AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 14, 2001

REGISTRATION NO. 333-65168

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2

TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

AMN HEALTHCARE SERVICES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	8099	06-1500476
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(IRS EMPLOYER IDENTIFICATION NUMBER)

12235 EL CAMINO REAL, SUITE 200
SAN DIEGO, CALIFORNIA 92130
(800) 282-0300
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

STEVEN C. FRANCIS
PRESIDENT AND CHIEF EXECUTIVE OFFICER
AMN HEALTHCARE SERVICES, INC.
12235 EL CAMINO REAL, SUITE 200
SAN DIEGO, CALIFORNIA 92130
(800) 282-0300
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

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NEW YORK, NEW YORK 10019-6064	NEWTON, MASSACHUSETTS 02466
(212) 373-3000	(617) 663-5700

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [ ] ------

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [ ] ------

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [ ] ------

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE (2)
Common Stock, $0.01 par value per share.....	$184,000,000	$46,000.00

(1)Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o).

(2)$2,875.00 of the registration fee is being paid herewith. $43,125.00 of such fee was previously paid.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SUCH SECTION 8(a), MAY DETERMINE.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED WITHOUT NOTICE. AMN HEALTHCARE SERVICES, INC. MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES, AND AMN HEALTHCARE SERVICES, INC. IS NOT SOLICITING OFFERS TO BUY THESE SECURITIES, IN ANY STATE WHERE THE OFFER OR SALE OF THESE SECURITIES IS NOT PERMITTED.

Prospectus (Not Complete)

Issued September 14, 2001

10,000,000 SHARES

[AMN HEATHCARE SERVICES, INC. LOGO]

COMMON STOCK

AMN Healthcare Services, Inc. is offering 10,000,000 shares of common stock in our initial public offering. We anticipate that the initial public offering price for our shares will be between $14.00 and $16.00 per share. After this offering, the market price for our shares may be outside of this range.

Our common stock has been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the symbol "AHS."

INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 7.

	Per Share	Total
Offering Price	$	$
Discounts and Commissions to Underwriters	$	$
Offering Proceeds to AMN Healthcare Services, Inc.	$	$

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

We have granted the underwriters the right to purchase up to an additional 1,500,000 shares of our common stock to cover any over-allotments. The underwriters can exercise this right at any time within thirty days after this offering. Banc of America Securities LLC expects to deliver the shares of common stock to investors on , 2001.

JOINT BOOK-RUNNING MANAGERS

BANC OF AMERICA SECURITIES LLC UBS WARBURG

JPMORGAN

, 2001

[ART WORK: COMPANY LOGO, SLOGAN ("A LEADER IN HEALTHCARE STAFFING") AND A FULL PAGE PHOTO OF TWO NURSES WORKING IN A HOSPITAL HALLWAY.]

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in the common stock. You should read the entire prospectus carefully, especially the risks of investing in our common stock discussed under "Risk Factors." Unless we state otherwise, the terms "we," "us" and "our" refer to AMN Healthcare Services, Inc. and its subsidiaries. Some of the statements in this "Prospectus Summary" are forward-looking statements. See "Forward-Looking Statements."

THE COMPANY

We are a leading temporary healthcare staffing company and the largest nationwide provider of travel nurse staffing services, one of the fastest growing segments of the temporary healthcare staffing industry. We recruit nurses and allied health professionals, our "temporary healthcare professionals," and place them on temporary assignments, typically for 13 weeks away from their permanent homes, at hospitals and healthcare facilities throughout the United States. Approximately 90% of our temporary healthcare professionals are nurses, while the remainder are technicians, therapists and technologists. We are actively working with a pre-screened pool of over 25,000 prospective temporary healthcare professionals, of whom over 6,100 were on assignment as of August 2001. Additionally, in August 2001, we had over 15,500 open orders from our network of over 2,500 hospital and healthcare facility clients.

In recent years our business has grown significantly, outpacing the growth of the temporary healthcare staffing market. From 1996 to 2000, our revenue and Adjusted EBITDA (as defined) increased at compound annual growth rates of 48% and 58%, respectively. Approximately one-third of this growth was generated through strategic acquisitions, while the remaining two-thirds was generated through the organic growth of our operations. On a combined basis, assuming all of our acquisitions had occurred on January 1, 1999, we would have generated revenues of $412.9 million and Adjusted EBITDA of $50.1 million for the twelve months ended June 30, 2001. This represents organic compound annual growth rates of 48% and 83%, respectively, since 1999.

We market our services to two distinct customer bases: (1) temporary healthcare professionals and (2) hospital and healthcare facility clients. To enhance our ability to successfully attract temporary healthcare professionals, we use a multi-brand recruiting strategy to recruit in the United States and internationally under our five separate brand names: American Mobile Healthcare, Medical Express, NursesRx, Preferred Healthcare Staffing and O'Grady-Peyton International. Our large number of hospital and healthcare facility clients allows us to offer traveling positions in all 50 states, and in a variety of work environments. We believe that we attract temporary healthcare professionals due to our long-standing reputation for providing a high level of service, our numerous job opportunities and our most effective recruiting tool, word-of-mouth referrals from our thousands of current and former temporary healthcare professionals. As discussed further in "Risk Factors," our ability to remain competitive in obtaining and retaining temporary healthcare professionals is important to our future growth.

We have established a growing and diverse hospital and healthcare facility client base, ranging from national healthcare providers to premier teaching and regional hospitals. We currently hold contracts with approximately 42% of all acute-care hospitals in the United States, where we place the vast majority of our temporary healthcare professionals. Hospital and healthcare facilities utilize our services to help cost-effectively manage staff shortages, new unit openings, seasonal variations and other flexible staffing needs. As discussed further in "Risk Factors," we operate in a highly competitive market and our success also depends on our ability to remain competitive in obtaining and retaining hospital and healthcare facility clients. In particular, our business depends upon our ability to secure and fill new orders from our hospital and healthcare facility clients because we do not have long-term agreements or exclusive contracts with them.

MARKET OPPORTUNITY AND COMPETITIVE STRENGTHS

We believe that the following industry characteristics and competitive strengths provide us an attractive opportunity to profitably grow our business:

- FAVORABLE INDUSTRY DYNAMICS. Favorable industry trends have increased demand in the $7.2 billion temporary healthcare staffing industry, which is projected to grow 21%, to $8.7 billion, in 2001. We believe these trends will continue to grow demand for our services. Key industry dynamics include:

  -- Increasing Healthcare Expenditures. The Centers for Medicare & Medicaid Services projects healthcare expenditures will increase by approximately $1.3 trillion over the next decade, to $2.6 trillion. This growth is expected to be fueled by an increasingly aging U.S. population and by advances in medical technology.

  -- Increasing Nurse Vacancies. Most regions of the United States are experiencing a shortage of nurses. The American Hospital Association estimates that up to 126,000 position vacancies currently exist for registered nurses, representing approximately 10% of the current hospital-based nursing workforce. A study published in the Journal of the American Medical Association projects that the registered nurse workforce will be nearly 20% below projected requirements by 2020.

  -- Continuing Shift to Outsourced Services. In the current cost containment environment, hospitals and healthcare facilities are increasingly using flexible staffing models to more effectively manage labor costs and fluctuations in demand for their services.

- CONSISTENT GROWTH OF REVENUE AND PROFITS. From 1996 to 2000, our revenue and Adjusted EBITDA increased at compound annual growth rates of 48% and 58%, respectively. On a combined basis, assuming all of our acquisitions had occurred on January 1, 1996, the compound annual growth rate of our revenues from 1996 to 2000 would have been 30%. As discussed further in "Risk Factors," if we are unable to attract qualified nurses and other allied healthcare professionals for our healthcare staffing business at reasonable costs, it could increase our operating costs and negatively impact our revenue and profits.

- NATIONWIDE PRESENCE AND SCALE. Our broad client base helps us attract potential temporary healthcare professionals, as we offer more employment opportunities than our smaller competitors. Within our industry, we have the largest number of working temporary healthcare professionals, which generates a strong volume of word-of-mouth referrals. In addition, our size provides us with economy of scale benefits in our administrative areas, information systems, benefits and housing programs.

- PROVEN MULTI-BRAND RECRUITING STRATEGY. We have capitalized on our multi-brand recruiting strategy by utilizing our five strong brand names, complementary geographic concentrations and cross-selling opportunities to successfully recruit temporary healthcare professionals. Each of our five brands has significant opportunity for growth through leveraging our nationwide presence, extensive temporary healthcare professional network and hospital client base.

- ESTABLISHED INTERNATIONAL RECRUITING BRAND. Our recent acquisition of O'Grady-Peyton International (USA), Inc. expanded our traveler recruiting capabilities beyond the United States. O'Grady-Peyton International is the leading recruiter of registered nurses from English-speaking foreign countries for placement in the United States, with approximately 20 years of international recruiting experience.

- NO DIRECT REIMBURSEMENT RISK. We are not subject to direct reimbursement risk from Medicare, Medicaid or any other federal or state healthcare reimbursement programs. We contract with, and are paid directly by, our hospital and healthcare facility clients.

- EXPERIENCED MANAGEMENT. We have an experienced management team, which has successfully expanded our business, grown our revenues and Adjusted EBITDA, and integrated strategic acquisitions. Our six senior operating officers have worked an average of 12 years in the temporary

healthcare staffing industry. Steven Francis, our President and CEO, co-founded our company in 1985, and has been instrumental in shaping the growth of the travel nurse staffing sector.

For a discussion of risks and uncertainties related to our business and an investment in our common stock, see "Risk Factors."

We were incorporated in Delaware on November 10, 1997. Our corporate headquarters is located at 12235 El Camino Real, Suite 200, San Diego, California 92130. Our telephone number is (800) 282-0300 and our corporate website is www.amnhealthcare.com. The information on our website is not part of this prospectus.

THE OFFERING

Common stock offered.....	10,000,000 shares
Common stock outstanding after the offering.....	40,714,643 shares
Use of proceeds.....	We intend to use the net proceeds from this offering to repay indebtedness under our credit facility and our senior subordinated notes. The remaining net proceeds, if any, will be used for working capital and general corporate purposes. See "Use of Proceeds."
New York Stock Exchange Symbol.....	"AHS"

Unless we indicate otherwise, the number of shares of common stock to be outstanding after this offering is based on the number of shares outstanding as of , 2001 and excludes 7,710,936 shares of common stock reserved for issuance under our stock option plans, of which 5,727,955 shares are subject to options outstanding at a weighted average exercise price of $4.98 per share.

Unless we indicate otherwise, the information in this prospectus assumes:

- that the underwriters will not exercise their over-allotment option;
- the exercise of an outstanding warrant resulting in the issuance of 1,879,628 shares immediately prior to this offering (assuming a cashless exercise of the warrant with a fair market valuation based upon an initial offering price of $15.00 per share, the mid-point of the range shown on the cover page of this prospectus); and
- a 43.10849-for-1 stock split of our common stock effected , 2001.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. WE ARE NOT MAKING AN OFFER TO SELL THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED. YOU SHOULD ASSUME THAT THE INFORMATION APPEARING IN THIS PROSPECTUS IS ACCURATE AS OF THE DATE ON THE FRONT COVER OF THIS PROSPECTUS ONLY. OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS MAY HAVE CHANGED SINCE THAT DATE.

SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

You should read the following summary consolidated financial and operating data in conjunction with "Selected Consolidated Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," our pro forma financial statements, our historical financial statements and the historical financial statements of Nurses RX, Inc., Preferred Healthcare Staffing, Inc., and O'Grady-Peyton International (USA), Inc. and the related notes appearing elsewhere in this prospectus.

The following table summarizes our consolidated financial and operating data as of June 30, 2001, and for the years ended December 31, 1998, 1999 and 2000 and for the six months ended June 30, 2000 and 2001, prepared from our historical accounting records. The pro forma consolidated statements of operations and other financial and operating data for the year ended December 31, 2000 and for the six months ended June 30, 2000 give effect to the acquisitions of NursesRx, Preferred Healthcare Staffing and O'Grady-Peyton International, as well as this offering, as if these events had occurred on January 1, 2000. The pro forma consolidated statements of operations and other financial and operating data for the six months ended June 30, 2001 give effect to the acquisition of O'Grady-Peyton International, as well as this offering, as if these events had occurred on January 1, 2000. The as adjusted consolidated balance sheet data as of June 30, 2001 gives effect to this offering as of such date. The pro forma information is not necessarily indicative of the actual results of operations that would have occurred had the acquisitions of NursesRx, Preferred Healthcare Staffing and O'Grady-Peyton International and this offering occurred on the assumed dates nor do they represent any indication of future performance.

	YEARS ENDED DECEMBER 31,				SIX MONTHS ENDED JUNE 30,			
	1998	1999	2000	2000 PRO FORMA	2000	2001	2000 PRO FORMA	2001 PRO FORMA
				(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
	(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)							
CONSOLIDATED STATEMENTS OF OPERATIONS:								
Revenue	$ 87,718	$146,514	$230,766	$326,355	$90,996	$219,169	$143,231	$229,751
Cost of revenue	67,244	111,784	170,608	241,984	68,478	164,235	106,374	171,608
Gross profit	20,474	34,730	60,158	84,371	22,518	54,934	36,857	58,143
Expenses:								
Selling, general and administrative (excluding non-cash stock-based compensation)	12,804	20,677	30,728	44,599	12,280	30,820	21,682	32,638
Non-cash stock-based compensation(1)	--	--	22,379	54,150	10,601	8,731	54,150	--
Amortization	1,163	1,721	2,387	5,735	867	2,696	2,875	2,864
Depreciation	171	325	916	1,207	324	879	618	904
Transaction costs(2)	--	12,404	1,500	1,500	--	--	--	--
Total expenses	14,138	35,127	57,910	107,191	24,072	43,126	79,325	36,406
Income (loss) from operations	6,336	(397)	2,248	(22,820)	(1,554)	11,808	(42,468)	21,737
Interest income (expense), net	(2,476)	(4,030)	(10,006)	31	(4,575)	(7,997)	(14)	(36)
Income (loss) before minority interest, income taxes and extraordinary item	3,860	(4,427)	(7,758)	(22,789)	(6,129)	3,811	(42,482)	21,701
Minority interest in earnings of subsidiary(3)	(657)	(1,325)	--	--	--	--	--	--
Income tax (expense) benefit	(1,571)	872	2,560	7,520	2,023	(1,982)	14,019	(11,284)
Income (loss) before extraordinary item	1,632	(4,880)	(5,198)	(15,269)	(4,106)	1,829	(28,463)	10,417
Extraordinary loss on early extinguishment of debt, net of income tax benefit	--	(730)	--	N/A	--	--	N/A	N/A
Net income (loss)	$ 1,632	$ (5,610)	$ (5,198)	$(15,269)	$(4,106)	$ 1,829	$(28,463)	$ 10,417
Net income (loss) per common share:								
Basic	$ 3.96	$ (11.13)	$ (9.96)	$ (16.17)	$ (8.64)	$ 2.73	$ (30.15)	$ 11.03
Diluted	$ 3.96	$ (11.13)	$ (9.96)	$ (16.17)	$ (8.64)	$ 2.51	$ (30.15)	$ 10.13
Weighted average common shares outstanding:								
Basic	412	504	522	944	475	669	944	944
Diluted	412	504	522	944	475	729	944	1,028
Pro forma split adjusted net income (loss) per common share:(4)								
Basic	$ 0.09	$ (0.26)	$ (0.23)	$ (0.38)	$ (0.20)	$ 0.06	$ (0.70)	$ 0.26
Diluted	$ 0.09	$ (0.26)	$ (0.23)	$ (0.38)	$ (0.20)	$ 0.06	$ (0.70)	$ 0.24
Pro forma split adjusted weighted average common shares outstanding:(4)								
Basic	17,751	21,715	22,497	40,715	20,461	28,835	40,715	40,715
Diluted	17,751	21,715	22,497	40,715	20,461	31,421	40,715	44,325
OTHER FINANCIAL AND OPERATING DATA:								
Revenue growth	N/A	67%	58%	N/A	N/A	141%	N/A	60%
Average temporary healthcare professionals on assignment	1,444	2,289	3,166	4,402	2,659	5,368	4,074	5,606
Growth in average temporary healthcare professionals on assignment	N/A	59%	38%	N/A	N/A	102%	N/A	38%

Capital expenditures.....	$ 690	$ 1,656	$ 2,358	$ 3,067	$ 756	$ 1,794	$ 1,144	$ 1,865
Adjusted EBITDA(5).....	$ 7,670	$ 14,053	$ 29,430	$ 39,772	$10,238	$ 24,114	$ 15,175	$ 25,505
Adjusted EBITDA growth.....	N/A	83%	109%	N/A	N/A	136%	N/A	68%

	AS OF JUNE 30, 2001	
	ACTUAL	AS ADJUSTED(6)
	(UNAUDITED) (IN THOUSANDS)	
CONSOLIDATED BALANCE SHEET DATA:		
Cash and cash equivalents	$ 2,594	$ 2,594
Working capital	50,252	61,502
Total assets	239,838	239,838
Total long-term debt, including current portion	137,791	4,610
Total stockholders' equity	77,115	210,296

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(1) Non-cash stock-based compensation represents compensation expense related to our performance-based stock option plans to reflect the difference between the fair market value and the exercise price of stock options previously issued to our officers. See Note 8 of Notes to Consolidated Financial Statements for AMN Healthcare Services, Inc. Upon consummation of this offering, options to purchase 5,181,642 shares of our common stock will be vested and will have an average exercise price $10.45 below the assumed initial offering price of $15.00 per share. As a result, based upon an assumed initial offering price of $15.00 per share, we expect to record an additional non-cash stock-based compensation charge of $18.7 million in the quarter in which this offering occurs. Following the quarter in which this offering occurs, we do not expect to incur additional non-cash stock-based compensation charges in excess of $250,000 per quarter.

(2) Transaction costs represent non-capitalized costs incurred in connection with our 1999 recapitalization and our acquisition of Preferred Healthcare Staffing.

(3) On October 18, 1999, the minority stockholder of one of our subsidiaries exchanged his shares of the subsidiary for our shares. As a result, no minority interest is reflected after that date.

(4) Reflects the 43.10849-for-1 stock split of our common stock which will become effective upon the effective date of this offering.

(5) Adjusted EBITDA represents income (loss) from operations plus depreciation, amortization, transaction costs and non-cash stock-based compensation expense. Adjusted EBITDA is presented because we believe that it is a widely accepted financial indicator used by certain investors and securities analysts to analyze and compare companies on the basis of operating performance. Adjusted EBITDA is not intended to represent cash flows for the period, nor has it been presented as an alternative to operating income as an indicator of operating performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Adjusted EBITDA, as we define it, is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation. See our historical and unaudited pro forma financial statements and the related notes appearing elsewhere in this prospectus.

(6) As adjusted to reflect our receipt of the net proceeds from this offering at an assumed initial public offering price of $15.00 per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses, and application of such proceeds as set forth under "Use of Proceeds."

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should consider carefully the following information about these risks, together with the other information contained in this prospectus, before buying shares of our common stock. Any of the risk factors we describe below could severely harm our business, financial condition and results of operations. The market price of our common stock could decline if one or more of these risks and uncertainties develop into actual events. You may lose all or part of the money you paid to buy our common stock. Some of the statements in "Risk Factors" are forward-looking statements. See "Forward-Looking Statements."

IF WE ARE UNABLE TO ATTRACT QUALIFIED NURSES AND OTHER ALLIED HEALTHCARE PROFESSIONALS FOR OUR HEALTHCARE STAFFING BUSINESS AT REASONABLE COSTS, IT COULD INCREASE OUR OPERATING COSTS AND NEGATIVELY IMPACT OUR BUSINESS.

We rely significantly on our ability to attract and retain nurses and other allied healthcare professionals who possess the skills, experience and licenses necessary to meet the requirements of our hospital and healthcare facility clients. We compete for healthcare staffing personnel with other temporary healthcare staffing companies and with hospitals and healthcare facilities. We must continually evaluate and upgrade our temporary healthcare professional network to keep pace with our hospital and healthcare facility clients' needs. Currently, there is a shortage of qualified nurses in most areas of the United States, competition for nursing personnel is increasing, and salaries and benefits have risen. We may be unable to continue to increase the number of temporary healthcare professionals that we recruit, decreasing the potential for growth of our business. Our ability to attract and retain temporary healthcare professionals depends on several factors, including our ability to provide temporary healthcare professionals with assignments that they view as attractive and to provide them with competitive benefits and wages. We cannot assure you that we will be successful in any of these areas. The cost of attracting temporary healthcare professionals and providing them with attractive benefit packages may be higher than we anticipate and, as a result, if we are unable to pass these costs on to our hospital and healthcare facility clients, our profitability could decline. Moreover, if we are unable to attract and retain temporary healthcare professionals, the quality of our services to our hospital and healthcare facility clients may decline and, as a result, we could lose clients.

