

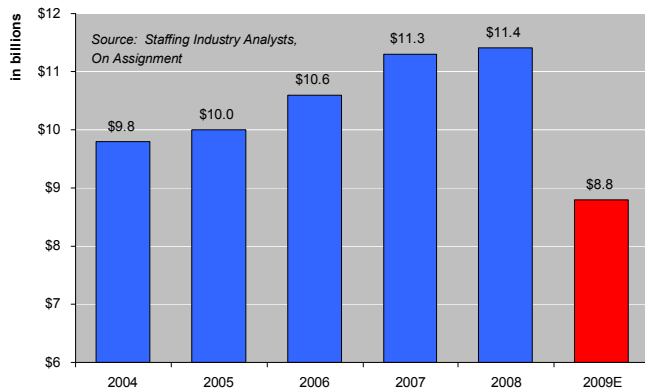


HEALTHCARE STAFFING UPDATE

Q2-2009

DEMAND SIGNIFICANTLY DOWN IN 2009

According to Staffing Industry Analysts (SIA), demand for healthcare staffing services is expected to decrease more than 20% in 2009 in comparison to 2008. SIA's most recent forecast predicts industry revenues of \$8.8 billion in 2009 as compared to \$11.4 billion in 2008, reverting to levels not seen since the beginning of the decade. From strictly a numbers standpoint, 2009 is on pace to be one of the worst years since the leading companies went public and began reporting data. Driving the downturn has been a steep fall off in demand due to several factors, including lower hospital admission levels, budget concerns given the economic environment, and hospitals' increased reliance on permanent labor to meet staffing needs both generally and on an incremental basis by reducing hours, shifts and/or assignments for temporary workers.



POSITIONING FOR THE LONG-TERM

Healthcare staffing firms large and small are dealing with a tough business environment and companies in the nursing and allied segments have been particularly hard hit. In order to weather the storm, companies must reevaluate their growth strategy and analyze the cost structure of the business. Below are some strategies that AMN Healthcare, the largest provider of healthcare staffing services, has implemented in 2009 to not only position the Company for long-term growth, but also preserve its profitability.

NEW BUSINESS GROWTH STRATEGY

Broaden Your Scope → staff additional specialties within current service lines such as emergency medicine professionals, dentists, lab techs, med techs, and nurse practitioners

Expand Client Base → offer current staffing solutions to new types of clients such as dental offices, ambulatory centers, home healthcare companies, and retail pharmacies

New Service Solutions → expand client offerings beyond staffing such as recruitment process outsourcing

POTENTIAL COST STRUCTURE ADJUSTMENTS

Employee Expenses → reductions in corporate infrastructure, consolidation of departments and functions, and reductions in force of lowest producers

Discretionary Operating Expenses → reductions in communication, travel, advertising, and office expenses

Reduced Capital Expenditures → reductions in IT spending, except for efficiency savings or supporting new product launches

Source: AMN Healthcare Services

HEALTHCARE SERVICE OFFERING MATRIX

Over the last few years many of the healthcare staffing industry's largest players have diversified their service offering in order to make them less susceptible to downturns in any one particular segment. For instance, AMN Healthcare, Cross Country Healthcare, and On Assignment all completed acquisitions of locum tenens providers. These proved to be valuable moves, as demand for locum tenens has not contracted as it has in the nursing and allied segments.

	<u>Nurse & Allied Staffing</u>			<u>Physician</u>		<u>Clinical Trials Services</u>	<u>Education and Training</u>
	<u>Travel</u>	<u>Per Diem</u>	<u>Allied Health</u>	<u>Locum Tenens</u>	<u>Retained Search</u>		
	✓	✓	✓	✓	✓	✓	✓
	✓		✓	✓	✓		
	✓	✓	✓				
	✓		✓	✓		✓	

Source: Cross Country Healthcare

RECENT TRANSACTIONS

Acquirer	Target	Details
Medicus Partners	The MD Firm	<i>June</i> – Medicus Partners and The MD Firm have agreed to merge their operations under the new name The Medicus Firm. Both companies provide physician recruitment services to hospital and physician practices. Medicus Partners has a particular strength in the Midwestern, Central, and Northeastern U.S. The Company is based in Dallas, Texas and employs approximately 35 consultants. Medicus Partners was previously recognized as one of the fastest growing staffing companies and reported revenues of \$4.7 million in 2007. The MD Firm has a particular strength in the Eastern and Western states and employs approximately 35 associates. The Company is headquartered in Atlanta, Georgia. Terms of the transaction were not disclosed.
Medical Connections Holdings	Medical Staffing Direct	<i>May</i> – Medical Connections Holdings has closed an asset purchase agreement with Medical Staffing Direct (MSD), formerly a Florida based staffing company. MSD previously operated as a provider of per diem nurse staffing for large national hospital clients. The Company's core business was conducted in the Florida and New York markets. The assets include hospital contracts and industry relationships, which include several key MSD directors that will assist Medical Connections in future relationships with national clients. MSD generated approximately \$6 million in annual revenue during its last year in business. Additional terms of the transaction were not disclosed.