,024
Options exercised	<u>1,244,010</u>
Diluted # shares	9,195,034

Dividing the enhanced value of \$56,203,250 by the diluted number of shares of 9,195,034 yields a diluted price per share of \$6.11.

Therefore, the fully diluted value of each common share should be \$6.11 as of December 31, 2001. BGAI recommends using this or a higher value for any stock transactions (sales, grants or options) which take place during 1Q02 unless there are special circumstances which would affect the transaction value.



**Professional Summary**ORIG FOR  
12/31/04

Burton Grad, President of Burton Grad Associates, Inc. (BGAI), has a long record of significant contributions to the computer software and services industry. His experience both as a user and developer of application and systems products and as consultant, innovator, businessman and leader in the computer software and services industry.

Since 1978 he has been a consultant to companies providing software products, software professional services, processing services and other computer software and services offerings:

- ❖ Strategic planning, management and organizational consulting, and product analysis, evaluation and review
- ❖ Company and product acquisition studies including due diligence and business valuations
- ❖ Planning, assessment and analysis of business operations including quality and productivity measurements

Work is performed personally or with the assistance of experienced specialists in market analysis, customer services, systems programs and industry applications on mainframe and departmental computers as well as on client/server and Internet-based systems.

This is a partial list from the more than 200 BGAI clients:

Artesyn Technologies	Grace Consulting and Technologies
Broadview Associates	i2 Technologies, Inc
CIBER, Inc.	Keane, Inc.
DA Consulting Group	Mediware, Inc.
Decision Consultants, Inc.	Sterling Commerce, Inc.
Elron Software, Inc.	Sterling Software, Inc.
Discount Investment Corporation	Summit Partners
First Dallas, Ltd.	Synhrgy HR Technologies
Geocapital Partners	TSI International

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**Work Achievements**

**Burton Grad Associates, Inc. (1978 - Present)**

- \* Strategic planning, management and organizational consulting, and product analysis, assessment and review
- \* Company, product and technology valuation studies for financial, tax, capitalization and acquisition purposes
- \* Due diligence studies on acquisitions of computer software/services companies
- \* Business assessment studies and implementation projects for product strategy, development, quality management and customer service

**Customer Care, Inc. (1992 - 1996)**

- \* Published *CustomerCare Newsletter* and *CustomerCare Survey* directed at software companies' customer services activities: support, documentation, training and product-related consulting
- \* Provided consulting on customer service processes and training for customer service personnel

**Heights Information Technology Service (1979 - 1983)**

- \* Performed professional services for applications and systems development
- \* Used professionals on a remote, work at home basis with effective project management

**International Business Machines Corporation (1960 - 1978)**

- \* Definition, design and implementation of application development systems strategy resulting in release of IBM's development management systems
- \* Development of application programs for every major industry
- \* Establishment of joint planning and programming development with European operations
- \* Announcement, development and initial support of CICS
- \* Management of application development for small business and process control systems
- \* Responsibility for the production, release and maintenance of almost 200 programs
- \* Conception of approach to and programs for text processing and office automation systems
- \* Development and expansion of computer based training systems
- \* Development of management science and scientific programs
- \* Participation in the structuring and unbundling of IBM program products
- \* Creation of the Study Organization Plan for specifying and designing application systems



**Burton Grad**

**General Electric Company (1949 - 1960)**

- \* Programming of the first commercial computer (Univac I in Louisville)
- \* Development of discrete simulation techniques for manufacturing planning and control
- \* Invention of decision tables
  
- \* Study of automated factory design and implementation
- \* Initiation and use of advanced techniques for production, inventory and quality control

**Other Professional Activities**

**1972-1996**

**ITAA**

- \* Computer Software and Services Trade Association
- \* President, Treasurer and Board member of American Software Association Division of ITAA
- \* Member of ITAA Board
- \* Chair and member of various committees (Industry Relations, Software Capitalization, Software Openness, Technology Information Services, Quality Management)
- \* Executive Committee of Information Technology Foundation (Project Office)

**1968 and 1979**

Principal author of *Management Systems*, published by Holt, Rinehart and Winston. Used for colleges and businesses for computer application system methodology and design.

**1950-Present**

Speaker and chair at conferences and workshops and contributor to professional journals on various information technology subjects including decision tables, quality control, systems engineering and software capitalization

**1997-Present**

Founder and Treasurer of the Software History Center, a non-profit organization aimed at preserving and communicating the legacy of the software industry

## List of Materials Received

- A. Company Information
  - 1. Employee Summary by location and major department
  - 2. Organization chart
  - 3. Most recent business plan
  - 4. Most recent president's report to the board
  
- B. Financial Information
  - 1. Quarterly and YTD financial statements
  - 2. Quarterly financial statement forecasts for current and future years
  - 3. Revenue by customer by LOB for quarter and YTD
  - 4. Forecasted revenue by type and by LOB for current and future years
  - 5. Revenue model
  - 6. Capitalization and amortization for technology
  
- C. Sales Information
  - 1. Sales pipeline
  - 2. Backlog report for signed contracts
  - 3. Win/loss report
  
- D. Equity Information
  - 1. Capitalization table at end of quarter
  - 2. Summary of stock related transactions during quarter
  
- E. Market Information
  - 1. Market valuations for comparable companies

**People Contacted**

Keith Anderson

Michael Mackey

## EXECUTIVE SUMMARY

Synhrgy HR Technologies, Inc. (Synhrgy) is a leading provider of comprehensive human resources (HR) technology and outsourcing solutions for Fortune 1000 and Global 500 corporations. Synhrgy provides technology and services that enable employers to streamline traditional HR delivery processes, achieve substantial cost reductions in HR functions and access integrated HR data for strategic value, thereby improving the level of HR services provided to employees, retirees, managers and other constituents of the particular corporation.

**Market Overview** – The market for providing integrated HR solutions is characterized by extremely rapid growth and a lack of established service firms capable of providing comprehensive, integrated HR solutions. According to Dataquest, a division of the Gartner Group, the worldwide HR outsourcing market is projected to grow from approximately \$26.2 billion in 1999 to approximately \$76.4 billion in 2004. The rapid growth in HR outsourcing services among large employers is due to a number of factors, including:

- Recognition that the internal systems or non-integrated multi-vendor systems traditionally used to support the HR staff are inadequate to deal with the complexity and critical nature of today's HR functions
- Need to reduce total administrative costs of delivering HR services
- Recognition of the strategic value of developing the corporation's human capital

These drivers, coupled with the increasing desire of organizations to outsource non-core business functions, are expected to create strong demand for integrated HR solutions over the next decade.

**Business Overview** – Synhrgy has a systematic approach to implementing our technology and service solutions that has been proven to deliver significant value to our clients. Our ability to successfully compete in the market for delivering total HR services requires that we continue to demonstrate market leadership in each of the following areas:

- Technology Leadership - Through our internally developed technology, Synhrgy currently has the ability to provide comprehensive technology applications that support the entire range of HR functions. A key component of our strategy is our web portals and service centers, which were developed to provide self-service delivery of information to business managers, HR managers, employees, retirees, and third party service providers. These portals constitute a critical element of a corporation's global HR information systems and allow users to access information and process transactions. Our portals operate on a 24/7 basis, and eliminate the numerous organizational, transactional and communication barriers that exist within large corporations. Our services allow clients to achieve substantial reductions in the cost of administering HR programs.
- Human Resource Expertise - HR domain expertise is a requirement for organizations seeking to provide outsourced services to large corporations. Synhrgy's senior management team and staff have extensive expertise across all areas of HR functions and includes several individuals recognized nationally as leaders in the HR services field. In addition, our vendor integrator approach to outsourcing allows us to integrate providers of niche HR services, thus allowing us to deliver "best in class" expertise to our clients across the full range of HR functions.
- Business Process Outsourcing (BPO) Expertise - We collaborate with our clients to design and reengineer HR processes to increase productivity, service and quality while significantly reducing overall HR costs. Our transition and change management specialists manage the transformation and/or integration of our clients' existing systems to our operational infrastructure. Our extensive implementation experience includes the installation of our self-service web-based applications at the client site.

**Strategic Partnerships** – To provide the comprehensive range of HR solutions required by large organizations and meet the strong demand for these services and technologies, Synhrgy has completed several strategic alliances with leading firms, including:

- UnitedHealth Group (UHG – December 1999) – Synhrgy became the exclusive provider of HR technology and services to clients of Uniprise, the subsidiary of UHG that provides services to Fortune 1000 companies. Under the agreement, Uniprise will distribute Synhrgy's services and technology to its clients' 250+ organizations averaging 14,300 lives each.
- T. Rowe Price (TRP – June 1999) - Synhrgy became the exclusive provider of pension administration technology and services for clients of TRP. We are currently in discussion to expand the scope of the alliance to encompass all health and welfare plan administration services to TRP clients.
- SEI Investments (SEI – September 2000) – Synhrgy manages the administration of defined benefit retirement plans and health and welfare plans for clients served by SEI.
- Hackett Benchmarking & Research (Answerthink-April 2001) – Synhrgy has an exclusive arrangement with Hackett, the leading firm in HR benchmarking, which arrangement allows us to share best practices across all HR functions and to cross-sell each other's services.

**Growth Strategy** – With an existing client base of over 50 firms, Synhrgy has an established business and is well positioned for rapid growth. Our future growth will be based on the following strategies:

- Expanding our relationships with existing clients. From our current ongoing client base, we provide HR services for over 735,000 employees both active and retirees. These existing clients have a total employee population in excess of 1.5 million (including retired employees) and in most cases; we are not yet providing the complete range of HR services possible. We therefore have significant opportunities to expand the range of services provided to our clients and we expect to gain additional revenue from existing clients in the near term.
- Leverage our strategic relationships. Our strategic partners represent an important distribution channel for reaching the large (over 5,000 employees) employer market. We have demonstrated the value of these strategic alliances through the acquisition of new clients such as Sabre, US Airways, Clorox, Bcom3 (Leo Burnett) and Enron.
- Continue our leadership position in the application of technology to support HR functions. Our technology architecture is based on an open design that allows us to integrate pre-built technologies with proprietary software components that together support a patent-pending process for delivering highly scalable human resource self-service solutions. We currently have proprietary technology for benefit administration, comp administration, performance management and e-learning, workforce administration and special event services. This technology includes web and IVR solutions plus the business function software. In addition, we have a full suite of call center technology to support our service centers.
- Extend our services to target Global 500 companies. We currently provide services to the US operations of global corporations such as BAE Systems, Fujitsu, Textron and others. We are in discussions with global HR consulting firms to secure alliances that would allow us to work jointly on global opportunities for these clients and others with Synhrgy providing the technology and outsourcing services as well as certain consulting services.
- Extend our services to middle market employers. We are currently developing simplified and standardized versions of our services for application to middle market employers with 1,000 to 5,000 employees. We believe there are major opportunities to provide standardized services in this market segment, which has been underserved by the traditional providers of HR service.

Our objective is to become the leading provider of comprehensive, integrated HR solutions on a BPO basis that enable large, multinational corporations to reduce their HR costs and increase the productivity of their human capital while also addressing the needs of middle market employers. We believe that our

existing client base, technology capabilities, and strong partnerships with leading firms give us the basis for meeting our objective over the next three to five years.

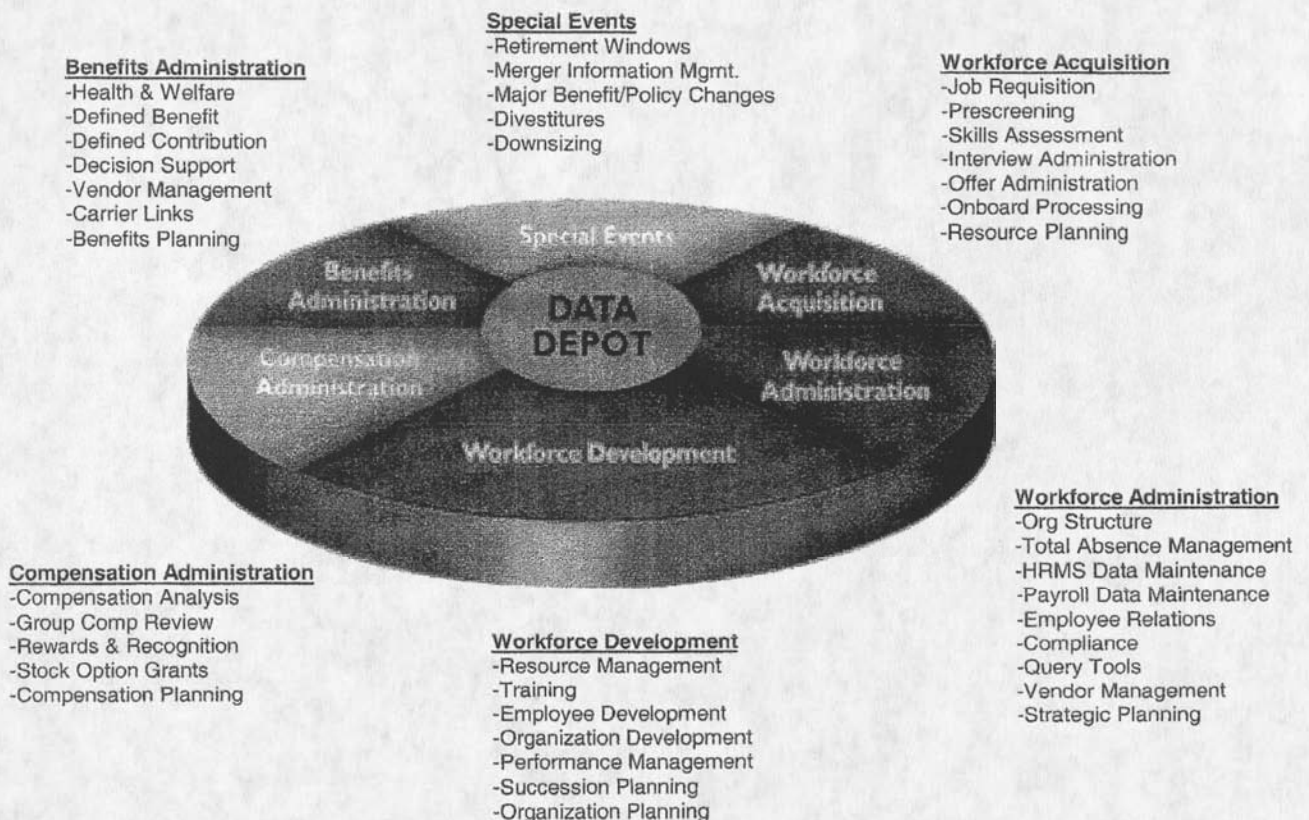
## Value Proposition to our Clients

### The Synhrgy Vision

Our vision identifies three value propositions for our clients. The three value propositions are:

- Reduced costs as evidenced by a strong ROI (a case study can be provided)
- Better service to HR constituents (employee and retirees groups along with business managers)
- Improved management of human capital through integrated, accessible information

Most organizations are just beginning to focus on all three propositions with the first two being the primary focus today. As companies move from the first value to the third value, centralized data and web-enabled access across HR functions becomes more critical to gain value. That is why Synhrgy's vision is to provide a single point of access that integrates data across HR functions, thereby maximizing value to the organization, by offering the following:



Appendix C-1  
(13 pages)

**Synhrgy HR Technology  
Personnel Summary**

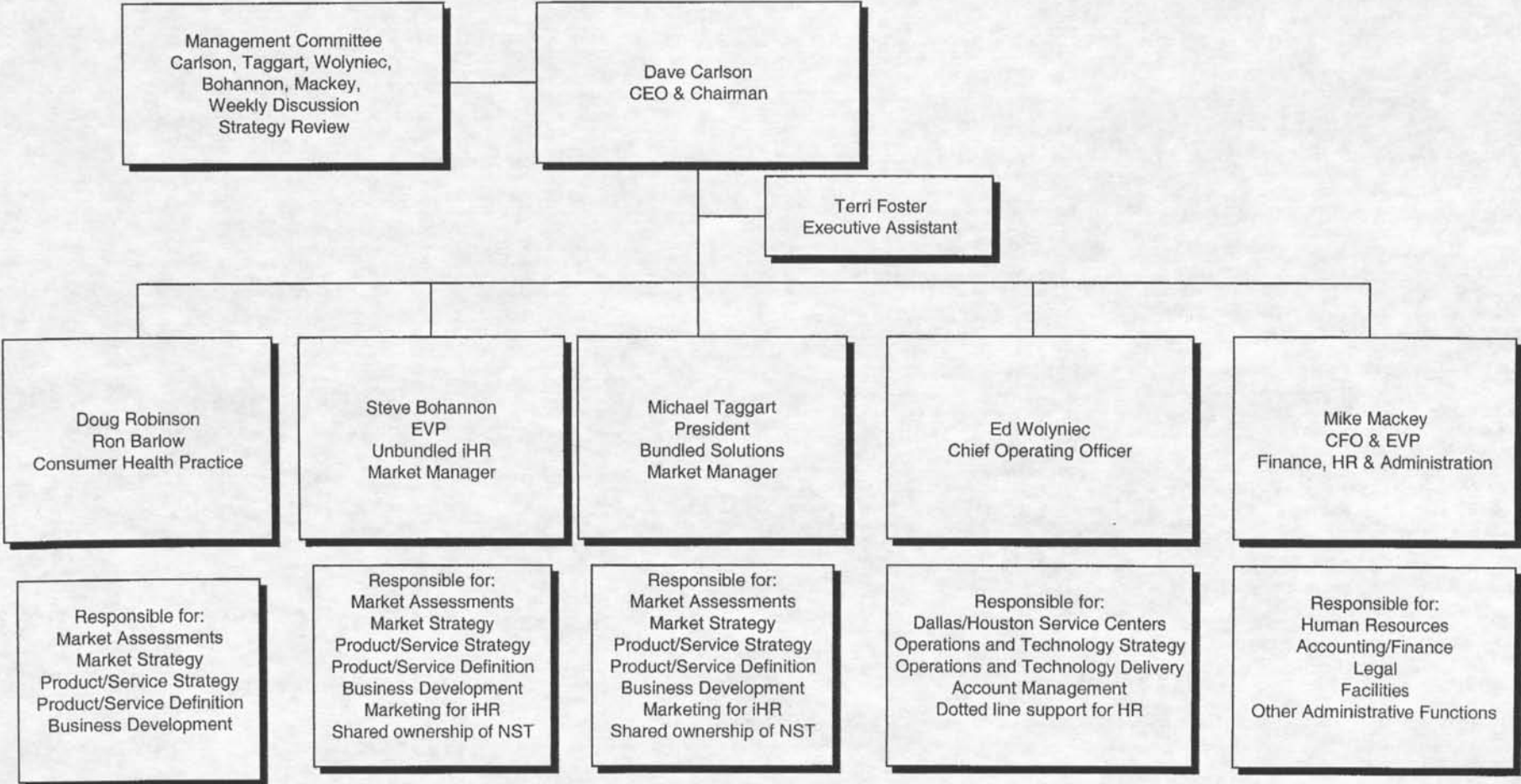
<b>Department</b>	<b>Dec-01</b>
<b>Client Services</b>	
Client Delivery - Benefits	166
Client Delivery - HR	59
Client Technology - Benefits	12
I-HR Professional Services	8
Client Consulting	4
Consumer Health	15
<b>Client Services Total</b>	<b>264</b>
<b>Sales &amp; Marketing</b>	
Account Management	4
Marketing	3
Sales	9
Sales & Marketing Special Procects	0
<b>Sales &amp; Marketing Total</b>	<b>16</b>
<b>Technology</b>	
Development	16
IT Operations	13
<b>Technology Total</b>	<b>29</b>
<b>General Administration</b>	
Accounting	10
Administration	3
Corporate	2
Human Resources	7
<b>General Administration Total</b>	<b>22</b>
<b>Total</b>	<b>331</b>

**Synhrgy HR Technology  
Personnel Detail - December 01**

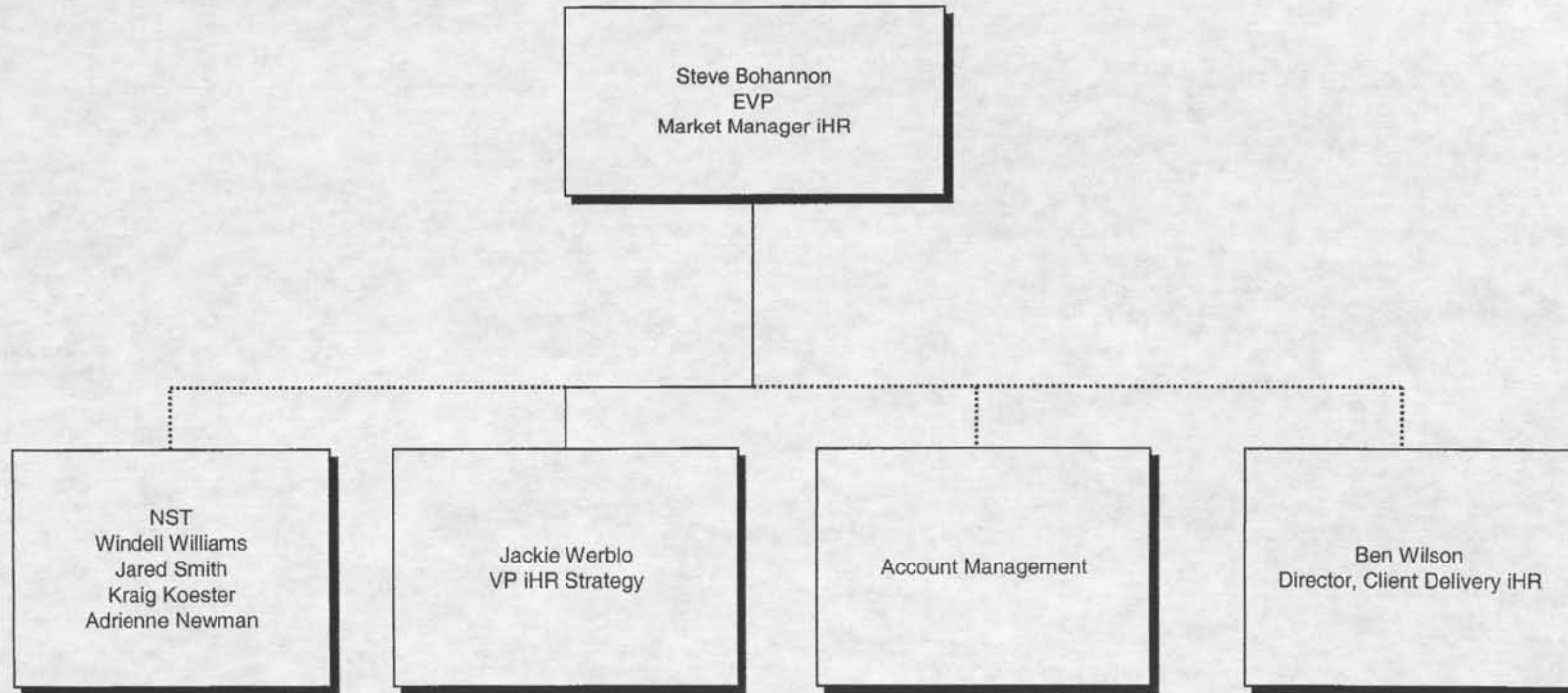
<b>Department</b>	Atlanta	Boston	Chicago	Columbus	Houston	Dallas	Minn	San Fran	Muti	Corporate	Total
Client Services	0	0	0	0	180	46	14	0	15	9	<b>264</b>
Sales & Marketing	1	0	1	2	1	3	0	1	0	7	<b>16</b>
Technology	0	0	0	0	0	0	0	0	0	29	<b>29</b>
General Administration	0	0	0	0	0	0	0	0	0	22	<b>22</b>
<b>Total</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>181</b>	<b>49</b>	<b>14</b>	<b>1</b>	<b>15</b>	<b>67</b>	<b>331</b>