WE OPERATE IN A HIGHLY COMPETITIVE MARKET AND OUR SUCCESS DEPENDS ON OUR ABILITY TO REMAIN COMPETITIVE IN OBTAINING AND RETAINING HOSPITAL AND HEALTHCARE FACILITY CLIENTS AND TEMPORARY HEALTHCARE PROFESSIONALS.

The temporary healthcare staffing business is highly competitive. We compete in national, regional and local markets with full-service staffing companies and with specialized temporary staffing agencies. Some of our competitors in the temporary nurse staffing sector include Cross Country, InteliStaf, Medical Staffing Network and RehabCare Group. Some of these companies may have greater marketing and financial resources than us. We believe that the primary competitive factors in obtaining and retaining hospital and healthcare facility clients are identifying qualified healthcare professionals for specific job requirements, providing qualified employees in a timely manner, pricing services competitively and effectively monitoring employees' job performance. We compete for temporary healthcare professionals based on the quantity, diversity and quality of assignments offered, compensation packages and the benefits that we provide. Competition for hospital and healthcare facility clients and temporary healthcare professionals may increase in the future and, as a result, we may not be able to remain competitive. To the extent competitors seek to gain or retain market share by reducing prices or increasing marketing expenditures, we could lose revenues or hospital and healthcare facility clients and our margins could decline, which could seriously harm our operating results and cause the price of our stock to decline. In addition, the development of alternative recruitment channels could lead our hospital and healthcare facility clients to bypass our services, which would also cause our revenues and margins to decline.

OUR BUSINESS DEPENDS UPON OUR ABILITY TO SECURE AND FILL NEW ORDERS FROM OUR HOSPITAL AND HEALTHCARE FACILITY CLIENTS BECAUSE WE DO NOT HAVE LONG-TERM AGREEMENTS OR EXCLUSIVE CONTRACTS WITH THEM.

We do not have long-term agreements or exclusive guaranteed order contracts with our hospital and healthcare facility clients. The success of our business is dependent upon our ability to continually secure new orders from hospitals and other healthcare facilities and to fill those orders with our temporary healthcare professionals. Our hospital and healthcare facility clients are free to place orders with our competitors and choose to use temporary healthcare professionals that our competitors offer them. Therefore, we must maintain positive relationships with our hospital and healthcare facility clients. If we fail to maintain positive relationships with our hospital and healthcare facility clients, we may be unable to generate new temporary healthcare professional orders and our business may be adversely affected.

FLUCTUATIONS IN PATIENT OCCUPANCY AT THE HOSPITAL AND HEALTHCARE FACILITIES OF OUR CLIENTS MAY ADVERSELY AFFECT THE DEMAND FOR OUR SERVICES AND THEREFORE THE PROFITABILITY OF OUR BUSINESS.

Demand for our temporary healthcare staffing services is significantly affected by the general level of patient occupancy at our hospital and healthcare clients' facilities. When occupancy increases, temporary employees are often added before full-time employees are hired. As occupancy decreases, hospital and healthcare facility clients typically will reduce their use of temporary employees before undertaking layoffs of their regular employees. In addition, we may experience more competitive pricing pressure during periods of occupancy downturn. Occupancy at our healthcare clients' facilities also fluctuates due to the seasonality of some elective procedures. We are unable to predict the level of patient occupancy at any particular time and its effect on our revenues and earnings.

HEALTHCARE REFORM COULD NEGATIVELY IMPACT OUR BUSINESS OPPORTUNITIES, REVENUES AND MARGINS.

The U.S. government has undertaken efforts to control growing healthcare costs through legislation, regulation and voluntary agreements with medical care providers and drug companies. In the recent past, the U.S. Congress has considered several comprehensive healthcare reform proposals. The proposals were generally intended to expand healthcare coverage for the uninsured and reduce the growth of total healthcare expenditures. While the U.S. Congress did not adopt any comprehensive reform proposals, members of Congress may raise similar proposals in the future. If any of these proposals are approved, hospitals and other healthcare facilities may react by spending less on healthcare staffing, including nurses. If this were to occur, we would have fewer business opportunities, which could have a material adverse effect on our business.

State governments have also attempted to control the growth of healthcare costs. For example, the state of Massachusetts has recently implemented a regulation that limits the hourly rate paid to temporary nursing agencies for registered nurses, licensed practical nurses and certified nurses aides. While the current regulation does not apply to us, if similar regulations were to be applied to longer term contracts in states in which we operate, our revenues and margins could decrease.

Furthermore, third party payors, such as health maintenance organizations, increasingly challenge the prices charged for medical care. Failure by hospitals and other healthcare facilities to obtain full reimbursement from those third party payors could reduce the demand or the price paid for our services.

WE OPERATE IN A REGULATED INDUSTRY AND CHANGES IN REGULATIONS OR VIOLATIONS OF REGULATIONS MAY RESULT IN INCREASED COSTS OR SANCTIONS THAT COULD REDUCE OUR REVENUES AND PROFITABILITY.

The healthcare industry is subject to extensive and complex federal and state laws and regulations related to professional licensure, conduct of operations, payment for services and payment for referrals. If we fail to comply with the laws and regulations that are directly applicable to our business, we could suffer civil and/or criminal penalties or be subject to injunctions or cease and desist orders.

Our business is generally not subject to the extensive and complex laws that apply to our hospital and healthcare facility clients, including laws related to Medicare, Medicaid and other federal and state healthcare programs. However, these laws and regulations could indirectly affect the demand or the prices paid for our

services. For example, our hospital and healthcare facility clients could suffer civil and/or criminal penalties and/or be excluded from participating in Medicare, Medicaid and other healthcare programs if they fail to comply with the laws and regulations applicable to their businesses. In addition, our hospital and healthcare facility clients could receive reduced reimbursements, or be excluded from coverage, because of a change in the rates or conditions set by federal or state governments. In turn, violations of or changes to these laws and regulations that adversely affect our hospital and healthcare facility clients could also adversely affect the prices that these clients are willing or able to pay for our services.

SIGNIFICANT LEGAL ACTIONS COULD SUBJECT US TO SUBSTANTIAL LIABILITIES.

In recent years, our hospital and healthcare facility clients have become subject to an increasing number of legal actions alleging malpractice or related legal theories. Because our temporary healthcare professionals provide medical care, claims may be brought against our temporary healthcare professionals and us relating to the quality of medical care provided by our temporary healthcare professionals while on assignment at our hospital and healthcare facility clients. We and our temporary healthcare professionals are at times named in these lawsuits regardless of our contractual obligations or the standard of care provided by our temporary healthcare professionals. In some instances, we are required to indemnify hospital and healthcare facility clients contractually against some or all of these potential legal actions. Also, because most of our temporary healthcare professionals are our employees, we may be subject to various employment claims and contractual disputes regarding the terms of a temporary healthcare professional's employment. We maintain $10 million of employment practices coverage and three layers of professional and general liability coverage. The professional and general liability coverage consists of primary coverage with limits of $1 million per occurrence and $3 million in the aggregate, an umbrella policy with a $10 million limit and an excess policy with an additional $10 million policy limit. However, our insurance coverage may not cover all claims against us or continue to be available to us at a reasonable cost. Also, we may not be able to pass on all or any portion of increased insurance costs to our hospital and healthcare facility clients. If we are unable to maintain adequate insurance coverage or if any claims are not covered by insurance, we may be exposed to substantial liabilities.

WE MAY BE LEGALLY LIABLE FOR DAMAGES RESULTING FROM OUR HOSPITAL AND HEALTHCARE FACILITY CLIENTS' MISTREATMENT OF OUR TRAVELING HEALTHCARE PERSONNEL.

Because we are in the business of placing our temporary healthcare professionals in the workplaces of other companies, we are subject to possible claims by our temporary healthcare professionals alleging discrimination, sexual harassment, negligence and other similar activities by our hospital and healthcare facility clients. The cost of defending such claims, even if groundless, could be substantial and the associated negative publicity could adversely affect our ability to attract and retain qualified individuals in the future.

WE CANNOT ASSURE YOU THAT WE WILL BE ABLE TO SUCCESSFULLY COMPLETE THE INTEGRATION OF OUR RECENT ACQUISITIONS.

During the last nine months, we acquired two companies in the temporary healthcare staffing industry: Preferred Healthcare Staffing and O'Grady-Peyton International. These acquisitions involve significant risks and uncertainties, including difficulties integrating acquired personnel and other corporate cultures into our business, the potential loss of key employees or customers of acquired companies, the assumption of liabilities and exposure to unforeseen liabilities of acquired companies and the diversion of management attention from existing operations. We may not be able to fully integrate the operations of the acquired businesses with our own in an efficient and cost-effective manner. In addition, through our most recent acquisition, O'Grady-Peyton International, we are now involved in new international temporary healthcare professional recruitment markets where we have limited or no experience. Our failure to effectively integrate any of these businesses could have an adverse effect on our financial condition and results of operations.

DIFFICULTIES IN MAINTAINING OUR MANAGEMENT INFORMATION AND COMMUNICATIONS SYSTEMS MAY RESULT IN INCREASED COSTS THAT REDUCE OUR PROFITABILITY.

Our ability to deliver our staffing services to our hospital and healthcare facility clients and manage our internal systems depends to a large extent upon the performance of our management information and communications systems. If these systems do not adequately support our operations, or if we are required to incur significant additional costs to maintain or expand these systems, our business and financial results could be materially adversely affected.

OUR OPERATIONS MAY DETERIORATE IF WE ARE UNABLE TO CONTINUE TO ATTRACT, DEVELOP AND RETAIN OUR SALES PERSONNEL.

Our success is dependent upon the performance of our sales personnel, especially regional client service directors, hospital account managers and temporary healthcare professional recruiters. The number of individuals who meet our qualifications for these positions is limited and we may experience difficulty in attracting qualified candidates. In addition, we commit substantial resources to the training, development and support of these individuals. Competition for qualified sales personnel in the line of business in which we operate is strong and there is a risk that we may not be able to retain our sales personnel after we have expended the time and expense to recruit and train them.

THE LOSS OF KEY SENIOR MANAGEMENT PERSONNEL COULD ADVERSELY AFFECT OUR ABILITY TO REMAIN COMPETITIVE.

We believe that the success of our business strategy and our ability to operate profitably depends on the continued employment of our senior management team, led by Steven Francis, Susan Nowakowski and Donald Myll. Other than Steven Francis, none of our senior management team has an employment contract with us. If Steven Francis or other members of our senior management team become unable or unwilling to continue in their present positions, our business and financial results could be materially adversely affected.

THE CALIFORNIA ENERGY CRISIS MAY ADVERSELY AFFECT OUR BUSINESS.

Our corporate headquarters is located in San Diego, California. Southern California has been and is expected to continue to be subject to periodic power outages. Interruption of power may cause our computer systems, phone lines and other communications systems to become inoperable for unknown periods of time. Our inability to successfully conduct our temporary healthcare professional recruiting efforts and other back-office functions from our headquarters location due to power outages in California could have an adverse effect on our operations.

OUR EXISTING STOCKHOLDERS WILL CONTINUE TO CONTROL US AFTER THIS OFFERING, AND THEY MAY MAKE DECISIONS WITH WHICH YOU DISAGREE.

Upon consummation of this offering, HWH Capital Partners, L.P. and some of its affiliates, whom we refer to collectively as the "HWP stockholders," will own approximately 64.9% of the outstanding shares of our common stock, or 62.6% if the underwriters' over-allotment option is exercised in full. As a result, the HWP stockholders will be able to control us and direct our affairs, including the election of directors and approval of significant corporate transactions. This concentration of ownership also may delay, defer or even prevent a change in control of our company, and make some transactions more difficult or impossible without the support of these stockholders. These transactions might include proxy contests, tender offers, mergers or other purchases of common stock that could give you the opportunity to realize a premium over the then-prevailing market price for shares of our common stock.

WE HAVE A SUBSTANTIAL AMOUNT OF GOODWILL ON OUR BALANCE SHEET. OUR LEVEL OF GOODWILL MAY HAVE THE EFFECT OF DECREASING OUR EARNINGS OR INCREASING OUR LOSSES.

As of June 30, 2001, we had $127.2 million of unamortized goodwill on our balance sheet, which represents the excess of the total purchase price of our acquisitions over the fair value of the net assets acquired. At June 30, 2001, goodwill represented 53% of our total assets.

Currently, we amortize goodwill on a straight-line basis over the estimated period of future benefit of 25 years. In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, as well as all purchase method business combinations completed after June 30, 2001. SFAS No. 142 requires that, subsequent to January 1, 2002, goodwill not be amortized but rather that it be reviewed annually for impairment. In the event impairment is identified, a charge to earnings would be recorded. We are required to adopt the provisions of SFAS No. 141 immediately and SFAS No. 142 effective January 1, 2002. Although it does not affect our cash flow, amortization of goodwill or an impairment charge to earnings has the effect of decreasing our earnings or increasing our losses, as the case may be. If we are required to amortize a substantial amount of goodwill or take a charge to earnings, our stock price could be adversely affected.

WE WILL INCUR CHARGES AGAINST OUR FUTURE EARNINGS IN THE QUARTER IN WHICH THIS OFFERING IS CONSUMMATED.

Upon consummation of this offering, options to purchase 5,181,642 shares of our common stock that we granted to members of our management will be vested. Because these options have an average exercise price of $10.45 below an assumed initial offering price of $15.00 per share, we will record a non-cash charge against earnings of approximately $18.7 million in the quarter in which this offering occurs. In addition, upon consummation of this offering, we will take a charge against earnings of approximately $4.7 million, net of income tax benefits, related to the write-off of unamortized discount on the senior subordinated notes and unamortized deferred financing costs resulting from the early extinguishment of our existing indebtedness, and the termination of our existing interest rate swap agreements.

YOU WILL INCUR IMMEDIATE AND SUBSTANTIAL DILUTION OF THE BOOK VALUE OF YOUR INVESTMENT IN OUR COMMON STOCK.

The initial public offering price of our common stock is substantially greater than the book value per share of our common stock. As a result, if you purchase our common stock in this offering, you will incur immediate dilution. This means that you will pay a price per share that substantially exceeds the per share book value of our assets immediately following this offering after subtracting our liabilities. In addition, all of the purchasers in this offering will have contributed 54.4% of the total consideration received for our common stock (assuming an initial public offering price of $15.00 per share) but collectively will own only 24.6% of our outstanding shares. The exercise of outstanding options with an exercise price less than the initial public offering price of this offering and the issuance of common stock with a purchase price less than the initial public offering price of this offering will each result in further dilution to you. See "Dilution."

OUR STOCK PRICE MAY BE VOLATILE AND YOU MAY BE UNABLE TO RESELL YOUR SHARES AT OR ABOVE THE OFFERING PRICE.

Prior to this offering, there has not been a public market for our common stock. We cannot predict whether a liquid trading market will develop. The initial public offering price will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of prices that will prevail in the trading market. The market price of our common stock could be subject to wide fluctuations as a result of many factors, including those listed in this "Risk Factors" section of the prospectus.

In recent years, the stock market has experienced significant price and volume fluctuations that are often unrelated to the operating performance of specific companies. Our market price may fluctuate based on a number of factors, including:

- our operating performance and the performance of other similar companies;
- news announcements relating to us, our industry or our competitors;
- changes in earnings estimates or recommendations by research analysts;
- changes in general economic conditions;

- the number of shares to be publicly traded after this offering;

- actions of our current stockholders; and

- other developments affecting us, our industry or our competitors.

A LARGE NUMBER OF OUR SHARES ARE OR WILL BE ELIGIBLE FOR FUTURE SALE WHICH COULD DEPRESS OUR STOCK PRICE.

Sales of substantial amounts of common stock, or the perception that a large number of shares will be sold, could depress the market price of our common stock. After this offering, our current stockholders will own beneficially approximately 75.4% of the outstanding shares of our common stock, or approximately 72.8% if the underwriters' over-allotment option is exercised in full. After expiration of a 180-day "lock-up" period to which all of our current stockholders, directors, executive officers and option holders are subject, these holders will be entitled to dispose of their shares, although the shares of common stock held by our affiliates will continue to be subject to the volume and other restrictions of Rule 144 under the Securities Act. In addition, Banc of America Securities LLC may, in its sole discretion and at any time without notice, release all or any portion of the shares subject to the lock-up.

After this offering, the holders of approximately 33,218,195 shares of our common stock (including shares issuable upon the exercise of outstanding options) will have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. By exercising their registration rights and selling a large number of shares, these holders could cause the price of our common stock to decline.

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. We based these forward-looking statements on our current expectations and projections about future events. Our actual results could differ materially from those discussed in, or implied by, these forward-looking statements. Forward-looking statements are identified by words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. The following factors could cause our actual results to differ from those implied by the forward-looking statements in this prospectus:

- our ability to continue to recruit and retain qualified temporary healthcare professionals and ability to attract and retain operational personnel;

- our ability to enter into contracts with hospitals and other healthcare facility clients on terms attractive to us;

- the general level of patient occupancy at our hospital and healthcare facility clients' facilities;

- our ability to successfully implement our acquisition and integration strategies;

- the effect of existing or future government regulation of the healthcare industry, and our ability to comply with these regulations;

- the impact of medical malpractice and other claims asserted against us; and

- our ability to carry out our business strategy.

Other factors that could cause actual results to differ from those implied by the forward-looking statements in this prospectus are more fully described in the "Risk Factors" section and elsewhere in this prospectus.

USE OF PROCEEDS

Based on an assumed initial offering price of $15.00 per share, our net proceeds from this offering are estimated to be $135.4 million, or approximately $156.3 million if the underwriters' over-allotment option is exercised in full, after deducting estimated underwriting discounts and commissions and other offering expenses payable by us. We intend to use the net proceeds from this offering to repay indebtedness outstanding under our credit facility and our senior subordinated notes. We will use the remaining proceeds, if any, for working capital and general corporate purposes.

As of August 31, 2001, we had an aggregate of $105.1 million outstanding under our existing credit facility. Our existing credit facility consists of a revolving loan and term loans. Because our working capital fluctuates, the borrowings under our revolving loan may vary. If the proceeds of this offering are not sufficient to repay all of our indebtedness, then we will repay all of the term loans under our credit facility and our senior subordinated notes and we will use the remaining net proceeds to repay a substantial portion of the revolving loan under our existing credit facility. We currently estimate that the amount outstanding under our credit facility immediately prior to the closing of this offering will be approximately $113.0 million.

Each of the facilities under our existing credit facility bears interest at a variable rate based upon LIBOR, federal funds or prime lending rates, at our option. At August 31, 2001, the weighted average interest rate on our borrowings under the credit facility was 7.3%. Our existing credit facility has a final maturity date of March 31, 2005. We used a portion of the proceeds from our borrowings under the credit facility to acquire Preferred Healthcare Staffing in November 2000 and O'Grady-Peyton International in May 2001.

We issued our senior subordinated notes on November 19, 1999 in connection with our recapitalization. The senior subordinated notes had an aggregate outstanding principal amount of $24.7 million at August 31, 2001. The senior subordinated notes have a maturity date of November 19, 2005 and bear interest at an annual rate of 12%. Interest is payable quarterly in cash or through the issuance of additional notes, at our option.

DIVIDEND POLICY

We have not paid any dividends in the past and currently do not expect to pay cash dividends or make any other distributions in the future. We expect to retain our future earnings, if any, for use in the operation and expansion of our business. Any future determination to pay dividends will be at the discretion of our board of directors and will depend upon our financial condition, results of operations, capital requirements and such other factors as our board deems relevant. In addition, our ability to declare and pay dividends on our common stock is expected to be restricted by covenants in our new revolving credit facility.

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2001, on an actual basis and as adjusted to reflect this offering at an assumed initial public offering price of $15.00 per share, the mid-point of the range shown on the cover page of this prospectus, and the application of the net proceeds of this offering, as described under "Use of Proceeds."

You should read this information in conjunction with "Selected Consolidated Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements and the related notes and our pro forma financial statements appearing elsewhere in this prospectus.

