

**TRANSCEND SERVICES**

**Moderator: Larry Gerdes**  
**February 4, 2010**  
**11:30 a.m. CT**

Operator: Good morning. My name is (Angelia), and I will be your conference operator today. At this time, I would like to welcome everyone to the Transcend Services Fourth Quarter 2009 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks there will be a question and answer session. If you would like to ask a question during this time, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. Thank you. I would now like to turn the call over to Mr. Gerdes. You may begin your conference.

Larry Gerdes: Thank you, (Angelia). Good morning. My name is Larry Gerdes. I'm Chairman of the Board and Chief Executive Officer of Transcend Services, Inc. Joining me today for this conference call is Lance Cornell, Transcend's Chief Financial Officer and Sue McGrogan, our President and Chief Operating Officer. Leo Cooper, our Executive Vice President of Sales and Marketing will join us later in the call for the question and answer period.

This call is regarding Transcend's operating results for the quarter and year ended December 31st, 2009. After we discuss our financial and operational results, we'll conduct a question and answer period. Now I will ask Lance to state our disclaimer.

Lance Cornell: Good morning. We'd like to ensure that everyone understands that our commentary and responses during this conference call may contain forward-looking statements dealing with topics such as our business strategy, our

anticipated future results, our service offerings, our relationships with other companies or customers, and our ultimate role in the market.

There is the risk that these forward-looking statements or predictions may differ materially from results because of factors such as company decisions, market conditions, business relationships, and/or performance of various third parties associated with Transcend, including but not limited to their access to capital and their financial condition. Please realize that we will not necessarily provide updates to any such statements other than as required by law.

Finally, more information about potential risk factors is included in the fourth quarter press release and the periodic reports that the company files from time to time with the Securities and Exchange Commission, including the company's Form 10K for the year ended December 31st 2008.

Larry Gerdes: Thanks, Lance. Before Lance discusses the financial results in detail, I'd like to comment on the follow-on offering we completed in December.

Since Transcend was merged into a public company in 1995, we've never had the opportunity to go on the road in an organized fashion to tell our story. Well, we got a chance to do that in December. With the help of Lazard and William Blair, our investment bankers, we navigated our way through a choppy market and completed a very successful offering.

The company issued 1,725,000 shares in the transaction and raised \$27.2 million. We added 14 new institutional investors and six other institutional - institutions increased their Transcend holdings. We now have two sharp new analysts following Transcend. The performance of our stock in the aftermarket has been strong, so of course the investors are happy. We couldn't be more pleased with the outcome and the performance by our bankers on our road show.

This transaction capped off a year of tremendous growth and progress at Transcend. Now I'd like to turn the call over to Lance to discuss our financial results.

Lance Cornell: Thanks, Larry. Revenue for the fourth quarter of 2009 increased 67% to a record \$21,377,000, compared to \$12,833,000 for the fourth quarter of 2008. Excluding acquisitions, organic growth was about 13.5%, a bit short of our 15% goal, but not enough to cause us any particular concern, and this doesn't include growth that we've seen from our acquisitions.

The three acquisitions that we completed during 2009 contributed revenue of \$6.8 million for the fourth quarter, and that's 27.2 million on an annualized basis, which compares to a total of roughly 25 million at around the time that we acquired each of the three companies.

Gross profit increased 53% to \$7,289,000 for the fourth quarter of 2009, compared to \$4,769,000 for the fourth quarter of 2008. Gross profit as a percent of revenue was 34% in the fourth quarter of this year, compared to 37% in the fourth quarter of last year.

As expected, the August 31st acquisition of Medical Dictation Services, Inc., or MDSI, had a significant impact on our gross margins. Excluding MDSI, gross profit was 36% of revenue for the fourth quarter of 2009, the same as it has been for the last three quarters.

When we acquire companies, we expect them to be accretive to earnings after the first quarter, and all three of our 2009 acquisitions have met that goal. But we generally expect the gross profit margins from acquired companies to be lower than ours until we can migrate a portion of their customers onto our BeyondTXT platform.

Once we migrate them, we can utilize our speech recognition technology to improve profitability. This doesn't happen overnight. We've got to earn the customer's trust and cooperation first. We have completed the migrations of our January acquisition of DeVenture. We expect to complete the migrations of the April 2009 acquisition of TRS by the end of the first quarter of 2010, and MDSI is a bit larger, and we plan to take really all of 2009 - 2010 to complete the migrations of that customer base.

