



Special Situations Report

A Special Bonus Report for OTC Growth Stock Watch Subscribers

BUSINESS SUMMARY

Southern Home Medical Equipment, Inc. (*Pink Sheets: SHOM*) (“Southern Home”) is a holding company focused on providing medical staffing, services and equipment to physicians, hospitals, clinics, nursing homes, rehab centers and other medical institutions (collectively “clients”) nationwide. Through its franchise division, Encore Medical Staffing (“Encore”), the Company provides clients with registered nurses and licensed practical nurses (RNs/LPNs), billing specialists, customer service reps, delivery techs, marketing and sales staff, and other health care personnel on a contractual and supplemental basis. Through its Apnea Rx division, Southern Home provides a comprehensive array of respiratory services and durable medical equipment (DME). Apnea Rx provides clients with certified respiratory therapists, at-home sleep apnea testing and equipment, oxygen therapy replacement supplies and other medical equipment.

MEDICAL STAFFING

Encore franchises are managed by nurses who understand first-hand the importance of improving patient quality of care and access to life-saving services. Southern Home ensures success of each Encore franchise by providing all back office support, including billing, marketing and an IT infrastructure, from SHOM’s central office in Lyman, SC. This streamlined structure enables Encore to expand more rapidly and efficiently, while leveraging economies of scale.

Encore only hires professionals who pass a thorough screening, including license and CPR validation; formal skill assessments; OSHA & HIPPA forms; background checks and drug screening. Encore’s team of highly qualified and reliable professionals enjoy the freedom of working on a per diem, temporary or longer-term, contractual basis. Nurses and other staff are available on request, 24/7/365, which is essential for Encore’s numerous hospital



Durable Medical Equipment

Accredited through Healthcare Quality Association of Accreditation



clients. Encore operates nine offices located in Charleston, Columbia, Greenville, Florence and Lake Hartwell, South Carolina; Nashville, Tennessee; Baltimore, Maryland; Dunwoody, Georgia; and Philadelphia, Pennsylvania.

RESPIRATORY SERVICES

Through its Apnea Rx division, Southern Home provides medical facilities with access to certified respiratory therapists as well as range of equipment such as wheelchairs, hospital beds, patient lifts, tracheotomy supplies, oxygen concentrators and portable oxygen tanks. Contracted therapists allow institutions to meet their staffing shortages, while saving thousands of dollars spent annually on hiring and retaining full-time employees. Clients can grow more efficiently using a single company, Southern Home, for its oxygen replacement therapy, respiratory and state-of-the-art DME needs.

Apnea Rx recently began marketing in-home sleep apnea testing equipment for use by general practitioners. This device enables any physician to test for sleep apnea within a home environment, rather than a laboratory. Doctors can reach many more patients, including those most at



Stock Information



Business:	Healthcare
Pink Sheets Symbol:	SHOM
Recent Price:	\$0.01 (4/18/11)
52-Week Range:	\$0.01 - 0.0009
Average Daily Volume:	185,000
Public Float:	75.3 Million
Shares Outstanding:	156 Million
Market Cap:	\$1.6 Million

risk such as the elderly, obese and disabled, who may be unable to travel. Doctors can generate additional revenues from these avenues, while Apnea benefits from selling both the test and breathing apparatuses to help treat those afflicted.

MARKET DRIVERS

The U.S. health care industry is undergoing a great transformation. One of the most profound changes affecting health care

Investment Highlights

- Industry Demand** - Analysts with the Bureau of Labor Statistics project that more than 581,000 new RN positions will be created through 2018.
- Under-served Market** - Division Apnea Rx is targeting the estimated 18 million Americans who suffer from the under-diagnosed breathing disorder known as sleep apnea.
- Targeting Fourth Deadliest Disease** - Chronic lung disease is the fourth leading cause of death for adults in the U.S., and the cost of treatment is projected to skyrocket from an estimated \$389.2 billion in 2011 to \$832.9 billion in 2021 (source: CDC)
- National Expansion:** SHOM currently operates franchises in South Carolina, Tennessee, Georgia, Maryland & Pennsylvania, and is targeting M&As in the Mid-Atlantic states.
- Multiple Revenue Streams:** Encore Staffing contributes franchise and royalty fees, while Apnea Rx sells and rents respiratory apparatuses and other medical equipment.
- Profitable & Growing:** In the first quarter of 2011, Southern Home Medical recorded record revenues of \$251,026 with a net income of \$9,407, and has no long-term debt.
- Management Expertise** - SHOM recently appointed a 20-year health care veteran to run its Apnea Rx division.



expenditures is an aging U.S. population. According to Pew Research, the Baby Boomer population (those age 65 and up) will grow by 10,000 new people, each year, for the next 19 years. While in 2010, the U.S. added slightly over 500,000 new Medicare patients, in 2011, aging Baby Boomers will add close to 2,000,000 additional Medicare patients starting in 2011.

