Ewing Bemiss & Co.
Investment Bankers

STAFFING M&A MONITOR

Mixed Signals

Summer 2005

The staffing industry recovery continues to broaden, benefiting every segment of the industry. However, the rate has slowed significantly in recent quarters, pointing to a mildly disappointing recovery pattern. Merger & acquisition activity has also increased, as more sellers are testing the M&A waters; howerver, buyer interest varies considerably by sector and according to business characteristics

M&A Environment

Overall M&A activity in the staffing industry is increasing as a greater number of potential sellers generate consistent, improved operating results, making reasonable valuation expectations achievable. In general, there are a more owners of high-quality staffing businesses that are considering a sale than we have seen throughout this recovery, which has been dominated until recent months by distressed transactions.

While buyer interest exists across all segments of the industry, buyers remain selective and disciplined in their approach. We are certainly not seeing a return to the "roll-up" deal environment of the late 1990's. Buyer interest varies significantly by segment and based on company characteristics.

We believe that the current M&A environment is attractive for owners of well-positioned staffing businesses with scale and/or differentiating characteristics. However, interest in small, undifferentiated businesses is best characterized as opportunistic.

The active buyer universe consists of an eclectic mix of financial and strategic buyers. Noticeably absent from the buyers market are the large, public staffing companies which dominated M&A activity in the last recovery. For the most part, buyers consist of private groups, which are dependent on the private debt and equity markets for capital. This dependence has placed a much greater discipline on valuations and buyer interest.

With few exceptions, strategic buyers appear to be pursuing M&A strategies based on filling highly targeted needs, notably geographic and market segment objectives. This discipline results in a relatively thin buyer market for potential sellers that do not meet these acquisition strategy criterias.

Notably, private equity groups appear to be taking a cautious approach to the staffing industry. The combination of industry cyclicality and low margins has inhibited much private equity interest in commercial staffing. However, professional and, to a lesser degree, IT, medical and differentiated commercial staffing companies can still tap the private equity market.

The net result of these dynamics is an increasingly active M&A environment that represents a very attractive opportunity for sellers of niche staffing businesses that possess the margin and growth profile to validate that claim. At the same time, many sellers of lower margin, smaller businesses will find the current market challenging.

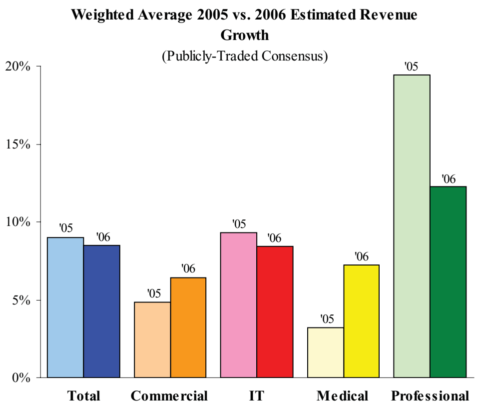
Operating Environment

The staffing industry continues to experience a broadening recovery, although the rate of recovery appears to be moderating. The overall staffing recovery is now widespread, with every segment of the industry experiencing some level of growth. Even the medical staffing segment is producing slightly positive revenue growth for the first time in two years. However, growth in many segments appears to be slowing to more sustainable modest rates.

Employment data paint a mixed picture, indicating that while labor markets have recovered from their recessionary lows, uncertainty and pockets of potential weakness remain. Staffing industry job employment, which has experienced over two years of recovery, has recently produced much slower growth, despite having recovered only 70% of jobs lost in the downturn. The fact that the staffing employment recovery appears to have stalled, with employment still 5.6% below its peak level from 2000 is difficult to explain, and clearly is a departure from the pattern of the previous recovery.