And Larry'll drill into gross margins in a bit more detail in his operational comments.

Operating income increased 20% to \$2,736,000 for the fourth quarter of 2009, compared to \$2,283,000 for the fourth quarter of 2008, but the 2009 results include a charge of \$735,000, or five cents per diluted share, for earnouts or contingent consideration on 2009 acquisitions that were in excess of the amounts that we had originally estimated.

Under new accounting rules that were put into place at the beginning of 2009, changes in the earnout fair value estimates are treated as period expenses, whereas under the prior rules, they were considered part of the purchase price and resulted in changes to goodwill.

Adjusting for the \$735,000 contingent consideration charge, non-GAP operating income for the fourth quarter of 2009 increased 52% to \$3,471,000, or 16% of revenue. Most of the charge relates to the TRS acquisition, and it - of course it's good news in the sense that it means the acquisition has been performing well. We don't anticipate any additional material adjustments to contingent consideration payable for our 2009 acquisitions.

Our effective income tax rate for the quarter was approximately 39%. We fine-tuned our 2009 provision in the fourth quarter, bringing the effective rate for the whole year up to 37.4%, whereas at the end of the third quarter, we were estimating 36.7% for the whole year, so the .7 point increase in our rate for the year bumped the rate for the quarter up to 39%. Going forward, we expect the rate to be in the 37 to 39% range, barring any tax law changes.

Net income for the fourth quarter of 2009 was \$1,590,000, or 17 cents per diluted share. Adjusting for the \$735,000 contingent consideration charge, non-GAP net income increased 38% to \$2,051,000, or 22 cents per diluted share for the fourth quarter of 2009, compared to \$1,480,000, or 17 cents per diluted share for the fourth quarter of 2008.

Let me touch briefly on our results for the year, and these results include the post-acquisition operations of MDSI, TRS, and DeVenture, which were acquired by Transcend on August 31st, April 1st, and January 1st of 2009, respectively.

For the year ended December 31st 2009, revenue increased 47% to \$71,764,000, compared to \$48,696,000 in 2008. Excluding \$15,432,000 of revenue from the company's three 2009 acquisitions, revenue increased 16% in 2009, compared to 2008.

Gross profit for 2009 increased 42% to \$25,321,000, or 35% of revenue, compared to \$17,844,000, or 37% of revenue for the fourth quarter of 2008. Excluding the impact of the MDSI acquisition, gross profit was 36% of revenue for 2009.

Operating income was \$11,083,000 for 2009, compared to \$8,948,000 for 2008. Net income was \$6,776,000, or 75 cents per diluted share for 2009, compared to \$5,768,000, or 65 cents per diluted share for 2008. Just a note that - to remind everyone that Transcend did incur \$269,000 of acquisition transaction costs in 2009, which were reflected in the first three quarters.

Results for 2009 also include the effect of the \$735,000 contingent consideration charge that I discussed a minute ago. Adjusted for this charge, non-GAP operating income for the year increased 32% to \$11,818,000, or 16% of revenue, and non-GAP net income increased 25% to \$7,237,000, or 80 cents per diluted share.

The effective income tax rate was 37.4% for 2009 and 35.5% for 2008.

Let me shift over to our balance sheet for just a minute. Larry already described the December follow-on offering, which of course has had a dramatic impact on our liquidity. We used a portion of the proceeds from the offering to reduce indebtedness, and we ended 2009 with \$27.7 million of cash and short-term investments on hand.

We had \$2,899,000 of debt outstanding at December 31st, including \$2,055,000 related to seller notes from our recent acquisitions. Our (day) sales and accounts receivable was 41 days at year-end, and we're fortunate in this economy not to have experienced any deterioration in our collection results.

We have a strong balance sheet that positions us to make acquisitions and other investments as opportunities arise in the future.

I'd like to give some guidance on two other items before turning the call back over to Larry. The first is interest income and expense. With almost \$28 million in the bank, one would think we'd be able to generate some decent interest income, but we've chosen to keep the funds invested in highly liquid low-risk instruments, so that we have the flexibility to fund acquisitions, if they occur.

Our cash and short-term investments are currently generating returns of only about 0.3%. This isn't enough to offset current amortization of prepaid financing costs and interest expense. We have to get the rate above about 0.7% to show positive net interest income, based on our December 31st capital structure. And in the current interest rate environment, the interest income simply won't be a meaningful contributor to our bottom line.

