

FOR IMMEDIATE RELEASE

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

TRANSCEND AND MDI FOUNDER ANNOUNCE STOCK OPTION AGREEMENT

Atlanta, Georgia TRANSCEND SERVICES, INC. (TRCR/Nasdaq SmallCap) today announced that a co-founder of Medical Dictation Inc. ("MDI"), Sue McGrogan, has agreed to invest \$200,000 in Transcend as of August 15, 2005 through the purchase of 71,942 shares of common stock. This purchase is part of an overall option agreement that provides four options to purchase \$200,000 each that could result in \$800,000 of total investment over the next two years. Half of the investment will be in cash and the other half in the forgiveness of a note due to Sue McGrogan from her sale of MDI to Transcend. These purchases will be made at a price of 110% of the average market price for the ten trading days prior to said purchase. The remaining three options are exercisable on the six-month anniversary dates of the execution of the option agreement and cannot be carried forward once the option date has passed.

MDI is a transcription company that has been in operation since 1988 in Brooksville, Florida founded by Sue McGrogan and her mother Liz McGrogan. The McGrogans first entered the industry in 1972 as owner-operators of a medical transcription company in New Jersey. MDI recently became a wholly owned subsidiary of Transcend.

Both Liz and Sue McGrogan have played an important role in Transcend since the acquisition of MDI by Transcend on January 31, 2005. Liz currently serves as interim general manager at MDI, which has grown from \$6.4 million in revenue in 2004 to a current annualized level of over \$8 million. Sue is a Business Unit Manager at Transcend, managing a significant portion of Transcend's field operations. Alex Munoz, Transcend's EVP of Operations stated, "Having worked closely with Liz and Sue during the integration of our two companies, their level of increased commitment is exciting as we continue to make changes within the company." Liz McGrogan agreed, commenting, "We are both very excited about the future of Transcend and MDI, and the potential growth through new business and acquisitions." Sue added, "The decision to invest money into Transcend is indicative of our confidence in Transcend and its future."

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, speech-recognition enabled, 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 and editing services encompass everything needed to securely receive, type, edit, format and distribute electronic copies of physician-dictated medical documents, from overflow projects to complete transcription outsourcing.

For more information, visit <http://www.transcendservices.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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