

2007

ANNUAL REPORT



COMMITMENT. GOALS. GROWTH.

SUCCESS.

PROGRAMS AND CONTACTS

HSS HEALTHCARE SECURITY

Tel: 303-603-3100
Toll-Free: 877-791-3080
Fax: 303-282-4202
E-mail: HCSecurity@hss-us.com

Full-service security programs and staffing

Security consulting

Electronic security systems integration

TEAM (Techniques for Effective Aggression Management™) training

24-hour dispatch center

HSS AVIATION, GOVERNMENT & COMMERCIAL SECURITY

Tel: 303-603-3120
Fax: 303-282-4200
E-mail: Commdiv@hss-us.com

Cost-effective, full-service security solutions for commercial, aviation, government, educational campus and residential facilities

24/7 patrol and alarm response

Electronic security systems integration

24-hour dispatch center

HSS COURIER SERVICES

Tel: 303-603-3040
Fax: 303-282-4203
E-mail: Courier@hss-us.com

24-hour dispatch center

STAT service

Scheduled, demand, and same-day service

HSS ENVIRONMENTAL HEALTH & SAFETY

Tel: 303-603-3045
Fax: 303-282-4205
E-mail: Safety@hss-us.com

Industrial hygiene services

Clean room certification

Biological safety cabinet certification

Fume hoods and clean benches

HSS MEDICAL EQUIPMENT MANAGEMENT

Tel: 303-603-3060
Toll-Free: 800-846-0096
Fax: 303-282-4205
E-mail: MEM@hss-us.com

Full-service medical equipment maintenance, including monitors, clinical laboratory equipment, microscopes, respiratory therapy equipment

On-site management programs

Capital Asset Shared Savings Management Program

HSS STAFFING AND PROFESSIONAL SERVICES

Tel: 303-603-3020
Fax: 303-282-4204
E-mail: Staffing@hss-us.com

Nursing services

Mental health workers

Specialized Sitters program

Allied health professionals

Radiology, laboratory, and ultrasound technicians

Medical office personnel

HSS STERILIZER MAINTENANCE

Tel: 303-603-3060
Toll-Free: 888-477-7875
Fax: 303-282-4205
E-mail: Sterilizer@hss-us.com

Preventive maintenance, repair, and installation of sterilizers, washers, and operating room tables and lights

Distributor of WaterMizer®, a water-saving and drain temperature monitoring device for sterilizers

HSS HOTLINES

Compliance: 877-HSS-8876
Human Resource Benefits:
Metro Denver: 303-799-0110 Ext. 600
Outside Denver Metro: 800-777-5035 Ext. 600

OUR VISION

To be the best
choice for the
customer because
we deliver
world class
customer service



TO OUR CUSTOMERS, SHAREHOLDERS, AND FRIENDS:



Stephanie Thomas, Chairperson
Board of Directors



George R. Schiel, President

HSS celebrated its 40th anniversary in 2007 with strong revenue and business growth. Annual revenues increased 8.9 percent from \$71.1 million in 2006 to \$77.4 million in 2007. Our experienced and cohesive team of over 2,200 staff and managers at HSS contributed to a very successful year, working diligently to be integrated into our customers' culture and to deliver world class service. You'll find a summary of division highlights and HSS customer service heroes following this letter.

One of the most significant accomplishments for our company in 2007 was the successful move to new offices in the historic 900 South Broadway office building in Denver. Our new offices are uniquely located at a confluence of several transportation alternatives, giving applicants and employees easy access from Interstate 25, a main Denver bus route, and a light rail hub. With 36,000 square feet of leased space in our new location, we are able to bring all of our divisions and operations under one roof—and still have considerable room to grow. We have sold our previous office building of 20 years and two other properties. We have noticed immediate improvements in recruiting thanks to our new location and have realized efficiencies, such as shorter response times for our Courier Program, because of the convenient highway access. The move occurred over a four-day period without any interruption in service to our customers, a tremendous accomplishment considering the move included a wide range of technology and the critical Operations Support Center. HSS employees from all divisions willingly pitched in extra hours to help.