Second, I wanted to give some guidance regarding our share count and dilution from the follow-on offering. We had about 10.5 million shares outstanding after the offering as of December 31st, adding about 500,000 shares for the dilutive effect of stock options results in fully diluted shares of approximately \$11 million for the first quarter of 2010. This is dilutive to earnings by approximately 3 cents per quarter.

The dilution in the fourth quarter was only about .3 of a penny, because the new shares were only outstanding for part of the quarter, and the 2010 dilution should already be factored into analysts' models.

And now, I'd like to turn the call back over to Larry.

Larry Gerdes: Thank you, Lance. I want to comment briefly on the broader health care market and our role in it. We are fortunate to be insulated from the poor economy. We have yet to see any impact from the slowdown on our business. Our services are mission critical, not optional. Decisions to switch transcription firms or outsource for the first time are not typically constraints by hospital - or not typically constraints by hospital budget cycles, as evidenced by the fact that our sales have been spread evenly over the year.

At this point in time, health care reforms to - reform seems to have stalled in Congress, but with our without reform, the need to accurately document patient care hasn't changed, and the demand for medical transcription services remains strong and is growing as the baby boomers age.

Of course, we have to follow reform efforts to see if any of the proposed solutions could have an impact on medical transcription, but we don't see any direct immediate impact on our business one way or the other. We do want to play a role in the evolution of the electronic medical record, and Su is going to speak to that in just a minute.

Let me provide some more detail of our profit margin and the status of our acquisition integration. We can typically improve profitability by at least 10 points when we move work from traditional typing to editing, using speech recognition technology.

For example, if we move 70% of a customer's volume to editing, we would expect to see margins for that customer to improve by at least seven points. We have made wonderful progress this year in increasing our use of speech recognition technology on our BeyondTXT transcription work flow platform, increasing the percentage that it's edited to 67% of total BeyondTXT volume in the fourth quarter of 2009, compared to 54% in the fourth quarter of last year.

Our 2009 acquisitions have offset the impact of the progress we have made in the use of speech recognition technology. As Lance mentioned, acquired companies usually have lower profitability until we can fully integrate them, including the conversion of as much of their business as possible to BeyondTXT.

Because of the acquisitions, our platform mix has shifted significantly. In the fourth quarter of 2009, only 45% of our total volume was processed on BeyondTXT, compared to 67% in the fourth quarter of 2008. A key part of our 2010 plan is to increase the BeyondTXT mix by migrating acquired customers to BeyondTXT.

Ultimately our goal is to drive the operating margins for our acquired businesses north of 20%. I'm pleased to report that the DeVenture acquisition is now generating roughly 30% operating income margins, which is wonderful. TRS has hit about 20% and has room for improvement, since we have not completed the migrations to BeyondTXT. MDSI is in roughly the 10% range right now, and we have a lot of work ahead of us to get it above 20%, but I'm confident we can do it.

I think these examples show what a fine job our people have done with the integration of our acquisitions, and I commend them for their efforts.

Another key to profitability improvement is increasing offshore volume. Our offshore partners accounted for 16% of total volume in the fourth quarter of 2009, down from 19% in the fourth quarter of 2008, due to the impact of the MDSI acquisition, which uses 100% domestic resources. We can typically improve profit margins by about 10 points on the work we send offshore, but we are limited in how much we can send by contractual provisions requiring domestic work and by the capacity of our partners to grow.

Our goal is to increase the percent of total volume processed offshore to 25 to 30% over the next two to three years.

Now I would like Su to comment on sales and some new initiatives we are pursuing.

Su McGrogan: Thanks, Larry. We estimate that sales closed during the fourth quarter will generate between 2.4 million and 3 million of annual revenue, once fully implemented. This brings us to roughly 12 to 13 million for the year, which compares to roughly 10 million in 2008.

We are gradually expanding the sales force in 2010. In January we hired a senior level individual to focus on large hospital system sales, and (Leo) will add one or two additional regional sales managers over the course of the year.

We have four major initiatives underway to address the evolution of our market. We're very excited about them and believe that they can prove transformational in time.

First, we are in the process of developing and rolling out our front-end speech solution called Beyond Speech. Using Beyond Speech, the (opters) can dictate and receive a draft immediately. They can then choose to edit the draft themselves or let us do it. This is attractive to some hospitals, particularly in radiology.