By 2014, Obama's sweeping Federal Healthcare Reform Act will require that all Americans have health insurance. As a result, 32 million of today's uninsured will begin to flood the market. Medical staffing and equipment in hospitals, clinics and elder-care institutions will be pushed to their limits. In December 2009, the Bureau of Labor Statistics (BLS) projected that more than 581,500 new RN positions will be created through 2018. A shortfall in nurses is expected to increase to 625,000 by 2025, according to nurse workforce expert Dr. Peter Buerhaus of Vanderbilt University Medical Center.

As with many other diseases, respiratory illness tends to increase with age. The Centers for Disease Control and Prevention lists chronic lower respiratory disease, which includes bronchitis, emphysema, COPD, and asthma, as the fourth leading cause of death in U.S. adults. Medicare alone spent over \$8 Billion on respiratory disease, excluding pneumonia, in 2006, a figure that is bound to increase tremendously with the aging of America.

Sleep apnea is another breathing disorder that affects older populations, 40% of the 18 million Americans with the condition are over the age of 65. The need to detect and control sleep apnea is on the rise as Americans are getting older and living longer than ever before.

SPECIALIZED PROGRAMS

Southern Home recently launched its Respi-Care Respiratory Therapy Program. Respi-Care combines DME facilities with the caregiver expertise of Southern Home's ApneaRx and Encore divisions. Respi-Care provides certified respiratory therapists along with the latest in respiratory therapy equipment, patient assessment and education to both the patient and health care staff. The program delivers top-notch specialized treatment for sleep apnea, bronchodilator therapy, tracheotomy care and other respiratory illnesses.

The program is now available to patients through home health, skilled nursing and other facilities. Respi-Care can be contracted on per-hour basis and billed to health care providers as appropriate. SHOM has contracts with major insurance carriers including Medicare, Medicaid Tricare and Blue Cross/Blue Shield to cover its services.

Respi-Care will soon be implemented in all of nine Encore franchise locations. Southern Home has received numerous franchise requests in other territories and is actively pursuing these expansion opportunities.

CONCLUSION: HEALTHY OUTLOOK

Southern Home is leveraging the success of its franchise business model, DME and medical staffing expertise to meet emerging

and largely under-served health care markets. With the launch of its new Respi-Care program and the opening of new franchises, growth is anticipated across both Encore and Apnea Rx divisions. Along with strong organic growth, the Company is seeking merger and acquisition candidates that can result in an expanded national footprint as well provide greater economies of scale to improve margins and profit potential.

With a solid market presence on the Eastern Seaboard, Southern Home has engaged the services of Waterford Holdings Group, a boutique investment and consulting company that provides equity, debt and mezzanine financing for small businesses. With Waterford's expertise and broad investor contacts, Southern Home has a leg up on the competition to identify and secure funding for new acquisitions, primarily in the Mid-Atlantic states. This is part of the Company's overall goal to create exponential revenues and earnings potential.

After two consecutive years of growth, zero long-term debt, and the establishment of multiple, new revenue sources, Southern Home is well on its way to enhancing shareholder value in 2011 and beyond.

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Experienced Leadership

Jeffrey L. Sarvis, President & CEO, began his professional career with Spartan Food Systems. He served as District Leader, Regional Leader, and Divisional Leader. In 1994, Mr. Sarvis was appointed to Vice President where he was responsible for all phases of the operation of 215 locations. In 1996, Mr. Sarvis became President of Rodger Reality Investments, a start-up company that grew to 220 employees. Mr. Sarvis has served as a director for the company since August 2007.

Jerry W. Overcash, Director, has over 30 years of experience starting, developing and expanding technology and human capital related businesses. His focus has been to help companies create value for their clients and shareholders. Mr. Overcash has held sales, marketing and executive management positions in a number of technology companies focused on supply chain, corporate compliance and human capital management. This includes tenures at Manugistics, Elogex and Arzoon from the supply chain industry and Peopleclick and Intercede in the human capital and risk management arena. He is currently President and CEO of Intercede, a privately held risk management and concern reporting solutions vendor with a global fortune 500-client base.

Chris Ducker, Respiratory Therapist, has over 20 years experience in the healthcare industry. Chris has worked with Bon Secours St. Francis health system in Greenville, SC. He also served as Regional Vice President with Meridian Healthcare Group in Florida, a pulmonary rehabilitation company. Chris has vast skills of respiratory, oxygen, vent and tracheotomy patient knowledge to assist clients with arising needs in their facilities.

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