Our vision is to be the best choice for the customer because we deliver world class customer service. In 2007, we identified strategic operating principles that will enable us to deliver world class service, including being passionately obsessed with total solution management for our customers; developing and maintaining superior industry knowledge, expertise, and specialized services; improving customer value year after year; and measuring our success by contributions to our customers' success.

HSS revamped its PRIDE employee recognition program in 2007. This program recognizes and rewards HSS employees who support our core values and deliver on our promise to go Above and Beyond! for customers. A total of 4,741 employee recognition awards were made in 2007 for exceptional service and 37 employees were selected as PRIDE Champions—the best of our very best. Combined, employees who earned recognition awards and PRIDE Champions received more than \$50,000 in awards. Our performance in 2007 is testament to the efforts of all HSS employees and we commend them for the contributions they make to our customers and our company every day. Thank you!

During the year we created a Compliance Committee of the Board of Directors and a new management position to oversee this effort. Samir Singh joined the HSS team as Compliance Officer in mid-year. A toll-free Compliance Hotline makes it easy for employees to report problems and give input on issues.

HSS has the good fortune to have the advice and counsel of a dedicated group of professionals who make up the HSS Board of Directors. Their contributions to our success are significant and we are grateful for the time and effort they invest on our behalf. We'd like to express our thanks to several members who left the Board this past year: Ed Freysinger-Exempla Healthcare, Robert Harris-University of Colorado Hospital, Donna Kusuda-HealthONE, and Mike Farrell-The Children's Hospital. We also want to welcome new members who joined the Board during 2007: Kathy Powell-Florip-Alliance Search Management, Dana Polonsky-Craig Hospital, Doug Faus-Medical Center of the Rockies, and Jeffrey Price-Leading Edge Strategies. In addition, we would like to acknowledge new members who came on the Board in January 2008: Bill Donatelli-Quorum Health Resources, Peter Durante, MD, JD, Judy Lenane-Centura Health, and Strode Weaver-University of Colorado Hospital.

We also want to express our thanks to our many long-standing healthcare customers and commercial customers. The continued support and input we receive imparts real value to each of our services. We appreciate your support and will continue to strive not only to meet, but to exceed, your expectations.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Thomas".

Stephanie Thomas
Chairperson 2007

A handwritten signature in cursive script that reads "George Schiel".

George Schiel, FACHE
President HSS

COMPARATIVE BALANCE SHEET 2007 & 2006

(Unaudited)

	December 31, 2007	December 31, 2006
CURRENT ASSETS		
Cash	\$ 3,773,091	\$ 4,862,179
Accounts Receivable–Trade	10,305,960	8,324,390
Other Current Assets	3,899,701	3,208,908
TOTAL CURRENT ASSETS	17,978,752	16,395,477
NON-CURRENT ASSETS		
Net Property, Plant & Equipment	2,059,798	2,366,135
Investments	1,765,885	1,680,278
Other	1,912,472	1,879,282
TOTAL NON-CURRENT ASSETS	3,678,357	3,559,560
TOTAL ASSETS	\$23,716,907	\$22,321,172
LIABILITIES & SHAREHOLDERS EQUITY		
Accounts Payable	2,204,930	1,862,936
Reserves–Health Ins./Work Comp.	1,596,341	1,509,339
Other Current Liabilities	2,049,984	2,282,928
TOTAL CURRENT LIABILITIES	5,851,255	6,201,203
OTHER LIABILITIES	1,358,666	608,162
SHAREHOLDERS EQUITY	16,506,986	15,511,807
TOTAL LIABILITIES AND EQUITY	\$23,716,907	\$22,321,172