Although many hospitals still have concerns about user adoption, due to the potentially negative impact on physician productivity, a small - a small but growing number want to roll out front-end speech solutions to reduce their cost. We believe that (this is) the solution we need to offer so that we can meet any of our hospitals' needs.

Second, we recently launched development efforts for our fourth generation of BeyondTXT - of our BeyondTXT platform. Among other things, the new platform will have a fully hosted ASP capability. While our current platform allows hospital employees to transcribe on BeyondTXT, it was not designed as a - as a true ASP.

We estimate that roughly half of medical transcription work is still done by hospital employees. This - this is a market we tap into when we go to hospitals (inaudible) decide to outsource. But when they need a platform for their people, they typically don't think of Transcend first. We'd like to change that. We expect the platform to be generally available later in 2010.

Third, we are working with several pilot hospitals to explore opportunities to mine the data in the reports we produce. Our documents are created in a structured clinical documentation architecture, using XML tagging.

In short, it's not just plain text. The documents contain intelligently tagged data that can be mined in numerous ways. One of our pilot projects is called Beyond Alerts. We're developing algorithms to identify a certain set of conditions in a patient's documentation and alert the appropriate individuals within the hospital when the criteria are met.

Our hope is that they will improve the hospital's ability to track certain core measures, which could in turn have a positive impact on reimbursement rates. It may also result in additional volume being dictated to us.

For example, doctors typically handwrite their progress notes. With Beyond Alerts, several pilots have expressed an interest in dictating progress notes to us, so that we can provide data-mining capabilities on this portion of the patient's medical record.

Finally, we're interested in developing partnerships with electronic medical record, or EMR, companies. One of the most common problems with implementing EMR solutions is that physicians resist spending a lot of time documenting care, using a point and click approach.

Because we use XML-tagged data, we believe it is possible to allow the physicians to dictate just as they always have, but to take the resulting tagged data and interface it directly into the (discrete) seals within the EMR. If this proves feasible, we would be able to overcome a major barrier to EMR adoption by providing a solution that doesn't impact physician productivity and that retains the robust documentation that dictation provides.

While all these initiatives are exciting for us, fortunately we have a business model and a market that doesn't require that any of these initiatives succeed in order for us to be successful. We have ample opportunities to grow our existing business by consistently providing the best service to our - to our existing and new customers.

Now I'll send it back to Larry.

Larry Gerdes: Thank you, Su. That concludes our prepared remarks. I want to thank all of our employees for their hard work in 2009. Rapid growth is challenging, but the rewards are great if it's managed well. You have all risen to the task and should be proud of what we've all accomplished as a team.

Now I'd like to have Leo Cooper to join us for the question and answer period. At this point, we'd like to open the lines up for your questions. I'll turn it back to (Angelia).

Operator: At this time, I would like to remind everyone if you would like to ask a question, please press star one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Our first question is from the line of Ryan Daniels from William Blair.

(Christina Blazek): Good morning, it's (Christina Blazek) for Ryan this morning.

Larry Gerdes: Hi, (Christina).

(Christina Blazek): Hi, congratulations on a nice quarter.

Larry Gerdes: Thank you.

(Christina Blazek): To start, can you give us an update on the HMA contracts and how the service expansion from 45 hospitals to 56 is progressing so far?

Larry Gerdes: A good question. I'll let Su address that, since she is directly involved.

Su McGrogan: Progressing very well. I'm really proud of the team and the work that they've done. We started October 1st, and we took on 57 inhouse employees and brought them on board. We're in the process of migrating most of them to BeyondTXT right now. We did three last week I believe, and yesterday I took a team onsite to HMA's newest facility, (Sparks), and it's - they're all very pleased. All indications from HMA is that they're very, very pleased with our progress, and we're excited to roll out front-end speech, starting in March.

(Christina Blazek): Great. That's helpful color. Moving on to MNA, perhaps you could talk a little bit more about your MNA pipeline and any thoughts on additional acquisitions for the future you're planning?

Larry Gerdes: Great. I'll let Lance address that.

Lance Cornell: Sure. We are continuing to work on several potential acquisitions in our pipeline, and of course, as with all MNA, it changes from day to day. The - we don't anticipate closing anything in the first quarter. I think we've said in - on prior calls and on the road show that we want to make sure that we've

taken enough time to adequately integrate - complete the TRS integration in - in Q1 and get well down the road on the MDSI integration and BeyondTXT versions before we take on our next one.