	AS OF JUNE 30, 2001	
	ACTUAL	AS ADJUSTED
	(UNAUDITED) (IN THOUSANDS, EXCEPT SHARE DATA)	
Long-term debt, including current portion	$123,722(1)	$ --
Revolving credit facility(2)	14,069	4,610
Stockholders' equity:		
Common stock, $.01 par value; 200,000,000 shares authorized; 30,714,643 shares issued and outstanding on an actual basis; 40,714,643 shares issued and outstanding on an as adjusted basis(3)	7	407
Additional paid-in capital	145,747	303,803
Accumulated deficit	(68,124)	(93,914)
Accumulated other comprehensive loss	(515)	--
Total capitalization	$214,906	$214,906

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(1) Long-term debt includes senior subordinated notes of $22.0 million, which is net of an unamortized discount of $2.2 million.

(2) We expect to amend and restate our existing credit facility in order to eliminate all of our term loans and to provide for a $50.0 million revolving credit facility upon the consummation of this offering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

(3) Share amounts assume a 43.10849-for-1 stock split to be effected upon the consummation of this offering. As adjusted share amounts assume a cashless exercise of the warrant but do not include the following shares:

- 7,710,936 shares of common stock reserved for issuance under our stock option plans, of which 5,727,955 shares are subject to options outstanding at a weighted average exercise price of $4.98 per share.

- 1,500,000 shares of our common stock issuable by us if the underwriters' over-allotment option is exercised in full.

DILUTION

The net tangible book value per share of our common stock is the difference between our tangible assets and our liabilities, divided by the number of shares of common stock outstanding. For investors in the common stock, dilution is the per share difference between an assumed $15.00 per share initial offering price of the common stock in this offering and the net tangible book value of common stock immediately after completing this offering. Dilution results from the fact that the per share offering price of the common stock is substantially in excess of the book value per share attributable to the existing stockholders for the presently outstanding stock.

On June 30, 2001, our net tangible book value prior to this offering was a deficit of approximately $56.6 million, or a deficit of approximately $1.84 per share, based on 30,714,643 shares of common stock outstanding (assuming a cashless exercise of the warrant with a fair market valuation based upon an initial offering price of $15.00 per share).

As of June 30, 2001, without taking into account any changes in our net tangible book value subsequent to that date other than the sale of the common stock in this offering at the assumed offering price of $15.00 per share, less the estimated offering expenses, the net tangible book value of each of the outstanding shares of common stock would have been $1.88 after this offering. Therefore, investors in the common stock would have paid $15.00 for a share of common stock having a pro forma net tangible book value of approximately $1.88 per share after this offering. That is, their investment would have been diluted by approximately $13.12 per share. At the same time, existing stockholders would have realized an increase in pro forma net tangible book value of $3.72 per share after this offering without further cost or risk to themselves. The following table illustrates this per share dilution:

Assumed initial public offering price per share of common stock		$15.00
Net tangible book value per share of common stock before the offering	(1.84)	
Increase in pro forma net tangible book value per share of common stock attributable to investors in the offering	3.72	
Net tangible book value per share of common stock after the offering(1)(2)		1.88
Dilution per share to new investors		$13.12

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(1) After deduction of the estimated offering expenses payable by us (including the underwriting discounts and commissions).

(2) Does not give effect to the 1,500,000 shares subject to the underwriters' over-allotment option.

The following table summarizes, as of June 30, 2001, the differences between existing stockholders and the new investors with respect to the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid before deducting the underwriting discounts and commissions and our estimated offering expenses.

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing Stockholders	30,714,643	75.4%	$125,553,103	45.6%	$ 4.09
New Investors	10,000,000	24.6%	150,000,000	54.4%	15.00
Total	40,714,643	100.0%	275,553,103	100.0%	6.77

The discussion and tables above assume no exercise of stock options outstanding as of June 30, 2001. As of the consummation of this offering, we expect to have options outstanding to purchase a total of 5,727,955 shares of common stock, with a weighted average exercise price of $4.98 per share. To the extent that any of these options are exercised, there will be further dilution to new investors. See "Description of Capital Stock" and Note 8 of Notes to Consolidated Financial Statements for AMN Healthcare Services, Inc.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The selected consolidated financial data set forth below as of December 31, 1999 and 2000 and for the three years ended December 31, 2000 have been derived from our audited consolidated financial statements that appear elsewhere in this prospectus. The selected consolidated financial data as of December 31, 1996, 1997 and 1998 and for the two years ended December 31, 1997 have been derived from our audited consolidated financial statements not included in this prospectus. The selected consolidated financial data as of and for the six months ended June 30, 2000 and June 30, 2001 have been derived from our unaudited consolidated financial statements for these periods, which, in the opinion of our management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of this data. The results for any interim period are not necessarily indicative of the results that may be expected for the full year.

You should read the selected financial and operating data presented below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and their related notes appearing elsewhere in this prospectus.

	PREDECESSOR(1)							
	YEAR ENDED DECEMBER 31, 1996	PERIOD FROM JANUARY 1, THROUGH DECEMBER 3, 1997	PERIOD FROM DECEMBER 4, THROUGH DECEMBER 31, 1997(2)	YEARS ENDED DECEMBER 31, 1998	1999	2000	SIX MONTHS ENDED JUNE 30, 2000	2001
							(UNAUDITED)	
	(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)							
CONSOLIDATED STATEMENTS OF OPERATIONS:								
Revenue	$47,987	$63,570	$5,209	$87,718	$146,514	$230,766	$90,996	$219,169
Cost of revenue	36,316	49,510	4,118	67,244	111,784	170,608	68,478	164,235
Gross profit	11,671	14,060	1,091	20,474	34,730	60,158	22,518	54,934
Expenses:								
Selling, general and administrative (excluding non-cash stock-based compensation)	6,972	9,560	845	12,804	20,677	30,728	12,280	30,820
Non-cash stock-based compensation(3)	--	--	--	--	--	22,379	10,601	8,731
Amortization	--	--	90	1,163	1,721	2,387	867	2,696
Depreciation	55	68	7	171	325	916	324	879
Transaction costs(4)	--	--	--	--	12,404	1,500	--	--
Total expenses	7,027	9,628	942	14,138	35,127	57,910	24,072	43,126
Income (loss) from operations	4,644	4,432	149	6,336	(397)	2,248	(1,554)	11,808
Interest income (expense), net	23	(174)	(183)	(2,476)	(4,030)	(10,006)	(4,575)	(7,997)
Income (loss) before minority interest, income taxes and extraordinary item	4,667	4,258	(34)	3,860	(4,427)	(7,758)	(6,129)	3,811
Minority interest in earnings of subsidiary(5)	--	--	(9)	(657)	(1,325)	--	--	--
Income tax (expense) benefit	(167)	(195)	(9)	(1,571)	872	2,560	2,023	(1,982)
Income (loss) before extraordinary item	4,500	4,063	(52)	1,632	(4,880)	(5,198)	(4,106)	1,829
Extraordinary loss on early extinguishment of debt, net of income tax benefit	--	--	--	--	(730)	--	--	--
Net income (loss)	$ 4,500	$ 4,063	$ (52)	$ 1,632	$ (5,610)	$ (5,198)	$(4,106)	$ 1,829
Net income (loss) per common share:								
Basic	N/A	N/A	N/A	$ 3.96	$ (11.13)	$ (9.96)	$ (8.64)	$ 2.73
Diluted	N/A	N/A	N/A	$ 3.96	$ (11.13)	$ (9.96)	$ (8.64)	$ 2.51
Weighted average common shares outstanding:								
Basic	N/A	N/A	N/A	412	504	522	475	669
Diluted	N/A	N/A	N/A	412	504	522	475	729

	PREDECESSOR(1)							
	YEAR ENDED DECEMBER 31, 1996	PERIOD FROM JANUARY 1, THROUGH DECEMBER 3, 1997	PERIOD FROM DECEMBER 4, THROUGH DECEMBER 31, 1997(2)	YEARS ENDED DECEMBER 31, 1998	1999	2000	SIX MONTHS ENDED JUNE 30, 2000	2001
							(UNAUDITED)	
	(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)							
Pro forma split adjusted net income (loss) per common share:(6)								
Basic	N/A	N/A	N/A	$ 0.09	$ (0.26)	$ (0.23)	$ (0.20)	$ 0.06
Diluted	N/A	N/A	N/A	$ 0.09	$ (0.26)	$ (0.23)	$ (0.20)	$ 0.06
Pro forma split adjusted weighted average common shares outstanding:(6)								
Basic	N/A	N/A	N/A	17,751	21,715	22,497	20,461	28,835
Diluted	N/A	N/A	N/A	17,751	21,715	22,497	20,461	31,421
OTHER FINANCIAL AND OPERATING DATA:								
Revenue growth	N/A	N/A	N/A	N/A	67%	58%	N/A	141%
Average temporary healthcare professionals on assignment	884	1,155	1,194	1,444	2,289	3,166	2,659	5,368
Growth in average temporary healthcare professionals on assignment	N/A	N/A	N/A	N/A	59%	38%	N/A	102%
Capital expenditures	$ 115	$ 172	$ 112	$ 690	$ 1,656	$ 2,358	$ 756	$ 1,794
Adjusted EBITDA(7)	$ 4,699	$ 4,500	$ 246	$ 7,670	$ 14,053	$ 29,430	$10,238	$ 24,114
Adjusted EBITDA growth	N/A	N/A	N/A	N/A	83%	109%	N/A	136%

	AS OF DECEMBER 31,					AS OF JUNE 30,	
	1996(1)	1997	1998	1999	2000	2000	2001
						(UNAUDITED)	
	(DOLLARS IN THOUSANDS)						
CONSOLIDATED BALANCE SHEET DATA:							
Cash and cash equivalents	$ 918	$ 1,124	$ 888	$ 503	$ 546	$ 244	$ 2,594
Working capital	8,044	9,054	13,159	21,655	44,149	21,592	50,252
Total assets	9,919	42,229	65,337	79,878	209,410	105,258	239,838
Total long-term debt, including current portion	--	25,151	37,596	74,006	122,889	75,982	137,791
Total stockholders' equity (deficit)	8,281	12,348	19,477	(2,111)	67,070	16,384	77,115

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(1) We were incorporated on November 10, 1997. We had no operations until we acquired AMN Healthcare, Inc. on December 4, 1997. Therefore, the statement of operations and balance sheet data for the year ended December 31, 1996 and the statement of operations data for the period January 1, 1997 through December 3, 1997 reflect the activity of AMN Healthcare, Inc. only. See Note 3 of the Consolidated Financial Statements of AMN Healthcare Services, Inc.

(2) Reflects our statement of operations data from December 4, 1997 to December 31, 1997. We were incorporated on November 10, 1997, but had no operations until we acquired AMN Healthcare, Inc. on December 4, 1997. See Note 3 of the Consolidated Financial Statements of AMN Healthcare Services, Inc.

(3) Non-cash stock-based compensation represents compensation expense related to our performance-based stock option plans to reflect the difference between the fair market value and the exercise price of stock options previously issued to our officers. See Note 8 of Notes to Consolidated Financial Statements for AMN Healthcare Services, Inc. Following the quarter in which this offering occurs, we do not expect to incur additional non-cash stock-based compensation charges in excess of $250,000 per quarter.

(4) Transaction costs represent non-capitalized costs incurred in connection with our 1999 recapitalization and our acquisition of Preferred Healthcare Staffing.

(5) On October 18, 1999, the minority stockholder of one of our subsidiaries exchanged his shares of the subsidiary for our shares. As a result, no minority interest is reflected after that date.

(6) Reflects the 43.10849-for-1 stock split of our common stock which will become effective upon the effective date of this offering.

(7) Adjusted EBITDA represents income (loss) from operations plus depreciation, amortization, transaction costs and non-cash stock-based compensation expense. Adjusted EBITDA is presented because we believe that it is a widely accepted financial indicator used by certain investors and securities analysts to analyze and compare companies on the basis of operating performance. Adjusted EBITDA is not intended to represent cash flows for the period, nor has it been presented as an alternative to operating income as an indicator of operating performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Adjusted EBITDA, as we define it, is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation. See our historical and unaudited pro forma financial statements and the related notes appearing elsewhere in this prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Some of the statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" are forward-looking statements. See "Forward-Looking Statements."

OVERVIEW

We are a leading temporary healthcare staffing company and the largest nationwide provider of travel nurse staffing services, one of the fastest growing segments of the temporary healthcare staffing industry. We recruit nurses and allied health professionals, our "temporary healthcare professionals," and place them on temporary assignments, typically for 13 weeks away from their permanent homes, at hospitals and healthcare facilities throughout the United States.

We derive substantially all of our revenue from fees paid directly by hospitals and healthcare facilities rather than from payments by government or other third parties. We enter into two types of contracts with our hospital and healthcare facility clients: flat rate contracts and payroll contracts. Under a flat rate contract, the temporary healthcare professional becomes an employee of the hospital or healthcare facility and is placed on their payroll. We bill the hospital or healthcare facility a "flat" weekly rate to compensate us for providing recruitment, housing and travel services. Alternatively, under a payroll contract, the temporary healthcare professional is our employee. We then bill our hospital or healthcare facility client at an hourly rate to compensate us for the temporary healthcare professional's wages and benefits, as well as for recruitment, housing and travel services. Our clients generally prefer payroll contracts because this arrangement eliminates significant employee and payroll administrative burdens for them. Although the temporary healthcare professional wage and benefits billed under a payroll contract primarily represent a pass-through cost component for us, we are able to generate greater profits by providing these value-added services. While payroll contracts generate more gross profit than flat rate contracts, the gross margin generated is lower due to the pass-through of the temporary healthcare professional's compensation costs. Over the past five years, we, and the industry as a whole, have migrated towards a greater utilization of payroll contracts. Currently over 90% of our contracts with our hospital and healthcare facility clients are payroll contracts.

Over the course of the last three years, we have completed four strategic acquisitions. We acquired Medical Express, Inc. in November 1998, which strengthened our presence in the Pacific Northwest and Mountain states. During 2000, we completed the acquisitions of Nurses RX, Inc. in June, and Preferred Healthcare Staffing, Inc. in November, which strengthened our presence in the Eastern and Southern regions of the United States. We completed our fourth acquisition in May 2001, acquiring O'Grady-Peyton International (USA), Inc., the leading recruiter of registered nurses from English-speaking foreign countries for placement in the United States. Each of these acquisitions has been accounted for by the purchase method of accounting. Therefore, the operating results of the acquired entities are included in our results of operations commencing on the date of acquisition of each entity. As a result, our results of operations following each acquisition may not be comparable with our prior results.

Upon consummation of this offering, options to purchase 5,181,642 shares of our common stock that we granted to members of our management will be vested. These options have an average exercise price $10.45 below an assumed initial public offering price of $15.00 per share. As a result, we expect to take a non-cash charge against earnings of $18.7 million in the quarter in which this offering is consummated. In addition, upon consummation of this offering, we will take a charge against earnings of approximately $4.7 million, net of income tax benefits, related to the write-off of unamortized discount on the senior subordinated notes and unamortized deferred financing costs resulting from the early extinguishment of our existing indebtedness and the termination of our existing interest rate swap agreements.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain statement of operations data as a percentage of our revenue. Our results of operations are reported as a single business segment.

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1998	1999	2000	2000	2001
				(UNAUDITED)	
CONSOLIDATED STATEMENT OF OPERATIONS:					
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue	76.7	76.3	73.9	75.3	74.9
Gross profit	23.3	23.7	26.1	24.7	25.1
Selling, general and administrative (excluding non-cash stock-based compensation)	14.6	14.1	13.3	13.5	14.1
Non-cash stock-based compensation	--	--	9.7	11.6	4.0
Amortization and depreciation expense	1.5	1.4	1.4	1.3	1.6
Transaction costs	--	8.5	0.7	--	--
Income (loss) from operations	7.2	(0.3)	1.0	(1.7)	5.4
Interest expense, net	2.8	2.7	4.4	5.0	3.7
Income (loss) before minority interest, income taxes and extraordinary item	4.4	(3.0)	(3.4)	(6.7)	1.7
Minority interest in earnings of subsidiary	(0.7)	(0.9)	--	--	--
Income tax (expense) benefit	(1.8)	0.6	1.1	2.2	(0.9)
Extraordinary loss on early extinguishment of debt, net of income tax benefit	--	(0.5)	--	--	--
Net income (loss)	1.9%	(3.8)%	(2.3)%	(4.5)%	0.8%

Comparison of Results for the Six Months Ended June 30, 2000 to the Six Months Ended June 30, 2001

REVENUE. Revenue increased 141%, from $91.0 million for the first six months of 2000 to $219.2 million for the first six months of 2001. Of the $128.2 million increase, approximately $60.5 million was attributable to expansion of our existing brands through the growth in the number of temporary healthcare professionals and enhancements in contract terms with our hospital and healthcare facility clients, representing an organic growth rate for our recurring operations of 67%. The total number of temporary healthcare professionals on assignment in our existing brands grew 38% and contributed approximately $34.7 million of the increase. Enhancements in contract terms included increases in hourly rates charged to hospital and healthcare facility clients that accounted for approximately $12.9 million of this increase, and a shift in the mix of payroll versus flat rate temporary healthcare professional contracts that accounted for approximately $12.9 million of this increase. The remainder of the increase, $67.7 million, was attributable to the acquisitions of NursesRx in June 2000, Preferred Healthcare Staffing in November 2000 and O'Grady-Peyton International in May 2001.

COST OF REVENUE. Cost of revenue increased 140%, from $68.5 million for the first six months of 2000 to $164.2 million for the first six months of 2001. Of the $95.7 million increase, approximately $44.5 million was attributable to the organic growth of our existing brands and approximately $51.2 million was attributable to the acquisitions of NursesRx, Preferred Healthcare Staffing and O'Grady-Peyton International.

GROSS PROFIT. Gross profit increased 144%, from $22.5 million for the first six months of 2000 to $54.9 million for the first six months of 2001, representing gross margins of 24.7% and 25.1%, respectively. The increase in the gross margin was primarily attributable to increases in hourly rates charged to our hospital and healthcare facility clients.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased 151%, from $12.3 million for the first six months of 2000 to $30.8 million for the first six months of 2001. Of the $18.5 million increase, approximately $9.7 million was attributable to the acquisitions of NursesRx, Preferred Healthcare Staffing and O'Grady-Peyton International. The remaining increase of $8.8 million was primarily attributable to increases in nurse professional development, information systems development, marketing, recruiting, and administrative and office expenses in support of the recent and anticipated growth in temporary healthcare professionals under contract.

NON-CASH STOCK-BASED COMPENSATION. We recorded non-cash compensation charges of $10.6 million for the first six months of 2000 and $8.7 million for the first six months of 2001 in connection with our stock option plans to reflect the difference between the fair market value and the exercise price of previously issued stock options. Following the consummation of this offering, we do not expect to incur additional non-cash stock-based compensation charges in excess of $1.0 million per year.

AMORTIZATION AND DEPRECIATION EXPENSE. Amortization expense increased from $0.9 million for the first six months of 2000 to $2.7 million for the first six months of 2001. This increase was attributable to the additional goodwill associated with the acquisitions of NursesRx, Preferred Healthcare Staffing and O'Grady-Peyton International. Depreciation expense increased from $0.3 million for the first six months of 2000 to $0.9 million for the first six months of 2001. This increase was primarily attributable to the acquisitions of NursesRx, Preferred Healthcare Staffing and O'Grady-Peyton International and the purchase of furniture and equipment to support our recent and anticipated growth.

INTEREST EXPENSE, NET. Interest expense, net increased from $4.6 million for the first six months of 2000 to $8.0 million for the first six months of 2001. Of the $3.4 million increase, approximately $2.0 million was attributable to additional borrowings incurred in conjunction with the acquisitions of NursesRx, Preferred Healthcare Staffing and O'Grady-Peyton International. The remaining increase was primarily due to the new accounting treatment for derivative instruments under SFAS No. 133. Beginning January 1, 2001, SFAS No. 133, as amended, requires us to recognize the unrealized gains and losses on our hedging instruments attributable to changes in interest rates.

INCOME TAX (EXPENSE) BENEFIT. The provision for income tax for the first six months of 2000 was a benefit of $2.0 million as compared to income tax expense of $2.0 million for the first six months of 2001, reflecting effective income tax rates of a 33.0% benefit and 52.0% expense for these periods, respectively. The differences between these effective tax rates and our expected effective tax rate of 41% are primarily attributable to the effect of various permanent tax difference items, the impact of which is magnified by the reduction in pre-tax income created by the non-cash stock-based compensation charge.