2008 BOARD OF DIRECTORS

CHAIR

Stephanie Thomas
Denver Health Medical Center
Denver

Stan Anderson
Vail Valley Medical Center
Vail

Peter Freytag
Castle Rock

Jeffrey Price
Aviation Security Consultant
Leading Edge Strategies
Arvada

TREASURER

Craig Sammons
Sky Ridge Medical Center
Lone Tree

Mary Berrigan
HealthONE
Denver

Judy Lenane
Centura Health
Englewood

Strode Weaver
University of
Colorado Hospital
Aurora

PRESIDENT

George R. Schiel
HSS
Denver

Bill Donatelli
Quorum Health Resources
Lafayette

Brad Ludford
Exempla Saint Joseph Hospital
Denver

Dana Polonsky
Craig Hospital
Englewood

CHIEF OPERATING OFFICER

Wayne V. Schell
HSS
Denver

Doug Faus
Medical Center of the Rockies
Loveland

Kathy Powell-Florip
Alliance Search Management
Fort Collins

2007 DIVISION HIGHLIGHTS AND HEROES

HSS Security

- The Department of Homeland Security awarded Safety Act coverage to HSS in 2007 for the technology and services provided through HSS Security Services. HSS earned the highest level of Certification and Designation for all HSS security services provided to hospitals, airports, public office buildings, and utilities. Through this coverage, HSS security customers automatically receive unlimited terrorist insurance coverage, above the multi-million liability insurance that is purchased by HSS. This provides a significant basis for dismissing any claims brought against our customers resulting from any acts of terrorism where services or technology from HSS are provided. We are proud to be one of only a few security companies nationwide to have Safety Act Certification and Designation.
- A new security service line was launched in 2007—electronic security systems integration, which provides installation of alarm systems, CCTV, access control, map notification, remote HELP phones, and monitoring through the Operations Support Center. HSS now provides a full-service solution (staffing, monitoring, systems integration) that enables hospital and commercial customers to effectively balance security personnel and security technology. While systems integration is available on a stand alone basis, it can have the greatest impact when combined with the HSS physical security presence.

HSS Healthcare Security

- Service was initiated to several community hospitals in Colorado, including Platte Valley Medical Center in Brighton, Grand River Hospital District in Rifle, and Community Hospital in Grand Junction.
- The TEAM (Techniques for Effective Aggression Management®) training program continued to expand, achieving over \$100,000 in revenue in 2007 from the sale of training materials alone. This milestone reflects the healthcare industry's growing recognition of TEAM as a successful aggression management training tool for staff in many areas of patient care as well as for security personnel.

HSS continued to be involved in efforts to further professionalism in safety and security for the healthcare industry.

Tony York, Senior Vice President, HSS Security, was elected President of the International Association for Healthcare Security & Safety (IAHSS). This association is dedicated to industry credentialing, education, growth, and influence. York is focusing his efforts as IAHSS President on healthcare security-specific training for the maximum benefit of the healthcare community.

All HSS Healthcare Security officers are required to pursue basic IAHSS training certification in their first year with the company; supervisory personnel must complete all three levels of IAHSS training certification, which enables officers to focus on high-caliber delivery of healthcare security services.

HSS Healthcare Security was proud to recognize many employees in 2007 for their outstanding customer service, including:

Eric Ellwanger, a three-year employee of HSS Healthcare Security who serves as Facility Security Supervisor for Presbyterian/St. Luke's Medical Center in Denver, was awarded the IAHSS Medal of Honor in 2007 for his actions in helping prevent a distraught individual from jumping from the Medical Center's parking structure. Bob Starke, Director, Safety, Security, Emergency Preparedness, Presbyterian/St. Luke's Medical Center, nominated Eric, saying, "I believe that Eric exemplifies what a security professional should possess, not only because of this incident, but in his day-to-day activities, interaction with his staff, and the standards that he portrays daily for his personnel to follow."

The quick actions of Site Supervisor Elias Gutierrez, Mission Community Hospital in Panorama City, Calif., averted a potentially serious situation. After responding to a call that a person was in the hospital with a knife, Elias smelled gasoline in the waiting room and found that the suspect had lighters and knives and was apparently intent on setting the room and the people in it on fire. For his efforts in controlling the suspect, Elias will receive a citizen award from the Los Angeles Police Department.