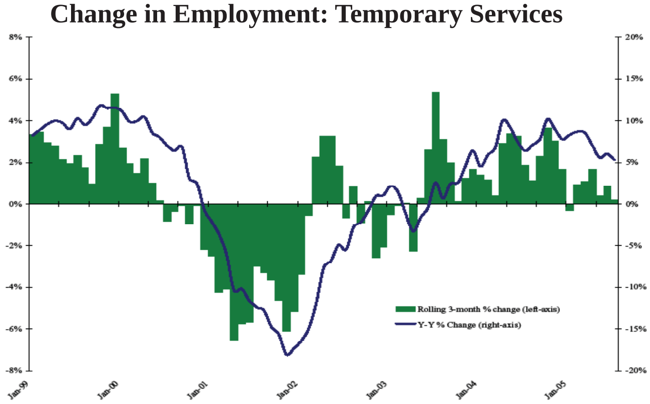
Staffing Industry Gross Margins	Q3'04	Q4'04	Q1'05	Q2'05
Commercial Staffing	**18.0%**	**17.8%**	**18.1%**	**18.6%**
One year change	*0.3%*	*-0.1%*	*0.5%*	*0.1%*
Two year change	*-0.9%*	*-0.4%*	*-0.1%*	*-0.2%*
Three year change	*-1.9%*	*-1.1%*	*-0.9%*	*-0.6%*
Four year change	*-2.8%*	*-3.4%*	*-3.3%*	*-3.3%*
IT Staffing	**24.5%**	**24.4%**	**24.1%**	**25.5%**
One year change	*-0.6%*	*-0.1%*	*-0.3%*	*-0.1%*
Two year change	*0.1%*	*0.0%*	*0.0%*	*0.2%*
Three year change	*-0.8%*	*0.3%*	*-0.7%*	*-0.1%*
Four year change	*-3.6%*	*-4.3%*	*-0.8%*	*-0.9%*
Medical Staffing	**23.5%**	**23.0%**	**22.3%**	**23.1%**
One year change	*0.0%*	*0.5%*	*0.5%*	*0.9%*
Two year change	*-2.3%*	*-2.3%*	*-1.0%*	*0.2%*
Three year change	*-3.4%*	*-2.7%*	*-1.5%*	*-1.1%*
Four year change	*-3.2%*	*-2.3%*	*-4.2%*	*-2.6%*
Professional Staffing	**31.9%**	**30.3%**	**31.4%**	**32.2%**
One year change	*-0.1%*	*0.5%*	*0.9%*	*0.5%*
Two year change	*-1.4%*	*-1.4%*	*-0.1%*	*-0.4%*
Three year change	*-1.9%*	*-2.6%*	*-2.1%*	*-1.7%*
Four year change	*-4.1%*	*-4.2%*	*-2.5%*	*-2.8%*

The overall margin environment continues to stabilize. Medical and professional staffing are experiencing strong improvement in gross margins, while gross margins in commercial and IT staffing have been mostly flat for most of the past two years. While the pricing environment is clearly not returning to pre-recession levels, providers are taking a more disciplined approach in an improving demand environment. In our view, most staffing companies have accepted the continuing competitive environment as a long-term reality and are adjusting their cost structures and incentive strategies in response.



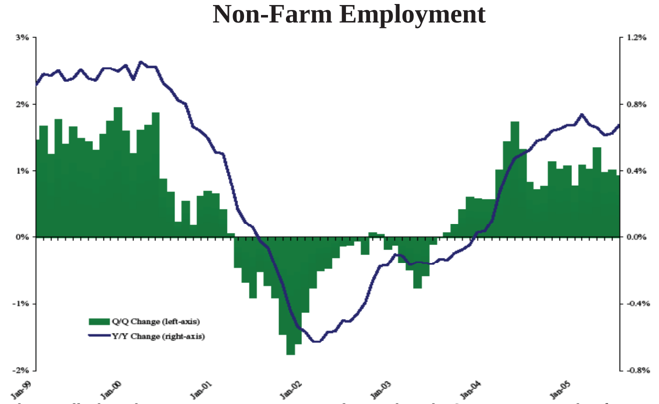
The overall tone in the industry is one of cautious optimism. Experts mostly expect continuing, moderate growth, which is encouraging relative to recent challenges the industry has faced. However, this modest opportunity does not seem to be a proportionate response to the severity of the three-year downturn.

Change in Employment: Temporary Services



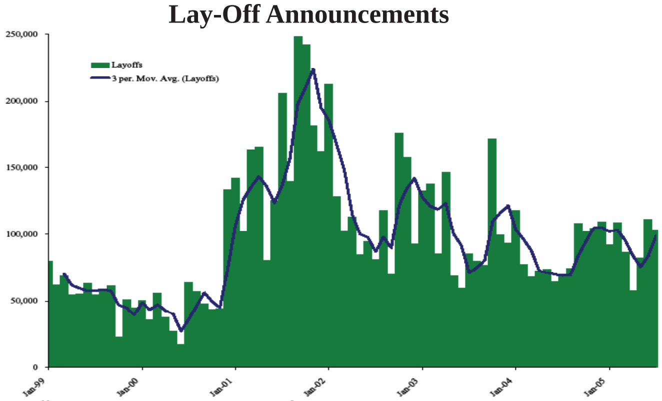
Staffing industry employment growth moderated, as July employment was 5% above the level from one year earlier. The 27-month recovery has returned only 70% of the jobs lost in the three-year downturn. Source: BLS