Comparison of Results for the Year Ended December 31, 1999 to the Year Ended December 31, 2000

REVENUE. Revenue increased 58%, from $146.5 million in 1999 to $230.8 million for 2000. Of the $84.3 million increase, approximately $63.0 million was attributable to expansion of our existing brands through growth in the number of temporary healthcare professionals and enhancements in contract terms with our hospital and healthcare facility clients, representing an organic growth rate for our recurring operation of 43%. The total number of temporary healthcare professionals on assignment in our existing brands grew 27% and contributed approximately $39.1 million of the increase. Enhancements in contract terms included increases in hourly rates charged to our hospital and healthcare facility clients that accounted for approximately $17.2 million of this increase, and a shift in the mix of payroll versus flat rate temporary healthcare professional contracts that accounted for approximately $6.7 million of this increase. The remainder of the increase in revenue, $21.3 million, was attributable to the acquisitions of NursesRx in June 2000 and Preferred Healthcare Staffing in November 2000.

COST OF REVENUE. Cost of revenue increased 53%, from $111.8 million for 1999 to $170.6 million for 2000. Of the $58.8 million increase, approximately $43.2 million was primarily attributable to the organic growth of our existing brands and approximately $15.6 million was attributable to the acquisitions of NursesRx and Preferred Healthcare Staffing.

GROSS PROFIT. Gross profit increased 73%, from $34.7 million for 1999 to $60.2 million for 2000, representing gross margins of 23.7% and 26.1%, respectively. The increase in gross margin was primarily attributable to increases in hourly rates charged to our hospital and healthcare facility clients and to the acquisition of NursesRx, which historically had higher gross margins than us.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased 49%, from $20.7 million for 1999 to $30.7 million for 2000. Of the $10.0 million increase in selling, general and administrative expenses, approximately $3.6 million was attributable to the acquisitions of NursesRx and Preferred Healthcare Staffing. The remaining increase, $6.4 million, was primarily attributable to increases in marketing, recruiting, office and administrative expenses and development and implementation of information systems to support the growth in temporary healthcare professionals under contract.

NON-CASH STOCK-BASED COMPENSATION. We recorded non-cash compensation charges of $22.4 million in 2000 in connection with our stock option plans to reflect the difference between the fair market value and the exercise price of previously issued stock options. No charge was recorded in 1999.

AMORTIZATION AND DEPRECIATION EXPENSE. Amortization expense increased from $1.7 million for 1999 to $2.4 million for 2000. This increase was attributable to the additional goodwill associated with the acquisitions of NursesRx and Preferred Healthcare Staffing. Depreciation expense increased from $0.3 million for 1999 to $0.9 million for 2000. This increase was attributable to the acquisitions of NursesRx and Preferred Healthcare Staffing, the purchase of furniture and equipment and the depreciation of internally developed computer software.

TRANSACTION COSTS. Transaction costs of $1.5 million for 2000 relate to the non-capitalized costs incurred in connection with the acquisition of Preferred Healthcare Staffing. Transaction costs of $12.4 million for 1999 relate to costs incurred in connection with our recapitalization in November 1999.

INTEREST EXPENSE, NET. Interest expense, net increased from $4.0 million for 1999 to $10.0 million for 2000. The $6.0 million increase was primarily attributable to additional borrowings incurred in connection with our recapitalization in November 1999 and with the acquisitions of NursesRx and Preferred Healthcare Staffing in 2000.

MINORITY INTEREST IN EARNINGS OF SUBSIDIARY. An officer of ours owned a minority interest in AMN Healthcare, Inc., our primary operating subsidiary, until October 1999. Just prior to our November 1999 recapitalization, this stockholder exchanged his shares of our subsidiary for shares of our common stock, eliminating this minority ownership interest. The $1.3 million in minority interest in earnings of our subsidiary for 1999 represents this minority interest in the earnings of AMN Healthcare, Inc. for the period January 1, 1999 through October 18, 1999.

INCOME TAX (EXPENSE) BENEFIT. The income tax benefit for 1999 was $1.3 million, including the tax benefit of the extraordinary loss on early extinguishment of debt, as compared to a benefit of $2.6 million for 2000, reflecting effective income tax benefit rates of 18.8% and 33.0% for these periods, respectively. The differences between these effective tax rates and our expected effective rate of 41.0% is primarily attributable to the effect of the minority interest in 1999 and the effect of various permanent tax difference items, the impact of which is magnified by the reduction in pre-tax income resulting from the non-cash stock-based compensation charge in 2000.

EXTRAORDINARY LOSS ON EARLY EXTINGUISHMENT OF DEBT, NET OF INCOME TAX BENEFIT. The $0.7 million extraordinary loss on early extinguishment of debt for 1999 was attributable to the write-off of deferred financing costs associated with our November 1999 recapitalization.

Comparison of Results for the Year Ended December 31, 1998 to the Year Ended December 31, 1999

REVENUE. Revenue increased 67%, from $87.7 million for 1998 to $146.5 million for 1999. Of the $58.8 million increase, approximately $21.0 million was attributable to expansion of our existing brands through growth in number of temporary healthcare professionals and enhancements in contract terms with our hospital and healthcare facility clients, representing an organic growth rate for recurring operations of 25%.

The total number of temporary healthcare professionals on assignment in our existing brands grew by 16% and contributed approximately $13.3 million of the increase. Enhancements in contract terms included increases in hourly rates charged to our hospital and healthcare facility clients that accounted for approximately $5.6 million of this increase, and a shift in the mix of payroll versus flat rate temporary healthcare professional contracts that accounted for approximately $2.1 million of this increase. The remainder of the increase in revenue, $37.8 million, was attributable to the acquisition of Medical Express in November 1998.

COST OF REVENUE. Cost of revenue increased 66%, from $67.2 million for 1998 to $111.8 million for 1999. Of the $44.6 million increase, approximately $15.4 million was attributable to the organic growth of our existing brands and approximately $29.2 million was attributable to the acquisition of Medical Express.

GROSS PROFIT. Gross profit increased 70%, from $20.5 million for 1998 to $34.7 million for 1999, representing gross margins of 23.3% and 23.7%, respectively. The increase in gross margin was primarily attributable to increases in hourly rates charged to our hospital and healthcare facility clients.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased 61%, from $12.8 million for 1998 to $20.7 million for 1999. Of the $7.9 million increase in selling, general and administrative expenses, approximately $6.9 million was attributable to the acquisition of Medical Express. The remaining increase was primarily attributable to increases in administrative and recruiting expenses in support of the growth in temporary healthcare professionals under contract.

AMORTIZATION AND DEPRECIATION EXPENSE. Amortization expense increased from $1.2 million for 1998 to $1.7 million for 1999. This increase was primarily attributable to the additional goodwill associated with the acquisition of Medical Express. Depreciation expense increased from $0.2 million for 1998 to $0.3 million for 1999. This increase was primarily attributable to the acquisition of Medical Express.

TRANSACTION COSTS. Transaction costs of $12.4 million in 1999 relate to non-capitalized costs incurred in connection with our November 1999 recapitalization.

INTEREST EXPENSE, NET. Interest expense, net increased from $2.5 million for 1998 to $4.0 million for 1999. The increase was primarily attributable to additional borrowings incurred in connection with the acquisition of Medical Express.

MINORITY INTEREST IN EARNINGS OF SUBSIDIARY. Minority interest in income of subsidiary increased from $0.7 million for 1998 to $1.3 million for 1999. The increase was attributable to the increase in net income before minority interest for the year.

INCOME TAX (EXPENSE) BENEFIT. The provision for income tax expense for 1998 was $1.6 million, as compared to a $1.3 million benefit, including the tax benefit of the extraordinary loss on early extinguishment of debt, for 1999, reflecting effective income tax rates of a 49.0% expense and an 18.8% benefit for these periods, respectively. The differences between these effective tax rates and our expected effective rate of 41.0% is primarily attributable to the effect of the minority interest which was eliminated with the recapitalization in November 1999.

EXTRAORDINARY LOSS ON EARLY EXTINGUISHMENT OF DEBT, NET OF INCOME TAX BENEFIT. The $0.7 million extraordinary loss on early extinguishment of debt for 1999 was attributable to the write-off of deferred financing costs associated with our recapitalization in November 1999.

LIQUIDITY AND CAPITAL RESOURCES

Historically, our primary liquidity requirements have been for debt service under our existing credit facility, acquisitions and working capital requirements. We have funded these requirements through internally generated cash flow and funds borrowed under our existing credit facility. At August 31, 2001, total debt under our existing credit facility was approximately $105.1 million, consisting of $45.0 million in senior term loans, $31.3 million in tranche A acquisition loans, $7.5 million in tranche B acquisition loans, $18.0 million in tranche C acquisition loans and $3.3 million outstanding under our revolving credit facility. In addition, we

had senior subordinated notes outstanding at August 31, 2001 with an aggregate outstanding principal balance of $24.7 million.

We intend to use the net proceeds from this offering to repay outstanding indebtedness under our existing credit facility and the senior subordinated notes. We will use the remaining net proceeds, if any, for working capital and general corporate purposes. Upon the consummation of this offering, we intend to amend and restate our existing credit agreement in order to eliminate all of our term loans and to provide for a secured revolving credit facility of up to $50.0 million in borrowing capacity. The revolving credit facility will have a maturity date that is three years after the consummation of this offering and will contain a letter of credit sub-facility and a swing-line loan sub-facility. The revolver will not have an excess "cash sweep" provision. Borrowings under this revolving credit facility will bear interest at floating rates based upon either a LIBOR or prime interest rate option selected by us, plus a spread, to be determined based on the outstanding amount of the revolving credit facility. Our amended and restated credit agreement will contain a minimum fixed charge coverage ratio, a maximum leverage ratio and other customary covenants. Amounts available under our revolving credit facility may be used for working capital and general corporate purposes, subject to various limitations.

We have relatively low capital investment requirements. Capital expenditures were $0.7 million, $1.7 million and $2.4 million in 1998, 1999 and 2000, respectively. In 2000, our primary capital expenditures were $1.5 million for purchased and internally developed software and $0.9 million for computers, furniture and equipment and other expenditures. We estimate that for fiscal 2001, approximately $4.5 million of capital expenditures will be required, primarily for office furniture and computer equipment and software stemming from the growth in our operations. For the eight months ended August 31, 2001, our capital expenditures were $2.6 million.

Our business acquisition expenditures were $16.0 million in 1998, $91.8 million in 2000 and $13.0 million through August 31, 2001. We had no business acquisition expenditures during 1999. In 1998, we acquired Medical Express. During 2000, we completed the acquisitions of NursesRx and Preferred Healthcare Staffing and in May 2001 we acquired O'Grady-Peyton International. These acquisitions were financed through a combination of bank debt and equity investments. In connection with our acquisition of NursesRx, we are obligated to make a $3.0 million payment to the former shareholders, $1.0 million of which was paid on June 30, 2001 and the remainder of which is to be paid in two equal installments of $1.0 million on June 28, 2002 and June 30, 2003. In connection with our acquisition of O'Grady-Peyton International, we are obligated to pay to the former shareholders of O'Grady-Peyton International an aggregate amount of up to approximately $5.3 million if O'Grady-Peyton International meets certain revenue and earnings targets for the twelve months ended December 31, 2001. There is also additional contingent consideration of up to $2.4 million subject to collection of an outstanding receivable from a customer. We expect to be able to finance any future acquisition either with cash provided from operations, borrowings under our revolving credit facility, bank loans, debt or equity offerings, or some combination of the foregoing.

Our principal working capital need is for accounts receivable, which has increased with the growth in our business. Our principal sources of cash to fund our working capital needs are cash generated from operating activities and borrowings under our revolving credit facility. Net cash used in operations for 2000 was $1.6 million, resulting primarily from the growth in working capital offset by cash earnings generated by us.

We believe that cash generated from operations, the remaining net proceeds of this offering and borrowings under the new revolving credit facility will be sufficient to fund our operations for at least the next 12 months.

POTENTIAL FLUCTUATIONS IN QUARTERLY RESULTS AND SEASONALITY

Due to the regional and seasonal fluctuations in the hospital patient census of our hospital and healthcare facility clients and due to the seasonal preferences for destinations by our temporary healthcare professionals, the number of temporary healthcare professionals on assignment, revenue and earnings are subject to moderate seasonal fluctuations. Many of our hospital and healthcare facility clients are located in areas that

experience seasonal fluctuations in population, such as Florida and Arizona, during the winter and summer months. These facilities adjust their staffing levels to accommodate the change in this seasonal demand and many of these facilities utilize temporary healthcare professionals to satisfy these seasonal staffing needs.

Historically the number of temporary healthcare professionals on assignment has increased during January through March followed by declines or minimal growth during April through August. During September through November, our temporary healthcare professional count has historically increased, followed by a decline in December. Seasonality of revenue and earnings is expected to continue. As a result of all of these factors, results of any one quarter are not necessarily indicative of the results to be expected for any other quarter or for any year.

INFLATION

Although inflation has abated during the last several years, the rate of inflation in healthcare related services continues to exceed the rate experienced by the economy as a whole. Our contracts typically provide for an annual increase in the fees paid to us by our clients based on increases in various inflation indices allowing us to pass on inflation costs to our clients. Historically, these increases have generally offset the increases in costs incurred by us.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our debt instruments. In instances where we have variable (floating) rate debt, we attempt to minimize our interest rate risk by entering into interest rate swap or cap instruments. Our corporate policy is to only enter into derivative instruments only if the purpose of such instruments is to hedge a known underlying risk.

A 1% change in interest rates on variable rate debt would have resulted in interest expense fluctuating approximately $22,000 for 1998, $46,000 for 1999, $73,000 for 2000 and $48,000 for the eight months ended August 31, 2001, respectively.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This statement, as amended, establishes accounting and reporting standards requiring that all derivative instruments (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or a liability measured at its fair value. This statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The accounting provisions for qualifying hedges allow a derivative's gains and losses to offset related results of the hedged item in the income statement and require that the company must formally document, designate and assess the effectiveness of transactions that qualify for hedge accounting. We implemented this pronouncement in January 2001.

In July 2001, the FASB issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. SFAS No. 141 also specifies the criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill, noting that any purchase price allocable to an assembled workforce may not be accounted for separately. SFAS No. 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 will also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of.

We are required to adopt the provisions of SFAS No. 141 immediately and SFAS No. 142 effective January 1, 2002. Furthermore, any goodwill and any intangible asset determined to have an indefinite useful life that are acquired in a purchase business combination completed after June 30, 2001 will not be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized prior to the adoption of SFAS No. 142.

SFAS No. 141 will require, upon adoption of SFAS No. 142, that we evaluate existing intangible assets and goodwill that were acquired in prior purchase business combinations, and make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. Upon adoption of SFAS No. 142, we will be required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, we will be required to test the intangible asset for impairment in accordance with the provisions of SFAS No. 142 within the first interim period. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period.

As of the date of adoption, January 1, 2002, we expect to have unamortized goodwill in the amount of $124.5 million and unamortized identifiable intangible assets in the amount of $871,000, all of which will be subject to the transition provisions of SFAS Nos. 141 and 142. Amortization expense related to goodwill was $2.3 million and $2.5 million for the year ended December 31, 2000 and the six months ended June 30, 2001, respectively. Because of the extensive effort needed to comply with adopting SFAS Nos. 141 and 142, it is not yet practicable to reasonably estimate the impact of adopting these accounting pronouncements on our financial statements, including whether any transitional impairment losses will be required to be recognized as the cumulative effect of a change in accounting principle.

BUSINESS

OUR COMPANY

We are a leading temporary healthcare staffing company and the largest nationwide provider of travel nurse staffing services, one of the fastest growing segments of the temporary healthcare staffing industry. We recruit nurses and allied health professionals, our "temporary healthcare professionals," and place them on temporary assignments, typically for 13 weeks away from their permanent homes, at hospitals and healthcare facilities throughout the United States. Approximately 90% of our temporary healthcare professionals are nurses, while the remainder are technicians, therapists and technologists. We are actively working with a pre-screened pool of over 25,000 prospective temporary healthcare professionals, of whom over 6,100 were on assignment as of August 2001. Additionally, in August 2001, we had over 15,500 open orders from our network of over 2,500 hospital and healthcare facility clients.

In recent years our business has grown significantly, outpacing the growth of the temporary healthcare staffing market. From 1996 to 2000, our revenue and Adjusted EBITDA increased at compound annual growth rates of 48% and 58%, respectively. Approximately one-third of this growth was generated through strategic acquisitions, while the remaining two-thirds was generated through the organic growth of our operations. On a combined basis, assuming all of our acquisitions had occurred on January 1, 1996, the compound annual growth rate of our revenues from 1996 to 2000 would have been 30%, as compared to the 13% compound annual growth rate experienced by the temporary healthcare staffing market during the same period. Additionally, since 1999, the pace of our organic growth has accelerated. On the same combined basis as discussed above, for the twelve months ended June 30, 2001, we would have generated revenues of $412.9 million and Adjusted EBITDA of $50.1 million, representing organic compound annual growth rates of 48% and 83%, respectively, since 1999.

We market our services to two distinct customer bases: (1) temporary healthcare professionals and (2) hospital and healthcare facility clients. We use a multi-brand recruiting strategy to enhance our ability to successfully attract temporary healthcare professionals in the United States and internationally. Our five separate brand names: American Mobile Healthcare, Medical Express, NursesRx, Preferred Healthcare Staffing and O'Grady-Peyton International, have distinct geographic market strengths and brand images. Our large number of hospital and healthcare facility clients allows us to offer traveling positions in all 50 states, and in a variety of work environments. In addition, we provide our temporary healthcare professionals with valuable benefits, including free or subsidized housing, travel reimbursement, professional development opportunities, a 401(k) plan and health insurance. We believe that we attract temporary healthcare professionals due to our long-standing reputation for providing a high level of service, our numerous job opportunities, our benefit packages, our innovative marketing programs and our most effective recruiting tool, word-of-mouth referrals from our thousands of current and former temporary healthcare professionals.

We have established a growing and diverse hospital and healthcare facility client base, ranging from national healthcare providers to premier teaching and regional hospitals. Approximately 95% of our healthcare facility contracts are with acute-care hospitals. We currently hold contracts with approximately 42% of all acute-care hospitals in the United States, where we place the vast majority of our temporary healthcare professionals. Our clients include hospitals and healthcare systems such as Georgetown University Hospital, HCA, Kaiser Permanente, NYU Medical Center, Stanford Health Care, UCLA Medical Center and The University of Chicago Hospitals. We also provide services to sub-acute healthcare facilities, dialysis centers, clinics and schools. Hospital and healthcare facilities utilize our services to help cost-effectively manage staff shortages, new unit openings, seasonal variations, budgeted vacant positions, long-term leaves of absence and other flexible staffing needs.

INDUSTRY OVERVIEW

In 2000, total healthcare expenditures in the United States were estimated at $1.3 trillion, representing approximately 13% of the U.S. gross domestic product, and had grown approximately 8% over 1999 according to the Centers for Medicare & Medicaid Services. Over the next decade, an aging U.S. population

and advances in medical technology are expected to drive increases in hospital patient populations and the consumption of healthcare services. As a result, total healthcare expenditures are projected to increase by approximately $1.3 trillion during the next decade.

Within the healthcare staffing sector, temporary staffing has emerged as an increasingly utilized method to efficiently deliver healthcare services. In the mid-1990s, several factors prompted the increased usage of temporary staffing at hospitals. A principal factor was cost containment. Managed care, Medicare, Medicaid and competitive pressures created renewed emphasis on cost containment. Among other responses, this led acute-care hospitals to redesign their staffing models to reduce their levels of fixed staffing and to include a variable staffing component.

The temporary healthcare staffing industry accounted for $7.2 billion in revenues in 2000 and this amount is projected to increase by 21%, to $8.7 billion, in 2001 according to estimates by The Staffing Industry Report. Approximately 70% of the temporary healthcare staffing industry is comprised of nurse staffing and approximately 30% is comprised of allied health, physicians and other healthcare professionals. Temporary healthcare staffing has experienced strong historical growth since 1996, growing at a compound annual growth rate of 13%, but this growth has accelerated to approximately 15% over the past two years. Within the temporary healthcare staffing industry, we believe that travel nurse staffing is one of the fastest growing segments.

