

FOR IMMEDIATE RELEASE

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(BW) (TRANSCEND SERVICES, INC.)(TRCR)

TRANSCEND INTRODUCES SPEECH RECOGNITION FUNCTIONALITY

Atlanta, Georgia TRANSCEND SERVICES, INC. (TRCR/Nasdaq SmallCap) today announced that it has completed the integration of speech recognition technology into its proprietary, Internet-based, medical transcription technology platform.

The speech recognition technology was provided to Transcend by MultiModal Technologies, Inc. (“M*Modal”) under a seven-year, non-exclusive license. The proprietary M*Modal technology consists of a natural language understanding processor, a conversational speech recognition engine and editing tools, all of which were designed to work in concert with each other to continually learn and translate voice records into editable, structured clinical documentation with improving levels of accuracy as more voice records are processed over time.

Transcend integrated M*Modal’s technology into its web-enabled voice and data distribution technology. Transcend intends to apply this new speech recognition functionality in the delivery of electronic medical record documents for a pre-determined sequence of medical specialties or clinical departments.

Transcend recently started utilizing the M*Modal technology to edit reports for a select number of customers. Transcend intends to aggressively increase the utilization of the M*Modal technology and expects to be using this technology to produce the majority of its customers’ clinical documentation by the end of 2005.

Larry Gerdes, Transcend’s Chief Executive Officer, commented: “Transcend has been evaluating and testing speech recognition alternatives for several years. We believe that M*Modal is the *best of breed*. Transcend spent the past several months integrating M*Modal’s technology into our transcription network. The preliminary results exceeded our initial expectations. We expect speech recognition to enhance our productivity, to effectively reduce the short supply of qualified medical language specialists and to improve our financial performance.”

Michael Finke, M*Modal’s Chief Executive Officer, stated: “Our goal is to provide healthcare organizations with an easily integrated and transparent technology that transforms the clinical documentation process. Transcend is one of the premier transcription service companies in the United States. Since Transcend was seeking the best available speech recognition technology to embed into its state-of-the-art transcription platform, Transcend was a logical technology and marketing alliance for M*Modal.”

About Transcend Services, Inc.

Transcend believes that accurate, reliable and timely transcription creates the foundation for the

patient medical record. To this end, the Company has created Internet-based voice-to-text systems that allow its skilled medical language specialists to securely and quickly produce the highest quality medical documents. The Company's wide range of transcription services encompass everything needed to securely receive, type, format and distribute electronic copies of physician-dictated medical documents, from overflow projects to complete transcription outsourcing and custom data-center creation packages. For more information, visit <http://www.transcendservices.com>.

About M*Modal

Multimodal Technologies offers hosted conversational documentation services that help healthcare providers to capture discrete clinical information from dictation to generate complete and timely electronic medical records. The company's unique speech recognition and understanding technology platform, AnyModal™ CDS, is a vital tool that empowers physicians to capture clinical facts and orders from dictation without requiring any change to their normal dictation routine. M*Modal's focus is on providing hospitals and medical transcription service providers with the industry's most comprehensive yet most adaptable solution for creating highly accurate, structured, encoded and shareable medical documents to increase patient safety, promote continuity of patient care, and reduce cost. For more information, contact M*Modal at 412.578.9700 or visit www.mmodal.com.

This press release contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, Section 27A of the Securities Act of 1933, as amended and pursuant to the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may relate to financial results and plans for future business activities, and are thus prospective. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are competitive pressures, loss of significant customers, the mix of revenue, changes in pricing policies, delays in revenue recognition, lower-than-expected demand for the Company's products and services, business conditions in the integrated health care delivery network market, general economic conditions, and the risk factors detailed from time to time in the Company's periodic reports and registration statements filed with the Securities and Exchange Commission. Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such speak only as of the date made.

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