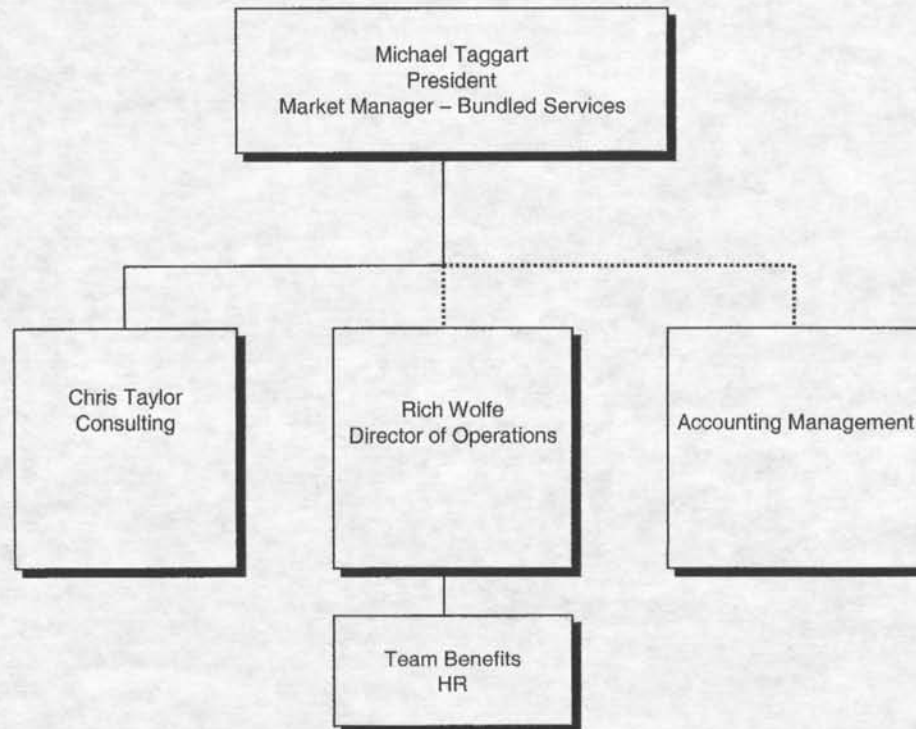
# Synhrqy Organization Chart



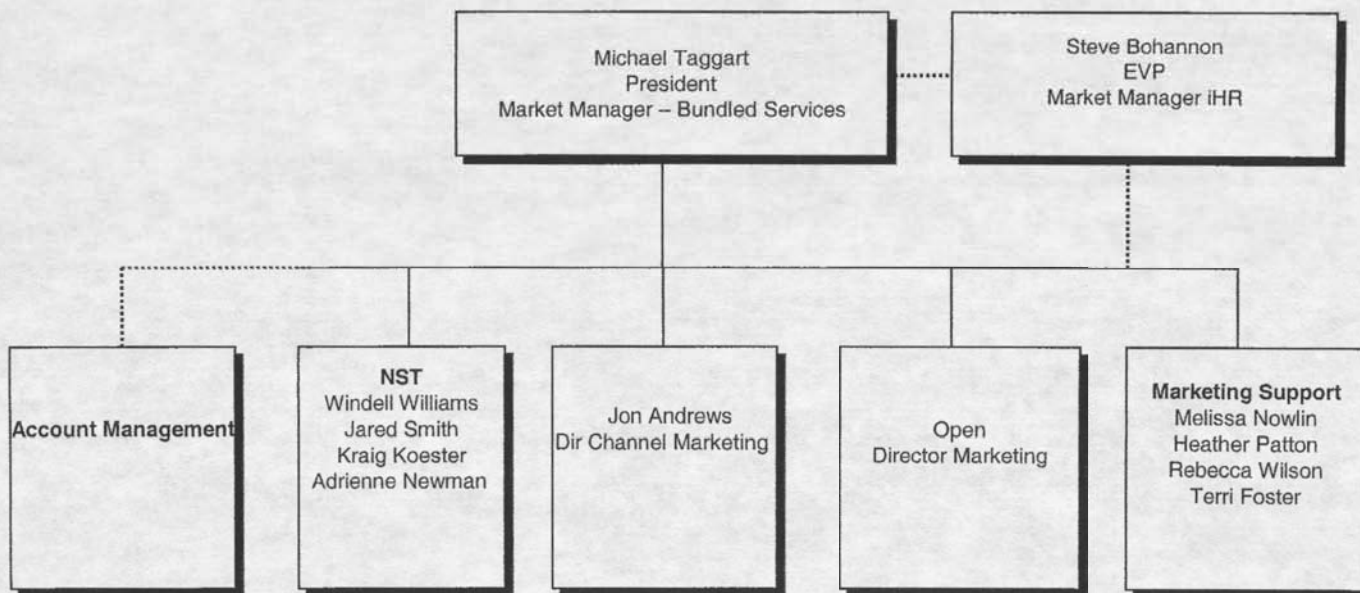
# iHR Unbundled Market Group



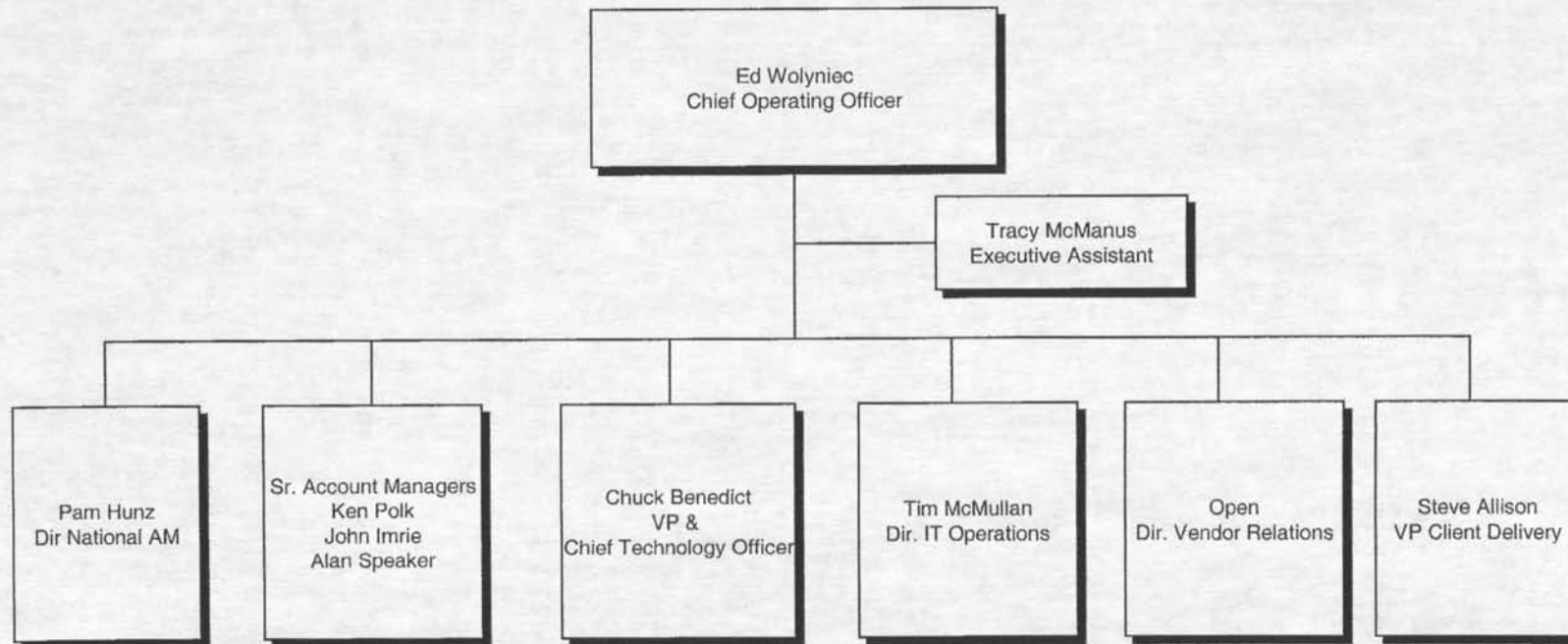
# Bundled Services Market Group



# Sales & Marketing - Overview

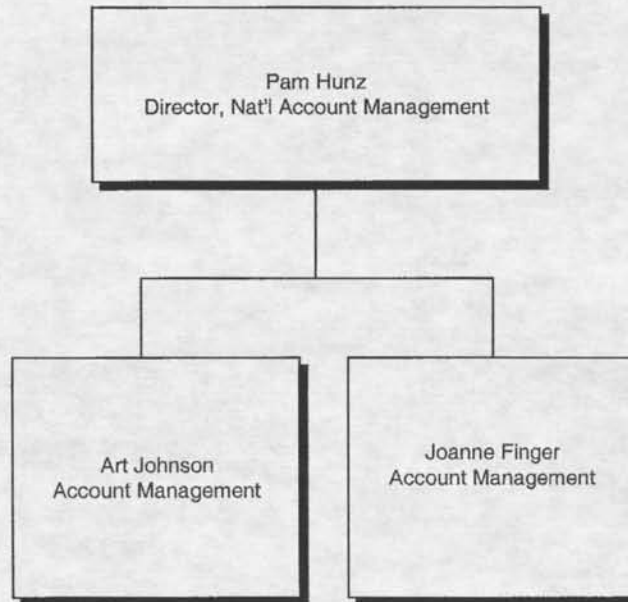


# Service and Technology

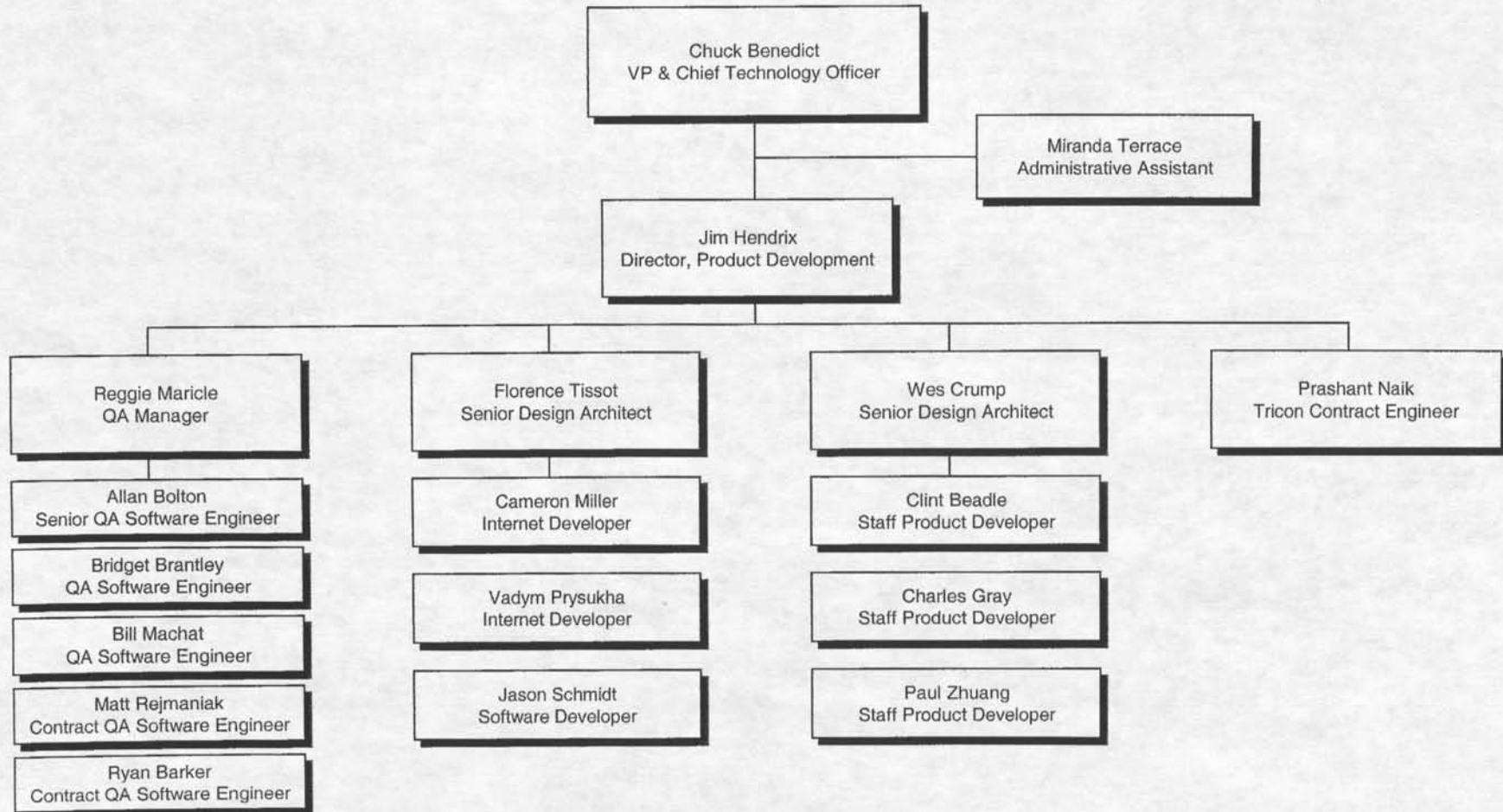


# Account Management

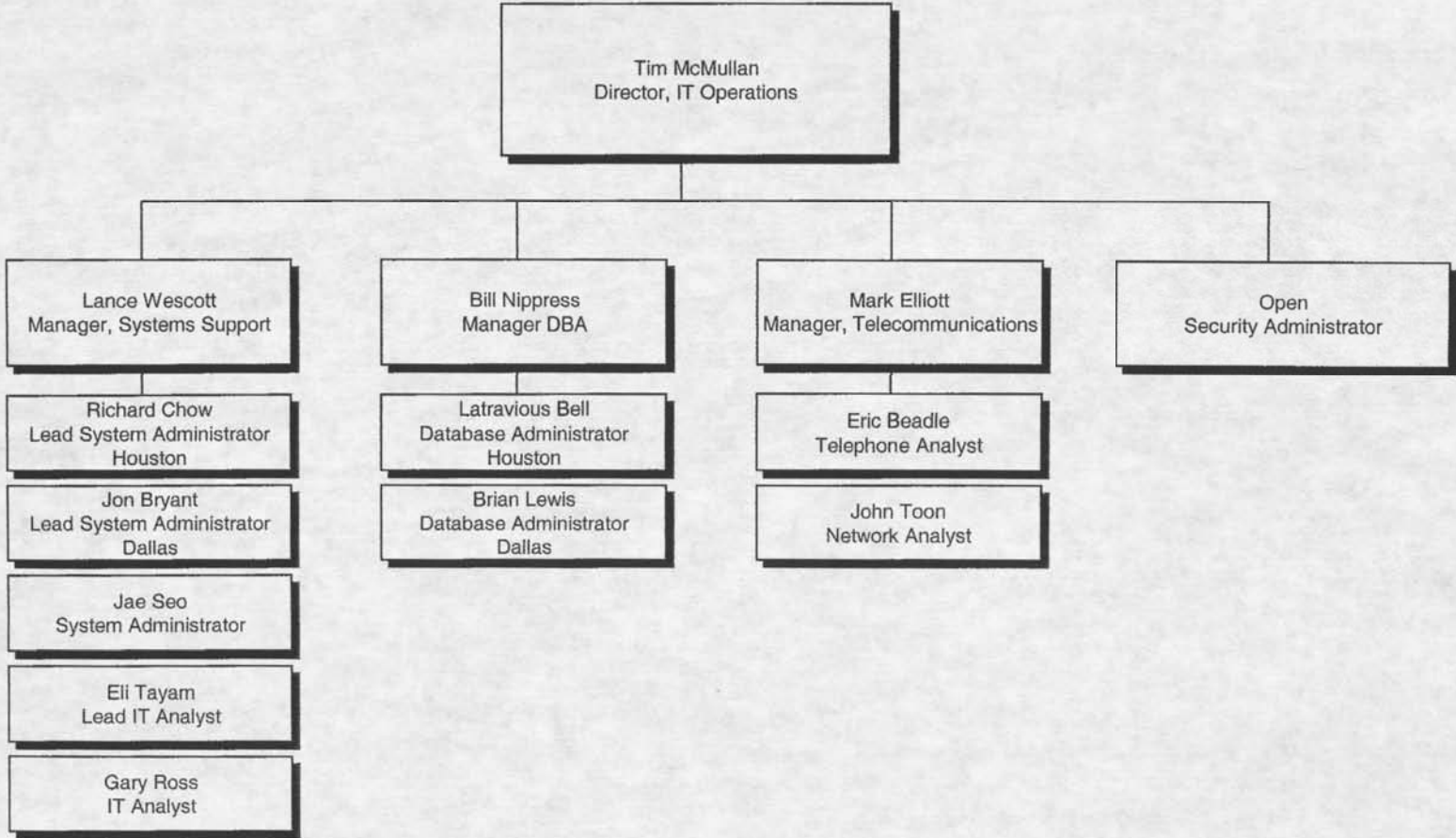
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# Product Technology

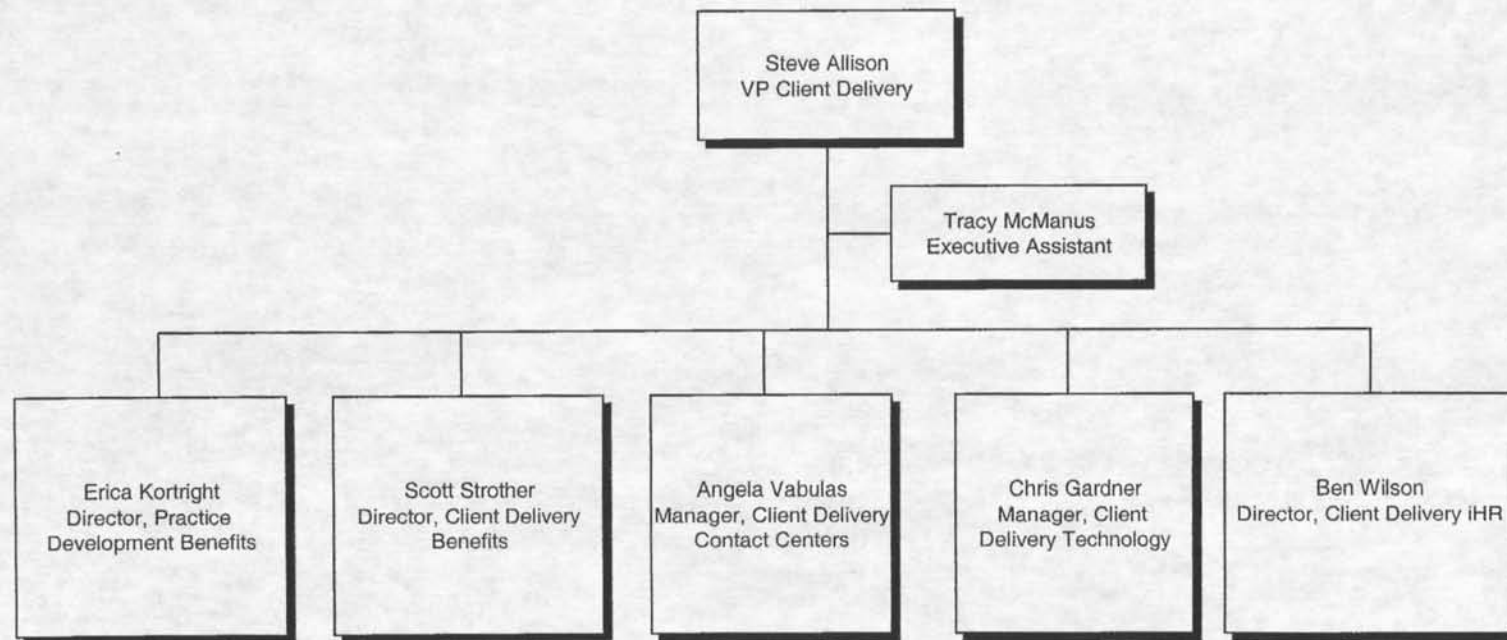


# IT Operations

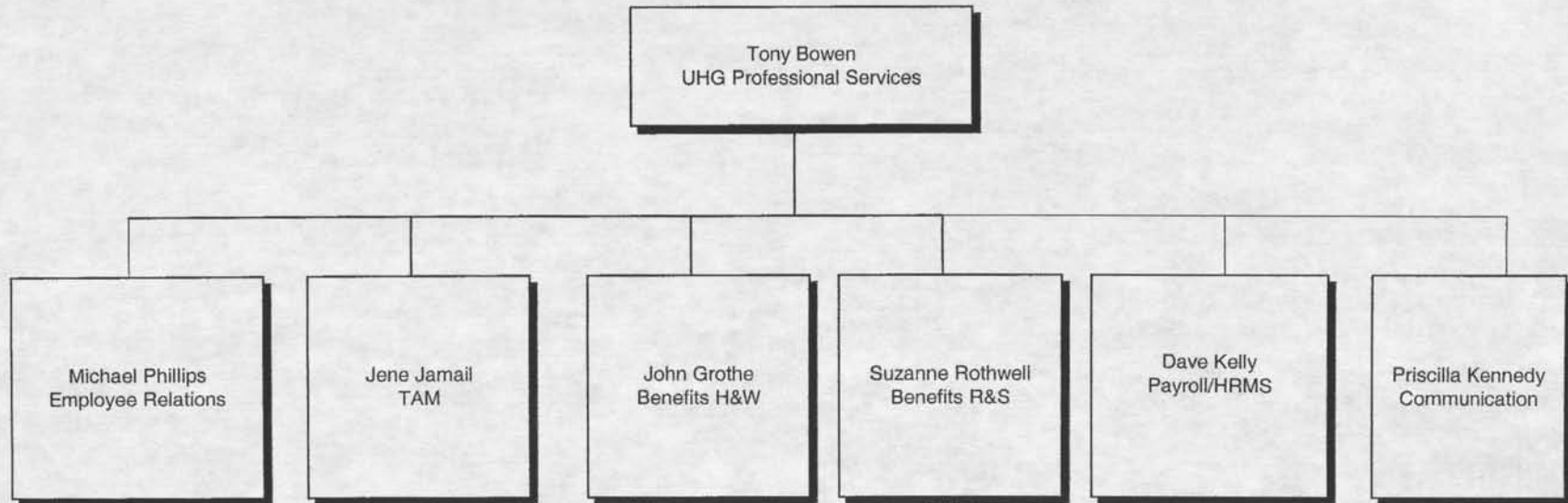




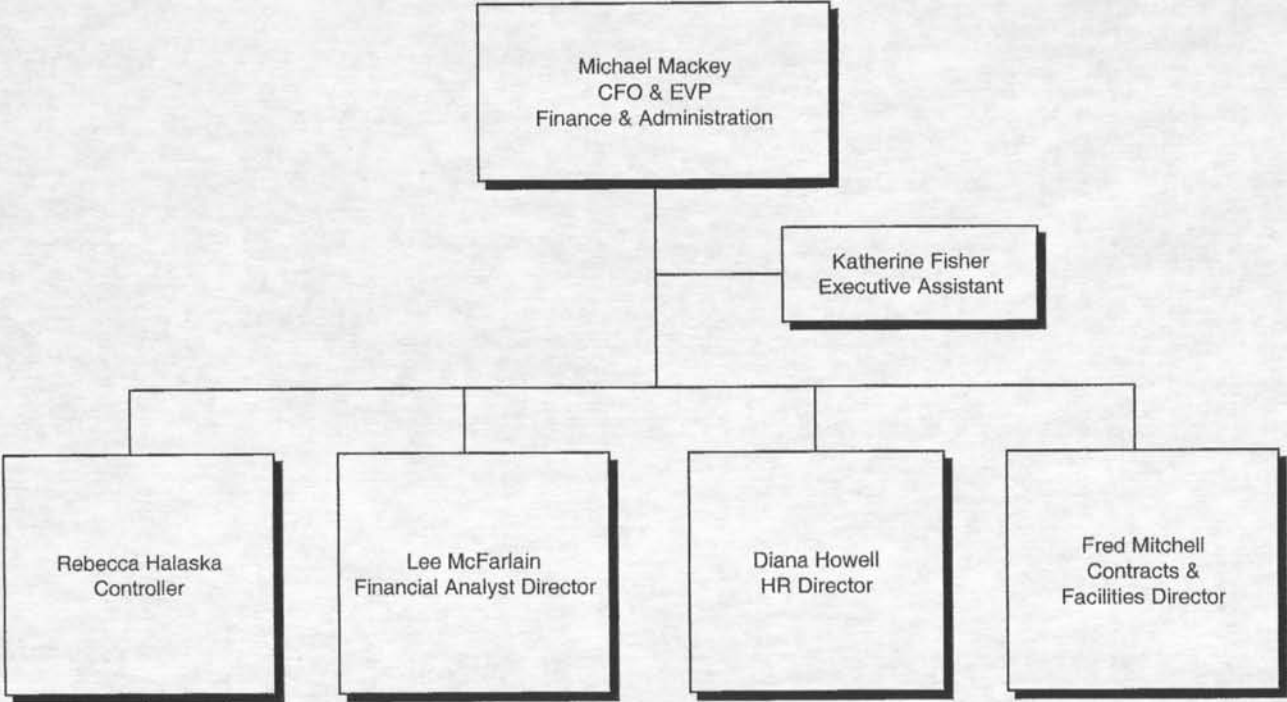
# Client Delivery



# UHG Professional Services Group



# Finance & Administration



## FACILITIES

Our corporate headquarters are located in Houston, Texas and we will have leased an aggregate of over 88,488 sq. ft. in Houston, Dallas, Boston, Columbus and Chicago.

The Houston and Dallas service centers are designed to house our personnel engaged principally in call center and other support activities necessary to meet our service commitments to our current clients.

## MANAGEMENT

### Executive Officers, Selected Employees and Directors

The following table provides information with respect to our executive officers and key employees as of September 2001:

Name	Age	Position(s)
Dave Carlson	44	Chairman, CEO, Co-Founder, and Board Member
Michael Taggart	48	President, Co-Founder and Board Member
Edward S. Wolyniec	43	Chief Operating Officer
Michael Mackey	44	CFO & EVP, Finance and Administration
John Imrie	44	Executive Vice President and Co-Founder
Ken Polk	54	Executive Vice President and Co-Founder
Steve Allison	31	VP Client Operations
Chuck Benedict	33	Chief Technology Officer
Tim McMullan	54	Director IT Operations

### Selected Management Biographies

**Dave Carlson, Chairman, CEO and Co-Founder of Synhrgy HR Technologies, Inc.**, drives the vision, thought leadership and strategic initiatives behind the company's innovative HR solutions. With 20 years of experience in the human resources industry, Carlson has acquired a broad and in-depth knowledge of the HR industry with expertise in business process outsourcing for benefit programs, human resource programs and information systems implementation. Prior to co-founding Synhrgy, Carlson served as Principal and Director of outsourcing at Hewitt Associates, where he led the development and operation of a national service center in Houston. He received his Bachelor's of Science degree in Business from Taylor University, and a Master's degree in Management, and Management Information Systems from Northwestern University.

**Michael Taggart, President and Co-Founder**, leads the company's strategic business development unit, bringing extensive expertise in both the healthcare and HR industries to Synhrgy. Previously, Taggart served as the Executive Director for MethodistCare, the HMO and managed care subsidiary of the Methodist Health Care System. Prior to that, he was the Principal and regional healthcare practice leader for the Southwest region of William M. Mercer, an international benefits and healthcare consulting firm. Taggart received his Bachelor's of Business Administration from the University of Texas at Austin, and is a Fellow of the Society of Actuaries and Member of the American Academy of Actuaries.

**Edward S. Wolyniec, Chief Operating Officer**, brings more than 20 years of technology experience to his role at Synhrgy HR Technologies, Inc. Wolyniec (pronounced Vo-win-yetz) is responsible for managing all aspects of operations as they relate to Synhrgy's core business and financial objectives, including service delivery, information technology and product development. Wolyniec is currently focused on refining the company's technology and service delivery infrastructure to achieve greater efficiencies and to ensure client satisfaction across all functions. Prior to joining Synhrgy, Wolyniec leveraged his business and technology expertise as president and chief operating officer of MyWay.com, a provider of customizable portal solutions for online businesses. He also spent 10 years with Compaq Computer Corporation, most recently as vice president of the Worldwide Business Application unit. Wolyniec was the driving force behind Compaq's strategic partnerships with major ERP, CRM and supply chain partners, developing bundled product solutions to reduce delivery and support costs. He received a bachelor's degree in electrical engineering from the Lawrence Institute of Technology in Southfield, Michigan.

**Michael Mackey, Chief Financial Officer and Executive Vice President of Finance and Administration**, brings extensive experience to Synhrgy in accounting, finance, mergers and acquisitions, and oversees the financial, human resources and administrative organization of the company. Mackey joined Synhrgy from FastWeb.com, a leading online provider of direct marketing services targeting college or college bound students with over 5 million registered users. Previously he was CFO of DA Consulting Group, a leading end user education services firm, and was instrumental in the company's IPO. His experience is further enhanced by his role as CFO at Global Software in Raleigh, NC and financial roles at other companies and was with the auditing practice of PricewaterhouseCoopers. Mackey holds a Masters of Business Administration and a Masters in Accounting from the University of Central Florida and has a Bachelor's degree in Accounting from the University of Florida. He is also a Certified Public Accountant.

**John Imrie, Executive Vice President and Co-Founder**, provides leadership to project teams in the areas of marketing, consulting, design, development and implementation of tailored HR business process outsourcing solutions. Imrie served as National Marketing Director of benefit outsourcing services for Buck Consultants, an international human resources consulting firm. Prior to that, he was the Southwest Region Manager for defined benefit administration services at Hewitt Associates, where he was responsible for marketing and managing all client activity for defined benefit administration and outsourcing services. He received his Bachelor's of Science degree in Business and Management Information Systems from Taylor University.

**Ken Polk, Executive Vice President and Co-Founder**, provides expertise in the design and implementation of HR and benefits programs, particularly in the areas of funding and financial reporting for pension plans. He is also an author and frequent speaker on various employee benefits issues. Polk served as Southwest Region Manager at Buck Consultants before joining Synhrgy. He is an enrolled actuary with memberships with the Fellow of the Society of Actuaries, the Conference of Consulting Actuaries and the American Academy of Actuaries. He received his Bachelor's of Business Administration in Actuarial Science from the University of Texas at Austin.

**Steve Allison, Vice President – Client Operations**, specializes in the implementation and management of business process outsourcing. Allison's responsibilities include client delivery management - focused on delivering technology, quality assurance, system analysis and design, and integrating voice response and web technologies. Prior to joining Synhrgy, Allison worked for Hewitt Associates implementing outsourcing solutions for large clients. Allison received his Bachelor's of Science in Management from Purdue University.

**Chuck Benedict, Chief Technology Officer**, leads Synhrgy's technology team. Benedict is a recognized IT strategist who is pioneering the company's HR technology vision through his expertise in system design, development, and integration relating to software and hardware solutions for service centers – specifically in the areas of data warehousing, middleware, interactive voice response (IVR), advanced web solutions, telephony, case management and workflow applications. Prior to joining Synhrgy, Benedict owned a software development firm. He received his Bachelor's of Business Administration in Business Analysis and Management Information Systems from Texas A&M University.

**Tim McMullan, Director of Information Technology Operations**, brings 31 years' experience to his position at Synhrgy HR Technologies, Inc. McMullan oversees Synhrgy's IT infrastructure, including the management of multiple data centers and the servers within these centers, the wide area network, the local area network and telephony services. Prior to joining Synhrgy, McMullan worked for a non-profit organization where he managed a Houston data center that supported IT services for 32 hospitals. McMullan received his Bachelor of Arts degree in public relations from California State – Fullerton.

### **Board Members**

Mr. David A. Carlson, CEO

Mr. Kelly DeKeyser, Uniprise

Mr. Robert Newkirk, Validus Partners

Mr. W. Patrick Ortale III, Richland Ventures

Mr. Michael Taggart, President

### **Board Member Biographies**

#### **Kelly DeKeyser, Senior Vice President Business Process Outsourcing, Uniprise**

Mr. DeKeyser is Senior Vice President of business process outsourcing for Uniprise, a United Health Group (UNH) company, which specializes in large account relationships, high volume transaction processing, and leading edge technology. Before joining Uniprise in December 2000, Mr. DeKeyser was chief operating officer of Vivra, Inc., a progressive healthcare technology and services company. Prior to that, Mr. DeKeyser held senior executive positions with venture-backed First Physician Care, and with managed care concerns CIGNA and FHP, International. Mr. DeKeyser has a Bachelor's and Master's of Business Administration from Arizona State University.

#### **Robert G. Newkirk, Partner, Validus Partners**

Mr. Newkirk has served as Partner of Validus Partners, a venture capital fund manager, since October 1998. Validus Partners manages the Validus venture capital funds, of which UnitedHealth Group is the sole limited partner. Prior to joining Validus, Newkirk practiced corporate law at UnitedHealth Group, a national law firm, the Securities and Exchange Commission, and worked in the entrepreneurial services group of an international accounting firm. Newkirk currently attends as a director or observes board meetings of several companies in the Validus portfolio. Mr. Newkirk holds a Juris Doctorate from the University of Chicago Law School and a Bachelor's of Science in Accountancy and a Bachelor's in Science in Economics from the University of Illinois.

#### **W. Patrick Ortale, Managing Partner, Richland Ventures**

Mr. Ortale co-founded Richland Ventures in 1994, Richland Ventures II in 1996 and Richland Ventures III in 1999. These three venture capital funds have combined committed capital of \$340 million. Prior to Richland Ventures, Mr. Ortale was a founding general partner of Lawrence, Tyrrell, Ortale & Smith I and II, venture capital funds formed in 1985 and 1990, respectively. Mr. Ortale currently serves on the board of directors of Network One Communications, Synhrgy HR Technologies, Inc., Swell, Inc. and Televox Software. He holds a B.A. degree from Hanover College and a J.D. degree from the Nashville School of Law.