In August 2007, a 76-year-old woman brought her son to the Cheyenne (Wyoming) Regional Medical Center Emergency Room. Because she had difficulty walking, she parked in the fire lane. Sgt. Kirk Mann, Security Officer, moved the vehicle from the fire lane, returned her keys and purse to her in the ER, and gave her a diagram of where he had parked her car. After her son was admitted, he located a wheelchair and took her to her son's room. When the woman was leaving for the evening, Sgt. Kirk wheeled her to the main entrance, where she waited as he brought the car to her.



Personalized responsive
service...our commitment

HSS Aviation, Government & Commercial Security

- HSS reorganized its growing non-healthcare security offerings into three distinct areas during 2007: Aviation, Government, and Commercial. This change was made to better define the scope and application of HSS commercial security expertise. The security technology advances being researched and applied at airports will enable HSS to adapt and apply them effectively for other important HSS clients, including hospitals, colleges, municipal facilities, office structures, and corporate campuses.
- **In 2007, the division won these prestigious contracts after a competitive process that involved several of the major national U.S. security firms. HSS implemented security and management staffing for several significant programs:**

Denver International Airport Total Queue Management and Registered Traveler Program.

Orlando International Airport security services.

Reno/Tahoe International Airport Registered Traveler Program.

U.S. Olympic Training Center security services.

- **Employees recognized for superior customer service in 2007 included:**

In May 2007, HSS Security officer Jodene Ernsberger became aware that a woman and her children were stranded at Denver International Airport. Because they lacked the financial means to continue their trip, Jodene arranged food and shelter for them for the night and transportation to the bus terminal for the trip home. Jodene's personal sharing and caring actions greatly enhanced the image of HSS Security at DIA.

HSS Security officer Shantell Powell was one of the first to respond to a call requesting assistance for a diabetic traveler at DIA. The first Denver paramedic to arrive asked Shantell to administer chest compressions while he cleared the woman's airway. She continued compressions for five minutes until additional paramedics arrived. After the scene had been cleared, Shantell thanked other HSS Security officers for assisting with crowd control and working as a team.

HSS Operations Support Center (OSC)

- The OSC provides a fully integrated central communications hub for our security programs. The center supports and coordinates the response of our security personnel with specialized software and dedicated security radio contact with officers, supervisors, and vehicle patrols. This expedites information sharing, shortens response time to calls for service, and enhances officer and customer safety.

- Professionally trained security dispatchers, coupled with emergency call notification capability, digital recording, detailed reports of all call activity, and radio communication provide effective risk and liability mitigation in the event of an adverse incident. The OSC also has a communications link with fire and police departments.
- HSS uses Nextel IDEN protocol and has the same governmental priority level as fire and police first responders, which ensures our ability to communicate during a disaster or other natural catastrophe. The HSS system is designed to be operational in all types of emergency/disaster situations.
- The OSC provides additional value to our clients with monitoring of electronic security systems (alarms, access control, and CCTV) and emergency communication devices.
- Alerts and mass notification of events allow for real-time sharing of information between facilities, aiding our clients' ability to respond during a disaster or incident that might migrate from one campus to another. Our shared service approach is provided at a fraction of the cost to operate an in-house service—and offers unmatched capabilities.