Non-Farm Employment



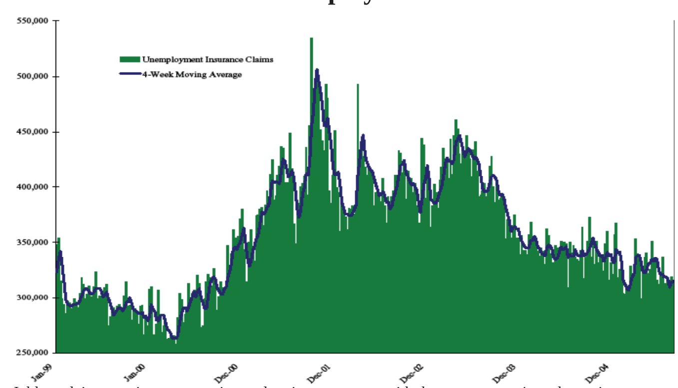
The overall job market continues to experience steady growth, with 26 consecutive months of gains. All jobs lost in the recession.have been recovered and total employment is at an all-time high. Source: BLS

Lay-Off Announcements



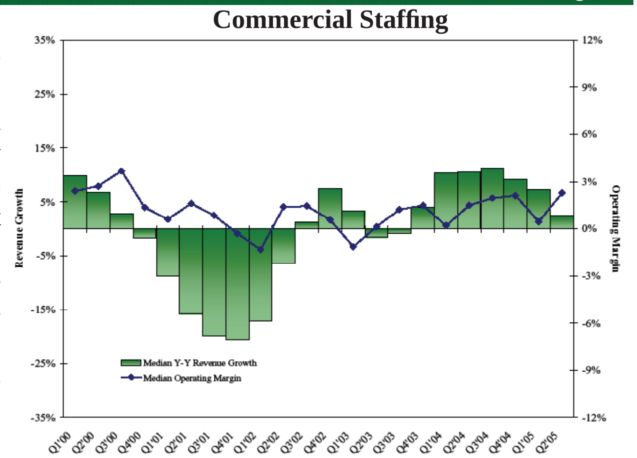
Lay-off announcements have stabilized significantly below the peak recession level, but still above pre-recession survey results. This indicates that overall labor market volatility remains, even as job growth returns. Source: Challenger, Gray & Christmas

New Unemployment Claims

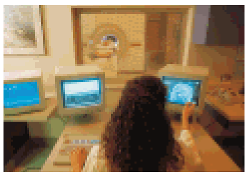


Jobless claims continue to experience slow improvement, with the most recent 4-week moving average 6.5% below the level from one year ago. Source: DOL

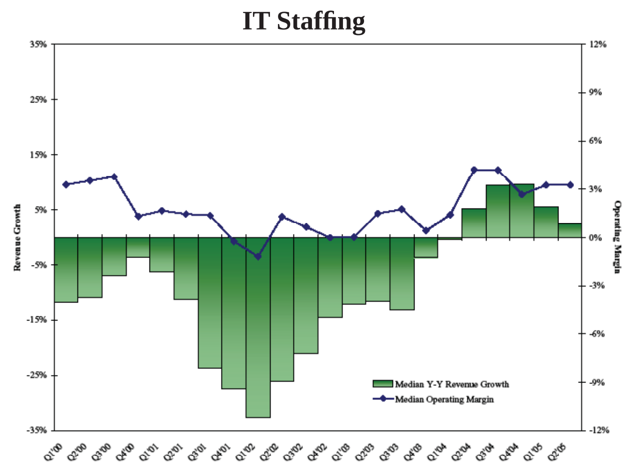
Commercial Staffing



The commercial staffing segment continues to produce positive growth, although the rate of growth is moderating. In the second quarter, the EB&Co. Commercial Staffing Index produced revenue growth of 2.4%, below the 7%-11% range of the previous five quarters. The year-over-year growth rate has slowed in each of the past four quarters. This reflects a natural slowing of light industrial growth to more sustainable levels, typical of normalized long-term growth, and more difficult comparisons with strong 2004 results. Clerical and administrative staffing, on the other hand, appears to be gaining momentum, based on feedback from executives. We expect continued mid-single-digit growth rates for commercial staffing for the foreseeable future.