But some time later in the second quarter or beyond, we'd certainly be ready to complete another acquisition. We haven't really seen any notable changes in - in the market in terms of valuations or anybody getting either more interested in selling or less interested in selling. Just a matter of getting the right ones to the table and getting it negotiated.

(Christina Blazek): OK, great. And then one final one, if I may. With Spheris running into some problems recently, are you seeing any market share opportunities from it? Or are you actively, I guess, targeting any of their accounts, given their recent troubles?

Larry Gerdes: We - I'll - this is Larry, and I'll let Leo tag onto my comments, but I think the last two or three years we've - we have successfully gained market share from some of our larger competitors like Spheris, and that continues. You know, we - we don't want to speak ill of any of the vendors in our market, and we hope they get through this tough patch.

But our - our sales folks are certainly aware of where there are customers that have, you know, (dissatisfacts) with their service levels, and - and over the past 15 months or so, we've - we've gotten a few of their customers, and - and we hope that continues because, you know, it is an opportunity for us to gain share.

Leo, is there anything that you'd add?

Leo Cooper: Just (inaudible) point that we are continuing to prospect across the marketplace consistently for all of our competitors, so we hope that the - I think the communication that we're having with them will position us when they're ready to consider an alternative, and so we're just trying to stay steady and not put all of our focusing in one particular area, but across the whole marketplace.

And they're doing a very good job of trying to shore their customer base up, and we recognize that as well.

(Christina Blazek): Thank you, that's helpful color. That's all I have for now.

Larry Gerdes: Thank you.

Operator: Your next question is from the line of Tom Gallucci from Lazard Capital Markets.

Tom Gallucci: Hi, good morning. Thanks for the color. I just had a sort of a few follow-up questions. I guess first, since you mentioned HMA earlier, can you maybe at a high level discuss the opportunity you may see out there for some more system or multi-facility type customers in the future?

Larry Gerdes: Tom, this is Larry. I'll let Leo address that. But it certainly is a great relationship with HMA, and it's the perfect model for a Transcend and Leo, with - with your comments, you might even add the fact that our platform will give us a little more flexibility in the future.

Leo Cooper: Yes, we definitely see a - a tremendous trend in the marketplace today at the integrated delivery network level, and we are very excited about pursuing that in a very organized fashion this year, both at the - the relationship level, in terms of being one of the preferred vendors, as well as in - in many cases we're beginning to see IDN's looking at a sole source arrangement.

So we're really looking at that marketplace hard, and we have a very aggressive posture in that marketplace this year.

Tom Gallucci: (inaudible) is it - is it more a matter of increased focus on your part? Or is there some selection point maybe in the hospital industry that you think there's a special opportunity there? Is it, you know, financial pressures or whatnot that have changed in - in the hospital world?

Leo Cooper: Yes, the industry is definitely coming this way, and yes, it is resulting very much (upon) the issue of - of limited capital dollars available, but the desire to consolidate their - their processing capability so that they can reduce overall

cost at the system level. So yes, the marketplace is moving toward more of that, and we see it across the board.

Larry Gerdes: One thing I, Tom, I - I think it's a good question. You saw in our press releases that Leo's brought a member to his team that has had a lot of experience in that area. I would add one more thing. I think as Transcend has gotten larger and our capacity is better known in the marketplace, and we are expanding our platform to make it more compatible with some of the platform needs of these large systems, that the systems will, by and large, come to us more often than they have in the past.

Su McGrogan: And definitely having HMA under our belt and an excellent reference is very, very helpful.

Tom Gallucci: OK, and then maybe actually just thinking back to - to the initiatives that you outlined earlier - the four initiatives - and we're thinking about IDN - EMR partnerships - would - would you expect anything there, certainly in the near term, or is it more sort of in the long term that you think - that you - that you hope to - to do something?

I guess I'm just thinking about it from the standpoint that a lot of those types of - of hospital systems right now are, you know, trying to figure out what they're going to do on an EMR and EHR front, given the stimulus money that's out there, so it's sort of getting in on the ground floor sooner rather than later, is - is that your thinking?

Larry Gerdes: Tom, let's let Leo stick his neck out on that one.

Leo Cooper: Yes, the answer is absolutely we are. Remember also that quite some number of our customer are utilizing these EMR systems from the - from the customers that we have out there today. And also, by - by virtue of the evolution of the industry, we are focusing absolute - this year on the EMR partnerships, and I will be doing that personally this year. So yes, focus on develop - developing EMR partnerships, and certainly (inaudible) the relationships that we have with many of our great customers today that are utilizing some of these EMR systems as well.

