

XXX Staffing, Inc.

Executive Summary
July 2006

Business Description

XXX Staffing, Inc. ("XXX" or the "Company") is an S-corporation incorporated in Georgia and headquartered in XXX, Georgia. XXX Staffing, a professional staffing business, specializes in the placement of qualified technical, accounting, administrative, customer service, data entry, general clerical, and light industrial personnel for temporary and permanent hire. XXX Staffing employs a five-phased approach to recruiting and staffing: (1) Recruiting, (2) Pre-Screening, (3) Pre-placement Drug Test and Background test, (4) Placements, and (5) On-Boarding.

XXX Staffing was founded ten years ago in 1996 by XXX XXX. The Company is a Small Business Administration (SBA) certified 8a firm and, as such, is eligible for federal contracts that are "set aside" for 8a firms. The 8a program also provides XXX with a 10% favorable bias on all bids it pursues in open bidding. XXX Staffing is also a certified Minority Business Enterprise by the XXX Minority Supplier Diversity Council.

Market Opportunity

There have been astounding changes and developments during the evolution of the staffing agency in its 50-plus years of existence. Traditionally, the biggest sector served by the industry has been administrative support. These support services are still in high demand. The personnel supply services sector, which includes the staffing industry, is projected to grow rapidly over the rest of the decade as the economy expands. In fact, the U.S. Bureau of Labor Statistics (BLS) predicts that more jobs will be created in personnel supply services than in any other industry over the next few years. Further, BLS forecasts that personnel supply services will be the fifth fastest-growing industry through 2010. The BLS also projects greater demand for administrative support personnel, and anticipates that between 2000 and 2010, close to 2.2 million new jobs will be created in this field.

Office and clerical accounts for roughly one-third of the staffing industry's revenue and payroll; industrial also accounts for one-third. From 1992 through 2000, the industry saw a steady increase in revenue and participation, and was credited with helping to strengthen the U.S. economy through heightened productivity and labor market competition. According to the American Staffing Association (ASA), labor markets are beginning to tighten. Businesses are finding that it is becoming more difficult to find talent on their own. Staffing industry sales figures for the second quarter of 2000—the industry's peak year—totaled \$15.9 billion.

Staffing industry revenues have since rebounded. Temporary services industry receipts were more than \$55 billion in 2002 and the staffing industry has created 1.2 million jobs since the last recession.

29% of temporary employees say they work for a staffing company because they like the diversity and challenge of different jobs. 81% of companies cite labor force flexibility as the overriding reason for employing contingent and temporary workers. Companies expect these professionals to be highly skilled and to excel at a wider range of duties, use more sophisticated tools and provide optimal accuracy in a fast-paced, competitive environment. According to the BLS, the temporary workforce turns over at the extraordinary rate of *over 400 percent annually*, which means that about 12 million of the estimated 15 million people who worked temporarily in 2003 found new permanent jobs.

Thus, the opportunities for growth in the clerical and professional sectors of the staffing industry abound.

Management

The Company is in the process of building its Board of Advisors to help guide it through the strategic execution of its business plan and the anticipated stellar growth. The management team bios are provided below.

XXX XXX

XXX XXX received a Bachelor of Arts degree in Economics from XXX College in Atlanta, Georgia. She began her professional career in New York as a bank liquidation specialist for the XXX Insurance Corporation. After being transferred to XXX, Illinois, she founded her own company, XXX Pallet & Lumber Company, which manufactured and repaired wooden pallets, and grew the company to \$1 Million in revenue.

Ms. XXX then changed careers, joining XXX Services, a staffing service, as a branch manager and remaining there for eight years. In 1996 she founded XXX Staffing in XXX.

Ms. XXX volunteers her time as a motivational speaker for youth groups and participates in various business and professional organizations including a position as Chair of the XXXX. Ms. XXX (and her company) is a graduate, XXX Program. Ms. XXX was awarded the "XXX" award went by the XXX League in 2005.

Board of Advisors

XXX is the CEO of XXX, Inc. which does business as XXX Inc. XXX is one of the country's premiere human resource and staffing services companies. Founded in 1973, XXX is certified by the XXX Minority Supplier Development Council (XMSDC). The company earned the ISO 9001 registration and uses the quality methodologies in all of its branch offices, the first business of its kind to do so. XXX has locations in Georgia, Illinois, and South Carolina and has sourcing partners in 22 countries, 317 cities, 40 states, and 350 offices. XXX had revenues exceeding \$64 Million in 2005.

Ms. XXX also utilizes the XXX Enterprise Center (XXX) at XXX to assist her in making and implementing strategic decisions, identifying and addressing operational issues, and providing additional management insight. XXX, the project director for the XXX, essentially serves as a member of XXX's advisory board.