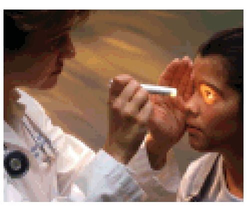


IT Staffing

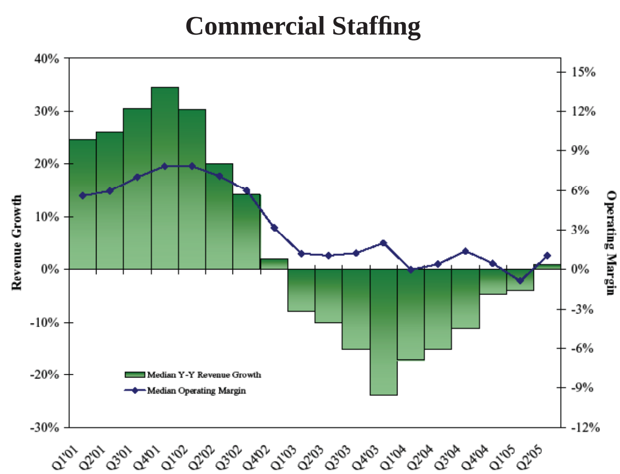


The IT staffing segment is also experiencing moderating revenue growth. While the segment has experienced five consecutive quarters of positive growth, the EB&Co. IT Staffing Index experienced a disappointing year-over-year growth of 2.5% in the second quarter. While corporate spending on IT projects should continue to improve with the economy, we expect IT staffing growth to be somewhat restricted by inroads by offshore IT competitors and greater corporate discipline in managing project scope.

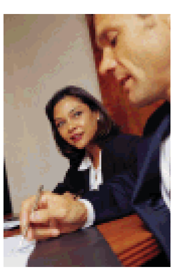
We expect the IT staffing segment to experience stable growth, though well below the double-digit rates common to the previous expansion.



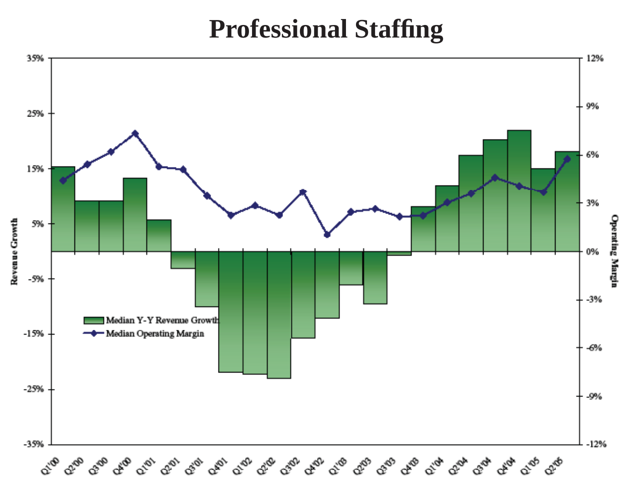
Medical Staffing



The EB&Co. medical staffing index is providing evidence that the medical staffing operating environment, after 2 years of weakness, is poised for resumed growth. The index produced its first positive year-over-year growth rate in the second quarter. While it is unrealistic to expect a return to the 20% and higher growth rates experienced in 2001 and 2002, there is reason to be bullish on the long-term outlook. The medical staffing segment still offers very compelling long-term growth potential and significant margin upside from scalable operating models.



Professional Staffing



The professional staffing segment continues to experience industry-leading growth, as the EB&Co. Professional Staffing index has produced year-over-year revenue growth of 18% in the second quarter. This marks the sixth consecutive quarter of double-digit year-over-year growth, driven by strong demand in the accounting, legal, marketing and other high skill-set segments. Our outlook for the medium-term is tempered by an expected lessening in demand from Sarbanes-Oxley related projects and more difficult comparisons with strong 2004 and 2005 results. However, we expect the professional staffing segment to continue to produce the strongest growth and margins in the industry.

Selected Recent Capital Markets Activity

August 2005: **CareerStaff Unlimited, Inc**., a subsidiary of **Sun Healthcare Group Inc**., announced that the acquisition of **ProCare One Nurses, LLC**, a subsidiary of **Horizon Health Corporation**. The purchase price of $8.3 million represents a multiple of 0.5x 2004 revenue.

August 2005: **Nursefinders, Inc.**, a medical staffing firm, said it would acquire two physician recruiting firms, **Kendall & Davis** and **Linde Healthcare**.