Demand and Supply Drivers

Since the mid-1990s, changes in the healthcare industry prompted a permanent shift in staffing models that led to an increased usage of temporary staffing at hospitals and other healthcare facilities. The supply of professionals choosing travel healthcare as a short-term or long-term career option has also grown alongside increased demand for temporary healthcare professionals. We believe that this expanded demand and supply pattern will continue, particularly in the travel nurse staffing sector, because of the following drivers:

Demand Drivers

- DEMOGRAPHICS AND ADVANCES IN MEDICINE AND TECHNOLOGY. As the U.S. population ages and as advances in medicine result in longer life expectancy, it is likely that chronic illnesses and hospital populations will continue to increase. We believe that these factors will increase the demand for both temporary and permanent nurses, as well as for allied health professionals. In addition, advances in healthcare technology have increased the demand for specialty nurses who are qualified to operate advanced medical equipment or perform complex medical procedures.

- SHIFT TO FLEXIBLE STAFFING MODELS. Nurse wages comprise the largest percentage of hospitals' labor expenses. Cost containment initiatives and a renewed focus on cost-effective healthcare service delivery continue to lead many hospitals and other healthcare facilities to adopt flexible staffing models that include reduced permanent staffing levels and increased utilization of flexible staffing sources, such as traveling nurses.

- NURSING SHORTAGE. Most regions of the United States are experiencing a shortage of nurses. The American Hospital Association estimates that up to 126,000 position vacancies currently exist for registered nurses, representing approximately 10% of the hospital-based nursing workforce. The Journal of the American Medical Association has reported that the registered nurse workforce is expected to be 20% below projected requirements by 2020. Faced with increasing demand for and a shrinking supply of nurses, hospitals are utilizing more temporary nurses to meet staffing requirements. Factors contributing to the current and projected declining supply of nurses include:

  -- DECREASING NUMBER OF ENTRANTS TO NURSING SCHOOL AND NEW NURSING GRADUATES. According to the American Association of Colleges of Nursing, enrollment in all basic nursing education programs (baccalaureate, associate or diploma) has fallen each year since 1995 by approximately 5%.

  -- NURSES LEAVING PATIENT CARE ENVIRONMENTS FOR LESS STRESSFUL AND DEMANDING CAREERS. Career opportunities for nurses have expanded beyond the traditional bedside role. Pharmaceutical companies, insurance companies, HMOs and hospital service and supply companies increasingly offer nurses attractive positions which involve less demanding work schedules and physical requirements.

  -- AGING NURSE POPULATION. The average age of a registered nurse is estimated to be 45.2 years old, up 8.4% since 1988. By 2010, 40% of the nurse population is expected to be older than 50, as compared to 29% of nurses that were older than 50 as of March 2000. As a growing number of nurses retire, the nursing shortage is likely to worsen.

- SEASONALITY. Hospitals in areas that experience significant seasonal fluctuations in population, such as Florida or Arizona during the winter months, must be able to efficiently adjust their staffing levels to accommodate the change in demand. Many of these hospitals utilize temporary healthcare professionals to satisfy these seasonal staffing needs.

- FAMILY AND MEDICAL LEAVE ACT. The adoption of the Family and Medical Leave Act in 1993, which mandates 12-week job-protected maternity and dependent care leave, continues to create temporary nursing vacancies at healthcare facilities. Approximately 94% of the registered nurses working at healthcare facilities in the United States are women.

- STATE LEGISLATION REQUIRING HEALTHCARE FACILITIES TO UTILIZE MORE NURSES. In response to concerns by consumer groups over the quality of care provided in healthcare facilities and concerns by nursing organizations about the increased workloads and pressures placed upon nurses, several states have passed or introduced legislation that is expected to increase the demand for nurses.

  -- MINIMUM NURSE-TO-PATIENT RATIOS. California passed legislation in 1999 (effective January 2002) that requires the establishment of minimum nurse-to-patient ratios throughout all hospitals. Other states have already adopted, and several are now considering, similar legislation.

  -- ELIMINATION OF MANDATORY OVERTIME. Many healthcare facilities require their permanent staff to work overtime to cover staffing shortages. Maine recently passed legislation that limits mandatory overtime for nurses, and similar legislation has already been introduced in several other states.

Supply Drivers

- TRADITIONAL REASONS FOR A HEALTHCARE PROFESSIONAL TO WORK ON A TRAVEL ASSIGNMENT. Traveling allows healthcare professionals to explore new areas of the United States, work at prestigious hospitals, learn new skills, build their resumes and avoid unwanted workplace politics that may accompany a permanent position. Other benefits to temporary healthcare professionals include free or subsidized housing, professional development opportunities, competitive wages, health insurance and completion bonuses for some assignments. All of these opportunities have been constant supply drivers, bringing a growing number of new healthcare professionals into traveling.

- WORD-OF-MOUTH REFERRALS. New applicants are most often referred to travel staffing companies by current or former temporary healthcare professionals. Growth in the number of healthcare professionals that have traveled, as well as the increased number of hospital and healthcare facilities that utilize temporary healthcare professionals, creates more opportunities for referrals.

- MORE NURSES CHOOSING TRAVELING DUE TO THE NURSING SHORTAGE. In times of nursing shortages, nurses with permanent jobs feel more secure about their employment prospects. They have a higher degree of confidence that they can leave their permanent position to join the temporary healthcare professional workforce and have the ability to return to a permanent position in the future. Additionally, during a nursing shortage, permanent staff nurses are often required to assume greater responsibility and patient loads, work mandatory overtime and deal with increased pressures within the

hospital. Many experienced nurses consequently choose to leave their permanent employer, and look for a more flexible and rewarding position.

- NEW LEGISLATION ALLOWING NURSES TO BECOME MORE MOBILE. The Mutual Recognition Compact Legislation, promoted by the National Council of State Boards of Nursing, allows nurses to work more freely within states participating in the Compact Legislation without obtaining new state licenses. The recognition legislation began in 1999 and had been passed in 14 states as of June 2001.

GROWTH STRATEGY

Our goal is to expand our leadership position within the temporary healthcare staffing sector in the United States. The key components of our business strategy include:

- EXPANDING OUR NETWORK OF QUALIFIED TEMPORARY HEALTHCARE PROFESSIONALS. Through our recruiting efforts both in the United States and internationally, we continue to expand our network of qualified temporary healthcare professionals. Currently, our recruiters are actively working with over 25,000 prospective temporary healthcare professionals, of whom over 6,100 were on assignment with our clients as of August 2001. We have exhibited substantial growth in our temporary healthcare professional base over the past five years primarily through referrals from our current and former temporary healthcare professionals, as well as through advertising and direct mailings. While we expect these methods to continue to gain momentum, we are implementing creative ways to attract additional qualified healthcare professionals. Two recent examples include our acquisition of O'Grady-Peyton International, the leading recruiter of registered nurses from English-speaking foreign countries for placement in the United States, and Internet recruitment tools such as our NurseZone.com website, which is a leading nurse community site on the Internet.

- STRENGTHENING AND EXPANDING OUR RELATIONSHIPS WITH HOSPITALS AND HEALTHCARE FACILITIES. We seek to continue to strengthen and expand our relationships with our hospital and healthcare facility clients, and to develop new relationships. Because we possess one of the largest national networks of temporary nurse and allied health professionals, we are well positioned to offer our hospital and healthcare facility clients effective solutions to meet their staffing needs. We currently hold contracts with approximately 42% of all acute-care hospitals in the United States and we believe there is an opportunity to further grow our existing relationships and develop new relationships with hospitals and healthcare facilities.

- LEVERAGING OUR BUSINESS MODEL AND LARGE HOSPITAL AND HEALTHCARE FACILITY CLIENT BASE TO INCREASE PRODUCTIVITY. We seek to increase our productivity through our proven multi-brand recruiting strategy, large network of temporary healthcare professionals, established hospital and healthcare facility client relationships, proprietary information systems, innovative marketing and recruitment programs, training programs and centralized administrative support systems. Our multi-brand recruiting strategy allows a recruiter in any of our brands to take advantage of all of our nationwide placement opportunities. In addition, our information systems and support personnel permit our recruiters to spend more time focused on temporary healthcare professionals' needs and placing them on appropriate assignments in hospitals or healthcare facilities. Implementation of our business model at our acquired brands has resulted in significant increases in our productivity. For example, at Medical Express, which we acquired in November 1998, we achieved increases of 25% in the number of placements per trained recruiter from the first quarter of 1999 to the first quarter of 2001.

- EXPANDING SERVICE OFFERINGS THROUGH NEW STAFFING SOLUTIONS. In order to further enhance the growth in our business and improve our competitive position in the healthcare staffing sector, we continue to explore new service offerings. We have most recently introduced temporary and permanent programs for U.S. and Canadian newly-graduated nurses, specialty training opportunities, on-site vendor management for hospitals and healthcare facilities, permanent placement of nurses and placement of temporary healthcare professionals in Canadian hospital and healthcare facilities.

- CAPITALIZING ON STRATEGIC ACQUISITION OPPORTUNITIES. In order to enhance our competitive position, we will continue to selectively explore strategic acquisitions. In the past after we have made acquisitions, we have sought to leverage our hospital relationships and orders across our brands, integrate back-office functions and maintain brand differentiation for temporary healthcare professional recruitment purposes. We also implement our proven business model in order to achieve greater productivity, operating efficiencies and financial results.

BUSINESS OVERVIEW

Services Provided

Hospitals and healthcare facilities generally obtain supplemental staffing from local temporary (per diem) agencies and national travel healthcare staffing companies. Per diem staffing, which has historically comprised the majority of the temporary healthcare staffing industry, involves the placement of locally-based healthcare professionals on very short-term assignments, such as daily shift work, on an as needed (per diem) basis. Hospitals and healthcare facilities often give minimal advance notice of their per diem assignments, and require a quick turnaround from their staffing agencies, generally less than 24 hours. Travel staffing, on the other hand, provides healthcare facilities with staffing solutions to address anticipated staffing requirements, typically for 13 weeks. In contrast to per diem agencies, travel staffing companies select from a national (and in some cases international) skilled labor pool and provide pre-screened candidates to their hospital and healthcare facility clients, usually at a lower cost. We focus on the travel segment of the temporary healthcare staffing industry, and provide both nurse and allied health temporary healthcare professionals to our hospital and healthcare facility clients.

NURSES. We provide medical nurses, surgical nurses, specialty nurses, licensed practical or vocational nurses, and advanced practice nurses in a wide range of specialties for travel assignments throughout the United States. We place our qualified nurse professionals with premier, nationally recognized hospitals and hospital networks. The majority of our assignments are in acute-care hospitals, including teaching institutions, trauma centers and community hospitals. Nurses comprise approximately 90% of the total temporary healthcare professionals currently working for us.

ALLIED HEALTH PROFESSIONALS. We also provide allied health professionals to hospitals and other healthcare facilities such as skilled nursing facilities, rehabilitation clinics and schools. Allied health professionals include such disciplines as surgical technologists, respiratory therapists, medical and radiology technologists, dialysis technicians, speech pathologists and rehabilitation assistants. Allied health professionals comprise approximately 10% of the total temporary healthcare professionals currently working for us.

Multi-Brand Recruiting Strategy

In order to enhance our opportunities to expand our network of traveling professionals, we choose to recruit temporary healthcare professionals in the United States and internationally separately under each of our five established and recognized brand names: American Mobile Healthcare, Medical Express, NursesRx, Preferred Healthcare Staffing and O'Grady-Peyton International. While all of our brands have the capability to place temporary healthcare professionals on assignments that we have throughout the United States using the same placement opportunities, or "orders," our brands have distinct geographic market strengths and brand images.

It is common for temporary healthcare professionals to register with more than one brand in order to utilize more than one recruiter. Our multi-brand recruiting strategy provides us with a competitive advantage, as potential temporary healthcare professionals are able to work with more than one of our brand recruiters. Accordingly, we believe that our probability of successfully placing the temporary healthcare professional on assignment is significantly enhanced.

To our hospital and healthcare facility clients, however, we market and administer our services under the single corporate brand of AMN Healthcare. Hospitals and healthcare facility clients in turn have the

advantage of managing one contract with us, but receiving the benefit of five nationally known brands that recruit temporary healthcare professionals for their open positions.

The following chart depicts our single staffing provider and multi-brand recruiting model:

SINGLE STAFFING PROVIDER MULTI-BRAND RECRUITING

[AMN Healthcare Structure Flow Chart]

National Presence and Diversified Hospital and Healthcare Facility Client Base

We offer our temporary healthcare professionals nationwide placement opportunities and provide temporary staffing solutions to our hospital and healthcare facility clients that are located throughout the United States. We typically have open temporary healthcare professional requests, or orders, in all 50 states. The largest percentage of these open orders are typically concentrated in the most heavily populated states, including approximately 16% in California, 9% in Texas, 9% in Florida and 7% in Arizona. In August 2001, we had over 15,500 open orders nationwide.

The number of our hospital and healthcare facility clients that we serve has grown from approximately 600 in 1993 to over 2,500 active hospital and healthcare facility clients today. Approximately 95% of our healthcare facility contracts are with acute-care hospitals. In addition to acute-care hospitals, we also provide services to sub-acute healthcare facilities, dialysis centers, clinics and schools. We currently hold contracts with approximately 42% of all acute-care hospitals in the United States. Our clients include hospitals and healthcare systems such as Georgetown University Hospital, HCA, Kaiser Permanente, NYU Medical Center, Scripps Health Systems, Stanford Health Care, Swedish Health Services, Texas Children's Hospital, UCLA Medical Center and The University of Chicago Hospitals. As of June 30, 2001, no single client, including affiliated groups, comprised more than 10% of our temporary healthcare professionals on assignment and no single client facility comprised more than 2% of our temporary healthcare professionals on assignment.

OUR BUSINESS MODEL

We have developed and continually refined our business model to achieve greater levels of productivity and efficiency. Our model is designed to optimize the communication with, and service to, both our temporary healthcare professionals and our hospital and healthcare facility clients.

The following graph illustrates the elements of our business model:

[ELEMENTS OF OUR BUSINESS MODEL FLOW CHART]

Marketing and Recruitment of New Temporary Healthcare Professionals

We believe that nursing and allied health professionals are attracted to us because of our large and diverse offering of work assignments, the opportunity to travel to numerous attractive locations throughout the United States and our service and relationship-oriented approach.

We believe that our multi-brand recruiting strategy makes us more effective at reaching a larger number of temporary healthcare professionals. Because it is common for these healthcare professionals to register with more than one brand in the industry, we believe that by offering five distinct brands we increase our ability to recruit temporary healthcare professionals. Each brand has its own distinct marketing identity to prospective temporary healthcare professionals, and we utilize different strategies in presenting each of the brands as unique. We tailor the marketing of each of our brands through a combination of websites, journal advertising, conferences and conventions, direct mail, printed marketing material and, most importantly, through personal word-of-mouth referrals from current and former temporary healthcare professionals. Referrals from our current and former temporary healthcare professionals represent approximately 49% of the temporary healthcare professionals applying with us. We also operate NurseZone.com, a leading nurse community website. This website caters to the professional and personal lives of nurses, and offers nursing news and updates, links to other Internet sites, discounted products and services, continuing education courses and career opportunities sponsored by our five recruitment brands, including an online temporary healthcare professional application process.

We have established an extensive network of traveling professionals to meet the growth in our hospital and healthcare facility clients' demand for temporary healthcare professionals. Currently, our recruiters are actively working with a pre-screened pool of over 25,000 temporary healthcare professional candidates in an effort to place them with one of our hospital or healthcare facility clients. Year-to-date through August 2001,

the new temporary healthcare professional applications received across our domestic brands increased by an average of over 50% as compared to the similar period in 2000.

Screening/Quality Management

Through our quality management department, we screen each candidate prior to their placement and we continue to evaluate each temporary healthcare professional after they are placed to ensure adequate performance as well as to determine feasibility for future placements. Our internal processes are designed to ensure that each temporary healthcare professional has the appropriate experience, credentials and skills for the assignments that they accept. Our experience has shown us that well-matched placements result in both satisfied temporary healthcare professionals and healthcare facility clients. Our screening and quality management process includes three principal stages:

INITIAL SCREENING. Each new temporary healthcare professional candidate who submits an application with us must meet certain criteria, including appropriate prior work experience and proper educational and licensing credentials. We independently verify each applicant's work history and references to reasonably ensure that our hospital and healthcare facility clients may depend on our temporary healthcare professionals for clinical competency and personal reliability. Our proprietary clinical skills checklists, developed for each healthcare specialty area, are used by our hospital and healthcare facility clients' hiring managers as a basis for evaluating candidates and conducting interviews, and for facilitating the selection of a temporary healthcare professional who can meet the hospital or healthcare facility client's specific needs.

ASSIGNMENT SPECIFIC SCREENING. Once an assignment is accepted by a temporary healthcare professional, our quality management department tracks the necessary documentation and license verification required for the temporary healthcare professional to meet the requirements set forth by us, the hospital or healthcare facility, and, when required, the applicable state board of health or nursing. These requirements may include obtaining copies of specific health records, drug screening, criminal background checks and certain certifications or continuing education courses.

ONGOING EVALUATION. We continually evaluate our temporary healthcare professionals' performance through a verbal and written evaluation process. We receive these evaluations directly from our hospital and healthcare facility clients, and use the feedback to determine appropriate future assignments for each temporary healthcare professional.

Sales and Marketing to Hospitals and Healthcare Facilities

Our team of regional client service directors markets our services to prospective hospital and healthcare facility clients, and supervises ongoing contract management of existing clients in their territory. We market ourselves to hospitals and healthcare facilities under one corporate brand name, AMN Healthcare, a single staffing provider with five recruitment sources of temporary healthcare professionals: American Mobile Healthcare, Medical Express, NursesRx, Preferred Healthcare Staffing and O'Grady-Peyton International.

The number of our hospital and healthcare facility clients that we serve has grown from approximately 600 in 1993 to over 2,500 active clients today. Approximately 95% of our healthcare facility contracts are with acute-care hospitals. In addition to acute-care hospitals, we also provide services to sub-acute healthcare facilities, dialysis centers, clinics and schools. Our hospital and healthcare facility clients include 15 of the top 16 hospitals in the United States as ranked by US News and World Report in its July 2001 Best Hospitals Honor Roll.

Account Management

Once hospital and healthcare facility contracts are obtained by our regional client service directors, our hospital account managers are responsible for soliciting and receiving orders from these clients and working with our recruiters to fill those orders with qualified temporary healthcare professionals. An "order" is a request from a client hospital or healthcare facility for a temporary healthcare professional to fill an

assignment. Hospital account managers regularly call and solicit orders from our clients, who also submit orders via the Internet and by fax. Depending upon their size and specific needs, one hospital or healthcare facility client may have up to 50 open orders at one time.

Our average number of orders for upcoming assignments has increased significantly during the past three years. The combination of an increasing number of open orders and a greater number of nurses choosing to travel benefits us by providing us with numerous assignments to offer and an increasing supply of new temporary healthcare professional applicants to place. In August 2001, we had over 15,500 open customer orders nationwide. Our growth in open orders can be attributed to factors including:

- continuing increased demand for traveling nurses;

- our extensive network of temporary healthcare professionals;

- our brand recognition and reputation as a quality provider of temporary healthcare staffing services; and

- our increased number of hospital and healthcare facility client relationships.

Because hospitals often list their orders with multiple service providers, open orders may also be listed with our competitors. An order will generally be filled by the company that provides a suitable candidate first, highlighting the need for a large network of temporary healthcare professionals and integrated operating and information systems to quickly and effectively match hospital and healthcare facility client needs with appropriate temporary healthcare professionals.

Placement

Orders are entered into our information network and are made available to the recruiters at all of our recruitment brands. Our recruiters provide our hospital account managers with the personnel profiles of the temporary healthcare professionals who have expressed an interest in a particular assignment. The hospital account manager approves the profiles to be sent to the hospital or healthcare facility client, follows up to arrange a telephone interview between the temporary healthcare professional and the hospital, and confirms offers and placements with the hospital or healthcare facility.

Our recruiters seek to develop and maintain strong and long-lasting relationships with our temporary healthcare professionals. Each recruiter manages a group of approved temporary healthcare professionals and works to understand the unique needs and desires of each healthcare professional. The recruiter will present open order assignments to a temporary healthcare professional, request that the personnel profile be submitted for placement consideration, arrange a telephone interview with assistance from the hospital account managers, make any special requests for housing and generally facilitate each placement.

In the case of our international temporary healthcare professionals, the recruiters at our O'Grady-Peyton International brand, including those located in the United Kingdom, Australia, New Zealand and South Africa, assist candidates in preparing for the national nursing examination and subsequently obtaining a U.S. nursing license. These recruiters also assist our international temporary healthcare professionals to obtain petitions to become lawful permanent residents or to obtain work visas prior to their arrival in the United States.