RFPs Outstanding - Sorted by Company  
As of 1/11/2002

Company	Sales Rep	Current Estimated Decision Date	Active EE's	Total Retirees	Total Eligible	Line of Business	Distribution Source	RFP Completed
Benefits					2,665 B	DB	SBC	1/4/2002
Penn Mutual	John Imrie	3/1/2002	2,665		2,665 B	DB	Synhrgy	8/29/2001
Teledyne	Windell Williams	2/1/2002	5,000	4,500	9,500 B	DB	Other	3/1/2001
Thomson	John Imrie	7/1/2002	11,000		11,000 B	DB	Synhrgy	10/26/2001
AAFES	John Imrie	7/1/2002	31,000	9,000	40,000 B	HW	Synhrgy	9/27/2001
Abbott Labs	Kraig Koester	1/15/2002	40,000		40,000 B	HW	Other	11/15/2001
AstraZeneca	Jared Smith	1/15/2002	15,000		15,000 B	HW	Other	12/12/2001
Bank of Scotland	Adrienne Newman	3/1/2002	20,000		20,000 B	HW	Towers Perrin	12/21/2001
City and County of San Francisco	Windell Williams	1/31/2002	2,000		2,000 B	HW	Synhrgy	7/12/2001
Georgia Pacific	Alan Speaker	3/1/2002	48,000		48,000 B	HW	Synhrgy	3/18/2001
Honda	Kraig Koester	2/1/2002	13,000		13,000 B	HW	Synhrgy	12/17/2001
SPX	Kraig Koester	5/1/2002	21,000		21,000 B	HW	Synhrgy	10/12/2001
State of Oregon	Windell Williams	5/1/2002	50,000		50,000 B	HW	Synhrgy	8/8/2001
The County of Orange, California	Windell Williams	2/1/2002	16,000	4,000	20,000 B	HW	Uniprise	12/28/2001
VCA Antech	Windell Williams	3/1/2002	4,000		4,000 B	HW		
<b>Total Benefits</b>			<b>278,665</b>	<b>17,500</b>	<b>296,165</b>			
Consulting					11,700 C	Consulting-General	Synhrgy	1/7/2002
Cemex	Adrienne Newman	1/15/2002	11,700		11,700			
<b>Total Consulting</b>			<b>11,700</b>		<b>11,700</b>			
I-HR					5,000 H	HR-General	Uniprise	4/1/2001
Alliance Data Systems	Jared Smith	3/31/2002	5,000		5,000 H	HR-General	Uniprise	8/30/2001
Prudential	Jared Smith	3/1/2002	20,000		20,000 H	HR-General	Synhrgy	3/1/2001
Synovus	Alan Speaker	3/1/2002	14,000		14,000 H	HR-General	Synhrgy	9/20/2001
Tyco	Kraig Koester	2/1/2002	80,000		80,000 H	HR-General	Synhrgy	9/15/2001
Tyco-Sensormatic	Kraig Koester	2/1/2002	7,500		7,500 H	HR-General	Uniprise	9/20/2001
Airborne Express	Kraig Koester	2/1/2002	9,700		9,700 H	HR-TAM		
<b>Total I-HR</b>	Windell Williams	2/1/2002	<b>136,200</b>		<b>136,200</b>			
			<b>426,565</b>	<b>17,500</b>	<b>444,065</b>			

Appendix C-3A  
(7 pages)

RFPs Outstanding - Sorted by Company  
As of 1/11/2002

Company	Sales Rep	Win Probability	Unweighted				Weighted						
			Consulting	Implementation	Ongoing	Total	Consulting	Implementation	Ongoing	Total			
<b>Benefits</b>													
Penn Mutual	John Imrie	Low		275,000	125,000	400,000		55,000	25,000	80,000			
Teledyne	Windell Williams	Med		350,000	650,000	1,000,000		175,000	325,000	500,000			
Thomson	John Imrie	Low		600,000	500,000	1,100,000		120,000	100,000	220,000			
AAFES	John Imrie	Low		275,000	680,000	955,000		55,000	136,000	191,000			
Abbott Labs	Kraig Koester	Med		400,000	1,400,000	1,800,000		200,000	700,000	900,000			
AstraZeneca	Jared Smith	Med		350,000	950,000	1,300,000		175,000	475,000	650,000			
Bank of Scotland	Adrienne Newman	Med		600,000	1,300,000	1,900,000		120,000	260,000	380,000			
City and County of San Francisco	Windell Williams	Low		150,000	100,000	250,000		75,000	50,000	125,000			
Georgia Pacific	Alan Speaker	Low		240,000	691,000	931,000		48,000	138,200	186,200			
Honda	Kraig Koester	Med		350,000	936,000	1,286,000		70,000	187,200	257,200			
SPX	Kraig Koester	Low		600,000	800,000	1,400,000		155,000	864,000	1,019,000			
State of Oregon	Windell Williams	High		685,000	1,308,800	1,993,800		120,000	160,000	280,000			
The County of Orange, California.	Windell Williams	Low		310,000	495,000	805,000		62,000	99,000	161,000			
VCA Antech	Windell Williams												
<b>Total Benefits</b>				<b>5,495,000</b>	<b>11,663,800</b>	<b>17,158,800</b>		<b>1,978,000</b>	<b>4,566,440</b>	<b>6,544,440</b>			
<b>Consulting</b>													
Cemex	Adrienne Newman	High	400,000			400,000	320,000			320,000			
<b>Total Consulting</b>			<b>400,000</b>			<b>400,000</b>	<b>320,000</b>			<b>320,000</b>			
<b>I-HR</b>													
Alliance Data Systems	Jared Smith	Low		585,000	534,000	1,119,000		117,000	106,800	223,800			
Prudential	Jared Smith	Med		1,650,000	2,000,000	3,650,000		825,000	1,000,000	1,825,000			
Synovus	Alan Speaker	Low		670,000	2,500,000	3,170,000		134,000	500,000	634,000			
Tyco	Kraig Koester	Med		1,400,000	2,650,000	4,050,000		700,000	1,325,000	2,025,000			
Tyco-Sensormatic	Kraig Koester	Med		100,000		100,000		50,000		50,000			
Airborne Express	Windell Williams	Med		75,000	185,000	260,000		37,500	92,500	130,000			
<b>Total I-HR</b>				<b>4,480,000</b>	<b>7,869,000</b>	<b>12,349,000</b>		<b>1,863,500</b>	<b>3,024,300</b>	<b>4,887,800</b>			
<b>Totals:</b>			<b>400,000</b>	<b>9,975,000</b>	<b>19,532,800</b>	<b>29,907,800</b>	<b>320,000</b>	<b>3,841,500</b>	<b>7,590,740</b>	<b>11,752,240</b>			



Synhrgy HR Technologies, Inc.  
Pipeline Analysis

Prospect Information		Client Status		Status	Services Summary	Proposed Scope of Services						Unweighted Fees		
Total Eligible		Status				Services Type	Delivery Mode	Tier				Consulting	Implementation	Ongoing
Prospect Name	Active	Retired	N=new E=exist			H&W DB HR Con Tech Touch IVR Web Center								
<b>Benefit Administration</b>														
Abbott Labs	40,000		E	Fees sent	Ongoing admin	Y							0	300,000
Conrail	6,000	11,000	N	ORCA	DB	Y							135,000	395,000
CountryWide Credit Services	7,400	800	N	Proposal sent	DB	Y							225,000	255,000
County of Orange	15,000		N	Finalist	H&W - HT	Y		y	y	y	y		873,000	1,708,800
Devon Energy	5,000		N	RFP sent	DB	Y							225,000	275,000
Dynegy	5,000		N	RFP sent	DB-Web-CC	Y							475,000	200,000
Enbridge	800		N	RFP sent	H&W-BP	Y		y		y	y		195,000	290,000
Franklin County	15,000		N	Proposal sent	Web H&W;high tech	Y		y			y		200,000	360,000
General Parts	9,000		N	RFP sent	H&W;BP	Y		y		y			234,000	0
Georgia Pacific	48,000		N	RFP / Site visit	H&W-VMS High Tech	Y		y					240,000	691,000
Honda	13,000		N	Proposal sent	H&W-HT	Y			y	y	y	y	600,000	300,000
IKON Services	30,000		N	Proposal sent	H&W-BP	Y			y	y	y	y	900,000	1,500,000
Maytag	6,000		N	Proposal sent	H&W-HT	Y			y				585,000	1,150,000
NetVersant	2,500		N	RFP sent	H&W;BP	Y		y		y	y	y	275,000	450,000
Procter & Gamble	40,000	15,000	N	Finalist	H&W;VMS and CC	Y						y	290,000	591,000
State of Oregon	45,000		N	RFI sent	W; call center technok	Y		y					600,000	800,000
Teledyne	5,000	4,500	N	Proposal sent	H&W - HT;DB	Y	Y	y		y	y	y	650,000	435,000
Temple Inland	11,000		E	Meeting	H&W-BP	Y		y		y	y	y	550,000	1,210,000
Thomson	11,000		N	Pricing sent	DB	Y					y	y	500,000	500,000
Tyco	80,000		E	Fees sent	H&W -High Touch	Y			y	y	y		1,400,000	2,650,000
Tyco --Sensormatic	7,500		E	Fees sent	Ccenter							y	100,000	0
<b>HR Services</b>														
ACS-MRG	22,000		N	1 process of due	HR	Y	Y			y	y	y	975,000	4,300,000
Airborne Express	9,700		N	proposal sent	HR-FMLA		y					y	75,000	185,000
Alliance Data Systems	5,000		E	proposal sent	HR		Y						585,000	534,000
Prudential	20,000		N	Fees sent	HR		Y			y	y	y	1,650,000	2,000,000
Textron	350		E	change in scope: Textron	HR Data Mgmt		Y					y	225,000	36,000
TFS	6,000	1,600	N	Fees sent	H&W, HR Data Mgmt	Y	Y	y		y	y	y	1,100,000	1,020,000
TXU	10,000			Letter sent			Y						175,000	250,000
Total	475,250	32,900											1,250,000	13,522,000
													23,086,800	

Synhrgy HR Technologies, Inc.  
 Pipeline Analysis  
 Prepared By:

Last Updated 6/29/01

Prospect Information			Contact I	Status	Proposed Scope of Services							Date	Impl	Ongoing	Consulting	Fees Proposed			
Total Eligible		Proposal			High	High	Con	HR	DB	IVR	Web	Call Center	Final	start date	Date	Fees	Impl	Ongoing	
Prospect Name	Active	Retired	Source		H&W	Tech	Touch										Fees	Fees	
<b>Consulting</b>																			
Gainsco	2,000		SYN	Letter sent				Y					7/1						18,000
Group 1 Automotive	5,000		SYN	RFP sent				Y					7/31	8/15	1/1	150,000			
National City	10,000		SYN	Pricing sent				Y			y		8/1	1/1	4/1		65,000	125,000	
Williams Communication Group	5,500		SYN	Proposal sent				Y											
<b>HR Services</b>																			
Alliance Data Systems	5,000		CLA	HR pricing				Y		y	y	y	10/1	10/15	3/1				550,000
Black and Decker	10,000	12,000	SYN	Proposal sent	Y			Y		y	y	y	7/1	7/15	11/1				4,000,000
Cable and Wireless	50,000		IBM	presentation	Y			Y					1/1	1/1	7/1				2,500,000
Cargill	50,000	7,500	IBM	presentation				Y		y	y	y	12/1	1/1	10/1				3,000,000
Carlson Wagonlit	5,000		Hackett	Fees provided				Y					8/1	9/1	1/1				32,500
Delphi Automotive	122,000		SYN	Proposal sent				Y		y	y	y	7/1	8/1	1/1	120,000			
Delta Airlines	98,000		CLA	proposal sent				Y					8/1	8/15	1/1				125,000
Getronics	7,000		SYN	Proposal sent				Y					7/15	7/15	10/1				75,000
Pacificare	30,000		IBM	Meeting				Y		y	y	y	9/1	9/15	2/1				1,000,000
Pitney Bowes	70,000		CLA	Finalist				Y			y		8/1	8/15	11/1				75,000
Salt Lake City Corporation	2,000		SYN	RFP sent				Y			y	y	7/30	8/15	3/1				75,000
Square D	10,000		SYN	RFP to be sent				Y		y	y	y	7/15	8/1	7/1				2,200,000
Sun Chemical	5,500		SEI	Meeting				Y			y	y	7/15	7/15	1/1				650,000
T.Rowe Price	4,000		T.Rowe	Fees provided				Y					8/1	8/15	1/1				500,000
TeamAmerica	20,000		SYN	Meeting				Y		y	y		9/1	9/15	3/1				395,000
Textron	50,000	40,000	SYN	RFP sent				Y	Y		y	y	9/1	9/15	2/1				180,000
TXU	10,000		SYN	Letter sent				Y					10/1	10/1	2/1				175,000
UHG-expansion of HR	30,000		CLA	Meeting				Y		y	y	y	7/15	8/15	3/1				1,500,000
<b>Benefits</b>																			
Akzo Nobel	10,900		SYN	Finalist	Y	Y				y	y	y	7/1	7/15	11/1				560,000
Allegheny Technologies	10,500	12,900	SYN	Recommended	Y		y		Y	y	y	y	7/1	7/15	11/15				1,175,000
Americredit	10,000		SYN	RFP sent					Y		y	y							220,000
Baylor Healthcare	8,300		SYN	RFP sent	Y	y				y	y	y	7/15	7/15	11/1				400,000
Blount	12,000		T.Rowe	Proposal sent					Y		y	y	7/10	7/15	4/1				350,000
Burlington Resources		2,600	CLA	Fees sent	Y	y				y	y	y	7/1	7/15	10/15				250,000
City of Ft.Worth	5,200	5,300	CLA	Proposal sent	Y	y				y	y	y	7/1	7/15	1/1				363,750
Clear Channel Communications	24,000		CLA	Fees sent	Y		y			y	y	y	7/1	7/15	1/1				330,000
Comfort Systems	8,000		SYN	RFP sent	Y	Y				y	y	y	7/1	11/1	1/1				600,000
Crawford	7,000	1,000	T.Rowe	RFP sent					Y		y	y	8/15	9/1	1/1				250,000
Dynegey	5,000		T.Rowe	RFP sent					Y		y	y	8/30	9/1	3/1				475,000
Encompass	20,000		SYN	Proposal sent	Y		y						8/1	9/1	1/1				760,000
Enron - Authoria	13,000		SYN	Authoria	Y						y		10/1	10/15	2/1				50,000
Enron - Facilities Management	4,000		SYN	Fees sent	Y		y			y	y	y	7/1	8/15	1/1				250,000
Fleetwood	15,000		CLA	Finalist	Y		y			y	y	y	7/15	8/1	11/15				550,000
Getronics	7,500		SYN	Authoria	Y						y		7/1	7/31	9/15				50,000
HB Fuller	2,000		SYN	Fees sent	Y	y				y	y	y	7/1	7/15	11/1				85,000
Honda	13,000		SYN	Proposal sent	Y		y			y	y	y	7/1	7/15	1/1				600,000
IKON Solutions	30,000		SYN	RFI sent	Y	y				y	y	y	9/1	2/1	7/1				900,000
Maytag	23,000		CLA	RFI sent	Y		y						1/1	4/1	10/1				1,200,000
Michaels	10,000		SYN	Fees/letter sent	Y	y				y			1/1	6/1	9/1				400,000
Motorola	72,000		CLA	RFP sent	Y		y			y	y	y	8/1	8/15	12/1				1,000,000
Pittson	5,000		CLA	RFP sent	Y	y				y	y	y	8/1	9/1	1/1				868,000

Synhrgy HR Technologies, Inc.  
 Pipeline Analysis  
 Prepared By:

Last Updated 6/29/01

Prospect Information			Contact / Proposal	Status	Proposed Scope of Services									Date	Impl	Ongoing	Consulting	Fees Proposed	
Prospect Name	Total Eligible		Source		High			High			Call Center	Final	start date	Date	Fees	Fees	Fees		
	Active	Retired			H&W	Tech	Touch	Con	HR	DB								IVR	Web
Reliant Resources	3,300		SYN	RFP sent	Y		y				y	y	y	7/15	8/1	2/1	100,000	131,000	
State of Ga.	150,000		EDS	Proposal to be sent	Y		y				y	y	y	10/1	11/1	7/1	3,000,000	5,000,000	
Temple Inland	15,000		SYN	Meeting	Y	y					y	y	y	7/1	7/15	10/15	475,000	990,000	
Texas Association of Counties (TAC)	10,000		SYN	capabilities Letter	Y		y							12/1	1/1	5/1	750,000	1,000,000	
Thomson	11,000		SEI	Fees provided						Y		y	y	9/30	10/15	5/1	300,000	300,000	
Tyco	7,500		SYN	Fees provided	Y		y					y		7/1	7/31	9/15	50,000	100,000	
UtiliCorp	10,000		SEI	RFP sent						Y		y	y	8/1	9/1	2/1	450,000	400,000	
Whole Foods	8,500		SYN	Meeting	Y		y					y		7/1	7/1	10/1	325,000	425,000	
Zurich RMS	2,200		SYN	Revised RFP						Y		y	y	8/1	8/15	1/1	200,000	240,000	
<b>Total</b>	<b>1,133,900</b>	<b>81,300</b>															<b>373,000</b>	<b>33,566,250</b>	<b>63,219,500</b>

Synhrgy HR Technologies, Inc.  
Pipeline Analysis

Last Updated 4/02/01

Prospect Information			Contact Information	Region	Status	Proposal Status			Fees Proposed					
Total Eligible		Proposal				Date	Prop	Site	Date	Impl	Ongoing	Consulting	Impl	Ongoing
Prospect Name	Active	Retired	Source			Rec'd	Sent	Visit	Final	start date	Date	Fees	Fees	Fees
<b>Consulting</b>														
Delta Air Lines, Inc.	76,000		SYN	Southeast	Finalist	3/5			5/1	6/1	9/1	125,000	195,000	500,000
<b>HR Services</b>														
Alliance Data Systems	5,000		CLA	Southwest	Fees provided			3/23	4/15	5/1	8/1		357,500	550,000
Cargill	50,000	7,500	IBM	Midwest	presentation	11/4	11/17	11/29	4/30	1/1	10/1		3,000,000	25,000
Carlson Wagonlit	5,000		Hackett	Southwest	Fees provided	3/2	3/7		5/1	6/1	7/1		32,500	200,000
Enron - Authoria	13,000		SYN	Southwest	Authoria				5/1	5/15	8/1		50,000	100,000
Getronics	7,500		SYN	East	Authoria				7/1	7/31	9/15		50,000	100,000
T.Rowe Price	4,000		T.Rowe	Southwest	Fees provided	3/2			6/1	6/15	1/1		500,000	1,000,000
Tyco	7,000		SYN	East	Knowledge Base				7/1	7/31	9/15		100,000	150,000
Tyco	7,500		SYN	East	Health Care Estimator				7/1	7/31	9/15		50,000	100,000
<b>Benefits</b>														
3Com	5,000		CLA	West	Finalist	3/9			5/1	5/15	9/1		260,000	400,000
Allegheny Technologies	10,500	12,900	SYN	Midwest	revised RFP	8/31	8/22	1/26	4/15	5/1	10/1		1,175,000	2,400,000
Bank of Nova Scotia	1,700	170	SYN	Southwest	RFP sent	12/8	12/27		5/1	5/15	8/1		300,000	300,000
Baylor Healthcare	8,300		SYN	Southwest	RFP sent	2/5			4/15	4/15	9/1		400,000	800,000
Blue Cross Blue Shield	500,000		SYN	Southeast	ORCA				6/1	7/15	9/1		400,000	500,000
California Casualty	1,100		SYN	West	letter sent	11/3	11/7	11/8	4/1	7/1	7/1		195,000	230,000
Centex	11,000		CLA	West	presentation	3/6			4/15	5/1	8/1		350,000	550,000
City of Dallas	20,000		CLA	Southwest	Proposal sent	3/17	3/23		5/1	6/1	10/1		755,000	1,500,000
Clear Channel Communications	24,000		CLA	Southwest	Fees sent	3/16	3/22		6/1	6/15	1/1		330,000	1,100,000
Conrail	6,000	11,000	SEI	Southwest	ORCA				6/30	7/15	1/1		425,000	500,000
Crawford	7,000	1,000	T.Rowe	Southwest	RFP sent	2/20	3/26		6/1	7/1	1/1		250,000	250,000
CSR America	9,400		Syn	Southeast	Proposal sent	3/5	3/16	4/6	4/2	4/6	8/1		580,000	800,880
Dynegy	5,000		AmEx	Southwest	RFP sent	12/7	1/10		4/30	7/1	1/1		475,000	200,000
Fleetwood	15,000		CLA	West	RFP sent				6/1	6/15	10/1		550,000	1,200,000
Frisch's	5,400		CLA	Midwest	Fees sent	2/1	2/22		5/30	6/1	9/1		210,000	300,000
Getronics	7,000		SYN	East	Proposal sent	3/5			4/30	6/1	8/1		75,000	56,000
HB Fuller	2,000		SYN	Midwest	Fees sent				7/1	7/15	11/1		85,000	100,000
High Technology Solutions	460		SYN	West	Proposal sent	3/16	3/22		4/30	9/1	11/1		175,000	225,000
Honda	13,000		SYN	Midwest	Proposal sent	3/7	3/19		5/1	6/1	10/1		420,000	585,000
Maytag	23,000		CLA	Midwest	RFP sent	2/20	3/9		4/15	5/1	10/1		1,200,000	1,800,000
Michaels	10,000		SYN	Southwest	Fees/letter sent	n/a	n/a	n/a	5/1	6/1	9/1		400,000	900,000
Mindspeed/Conxant Cable	5,300		SYN	West	Fees sent	3/9			5/1	5/15	9/1		450,000	950,000
Motorola	72,000		CLA	Midwest	RFP sent	10/6	10/12		6/1	6/15	10/1		1,000,000	3,860,000
Pitney Bowes OSD	3,200		CLA	East	Finalist	3/4	3/22	4/6	4/30	5/1	10/1		533,000	644,000
RadiSys	1,000		SYN	West	RFP sent			3/2	4/15	4/15	7/1		200,000	250,000
Reliant Resources	3,300		SYN	Southwest	RFP sent	3/5	3/12		5/30	7/1	10/1		460,000	565,000
ResCare	29,000		CLA	Midwest	ORCA				6/1	7/15	10/1		500,000	850,000
Ruddick	9,700	4,600	T.Rowe	Southwest	RFP sent	2/15	3/2		4/1	4/15	11/1		375,000	400,000
SPX	13,100		SYN	Southwest	scope change	2/22	3/6		4/15	5/1	8/1		675,000	1,300,000
State of Ga.	150,000		EDS	Southwest	Proposal to be sent				10/1	11/1	7/1		3,000,000	5,000,000
Sun Chemical	5,500		SEI	Southwest	Meeting	3/14			6/30	7/15	1/1		200,000	300,000
TeamAmerica	20,000		SYN	Midwest	Meeting				5/1	6/1	1/1		395,000	720,000
Temple Inland	15,000		SYN	Southwest	Meeting	2/28			4/1	4/15	9/15		475,000	990,000
Textron	50,000	40,000	SYN	Southwest	RFP sent	10/30	11/3		6/1	7/1	1/1		180,000	480,000
Thomson	11,000		SEI	Southwest	Fees provided	2/25			5/30	7/1	1/1		250,000	250,000
Unilever IBM	90,000		IBM	Southwest	ORCA				7/1	7/15	10/1		2,000,000	3,000,000

Synhrgy HR Technologies, Inc.  
 Pipeline Analysis

Last Updated 4/02/01

Prospect Information			Contact Information		Region	Status	Proposal Status			Date	Impl	Ongoing	Consulting	Fees Proposed		
Total Eligible		Proposal	Date	Prop			Site	Impl	Ongoing					Consulting	Impl	Ongoing
Prospect Name	Active	Retired	Source	Rec'd	Sent	Visit	Final	start date	Date	Fees	Fees	Fees				
UtiliCorp	4,500	1,600	SYN	10/22	10/18											
Whole Foods	8,500		SYN					6/1	7/1	10/1				450,000	400,000	
Worthington Industries	8,000		SYN				6/30	7/15		1/1				325,000	425,000	
Zurich RMS	2,200		SYN					5/1	6/1	1/1				400,000	800,000	
					9/7	10/6								200,000	240,000	
<b>Total</b>	<b>1,361,160</b>	<b>78,770</b>												<b>125,000</b>	<b>25,413,000</b>	<b>44,645,880</b>

Synhrgy HR Technologies, Inc.  
 Ongoing Revenue Backlog Detail  
 Last Updated: 12/31/2001

Client	Ongoing Start Date	Ongoing End Date	Contract Term (Years)	Total Backlog Estimate	Total-02	Total-03	Total-04	Total-05	Total
				as of 12/31/01					
ADS (Net of Clarite)	8/1/01	7/31/04	3	1,328,474	514,248	514,248	299,978	0	1,370,092
Amoseas	1/1/01	12/31/03	3	924,000	462,000	462,000	0	0	962,500
Aventis (HMRI)	1/1/01	12/31/03	3	566,400	283,200	283,200	0	0	590,000
BAE Systems	1/1/00	12/31/02	3	2,880,000	2,880,000	0	0	0	3,099,332
BCom3	1/1/02	12/31/04	3	918,000	294,000	312,000	312,000	0	918,000
Bell Helicopter Annual Enrollment	1/1/01	12/31/03	3	600,000	300,000	300,000	0	0	650,000
Cemex	10/1/01	9/30/04	3	1,864,500	678,000	678,000	508,500	0	1,921,000
City of Dallas (Net of Clarite)	12/1/01	11/30/04	3	1,983,345	680,004	680,004	623,337	0	2,046,678
City of L.A.	6/1/01	5/31/04	3	3,102,125	1,289,500	1,279,500	533,125	0	3,208,750
Clorox (Net of Clarite)	10/1/00	9/30/03	3	156,000	78,000	78,000	0	0	182,000
Consolidated Freighters	8/1/01	7/31/04	3	480,500	186,000	186,000	108,500	0	496,000
Cooper Tire	12/1/01	11/30/04	3	1,050,000	360,000	360,000	330,000	0	1,098,000
CSR America	9/1/01	8/31/04	3	2,135,680	800,880	800,880	533,920	0	2,202,420
Delaware North	1/1/00	12/31/03	4	931,800	465,900	465,900	0	0	970,625
Delta Airlines Student Verify (Net of Clarite)	1/1/01	12/31/03	3	960,000	480,000	480,000	0	0	973,000
Eastman Kodak	2/1/01	1/31/02	1	2,000	2,000	0	0	0	4,000
Enron	1/1/01	12/31/03	3	2,400,000	1,200,000	1,200,000	0	0	2,544,166
Franklin County	4/1/02	12/31/04	3	990,000	270,000	360,000	360,000	0	990,000
Fujitsu (Net of Clarite)	10/1/01	10/31/03	2	1,369,000	774,000	595,000	0	0	1,438,417
Getronic	1/1/01	12/31/03	3	1,988,010	994,004	994,006	0	0	2,053,677
Guide	2/1/00	11/30/05	5	1,947,492	497,232	497,232	497,232	455,796	1,988,928
HB Fuller	3/1/00	12/31/03	3	1,250,367	603,183	647,184	0	0	1,296,867
KRATON Polymers	2/1/01	12/31/03	3	315,000	157,500	157,500	0	0	328,125
Level 3	12/1/01	11/30/04	3	1,020,845	350,004	350,004	320,837	0	1,050,012
Navigator System	4/1/01	3/31/03	2	22,500	18,000	4,500	0	0	24,000
Palm (Net of Clarite)	1/1/01	12/15/02	1	76,500	76,500	0	0	0	82,875
Proctor & Gamble	4/1/02	12/31/04	3	1,168,761	318,753	425,004	425,004	0	1,168,761
Providian	9/1/00	12/31/01	3	0	0	0	0	0	53,386
Reliant Energy	6/1/00	12/31/02	1	900,000	900,000	0	0	0	975,000
Resolution Performance Products (Shell Resins)	12/1/00	12/31/03	3	315,000	157,500	157,500	0	0	328,125
Revlon Consumer Products Corp.	12/1/00	11/30/03	3	856,727	446,988	409,739	0	0	893,976
Sabre, Inc. (Net of Clarite)	10/1/00	4/30/03	3	1,125,684	852,684	273,000	0	0	1,193,935
Stryker	12/1/00	11/30/03	3	851,000	444,000	407,000	0	0	888,000
Temple-Inland	5/1/02	12/31/04	3	3,200,000	800,000	1,200,000	1,200,000	0	3,200,000
Tenet	9/1/01	8/31/04	3	4,960,000	1,810,000	1,990,000	1,160,000	0	5,010,000
Textron	1/1/01	12/31/03	3	1,402,560	701,280	701,280	0	0	1,461,000
Tyco	1/1/02	1/31/04	3	850,000	408,000	408,000	34,000	0	855,143
United Health Group (HW) (Net of Clarite)	11/1/00	12/31/03	3	3,724,224	1,862,112	1,862,112	0	0	3,879,400
United Health Group (Total HR)	1/1/01	12/31/03	3	14,940,668	7,740,668	7,200,000	0	0	15,288,425
US Airways (Net of Clarite)	6/1/01	5/31/03	2	435,840	217,920	217,920	0	0	435,840
US Industries	4/1/00	3/31/03	3	529,728	264,864	264,864	0	0	551,800
Veridian	1/1/02	12/31/04	3	1,282,500	427,500	427,500	427,500	0	1,300,313
World Kitchen	8/1/99	1/31/03	3	455,000	420,000	35,000	0	0	490,727
YMCA	1/1/01	12/31/03	3	612,000	306,000	306,000	0	0	658,750
<b>Grand Total</b>				<b>68,872,230</b>	<b>32,772,424</b>	<b>27,970,077</b>	<b>7,673,933</b>	<b>455,796</b>	<b>71,115,295</b>