August 2005: **Mercer Staffing,** a diversified staffing services provider, announced the acquisition of **Quantum Resources**, an engineering and IT staffing firm and a subsidiary of **ARAMARK Corp**. (NYSE: RMK). **Ewing Bemiss & Co**. acted as exclusive advisor to ARAMARK.

July 2005: **Leeds Weld & Co.**, a private equity firm based in New York, said it would make a significant investment in Seaton Corp., a staffing and recruiting firm based in Chicago. **Seaton's Corp's** staffing division, **Staff Management**, provides vender-on-premise solutions to high volume users of contingent labor, and its recruitment division, **PeopleScout**, helps clients with high volume candidate processing.

July 2005: **Aquent LLC**, a global leader in creative staffing firm, announced the acquisition of **Corporate Project Resources, Inc.**, the largest national firm to deliver interim marketing staffing to Fortune 500 companies. **Ewing Bemiss & Co**. advised CPRi on this transaction.

June 2005: **TeamStaff, Inc**. (NASD: TSTF), a leader in healthcare staffing and specialty payroll services, announced the signing of a definitive agreement to acquire **RS Staffing**, a contract staffing company that provides medical staffing and support services to the federal government and private enterprises. The purchase price of $8 million represents a multiple of 0.2x 2004 revenue.

May 2005: **Labor Ready Inc.** (NYSE: LRW), a manual labor temporary staffing company, said it will acquire **CLP Resources Inc**., a Reno NV-based firm that provides temporary placements for skilled workers in carpentry, electrical, drywall, HVAC, sheet metal and masonry. The purchase price of $46.2 million represents a multiple of 6.2x CLP Resources' 2004 EBITDA and 0.4x 2004 revenue.

May 2005: **Gryphon Investors**, a San Francisco private equity firm, has acquired Update Legal, a legal staffing company headquartered in New York that has nine branches across the United States.

April 2005: **Onward Healthcare**, a nationwide leader in medical staffing services, announced that it has signed an asset purchase agreement to acquire nearly all of the assets of **All Care Nursing Services**, a subsidiary of **ATC Healthcare, Inc**. (AMEX: AHN), and a leading provider of per diem staffing to hospitals and healthcare facilities. The purchase price of $20 million represents a multiple of 7.4x All Care Nursing Services' LTM EBITDA and 0.5x LTM revenue.

April 2005: Information technology services companies **Computer Horizons Corp**. (NASD: CHRZ) and **Analysts International Corp**. (NASD: ANLY) have agreed to merge in a transaction valued at about $88 million. The purchase price represents a multiple of 11.7x Analysts International's LTM EBITDA and 0.3x LTM revenue. The proposed transaction was rejected by shareholders in September.

March 2005: **Crdentia Corp**. (OTCBB: CRDE) announced that it will acquire **TravMed USA**, a provider of travel and per diem nursing services, for $6.4 million and **Health Industry Professionals, LLC**, a provider of per diem nursing services in Detroit, for $4.0 million.

February 2005: **Patriarch Partners,** a New York City private equity firm, acquired **Snelling and Snelling Inc.**, one of the nation's largest commercial staffing firms. Snelling had $339 million in revenue in 2004.

EB&Co. Index Notes

Source*: SEC documents and EB&Co estimates. All indices are pro forma for any material acquisitions and adjusted for foreign currency fluctuations.*
Commercial Staffing Index *includes: ADO (North America only), AIH, BBSI (Staffing division only), CDI (Today's Staffing division only), KELYA (US commercial only), LRW, MAN (US only), Randstad (North America only), REMX, SFN (Recruitment division only), VOL (Commercial division only), WSTF.*
IT Staffing *includes: ADO (Ajilon only), ANLY, CDI (IT / technical divisions only), HHGP (staffing division only), KEA, KFRC (IT division only), MPS (IT divisions only), CITP, VOL (IT division only), CHRZ (IT division only).*
Medical Staffing Index *includes: AHS, CCRN, MRN, ASGN (Healthcare staffing only), AHN, TSTF (Staffing only), ACDI.*
Professional Staffing Index *includes: BUTL, CFS (Staff augmentation only), KFRC (Accounting & finance only), HHGP (staffing division only), MPS (professional staffing only), RECN, RHI, KELYA (PTSA adjusted), ASGN (non-healthcare), Vedior (U.S. only), SFN (professional services), MAN (Jefferson Wells only), MSXI (human capital only), CDI (Business Solutions except ITS).*

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