Throughout the typical 13-week assignment, the recruiter will work with the temporary healthcare professional to review their progress and to determine whether the person would like to extend the length of the current assignment, or move to a new hospital or healthcare facility at the end of the assignment term. Our international temporary healthcare professionals are typically placed on longer-term, 18-month assignments as a result of our substantial investment in bringing them to work in the United States. Near completion of the 18-month assignment, our recruiters will work with these temporary healthcare professionals to explore their options for new assignments, including our more traditional 13-week arrangements.

We share orders among our various brands to increase placement opportunities for our temporary healthcare professionals. Our growth in placement volume has been driven by enabling our recruiters at all of our brands to offer more open assignment orders to their temporary healthcare professionals. For example, we have been successful with this order sharing strategy at Medical Express over the past two years, where 52% of Medical Express placements of temporary healthcare professionals during the fourth quarter 2000 were with clients who had not been hospital or healthcare facility clients of Medical Express prior to its acquisition.

Housing

We offer substantially all of our temporary healthcare professionals free or subsidized housing while on assignment. Our housing department is primarily consolidated and managed at our San Diego corporate headquarters. Our housing department facilitates the leasing of all apartments and furniture, manages utilities, and arranges all housing and roommate assignments for the thousands of temporary healthcare professionals that we place each year. We generally offer our temporary healthcare professionals a free two-bedroom apartment to share with another temporary healthcare professional. If a temporary healthcare professional desires to have a private, one-bedroom apartment, they typically pay a housing fee to us to cover the incremental costs. If a temporary healthcare professional chooses not to accept housing provided by us, they receive a monthly housing stipend in lieu of an apartment. Generally, our international temporary healthcare professionals are provided with increased travel reimbursements and assistance with immigration costs in lieu of free or subsidized housing. We currently lease approximately 3,500 apartments nationwide with a monthly housing expense of nearly $4 million.

Housing expenses are typically included in the hourly or weekly fees that we charge to our hospital and healthcare facility clients. Based on the contracted billing rate and gross profit for each hospital or healthcare facility client, we estimate a budget for our housing coordinators to utilize when locating apartments for each assignment. We carefully monitor performance of actual housing costs incurred to the housing costs budgeted for each placement. If housing costs rise in a particular city or region, our housing department tracks these trends and communicates with our regional client service directors to obtain increased billing rates to cover these costs. In the past, we generally have been successful in obtaining rate increases from our hospital and healthcare facility clients to cover the increased housing costs.

Temporary Healthcare Professional Payroll

Approximately 92% of our working temporary healthcare professionals are on our payroll, while approximately 8% are paid directly by the hospital or healthcare facility client. Providing payroll services is a value-added and convenient service that hospitals and healthcare facilities increasingly expect from their supplemental staffing sources. To provide convenience and flexibility to our hospital and healthcare facility clients, we accommodate several different payroll cycles, and allow the client to choose the cycle that most closely matches that of their permanent staff. This enables our hospital and healthcare facility clients to integrate management of temporary healthcare professional scheduling and overtime with their permanent staff.

Consistent accuracy and timeliness of making payroll payments is essential to the retention of our temporary healthcare professionals. Our internal payroll service group receives and processes timesheets for over 5,000 temporary healthcare professionals. Payroll is typically processed within 72 hours after the completion of each pay period, heightening the importance of having adequately trained and skilled payroll personnel and appropriate operating and information systems. We process our payroll utilizing a leading national payroll processing service that can accommodate our large quantity of transactions and the many federal, state and local withholding and employer taxing requirements across the United States.

Our payroll service group offers our temporary healthcare professionals several service benefits, including multi-account direct deposit, automatic 401(k) deductions, dependent care and flexible spending account deductions and housing co-pays when the temporary healthcare professional chooses to upgrade to a private one-bedroom apartment, rather than a free shared two-bedroom apartment.

Temporary Healthcare Professional Benefits

In our effort to attract and retain highly qualified traveling professionals, we offer a variety of benefits to our temporary healthcare professionals. These benefits include:

- COMPLETION BONUSES. Many of our assignments offer special completion bonuses, which we pay in a lump sum once the temporary healthcare professional has completed his or her 13-week assignment. When offered, completion bonuses usually range from $500 to $3,000 for a 13-week assignment and are typically billed as a separate cost to the hospital client, with a small markup to cover employer taxes and overhead.

- TRAVEL REIMBURSEMENT. Travelers receive travel reimbursement for each assignment. Reimbursements are calculated on a "per mile" basis with a cap on the total, and are often billed as a separate cost to the hospital or healthcare facility client.

- REFERRAL BONUSES. Through our referral bonus program, a temporary healthcare professional receives a bonus if he or she successfully refers a new temporary healthcare professional.

- 401(k) PLAN AND DEPENDENT CARE REIMBURSEMENT. We offer immediate enrollment in our 401(k) plan, including matching employer contributions after 1,000 hours of continued service. In addition, we provide pre-tax deductions for employee dependent care expenses.

- GROUP MEDICAL, DENTAL AND LIFE INSURANCE. We pay 100% of premium expenses for medical, dental and life insurance.

- PROFESSIONAL DEVELOPMENT CENTER. We are a fully accredited provider of continuing education by the American Nurses Credentialing Center. Through our professional development center, our temporary healthcare professionals receive free continuing education courses. In addition, they can obtain the information needed to apply for licensure in the state where they will travel.

- 24-HOUR MANAGEMENT AND CLINICAL SUPPORT. It is our goal to always be available to our temporary healthcare professionals. Travelers with emergencies can be connected 24 hours per day with a clinical liaison, recruitment manager or housing manager to help resolve their problem.

Hospital Billing

To accommodate the needs of our hospital clients, we offer two types of billing: payroll contracts and flat rate contracts. We currently bill approximately 92% of working temporary healthcare professionals based on payroll contracts and approximately 8% based on flat rate contracts.

PAYROLL CONTRACTS. Under a payroll contract, the temporary healthcare professional is our employee for payroll and benefits purposes. Under this arrangement, we bill our hospital and healthcare facility clients at an hourly rate which effectively includes reimbursement for recruitment fees, wages and benefits for the temporary healthcare professional, employer taxes, and housing expenses. Overtime and holiday hours worked are typically billed at a premium rate. We in turn pay the temporary healthcare professional's wages, housing costs and benefits. Providing payroll services is a value-added and convenient service that hospitals and healthcare facilities increasingly expect from their supplemental staffing sources. Providing these payroll services, which is cash flow intensive, also gives us a competitive edge over smaller staffing firms.

FLAT RATE CONTRACTS. With flat rate billing, the temporary healthcare professional is placed on the hospital or healthcare facility client's payroll. We bill the hospital a "flat" weekly rate that includes reimbursement for recruitment fees, temporary healthcare professional benefits and typically housing expenses. Generally, if the temporary healthcare professional works overtime, there is not an opportunity for us to receive increased fees under a flat rate contract.

INFORMATION SYSTEMS

Our primary management information and communications systems are centralized and controlled in our corporate headquarters and are utilized in each of our staffing offices. Our financial systems are primarily centralized at

our corporate headquarters and our operational reporting is standardized at all of our offices. To

facilitate payroll for our corporate employees and our temporary healthcare professionals, we utilize a system provided by a national payroll processing service.

During the past few years, we have developed a proprietary information system called American Mobile Information Exchange, or "AMIE." AMIE is a Windows-based, interactive system that is an important tool in maximizing our productivity and accommodating our multi-brand recruiting strategy. The system was custom-designed for our business model, including integrated processes for temporary healthcare professional and healthcare facility contract management, matching of temporary healthcare professionals to available assignments, temporary healthcare professional file submissions for placements, quality management tracking, controlling compensation packages and managing healthcare facility contract and billing terms. AMIE provides our staff with fast, detailed information regarding individual temporary healthcare professionals and hospital and healthcare facility clients. AMIE also provides a platform for interacting and transacting with temporary healthcare professionals and hospital and healthcare facility clients via the Internet.

RISK MANAGEMENT

We have developed an integrated risk management program that focuses on loss analysis, education and assessment in an effort to reduce our operational costs and risk exposure. We continually analyze our losses on professional liability claims and workers compensation claims to identify trends. This allows us to focus our resources on those areas that may have the greatest impact on us. We have also developed educational materials for distribution to our temporary healthcare professionals that are targeted to address specific work-injury risks. In addition, we have compiled a universal safety manual that every temporary healthcare professional receives each year.

In addition to our proactive measures, we engage in a peer review process of any incidents involving our temporary healthcare professionals. Upon notification of a temporary healthcare professional's involvement in an incident that may result in liability for us, a team of registered nurses located at our San Diego headquarters reviews the temporary healthcare professional's actions. Our peer review committee makes a prompt determination regarding whether the temporary healthcare professional will continue the assignment and whether we will place the temporary healthcare professional on future assignments.

COMPETITION

The healthcare staffing industry is highly competitive. We compete with both national firms and local and regional firms. We compete with these firms to attract nurses and other healthcare professionals as temporary healthcare professionals and to attract hospital and healthcare facility clients. We compete for temporary healthcare professionals on the basis of the quantity, diversity and quality of assignments available, compensation packages, and the benefits that we provide to a temporary healthcare professional while they are on an assignment. We compete for hospital and healthcare facility clients on the basis of the quality of our temporary healthcare professionals, the timely availability of our professionals with requisite skills, the quality, scope and price of our services, and the geographic reach of our services.

We believe that larger, nationally established firms enjoy distinct competitive advantages over smaller, local and regional competitors in the travel healthcare staffing industry. Continuing nursing shortages and factors driving the demand for nurses over the past several years have made it increasingly difficult for hospitals to meet their staffing needs. More established firms have a critical mass of available nursing candidates, substantial word-of-mouth referral networks and established brand names, enabling them to attract a consistent flow of new applicants. Larger firms can also more easily provide payroll services billing, which is cash flow intensive, to healthcare providers. As a result, sizable and established firms such as ours have had a significant advantage over smaller participants.

Some of our competitors in the temporary nurse staffing sector include Cross Country, InteliStaf, Medical Staffing Network and RehabCare Group.

GOVERNMENT REGULATION

The healthcare industry is subject to extensive and complex federal and state laws and regulations related to professional licensure, conduct of operations, payment for services and payment for referrals. Our business, however, is not directly impacted by or subject to the extensive and complex laws and regulations that

generally govern the healthcare industry. The laws and regulations which are applicable to our hospital and healthcare facility clients could indirectly impact our business to a certain extent, but because we provide services on a contract basis and are paid directly by our hospital and healthcare facility clients, we do not have any direct Medicare or managed care reimbursement risk.

Some states require state licensure for businesses that employ and/or assign healthcare personnel to provide healthcare services on-site at hospitals and other healthcare facilities. We are currently licensed in all ten states that require such licenses.

Most of the temporary healthcare professionals that we employ are required to be individually licensed or certified under applicable state laws. We take reasonable steps to ensure that our employees possess all necessary licenses and certifications in all material respects.

We recruit some temporary healthcare professionals from Canada for placement in the United States. Canadian healthcare professionals can come to the United States on TN Visas under the North American Free Trade Agreement. TN Visas are renewable, one-year temporary work visas, which generally allow immediate entrance into the United States provided the healthcare professional presents at the border proof of waiting employment in the United States and evidence of the necessary healthcare practice licenses.

With respect to our recruitment of international temporary healthcare professionals through our O'Grady-Peyton International brand, we must comply with certain United States immigration law requirements, including the Illegal Immigration Reform and Immigrant Responsibility Act of 1996. We primarily bring temporary healthcare professionals to the United States as immigrants, or lawful permanent residents (commonly referred to as "green card" holders). We screen foreign temporary healthcare professionals and assist them in preparing for the national nursing examination and subsequently obtaining a U.S. nursing license. We file petitions with the Immigration and Naturalization Service for a temporary healthcare professional to become a permanent resident of the United States or obtain necessary work visas. Generally, such petitions are accompanied by proof that the temporary healthcare professional has either passed the Commission on Graduates of Foreign Nursing Schools Examination or holds a full and unrestricted state license to practice professional nursing as well as a contract between us and the temporary healthcare professional demonstrating that there is a bona fide job offer.

LEGAL PROCEEDINGS

We are subject to various claims and legal actions in the ordinary course of our business. Some of these matters include professional liability, employee-related matters and inquiries and investigations by governmental agencies regarding our employment practices. We are not aware of any pending or threatened litigation that we believe is reasonably likely to have a material adverse effect on us.

Our hospital and healthcare facility clients may also become subject to claims, governmental inquiries and investigations and legal actions to which we may become a party relating to services provided by our professionals. From time to time, and depending upon the particular facts and circumstances, we may be subject to indemnification obligations under our contracts with our hospital and healthcare facility clients relating to these matters. At this time, we are not aware of any such pending or threatened litigation that we believe is reasonably likely to have a material adverse effect on us.

EMPLOYEES

As of August 1, 2001, we had 728 full-time corporate employees. We believe that our employee relations are good. The following chart shows our number of full-time corporate employees by department:

Recruitment	178
Regional Directors and Hospital Account Managers	48
Housing and Quality Management	185
Customer Accounting and Payroll	187
MIS, Support Services, HR, Marketing and Facilities Staff	113
Corporate and Subsidiary Management	17
Total Corporate Employees:	728

As of August 2001, we had over 6,100 temporary healthcare professionals working on assignment.

PROPERTIES

We believe that our properties are adequate for our current needs. In addition, we believe that adequate space can be obtained to meet our foreseeable business needs. We currently lease office space in eleven locations, as identified in the chart below:

LOCATION	SQUARE FEET
San Diego, California (corporate headquarters)	69,884
Ft. Lauderdale, Florida	34,631
Louisville, Colorado	19,427
Huntersville, North Carolina	15,600
Savannah, Georgia	5,656
Birmingham (United Kingdom)	988
Cape Town (South Africa)	1,399
Canning Vale (Australia)	958
Phoenix, Arizona	767
Sacramento, California	674
Charleston, South Carolina	300
Total:	150,284

MANAGEMENT

The following tables show certain information concerning our current directors, director nominees, executive officers and other senior officers.

NAME	AGE	POSITION(S)
DIRECTORS, DIRECTOR NOMINEES AND EXECUTIVE OFFICERS		
Robert Haas	54	Chairman of the Board and Director
Steven Francis	46	Director, President and Chief Executive Officer
William Miller III	52	Director
Douglas Wheat	50	Director
Michael Gallagher	55	Director Nominee
Andrew Stern	52	Director Nominee
Susan Nowakowski	36	Chief Operating Officer
Donald Myll	43	Chief Financial Officer and Treasurer
OTHER SENIOR OFFICERS		
Marcia Faller	42	Senior Vice President
Denise Jackson	36	General Counsel and Vice President
Beth Machado	39	Senior Vice President, Recruitment
Diane Stumph	51	Senior Vice President, Finance
Stephen Wehn	40	Senior Vice President, Client Services

Information with respect to the business experience and affiliations of our directors, director nominees, executive officers and other senior officers is set forth below.

Robert Haas has been our Chairman and a director since November 1999. Mr. Haas has been actively involved in private business investments since 1978, specializing in leveraged buyouts. He has served as Chairman of the Board and Chief Executive Officer of Haas Wheat & Partners, L.P., a private investment firm specializing in leveraged acquisitions, since 1992. Mr. Haas serves as Chairman and a director of Playtex Products, Inc., Nebraska Book Company, Inc. and NBC Acquisition Corp. He also serves as a director of Walls Holding Company, Inc.

Steven Francis co-founded our predecessor company, AMN Healthcare, Inc., in 1985. He has been an executive officer and director since 1985 and our President and Chief Executive Officer since June 1990. Prior to 1985, Mr. Francis served in several management positions in the hospitality industry. In addition, he served in the Nevada State Assembly from 1983 to 1987 and was elected as the Majority Leader from 1985 to 1987. Mr. Francis serves on the Board of Directors of the San Diego Chapter of the American Red Cross and served as Chairman in 1997. In addition, he serves as a board member of Father Joe's Villages, one of the largest private homeless shelter organizations in the United States.

William Miller III has been a director since November 1999. Mr. Miller is currently Chairman, Chief Executive Officer and a director of Health Management Systems, Inc., a healthcare information technology company. From 1983 to 1999, Mr. Miller served as President and Chief Operating Officer of Emcare Holdings, an emergency medical services company. Prior to joining Emcare, Mr. Miller held financial and management positions in the healthcare industry, including positions as chief executive officer and chief financial officer of various hospitals, and administrator/director of operations of a multi-specialty physician group practice. Mr. Miller also serves as a director of Lincare Holdings, Inc.

Douglas Wheat has been a director since November 1999. Mr. Wheat has served as President of Haas Wheat & Partners, L.P., a private investment firm specializing in leveraged acquisitions, since 1992. He serves as a director of Playtex Products, Inc., Smarte Carte Corporation, Walls Holding Company, Inc., Nebraska Book Company, Inc. and NBC Acquisition Corp.

Michael Gallagher will become a director upon the consummation of this offering. Mr. Gallagher has served as Chief Executive Officer of Playtex Products, Inc. since 1995. He also serves as a director of Playtex Products, Inc., Allergan, Inc. and the Grocery Manufacturers Association.

Andrew Stern will become a director upon consummation of this offering. Mr. Stern has served as Chairman of the Board and Chief Executive Officer of Sunwest Communications, Inc., a public relations firm, since 1983. Mr. Stern also serves as a director of Dallas National Bank and as an advisory director of NeoSpire, Inc.

Susan Nowakowski joined us in 1990 and has been our Chief Operating Officer since December 2000. Ms. Nowakowski served as our Senior Vice President of Business Development from September 1998 to December 2000. Following our acquisition of Medical Express, she was additionally appointed President of Medical Express in April 1999. She also served as our Chief Financial Officer and Vice President of Business Development from 1990 to 1993 and 1993 to 1998, respectively. Prior to joining us, Ms. Nowakowski worked as a financial analyst at a subsidiary of Eli Lilly & Co. and as the finance manager of BioVest Partners, a venture capital firm. Ms. Nowakowski also serves as a director of Playtex Products, Inc.

Donald Myll has been our Chief Financial Officer and Treasurer since May 2001. From September 1999 through October 2000, he served as Executive Vice President and Chief Financial Officer of Daou Systems, Inc., a publicly-traded technology services company in the healthcare industry. From September 1998 to September 1999, Mr. Myll served as President, Chief Executive Officer and a director of Hearing Science, Inc., a multi-state provider of hearing care services. From March 1997 to September 1998, Mr. Myll was a consultant to TheraTx, Inc., a publicly-traded national healthcare provider of rehabilitation, post acute and long-term care services, as well as other venture capital and entrepreneurial organizations in the healthcare industry. From June 1990 to March 1997, Mr. Myll served as Executive Vice President and Chief Financial Officer of TheraTx, Inc.

Marcia Faller, RN, joined us in 1989 and has been our Senior Vice President since July 1997, with responsibility for quality management and professional education, housing, information technologies, facilities and other office support. Ms. Faller served as one of our Vice Presidents from July 1989 until July 1997, with various responsibilities in recruiting and operations. Prior to joining us, Ms. Faller worked for Sharp Memorial Hospital, where she was responsible for nurse recruitment operations. Previously, she was a staff nurse and manager in intensive and coronary care.

Denise Jackson has been our General Counsel and Vice President of Administration since October 2000, with responsibility for legal, risk management and human resource functions. From 1995 to September 2000, Ms. Jackson served as Vice President and Senior Counsel of The Mills Corporation, a publicly traded real estate investment trust.

Beth Machado joined us in 1988 and has been our Senior Vice President of Recruitment since May 1999, with responsibility for temporary healthcare professional recruitment, placement and retention, as well as order growth and management with our hospital and healthcare facility clients. Ms. Machado served as our Vice President of Recruitment from March 1996 until May 1999. Prior to joining us, Ms. Machado was a national commodities broker at Multivest, Inc.

Diane Stumph, CPA, joined us in 1991 and has been our Senior Vice President of Finance since July 1997, with responsibility for accounting, payroll and finance operations and cash and tax management. Ms. Stumph served as Vice President of Finance from January 1995 until July 1997 and as our Chief Financial Officer from January 1995 until May 2001. In addition, Ms. Stumph served as our Controller from August 1991 until January 1995. Prior to joining us, Ms. Stumph worked for Exxon Company, USA for 11 years in a variety of audit, finance and accounting management roles.

