

**The Merriam Report PSYS QEMar-09 Psychological Solutions**

All amounts in millions except for earnings per share

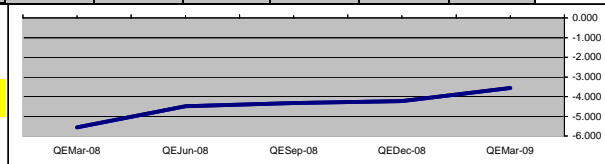
Quarterly period ending:	QEMar-08	QEJun-08	QESep-08	QEDec-08	QEMar-09	Averages
Earnings Per Share (Incl. Ext. Items)	\$ 0.460	\$ 0.520	\$ 0.470	\$ 0.420	\$ 0.490	\$ 0.472
% Change in E.P.S. (from prev. qtr.)		13.0%	-9.6%	-10.6%	16.7%	2.4%
Total Revenues	423.83	450.97	448.02	437.31	450.38	442.10
% Change in Revenues (from prev. qtr.)		6.4%	-0.7%	-2.4%	3.0%	1.6%
Cost of Revenues	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivable:	254.9	263.6	261.5	248.2	257.1	257.1
% Change in Receivables (from prev. qtr.)		3.4%	-0.8%	-5.1%	3.6%	0.3%
DSO's (# of days it took customers to pay)	54.7	53.2	53.1	51.7	51.9	52.9
Inventories:	0.0	0.0	0.0	0.0	0.0	0.0
% Change in Inventory (from prev. qtr.)		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Inventory as a % of Sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%
Prepaid Expenses:	0.00	0.00	0.00	0.00	0.00	0.0
Other Current Assets:	71.2	78.5	80.0	101.4	84.0	83.0
Property, Plant & Equip. (net):	742.2	760.1	802.5	836.2	857.7	799.7
% Change in P,P& E (from prev. qtr.)		2.4%	5.6%	4.2%	2.6%	3.7%
Accounts Payable:	110.1	116.3	124.5	121.2	121.9	118.8
% Change in Payables (from prev. qtr.)		5.7%	7.0%	-2.7%	0.6%	2.7%
Quarterly period ending:	QEMar-08	QEJun-08	QESep-08	QEDec-08	QEMar-09	
Total Liabilities:	1548.4	1561.6	1595.0	1614.9	1570.6	1578.1
Shareholder equity:	783.3	823.6	862.4	889.9	922.1	856.2
Retained Earnings (Accum. Deficit)	205.2	234.3	260.7	284.7	312.1	
Operating Cash Flow (OCF)	246.3	297.8	320.5	338.3	376.4	315.9
% Change in OCF (from prev. qtr.)		20.9%	7.6%	5.6%	11.3%	11.3%
Balance Sheet Cash Flow (BSCF)	1112.1	1103.3	1129.0	1144.1	1107.5	1119.2
% Change in BSCF (from prev. qtr.)		-0.8%	2.3%	1.3%	-3.2%	-0.1%
Spread between OCF & BSCF	-865.8	-805.5	-808.4	-805.7	-731.1	-803.3
Ratios						
Spread to Revenues	-2.043	-1.786	-1.804	-1.842	-1.623	-1.820
Spread to OCF	-3.515	-2.705	-2.522	-2.381	-1.942	
MR Dual Cash-Flow Figure	-5.558	-4.491	-4.327	-4.224	-3.566	-1.820

**The Merriam Report**

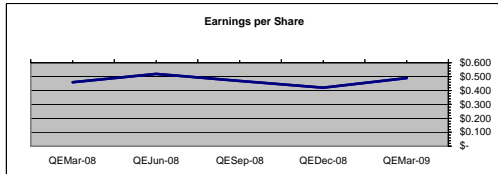
Psychological Solutions PSYS QEMar-09	QEMar-08	QEJun-08	QESep-08	QEDec-08	QEMar-09
Quarterly period ending:					
MR Dual Cash-Flow Figure	-5.558	-4.491	-4.327	-4.224	-3.566

**Merriam Report Signals:**

- Recent Bearish
- Confirmed Bearish
- Recent Bullish
- Confirmed Bullish



MR Dual Cash-Flow Figure (avg.) -4.433



Accrual Ratios	QEMar-08	QEJun-08	QESep-08	QEDec-08	QEMar-09
Average Accruals	7.66%	8.73%	9.68%	10.25%	0.50%

Revenue Metrics (as % of Sales)	Recent Qtr.	Combined Avg.
Research & Development	#VALUE!	#DIV/0!
Cost of Sales	0.00%	0.00%
S/G/A	57.39%	56.53%
Payables	27.08%	26.88%
<b>Capital Productivity</b>		
Inventory / Revenues	\$ -	\$ -
Receivables / Revenues	\$ 0.571	\$ 0.581
Inventory & Receivables / Revenues	\$ 0.571	\$ 0.581
P,P&E / Revenues	\$ 1.90	\$ 1.81

**Summary : Psychological Solutions**

**Merriam Report Signals:** Dual-Cash Flow indicators for period ending March 2009 are both bullish (recent and confirmed). Favorable trends in OCF and BSCF latest period and compared to avg. figures. .

**Financial Statements:** EPS up 16% in latest period on 3% growth in revenues. Accounts receivables up 3% and higher than average, but DSO's holding at 51.9 days and consistent with avg. Accounts payable flat Q-to-Q and slightly higher than avg.

**Accrual Ratios:** According to the MR model, a ratio of -5 or less is very bullish and a ratio of +5 or more is very bearish. PSYS's most recent ratio of +0.50% is **neutral** (w/ slight bearish bias), but **much better** than average. Revenue Metrics declined slightly in latest period. Capital productivity improved in accounts receivable, but declined in PP&E.

**Comments:** It appears that asset quality and earnings quality for this small-cap healthcare services company is showing modest but steady improvements during the periods shown. The moderation of "other" current assets in the latest quarter is helpful as it removes non-cash assets from the balance sheet. Areas of improvement we'd like to see going forward are tighter cost controls (ie SG&A) and better capacity utilization against revenues.

**Earnings Quality:** B-

**Recommendation:** Can be traded between 18 & 20; entry positions under 17 and full positions at 16 or under.

Date of report: 5-26-09

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