Appendix C-3B

Synhrgy HR Technologies  
Win/Loss Analysis - Q4 2001

Status	Company	Total Eligible	Total Retirees	Total Served	Business Line	Distribution Source	Implementation Fees	Ongoing Fees	Consulting Fees	Total Fees
Won	Franklin County, Ohio	5,000	0	5,000	HW	Uniprise	250,000	350,000	0	600,000
Won	Level 3	4,000	0	4,000	HW	Synhrgy	225,000	306,000	0	531,000
Won	Procter & Gamble	40,000	15,000	55,000	HW	Uniprise	145,000	528,000	0	673,000
		<b>49,000</b>	<b>15,000</b>	<b>64,000</b>			<b>620,000</b>	<b>1,184,000</b>	<b>0</b>	<b>1,804,000</b>
Loss	State of Georgia	150,000	0	150,000	HW	Synhrgy	0	3,000,000	0	3,000,000
Loss	Allegheny Technologies	10,500	12,900	23,400	HW	Other	2,900,000	2,900,000	0	5,800,000
Loss	Enbridge	800	0	800	HW	Other	0	195,000	0	195,000
Loss	CareSouth	1,000	0	1,000	HW	Uniprise	0	0	0	0
Loss	Martin Marietta Materials	7,200	800	8,000	HW	Synhrgy	250,000	768,000	0	1,018,000
Loss	3M	10,000	0	10,000	HW	Synhrgy	200,000	350,000	0	550,000
Loss	Kerr-McGee	15,000	0	15,000	HW	Synhrgy	570,000	1,530,000	0	2,100,000
Loss	ACE Insurance	5,000	0	5,000	HW	Synhrgy	250,000	495,000	0	745,000
Loss	Northrup Grumman	60,000	0	60,000	HW	Uniprise	125,000	140,000	0	265,000
Loss	Textron		0	0	HW	Other	0	0	0	0
Loss	Horace Mann	2,000	0	2,000	HR-PFM	Synhrgy	40,000	60,000	0	100,000
Loss	Dynegy	5,000	0	5,000	DB	Synhrgy	475,000	200,000	0	675,000
Loss	Countrywide Credit Services	7,400	800	8,200	DB	American Express	225,000	255,000	0	480,000
Loss	Devon Energy	5,000	0	5,000	DB	SBC	225,000	275,000	0	500,000
		<b>278,900</b>	<b>14,500</b>	<b>293,400</b>			<b>5,260,000</b>	<b>10,168,000</b>	<b>0</b>	<b>15,428,000</b>
Change in Strategy	Reliant Resources	3,300	0	3,300	HW	Synhrgy	0	460,000	0	460,000
Change in Strategy	Maytag	25,000	0	25,000	HW	Uniprise	585,000	1,150,000	0	1,735,000
Change in Strategy	Encompass	15,000	0	15,000	HW	Synhrgy	750,000	1,200,000	0	1,950,000
Change in Strategy	MetroMedia Restaurant Group	20,000	0	20,000	HW	Synhrgy	900,000	4,300,000	0	5,200,000
Change in Strategy	Enron	13,000	0	13,000	HR-KB	Synhrgy	50,000	100,000	0	150,000
Change in Strategy	Greensboro Associates	3,000	0	3,000	HW	Synhrgy	306,000	400,000	0	706,000
Change in Strategy	Textron	350	0	350	HR-General	Synhrgy	0	225,000	0	225,000
		<b>79,650</b>	<b>0</b>	<b>79,650</b>			<b>2,591,000</b>	<b>7,835,000</b>	<b>0</b>	<b>10,426,000</b>

Synhrgy HR Technologies, Inc.  
Pipeline Analysis - Win Analysis

Prospect Information		Contact Information	Region	Status	Services Summary	Unweighted Fees		
Prospect Name	Total Eligible	Proposal Source				Consulting	Implementation	Ongoing
	Active	Retired						
<b>Benefit Administration</b>								
Alliance Data Systems	5,000		CLA	Southwest	WIN	H&W	357,500	550,000
BAE Systems	17,000		SYN	Southwest	WIN	DB-Retirees	145,000	190,000
BCom3	19,000		TRP	Southwest	WIN	DB	250,000	300,000
Cemex	4,700	1,400	SYN	Southwest	WIN	H&W and KB	450,000	500,000
City of Dallas	20,000		CLA	Southwest	WIN	H&W-HT	755,000	760,000
Cooper Tire	9,000		SYN	WWW	WIN	H&W -HT	425,000	687,000
CSR America	9,400		SYN	Southeast	WIN	H&W-HT	350,000	700,000
HB Fuller	2,000	500	SYN	Midwest	WIN	Fees sent		125,000
Level 3	4,000		SYN	Southeast/We	WIN	H&W	225,000	306,000
SGS	4,000		CLA	East	WIN	H&W	135,000	
Tenet	120,000		SYN	West	WIN	Specialty Call Center	225,000	1,200,000
Tyco	13,500		SYN	East	WIN	Specialty Call Center		408,000
Veridian	5,000		SYN	Southeast	WIN	H&W-BP; VM	285,000	504,000
<b>HR Services</b>								
Gainsco	2,000			Speaker	WIN	CONS	20,000	
Prudential	15,000		CLA	East	WIN	HR consulting	60,000	
Synovus			SYN	Southeast	WIN	H&W - HT assessmer	45,000	
<b>Consulting</b>								
BAE Systems	17,000		SYN	Midwest	WIN	PFM	50,000	85,000
Getronics	7,000		SYN	East	WIN	HCE and consulting	75,000	75,000
Getronics	7,500		SYN	East	WIN	KB	50,000	100,000
Kodak					WIN	modify HCE	18,000	
UHG-expansion of HR	30,000		CLA	Southwest	WIN	HR - Tier 1.5	700,000	2,600,000
Abbott Labs	40,000		SYN	Midwest	WIN	H&W	325,000	0
Total	351,100	1,900					105,000	4,840,500
								9,090,000



Synhrgy HR Technologies, Inc.  
Pipeline Analysis - Loss Analysis

Prospect Information		Contact Information		Region	Status	Services Summary	Unweighted Fees		
Prospect Name	Total Eligible		Proposal Source				Consulting	Implementation	Ongoing
	Active	Retired							
<b>Benefit Administration</b>									
Allegheny Technologies	10,500	12,900	SYN	Midwest	LOST	H&W-HT; RET		2,900,000	2,900,000
Bank of Nova Scotia	1,700	170	SYN	Southwest	LOST	DB		300,000	300,000
BF Goodrich	2,300		SYN	Midwest	LOST	H&W		755,000	615,000
Blount	12,000		N	Southwest	LOST	DB	4/1		300,000
BNSF	30,000		SYN	Southeast	LOST	H&W		475,000	770,000
Brinker	10,000		CLA	Southwest	LOST	H&W		500,000	900,000
Burlington Resources		2,600	E	Southwest	LOST	H&W-HT	01-Oct-15		250,000
Cargill	50,000	7,500	IBM	Midwest	LOST	H&W			
Carlson Wagonlit	5,000		N	Midwest	LOST	Survey	1/1		32,500
Centex	13,000		CLA	West	LOST	H&W		438,000	756,000
Cisco	40,000		CLA	West	LOST	H&W		650,000	1,200,000
Copley	8,000		T.Rowe	Southwest	LOST	DB		350,000	375,000
Delta Airlines	98,000		N	Southeast	LOST	H&W-HCE	02-Jan-01	125,000	411,000
Fleetwood					LOST	H&W			
Frisch's	5,400		CLA	Midwest	LOST	H&W-HT		210,000	300,000
Health Care Service Corporation	11,000		N	Midwest	LOST	H&W -AE only			440,000
HRMS			SYN	Midwest	LOST	H&W-HT			
LabCorp	18,100		CLA	Southeast	LOST	H&W		781,920	459,740
Michaels	10,000		N	Southwest	LOST	H&W - HT	9/1		400,000
Mindspeed/Conxent Cable	5,300		SYN	West	LOST	H&W-MP; VM		450,000	950,000
NATCO	600		SYN	East	LOST	H&W		50,000	
National City	10,000		SYN	Midwest	LOST	HCE		125,000	125,000
National Semiconductor	11,200		SYN	Southeast	LOST	H&W		100,000	90,000
PG&E	20,000		CLA	West	LOST	H&W VMS		100,000	75,000
Phoenix Home Life	3,000		CLA	East	LOST	H&W		353,000	396,000
Pitney Bowes OSD	3,200		CLA	East	LOST	H&W-HT		533,000	691,000
Pittson	4,000		CLA	Southeast	LOST	VMS	02-Jan-01	250,000	295,000
RediSys	1,000		SYN	West	LOST	H&W-HT		200,000	250,000
Ruddick	9,700	4,600	T.Rowe	Southwest	LOST	DB		375,000	400,000
SPX	21,000		SYN	Southwest	LOST	H&W-HT		760,000	1,900,000
Stanford University		3,200	SYN	Southwest	LOST	H&W		400,000	650,000
State of Ga.	150,000		N	Southwest	LOST	Call Center and H&W	7/1		3,000,000
Texas Association of Counties (TAC)	22,000		SYN	Southwest	LOST	H&W High Touch		800,000	1,440,000
Underwriters Labs	4,500	700	SYN	Midwest	LOST	H&W		462,400	681,200
UtiliCorp	10,000		SEI	Southwest	LOST	DB		360,000	400,000
VoiceStream	12,000		CLA	Southwest	LOST	H&W		500,000	1,068,000
Washington Mutual	35,000		CLA	West	LOST	H&W-BP		490,000	910,000
Williams Comm.	6,000		SYN	Southwest	LOST	H&W-BP			
Worthington Industries	8,000		SYN	Midwest	LOST	H&W-HT		366,000	508,000
Zurich RMS	2,200		N	East	LOST	DB	1/1		200,000
<b>Consulting</b>									
American Airlines	30,000		SYN	Southwest	LOST	Consulting		80,000	
Ford	60,000		SYN	Southwest	LOST	Consulting		255,000	100,000
Group 1 Automotive	5,000		N	Southwest	LOST	Consulting	01-Dec-01	300,000	
<b>HR Services</b>									
Salt Lake City Corp	10,000		SYN	Southwest	LOST	HR	02-Feb-01		120,000
Sun Chemical	5,500		N	Southwest	LOST	HR	1/1		800,000
<b>Insert above this line</b>									
Total	774,200	31,670					409,533	14,784,320	25,458,440

Synhrqy HR Technologies, Inc.  
 Win/Loss Analysis  
 Prepared By:

Last Updated 6/29/01

Prospect Information			Region	Status	Proposed Scope of Services			Proposal Status			Fees Proposed	
Total Eligible		Proposal			Benefits	Consult	HR	Date	Prop	Site	Date	Impl
Prospect Name	Active	Retired	Source				Rec'd	Sent	Visit	Final	Fees	Fees
3Com	5,000		CLA	West	LOST	Y	3/9			5/1	220,000	325,000
Bank of Nova Scotia	1,700	170	SYN	Southwest	LOST	Y	12/8	12/27			300,000	300,000
California Casualty	1,100		SYN	West	LOST	Y	11/3	11/7	11/8	7/1	195,000	230,000
Centex	13,000		CLA	West	LOST	Y	3/6			5/15	438,000	756,000
Frisch's	5,400		CLA	Midwest	LOST	Y	2/1	2/22		5/30	210,000	300,000
High Tech Solutions	460		SYN	West	LOST	Y	4/30	9/1	11/1		175,000	225,000
Mindspeed/Conxant Cable	5,300		SYN	West	LOST	Y	3/9			5/1	450,000	900,000
Phoenix Home Life	3,000		CLA	East	LOST	Y	6/15	7/15	10/1		353,000	396,000
Pitney Bowes OSD	3,200		CLA	East	LOST	Y	3/4	3/22	4/6	6/30	533,000	691,000
Redisys	1,000		SYN	West	LOST	Y	4/15	4/15	7/1		200,000	250,000
Ruddick	9,700	4,600	T.Rowe	Southwest	LOST	Y	2/15	3/2		6/1	375,000	400,000
SPX	21,000		SYN	Southwest	LOST	Y	2/22	3/6		5/1	760,000	1,900,000
Underwriters Labs	4,500	700	SYN	Midwest	LOST	Y	6/15	7/1	11/1		452,400	681,200
Washington Mutual	35,000		CLA	West	LOST	Y	4/5		4/12	5/1	490,000	910,000
Williams Communication Group	5,500		SYN	Southeast	LOST	Y	7/1	7/1	11/1		256,000	468,800
Worthington Industries	6,000		SYN	Midwest	LOST	Y	6/30	7/15			366,000	508,000
<b>Total</b>	<b>122,860</b>	<b>5,470</b>									<b>5,773,400</b>	<b>9,240,800</b>
Abbott Labs	30,000		SYN	Southwest	WIN	Y	4/20	5/5	5/20	6/5	450,000	
Alliance Data Systems	5,000		CLA	Southwest	WIN	Y	3/23	4/15	5/1	8/1	357,500	550,000
Cemex	4,700	1,400	SYN	Southwest	WIN	Y	5/15		6/3	6/11	500,000	887,500
City of Dallas	20,000		CLA	Southwest	WIN	Y	3/17	3/23		5/1	700,000	1,500,000
CSR America	9,400		SYN	Southeast	WIN	Y	3/5	3/16	4/6	6/1	380,000	500,000
CTR	8,900		SYN	Midwest	WIN	Y	7/1	10/1	1/1		425,000	587,000
Tenet	60,000		SYN	West	WIN	Y	5/15			6/15	225,000	1,200,000
Veridian	5,000		SYN	Southeast	WIN	Y	4/15		5/30	6/20	225,000	450,000
<b>Total</b>	<b>163,000</b>	<b>1,400</b>									<b>3,262,500</b>	<b>5,674,500</b>
<b>Total</b>	<b>285,860</b>	<b>6,870</b>									<b>9,035,900</b>	<b>14,915,300</b>

Win Loss analysis

Synhrgy HR Technologies, Inc.  
Win/Loss Analysis

Last Updated 4/2/01

Prospect Information			Region	Status	Proposed Scope of Services						Proposal Status			Fees Proposed			
Total Eligible		Proposal			DB/						Date	Prop	Site	Date	Impl	Ongoing	
Prospect Name	Active	Retired	Source	H&W	Consult	VM	Comp	HR	Other	Rec'd	Sent	Visit	Final	Fees	Fees		
American Airlines	30,000		SYN	Southwest	LOST					Y			12/1	12/15	4/1	80,000	
American Express	60,000	6,000	AmEx	Southwest	LOST	Y							2/9	2/17	3/26	1,500,000	4,290,000
BF Goodrich	2,300		SYN	Midwest	LOST	Y							2/21	2/22	3/20	755,000	615,000
BNSF	30,000		SYN	Southeast	LOST	Y							8/2	9/1	11/10	475,000	770,000
Brinker	10,000		CLA	Southwest	LOST	Y							4/1		3/31	500,000	900,000
Cisco	40,000		CLA	West	LOST	Y							1/7	1/14	1/18	650,000	1,200,000
CNF Corporation	3,000		TRP	Southwest	LOST	Y										100,000	120,000
Copley	8,000		T.Rowe	Southwest	LOST				Y	2/20			4/30	350,000	375,000		
Deloitte&Touche	30,000		SYN	Southwest	LOST		Y			3/2		3/23	3/31	275,000	75,000		
Exelon	21,000	17,000	IBM	Southwest	LOST	Y				5/15	5/22			2,300,000	3,600,000		
Ford	60,000		SYN	Southwest	LOST		Y			7/24	7/31	8/14	4/30	255,000	100,000		
LabCorp	18,100		CLA	Southeast	LOST	Y				3/15	3/20		3/23	781,920	459,740		
NATCO	600		SYN	East	LOST					2/25			4/15	50,000			
National SemiConductor	11,200		SYN	Southeast	LOST	Y				10/11	10/30		11/15	100,000	90,000		
Pfizer	90,000		IBM	Southwest	LOST				Y					900,000	5,000,000		
Stanford University		3,200	SYN	Southwest	LOST	Y				2/10	2/27		4/1	400,000	650,000		
Sun Chemical	5,500		SYN	East	LOST			Y		10/13	10/20	11/10	1/30	725,000	540,000		
Telecordia Technologies	6,900	1,700	SYN	East	LOST	Y				10/13	11/7			750,000	1,250,000		
VoiceStream	12,000		CLA	Southwest	LOST	Y				12/8			2/15	500,000	1,068,000		
Western Digital	1,000		SYN	Southwest	LOST	Y				11/10	11/10			300,000	250,000		
<b>Total</b>	<b>439,600</b>	<b>27,900</b>												<b>11,746,920</b>	<b>21,352,740</b>		
Tyco	7,500		SYN	East	WIN				Y			2/1	02/13/01	195,000			
<b>Total</b>	<b>7,500</b>	<b>0</b>												<b>195,000</b>	<b>0</b>		
<b>Total</b>	<b>447,100</b>	<b>27,900</b>												<b>11,941,920</b>	<b>21,352,740</b>		

FINANCIAL STATEMENTS

Synhrgy HR Technologies, Inc.

For the years ended December 31, 2000, 1999 and 1998

Synhrgy HR Technologies, Inc.

Financial Statements

For the years ended December 31, 2000, 1999 and 1998

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## Independent Auditors Report

Board of Directors and Shareholders  
Synhrgy HR Technologies, Inc.

We have audited the accompanying balance sheets of Synhrgy HR Technologies, Inc. as of December 31, 2000 and 1999, and the related statements of operations, shareholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2000. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial position of Synhrgy HR Technologies, Inc. at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

June 15, 2001

*Ernst + Young LLP*

Synhrgy HR Technologies, Inc.

Balance Sheets

	December 31	
	2000	1999
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 987,941	\$ 2,051,334
Accounts receivable, less allowance of \$1,376,900 and \$365,781 at December 31, 2000 and 1999	4,556,911	1,575,195
Prepaid expenses	639,025	157,397
Other current assets	83,749	71,082
Total current assets	<u>6,267,626</u>	<u>3,855,008</u>
Property and equipment, net	9,321,469	1,113,284
Intangibles, net	1,722,220	-
Total assets	<u>\$ 17,311,315</u>	<u>\$ 4,968,292</u>

	December 31	
	2000	1999
<b>Liabilities and shareholders' equity (deficit)</b>		
Current liabilities:		
Accounts payable	\$ 2,827,856	\$ 222,484
Accrued liabilities	6,285,295	148,937
Short-term debt	414,649	-
Bridge financing (Note 5)	8,676,880	-
Current portion of long-term debt	93,729	164,853
Line of credit	-	300,000
Deferred revenue	195,453	921,964
Total current liabilities	<u>18,493,862</u>	<u>1,758,238</u>
Long-term liabilities:		
Long-term debt less current portion	699,499	741,026
Deferred revenue	329,299	-
Accrued dividends	818,815	-
Other	90,817	-
Total liabilities	<u>20,432,292</u>	<u>2,499,264</u>
Shareholders' equity (deficit):		
Preferred stock:		
Series A Redeemable Preferred, \$0.10 par value:		
Authorized shares - 2,000,000		
Issued and outstanding - 2,000,000		
Liquidation Value - \$8,000,000	200,000	-
Series A Convertible Preferred, \$0.10 par value:		
Authorized shares - 3,280,000		
Issued and outstanding - 3,109,000 and 1,893,020 in 2000 and 1999		
Liquidation Value - \$6,218,000	310,900	189,302
Series A-1 Convertible Preferred, \$0.10 par value:		
Authorized shares - 106,980		
Issued and outstanding - 0 and 106,980 in 2000 and 1999	-	10,698
Common stock, \$0.10 par value:		
Authorized shares - 10,000,000		
Issued and outstanding shares - 1,869,260 in 2000 and 1999	186,926	186,926
Additional paid-in capital	25,437,160	6,866,040
Deferred stock based compensation	(739,232)	(1,285,801)
Treasury stock	(61,882)	(40,000)
Accumulated deficit	(28,454,849)	(3,458,137)
Total shareholders' equity (deficit)	<u>(3,120,977)</u>	<u>2,469,028</u>
Total liabilities and shareholders' equity (deficit)	<u>\$ 17,311,315</u>	<u>\$ 4,968,292</u>

See accompanying notes.



Synhrgy HR Technologies, Inc.

Statements of Operations

	Year ended December 31		
	2000	1999	1998
Revenue:			
Business process outsourcing	\$ 6,415,775	\$ 4,739,306	\$ 788,173
Consulting	10,067,478	1,078,820	779,486
Other	343,591	-	-
Total revenue	16,826,844	5,818,126	1,567,659
Cost of sales	12,195,092	3,904,301	1,362,008
Gross profit	4,631,752	1,913,825	205,651
Costs and expenses:			
Sales and marketing	5,349,300	1,766,949	204,549
Technology	4,702,309	875,631	169,655
General and administrative	8,388,326	1,834,882	415,509
Depreciation and amortization	3,666,845	138,473	29,090
Nonrecurring charge	6,270,362	-	-
Total costs and expenses	28,377,142	4,615,935	818,803
Loss from operations	(23,745,390)	(2,702,110)	(613,152)
Other income (expense):			
Interest expense	(366,225)	(81,609)	(1,263)
Interest income	61,065	-	-
Other income	10,943	5,822	3,483
Other expense	(38,785)	(22,288)	(143)
Total other income (expense)	(333,002)	(98,075)	2,077
Income tax (benefit) expense	-	(7,639)	7,639
Net loss before cumulative effect of change in accounting principle	(24,078,392)	(2,792,546)	(618,714)
Cumulative effect of change in accounting principle, net of tax	(99,505)	-	-
Net loss	\$ (24,177,897)	\$ (2,792,546)	\$ (618,714)

See accompanying notes.

Synhrgy HR Technologies, Inc.

Statements of Shareholders' Equity (Deficit)

	Redeemable Class A		Class A		Class A-1		Common Stock		Additional Paid-In Capital/ (Capital Deficit)	Deferred Stock Based Compensation	Treasury Stock	Retained Earnings/ (Accumulated Deficit)	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at December 31, 1997	-	\$ -	-	\$ -	-	\$ -	866,250	\$ 86,625	\$ (72,375)	\$ -	\$ -	\$ (46,877)	\$ (32,627)
Stock grants	-	-	-	-	-	-	188,440	18,844	(1,418)	-	-	-	17,426
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 1998	-	-	-	-	-	-	1,054,690	105,469	(73,793)	-	-	(618,714)	(618,714)
Stock grants	-	-	-	-	-	-	814,570	81,457	153,017	-	-	-	234,474
Deferred stock based compensation	-	-	-	-	-	-	-	-	2,986,816	(2,986,816)	-	-	-
Amortization of stock based compensation	-	-	-	-	-	-	-	-	-	1,701,015	-	-	1,701,015
Sale of preferred stock	-	-	1,893,020	189,302	106,980	10,698	-	-	3,800,000	-	-	-	4,000,000
Treasury stock purchased	-	-	-	-	-	-	-	-	-	-	(40,000)	-	(40,000)
Net loss	-	-	-	-	-	-	-	-	-	-	-	(2,792,546)	(2,792,546)
Balance at December 31, 1999	-	-	1,893,020	189,302	106,980	10,698	1,869,260	186,926	6,866,040	(1,285,801)	(40,000)	(3,458,137)	2,469,028
Stock conversion	-	-	106,980	10,698	(106,980)	(10,698)	-	-	-	-	-	-	-
Warrant charge	-	-	-	-	-	-	-	-	882,000	-	-	-	882,000
Amortization of stock based compensation	-	-	-	-	-	-	-	-	-	546,569	-	-	546,569
Sale of preferred stock	2,000,000	200,000	1,109,000	110,900	-	-	-	-	17,689,120	-	-	-	18,000,020
Treasury stock purchased	-	-	-	-	-	-	-	-	-	-	(21,882)	-	(21,882)
Dividends	-	-	-	-	-	-	-	-	-	-	-	(818,815)	(818,815)
Net loss	-	-	-	-	-	-	-	-	-	-	-	(24,177,897)	(24,177,897)
Balance at December 31, 2000	2,000,000	\$ 200,000	3,109,000	\$ 310,900	-	\$ -	1,869,260	\$ 186,926	\$ 25,437,160	\$ (739,232)	\$ (61,882)	\$ (28,454,849)	\$ (3,120,977)

See accompanying notes.

Synhrgy HR Technologies, Inc.

Statements of Cash Flows

	Year ended December 31		
	2000	1999	1998
<b>Operating activities</b>			
Net loss	\$ (24,177,897)	\$ (2,792,546)	\$ (618,714)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization	3,666,845	138,473	29,090
Nonrecurring charge	6,270,362	-	-
Stock granted to employees	546,569	1,935,489	17,426
Charge for vesting of warrants	882,000	-	-
Changes in operating assets and liabilities:			
Accounts receivable	(2,981,716)	(1,136,659)	(165,030)
Prepaid expenses	(980,321)	(157,397)	-
Other current assets	(12,667)	(71,082)	50,012
Accounts payable	2,605,372	221,269	(1,443)
Accrued liabilities	6,136,358	7,475	(205,534)
Deferred revenue	(397,212)	(222,786)	1,046,740
Other liabilities	90,817	-	-
Net cash (used in) provided by operating activities	(8,351,490)	(2,077,764)	152,547
<b>Investing activities</b>			
Additions to property and equipment	(9,368,919)	(1,118,214)	(32,313)
Net cash (used in) investing activities	(9,368,919)	(1,118,214)	(32,313)
<b>Financing activities</b>			
Proceeds from borrowings	9,229,745	1,337,523	19,532
Payment of borrowings	(250,867)	(463,469)	(35,448)
Proceeds (payments) on line of credit	(300,000)	300,000	(20,000)
Purchase of treasury stock	(21,882)	(40,000)	-
Proceeds from issuance of preferred stock	8,000,020	4,000,000	-
Net cash provided by (used in) financing activities	16,657,016	5,134,054	(35,916)
Net (decrease) increase in cash and cash equivalents	(1,063,393)	1,938,076	84,318
Cash and cash equivalents at beginning of year	2,051,334	113,258	28,940
Cash and cash equivalents at end of year	\$ 987,941	\$ 2,051,334	\$ 113,258
<b>Supplementary information</b>			
Non-cash acquisition of technology and marketing agreement	\$ 10,000,000	\$ -	\$ -
Cash paid for interest	\$ 117,644	\$ 83,219	\$ 4,608
Cash paid for taxes	\$ 10,354	\$ 75,833	\$ 143

See accompanying notes.

# Synhrgy HR Technologies, Inc.

## Notes to Financial Statements

December 31, 2000

### 1. Nature of Business

Synhrgy HR Technologies, Inc. ("Synhrgy" or "the Company") was incorporated in October 1996 in Texas. Synhrgy is a leading provider of comprehensive human resources ("HR") outsourcing and technology solutions for Fortune 1000 and Global 500 corporations. The Company provides technology and services that enable its clients to transfer HR functions into a knowledge-driven organization focused on supporting corporate strategy.

### 2. Summary of Significant Accounting Policies

#### Revenue Recognition

The Company currently derives its revenue primarily from Business Process Outsourcing and consulting services related to the management of human resources activities, such as health insurance, retirement plans and compensation.

#### Business Process Outsourcing

Business Process Outsourcing allows a client to transfer some or most of the human resource processes to the Company. This transfer usually takes place in an Implementation and Ongoing Services phase.

The Implementation phase involves consulting services (as described below) and creating the documentation and processes to support Ongoing Services ("implementation services"). The consulting services provided in this phase are services that typically can be provided on a stand-alone basis or could be provided by another service provider. The implementation services are services required to be performed by the Company for the Company to provide its Ongoing Services. The Company has allocated the revenues and costs related to the Implementation phase to either consulting or implementation services based on the estimated costs to perform each service. This phase usually occurs over several months. Revenues related to consulting services in the Implementation phase are recognized as noted above in Consulting Services.