Larry Gerdes: And how soon do you expect one?

Leo Cooper: Well I - we have goals this year to have several partnerships by year-end. We are in conversations now with a couple of the leading EMR companies out there. So hopefully by mid-year, we'll have something a little bit more concrete.

Larry Gerdes: Good.

Tom Gallucci: OK. And my last question just sort of relates to the six pilot projects I think that you mentioned before - the - how - how are you getting - or do you anticipate getting paid for sort of this new business line that may develop, depending on how these projects go?

Su McGrogan: We're still - we're in the process of working on that, and our pilot customers are - are really helping us with what the cost - what it does for their costs and also what their reimbursement - reimbursement potential is. And once we get all the data from our top pilots, we are going to then work on the cross model. We have some ideas, but we - nothing firm right now.

Lance Cornell: Yes, our assumption at this point is that the most likely scenario would be sort of a subscription rate to various types of data services on a monthly basis, but it's still being developed.

Larry Gerdes: I talked to already some of our folks that are involved in that project this morning, and the feedback is - is really constant. They're working - our pilots just kicked off this last week, but there's constant feedback on tweaks that we can make, how we can better provide detail on the data elements we're talking about, but I'm really inspired by the - the feedback and, you know, we - like Lance and Su both said - we want to bring these pilots then together in - in the next several weeks and - and have them help us not only with the ultimate design, but where the value model lies and how to come to those pricing decisions.

We right now don't know. I wish we did, but it's - it looks like right now it's adding value.

Lance Cornell: Yes, said another way, Tom, we haven't put any revenue from any of these initiatives in our 2010 budget. We certainly hope to be generating some revenue from some of these initiatives before the end of the year, but it's - we don't expect it to be a meaningful contributor this year. Over the long term, however, that - we certainly feel differently.

Tom Gallucci: How about just on the cost side then? You've got nothing really cut out material from the revenues. How are the costs being incurred in these various initiatives?

Larry Gerdes: That's a good question. Lance, you want to address that?

Lance Cornell: Yes. Sure. We are - the - we're handling the initiative for the most part with our current team of people, so it's already baked into the cost structure. The exception to that would be the - the development that - work that we're doing on the fourth generation of our BeyondTXT platform, where we are outsourcing some of that development effort, and so you're going to see the capital expenditure dollars for that development effort increasing fairly dramatically this year.

The total budget for that project is - just on the labor side is approaching \$2 million.

Tom Gallucci: OK. Thank you.

Larry Gerdes: Thanks, Tom.

Lance Cornell: but again, that would be capitalized and then amortized over future years.

Operator: Our next question is from the line of (Fran) Dilorenzo from Singular Research.

Frank Dilorenzo: Hi. This is Frank Dilorenzo. Good morning.

Larry Gerdes: Good morning.

Lance Cornell: Hi, Frank.

Frank Dilorenzo: Just a little bit more questions on the acquisition front. Just to focus, if you look at the transaction size from 2009, going forward, would the transaction size be in a similar range to what we've seen this past year? And also, just a question about the focus. Is it going to remain specifically on transcription firms, or being that you've been talking about these different insights at logical pilot initiatives, would you consider maybe some firms that expand your (pad) capabilities, or is it going to just be really transcription firms?

Larry Gerdes: Very good questions. I'll take a shot at it. First of all on the size, we've always felt comfortable with - with acquisitions in the \$5 to \$15 million range, as you've seen. I think our team has grown, and we've got the capacity now to integrate successfully acquisitions larger than that. So we're certainly receptive to larger companies, even though there aren't a lot in our - our space.

So I would broaden it. We certainly are happy they entertained exit opportunities for wonderful transcription owners that are down in - in the \$5 to \$10 million range, but believe me, we - we can see real opportunities for people that - that are significantly larger, and - and what's - what's very, very important to Transcend is to make sure that there's a cultural fit, there's a - a customer service fit, and - and it's a - and then hopefully most, if not all of their voice capture is available ultimately for our BeyondTXT platforms.

That's where the real synergy comes in, in that second tier of the integration. So - and I think for the foreseeable future, and Lance, I'm sure you agree with me, we want to focus on transcription companies, we're in a large market, it's our sweet spot where we know what we're doing.