Stephen Wehn joined us in 1993 and has been our Senior Vice President of Client Services since December 2000, with responsibility for hospital and healthcare facility client marketing, contracting and service. Mr. Wehn served as our Vice President of Client Services from July 1997 until December 2000 and as our National Director of Client Services from October 1993 until July 1997. Prior to joining us, Mr. Wehn

worked for Manpower, Inc., serving first as a manager for a healthcare staffing division and then as a district manager for two of Manpower's largest multi-office franchises.

TERM OF EXECUTIVE OFFICERS AND DIRECTORS

Upon consummation of this offering, we expect that two independent persons will be elected directors by our board of directors. Each director serves for a term of one year. Directors hold office until the annual meeting of stockholders and until their successors have been duly elected and qualified. Executive officers are appointed by the board and serve at the discretion of the board.

COMMITTEES OF OUR BOARD OF DIRECTORS

Our board has established, effective upon consummation of this offering, an audit committee, the members of which will be Messrs. Miller, Gallagher and Stern, a compensation committee, the members of which will be Messrs. Miller and Gallagher, an executive committee, the members of which will be Messrs. Haas, Wheat and Francis, and a stock plan committee, the members of which will be Messrs. Miller and Gallagher. Each of the decisions of our compensation and stock plan committees will also be subject to approval by our board. The audit committee will oversee actions taken by our independent auditors and review our internal controls and procedures. The compensation committee will review and approve the compensation of our officers and management personnel and administer our employee benefit plans. The executive committee will exercise the authority of our board in the interval between meetings of the board. The stock plan committee will administer our stock-based and certain other incentive compensation plans.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

One of our director nominees, Michael Gallagher, serves as the Chief Executive Officer of Playtex Products, Inc. and will serve as a member of our compensation committee. Our chief operating officer, Susan Nowakowski, also serves as a director of Playtex Products, Inc.

DIRECTORS' COMPENSATION

Directors who are not executive officers will receive an annual fee of $10,000, $2,500 for each board meeting they attend and $1,000 for each committee meeting they attend which is not held on the same day as a board meeting. Directors will be reimbursed for out-of-pocket expenses incurred in connection with attending meetings of the board and its committees.

COMPENSATION OF EXECUTIVE OFFICERS

The following table sets forth the salary and certain other compensation paid by us for our Chief Executive Officer and our other executive officer whose total salary and bonus exceeded $100,000 for services rendered to us during 2000:

	ANNUAL COMPENSATION				LONG-TERM COMPENSATION AWARDS	
NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	ALL OTHER COMPENSATION(1)	RESTRICTED STOCK AWARDS	NUMBER OF SECURITIES UNDERLYING OPTIONS
Steven Francis, President and Chief Executive Officer.....	2000	$304,875	$200,000	$1,950	--	746,493
Susan Nowakowski, Chief Operating Officer.....	2000	181,496	67,412	1,950	--	321,451

(1) Amounts consist of employer matching contributions to our 401(k) plan.

OPTIONS GRANTS DURING 2000

The following table sets forth information concerning stock options that we granted to our named executive officers in 2000. We have never issued stock appreciation rights.

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(2)	
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENTAGE OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 2000	EXERCISE PRICE (PER SHARE) (1)	EXPIRATION DATE	5%	10%
Steven Francis.....	746,493	48.3%	$6.68	December 31, 2009	$2,766,675	$6,823,944
Susan Nowakowski.....	202,006	13.1%	$3.80	December 31, 2009	430,182	1,062,924
	119,445	7.7%	$6.68	December 31, 2009	442,691	1,091,877

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(1) The exercise price for each option was equal to the fair market value of our common stock as determined by our board on the date of grant. In determining the fair market value of our common stock on the date of grant, our board considered many factors including:

- the fact that option grants involved illiquid securities in a non-reporting company;
- the fact that the securities underlying the option grants represented a minority interest in our common stock;
- our performance and operating results at the time of grant; and
- our stage of development and business strategy.

(2) These amounts present hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. These gains are based on assumed rates of stock price appreciation of 5.0% and 10.0% compounded annually from the date the respective options were granted to their expiration dates. These assumptions are not intended to forecast future appreciation of our stock price. The potential realizable value computation does not take into account federal or state income tax consequences of option exercises or sales of appreciated stock. If we used an assumed initial public offering price of $15.00 per share as the base to compute the potential option values assuming annual rates of stock price appreciation of 5.0% and 10.0%, the hypothetical gain that could be achieved would be $12,428,267 and $21,542,849, respectively, to Steven Francis, and $5,946,740 and $9,900,348, respectively, to Susan Nowakowski.

AGGREGATED OPTION EXERCISES IN 2000 AND YEAR-END OPTION VALUES

The following table sets forth information concerning options that our named executive officers exercised during 2000 and the number of shares subject to both exercisable and unexercisable stock options as of December 31, 2000. The table also reports values for "in-the-money" options that represent the positive spread between the exercise prices of outstanding options and an assumed initial offering price of $15.00 per share.

			NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 2000		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 2000	
NAME	NUMBER OF SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Steven Francis.....	--	--	--	2,766,449	$--	$28,829,093
Susan Nowakowski.....	--	--	--	660,801	$--	7,055,339

MANAGEMENT COMPENSATION INCENTIVE PLANS

Our Senior Management Bonus Plan will provide incentives and rewards to some of our senior members of management for achievement of annual financial goals. The bonus plan will be administered by our compensation committee. The board may resolve to administer the plan, thereby assuming all the functions of

the compensation committee under the plan. Under the bonus plan, the compensation committee shall designate for each "performance period" (which is the period during which performance is measured to determine the level of attainment of an award) which participants will be eligible for an award, the performance criteria for the performance period and the maximum award. This information will be communicated to each participant prior to or during the performance period. The performance criteria for 2001 has been established in a Senior Management Bonus Plan for 2001 and the bonuses under our bonus plan are earned based upon a pre-established level of EBITDA (as defined in the bonus plan for 2001) achieved during the year, and are calculated for each participating member of senior management based upon a specific percentage of the individual's salary at targeted levels of EBITDA achievement. The board has the power to amend the plan at any time and may amend any outstanding award granted under the plan, subject to grantee consent in appropriate instances. Adopting and maintaining this bonus plan does not stop the board from making compensation or award arrangements outside of the plan.

STOCK OPTION PLANS

1999 Stock Option Plans

In November, 1999, we adopted our 1999 Performance Stock Option Plan and our 1999 Super-Performance Stock Option Plan. Both of our 1999 stock option plans allow us to:

- attract, motivate and retain executive personnel of outstanding ability;

- focus the attention of executive management on achievement of sustained long-term results;

- foster management's attention on overall corporate performance and thereby promote cooperation and teamwork among management of the operating units; and

- provide executives with a direct economic interest in the attainment of demanding long-term business objectives.

ADMINISTRATION. Upon consummation of this offering, our stock plan committee will administer our 1999 stock option plans. The stock plan committee will have the authority to construe, interpret and implement our 1999 stock option plans and any agreements evidencing any options granted under our 1999 stock option plans, and to prescribe, amend and rescind rules and regulations relating to our 1999 stock option plans. The board may resolve to administer the plan, thereby assuming all of the functions of the stock plan committee under the plan.

STOCK OPTIONS. The stock plan committee is authorized to grant options to purchase shares of common stock that are either "qualified," which include those options that satisfy the requirements of Section 422 of the Internal Revenue Code for incentive stock options, or "nonqualified," which include those options that are not intended to satisfy the requirements of Section 422 of the Internal Revenue Code. These options will be subject to the terms and conditions established by the stock plan committee (after consultation with our Chief Executive Officer). Under the terms of our 1999 stock option plans, the exercise price of the initial grant of options was the "initial founder's price" (as defined in the 1999 stock option plans). The exercise price of all subsequent grants of options is not less than the fair market value of our common stock at the time of grant.

ELIGIBILITY. Any members of our senior management (including directors, officers or employees) selected by the stock plan committee are eligible for grants of options under our 1999 stock option plans.

SHARES SUBJECT TO OUR 1999 STOCK OPTION PLANS. The number of shares of our common stock authorized for issuance under our 1999 Performance Stock Option Plan is 3,688,617, and under our 1999 Super-Performance Stock Option Plan is 1,844,306. If the shares subject to an option under our 1999 stock option plans expire, terminate, or are canceled for any reason without cash consideration paid, the shares will again be available for future award. If there is any recapitalization, or any acquisition, divestiture or any other corporate transaction of any kind involving us that the committee in its discretion deems of a kind appropriate to require an amendment or adjustment to our 1999 stock option plans or to the options issued under these plans, the stock plan committee will make appropriate adjustments to the type and number of

shares covered by options then outstanding, the exercise price of outstanding options and the shares that remain available for award under our 1999 stock option plans.

TERM AND VESTING. The options already granted generally will terminate on December 31, 2009, unless terminated earlier because of a participant's termination of employment, and will vest and become exercisable at such times and subject to such conditions as the stock plan committee determines.

All options outstanding under the 1999 stock option plans at the completion of this offering will become fully vested. The options, once vested, will be exercisable at a rate of 25% per year, with the first 25% to become exercisable on various dates following the expiration of the underwriters' lock-up period.

Under the terms of our 1999 stock option plans and unless a particular stock option agreement provides otherwise, if a participant's employment is terminated prior to the expiration of the options granted under our 1999 stock option plans for any reason other than death or disability, then any vested and non-exercisable portion of an option shall become exercisable at a rate of 25% per year for the four years following the period that ends no earlier than three years following this offering, provided, however, that if a participant terminates employment due to death or disability, vested and exercisable options shall remain exercisable for one year following termination of employment, or the original expiration date of the option, if earlier.

The stock plan committee may permit a participant to deliver shares of common stock to exercise an option, provided that the common stock has been owned by the participant for at least six months. Otherwise, an option may be exercised by delivery of a certified or official bank check or, with the stock plan committee's consent, by personal check.

NONTRANSFERABILITY OF OPTIONS. Options awarded under our 1999 stock option plans will generally not be assignable or transferable other than by will or by the laws of descent and distribution. The stock plan committee may provide in a particular stock option agreement that an option may be transferred for estate planning purposes to a family trust or family partnership for the benefit of immediate members of the participant's family.

STATUS OF PARTICIPANTS. A participant will have no rights as a stockholder with respect to any shares covered by any option until the exercise of that option.

TAX WITHHOLDING. Whenever shares of common stock are to be delivered pursuant to an option, the stock plan committee may require as a condition of delivery that the participant pay in cash or in stock an amount sufficient to satisfy all related federal, state and other withholding tax requirements.

TERM AND AMENDMENT. Our 1999 stock option plans have ten year terms. Our board may at any time amend, suspend or discontinue our 1999 stock option plans. The expiration of the term of our 1999 stock option plans, or any amendment, suspension or discontinuation will not adversely impair the rights under any outstanding option held by a participant without the consent of that participant, nor will any amendment for which shareholder approval would be required be effective without receiving the necessary shareholder approval.

CHANGE OF CONTROL. Under the terms of our 1999 stock option plans, if there is a change of control (as defined in our 1999 stock option plans), or in the event that our board shall propose that we enter into a transaction that would result in a change of control, the stock plan committee may in its discretion, by written notice to a participant provide that the participant's options will be terminated unless exercised within a specified period. The stock plan committee also may in its discretion, by written notice to a participant, provide that the participant's options shall be fully exercisable as to all or some of the shares of common stock covered by that participant's options or that some or all of the restrictions on any of that participant's options may lapse in the event of a change of control.

2001 Stock Option Plan

In connection with this offering, we have adopted our 2001 stock option plan for grants to be made to participants in anticipation of, and following, this offering. The purpose of our 2001 stock option plan is to provide a means through which we may attract able persons to enter and remain in the employ of our

company and to provide a means whereby employees, directors and consultants can acquire and maintain common stock ownership, thereby strengthening their commitment to the welfare of our company and promoting an identity of interest between stockholders and these employees.

ADMINISTRATION. The stock plan committee will administer our 2001 stock option plan. The board may resolve to administer the plan, thereby assuming all of the functions of the stock plan committee under the plan. Subject to board approval, the stock plan committee will have the authority to interpret, administer, reconcile any inconsistency and correct any default in our 2001 stock option plan and any agreements evidencing any options granted under our 2001 stock option plan, and to establish, amend, suspend or waive rules and regulations relating to our 2001 stock option plan.

STOCK OPTIONS. The stock plan committee will be authorized to grant options to purchase shares of common stock that are "nonqualified," which are options that are not intended to satisfy the requirements of Section 422 of the Internal Revenue Code. These options will be subject to such terms and conditions as the stock plan committee shall determine. Under the terms of our 2001 stock option plan, the exercise price of the options will not be less than the fair market value of our common stock at the time of grant.

ELIGIBILITY. Any of our employees, directors or consultants designated by the stock plan committee will be eligible for grants of options under our 2001 stock option plan.

SHARES SUBJECT TO OUR 2001 STOCK OPTION PLAN. The number of shares of our common stock authorized for issuance under our 2001 stock option plan is 2,178,013 shares. No participant may be granted options to purchase more than 544,503 shares of common stock in any one year. If the shares subject to an option under our 2001 stock option plan expire, terminate, are surrendered or forfeited for any reason, the shares will again be available for new grants under our 2001 stock option plan. If there is any change in the outstanding stock or in the capital structure of our company by reason of stock or extraordinary cash dividends, stock splits, reverse stock splits, recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges, or other relevant changes in capitalization, or if there is any change in applicable laws or any change in circumstances that results in or would result in any substantial dilution or enlargement of the rights granted to, or available for, participants, the stock plan committee in its sole discretion will make appropriate adjustments to the number of shares covered by options then outstanding under our 2001 stock option plan, the exercise price of outstanding options and the maximum number of shares and the per-person maximum number of shares available for grant under our 2001 stock option plan.

TERM AND VESTING. The options granted will generally terminate on the tenth anniversary of their grant, unless terminated earlier because of a participant's termination of employment, and will vest and become exercisable in increments of 25% on each of the first four anniversaries of the date of grant.

An option generally will be exercised by delivery of cash in an amount equal to the exercise price of that option. The stock plan committee may permit a participant to deliver shares of common stock to exercise an option, provided the common stock delivered has been owned by the participant for at least six months or was previously acquired by the participant on the open market. The stock plan committee may also allow the option price to be paid in other property or by brokered exercise.

Under the terms of our 2001 stock option plan and unless a particular stock option agreement provides otherwise, if a participant's employment is terminated prior to the expiration of the option granted under our 2001 stock option plan, unvested portions of the option expire immediately and vested portions of the option generally remain exercisable for three months.

The stock plan committee may permit the voluntary surrender of all or any portion of any nonqualified stock option granted under our 2001 stock option plan to be conditioned upon the granting to the participant of a new option for the same or different number of shares as the option surrendered, or require voluntary surrender before a grant of a new option to the participant. The new option will be exercisable at a price and during a period in accordance with any other terms or conditions specified by the stock plan committee at the time the new option is granted, all determined in accordance with the provisions of the 2001 stock option plan without regard to the terms and conditions of the nonqualified stock option surrendered.

NONTRANSFERABILITY OF OPTIONS. Options awarded under our 2001 stock option plan are generally not assignable or transferable other than by will or by the laws of descent and distribution. The stock plan committee may provide in a particular stock option agreement that an option may be transferred for estate planning purposes to a family trust or family partnership for the benefit of immediate members of the participant's family.

TAX WITHHOLDING. A participant may be required to pay to us and we shall have the right and are authorized to withhold from any shares of stock or other property deliverable under any option or from any compensation or other amounts owing to a participant the amount (in cash, stock or other property) of any required tax withholding and payroll taxes in respect of an option, its exercise, or any payment or transfer under an option or under our 2001 stock option plan, and to take such other action as may be necessary in our opinion to satisfy all obligations for the payment of these taxes.

If so provided in a stock option agreement, a participant may satisfy, in whole or in part, withholding liability (but no more than the minimum required withholding liability) by delivery of shares of stock owned by the participant (which are not subject to any pledge or other security interest and which have been owned by the participant for at least six months or purchased on the open market) with a fair market value equal to the withholding liability or by having us withhold from the number of shares of stock otherwise issuable pursuant to the exercise of the option a number of shares with a fair market value equal to the withholding liability.

TERM AND AMENDMENT. Our 2001 stock option plan has a term of ten years. Our board may at any time amend, alter, suspend, discontinue or terminate our 2001 stock option plan. No amendment, suspension, discontinuation or termination will impair the rights of any participant or any holder or beneficiary of any option without the consent of the participant, holder, or beneficiary, nor will any amendment for which shareholder approval would be required be effective without receiving the necessary shareholder approval.

CHANGE OF CONTROL. Under the terms of our 2001 stock option plan, and unless a particular stock option agreement provides otherwise, if there is a change of control (as defined in our 2001 stock option plan), a participant's options will become fully exercisable as to all the shares of common stock covered by that participant's options. Alternatively, in the event of a change of control, the stock plan committee may in its discretion, by written notice to the participant, provide that the participant's options will be terminated unless exercised within 10 days, in exchange for a payment in cash or stock of the value of that participant's options based upon the per-share value to be received by other shareholders pursuant to the transaction.

Recent Stock Options Awarded

In July 2001, we granted options to some members of our management for 546,314 shares of common stock at an exercise price equal to $9.09 per share, including options to purchase 458,804 shares granted to Donald Myll, effective as of the date of this offering. The first 25% of these options are expected to vest on the first anniversary of the date of their grant.

EMPLOYMENT AND SEVERANCE AGREEMENTS

We are parties to an employment agreement with Steven Francis which provides that Mr. Francis will serve as our President and Chief Executive Officer and as a member of our board until December 31, 2003 (and thereafter automatically for additional one-year periods unless either party gives prior written notice of its intent to terminate the agreement) or until we terminate his employment or he resigns, if earlier. The agreement provides that Mr. Francis will receive a base salary of $300,000 per year (increased annually at the discretion of our board), an annual bonus opportunity subject to meeting certain performance based criteria, participation in our stock option plans, eligibility in our employee benefit plans and other benefits provided in the same manner and to the same extent as to our other senior management.

Mr. Francis's employment agreement provides that he will receive severance benefits if we voluntarily terminate his employment for any reason other than "cause" (as defined in the agreement), in the event of his disability or death or if he terminates his employment for "good reason" (as defined in the agreement).

In the event of such termination, Mr. Francis or his estate, as applicable, will be entitled to any earned but unpaid base salary, an immediate lump sum severance payment of two years of base salary, plus his bonus for the year of termination. In addition, Mr. Francis has the right to resign for any reason or no reason within 90 days following a "change of control" (as defined in the agreement) and have such resignation be treated as "good reason."

Under some circumstances, amounts payable under Mr. Francis's employment agreement are subject to a full "gross-up" payment to make Mr. Francis whole in the event that he is deemed to have received "excess parachute payments" under Section 280G and 4999 of the Internal Revenue Code.

Mr. Francis's employment agreement also contains a confidentiality agreement and a covenant not to compete or solicit during its term and for a period of two years thereafter.

We also entered into executive severance agreements with two of our executive officers, Susan Nowakowski and Donald Myll, in November 1999 and May 2001, respectively. These executives' severance agreements provide that they will receive severance benefits if their at-will employment is terminated by us without cause (as defined in the agreements). Such benefits include cash payments over a 12-month period equal to their annual salary plus reimbursement for the COBRA costs for their health insurance for that 12-month period (or until the executive becomes eligible for comparable coverage under another employer's health plans, if earlier). Each executive severance agreement contains a requirement that the executive execute our standard covenant not to compete or solicit and general release of all claims form as a condition to receiving the severance payments.

RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH THE HWP STOCKHOLDERS

AMN Acquisition Corp. was formerly our controlling stockholder and was owned by the HWP stockholders. Robert Haas and Douglas Wheat, two of our directors, are affiliates of the HWP stockholders and have indirect equity interests in the HWP stockholders.

In June 2000, we issued shares to AMN Acquisition Corp. as consideration for an aggregate capital contribution of $10.1 million in connection with our acquisition of NursesRx. In addition, in November 2000, we issued shares to AMN Acquisition Corp. as consideration for an aggregate capital contribution of $35.6 million in connection with our acquisition of Preferred Healthcare Staffing.

In connection with our acquisition of Preferred Healthcare Staffing, we paid $1.5 million to AMN Acquisition Corp. in exchange for advisory services. In addition, in November 1999, we paid $3.7 million to AMN Acquisition Corp. to reimburse it for expenses incurred in our 1999 recapitalization.