In prior years, the Company accrued revenue related to the implementation phase based on the percentage of project completion. Effective January 2000, the Company changed its method of accounting for implementation fees to deferring the implementation fees allocated to implementation services related to Business Process Outsourcing contracts over the expected term of the customer relationship. This change in accounting principle

## Synhrgy HR Technologies, Inc.

### Notes to Financial Statements (continued)

#### 2. Summary of Significant Accounting Policies (continued)

is based on guidance provided in the Securities and Exchange Commission Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements*. The impact of the adoption of SAB No. 101 on 1999 results was recorded as a cumulative effect of a change in accounting principle during the year ended December 31, 2000, resulting in an increase to net loss of \$99,505, which represents the net effect of deferring implementation revenue and costs that were previously recognized in 1999. During the year ended December 31, 2000, the Company recognized revenue and net income of \$11,303 million and \$4,069, respectively, which was previously recognized in 1999 and is part of the cumulative effect of the change in accounting principle. The adoption of SAB No. 101 resulted in the Company deferring \$893,653 million of revenues and \$468,406 million of costs related to implementation services performed during the year ended December 31, 2000. These amounts will be recognized over the expected term of the customer contract.

Ongoing Services begin when the Implementation phase is complete and outsourcing systems are in place. Services are customized to meet the needs of each client. Company provided services include Web-based interfaces, Integrated Voice Response Systems, and Call Center Support. Revenue from these activities is based on a monthly, per participant charge, usage (e.g. - per call and/or per call minute), or a combined rate.

The Company may also assess an administrative charge and recover certain direct project costs on the same basis as Consulting Services.

#### Consulting Services

Consulting services provided to clients include benefits package design, compensation studies, and human resource policy design and review. Such projects can be one-time or performed on a monthly retainer. Consulting service revenue is accrued based on a time and materials billing, specific project completion milestones or percentage of project completion.

The Company may also assess an administrative charge based on a percentage of the billed client service charges. Other Company costs, such as telephone line usage, are typically billed to clients at agreed upon rates.

Certain direct project costs are recovered from the client at cost. Such billings are accrued and netted against actual cost as a component of cost of sales.

**Synhrgy HR Technologies, Inc.**  
**2001 Financial Statements**

	Actual Q1-01	Actual Q2-01	Actual Q3-01	Actual Q4-01	Actual TOTAL-01
<b>Revenue</b>					
Client Administration - Implementation	110,056	117,923	129,659	150,491	508,129
Client Administration - Ongoing	5,078,645	5,099,350	5,862,744	7,890,434	23,931,173
Consulting Revenue	1,296,033	1,564,495	2,496,967	1,832,834	7,190,329
Client Billable Expense	97,229	279,443	233,854	320,411	930,937
Other Revenue	0	0	0	0	0
<b>Total Revenue</b>	<b>6,581,963</b>	<b>7,061,211</b>	<b>8,723,224</b>	<b>10,194,170</b>	<b>32,560,568</b>
<b>Client Services</b>					
Royalties	181,294	90,324	150,473	189,205	611,296
Client Expenses	93,792	234,847	181,545	415,607	925,791
Salaries and Wages	2,886,909	3,234,578	3,584,042	4,154,525	13,860,054
Commissions	0	0	0	0	0
Bonuses	354,656	532,373	307,692	326,047	1,520,768
Fringe Benefits	403,669	825,257	710,219	415,510	2,354,655
Recruiting & Relocation	37,749	2,768	95,929	418,249	554,695
Travel & Entertainment	95,986	187,980	75,758	34,973	394,697
Advertising & Marketing	0	0	0	0	0
Professional Fees	11,489	(3,340)	7,398	13,755	29,302
Computer & Equipment Costs	63,093	5,507	11,681	(1,563)	78,718
Office Costs	573,474	580,713	501,260	557,073	2,212,520
Other Expenses	(11,431)	(31,544)	(174,449)	(69,366)	(276,790)
Bad Debt Expense	0	0	0	553,706	553,706
<b>Total Client Services</b>	<b>4,690,680</b>	<b>5,659,463</b>	<b>5,451,548</b>	<b>7,017,721</b>	<b>22,819,412</b>
<b>Gross Margin (EBITDA)</b>	<b>1,891,283</b>	<b>1,401,748</b>	<b>3,271,676</b>	<b>3,176,449</b>	<b>9,741,156</b>
<b>SG&amp;A Expenses</b>					
<b>Sales &amp; Marketing</b>					
Salaries and Wages	696,597	662,620	625,809	764,367	2,749,393
Commissions	36,733	191,417	0	0	228,150
Bonuses	271,490	105,534	777	0	377,801
Fringe Benefits	126,636	174,318	80,207	18,435	399,596
Recruiting & Relocation	37,898	8,759	313	28,825	75,795
Travel & Entertainment	116,203	226,474	176,112	117,044	635,833
Advertising & Marketing	57,423	148,352	37,657	(14,613)	228,819
Professional Fees	48,042	29,432	(3,797)	20,073	93,750
Computer & Equipment Costs	1,553	7,304	4,483	4,243	17,583
Office Costs	151,089	169,513	163,781	175,868	660,251
Other Expenses	25	(25)	130	68	198
Bad Debt Expense	0	0	0	0	0
<b>Total Sales &amp; Marketing</b>	<b>1,543,689</b>	<b>1,723,698</b>	<b>1,085,472</b>	<b>1,114,310</b>	<b>5,467,169</b>

*Appendix C-6  
(6 pages)*

**Synhrgy HR Technologies, Inc.**  
**2001 Financial Statements**

	Actual Q1-01	Actual Q2-01	Actual Q3-01	Actual Q4-01	Actual TOTAL-01
<b>Technology</b>					
Salaries and Wages	617,791	534,816	643,583	663,387	2,459,577
Commissions	0	0	0	0	0
Bonuses	89,070	94,920	46,347	43,155	273,492
Fringe Benefits	95,591	131,731	93,994	32,655	353,971
Recruiting & Relocation	0	0	0	0	0
Travel & Entertainment	18,907	29,682	16,504	11,385	76,478
Advertising & Marketing	0	0	0	0	0
Professional Fees	377,699	363,615	167,334	67,620	976,268
Computer & Equipment Costs	87,478	257,619	270,911	272,628	888,636
Office Costs	127,551	77,121	62,131	73,306	340,109
Other Expenses	0	(400,000)	(200,000)	(150,000)	(750,000)
Bad Debt Expense	0	0	0	0	0
<b>Technology</b>	<b>1,414,087</b>	<b>1,089,504</b>	<b>1,100,804</b>	<b>1,014,136</b>	<b>4,618,531</b>
<b>General Administration</b>					
Salaries and Wages	468,081	546,625	532,846	488,377	2,035,929
Commissions	0	0	0	0	0
Bonuses	121,740	188,728	48,439	36,246	395,153
Fringe Benefits	61,645	146,937	90,288	33,621	332,491
Recruiting & Relocation	144,711	85,514	232,879	36,841	499,945
Travel & Entertainment	60,056	83,744	62,552	49,063	255,415
Advertising & Marketing	0	0	0	0	0
Professional Fees	214,349	345,818	235,369	(90,400)	705,136
Computer & Equipment Costs	29,949	(8,481)	3,028	14,933	39,429
Office Costs	33,957	66,891	57,403	53,349	211,600
Other Expenses	44,971	50,815	(1,365,846)	236,224	(1,033,836)
Bad Debt Expense	43,000	146,000	133,456	(302,456)	20,000
<b>Total General Administration</b>	<b>1,222,459</b>	<b>1,652,591</b>	<b>30,414</b>	<b>555,798</b>	<b>3,461,262</b>
<b>Total SG&amp;A Expenses</b>	<b>4,180,235</b>	<b>4,465,793</b>	<b>2,216,690</b>	<b>2,684,244</b>	<b>13,546,962</b>
<b>EBITDA</b>	<b>(2,288,952)</b>	<b>(3,064,045)</b>	<b>1,054,986</b>	<b>492,205</b>	<b>(3,805,806)</b>
Total Depreciation & Amortization	779,794	880,776	2,438,854	1,346,848	5,446,272
<b>Operating Income</b>	<b>(3,068,746)</b>	<b>(3,944,821)</b>	<b>(1,383,868)</b>	<b>(854,643)</b>	<b>(9,252,078)</b>
Other Income/(Expense)	(278,289)	(112,774)	(194,696)	(532,962)	(1,118,721)
<b>Income Before Taxes</b>	<b>(3,347,035)</b>	<b>(4,057,595)</b>	<b>(1,578,564)</b>	<b>(1,387,605)</b>	<b>(10,370,799)</b>
Taxes	6,948	1,575	10,795	19,852	39,170
<b>Net Income/(Loss)</b>	<b>(3,353,983)</b>	<b>(4,059,170)</b>	<b>(1,589,359)</b>	<b>(1,407,457)</b>	<b>(10,409,969)</b>

**Synhrgy HR Technologies, Inc.**  
**2001 Financial Statements**

	Actual Q1-01	Actual Q2-01	Actual Q3-01	Actual Q4-01	Actual TOTAL-01
<b>Combined Departments</b>					
Salaries and Wages	4,669,378	4,978,639	5,386,280	6,070,656	21,104,953
Commissions	36,733	191,417	0	0	228,150
Bonuses	836,956	921,555	403,255	405,448	2,567,214
Fringe Benefits	687,541	1,278,243	974,708	500,221	3,440,713
Recruiting & Relocation	220,358	97,041	329,121	483,915	1,130,435
Travel & Entertainment	291,152	527,880	330,926	212,465	1,362,423
Advertising & Marketing	57,423	148,352	37,657	(14,613)	228,819
Professional Fees	651,579	735,525	406,304	11,048	1,804,456
Computer & Equipment Costs	182,073	261,949	290,103	290,241	1,024,366
Office Costs	886,071	894,238	784,575	859,596	3,424,480
Other Expenses	33,565	(380,754)	(1,740,165)	26,926	(2,060,428)
Bad Debt Expense	43,000	146,000	133,456	251,250	573,706
Depreciation & Amortization	779,794	880,776	2,438,854	1,346,848	5,446,272
<b>Total Combined Departments</b>	<b>9,375,623</b>	<b>10,680,861</b>	<b>9,775,074</b>	<b>10,444,001</b>	<b>40,275,559</b>

Gross Margin % (EBITDA)	29%	20%	38%	31%	30%
EBITDA %	-35%	-43%	12%	5%	-12%

**Total FTE's**

# of Client Services Employees	234	276	276	319	319
# of Sales & Marketing Employees	22	23	22	17	17
# of Information Technology Employees	27	32	35	38	38
# of General Administration Employees	28	28	26	25	25
<b>Total # of Employees</b>	<b>311</b>	<b>359</b>	<b>360</b>	<b>399</b>	<b>399</b>

**Average FTE's**

Avg. # of Client Services Employees	223	257	281	317	270
Avg. # of Sales & Marketing Employees	25	24	23	20	23
Avg. # of Information Technology Employees	38	30	33	36	34
Avg. # of General Administration Employees	30	30	31	27	29
<b>Total # of Employees</b>	<b>316</b>	<b>341</b>	<b>368</b>	<b>399</b>	<b>356</b>

Annualized Rev per Avg. Client Svc EE	117,941	109,692	124,177	128,754	120,772
Annualized Rev per Avg. Employee	83,297	82,740	94,728	102,295	91,436

Avg Salary & Wages - CS	51,730	50,247	51,020	52,472	51,409
Avg Salary & Wages - SM	111,456	112,515	107,512	156,512	120,356
Avg Salary & Wages - IT	64,988	71,249	77,587	74,211	71,819
Avg Salary & Wages - GA	62,791	72,178	68,995	73,371	69,233
<b>Avg Salary &amp; Wages - Total</b>	<b>59,093</b>	<b>58,338</b>	<b>58,491</b>	<b>60,917</b>	<b>59,267</b>



**Synhrgy HR Technologies, Inc.**  
**2001 Financial Statements**

**Balance Sheet**

**Assets**

Current Assets

Cash & Equivalents	8,722,882	6,609,349	4,068,758	7,248,928
Investments	0	0	0	0
Accounts Receivable, net	6,696,573	5,169,497	5,060,692	4,263,371
Prepaid Expenses	303,644	961,193	573,230	612,757
Other Current Assets	135,795	27,262	7,417	9,156

**Current Assets** 15,858,894 12,767,301 9,710,097 12,134,212

**Property and Equipment, net** 9,522,637 11,060,378 11,761,363 10,363,929

**Intangible Assets** 2,016,011 1,388,885 0 0

**Other Assets** 365,781 365,781 365,781 365,781

**Total Assets** 27,763,323 25,582,345 21,837,241 22,863,922

**Synhrgy HR Technologies, Inc.**  
**2001 Financial Statements**

	Actual Q1-01	Actual Q2-01	Actual Q3-01	Actual Q4-01	Actual TOTAL-01
<b>Liabilities &amp; Shareholders Equity</b>					
Current Liabilities					
Accounts Payable	3,236,141	1,866,202	990,388	1,316,052	
Accrued Liabilities	2,900,634	5,564,013	4,900,593	5,894,255	
Line of Credit	0	0	0	0	
Short Term Debt	429,596	839,680	1,050,370	1,447,645	
Deferred Tax Liability	132,721	132,721	132,721	132,721	
Deferred Revenue	193,654	210,641	540,830	511,742	
Other Current Liabilities	0	0	0	0	
<b>Current Liabilities</b>	<b>6,892,745</b>	<b>8,613,256</b>	<b>7,614,901</b>	<b>9,302,415</b>	
Long Term Liabilities					
Long Term Debt	849,062	857,175	1,020,605	1,722,928	
Deferred Tax Liability	233,060	233,060	233,060	233,060	
Deferred Revenue	313,310	287,238	327,614	309,316	
Dividends Payable	1,516,073	2,091,894	2,871,239	3,686,248	
Other Long Term Liabilities	0	0	0	0	
<b>Long Term Liabilities</b>	<b>2,911,505</b>	<b>3,469,367</b>	<b>4,452,518</b>	<b>5,951,552</b>	
<b>Total Liabilities</b>	<b>9,804,250</b>	<b>12,082,623</b>	<b>12,067,419</b>	<b>15,253,967</b>	
<b>Redeemable Preferred Stock</b>	<b>8,000,020</b>	<b>8,000,020</b>	<b>0</b>	<b>0</b>	
Shareholder's Equity					
Preferred Stock	29,215,388	29,215,388	808,176	808,176	
Common Stock	186,926	186,926	186,926	186,926	
APIC	13,887,140	13,937,140	49,881,038	49,836,038	
Dividends	0	0	0	0	
Deferred Stock Based Comp	(649,671)	(524,031)	(416,429)	(308,828)	
Shareholder Loans	0	0	0	0	
Treasury Stock	(174,642)	(174,642)	(263,440)	(263,440)	
Accumulated Earnings(Deficit)	(32,506,088)	(37,141,079)	(40,426,451)	(42,648,919)	
<b>Shareholder's Equity</b>	<b>9,959,053</b>	<b>5,499,702</b>	<b>9,769,820</b>	<b>7,609,953</b>	
<b>Total Liab &amp; Shareholder's Equity</b>	<b>27,763,323</b>	<b>25,582,345</b>	<b>21,837,239</b>	<b>22,863,920</b>	

**Synhrgy HR Technologies, Inc.**  
**2001 Financial Statements**

	Actual Q1-01	Actual Q2-01	Actual Q3-01	Actual Q4-01	Actual TOTAL-01
<b>Indirect Cash Flow Statement</b>					
<b>Net Income(Loss)</b>	<b>(3,353,983)</b>	<b>(4,059,170)</b>	<b>(1,589,359)</b>	<b>(1,407,457)</b>	<b>(10,409,969)</b>
Noncash Adjustments					
Depreciation	591,710	735,525	1,042,987	860,280	3,230,502
Amortization	188,084	145,251	1,388,885	0	1,722,220
Stock based Compensation	89,561	125,640	107,602	107,601	430,404
Other	0	0	0	0	0
<b>Noncash Adjustments</b>	<b>869,355</b>	<b>1,006,416</b>	<b>2,539,474</b>	<b>967,881</b>	<b>5,383,126</b>
Changes in Operating Assets & Liab					
Accounts Receivable	(2,139,663)	1,527,076	108,805	797,321	293,539
Prepaid Expenses	335,380	(657,549)	387,963	(39,527)	26,267
Other Current & Noncurrent Assets	(52,047)	108,533	19,845	(1,739)	74,592
Accounts Payable	(1,949,159)	(1,369,939)	(875,814)	325,664	(3,869,248)
Accrued Liabilities	(964,197)	2,663,379	(663,420)	993,662	2,029,424
Deferred Revenue	(17,788)	(9,085)	370,565	(47,386)	296,306
Deferred Tax Liability	0	0	0	0	0
Other Current & Noncurrent Liabilities	0	0	0	0	0
Other	0	0	0	0	0
<b>Changes in Operating Assets &amp; Liab</b>	<b>(4,787,474)</b>	<b>2,262,415</b>	<b>(652,056)</b>	<b>2,027,995</b>	<b>(1,149,120)</b>
<b>Net Cash Provided (Used) By Ops Activities</b>	<b>(7,272,102)</b>	<b>(790,339)</b>	<b>298,059</b>	<b>1,588,419</b>	<b>(6,175,962)</b>
Investing Activities					
Additions(Retire) to Property & Equipment	(792,877)	(2,273,266)	(1,743,972)	537,154	(4,272,961)
Additions to Intangibles	(481,875)	481,875	0	0	0
Other	0	0	0	0	0
<b>Net Cash Used in Investing Activities</b>	<b>(1,274,752)</b>	<b>(1,791,391)</b>	<b>(1,743,972)</b>	<b>537,154</b>	<b>(4,272,961)</b>
Financing Activities					
Investments	0	0	0	0	0
Proceeds from Borrowings (share loan, redeem )	228,164	984,039	1,101,307	1,951,163	4,264,673
Payments of Debt	(8,988,121)	(565,842)	(727,187)	(851,565)	(11,132,715)
Purchase of Treasury Stock	(112,760)	0	(88,798)	0	(201,558)
Proceeds From Issuance of Stock	0	0	0	0	0
Preferred (except Redeemable)	25,104,488	0	0	0	25,104,488
Common	0	0	0	0	0
APIC	50,000	50,000	(1,380,000)	(45,000)	(1,325,000)
Dividends	(697,258)	(575,821)	(779,345)	(815,011)	(2,867,435)
Dividends Payable	697,258	575,821	779,345	815,009	2,867,433
<b>Net Cash Provided(Used) in Financing Act</b>	<b>16,281,771</b>	<b>468,197</b>	<b>(1,094,678)</b>	<b>1,054,596</b>	<b>16,709,886</b>
<b>Net In(De)crease in Cash &amp; Cash Equivalents</b>	<b>7,734,917</b>	<b>(2,113,533)</b>	<b>(2,540,591)</b>	<b>3,180,169</b>	<b>6,260,963</b>
<b>Beginning Cash &amp; Cash Equivalents</b>	<b>987,965</b>	<b>8,722,882</b>	<b>6,609,349</b>	<b>4,068,758</b>	<b>987,965</b>
<b>Ending Cash &amp; Cash Equivalents</b>	<b>8,722,882</b>	<b>6,609,349</b>	<b>4,068,758</b>	<b>7,248,928</b>	<b>7,248,928</b>

Financial Forecast  
V-6.0 Forecast

**Revenue**  
Client Administration - Implementation  
Client Administration - Ongoing  
Consulting Revenue  
Client Billable Expense  
Other Revenue  
**Total Revenue**

Actual Q1-01	Actual Q2-01	Actual Q3-01	Actual Q4-01	Actual TOTAL-01
110,056	117,923	129,659	150,491	508,129
5,078,645	5,099,350	5,862,744	7,890,434	23,931,173
1,296,033	1,564,495	2,496,967	1,832,834	7,190,329
97,229	279,443	233,854	320,411	930,937
0	0	0	0	0
<b>6,581,963</b>	<b>7,061,211</b>	<b>8,723,224</b>	<b>10,194,170</b>	<b>32,560,568</b>
181,294	90,324	150,473	189,205	611,296
93,792	234,847	181,545	415,607	925,791
2,886,909	3,234,578	3,584,042	4,154,525	13,860,054
0	0	0	0	0
354,656	532,373	307,692	326,047	1,520,768
403,669	825,257	710,219	415,510	2,354,655
37,749	2,768	95,929	418,249	554,695
95,986	187,980	75,758	34,973	394,697
0	0	0	0	0
11,489	(3,340)	7,398	13,755	29,302
63,093	5,507	11,681	(1,563)	78,718
573,474	580,713	501,260	557,073	2,212,520
(11,431)	(31,544)	(174,449)	(59,366)	(276,790)
0	0	0	553,706	553,706
<b>4,690,680</b>	<b>5,659,463</b>	<b>5,451,548</b>	<b>7,017,721</b>	<b>22,819,412</b>
<b>1,891,283</b>	<b>1,401,748</b>	<b>3,271,676</b>	<b>3,176,449</b>	<b>9,741,156</b>
696,597	662,620	625,809	764,367	2,749,393
36,733	191,417	0	0	228,150
271,490	105,534	777	0	377,801
126,636	174,318	80,207	18,435	399,596
37,898	8,759	313	28,825	75,795
116,203	226,474	176,112	117,044	635,833
57,423	148,352	37,657	(14,613)	228,819
48,042	29,432	(3,797)	20,073	93,750
1,553	7,304	4,483	4,243	17,583
151,089	169,513	163,781	175,868	660,251
25	(25)	130	68	198
0	0	0	0	0
<b>1,543,689</b>	<b>1,723,698</b>	<b>1,085,472</b>	<b>1,114,310</b>	<b>5,467,169</b>

FCST Q1-02	FCST Q2-02	FCST Q3-02	FCST Q4-02	FCST TOTAL-02
150,756	171,102	184,645	193,493	699,996
7,654,452	7,947,020	8,777,641	10,020,395	34,399,508
1,802,426	2,004,120	3,116,820	3,577,238	10,500,604
117,291	189,933	219,759	241,935	768,918
0	0	0	0	0
<b>9,724,925</b>	<b>10,312,175</b>	<b>12,298,865</b>	<b>14,033,061</b>	<b>46,369,026</b>
196,972	207,073	233,228	273,323	910,596
123,156	199,431	230,748	254,031	807,366
3,748,960	3,946,555	4,287,249	4,689,999	16,672,763
0	0	0	0	0
386,882	403,330	550,298	584,775	1,925,285
873,253	911,965	942,632	997,132	3,724,982
85,631	42,188	66,601	118,497	312,917
67,000	61,000	61,000	61,000	250,000
0	0	0	0	0
0	0	0	0	0
9,000	9,000	9,000	9,000	36,000
681,528	708,956	821,291	880,236	3,092,011
(10,380)	1,565	(150,483)	(208,322)	(367,620)
48,625	51,561	61,494	70,165	231,845
<b>6,210,627</b>	<b>6,542,624</b>	<b>7,113,058</b>	<b>7,729,836</b>	<b>27,596,145</b>
<b>3,514,298</b>	<b>3,769,551</b>	<b>5,185,807</b>	<b>6,303,225</b>	<b>18,772,881</b>
737,368	739,034	764,600	776,267	3,017,269
109,638	109,638	109,974	109,974	439,224
114,252	116,052	117,822	117,822	465,948
148,436	147,511	140,080	132,840	568,867
32,700	0	0	0	32,700
165,500	166,500	163,500	166,500	662,000
136,305	113,539	103,718	93,691	447,253
0	0	0	0	0
0	0	0	0	0
101,816	101,152	105,224	103,112	411,304
0	0	0	0	0
0	0	0	0	0
<b>1,546,015</b>	<b>1,493,426</b>	<b>1,504,918</b>	<b>1,500,206</b>	<b>6,044,565</b>

**Client Services**  
Royalties  
Client Expenses  
Salaries and Wages  
Commissions  
Bonuses  
Fringe Benefits  
Recruiting & Relocation  
Travel & Entertainment  
Advertising & Marketing  
Professional Fees  
Computer & Equipment Costs  
Office Costs  
Other Expenses  
Bad Debt Expense  
**Total Client Services**

**Gross Margin (EBITDA)**  
**R&D Expenses**  
**Sales & Marketing**  
Salaries and Wages  
Commissions  
Bonuses  
Fringe Benefits  
Recruiting & Relocation  
Travel & Entertainment  
Advertising & Marketing  
Professional Fees  
Computer & Equipment Costs  
Office Costs  
Other Expenses  
Bad Debt Expense  
**Total Sales & Marketing**

Appendix D-1  
(6 pages)

Financial Forecast

V-6.0 Forecast

	Actual Q1-01	Actual Q2-01	Actual Q3-01	Actual Q4-01	Actual TOTAL-01	FCST Q1-02	FCST Q2-02	FCST Q3-02	FCST Q4-02	FCST TOTAL-02
<b>Technology</b>										
Salaries and Wages	617,791	534,816	643,583	663,387	2,459,577	607,983	614,650	578,333	623,133	2,424,099
Commissions	0	0	0	0	0	0	0	0	0	0
Bonuses	89,070	94,920	46,347	43,155	273,492	69,672	70,738	67,008	67,008	274,426
Fringe Benefits	95,591	131,731	93,994	32,655	353,971	130,095	129,427	107,529	102,286	469,337
Recruiting & Relocation	0	0	0	0	0	0	8,175	0	0	8,175
Travel & Entertainment	18,907	29,682	16,504	11,385	76,478	19,500	19,500	19,500	19,500	78,000
Advertising & Marketing	0	0	0	0	0	0	0	0	0	0
Professional Fees	377,699	363,615	167,334	67,620	976,268	160,000	160,000	170,000	90,000	580,000
Computer & Equipment Costs	87,478	257,619	270,911	272,628	888,636	250,319	399,961	479,220	482,421	1,611,921
Office Costs	127,551	77,121	62,131	73,306	340,109	88,655	86,670	78,407	75,588	329,320
Other Expenses	0	(400,000)	(200,000)	(150,000)	(750,000)	(499,999)	(350,000)	0	0	(849,999)
Bad Debt Expense	0	0	0	0	0	0	0	0	0	0
<b>Technology</b>	<b>1,414,087</b>	<b>1,089,504</b>	<b>1,100,804</b>	<b>1,014,136</b>	<b>4,618,531</b>	<b>826,225</b>	<b>1,139,121</b>	<b>1,499,997</b>	<b>1,459,936</b>	<b>4,925,279</b>
<b>General Administration</b>										
Salaries and Wages	468,081	546,625	532,846	488,377	2,035,929	429,741	464,938	481,521	462,521	1,838,721
Commissions	0	0	0	0	0	0	0	0	0	0
Bonuses	121,740	188,728	48,439	36,246	395,153	103,707	105,003	105,813	105,813	420,336
Fringe Benefits	61,645	146,937	90,288	33,621	332,491	95,544	97,582	93,403	89,066	375,595
Recruiting & Relocation	144,711	85,514	232,879	36,841	499,945	0	8,175	0	0	8,175
Travel & Entertainment	60,056	83,744	62,552	49,063	255,415	48,000	48,000	48,000	48,000	192,000
Advertising & Marketing	0	0	0	0	0	0	0	0	0	0
Professional Fees	214,349	345,818	235,369	(90,400)	705,136	95,000	125,000	195,000	95,000	510,000
Computer & Equipment Costs	29,949	(8,481)	3,028	14,933	39,429	0	0	0	0	0
Office Costs	33,957	66,891	57,403	53,349	211,600	59,209	59,948	65,270	61,835	246,262
Other Expenses	44,971	50,815	(1,365,846)	236,224	(1,033,836)	12,000	12,000	12,000	12,000	48,000
Bad Debt Expense	43,000	146,000	133,456	(302,456)	20,000	0	0	0	0	0
<b>otal General Administration</b>	<b>1,222,459</b>	<b>1,652,591</b>	<b>30,414</b>	<b>555,798</b>	<b>3,461,262</b>	<b>843,201</b>	<b>920,646</b>	<b>1,001,007</b>	<b>874,235</b>	<b>3,639,089</b>
<b>otal SG&amp;A Expenses</b>	<b>4,180,235</b>	<b>4,465,793</b>	<b>2,216,690</b>	<b>2,684,244</b>	<b>13,546,962</b>	<b>3,215,441</b>	<b>3,553,193</b>	<b>4,005,922</b>	<b>3,834,377</b>	<b>14,608,933</b>
<b>BITDA</b>	<b>(2,288,952)</b>	<b>(3,064,045)</b>	<b>1,054,986</b>	<b>492,205</b>	<b>(3,805,806)</b>	<b>298,857</b>	<b>216,358</b>	<b>1,179,885</b>	<b>2,468,848</b>	<b>4,163,948</b>
<b>otal Depreciation &amp; Amortization</b>	<b>779,794</b>	<b>880,776</b>	<b>2,438,854</b>	<b>1,346,848</b>	<b>5,446,272</b>	<b>1,244,415</b>	<b>1,281,206</b>	<b>1,390,732</b>	<b>1,387,150</b>	<b>5,303,503</b>
<b>perating Income</b>	<b>(3,068,746)</b>	<b>(3,944,821)</b>	<b>(1,383,868)</b>	<b>(854,643)</b>	<b>(9,252,078)</b>	<b>(945,558)</b>	<b>(1,064,848)</b>	<b>(210,847)</b>	<b>1,081,698</b>	<b>(1,139,555)</b>
<b>Other Income/(Expense)</b>	<b>(278,289)</b>	<b>(112,774)</b>	<b>(194,696)</b>	<b>(532,962)</b>	<b>(1,118,721)</b>	<b>(248,338)</b>	<b>(242,346)</b>	<b>(254,443)</b>	<b>(242,691)</b>	<b>(987,818)</b>
<b>ome Before Taxes</b>	<b>(3,347,035)</b>	<b>(4,057,595)</b>	<b>(1,578,564)</b>	<b>(1,387,605)</b>	<b>(10,370,799)</b>	<b>(1,193,896)</b>	<b>(1,307,194)</b>	<b>(465,290)</b>	<b>839,007</b>	<b>(2,127,373)</b>
<b>axes</b>	<b>6,948</b>	<b>1,575</b>	<b>10,795</b>	<b>19,852</b>	<b>39,170</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>t Income/(Loss)</b>	<b>(3,353,983)</b>	<b>(4,059,170)</b>	<b>(1,589,359)</b>	<b>(1,407,457)</b>	<b>(10,409,969)</b>	<b>(1,193,896)</b>	<b>(1,307,194)</b>	<b>(465,290)</b>	<b>839,007</b>	<b>(2,127,373)</b>