But you are right. We're getting into enough other initiatives, especially a (date) initiative that sooner or later we'll start being introduced to partners that are in other parts of the marketplace. But right now in the foreseeable future, we don't see expanding that reach on acquisitions.

Frank Dilorenzo: Thanks.

Larry Gerdes: You're welcome. Thank you.

Operator: Our next question is from the line of Lenny Dunn from Freedom Investors Company.

Lenny Dunn: Good morning.

Larry Gerdes: Good morning, Lenny.

Su McGrogan: Good morning.

Lance Cornell: Good morning.

Leo Cooper: Good morning.

Lenny Dunn: A good quarter, and obviously the nickel charges due to these new accounting rules, now because we have them in place now, on future acquisitions is there a way to avoid the one-time hit at the end of the year?

Larry Gerdes: Lenny - Lance, I'll let you answer that.

Lance Cornell: Yes, sure. There are a couple of ways to avoid something like that. One of course is to not do earnouts, and generally speaking, we don't like to do earnouts. In the case of TRS, we felt it was a good idea, because we knew that there were - there were some customers that were probably going to leave them, which in fact they did. So it was a - it was a wise decision.

And the other way to avoid it is to have a crystal ball and estimate exactly what the earnout calculation's going to be when you do your initial estimate of fair value when you acquire the company. And - and we did that, but - but we didn't have great information, since we were - you know, that was back in - in the - the March time frame when we were putting that together, and made the best estimate that we could, and ultimately the company performed better, and we ended up with a valuation that still makes a lot of sense.

But generally speaking, we prefer to stay away from earnouts when we can.

Larry Gerdes: And of course, Lenny, I'd just add we will still have to expense the transaction fees themselves when we do the deal.

Lance Cornell: Right.

Lenny Dunn: Well, that - that we - we would understand. It's just that you (inaudible) a model a little better ability to project, but at the same time I guess if you're paying somebody for an earnout that they earned, you know, it's just not a bad thing.

Larry Gerdes: No, that's exactly right.

Lenny Dunn: OK. But otherwise I'm also very encouraged that you're going into these other initiatives, because it - it seems like they're very good fits and certainly can, you know, (inaudible) future stream of earnings in addition to the transcription earnings.

Larry Gerdes: I - I - yes, I think the, Lenny, from my standpoint there are a couple of things that these new initiatives do. They obviously put us on a different level as a valued partner to our customers. So the customer stickiness and - and - and relationship gets deeper and we go into different departments of the hospital, and so we really can help them solve some of their data needs and how they manage in this health care environment going forward.

The other thing I like is our platform gets more robust, and it's available to larger integrated networks, and - and proprietary systems. We also put ourselves at a different level with those systems then because, you know, there'll be multiple hospital chains, and not all the hospitals want the same solution. So if we can add - offer to them the flexibility of determining, you know, do they want to keep some of their own staff - even to the point - (do) they have another transcription vendor, maybe it's even regional that they've had a long-term relationship, we want to provide them the flexibility of making some of those decisions.

Lenny Dunn: Thank you, and good quarter, and the future looks pretty bright.

Larry Gerdes: Thank you. Appreciate it.

Operator: Again, to ask a question, please press star one. Our next question is from the line of Stephanie Haggerty from Register Financial.

Stephanie Haggerty: Good morning.

Larry Gerdes: Good morning.

Lance Cornell: Good morning.

Su McGrogan: Good morning.

Leo Cooper: Good morning, Stephanie.

Stephanie Haggerty: You're getting awful consistent, guys.

Larry Gerdes: We like that, Stephanie.

Stephanie Haggerty: We like it too. I - I had a couple of questions on - on the sales side. I know you said that you had hired someone to address the larger hospital market and that you were planning to add more salespeople through the course of the year. Can you give us some numbers on that? I mean how many are there now? How many will there be? And will there be more of a - of a - of a - of an effort to address the bigger hospitals than there is now?

Leo Cooper: Stephanie, good morning. It's Leo. How are you?

Stephanie Haggerty: Hey, Leo. How are you?

Leo Cooper: (Doing) great, thank you. A couple of things - we - it's been running at a head count of five territories - regional sales territories. We're going to add two more, assuming that we can find the right level of talent. So that would take us to seven this year, plus the national accounts focus, which would be exclusively devoted to relationships with the IDN level.

So a head count of seven would be ideal, give us better geographical coverage, and then the dedicated resource on the integrated delivery network would be wonderful there as well.