HSS Courier

- In October 2007, HSS Courier was selected by Denver's Hospice of Saint John to transport critical pharmaceuticals to patients in their homes, nursing homes, and the inpatient care facility—as well as to 13 associated organizations. Within months, Courier was making 600 deliveries monthly. Hospice of Saint John, founded in 1977, was the first hospice program in Colorado and the second in the nation. It is HSS' first hospice customer.
- Traditional fuel cars began to be replaced by fuel-efficient hybrid cars in 2007. The goal is to place 15 hybrid vehicles in service during 2008.
- Sabrina Partridge, Courier Supervisor, is consistently cited by HSS customers for her excellent customer service and follow through to ensure HSS meets their needs. As a result, this 10-year HSS employee has earned recognition as a PRIDE Champion four years in a row, a record no other HSS employee has surpassed. Marti Bok, Pharmacist, Denver Health Medical Center, says "I don't think I would have had as much success...if I did not work with Sabrina Partridge. She has made things extremely easy for me and has made bumps in the road turn smooth. I always know that whatever my needs are for delivery, they will be completed from start to finish if she is involved. She is a joy to work with."

HSS Environmental Health & Safety

- The Biological Cabinet Certification Program continues to grow strongly, increasing by 32 percent and adding both large hospital accounts as well as smaller clients that need this service.
- A significant challenge for the division in 2007 was to develop a protocol for testing particle count air movement in the Bone Marrow Transplant rooms at The Children's Hospital. It is critical that these rooms be sterile to protect the fragile immune systems of the hospital's littlest patients. We are proud that our protocol and recommendations enabled the hospital's oncology unit to decide on the best room design to ensure a sterile environment.

HSS Medical Equipment Management

- The division continues to expand in Kansas, with 39 customers now serviced by HSS Medical Equipment professionals, including seven hospitals. Radiology equipment maintenance was added in 2007.
- The Children's Hospital completed a move to a new location without disruption to patient care. Medical Center of the Rockies began service on Valentine's Day 2007. HSS Biomedical Technicians from all areas of Colorado assisted these hospitals by performing physical inventories, asseting new medical equipment, reinspecting medical equipment from the old site prior to using it at the new site, and assisting with installation of new medical equipment as needed.
- Many thanks to Charles Garascia who retired after 26 years as Vice President of the Medical Equipment Management Division. Rowdy Teague will be assuming responsibilities as Vice President of Medical Equipment Management, Sterilizer, and Environmental Health & Safety.
- HSS recognized the customer service contributions of Ed Benner, Sr. Field Service Engineer, last year. He also was commended for his work ethic by Salud Family Health Center: "Ed is very knowledgeable, very honest, and very pleasant to work with at all times. You're the best field technician that I have come across in a very long time!" Ed's direct supervisor commented, "Ed has consistently proven himself as 'The Best of the Best' throughout his 10-year employment at HSS."

HSS Staffing

- The division designed a Specialized Sitters program in 2007 to help hospitals reduce the need to use their staff or security officers in the Emergency Department, or elsewhere, for the often full-time job of monitoring patients with temporary or chronic situations who can be a danger to themselves or others. More than 80 certified mental health counselors on the HSS staff are available as Specialized Sitters. "Hospitals find the program less costly and more therapeutic for patients," notes Donna Scott, Director of Professional Staffing, who developed the program with Dennis Parr, Vice President of Healthcare Security. "We had a 35 percent increase in staffing hours by year-end after introducing Specialized Sitters."

HSS Sterilizer Maintenance

- Bruce Schaff, Manager of the Sterilizer Maintenance Program, earned HSS recognition for his initiative in introducing the WaterMizer™ program to HSS sterilizer customers. The program resulted from installing this water conservation product on all new sterilizers sold by HSS after 2006. The first installation was at Exempla Saint Joseph Hospital in Denver. It was adopted in 2007 by National Jewish Hospital in Denver and Vail Valley Medical Center in Vail, Colorado. In 2007, the water savings for these customers totaled 25 million gallons annually.

OUR MISSION

Provide personalized, technical, and professional service programs to enhance the value of our customers' business



OUR CORE VALUES

Always make things right for our customer

Be integrated into our customers' culture

Be an ambassador for each customer

Conduct all business with honesty and integrity
as individuals and as an organization

Create innovative approaches to deliver
total solutions for customers

Maintain a reputation for service excellence
and program quality

Value our employees and their contribution
to HSS and to our customers



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www.hss-us.com