**Financial Forecast**

**V-6.0 Forecast**

**Combined Departments**

Salaries and Wages  
 Commissions  
 Bonuses  
 Fringe Benefits  
 Recruiting & Relocation  
 Travel & Entertainment  
 Advertising & Marketing  
 Professional Fees  
 Computer & Equipment Costs  
 Office Costs  
 Other Expenses  
 Bad Debt Expense  
 Depreciation & Amortization  
**Total Combined Departments**

Actual Q1-01	Actual Q2-01	Actual Q3-01	Actual Q4-01	Actual TOTAL-01	FCST Q1-02	FCST Q2-02	FCST Q3-02	FCST Q4-02	FCST TOTAL-02
4,669,378	4,978,639	5,386,280	6,070,656	21,104,953	5,524,052	5,765,177	6,111,703	6,551,920	23,952,852
36,733	191,417	0	0	228,150	109,638	109,638	109,974	109,974	439,224
836,956	921,555	403,255	405,448	2,567,214	674,513	695,123	840,941	875,418	3,085,995
687,541	1,278,243	974,708	500,221	3,440,713	1,247,328	1,286,485	1,283,644	1,321,324	5,138,781
220,358	97,041	329,121	483,915	1,130,435	118,331	58,538	66,601	118,497	361,967
291,152	527,880	330,926	212,465	1,362,423	300,000	295,000	292,000	295,000	1,182,000
57,423	148,352	37,657	(14,613)	228,819	136,305	113,539	103,718	93,691	447,253
651,579	735,525	406,304	11,048	1,804,456	255,000	285,000	365,000	185,000	1,090,000
182,073	261,949	290,103	290,241	1,024,366	259,319	408,961	488,220	491,421	1,647,921
886,071	894,238	784,575	859,596	3,424,480	931,208	956,726	1,070,192	1,120,771	4,078,897
33,565	(380,754)	(1,740,165)	26,926	(2,060,428)	(498,379)	(336,435)	(138,483)	(196,322)	(1,169,619)
43,000	146,000	133,456	251,250	573,706	48,625	51,561	61,494	70,165	231,845
779,794	880,776	2,438,854	1,346,848	5,446,272	1,244,415	1,281,206	1,390,732	1,387,150	5,303,503
<b>9,375,623</b>	<b>10,680,861</b>	<b>9,775,074</b>	<b>10,444,001</b>	<b>40,275,559</b>	<b>10,350,355</b>	<b>10,970,519</b>	<b>12,045,736</b>	<b>12,424,009</b>	<b>45,790,619</b>

Gross Margin % (EBITDA)

EBITDA %	29%	20%	38%	31%	30%	36%	37%	42%	45%	40%
	-35%	-43%	12%	5%	-12%	3%	2%	10%	18%	9%

**Total FTE's**

# of Client Services Employees	234	276	276	319	319	307	317	346	368	368
# of Sales & Marketing Employees	22	23	22	17	17	25	24	28	24	24
# of Information Technology Employees	27	32	35	38	38	37	38	36	36	36
# of General Administration Employees	28	28	26	25	25	25	27	27	26	26
<b>Total # of Employees</b>	<b>311</b>	<b>359</b>	<b>360</b>	<b>399</b>	<b>399</b>	<b>394</b>	<b>406</b>	<b>437</b>	<b>454</b>	<b>454</b>

**Average FTE's**

avg. # of Client Services Employees	223	257	281	317	270	296	312	332	373	328
avg. # of Sales & Marketing Employees	25	24	23	20	23	23	25	25	27	25
avg. # of Information Technology Employees	38	30	33	36	34	37	37	33	36	36
avg. # of General Administration Employees	30	30	31	27	29	25	26	27	27	26
<b>total # of Employees</b>	<b>316</b>	<b>341</b>	<b>368</b>	<b>399</b>	<b>356</b>	<b>382</b>	<b>400</b>	<b>417</b>	<b>462</b>	<b>415</b>

Annualized Rev per Avg. Client Srvc EE

Annualized Rev per Avg. Employee	117,941	109,692	124,177	128,754	120,772	131,226	132,166	148,047	150,650	141,215
	83,297	82,740	94,728	102,295	91,436	101,955	103,097	117,985	121,560	111,708

avg Salary & Wages - CS

avg Salary & Wages - SM	51,730	50,247	51,020	52,472	51,409	50,588	50,581	51,607	50,349	50,776
avg Salary & Wages - IT	111,456	112,515	107,512	156,512	120,356	128,676	120,659	123,989	116,440	122,212
avg Salary & Wages - GA	64,988	71,249	77,587	74,211	71,819	65,392	66,151	70,101	69,237	67,638
avg Salary & Wages - Total	62,791	72,178	68,995	73,371	69,233	68,781	70,623	71,336	69,814	70,163
	59,093	58,338	58,491	60,917	59,267	57,914	57,638	58,631	56,755	57,705

Financial Forecast

V-6.0 Forecast

	FCST Q1-03	FCST Q2-03	FCST Q3-03	FCST Q4-03	FCST TOTAL-03	FCST Q1-04	FCST Q2-04	FCST Q3-04	FCST Q4-04	FCST Total-04
<b>Revenue</b>										
Client Administration - Implementation	254,602	250,401	247,349	222,204	974,557	352,053	327,890	326,229	300,021	1,306,193
Client Administration - Ongoing	10,208,252	10,553,402	12,244,739	14,190,944	47,197,336	15,649,919	16,849,235	18,811,405	21,161,777	72,472,336
Consulting Revenue	2,175,621	3,019,549	3,409,133	3,276,573	11,880,875	3,330,204	3,834,133	4,457,466	3,921,156	15,542,959
Client Billable Expense	241,935	241,935	241,935	241,935	967,740	241,935	241,935	241,935	241,935	967,740
Other Revenue	0	0	0	0	0	0	0	0	0	0
<b>Total Revenue</b>	<b>12,880,410</b>	<b>14,065,287</b>	<b>16,143,156</b>	<b>17,931,656</b>	<b>61,020,508</b>	<b>19,574,111</b>	<b>21,253,192</b>	<b>23,837,035</b>	<b>25,624,889</b>	<b>90,289,228</b>
<b>Client Services</b>										
Royalties	247,552	255,922	296,937	344,133	1,144,545	379,514	408,597	456,180	513,177	1,757,469
Client Expenses	254,032	254,032	254,032	254,032	1,016,130	254,032	254,032	254,032	254,032	1,016,130
Salaries and Wages	4,985,563	5,290,231	5,712,072	6,083,785	22,071,651	7,114,934	7,505,937	7,806,633	8,100,482	30,527,985
Commissions	0	0	0	0	0	0	0	0	0	0
Bonuses	514,095	545,511	589,010	627,340	2,275,955	733,668	773,987	804,994	835,295	3,147,944
Fringe Benefits	1,161,607	1,232,593	1,330,879	1,417,486	5,142,564	1,657,737	1,748,839	1,818,899	1,887,364	7,112,840
Recruiting & Relocation	92,607	110,478	71,486	113,728	388,298	279,445	32,494	90,982	146,221	549,142
Travel & Entertainment	54,660	54,660	54,660	54,660	218,642	73,790	73,790	73,790	73,790	295,158
Advertising & Marketing	0	0	0	0	0	0	0	0	0	0
Professional Fees	0	0	0	0	0	0	0	0	0	0
Computer & Equipment Costs	0	0	0	0	0	0	0	0	0	0
Office Costs	0	0	0	0	0	0	0	0	0	0
Other Expenses	1,020,095	1,082,433	1,168,745	1,244,801	4,516,074	1,455,785	1,535,788	1,597,313	1,657,437	6,246,322
Bad Debt Expense	(63,778)	(170,969)	(221,230)	(222,457)	(678,435)	(138,188)	(217,352)	(295,514)	(247,610)	(898,665)
<b>Total Client Services</b>	<b>8,330,834</b>	<b>8,725,218</b>	<b>9,337,307</b>	<b>10,007,166</b>	<b>36,400,525</b>	<b>11,908,587</b>	<b>12,222,377</b>	<b>12,726,493</b>	<b>13,348,313</b>	<b>50,205,771</b>
<b>Gross Margin (EBITDA)</b>	<b>4,549,576</b>	<b>5,340,069</b>	<b>6,805,848</b>	<b>7,924,489</b>	<b>24,619,983</b>	<b>7,665,524</b>	<b>9,030,815</b>	<b>11,110,542</b>	<b>12,276,576</b>	<b>40,083,457</b>
<b>SG&amp;A Expenses</b>										
Sales & Marketing										
Salaries and Wages	425,342	425,342	457,167	477,709	1,785,559	523,170	523,170	562,315	591,279	2,199,935
Commissions	116,513	116,513	116,513	116,513	466,051	190,330	190,330	190,330	190,330	761,322
Bonuses	62,537	62,537	67,216	70,236	262,525	76,920	76,920	82,675	86,934	323,449
Fringe Benefits	86,783	86,783	93,277	97,468	364,311	106,743	106,743	114,730	120,640	448,857
Recruiting & Relocation	5,000	0	25,000	0	30,000	15,000	0	30,000	0	45,000
Travel & Entertainment	148,200	148,200	148,200	148,200	592,800	207,480	207,480	207,480	207,480	829,920
Advertising & Marketing	106,988	106,988	106,988	106,988	427,950	171,180	171,180	171,180	171,180	684,720
Professional Fees	0	0	0	0	0	0	0	0	0	0
Computer & Equipment Costs	0	0	0	0	0	0	0	0	0	0
Office Costs	0	0	0	0	0	0	0	0	0	0
Other Expenses	92,529	92,529	99,452	103,921	388,431	113,811	113,811	122,326	128,627	478,574
Bad Debt Expense	0	0	0	0	0	0	0	0	0	0
<b>Total Sales &amp; Marketing</b>	<b>1,043,891</b>	<b>1,038,891</b>	<b>1,113,811</b>	<b>1,121,034</b>	<b>4,317,627</b>	<b>1,404,635</b>	<b>1,389,635</b>	<b>1,481,037</b>	<b>1,496,471</b>	<b>5,771,777</b>

Financial Forecast

V-6.0 Forecast

	FCST Q1-03	FCST Q2-03	FCST Q3-03	FCST Q4-03	FCST TOTAL-03	FCST Q1-04	FCST Q2-04	FCST Q3-04	FCST Q4-04	FCST Total-04
<b>Technology</b>										
Salaries and Wages	1,446,162	1,351,641	1,191,720	1,303,212	5,292,735	2,063,616	2,063,616	2,007,451	1,975,860	8,110,543
Commissions	0	0	0	0	0	0	0	0	0	0
Bonuses	172,728	161,438	142,338	155,654	632,158	246,476	246,476	239,767	235,994	968,713
Fringe Benefits	291,836	272,761	240,489	262,988	1,068,074	416,438	416,438	405,104	398,729	1,636,708
Recruiting & Relocation	0	0	0	0	0	0	0	0	0	0
Travel & Entertainment	21,450	21,450	21,450	21,450	85,800	25,740	25,740	25,740	25,740	102,960
Advertising & Marketing	0	0	0	0	0	0	0	0	0	0
Professional Fees	99,000	99,000	99,000	99,000	396,000	148,500	148,500	148,500	148,500	594,000
Computer & Equipment Costs	516,018	516,018	516,018	516,018	2,064,071	722,425	722,425	722,425	722,425	2,889,699
Office Costs	95,424	96,079	104,833	103,262	399,599	95,596	99,678	115,145	118,638	429,056
Other Expenses	(400,000)	(300,000)	0	0	(700,000)	(400,000)	(300,000)	0	0	(700,000)
Bad Debt Expense	0	0	0	0	0	0	0	0	0	0
<b>Technology</b>	<b>2,242,617</b>	<b>2,218,388</b>	<b>2,315,848</b>	<b>2,461,585</b>	<b>9,238,437</b>	<b>3,318,790</b>	<b>3,422,872</b>	<b>3,664,131</b>	<b>3,625,885</b>	<b>14,031,679</b>
<b>General Administration</b>										
Salaries and Wages	457,784	489,925	513,087	504,619	1,965,415	577,512	661,120	676,176	665,015	2,579,823
Commissions	0	0	0	0	0	0	0	0	0	0
Bonuses	98,247	105,145	110,116	108,299	421,808	123,943	141,886	145,118	142,722	553,669
Fringe Benefits	92,722	99,232	103,923	102,208	398,086	116,972	133,907	136,956	134,696	522,531
Recruiting & Relocation	10,000	10,000	0	0	20,000	30,000	10,000	0	0	40,000
Travel & Entertainment	52,800	52,800	52,800	52,800	211,200	58,080	58,080	58,080	58,080	232,320
Advertising & Marketing	0	0	0	0	0	0	0	0	0	0
Professional Fees	107,800	140,800	217,800	107,800	574,200	150,920	197,120	304,920	150,920	803,880
Computer & Equipment Costs	0	0	0	0	0	0	0	0	0	0
Office Costs	63,324	67,771	70,974	69,803	271,873	79,886	91,452	93,534	91,990	356,863
Other Expenses	13,200	13,200	13,200	13,200	52,800	14,520	14,520	14,520	14,520	58,080
Bad Debt Expense	0	0	0	0	0	0	0	0	0	0
<b>otal General Administration</b>	<b>895,877</b>	<b>978,873</b>	<b>1,081,901</b>	<b>958,729</b>	<b>3,915,381</b>	<b>1,151,833</b>	<b>1,308,085</b>	<b>1,429,303</b>	<b>1,257,944</b>	<b>5,147,166</b>
<b>otal SG&amp;A Expenses</b>	<b>4,182,385</b>	<b>4,236,151</b>	<b>4,511,560</b>	<b>4,541,348</b>	<b>17,471,444</b>	<b>5,875,258</b>	<b>6,120,593</b>	<b>6,574,471</b>	<b>6,380,300</b>	<b>24,950,622</b>
<b>BITDA</b>	<b>367,191</b>	<b>1,103,917</b>	<b>2,294,288</b>	<b>3,383,142</b>	<b>7,148,538</b>	<b>1,790,265</b>	<b>2,910,223</b>	<b>4,536,071</b>	<b>5,896,276</b>	<b>15,132,835</b>
otal Depreciation & Amortization	1,620,295	1,719,906	1,806,809	1,818,031	6,965,041	1,863,281	2,060,114	2,233,128	2,266,573	8,423,096
<b>perating Income</b>	<b>(1,253,104)</b>	<b>(615,989)</b>	<b>487,479</b>	<b>1,565,111</b>	<b>183,498</b>	<b>(73,016)</b>	<b>850,108</b>	<b>2,302,943</b>	<b>3,629,704</b>	<b>6,709,739</b>
Other Income/(Expense)	(159,626)	(201,666)	(251,177)	(236,343)	(848,812)	(230,822)	(267,745)	(311,254)	(288,188)	(1,098,010)
<b>come Before Taxes</b>	<b>(1,412,730)</b>	<b>(817,655)</b>	<b>236,302</b>	<b>1,328,768</b>	<b>(665,314)</b>	<b>(303,838)</b>	<b>582,363</b>	<b>1,991,689</b>	<b>3,341,515</b>	<b>5,611,729</b>
Taxes	0	0	0	0	0	0	0	0	0	0
<b>net Income/(Loss)</b>	<b>(1,412,730)</b>	<b>(817,655)</b>	<b>236,302</b>	<b>1,328,768</b>	<b>(665,314)</b>	<b>(303,838)</b>	<b>582,363</b>	<b>1,991,689</b>	<b>3,341,515</b>	<b>5,611,729</b>



Financial Forecast

V-6.0 Forecast

Combined Departments

FCST Q1-03	FCST Q2-03	FCST Q3-03	FCST Q4-03	FCST TOTAL-03	FCST Q1-04	FCST Q2-04	FCST Q3-04	FCST Q4-04	FCST Total-04	
Salaries and Wages	7,314,850	7,557,140	7,874,045	8,369,325	31,115,360	10,279,232	10,753,844	11,052,574	11,332,637	43,418,286
Commissions	116,513	116,513	116,513	116,513	466,051	190,330	190,330	190,330	190,330	761,322
Bonuses	847,606	874,631	908,679	961,528	3,592,445	1,181,007	1,239,269	1,272,554	1,300,945	4,993,775
Fringe Benefits	1,632,947	1,691,369	1,768,568	1,880,150	6,973,035	2,297,891	2,405,927	2,475,689	2,541,429	9,720,936
Recruiting & Relocation	107,607	120,478	96,486	113,728	438,298	324,445	42,494	120,982	146,221	634,142
Travel & Entertainment	277,110	277,110	277,110	277,110	1,108,442	365,090	365,090	365,090	365,090	1,460,358
Advertising & Marketing	106,988	106,988	106,988	106,988	427,950	171,180	171,180	171,180	171,180	684,720
Professional Fees	206,800	239,800	316,800	206,800	970,200	299,420	345,620	453,420	299,420	1,397,880
Computer & Equipment Costs	516,018	516,018	516,018	516,018	2,064,071	722,425	722,425	722,425	722,425	2,889,699
Office Costs	1,271,372	1,338,811	1,444,005	1,521,788	5,575,977	1,745,077	1,840,728	1,928,318	1,996,693	7,510,815
Other Expenses	(450,578)	(457,769)	(208,030)	(209,257)	(1,325,635)	(523,668)	(502,832)	(280,994)	(233,090)	(1,540,585)
Bad Debt Expense	64,402	70,326	80,716	89,658	305,103	97,871	106,266	119,185	128,124	451,446
Depreciation & Amortization	1,620,295	1,719,906	1,806,809	1,818,031	6,965,041	1,863,281	2,060,114	2,233,128	2,266,573	8,423,096
<b>Total Combined Departments</b>	<b>13,631,929</b>	<b>14,171,321</b>	<b>15,104,706</b>	<b>15,768,379</b>	<b>58,676,336</b>	<b>19,013,580</b>	<b>19,740,454</b>	<b>20,823,880</b>	<b>21,227,976</b>	<b>80,805,891</b>

Gross Margin % (EBITDA)

EBITDA %	35%	38%	42%	44%	40%
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EBITDA %	39%	42%	47%	48%	44%
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Total FTE's

# of Client Services Employees	413	457	472	513	513
# of Sales & Marketing Employees	15	15	20	15	15
# of Information Technology Employees	51	41	48	48	48
# of General Administration Employees	26	28	28	28	28
<b>Total # of Employees</b>	<b>505</b>	<b>541</b>	<b>568</b>	<b>604</b>	<b>604</b>

Average FTE's

avg. # of Client Services Employees	394	422	465	502	445
avg. # of Sales & Marketing Employees	17	15	16	19	16
avg. # of Information Technology Employees	49	49	42	48	47
avg. # of General Administration Employees	26	27	28	28	27
<b>total # of Employees</b>	<b>485</b>	<b>514</b>	<b>551</b>	<b>596</b>	<b>536</b>

Annualized Rev per Avg. Client Srvc EE

Annualized Rev per Avg. Employee

avg Salary & Wages - CS

avg Salary & Wages - SM

avg Salary & Wages - IT

avg Salary & Wages - GA

avg Salary & Wages - Total

Annualized Rev per Avg. Client Srvc EE	128,483	131,965	142,544	150,370	138,893	143,225	143,886	154,285	156,528	149,837
Annualized Rev per Avg. Employee	105,146	109,600	120,923	128,466	116,470	118,124	117,937	126,624	128,714	123,136
avg Salary & Wages - CS	50,675	50,105	49,189	48,525	49,547	52,060	50,816	50,528	49,481	50,662
avg Salary & Wages - SM	103,113	113,424	115,495	103,288	108,490	116,260	89,686	80,331	68,554	84,749
avg Salary & Wages - IT	119,271	109,593	113,049	108,601	112,611	122,895	116,260	113,096	111,316	115,796
avg Salary & Wages - GA	70,428	72,582	73,298	72,088	72,125	74,518	74,144	75,131	73,891	74,418
avg Salary & Wages - Total	60,387	58,849	57,214	56,170	58,032	62,032	59,675	58,712	56,924	59,213

Synhrgy PR technologies, Inc.  
 Financial Forecast  
 V-6.0 Forecast

Balance Sheet

	Actual Q1-01	Actual Q2-01	Actual Q3-01	Actual Q4-01	Actual TOTAL-01	FCST Q1-02	FCST Q2-02	FCST Q3-02	FCST Q4-02	FCST TOTAL-02
<b>Assets</b>										
Current Assets										
Cash & Equivalents	8,722,882	6,609,349	4,068,758	7,248,928		2,243,391	1,816,609	1,542,824	3,675,013	
Investments	0	0	0	0		0	0	0	0	
Accounts Receivable, net	6,696,573	5,169,497	5,060,692	4,263,371		5,705,839	5,494,851	6,649,120	7,360,950	
Prepaid Expenses	303,644	961,193	573,230	612,757		702,088	696,088	690,088	684,088	
Other Current Assets	135,795	27,262	7,417	9,156		9,156	9,156	9,156	9,156	
<b>Current Assets</b>	<b>15,858,894</b>	<b>12,767,301</b>	<b>9,710,097</b>	<b>12,134,212</b>		<b>8,660,474</b>	<b>8,016,704</b>	<b>8,891,188</b>	<b>11,729,207</b>	
Property and Equipment, net	9,522,637	11,060,378	11,761,363	10,363,929		9,949,513	10,028,306	10,092,573	8,810,423	
Intangible Assets	2,016,011	1,388,885	0	0		0	0	0	0	
Other Assets	365,781	365,781	365,781	365,781		365,781	365,781	365,781	365,781	
<b>Total Assets</b>	<b>27,763,323</b>	<b>25,582,345</b>	<b>21,837,241</b>	<b>22,863,922</b>		<b>18,975,768</b>	<b>18,410,791</b>	<b>19,349,541</b>	<b>20,905,411</b>	

Appendix D-2  
 (6 pages)

**Synhrgy HR Technologies, Inc.**  
**Financial Forecast**  
**V-6.0 Forecast**

**Liabilities & Shareholders Equity**

Current Liabilities

	Actual Q1-01	Actual Q2-01	Actual Q3-01	Actual Q4-01	Actual TOTAL-01	FCST Q1-02	FCST Q2-02	FCST Q3-02	FCST Q4-02	FCST TOTAL-02
Accounts Payable	3,236,141	1,866,202	990,388	1,316,052		1,054,172	978,017	1,234,105	1,168,748	
Accrued Liabilities	2,900,634	5,564,013	4,900,593	5,894,255		4,020,016	4,697,042	5,403,829	6,285,226	
Line of Credit	0	0	0	0		0	0	0	0	
Short Term Debt	429,596	839,680	1,050,370	1,447,645		2,731,856	2,833,740	2,964,337	914,636	
Deferred Tax Liability	132,721	132,721	132,721	132,721		132,721	132,721	132,721	132,721	
Deferred Revenue	193,654	210,641	540,830	511,742		448,572	338,094	321,977	292,367	
Other Current Liabilities	0	0	0	0		0	0	0	0	
<b>Current Liabilities</b>	<b>6,892,745</b>	<b>8,613,256</b>	<b>7,614,901</b>	<b>9,302,415</b>		<b>8,387,337</b>	<b>8,979,614</b>	<b>10,056,969</b>	<b>8,793,698</b>	

Long Term Liabilities

Long Term Debt	849,062	857,175	1,020,605	1,722,928		134,042	235,083	387,457	2,160,631	
Deferred Tax Liability	233,060	233,060	233,060	233,060		233,060	233,060	233,060	233,060	
Deferred Revenue	313,310	287,238	327,614	309,316		239,141	308,160	540,362	847,322	
Dividends Payable	1,516,073	2,091,894	2,871,239	3,686,248		4,516,337	5,363,139	6,226,989	7,108,233	
Other Long Term Liabilities	0	0	0	0		0	0	0	0	
<b>Long Term Liabilities</b>	<b>2,911,505</b>	<b>3,469,367</b>	<b>4,452,518</b>	<b>5,951,552</b>		<b>5,122,580</b>	<b>6,139,442</b>	<b>7,387,869</b>	<b>10,349,245</b>	

**Total Liabilities**

	<b>9,804,250</b>	<b>12,082,623</b>	<b>12,067,419</b>	<b>15,253,967</b>		<b>13,509,917</b>	<b>15,119,056</b>	<b>17,444,838</b>	<b>19,142,944</b>	
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**Redeemable Preferred Stock**

	<b>8,000,020</b>	<b>8,000,020</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
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Shareholder's Equity

Preferred Stock	29,215,388	29,215,388	808,176	808,176		808,176	808,176	808,176	808,176	
Common Stock	186,926	186,926	186,926	186,926		186,926	186,926	186,926	186,926	
APIC	13,887,140	13,937,140	49,881,038	49,836,038		49,836,038	49,836,038	49,836,038	49,836,038	
Dividends	0	0	0	0		0	0	0	0	
Deferred Stock Based Comp	(649,671)	(524,031)	(416,429)	(308,828)		(228,947)	(149,066)	(106,956)	(106,956)	
Shareholder Loans	0	0	0	0		0	0	0	0	
Treasury Stock	(174,642)	(174,642)	(263,440)	(263,440)		(463,440)	(563,440)	(663,440)	(763,440)	
Accumulated Earnings(Deficit)	(32,506,088)	(37,141,079)	(40,426,451)	(42,648,919)		(44,672,904)	(46,826,900)	(48,156,040)	(48,198,277)	
<b>Shareholder's Equity</b>	<b>9,959,053</b>	<b>5,499,702</b>	<b>9,769,820</b>	<b>7,609,953</b>		<b>5,465,849</b>	<b>3,291,734</b>	<b>1,904,704</b>	<b>1,762,467</b>	

**total Liab & Shareholder's Equity**

	<b>27,763,323</b>	<b>25,582,345</b>	<b>21,837,239</b>	<b>22,863,920</b>		<b>18,975,766</b>	<b>18,410,790</b>	<b>19,349,542</b>	<b>20,905,411</b>	
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Synrgy nr Technologies, Inc.  
**Financial Forecast**  
**V-6.0 Forecast**