Stephanie Haggerty: I'd heard some rumors, Leo, that - that you were going to make an effort to better brand the Transcend name in the marketplace so that it was - it came

more readily to mind to folks who are looking for new transcription providers. Is there something going on there?

Leo Cooper: Stephanie, you are - you must be telepathic. Yes, Stephanie, there's significant effort going on there, and thanks for - for asking that. Yes, we are - we've engaged a - an outside marketing firm that is working with us now in terms of our overall marketplace branding, and of course, once that project is actually coming toward a conclusion, meaning in mid-February, and once we have reached a conclusion on our branding themes, then of course the (follow-up) marketing activities will cascade from that point forward.

So yes, we do. And some of the things that - that Su covered earlier this morning of course fit right into that - that whole rebranding and rethinking. Yes.

Stephanie Haggerty: Well, good luck with it.

Leo Cooper: Thank you very much. We're very excited about it.

Operator: Again, to ask a question, please press star one. There are no further questions at this time. I'm sorry, we have a question from the line of Ed Snyder from (Kwan).

Ed Snyder: Good quarter, guys. Congratulations.

Larry Gerdes: Thank you.

Su McGrogan: Thank you.

Ed Snyder: I have one question in terms of competition in the marketplace. I've just been reading for example, I think Nuance is adding a - a lot of marketing people and sales people this year, and - and I just wanted to know if you're - what you're seeing in the marketplace when you're going into hospitals, and - and - and other groups - if you're seeing more competition, new competition, or less competition.

Larry Gerdes: I'll let Leo respond to that.

Leo Cooper: OK, thank you, Larry. Well, certainly Nuance is a force in the industry, and we have the utmost respect for them. Their model is working beautifully for them in terms of their platform approach, and their reputation in the marketplace is solid. So we know they are a major, major force, and of course we work with Nuance as well in providing some solutions for their platform. So they are a great - a great company and a - and a terrific force in the marketplace.

Competition-wise we see - we're certainly seeing pricing pressure of a number of competitors out there today - you know, folks that are in the business of - of wholesaling, so to speak, in trying to acquire business based on price alone, so we certainly do see that - which again is why we're working so hard to continue to create value on our side of the equation. So those are just a couple of things that comes to mind. Does that address your question, or is - or no?

Ed Snyder: Is it increasing? Is it decreasing? Is - that's more in terms of number of competitors, and...

Leo Cooper: I - I would say that it's - I would say it's very, very consistent. No significant change really, year over year in that regard. You know, you've got - as you know from - from looking at the different companies - you've got some larger companies - the same companies that we've been competing against.

And then of course there are many, many, many small regional and local companies that we compete against. And about 50% approximately of the business that we bring in replaces the local vendors. And about 50% is in competition with our large national players. So there's really not a significant change in the landscape in that regard, no.

Ed Snyder: OK. Thank you.

Larry Gerdes: Thank you.

Operator: There are no further questions at this time.

Larry Gerdes: OK thanks, (Angelia). I would just like to provide a couple of concluding remarks. As always, we want to thank our shareholders for their support in - in Transcend's progress these last several years.

This follow-on offering was a great opportunity as - as we said earlier for Transcend to get its story to the marketplace, since we'd never been on a road show. I can't thank Lazard and William Blair enough for the job they did at a particularly difficult time of the year - but more importantly, the great new investors that they brought to our company, because they are great institutional long-term investors. And they'll find out, as our current investors have, we're very serious about our obligations to - to providing maximum value.

I also want to thank again our employees, because they - they really worked hard in 2009. Growing at these rates is not easy, and people have to grow in different ways, and our team has expanded and - and deepened through the process.

We're very excited about the new initiatives, but we're also excited about the partnerships. I failed to mention the great partnership we've had with Multimodal on the - on the speech recognition side of the equation. That technology combined with our BeyondTXT platforms has put Transcend at a very good place in this industry, both competitively and in the eyes of our customers.

So we are working very hard to continue to - to meet expectations. We think 2010 offers the company tremendous opportunities. We've got the team to meet those challenges, and - and we intend to do that. We encourage any phone calls and - and requests for additional information you may have, and we're also excited about the fact that we said that we've got expanded covering for the company.

So we've got more people writing and telling about our story so that you, our investors, can get more timely information. So we - we'll conclude this call. We're very happy with how we ended the year, and we look forward to 2010. Thank you.

Operator: This concludes today's conference call. You may now disconnect.

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