Sales and Market Strategy

In 2005 the Company successfully garnered a contract with XXX to provide staffing for the agency's human resource needs that occur as a result of natural disasters and catastrophes. The Company saw a significant increase in staffing requests from XXX due to the 2005 hurricane season, especially the needs that resulted from Hurricanes Katrina and Rita. XXX also won a contract with the XXX to provide the personnel required to harvest cotton in the late fall / early winter. The XXX contract also resulted in a huge jump in revenue in the 4th quarter of 2005. In June 2006 the Company won an open contract with XXX. XXX spent over \$16 Million in 2005 with temporary staffing agencies. The Company anticipates revenues of \$3 Million - \$5 Million on an annual basis from this contract.

Early in 2006 the Company hired a salesperson. That person has already brought in multiples of her compensation as revenue and is expected to finish the year with a generation of approximately \$1 Million in revenue. Pending opportunities include the XXX which would generate \$6 Million over 12 months and XXX which would only generate \$100,000 in the near term but would open the door to multi-million dollar, multi-year contracts in the long term.

The Company is considering hiring another salesperson based in XXX to generate more revenues. In addition, XXX is early discussions to hire a commission-based salesperson based in the Washington D.C. area. This person would focus developing relationships to garner more SBA 8a-specific business with various federal agencies. That person would then strengthen those relationships over time in order to be considered for small business contracts that do not depend on set asides. This latter will help the Company transition out of the 8a program. The Company is currently in its XXX year of the nine year program. XXX is also on the General Services Administration (GSA) Schedule.

Competitive Advantages

In late 2005 XXXStaffing entered the SBA's official Mentor/Protégé program with XXX, Inc. (XXX), a large XXX-American-owned staffing firm located in XXX, Georgia which focuses on providing comprehensive process outsourcing solutions – personnel included – to Fortune 1000 companies. This mentor protégé relationship brings operational capacity and financial strength to XXXStaffing. This joint venture thus enables XXX to bid on larger projects and differentiate itself significantly from its direct and indirect competitors.

Operations

The Company has pursued and won a number of contracts in a relatively short period of time. The Company grew from \$0 to \$2.0 Million over a nine year period and will grow from \$2.0 Million to \$10 Million in under three years. The Company has opted to refrain from pursuing additional large contracts until it addresses its funding needs and boosts its operational procedures and installs systems that enable it to continue to scale rapidly, as it expects to do over the coming years.

Financial Analysis

XXX XXX owns 100% of XXX Staffing. Management believes it can standardize operations and stabilize growth much faster if it did not have to continually worry about funding operational cashflow shortfalls.

XXXStaffing experienced an annualized growth rate of nearly 90% between 2003 and 2005 when business revenues grew from \$730,000 in 2003 to \$2.0 Million in 2004, staying flat in 2005. The Company anticipates revenues of \$10 Million for fiscal year 2006. The Company projects an annual 20% increase in revenue for 2007, to allow the Company time to adjust its operations to absorb the growth, then projects annual growth of 30% over the subsequent four years.

XXX enjoys excellent payment relationship with its customers and suppliers. Most receivables are paid within 15 days, some within 48 hours, and rarely does a customer exceed 30 days. Payables have a similar profile.

	2003	2004	2005	2006P	2007P
Revenues	\$729,394	\$2,024,094	\$1,985,798	\$10,000,000	\$12,000,000
Expenses	\$735,773	\$1,784,168	\$1,939,841		
Net Income	\$(6,379)	\$239,926	\$45,957	\$1,000,000	\$1,440,000
EBITDA	\$(1,066)	\$242,182	\$50,759		

XXX needs funds for operations. As a staffing company, the largest expense is payroll. The Company typically hires and staffs job support requests, then pays the “employees” on a weekly basis. However, the Company issues invoices on a trailing week basis, and clients have up to 30 days to pay. This results in a cash flow gap for the Company. As the Company successfully wins more and more contracts, the ability to fund payroll out of its own reserves has decreased. Its current line of credit was recently increased from \$175,000 to \$200,000 but with a weekly payroll of \$75,000, this line still does not fully cover three weeks of payroll.

The Company anticipates a jump of \$75,000 per week in the 4th quarter just due to the FEMA contract and an additional jump of \$40,000 per week strictly due to the USDA contract. The combined **increase** is \$135,000 per week bringing the total payroll to ~\$200,000 per week.

Working capital needs will be funded through a line of credit from a bank or accounts receivable firm. The Company needs a line of credit of \$500,000 increasing to \$1 Million by the 4th quarter 2006 to fund operations and working capital. The Company has contracts with federal government agencies and Fortune 1000 firms that produce high quality receivables as collateral. The Company has no other equipment, rolling stock, or other hard assets to serve as collateral for the line of credit. The Company has sufficient cash flow to pay down the line of credit on a rolling basis.