**Indirect Cash Flow Statement**

	Actual Q1-01	Actual Q2-01	Actual Q3-01	Actual Q4-01	Actual TOTAL-01	FCST Q1-02	FCST Q2-02	FCST Q3-02	FCST Q4-02	FCST TOTAL-02
<b>Net Income(Loss)</b>	(3,353,983)	(4,059,170)	(1,589,359)	(1,407,457)	(10,409,969)	(1,193,896)	(1,307,194)	(465,290)	839,007	(2,127,373)
<b>Noncash Adjustments</b>										
Depreciation	591,710	735,525	1,042,987	860,280	3,230,502	1,244,415	1,281,206	1,390,732	1,387,150	5,303,503
Amortization	188,084	145,251	1,388,885	0	1,722,220	0	0	0	0	0
Stock based Compensation	89,561	125,640	107,602	107,601	430,404	79,881	79,881	42,110	0	201,872
Other	0	0	0	0	0	0	0	0	0	0
<b>Noncash Adjustments</b>	<b>869,355</b>	<b>1,006,416</b>	<b>2,539,474</b>	<b>967,881</b>	<b>5,383,126</b>	<b>1,324,296</b>	<b>1,361,087</b>	<b>1,432,842</b>	<b>1,387,150</b>	<b>5,505,375</b>
<b>Changes in Operating Assets &amp; Liab</b>										
Accounts Receivable	(2,139,663)	1,527,076	108,805	797,321	293,539	(1,442,468)	210,989	(1,154,270)	(711,830)	(3,097,579)
Prepaid Expenses	335,380	(657,549)	387,963	(39,527)	26,267	(89,331)	6,000	6,000	6,000	(71,331)
Other Current & Noncurrent Assets	(52,047)	108,533	19,845	(1,739)	74,592	0	0	0	0	0
Accounts Payable	(1,949,159)	(1,369,939)	(875,814)	325,664	(3,869,248)	(261,880)	(76,155)	256,088	(65,357)	(147,304)
Accrued Liabilities	(964,197)	2,663,379	(663,420)	993,662	2,029,424	(1,874,239)	677,026	706,787	881,397	390,971
Deferred Revenue	(17,788)	(9,085)	370,565	(47,386)	296,306	(133,345)	(41,459)	216,085	277,350	318,631
Deferred Tax Liability	0	0	0	0	0	0	0	0	0	0
Other Current & Noncurrent Liabilities	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
<b>Changes in Operating Assets &amp; Liab</b>	<b>(4,787,474)</b>	<b>2,262,415</b>	<b>(652,056)</b>	<b>2,027,995</b>	<b>(1,149,120)</b>	<b>(3,801,263)</b>	<b>776,401</b>	<b>30,691</b>	<b>387,560</b>	<b>(2,606,612)</b>
<b>Net Cash Provided (Used) By Ops Activities</b>	<b>(7,272,102)</b>	<b>(790,339)</b>	<b>298,059</b>	<b>1,588,419</b>	<b>(6,175,962)</b>	<b>(3,670,863)</b>	<b>830,294</b>	<b>998,243</b>	<b>2,613,717</b>	<b>771,390</b>
<b>Investing Activities</b>										
Additions(Retire) to Property & Equipment	(792,877)	(2,273,266)	(1,743,972)	537,154	(4,272,961)	(829,999)	(1,360,000)	(1,455,000)	(105,000)	(3,749,999)
Additions to Intangibles	(481,875)	481,875	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
<b>Net Cash Used in Investing Activities</b>	<b>(1,274,752)</b>	<b>(1,791,391)</b>	<b>(1,743,972)</b>	<b>537,154</b>	<b>(4,272,961)</b>	<b>(829,999)</b>	<b>(1,360,000)</b>	<b>(1,455,000)</b>	<b>(105,000)</b>	<b>(3,749,999)</b>
<b>Financing Activities</b>										
Investments	0	0	0	0	0	0	0	0	0	0
Proceeds from Borrowings (share loan, redeem)	228,164	984,039	1,101,307	1,951,163	4,264,673	0	450,000	550,000	0	1,000,000
Payments of Debt	(8,988,121)	(565,842)	(727,187)	(851,565)	(11,132,715)	(304,675)	(247,075)	(267,028)	(276,528)	(1,095,306)
Purchase of Treasury Stock	(112,760)	0	(88,798)	0	(201,558)	(200,000)	(100,000)	(100,000)	(100,000)	(500,000)
Proceeds From Issuance of Stock	0	0	0	0	0	0	0	0	0	0
Preferred (except Redeemable)	25,104,488	0	0	0	25,104,488	0	0	0	0	0
Common	0	0	0	0	0	0	0	0	0	0
APIC	50,000	50,000	(1,380,000)	(45,000)	(1,325,000)	0	0	0	0	0
Dividends	(697,258)	(575,821)	(779,345)	(815,011)	(2,867,435)	(830,089)	(846,802)	(863,851)	(881,243)	(3,421,985)
Dividends Payable	697,258	575,821	779,345	815,009	2,867,433	830,089	846,802	863,851	881,243	3,421,985
<b>Net Cash Provided(Used) in Financing Act</b>	<b>16,281,771</b>	<b>468,197</b>	<b>(1,094,678)</b>	<b>1,054,596</b>	<b>16,709,886</b>	<b>(504,675)</b>	<b>102,925</b>	<b>182,972</b>	<b>(376,528)</b>	<b>(595,306)</b>
<b>Net In(De)crease in Cash &amp; Cash Equivalents</b>	<b>7,734,917</b>	<b>(2,113,533)</b>	<b>(2,540,591)</b>	<b>3,180,169</b>	<b>6,260,963</b>	<b>(5,005,537)</b>	<b>(426,781)</b>	<b>(273,786)</b>	<b>2,132,189</b>	<b>(3,573,915)</b>
<b>Beginning Cash &amp; Cash Equivalents</b>	<b>987,965</b>	<b>8,722,882</b>	<b>6,609,349</b>	<b>4,068,758</b>	<b>987,965</b>	<b>7,248,928</b>	<b>2,243,391</b>	<b>1,816,609</b>	<b>1,542,824</b>	<b>7,248,928</b>
<b>Ending Cash &amp; Cash Equivalents</b>	<b>8,722,882</b>	<b>6,609,349</b>	<b>4,068,758</b>	<b>7,248,928</b>	<b>7,248,928</b>	<b>2,243,391</b>	<b>1,816,609</b>	<b>1,542,824</b>	<b>3,675,013</b>	<b>3,675,013</b>

Synhrgy Technologies, Inc.  
 Financial Forecast  
 V-6.0 Forecast

Balance Sheet

	FCST Q1-03	FCST Q2-03	FCST Q3-03	FCST Q4-03	FCST TOTAL-03	FCST Q1-04	FCST Q2-04	FCST Q3-04	FCST Q4-04	FCST Total-04
<b>Assets</b>										
Current Assets										
Cash & Equivalents	1,931,697	2,276,849	4,380,481	6,728,147		5,223,842	5,887,770	10,063,366	15,224,284	
Investments	0	0	0	0		0	0	0	0	
Accounts Receivable, net	7,114,953	6,655,414	7,067,729	7,720,410		9,450,968	9,023,085	9,878,900	11,086,168	
Prepaid Expenses	773,419	767,419	761,419	755,419		844,750	838,750	832,750	826,750	
Other Current Assets	9,156	9,156	9,156	9,156		9,156	9,156	9,156	9,156	
<b>Current Assets</b>	<b>9,829,225</b>	<b>9,707,838</b>	<b>12,218,785</b>	<b>15,213,132</b>		<b>15,528,716</b>	<b>15,758,761</b>	<b>20,784,172</b>	<b>27,146,358</b>	
Property and Equipment, net	8,300,155	9,678,024	9,579,320	8,847,357		8,801,668	12,533,540	12,583,063	12,097,981	
Intangible Assets	0	0	0	0		0	0	0	0	
Other Assets	365,781	365,781	365,781	365,781		365,781	365,781	365,781	365,781	
<b>Total Assets</b>	<b>18,495,161</b>	<b>19,751,643</b>	<b>22,163,886</b>	<b>24,426,270</b>		<b>24,696,165</b>	<b>28,658,083</b>	<b>33,733,016</b>	<b>39,610,119</b>	

Synhrgy HR Technologies, Inc.  
 Financial Forecast  
 V-6.0 Forecast

	FCST Q1-03	FCST Q2-03	FCST Q3-03	FCST Q4-03	FCST TOTAL-03	FCST Q1-04	FCST Q2-04	FCST Q3-04	FCST Q4-04	FCST Total-04
<b>Liabilities &amp; Shareholders Equity</b>										
<b>Current Liabilities</b>										
Accounts Payable	1,054,019	1,172,598	1,335,062	1,387,155		1,293,734	1,503,967	1,815,736	3,233,916	
Accrued Liabilities	5,260,684	4,510,251	5,462,157	5,783,635		5,748,358	5,678,823	6,998,788	7,349,769	
Line of Credit	0	0	0	0		0	0	0	0	
Short Term Debt	2,798,608	3,502,412	3,587,272	1,582,796		3,543,285	4,371,421	4,519,966	2,501,389	
Deferred Tax Liability	132,721	132,721	132,721	132,721		132,721	132,721	132,721	132,721	
Deferred Revenue	346,906	369,584	393,248	412,659		0	0	0	0	
Other Current Liabilities	0	0	0	0		0	0	0	0	
<b>Current Liabilities</b>	<b>9,592,939</b>	<b>9,687,566</b>	<b>10,910,460</b>	<b>9,298,966</b>		<b>10,718,098</b>	<b>11,686,933</b>	<b>13,467,211</b>	<b>13,217,795</b>	
<b>Long Term Liabilities</b>										
Long Term Debt	247,270	1,717,440	1,809,520	3,375,177		1,232,117	2,450,346	2,288,016	3,642,800	
Deferred Tax Liability	233,060	233,060	233,060	233,060		233,060	233,060	233,060	233,060	
Deferred Revenue	883,895	1,105,459	1,397,838	1,696,223		2,306,293	2,616,796	3,038,960	3,392,689	
Dividends Payable	8,007,219	8,924,305	9,859,855	10,814,241		11,787,842	12,781,045	13,794,246	14,827,845	
Other Long Term Liabilities	0	0	0	0		0	0	0	0	
<b>Long Term Liabilities</b>	<b>9,371,444</b>	<b>11,980,264</b>	<b>13,300,273</b>	<b>16,118,701</b>		<b>15,559,312</b>	<b>18,081,248</b>	<b>19,354,282</b>	<b>22,096,395</b>	
<b>Total Liabilities</b>	<b>18,964,383</b>	<b>21,667,830</b>	<b>24,210,733</b>	<b>25,417,667</b>		<b>26,277,410</b>	<b>29,768,181</b>	<b>32,821,493</b>	<b>35,314,190</b>	
<b>Redeemable Preferred Stock</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Shareholder's Equity</b>										
Preferred Stock	808,176	808,176	808,176	808,176		808,176	808,176	808,176	808,176	
Common Stock	186,926	186,926	186,926	186,926		186,926	186,926	186,926	186,926	
APIC	49,836,038	49,836,038	49,836,038	49,836,038		49,836,038	49,836,038	49,836,038	49,836,038	
Dividends	0	0	0	0		0	0	0	0	
Deferred Stock Based Comp	(106,956)	(106,956)	(91,473)	(91,473)		(91,473)	(91,473)	(75,990)	(75,990)	
Shareholder Loans	0	0	0	0		0	0	0	0	
Treasury Stock	(963,440)	(1,063,440)	(1,163,440)	(1,263,440)		(1,463,440)	(1,563,440)	(1,663,440)	(1,763,440)	
Accumulated Earnings(Deficit)	(50,509,992)	(52,244,733)	(52,943,981)	(52,569,599)		(53,847,038)	(54,257,879)	(53,279,391)	(50,971,475)	
<b>Shareholder's Equity</b>	<b>(749,248)</b>	<b>(2,583,989)</b>	<b>(3,367,754)</b>	<b>(3,093,372)</b>		<b>(4,570,811)</b>	<b>(5,081,652)</b>	<b>(4,187,681)</b>	<b>(1,979,765)</b>	
<b>Total Liab &amp; Shareholder's Equity</b>	<b>18,215,134</b>	<b>19,083,841</b>	<b>20,842,980</b>	<b>22,324,295</b>		<b>21,706,599</b>	<b>24,686,529</b>	<b>28,633,812</b>	<b>33,334,425</b>	

**Synhrgy HR Technologies, Inc.**  
**Financial Forecast**  
**V-6.0 Forecast**

**Indirect Cash Flow Statement**

	FCST Q1-03	FCST Q2-03	FCST Q3-03	FCST Q4-03	FCST TOTAL-03	FCST Q1-04	FCST Q2-04	FCST Q3-04	FCST Q4-04	FCST Total-04
<b>Net Income(Loss)</b>	(1,412,730)	(817,655)	236,302	1,328,768	(665,314)	(303,838)	582,363	1,991,689	3,341,515	5,611,729
<b>Noncash Adjustments</b>										
Depreciation	1,620,295	1,719,906	1,806,809	1,818,031	6,965,041	1,863,281	2,060,114	2,233,128	2,266,573	8,423,096
Amortization	0	0	0	0	0	0	0	0	0	0
Stock based Compensation	0	0	15,483	0	15,483	0	0	15,483	0	15,483
Other	0	0	0	0	0	0	0	0	0	0
<b>Noncash Adjustments</b>	<b>1,620,295</b>	<b>1,719,906</b>	<b>1,822,292</b>	<b>1,818,031</b>	<b>6,980,524</b>	<b>1,863,281</b>	<b>2,060,114</b>	<b>2,248,611</b>	<b>2,266,573</b>	<b>8,438,579</b>
<b>Changes in Operating Assets &amp; Liab</b>										
Accounts Receivable	245,997	459,539	(412,315)	(652,680)	(359,460)	(1,730,558)	427,883	(855,815)	(1,207,267)	(3,365,758)
Prepaid Expenses	(89,331)	6,000	6,000	6,000	(71,331)	(89,331)	6,000	6,000	6,000	(71,331)
Other Current & Noncurrent Assets	0	0	0	0	0	0	0	0	0	0
Accounts Payable	(114,729)	118,579	162,464	52,093	218,407	(93,421)	210,233	311,768	1,418,181	1,846,761
Accrued Liabilities	(1,024,542)	(750,434)	951,906	321,478	(501,591)	(35,277)	(69,535)	1,319,966	350,981	1,566,134
Deferred Revenue	91,112	244,242	316,043	317,796	969,193	197,411	310,503	422,164	353,729	1,283,807
Deferred Tax Liability	0	0	0	0	0	0	0	0	0	0
Other Current & Noncurrent Liabilities	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
<b>Changes in Operating Assets &amp; Liab</b>	<b>(891,493)</b>	<b>77,926</b>	<b>1,024,098</b>	<b>44,687</b>	<b>255,219</b>	<b>(1,751,177)</b>	<b>885,084</b>	<b>1,204,082</b>	<b>921,623</b>	<b>1,259,613</b>
<b>Net Cash Provided (Used) By Ops Activities</b>	<b>(683,927)</b>	<b>980,178</b>	<b>3,082,692</b>	<b>3,191,486</b>	<b>6,570,428</b>	<b>(191,734)</b>	<b>3,527,562</b>	<b>5,444,381</b>	<b>6,529,711</b>	<b>15,309,921</b>
<b>Investing Activities</b>										
Additions(Retire) to Property & Equipment	(830,000)	(2,710,000)	(1,055,000)	(305,000)	(4,900,000)	(930,000)	(4,810,000)	(1,155,000)	(605,000)	(7,500,000)
Additions to Intangibles	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
<b>Net Cash Used in Investing Activities</b>	<b>(830,000)</b>	<b>(2,710,000)</b>	<b>(1,055,000)</b>	<b>(305,000)</b>	<b>(4,900,000)</b>	<b>(930,000)</b>	<b>(4,810,000)</b>	<b>(1,155,000)</b>	<b>(605,000)</b>	<b>(7,500,000)</b>
<b>Financing Activities</b>										
Investments	0	0	0	0	0	0	0	0	0	0
Proceeds from Borrowings (share loan, redeem )	250,000	2,575,000	650,000	0	3,475,000	250,000	2,575,000	650,000	0	3,475,000
Payments of Debt	(279,389)	(401,026)	(473,060)	(438,819)	(1,592,294)	(432,571)	(528,634)	(663,785)	(663,793)	(2,288,784)
Purchase of Treasury Stock	(200,000)	(100,000)	(100,000)	(100,000)	(500,000)	(200,000)	(100,000)	(100,000)	(100,000)	(500,000)
Proceeds From Issuance of Stock	0	0	0	0	0	0	0	0	0	0
Preferred (except Redeemable)	0	0	0	0	0	0	0	0	0	0
Common	0	0	0	0	0	0	0	0	0	0
APIC	0	0	0	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0	0	0	0
Dividends Payable	(898,986)	(917,086)	(935,550)	(954,386)	(3,706,008)	(973,601)	(993,203)	(1,013,200)	(1,033,600)	(4,013,605)
<b>Net Cash Provided(Used) in Financing Act</b>	<b>(229,389)</b>	<b>2,073,974</b>	<b>76,940</b>	<b>(538,819)</b>	<b>1,382,706</b>	<b>(382,571)</b>	<b>1,946,366</b>	<b>(113,785)</b>	<b>(763,793)</b>	<b>686,216</b>
<b>Net In(De)crease in Cash &amp; Cash Equivalents</b>	<b>(1,743,316)</b>	<b>344,152</b>	<b>2,104,632</b>	<b>2,347,666</b>	<b>3,053,134</b>	<b>(1,504,305)</b>	<b>663,928</b>	<b>4,175,596</b>	<b>5,160,918</b>	<b>8,496,137</b>
<b>Beginning Cash &amp; Cash Equivalents</b>	<b>3,675,013</b>	<b>1,931,697</b>	<b>2,275,849</b>	<b>4,380,481</b>	<b>3,675,013</b>	<b>6,728,147</b>	<b>5,223,842</b>	<b>5,887,770</b>	<b>10,063,366</b>	<b>6,728,147</b>
<b>Ending Cash &amp; Cash Equivalents</b>	<b>1,931,697</b>	<b>2,275,849</b>	<b>4,380,481</b>	<b>6,728,147</b>	<b>6,728,147</b>	<b>5,223,842</b>	<b>5,887,770</b>	<b>10,063,366</b>	<b>15,224,284</b>	<b>15,224,284</b>

**Technology Capitalization and Amortization: 2001 and 2002****Internally Developed Software**

Ending Balance - 2000	\$1,429,143
Capitalization - 2001	750,000
Amortization - 2001	772,000
Ending Balance - 2001	1,407,143
Projected Capitalization - 2002	850,000
Projected Amortization - 2002	815,000
Projected Ending Balance - 2002	1,442,143



## Summary of Stock Related Agreements as of 9/30/01

1. **Clarite (Uniprise) Series B-1 and B-2 Convertible Preferred Stock**  
Clarite holds 1,833,211 preferred convertible debt shares (Series B-1 and B-2)  
Includes bridge note and interest conversions in 2001
2. **SBC Systems Company, Inc. Stock Options**  
December 1, 1999  
109,240 shares exercisable at \$2.746 per share (\$300,000)
3. **Richland and Validus Series A Convertible Preferred Stock**  
December 10, 1999 and September 30, 2001  
2,833,333 Preferred A Convertible shares  
8% dividend rate  
Includes purchase of 2/3 of IBM's 1,250 shares at \$3.60/share
4. **Richland and Validus Series B-1 Convertible Preferred Stock**  
1,290,219 shares of preferred convertible debt  
Includes bridge note and interest conversions in 2001
5. **Employee Options Granted**  
As of the end of 4Q01, 1,134,770 net stock options had been granted at \$4.47 to \$6.00 per share to employees and executives. Vesting of these options will take place proportionately over the succeeding four years. The remaining option pool as of 12/31/01 was 934,610 shares.
6. **Treasury Shares**  
150,896 common shares were held as Treasury shares as of 12/31/01
7. **Employee and Founders Shares**  
1,718,364 common stock shares were held by employees and founders
8. **Richland and Validus Convertible Debt Warrants**  
125,000 warrants  
Exercisable up to 7/14/05 at \$8.00/share
9. **Clarite (Uniprise) Convertible Debt Warrants**  
25,700 warrants  
Exercisable at \$8.00 per share
10. **T. Rowe Price Series B-1 Preferred Convertible Stock**  
125,000 shares of Series B-1 preferred issued in 2001

Attached is a further explanation of the Series B plan including conversion of previous holdings.

6. Proposed Transactions

A. Series B Preferred Stock

- Sale of up to 2,421,053 shares of Series B-1 Convertible Preferred Stock, par value \$0.10 per share (the "Series B-1 Stock"), for \$9.50 per share to Richland, Validus, Clarite and other purchasers for \$9.50 per share.
- Conversion of the \$2,648,880 convertible note held by Clarite for 753,500 shares of Series B-2 Convertible Preferred Stock, par value \$0.10 per share (the "Series B-2 Stock").
- Conversion of Clarite's (\$1,028,000) Richland's (\$2,916,667) and Validus' (\$2,083,333) convertible notes for an aggregate of 441,480 shares of Series B-3 Convertible Preferred Stock, par value \$0.10 per share (the "Series B-3 Stock," and together with the Series B-1 Stock and the Series B-2 Stock, the "Series B Stock").
- The terms of the Series B Stock are as follows:
  - (i) votes with all other classes of stock except as provided in the Charter;
  - (ii) votes together with the Series A Convertible Preferred in the election of five directors;
  - (iii) 8% accruing, cumulative dividends are calculated as follows:
    - Series A Convertible Preferred - \$2.00
    - Series A Redeemable Preferred - \$4.00
    - Series B-1 Stock - \$9.50
    - Series B-2 Stock - \$6.00
    - Series B-3 Stock - \$8.00;
  - (iv) on liquidation ranks junior to the Series A Redeemable Preferred and pari passu to the Series A Convertible Preferred;
  - (v) certain mergers and sales of assets constitute a liquidation unless approved by the holders of at least 80% of the outstanding Series A Convertible Preferred and Series B Stock voting together as a single class;
  - (vi) without the approval of the holders of 80% of the Series B Stock, the Company will not amend or repeal the Charter or Bylaw provisions pertaining to the Series B Stock or take any other action that would materially affect the holders of the Series B Stock;

- (vii) without the approval of the holders of at least 80% of the shares of Series A Convertible Preferred, Series A Redeemable Preferred and Series B Stock voting together as a single class, the Company will not create or authorize any additional classes or series of stock unless the same ranks pari passu or junior to the Series A Convertible Preferred, Series A Redeemable Preferred and Series B Stock as to the distribution of assets on liquidation, dissolution or winding up, nor will the Company increase the authorized number of shares of any additional class or series of stock;
- (viii) without the approval of the Board of Directors, which approval must include the approval of at least three of the directors designated by the holders of the Preferred Stock, the Company will not engage in any of the transactions described under Item (ix) under "Terms of Series A Convertible Preferred Stock;"
- (ix) without the approval of the holders of 100% of the outstanding Series B Stock, the Company shall not issue any additional shares of Series B Stock;
- (x) all holders of Series B Stock must execute the Company's voting agreement;
- (xi) the Series B Stock has the same conversion rights as the Series A Convertible Preferred, except the conversion prices are as follows:
- Series B-1 Stock - \$9.50
  - Series B-2 Stock - \$8.00
  - Series B-3 Stock - \$6.00;
- (xii) the Series B Stock has the same adjustment provisions as the Series A Convertible Preferred Stock. See item (xiv) above under "Terms of Series A Convertible Preferred Stock;"
- (xiii) the exceptions to the conversion adjustments for the Series A Convertible Preferred and Series B Stock would be amended and the exceptions would be:
- Common Stock issuable upon conversion of any series of convertible Preferred Stock;
  - securities issued in a merger or acquisition approved by the holders of at least a majority of the outstanding shares of Series A Convertible Preferred and Series B Stock voting together as a single class;

- securities issued primarily for purposes other than to provide the Company with additional equity financing, to suppliers, lessors, lenders or technology providers pursuant to a plan approved by the board (which approval must include the approval of three of the directors elected by the holders of voting Preferred Stock);
  - up to an aggregate of 2,069,380 shares under the Company's stock option plan or such greater number of shares that is approved by the holders of at least a majority of the outstanding shares of Series A Convertible Preferred and Series B Stock voting together as a single class; and
  - Common Stock repurchased by the Company from directors, officers, employees or consultants pursuant to contractual rights held by the Company;
- (xiv) the holders of at least a majority of the then outstanding shares of Series A Convertible Preferred and Series B Stock voting together as a single class may force the conversion of all outstanding shares of convertible Preferred Stock;
- (xv) mandatory conversion upon the closing of a Qualified IPO;
- (xvi) mandatory redemption upon the occurrence of an event of default (as defined in the Preferred Stock Purchase Agreement) at the request of the holder of the Series B Stock;
- (xvii) the Charter would be amended to provide that not less than 120 days prior to January 31, 2006, any holder of Series A Convertible Preferred, Series A Redeemable Preferred or Series B Stock may request redemption of its shares, and such shares shall be redeemed in annual 33 1/3% increments at redemption prices as follows:
- Series A Convertible Preferred - the greater of \$2.00 per share plus accrued dividends or fair market value;
  - Series A Redeemable Preferred - \$4.00 per share plus accrued dividends;
  - Series B-1 Stock - the greater of \$9.50 per share plus accrued dividends or fair market value;
  - Series B-2 Stock - the greater of \$6.00 per share plus accrued dividends or fair market value; and
  - Series B-3 Stock - the greater of \$8.00 per share plus accrued dividends or fair market value.

- (xviii) no provision of the terms of any series of Preferred Stock may be amended, modified or waived without the consent of the holders of at least 80% of the affected series of Preferred Stock; and
- (xix) certain provisions of the Charter regarding amendment of terms of the Preferred Stock and the requirement that shareholders execute the voting agreement may not be amended without the approval of each voting series of Preferred Stock, each voting separately as a class.

