

1ST QUARTER 2009

Healthcare Staffing Trends

Brooke Hollis To Speak at Major Healthcare Events

Brooke Hollis has accepted an invitation extended by the Staffing Industry Analysts to be a speaker on a panel titled "Exit Strategies: Positioning Your Staffing Firm for Maximum Value" at this year's Healthcare Staffing Summit in Washington, DC. The panel will convene Wed., Sept. 16, at 2:15.

Brooke will also be the Plenary International Keynote Speaker at the 2009 Australian College of Health Service Executives (ACHSE) National Congress.

Q1 Financials: Staffing Firms Confront Declining Revenues

The healthcare staffing companies we track in our quarterly snapshot of financial trends were clearly impacted by current economic challenges.

As the U.S. Census Bureau reported a 10% drop in year-over-year staffing firm revenues for the first quarter, the healthcare staffing firms we track all showed significant declines in revenues (Figure 1). This represented a continuing trend of revenue losses at publicly-traded healthcare staffing firms. Benchmark companies are AMN Healthcare Services, Inc. (AHS), On

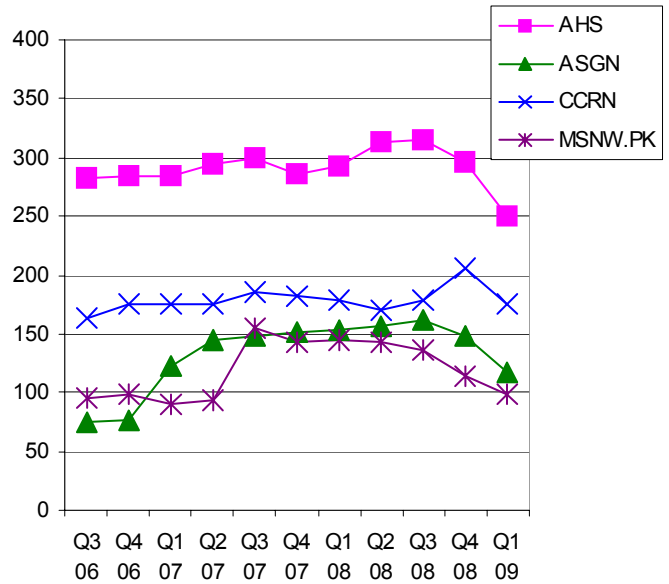


Figure 1: Net Sales (Millions USD) Sources: Thomson ONE Banker and

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A bright spot on the horizon... the Federal Reserve Board's latest Beige Book notes that staffing services firms in some cities reported stable and even improving employment trends.


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Take Steps Now to Prepare for Improved Market Conditions

With many economists predicting a business recovery by the end of the year, some business owners who want to sell their firms are delaying their plans in hope of receiving better offers. In fact, owners should take steps now to be ready to sell when the market improves. The mergers and

acquisitions market can heat up and cool down quickly, and positioning a firm for optimal after-tax profit can require months of advance preparation.

An owner can increase the value of the firm by reducing the perceived risk that business performance will

suffer after the transaction. To allay this concern, the owner will need time to draw up an implement an effective transition plan, addressing possible benefits to staff, the level of continuing involvement of the owners, and a plan for company growth. The seller

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Q1 Financials: Staffing Firms Confront Declining Revenues *Continued*

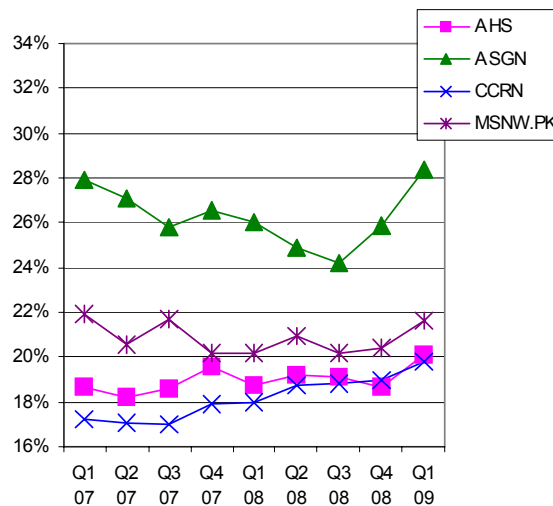
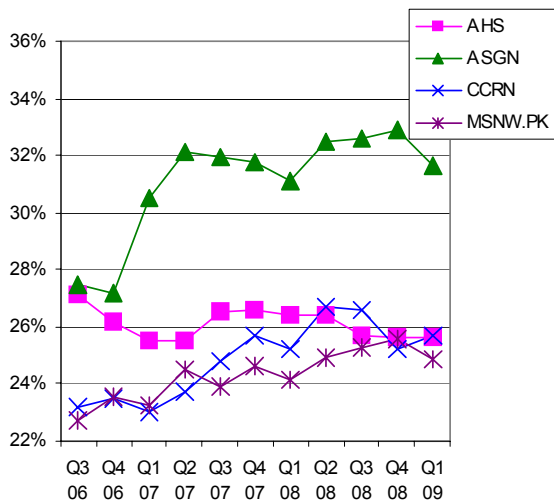


Figure 2: Gross Margin Sources: Thomson ONE Banker and company filings
 * On Assignment's unusually large increase in margin reflects in part the acquisitions it made in Jan 07, when the company acquired Oxford and VISTA.

Figure 3: Sales, General & Administrative Expenses as a Percentage of Net Sales Sources: Thomson ONE Banker and company filings

Assignment, Inc. (ASGN), Cross Country Healthcare, Inc. (CCRN) and Medical Staffing Network Holdings, Inc., MSNW.PK).

Earnings calls at these firms cited several reasons for negative revenue trends. Admissions at hospitals have dropped in response to the downturn, and hospitals are

tightening the reins on temporary staffing. Firms report that nurse and allied staffing have been particularly hard hit. However, locum tenens demand has remained stable, and physicians continue to be seen as revenue generators.

In response to the revenue shortfalls, companies are

seeking to protect their gross margins (Figure 2). Some firms reported closing less profitable branches and reducing headcounts.

Companies reported aggressive efforts to reduce sales, general and administrative expenses (SG&A) this quarter, including closing offices and targeting

insurance costs. Nevertheless, SG&A versus sales climbed significantly (Figure 3).

Despite the challenging conditions, a number of PEGs and staffing companies we have spoken with have cash and are looking for complementary acquisitions.

Take Steps Now to Prepare for Improved Market Conditions *Continued*

will likely also need to ensure that staff have been adequately trained to take over some management responsibilities. Business owners need time to address documentation issues: financial statements in

shape for rigorous scrutiny; a corporate tax structure that facilitates an asset sale; non-compete agreements in place; etc. In addition, owners should budget time to review SGA expenses and the breadth of the customer base.

Identifying a team of advisors—including financial, legal, and M&A experts—should be done far enough in advance for the owner to fully benefit from their knowledge. Call an advisor at Hollis Associates now to get an initial evaluation of

your firm and start preparing for a sale. You've worked for years to build a valuable business; put our 20+ years of M&A experience to work for you to realize that value.