	Stock Issued	Shares and All Warrants	% Voting	% Full Dilution	
Founders Shares	Carlson Taggart Imrie Polk	Common Common Common Common	288,750 288,750 288,750 288,750	3.63% 3.63% 3.63% 3.63%	2.81% 2.81% 2.81% 2.81%
		1,155,000	17.68%	11.24%	
Other Employees		Common	563,364	7.09%	5.48%
Treasury Stock		Common	150,896	1.90%	1.47%
Issued Common Stock			1,869,260	23.51%	18.18%
Richland Series B		B-1	364,583		
Richland Convertible Debt		B-1	389,045		
Richland Series A		A	1,166,670		
Richland Series A		A	138,889		
			2,058,187	25.89%	20.02%
Validus Series B		B-1	260,417		
Validus Convertible Debt		B-1	277,175		
Validus Series A		A	726,350		
Validus Series A		A	106,980		
			1,370,922	17.24%	13.34%
Validus II L.P.		A	671,285		
Validus II Exec Fund L.P.		A	23,159		
			694,444	8.73%	6.76%
Uniprise Series B		B-1	1,250,000		
Uniprise Convertible Debt Interest Shares		B-1	7,118		
Uniprise Convertible Debt		B-1	134,613		
Uniprise Convertible Debt		B-2	441,480		
			1,833,211	23.06%	17.83%
T Rowe Price		B-1	125,000	1.57%	1.22%
			7,951,024	100.00%	78.56%
Warrants					
Richland Convertible Debt Warrants			72,916		0.71%
Validus Convertible Debt Warrants			52,083		0.51%
Uniprise Convertible Debt Warrants			25,700		0.25%
Leasing Warrant			0		0.00%
SBC Option			109,240		1.06%
Employee Option Pool					
		Allocated Option Pool	1,014,770		9.87%
		Allocated Performance Options	120,000		1.17%
		Total Allocated	1,134,770		11.04%
		Available Option Pool	934,610		9.09%
		Total Option Pool	2,069,380		20.13%
			10,280,343		100.00%

Synhrgy Capitalization -- As of December 31, 2001

Investor Name	Series A	A %	Series B1	Series B2	Series Bx	B%	All Pref	All Pref %	Common O/S	All O/S	All O/S %	Common Options & Warrants	Fully Diluted Shares	All %
Richland Ventures III, L.P.	1,305,559	46.08%	752,628		752,628	23.17%	2,058,187	33.84%						
Validus L.P.	833,330	29.41%	537,591		537,591	16.55%	1,370,921	22.54%	2,058,187	26.39%	72,916	2,131,103	21.04%	
Validus II L.P.	671,285	23.69%					671,285	11.04%	1,370,921	17.58%	52,083	1,423,004	14.05%	
Validus II Exec Fund L.P.	23,159	0.82%					23,159	0.38%	671,285	8.81%		671,285	6.63%	
Clarite, LLC			1,391,731	441,480	1,833,211	56.43%	1,833,211	30.14%	23,159	0.30%		23,159	0.23%	
T. Rowe Price Associates, Inc.			125,000		125,000	3.85%	125,000	2.06%	1,833,211	23.50%	25,700	1,858,911	18.35%	
Carlson (1)									125,000	1.60%		125,000	1.23%	
Taggart (1)									288,750	3.70%	295,000	583,750	5.76%	
Imrie									288,750	3.70%	222,500	511,250	5.05%	
Polk									288,750	3.70%		288,750	2.85%	
Mackey (1)									288,750	3.70%		288,750	2.85%	
Wolyniek									288,750	3.70%		288,750	2.85%	
Other employees											187,790	187,790	1.85%	
Unallocated Options											180,000	180,000	1.78%	
SBC option									563,364	7.22%	249,480	812,844	8.02%	
Leasing warrant											934,610	934,610	9.23%	
insert above here											109,240	109,240	1.08%	
	<u>2,833,333</u>	<u>100.00%</u>	<u>2,806,951</u>	<u>441,480</u>	<u>3,248,431</u>	<u>100.00%</u>	<u>6,081,764</u>	<u>100.00%</u>	<u>1,718,364</u>	<u>7,800,128</u>	<u>100.00%</u>	<u>2,329,319</u>	<u>10,129,447</u>	<u>100.00%</u>
Treasury Stock									150,896				150,896	
Total Shares									<u>1,869,260</u>				<u>10,280,343</u>	
UHG/Validus Recap	1,527,774	53.92%	1,929,323	441,480	2,370,803	72.98%	3,898,577	64.10%	-	3,898,577	49.98%	77,783	3,976,360	39.26%

(1) Includes award of 2001 performance options

Richland	72,916
Validus	52,083
Clarite	25,700
ISO	2,069,380
SBC	109,240
	<u>2,329,319</u>

Synhrgy HR Technologies  
Option Recap

Date Issued	Strike Price	Issued Number	Forfeited	Remaining	Total By Strike Price	Strike Price
00/2/01	6.00	324,470	7,000	317,470		
00/4/01	6.00	10,000		10,000		
00/5/01	6.00	5,000	2,000	3,000		
00/6/01	6.00	1,000		1,000		
00/7/01	6.00	27,000	27,000	0		
00/8/01	6.00	10,500		10,500		
00/9/01	6.00	15,950	5,000	10,950	352,920	6.00
00/11/01	4.47	1,000		1,000		
01/1/01	4.47	38,800	2,100	36,700		
01/2/01	4.47	2,750		2,750		
01/3/01	4.47	444,800		444,800		
01/4/01	4.47	1,500		1,500		
01/6/01	4.47	2,000		2,000	488,750	4.47
01/7/01	4.78	109,600		109,600		
01/8/01	4.78	1,000		1,000		
01/9/01	4.78	182,500		182,500	293,100	4.78
<b>Total</b>		<b>1,177,870</b>	<b>43,100</b>	<b>1,134,770</b>	<b>1,134,770</b>	



**Actual Trailing Twelve Months Revenues, Costs and  
Operating Income (2001)**

(\$000)	2001 Actual	1Q01 Actual	By Quarter		
			2Q01 Actual	3Q01 Actual	4Q01 Actual
Revenues					
Implementation	508	110	118	130	150
Ongoing Service	23,931	5,079	5,099	5,863	7,890
Consulting	7,190	1,296	1,564	2,497	1,833
Billable Expense	<u>931</u>	<u>97</u>	<u>279</u>	<u>234</u>	<u>320</u>
Total Revenues	32,561	6,582	7,061	8,723	10,195
Direct Expenses	22,819	4,691	5,659	5,452	7,018
Dept. Expenses					
Sales and Marketing	5,467	1,544	1,724	1,085	1,114
Technology	4,619	1,414	1,090	1,101	1,014
G&A	<u>3,461</u>	<u>1,222</u>	<u>1,653</u>	<u>30</u>	<u>556</u>
Total Dept. Expenses	13,547	4,180	4,466	2,217	2,684
Total Operating Expenses	36,366	8,871	10,125	7,669	9,702
Operating Income/(Loss)-EBITDA	(3,806)	(2,289)	(3,064)	1,055	492
Other Expenses					
Depreciation and Amortization	5,446	780	881	2,439	1,347
Other Expenses	1,119	278	113	195	533
Income Tax	<u>39</u>	<u>7</u>	<u>2</u>	<u>11</u>	<u>20</u>
Total Other Expenses	6,604	1,065	996	2,645	1,900
Net Income	(10,410)	(3,354)	(4,060)	(1,590)	(1,408)

**Projected Twelve Months Revenues, Costs and  
Operating Income (2002)**

(\$000)	2002 Projected	1Q02 Projected	By Quarter		
			2Q02 Projected	3Q02 Projected	4Q02 Projected
Revenues					
Implementation	700	151	171	185	193
Ongoing Service	34,400	7,654	7,947	8,778	10,020
Consulting	10,501	1,802	2,004	3,117	3,577
Billable Expense	<u>769</u>	<u>117</u>	<u>190</u>	<u>220</u>	<u>242</u>
Total Revenues	46,369	9,725	10,312	12,299	14,033
Direct Expenses	27,596	6,211	6,543	7,113	7,730
Dept. Expenses					
Sales and Marketing	6,045	1,546	1,493	1,504	1,500
Technology	4,925	826	1,139	1,500	1,460
G&A	<u>3,639</u>	<u>843</u>	<u>921</u>	<u>1,001</u>	<u>874</u>
Total Dept. Expenses	14,609	3,215	3,553	4,006	3,834
Total Operating Expenses	42,205	9,426	10,096	11,119	11,564
Operating Income/(Loss)-EBITDA	4,164	299	216	1,180	2,469
Other Expenses					
Depreciation and Amortization	5,304	1,244	1,281	1,391	1,387
Other Expenses	988	248	242	254	243
Income Tax	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Expenses	6,292	1,492	1,523	1,645	1,630
Net Income	(2,128)	(1,193)	(1,307)	(465)	839

Synhrgy HR Technologies  
 Revenue by Business Type and Customer  
 As of 12/31/2001

Appendix E-1  
 (2 pages)

	Q1-01	Q2-01	Q3-01	Q4-01	YTD
<b>Benefit Administration</b>					
Abbott Laboratories	0	0	169,000	186,717	355,717
ADS (Net of Clarite)	0	107,500	236,238	157,184	500,922
Amoseas	107,142	139,374	111,372	104,021	461,909
Aventis (HMRI)	62,296	63,708	66,977	68,958	261,939
BAE Systems	534,037	689,181	636,016	1,503,702	3,362,936
Bank of Oklahoma	0	375	125	0	500
BCOM 3	0	0	62,500	125,001	187,501
Bell Helicopter Annual Enrollment	23,667	0	0	0	23,667
Cemex	0	0	476,501	74,816	551,317
Cemex KB	0	0	0	79,068	79,068
City of Dallas	0	0	259,375	302,790	562,165
City of L.A.	214,000	376,000	400,000	450,682	1,440,682
Clarite Commissions	0	(28,350)	(7,984)	0	(36,334)
Clorox (Net of Clarite)	0	0	0	70,682	70,682
Consolidated Freight	20,833	62,499	76,066	50,320	209,718
Cooper Tire & Rubber Company	0	0	206,250	384,300	590,550
CSR America, Inc.	0	61,200	303,156	244,492	608,848
Delaware North	112,448	115,625	115,558	109,978	453,609
Delta Airlines Student Verify (Net of Clarite)	419,145	51,613	52,020	31,060	553,838
Delta Technology	0	52,250	52,250	0	104,500
Eastman Kodak	3,000	2,000	7,250	3,000	15,250
EDS	0	0	0	3,000	3,000
Enron	459,149	471,021	470,382	533,382	1,933,934
Fujitsu (Net of Clarite)	269,811	186,000	188,500	272,682	916,793
Getronic	201,877	200,297	297,539	360,081	1,059,794
Guide	127,863	130,407	129,202	124,043	511,515
HB Fuller	130,712	113,257	116,096	183,075	543,140
KRATON Polymers	30,011	41,229	39,673	40,150	151,063
Level 3	0	0	112,500	152,668	265,168
National YMCA Employee Benefit	0	0	0	0	0
Navigator System	0	27,000	10,000	3,500	40,500
Other	(262,227)	0	0	0	(262,227)
Palm (Net of Clarite)	16,825	15,867	14,021	19,448	66,161
Performance Guarantee	0	(39,956)	(39,978)	(97,261)	(177,195)
Providian	164,657	159,800	166,800	154,800	646,057
Reliant Energy	249,887	211,915	210,918	236,829	909,549
Resolution Performance Products (Shell Resins)	41,012	39,631	39,512	41,374	161,529
Revlon Consumer Products Corp.	214,895	161,822	118,197	117,355	612,269
SAB 101 Amortization	110,056	117,923	129,659	150,491	508,129
SAB 101 Deferral	(103,669)	(140,381)	(357,744)	(228,291)	(830,085)
Sabre, Inc. (Net of Clarite)	331,942	313,742	211,582	267,422	1,124,688
SGS	0	0	52,484	78,726	131,210
Stryker	108,364	145,603	111,986	179,010	544,963
Tenet	0	0	200,000	150,000	350,000
Textron	199,854	176,556	174,696	172,410	723,516
Tyco	89,092	140,410	150,984	155,675	536,161
UHG CC Imp H&W	88,644	0	0	0	88,644
United Health Group (HW) (Net of Clarite)	555,821	594,060	581,311	568,633	2,299,825
United Health Group (Total HR) Ong Web Comp	0	0	0	0	0
US Airways	0	0	75,840	160,320	236,160
US Industries	69,326	76,997	77,426	80,745	304,494
Veridian	0	0	112,500	150,133	262,633
Williams Companies	0	1,661	12,300	0	13,961
World Kitchen	137,673	114,709	101,869	123,702	477,953
YMCA	90,064	64,522	19,948	0	174,534
YMCA (Net of Clarite)	0	0	39,096	130,870	169,966
<b>Total Benefit Administration Revenue</b>	<b>4,818,007</b>	<b>5,017,067</b>	<b>6,789,969</b>	<b>8,231,743</b>	<b>24,856,786</b>

Synhrgy HR Technologies  
Revenue by Business Type and Customer  
As of 12/31/2001

	Q1-01	Q2-01	Q3-01	Q4-01	YTD
<b>Consulting</b>					
Administaff (Consulting)	220,921	179,873	50,397	125	451,316
Aventis (HMRI)	35,984	0	(35,984)	0	0
Bank of Oklahoma	5	15,035	15,250	15,375	45,665
Bell Helicopter Annual Enrollment	218,655	57,306	57,597	107,012	440,570
Cigna Group Ins	0	58,819	0	0	58,819
Condea Vista	25,709	24,800	13,180	21,614	85,303
Consulting - Assessment	0	0	32,818	0	32,818
Delta Technology	4,100	0	0	0	4,100
Eastern Health System	0	36,184	0	0	36,184
EDS (LTV Steels)	0	25,000	0	0	25,000
Ennis	45,020	35,005	970	0	80,995
Getronic	0	0	25,120	37,680	62,800
HCC Employee Benefits, Inc.	0	37,000	7,467	6,000	50,467
Kerr McGee Corp.	24,415	22,500	22,500	22,500	91,915
Kirby Corp	3,926	4,731	0	0	8,657
Maclean	5,000	0	0	0	5,000
Navigator System	0	0	5,000	0	5,000
Ogilvy & Mather	8,332	0	0	0	8,332
Other	12,918	32,497	38,447	(6,147)	77,715
Partner	2,704	0	0	0	2,704
Riversoft	4,361	6,626	0	0	10,987
Shell People Services-Americas	0	7,000	0	0	7,000
Synhrgy HR	10,652	3,093	0	0	13,745
Synovus	0	0	0	22,500	22,500
Temple-Inland Inc.	39,162	37,500	37,500	45,500	159,662
Whole Foods	20,000	33,000	4,491	0	57,491
Williams Companies	30,085	53,572	26,250	26,406	136,313
<b>Total Consulting Revenue</b>	<b>711,949</b>	<b>669,541</b>	<b>301,003</b>	<b>298,565</b>	<b>1,981,058</b>
<b>HR Services</b>					
Cemex KB	0	0	0	0	0
Getronics KB	0	0	52,000	0	52,000
Navigator System	0	0	(5,500)	11,500	6,000
United Health Group (Total HR)	1,052,007	1,374,603	1,585,752	1,652,364	5,664,726
<b>Total HR Services Revenue</b>	<b>1,052,007</b>	<b>1,374,603</b>	<b>1,632,252</b>	<b>1,663,864</b>	<b>5,722,726</b>
<b>Total Revenue</b>	<b>6,581,963</b>	<b>7,061,211</b>	<b>8,723,224</b>	<b>10,194,172</b>	<b>32,560,570</b>

**Synhrgy HR Technologies**  
**Forecasted Revenue by LOB and Type**

Line of Business	Revenue Type	Q1-01	Q2-01	Q3-01	Q4-01	Total-01	Q1-02	Q2-02	Q3-02	Q4-02	Total-02
<b>Total</b>											
	Implementation	636,517	1,012,877	2,325,873	1,685,135	5,660,402	961,608	878,649	2,109,892	2,579,157	6,529,306
	Ongoing	5,139,845	5,099,350	5,862,744	7,890,436	23,992,375	7,654,451	7,947,019	8,777,641	10,020,396	34,399,507
	Consulting	708,372	669,541	300,753	298,190	1,976,856	991,573	1,296,573	1,191,573	1,191,573	4,671,292
	Client Billable Expenses	97,229	279,443	233,854	320,411	930,937	117,291	189,933	219,759	241,935	768,918
	<b>Total Revenue</b>	<b>6,581,963</b>	<b>7,061,211</b>	<b>8,723,224</b>	<b>10,194,172</b>	<b>32,560,570</b>	<b>9,724,923</b>	<b>10,312,174</b>	<b>12,298,865</b>	<b>14,033,061</b>	<b>46,369,023</b>
<b>Benefit Administration</b>											
	Implementation	636,517	1,012,877	1,926,373	1,247,635	4,823,402	936,608	713,650	1,944,893	1,722,490	5,317,641
	Ongoing	4,098,838	3,724,747	4,629,992	6,664,072	19,117,649	5,706,034	5,998,802	6,756,309	7,917,816	26,378,761
	Consulting	0	0	0	0	0	23,751	23,751	23,751	23,751	95,004
	Client Billable Expenses	82,652	279,443	233,604	320,036	915,735	117,291	189,933	219,759	241,935	768,918
	<b>Total Revenue</b>	<b>4,818,007</b>	<b>5,017,067</b>	<b>6,789,969</b>	<b>8,231,743</b>	<b>24,856,786</b>	<b>6,783,684</b>	<b>6,925,936</b>	<b>8,944,712</b>	<b>9,905,992</b>	<b>32,560,324</b>
<b>HR Services</b>											
	Implementation	0	0	399,500	437,500	837,000	25,000	164,999	164,999	856,667	1,211,665
	Ongoing	1,041,007	1,374,603	1,232,752	1,226,364	4,874,726	1,948,417	1,948,417	2,021,332	2,102,580	8,020,746
	Consulting	0	0	0	0	0	0	0	0	0	0
	Client Billable Expenses	11,000	0	0	0	11,000	0	0	0	0	0
	<b>Total Revenue</b>	<b>1,052,007</b>	<b>1,374,603</b>	<b>1,632,252</b>	<b>1,663,864</b>	<b>5,722,726</b>	<b>1,973,417</b>	<b>2,113,416</b>	<b>2,186,331</b>	<b>2,959,247</b>	<b>9,232,411</b>
<b>Consulting</b>											
	Implementation	0	0	0	0	0	0	0	0	0	0
	Ongoing	0	0	0	0	0	0	0	0	0	0
	Consulting	708,372	669,541	300,753	298,190	1,976,856	967,822	1,272,822	1,167,822	1,167,822	4,576,288
	Client Billable Expenses	3,577	0	250	375	4,202	0	0	0	0	0
	<b>Total Revenue</b>	<b>711,949</b>	<b>669,541</b>	<b>301,003</b>	<b>298,565</b>	<b>1,981,058</b>	<b>967,822</b>	<b>1,272,822</b>	<b>1,167,822</b>	<b>1,167,822</b>	<b>4,576,288</b>

**Synhrgy HR Technologies  
Forecasted Revenue by LOB**

Line of Business	Revenue Type	Q1-03	Q2-03	Q3-03	Q4-03	Total-03	Q1-04	Q2-04	Q3-04	Q4-04	Total-04
<b>Total</b>											
	Implementation	1,946,200	2,909,649	3,267,882	3,156,571	11,280,302	3,486,453	3,990,383	4,443,717	3,609,906	15,530,459
	Ongoing	9,768,524	9,989,951	11,709,586	13,609,396	45,077,457	14,959,361	16,097,118	18,227,626	20,849,290	70,133,395
	Consulting	923,751	923,752	923,753	923,754	3,695,010	923,755	923,756	923,757	923,758	3,695,026
	Client Billable Expenses	241,935	241,935	241,935	241,935	967,740	204,542	241,935	241,935	241,935	930,347
	<b>Total Revenue</b>	<b>12,880,410</b>	<b>14,065,287</b>	<b>16,143,156</b>	<b>17,931,656</b>	<b>61,020,509</b>	<b>19,574,111</b>	<b>21,253,192</b>	<b>23,837,035</b>	<b>25,624,889</b>	<b>90,289,227</b>
<b>Benefit Administration</b>											
	Implementation	692,145	1,070,298	1,645,248	1,690,783	5,098,474	1,883,104	1,881,498	2,041,498	1,300,783	7,106,883
	Ongoing	7,738,609	7,714,204	8,400,506	9,333,651	33,186,969	9,954,451	10,354,709	11,714,386	13,115,218	45,138,764
	Consulting	0	1	2	3	6	4	5	6	7	22
	Client Billable Expenses	204,542	204,542	204,542	204,542	818,167	204,542	204,542	204,542	204,542	818,167
	<b>Total Revenue</b>	<b>8,635,296</b>	<b>8,989,044</b>	<b>10,250,298</b>	<b>11,228,978</b>	<b>39,103,616</b>	<b>12,042,102</b>	<b>12,440,754</b>	<b>13,960,432</b>	<b>14,620,549</b>	<b>53,063,837</b>
<b>HR Services</b>											
	Implementation	1,254,055	1,839,351	1,622,634	1,465,789	6,181,829	1,603,348	2,108,885	2,402,219	2,309,124	8,423,576
	Ongoing	2,029,915	2,275,748	3,309,080	4,275,745	11,890,487	5,004,910	5,742,409	6,513,240	7,734,072	24,994,631
	Consulting	0	0	0	0	0	0	0	0	0	0
	Client Billable Expenses	37,393	37,393	37,393	37,393	149,573	37,393	37,393	37,393	37,393	149,573
	<b>Total Revenue</b>	<b>3,321,363</b>	<b>4,152,492</b>	<b>4,969,107</b>	<b>5,778,927</b>	<b>18,221,889</b>	<b>6,645,652</b>	<b>7,888,687</b>	<b>8,952,852</b>	<b>10,080,589</b>	<b>33,567,780</b>
<b>Consulting</b>											
	Implementation	0	0	0	0	0	0	0	0	0	0
	Ongoing	0	0	0	0	0	0	0	0	0	0
	Consulting	923,751	923,751	923,751	923,751	3,695,004	923,751	923,751	923,751	923,751	3,695,004
	Client Billable Expenses	0	0	0	0	0	0	0	0	0	0
	<b>Total Revenue</b>	<b>923,751</b>	<b>923,751</b>	<b>923,751</b>	<b>923,751</b>	<b>3,695,004</b>	<b>923,751</b>	<b>923,751</b>	<b>923,751</b>	<b>923,751</b>	<b>3,695,004</b>

Synhrgy HR Technologies  
Slot Assumptions

Type of Slot	# of Slots	Imp Size	Ong Size
<b>2002 Slots (Fcst)</b>			
DB	4	200,000	200,000
HW(Hi-Tech)	9	300,000	450,000
HW(Hi-Touch)	5	400,000	700,000
Sub-Total	18		
<b>IHR</b>			
Full	2	1,500,000	2,750,000
Partial	9	63,333	108,333
Sub-Total	11		
<b>2002 Total Slots</b>	<b>29</b>		
<b>2003 Slots (Fcst)</b>			
DB	3	200,000	200,000
HW(Hi-Tech)	7	300,000	450,000
HW(Hi-Touch)	7	400,000	700,000
Sub-Total	17		
<b>IHR</b>			
Full	3	1,500,000	2,750,000
Partial	9	75,000	100,000
Sub-Total	12		
<b>2003 Total Slots</b>	<b>29</b>		
<b>2004 Slots (Fcst)</b>			
DB	3	200,000	200,000
HW(Hi-Tech)	10	300,000	450,000
HW(Hi-Touch)	10	400,000	700,000
Sub-Total	23		
<b>IHR</b>			
Full	5	1,500,000	2,750,000
Partial	9	75,000	100,000
Sub-Total	14		
<b>2004 Total Slots</b>	<b>37</b>		

**Computation of Market Value Ratios (12/01)**  
**Selected Sample Public Companies**

Name	CY2001(E) Revenue (\$M)	CY2001(E) EBITDA (\$M)	Enterprise Value (\$M)	Enterprise Value/LTM Revenue	Enterprise Value/2001 Earnings
ADP	7,096	1,985	34,624	4.9	17.4
Ceridian	1,177	241	2,947	2.5	12.2
Exult	269	(48)	1,504	5.6	NA
Paychex	926	402	12,445	13.4	30.9
ProBusiness	165	(22)	438	2.7	NA
TalX	45	13	265	5.9	20.5
Mean	1,613	428	8,704	4.3	16.7
Median	598	127	2,226	5.3	18.9

These companies' results are listed in Appendix F-2. As is evident, the Enterprise Value to Revenue ratios vary over a very wide range from 2.5 to 13.4.

With this wide a range, it is obviously difficult to determine an appropriate Enterprise Value to Revenue ratio for this sub-industry. While we believe that Synhrgy more closely resembles the ebusiness companies than the traditional human resources batch processing services companies, nevertheless, at this date, we will continue to use conservative ratios for public company-based value calculations based upon the means in the table above:

Price/Revenue 4.3  
Price/Pretax EBITDA Earnings 16.7



# COMPARABLE COMPANY ANALYSIS

(figures in thousands, except per share data)

Company	Ticker	LFY Date	LTM Date	Shares O/S (a)	Price (b) @1/8/02	52 - Week		Price in Range	Market Value of Equity (a)	Total Debt (c)	Cash and Equiv.	Firm Value (d)
						High	Low					
Automatic Data Processing, Inc.	ADP	Jun-01	Sep-01	634,028	\$ 57.20	\$ 62.75	\$ 41.00	74.5 %	\$ 36,266,414	\$ 106,258	\$ 1,748,631	\$ 34,624,041
Ceridian Corporation	CEN	Dec-00	Sep-01	146,292	19.14	20.55	12.49	82.5	2,800,034	261,500	114,100	2,947,434
Exult, Inc.	EXLT	Dec-00	Sep-01	114,599	14.66	19.85	8.40	54.7	1,680,014	5,795	181,473	1,504,336
Paychex, Inc.	PAYX	May-01	Nov-01	379,212	34.56	50.25	28.27	28.6	13,105,556	-	660,183	12,445,373
Pro Business Services, Inc.	PRBZ	Jun-01	Sep-01	24,829	17.98	33.38	12.52	26.2	446,421	31,925	40,652	437,694
TALX Corporation	TALX	Mar-01	Sep-01	14,825	24.01	37.99	14.15	41.4	355,949	-	90,761	265,188
High												
Synhrgy Comparable Mean (e)								82.5 %	\$ 36,266,414	\$ 261,500	\$ 1,748,631	\$ 34,624,041
Mean								60.1	13,463,005	93,388	676,097	12,880,296
Low								51.3	9,109,065	67,580	472,633	8,704,011
								26.2	355,949	-	40,652	265,188

Company	Revenues			Firm Value / Revenues			Revenue Growth		
	LTM	CY 2001E	CY 2002E	LTM	CY 2001E	CY 2002E	Latest Fiscal Year	1-Year Proj. (01-02)	Deferred LTM Rev.
Automatic Data Processing, Inc.	\$ 7,081,324	\$ 7,096,100	\$ 8,160,515	4.9 x	4.9 x	4.2 x	11.6 %	15.0 %	1.2 %
Ceridian Corporation	1,184,300	1,176,600	1,238,200	2.5	2.5	2.4	4.3	5.2	-
Exult, Inc.	215,148	269,000	415,000	7.0	5.6	3.6	NM	54.3	-
Paychex, Inc.	925,678	925,700	1,003,700	13.4	13.4	12.4	19.5	8.4	0.4
Pro Business Services, Inc.	160,453	165,000	181,250	2.7	2.7	2.4	44.0	9.8	-
TALX Corporation	46,651	44,744	58,349	5.7	5.9	4.5	24.0	30.4	1.9
High									
Synhrgy Comparable Mean (e)				7.0 x	5.9 x	4.5 x	44.0 %	54.3 %	1.9 %
Mean				7.0	6.6	5.7	11.8	20.7	0.4
Low				4.6	4.3	3.4	20.7	20.5	0.6
				2.5	2.5	2.4	4.3	5.2	-

Note: LTM = Latest Twelve Months  
 NM = Not Meaningful; NA = Not Available  
 All estimates are presented on a calendar basis.  
 Mean excludes unusual data (\*).

- (a) Shares Outstanding and Market Value reflects fully diluted shares (common shares outstanding, options, warrants, in-the-money convertibles).  
 (b) Stock price and First Call Estimates as of January 8, 2002.  
 (c) Total Debt equals straight debt, minority interest, straight preferred stock, all out-of-the-money convertibles, less investments in unconsolidated affiliates.  
 (d) Firm Value (FV) equals Market Value plus debt less cash.  
 (e) Synhrgy comparable mean consists of: ADP, Ceridian, Exult and Paychex.

# COMPARABLE COMPANY ANALYSIS

(figures in thousands, except per share data)

Company	EBITDA			Firm Value / EBITDA			EBITDA Margin		EBITDA Growth
	LTM	CY 2001E	CY 2002E	LTM	CY 2001E	CY 2002E	CY 2001E	CY 2002E	1-Year Proj. (01-02)
Automatic Data Processing, Inc.	\$ 1,923,971	\$ 1,984,700	\$ 2,282,405	18.0 x	17.4 x	15.2 x	28.0 %	28.0 %	15.0 %
Ceridian Corporation	211,400	241,200	280,700	13.9	12.2	10.5	20.5	22.7	16.4
Exult, Inc.	(64,832)	(47,900)	27,200	NM	NM	55.3 *	NM	6.6	NM
Paychex, Inc.	389,518	402,200	443,650	32.0 *	30.9 *	28.1 *	43.4	44.2	10.3
Pro Business Services, Inc.	(20,137)	(21,700)	5,550	NM	NM	78.9 *	NM	3.1	NM
TALX Corporation	11,965	12,921	22,658	22.2	20.5	11.7	28.9	38.8	75.4
<b>High</b>				<b>22.2 x</b>	<b>20.5 x</b>	<b>15.2 x</b>	<b>43.4 %</b>	<b>44.2 %</b>	<b>75.4 %</b>
<b>Synhrgy Comparable Mean (e)</b>				<b>21.3</b>	<b>20.2</b>	<b>17.9</b>	<b>30.6</b>	<b>25.3</b>	<b>13.9</b>
<b>Mean</b>				<b>18.0</b>	<b>16.7</b>	<b>12.5</b>	<b>30.2</b>	<b>23.9</b>	<b>29.3</b>
<b>Low</b>				<b>13.9</b>	<b>12.2</b>	<b>10.5</b>	<b>20.5</b>	<b>3.1</b>	<b>10.3</b>

Company	Diluted EPS		Price / EPS		EPS Growth	'02 P/E
	CY 2001E	CY 2002E	CY 2001E	CY 2002E	1-Year Proj. (01-02)	as a % of '01-'02 Gr.
Automatic Data Processing, Inc.	\$ 1.61	\$ 1.86	35.5 x	30.8 x	15.5 %	198.0 %
Ceridian Corporation	0.56	0.70	34.2	27.3	25.0	109.4
Exult, Inc.	(0.60)	0.05	NM	293.2 *	NM	NM
Paychex, Inc.	0.73	0.78	47.3	44.3	6.8	646.9
Pro Business Services, Inc.	(1.39)	(0.75)	NM	NM	NM	NM
TALX Corporation	0.51	0.72	47.1	33.3	41.2	81.0
<b>High</b>			<b>47.3 x</b>	<b>293.2 x</b>	<b>41.2 %</b>	<b>646.9 %</b>
<b>Synhrgy Comparable Mean (e)</b>			<b>39.0</b>	<b>98.9</b>	<b>15.8</b>	<b>318.1</b>
<b>Mean</b>			<b>41.0</b>	<b>33.9</b>	<b>22.1</b>	<b>258.8</b>
<b>Low</b>			<b>34.2</b>	<b>27.3</b>	<b>6.8</b>	<b>81.0</b>

Note: LTM = Latest Twelve Months.

NM = Not Meaningful; NA = Not Available

All estimates are presented on a calendar basis.

Stock price and First Call Estimates as of January 8, 2002.

Firm Value (FV) equals Market Value plus Net Debt.

Mean excludes unusual data (\*).

(e) Synhrgy comparable mean consists of: ADP, Ceridian, Exult and Paychex.

**Synhrgy Revenue, Cost and Profit Forecasts for 2002-2004**

(S000)	2002	2003	2004
Revenues	46,369	61,021	90,289
Cost of Goods Sold	27,596	36,401	50,206
Other Expenses	14,609	17,471	24,951
Total Operating Expenses	42,205	53,872	75,157
Operating Income (EBITDA)	4,164	7,149	15,133

**Note:** This is a forecast from late 4Q01. The revenue forecasts and cost projections for 2002-2004 are shown in Appendix D-1.