During 2000 and 2001, we paid an affiliate of the HWP stockholders a fee for management advisory services provided to us in the amounts of $150,000 and $112,500, respectively. At the completion of this offering, we will pay a fee to an affiliate of the HWP stockholders of up to $1.84 million and the agreement governing these fees will terminate. We will make this payment concurrently with the closing of this offering.

TRANSACTIONS WITH BANCAMERICA CAPITAL INVESTORS

BancAmerica Capital Investors SBIC I, L.P., currently beneficially owns 9.1% of our common stock and will beneficially own approximately 6.9% of our common stock following this offering. BancAmerica Capital Investors also holds our senior subordinated notes, and affiliates of BancAmerica Capital Investors are acting as an underwriter of this offering and as a lender under our existing credit facility. For more information, see "Underwriting."

In June 2000, we issued shares to BancAmerica Capital Investors as consideration for an aggregate capital contribution of $1.3 million in connection with our acquisition of NursesRx. In addition, in November 2000, we issued shares to BancAmerica Capital Investors as consideration for an aggregate capital contribution of $4.4 million in connection with our acquisition of Preferred Healthcare Staffing.

TRANSACTIONS WITH OLYMPUS PARTNERS

In connection with our 1999 recapitalization, we paid $1.5 million in advisory fees to our then majority stockholder, Olympus Partners.

TRANSACTIONS WITH DIRECTORS

In connection with our 1999 recapitalization, we paid $100,000 in advisory fees to one of our minority stockholders and directors, William Miller. Prior to the consummation of this offering, we paid Mr. Miller an annual fee of $25,000 to serve as a director (in addition to the fees described under "Management -- Directors' Compensation").

Steven Francis, our President and Chief Executive Officer, a director and stockholder, owned a minority interest in AMN Healthcare, Inc., our primary operating subsidiary, until October 1999. Prior to our November 1999 recapitalization, Steven Francis exchanged his shares of our subsidiary for shares of our common stock, eliminating this minority ownership interest.

In June 2000, we issued shares to an affiliate of Steven Francis as consideration for an aggregate capital contribution of $0.6 million in connection with our acquisition of NursesRx.

We have secured services in the past from certain advertising agencies in which Steven Francis currently holds a 30% interest. We incurred expenses of $701,676, $30,723, $39,713 and $20,737 in 1998, 1999, 2000

and the six month period ended June 30, 2001, respectively, related to the services provided by these advertising agencies.

REGISTRATION RIGHTS

In consideration for approving amendments to our certificate of incorporation and by-laws necessary to proceed with this offering and amending their existing registration rights so that we may have a uniform set of registration rights, we have agreed to enter into a registration rights agreement with the HWP stockholders, BancAmerica Capital Investors, Steven Francis and the Francis Family Trust upon consummation of this offering. Subject to several exceptions, including our right to defer a demand registration under certain circumstances, the HWP stockholders may require that we register for public resale under the Securities Act all shares of common stock they request be registered at any time after 180 days following this offering, and BancAmerica Capital Investors may require that we register for public resale under the Securities Act all shares of common stock they request be registered at any time after one year following this offering. The HWP stockholders may demand five registrations and BancAmerica Capital Investors may demand one registration, in each case so long as the securities being registered in each registration statement are reasonably expected to produce aggregate proceeds of $5 million or more. If we become eligible to register the sale of our securities on Form S-3 under the Securities Act, the HWP stockholders have the right to require us to register the sale of the common stock held by them on Form S-3, subject to offering size and other restrictions. BancAmerica Capital Investors, Steven Francis and the Francis Family Trust are entitled to piggyback registration rights with respect to any registration request made by the HWP stockholders, and the HWP Stockholders, Steven Francis and the Francis Family Trust are entitled to piggyback registration rights with respect to the registration request made by BancAmerica Capital Investors. If the registration requested by the HWP stockholders or BancAmerica Capital Investors is in the form of a firm underwritten offering, and if the managing underwriter of the offering determines that the number of securities to be offered would jeopardize the success of the offering, the number of shares included in the offering shall be determined as follows: (i) first, shares offered by the HWP stockholders, BancAmerica Capital Investors, Steven Francis and the Francis Family Trust (pro rata, based on their respective ownership of our common equity), (ii) second, shares offered by stockholders other than the HWP stockholders, BancAmerica Capital Investors, Steven Francis and the Francis Family Trust (pro rata, based on their respective ownership of our common equity) and (iii) third, shares offered by the Company.

In addition, the HWP stockholders, BancAmerica Capital Investors, Steven Francis and the Francis Family Trust will be granted piggyback rights on any registration for our account or the account of another stockholder. If the managing underwriter in an underwritten offering determines that the number of securities offered in a piggyback registration would jeopardize the success of the offering, the number of shares included in the offering shall be determined as follows: (i) first, shares offered by the Company for its own account and (ii) second, shares offered by the stockholders (pro rata, based on their respective ownership of our common equity).

In connection with these registrations, we are generally required to enter into standard indemnification or underwriting agreements and to bear all fees, costs and expenses (except for selling stockholder legal fees and underwriting discounts and selling commissions).

PRINCIPAL STOCKHOLDERS

The following table summarizes certain information regarding the beneficial ownership of our outstanding common stock for:

- each person or group who beneficially owns more than 5% of the common stock;
- our chief executive officer;
- each of our other executive officers;
- each of our directors and director nominees; and
- all of our directors, director nominees and executive officers as a group.

Beneficial ownership of shares is determined under the rules of the Securities and Exchange Commission and generally includes any shares over which a person exercises sole or shared voting or investment power. Except as indicated by footnote, each person identified in the table possesses sole voting and investment power with respect to all shares of common stock held by them. Shares of common stock subject to options currently exercisable or exercisable within 60 days are deemed outstanding for computing the percentage of the person holding these options, but are not deemed outstanding for computing the percentage of any other person. Applicable percentage ownership in the following table is based on 30,714,643 shares of common stock outstanding before this offering and 40,714,643 shares of common stock outstanding after the completion of this offering. Unless otherwise indicated, the address of each of the named individuals is c/o AMN Healthcare Services, Inc., 12235 El Camino Real, Suite 200, San Diego, CA 92130.

NAME	OUTSTANDING SHARES OF COMMON STOCK	SHARES THAT CAN BE ACQUIRED WITHIN 60 DAYS	PERCENTAGE OF OUTSTANDING SHARES	
			BEFORE THE OFFERING	AFTER THE OFFERING
Robert Haas (1)	26,427,048	--	86.0%	64.9%
HWH Capital Partners, L.P.	12,286,696	--	40.0%	30.2%
HWH Nightingale Partners, L.P.	9,418,313	--	30.7%	23.1%
HWP Nightingale Partners II, L.P.	3,395,621	--	11.1%	8.3%
HWP Capital Partners II, L.P.	1,326,418	--	4.3%	3.3%
BancAmerica Capital Investors SBIC I, L.P. (2)	2,810,276	--	9.1%	6.9%
Steven Francis (3)	1,214,422	--	4.0%	3.0%
William Miller III (4)	262,897	--	*	*
Douglas Wheat	--	--	--	--
Michael Gallagher (5)	--	--	--	--
Andrew Stern (6)	--	--	--	--
Susan Nowakowski	--	--	--	--
Donald Myll	--	--	--	--
All directors, director nominees and executive officers as a group (7)	27,904,367	--	90.9%	68.5%

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* Less than 1%

(1) Represents shares held by the following entities:

- 12,286,696 shares held by HWH Capital Partners, L.P.
- 9,418,313 shares held by HWH Nightingale Partners, L.P.
- 3,395,621 shares held by HWP Nightingale Partners II, L.P.
- 1,326,418 shares held by HWP Capital Partners II, L.P.

The ultimate general partner of each of these limited partnerships is either a limited liability company or a corporation, in each case controlled by Mr. Haas. By virtue of his control over each such limited

liability company and corporation, Mr. Haas has sole voting and dispositive power over these 26,427,048 shares. The address of each of the limited partnerships listed above is c/o Haas Wheat & Partners, L.P., 300 Crescent Court, Suite 1700, Dallas, Texas 75201.

(2) The address of BancAmerica Capital Investors is NC1-007-25-01, 100 North Tyron Street, 25th Floor, Charlotte, North Carolina 28255.

(3) Includes 1,214,422 shares owned by the Francis Family Trust dated May 24, 1996. Mr. Francis and his wife Gayle Francis are each Trustees of such trust. As a result, he has investment power over these shares and is therefore deemed to have beneficial ownership of these shares.

(4) Mr. Miller's address is c/o Health Management Systems, Inc., 401 Park Avenue South, New York, New York 10016.

(5) Mr. Gallagher's address is c/o Playtex Products, Inc., 300 Nyala Farms Road, Westport, Connecticut 06880.

(6) Mr. Stern's address is c/o Sunwest Communications, Inc., 5956 Sherry Lane, Dallas, Texas 75225.

(7) The percentage of outstanding shares owned includes 26,427,048 shares owned by the HWP stockholders, 1,214,422 shares owned by the Francis Family Trust dated May 24, 1996 and 262,897 shares owned by William Miller.

DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock currently consists of 200,000,000 shares of common stock and 10,000,000 shares of preferred stock. After consummation of this offering, we expect to have 40,714,643 shares of common stock and no shares of preferred stock outstanding.

COMMON STOCK

The holders of our common stock are entitled to one vote per share on all matters submitted to a vote of stockholders, including the election of directors. The common stock does not have cumulative voting rights, which means that the holders of a majority of the outstanding common stock voting for the election of directors can elect all directors then being elected. The holders of our common stock are entitled to receive dividends when, as, and if declared by our board out of legally available funds. Upon our liquidation or dissolution, the holders of common stock will be entitled to share ratably in our assets legally available for the distribution to stockholders after payment of liabilities and subject to the prior rights of any holders of preferred stock then outstanding. All of the outstanding shares of common stock are, and the shares of common stock to be sold in this offering when issued and paid for will be, fully paid and nonassessable. The rights, preferences and privileges of holders of common stock are subject to the rights of the holders of shares of any series of preferred stock which may be issued in the future.

PREFERRED STOCK

Our preferred stock may be issued from time to time in one or more series. Our board is authorized to fix the dividend rights, dividend rates, any conversion rights or right of exchange, any voting rights, rights and terms of redemption, the redemption price or prices, the payments in the event of liquidation, and any other rights, preferences, privileges, and restrictions of any series of preferred stock and the number of shares constituting such series and their designation. We have no present plans to issue any shares of preferred stock.

Depending upon the rights of such preferred stock, the issuance of preferred stock could have an adverse effect on holders of our common stock by delaying or preventing a change in control, adversely affecting the voting power of the holders of common stock, including the loss of voting control to others, making removal of the present management more difficult, or resulting in restrictions upon the payment of dividends and other distributions to the holders of common stock. These provisions could limit the price that investors might be willing to pay in the future for shares of our common stock.

CERTAIN CERTIFICATE OF INCORPORATION, BY-LAW AND STATUTORY PROVISIONS

The provisions of our certificate of incorporation and by-laws and of the Delaware General Corporation Law summarized below may have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that you might consider in your best interest, including an attempt that might result in your receipt of a premium over the market price for your shares.

Directors' Liability; Indemnification of Directors and Officers

Our certificate of incorporation provides that a director will not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except:

- for any breach of the duty of loyalty;
- for acts or omissions not in good faith or which involve intentional misconduct or knowing violations of law;
- for liability under Section 174 of the Delaware General Corporation Law (relating to unlawful dividends, stock repurchases, or stock redemptions); or
- for any transaction from which the director derived any improper personal benefit.

This provision does not limit or eliminate our rights or those of any shareholder to seek non-monetary relief such as an injunction or rescission in the event of a breach of a director's duty of care. The provisions will not alter the liability of directors under federal securities laws. In addition, our certificate of incorporation and by-laws provide that we indemnify each director and the officers, employees, and agents determined by our board to the fullest extent provided by the laws of the State of Delaware.

Special Meetings of Stockholders

Our certificate of incorporation provides that special meetings of stockholders may be called only by the chairman or by a majority of the members of our board. Stockholders are not permitted to call a special meeting of stockholders, to require that the chairman call such a special meeting, or to require that our board request the calling of a special meeting of stockholders.

Advance Notice Requirements For Stockholder Proposals and Director Nominations

Our by-laws establish advance notice procedures for:

- stockholders to nominate candidates for election as a director; and

- stockholders to propose topics at stockholders' meetings.

Stockholders must notify our corporate secretary in writing prior to the meeting at which the matters are to be acted upon or the directors are to be elected. The notice must contain the information specified in our by-laws. To be timely, the notice must be received at our corporate headquarters not less than 60 days nor more than 130 days prior to the first anniversary of the date on which we mailed our proxy materials for the preceding year's annual meeting of stockholders. If the annual meeting is advanced by more than 30 days, or delayed by more than 30 days, from the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be received not earlier than the 130th day prior to the annual meeting and not later than the later of the 90th day prior to the annual meeting or the 10th day following the day on which we notify stockholders of the date of the annual meeting, either by mail or other public disclosure. In the case of a special meeting of stockholders called to elect directors, the stockholder notice must be received not earlier than 130 days prior to the special meeting and not later than the later of the 90th day prior to the special meeting or 10th day following the day on which we notify stockholders of the date of the special meeting, either by mail or other public disclosure. These provisions may preclude some stockholders from bringing matters before the stockholders at an annual or special meeting or from nominating candidates for director at an annual or special meeting.

Anti-Takeover Provisions of Delaware Law

In general, Section 203 of the Delaware General Corporation Law prevents an interested stockholder (defined generally as a person owning 15% or more of the corporation's outstanding voting stock) of a Delaware corporation from engaging in a business combination (as defined) for three years following the date that person became an interested stockholder unless various conditions are satisfied. Under our certificate of incorporation, we will opt out of the provisions of Section 203.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common stock is American Stock Transfer & Trust Company. Its telephone number is (212) 936-5100.

CERTAIN U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following discussion sets forth the opinion of Paul, Weiss, Rifkind, Wharton & Garrison with respect to the expected material United States federal income and estate tax consequences of the acquisition, ownership, and disposition of our common stock purchased pursuant to this offering by a holder that, for U.S. federal income tax purposes, is not a U.S. person as we define that term below. A beneficial owner of our common stock who is not a U.S. person is referred to below as a "non-U.S. holder." We assume in this discussion that you will hold our common stock issued in this offering as a capital asset within the meaning of the Internal Revenue Code of 1986, as currently amended. This discussion does not address all aspects of taxation that may be relevant to particular non-U.S. holders in light of their personal investment or tax circumstances or to persons that are subject to special tax rules. In particular, this description of U.S. tax consequences does not address the tax treatment of special classes of non-U.S. holders, such as banks, insurance companies, tax-exempt entities, financial institutions, broker-dealers, persons holding our common stock as part of a hedging or conversion transaction or as part of a "straddle," or U.S. expatriates. Our discussion is based on current provisions of the Internal Revenue Code, U.S. Treasury regulations, judicial opinions, published positions of the U.S. Internal Revenue Service and other applicable authorities, all as in effect on the date of this prospectus and all of which are subject to differing interpretations or change, possibly with retroactive effect. We have not sought, and will not seek, any ruling from the IRS with respect to the tax consequences discussed in this prospectus, and there can be no assurance that the IRS will not take a position contrary to the tax consequences discussed below or that any position taken by the IRS would not be sustained. Furthermore, this discussion does not give a detailed discussion of any state, local or foreign tax considerations. We urge you to consult your tax advisor about the U.S. federal tax consequences of acquiring, holding, and disposing of our common stock, as well as any tax consequences that may arise under the laws of any foreign, state, local, or other taxing jurisdiction or under any applicable tax treaty.

For purposes of this discussion, a U.S. person means any one of the following:

- a citizen or resident of the U.S.;
- a corporation (including any entity treated as a corporation for U.S. tax purposes) or partnership (including any entity treated as a partnership for U.S. tax purposes) created or organized in the U.S. or under the laws of the U.S. or of any political subdivision of the U.S.;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, the administration of which is subject to the primary supervision of a U.S. court and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

DIVIDENDS

We do not anticipate paying cash dividends on our common stock in the foreseeable future. See "Dividend Policy." If dividends are paid on shares of our common stock, however, such dividends will generally be subject to withholding of U.S. federal income tax at the rate of 30% or such lower rate as may be specified by an applicable income tax treaty and we have received proper certification of the application of such income tax treaty. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under an applicable income tax treaty and the manner of claiming the benefits of such treaty. A non-U.S. holder that is eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the IRS.

Dividends that are effectively connected with a non-U.S. holder's conduct of a trade or business in the U.S. or, if provided in an applicable income tax treaty, dividends that are attributable to a permanent establishment in the United States, are not subject to the U.S. withholding tax, but are instead taxed in the manner applicable to U.S. persons. In that case, we will not have to withhold U.S. federal withholding tax if the non-U.S. holder complies with applicable certification and disclosure requirements. In addition, dividends

received by a foreign corporation that are effectively connected with the conduct of a trade or business in the U.S. may be subject to a branch profits tax at a 30% rate, or a lower rate specified in an applicable income tax treaty.

GAIN ON DISPOSITION

A non-U.S. holder will generally not be subject to U.S. federal income tax, including by way of withholding, on gain recognized on a sale or other disposition of our common stock unless any one of the following is true:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the U.S. and, if an applicable tax treaty requires, attributable to a U.S. permanent establishment maintained by such non-U.S. holder;

- the non-U.S. holder is an individual who is present in the U.S. for 183 or more days in the taxable year of the sale, exchange or other disposition and certain other requirements are met; or

- our common stock constitutes a United States real property interest by reason of our status as a "United States real property holding corporation" (a "USRPHC") for U.S. federal income tax purposes at any time during the shorter of (i) the period during which you hold our common stock or (ii) the 5-year period ending on the date you dispose of our common stock and, assuming that our common stock is regularly traded on an established securities market for tax purposes, the non-U.S. holder held, directly or indirectly, at any time within the five-year period preceding such disposition more than 5% of such regularly traded common stock.

We believe that we are not currently and do not anticipate becoming a USRPHC.

Individual non-U.S. holders who are subject to U.S. tax because the holder was present in the U.S. for 183 days or more during the year of disposition are taxed on their gains (including gains from sale of our common stock and net of applicable U.S. losses from sale or exchanges of other capital assets incurred during the year) at a flat rate of 30%. Other non-U.S. holders who may be subject to U.S. federal income tax on the disposition of our common stock will be taxed on such disposition in the same manner in which citizens or residents of the U.S. would be taxed. In addition, if any such gain is taxable because we are or were a USRPHC, the buyer of our common stock will be required to withhold a tax equal to 10% of the amount realized on the sale.

U.S. FEDERAL ESTATE TAXES

Our common stock owned or treated as owned by an individual who at the time of death is a non-U.S. holder will be included in his or her estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

INFORMATION REPORTING AND BACKUP WITHHOLDING

A non-U.S. holder may have to comply with specific certification procedures to establish that the holder is not a U.S. person as described above in order to avoid backup withholding tax requirements with respect to our payments of dividends on our common stock. Under U.S. Treasury regulations, we must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to that non-U.S. holder and the tax withheld with respect to those dividends. These information reporting requirements apply even if withholding was not required because the dividends were effectively connected dividends or withholding was reduced or eliminated by an applicable tax treaty. Pursuant to an applicable tax treaty, that information may also be made available to the tax authorities in the country in which the non-U.S. holder resides.

The payment of the proceeds of the disposition of common stock by a non-U.S. holder to or through the U.S. office of a broker generally will be reported to the IRS and reduced by backup withholding unless the non-U.S. holder either certifies its status as a non-U.S. holder under penalties of perjury or otherwise establishes an exemption and the broker has no actual knowledge to the contrary. The payment of the

proceeds on the disposition of common stock by a non-U.S. holder to or through a non-U.S. office of a broker generally will not be reduced by backup withholding or reported to the IRS. If, however, the broker is a U.S. person or has certain enumerated connections with the U.S., the proceeds from such disposition generally will be reported to the IRS (but not reduced by backup withholding) unless certain conditions are met.

Backup withholding is not an additional tax. Any amounts that we withhold under the backup withholding rules will be refunded or credited against the non-U.S. holder's U.S. federal income tax liability if certain required information is furnished to the IRS. Non-U.S. holders should consult their own tax advisors regarding application of backup withholding in their particular circumstance and the availability of and procedure for obtaining an exemption from backup withholding under current U.S. Treasury regulations.

The foregoing discussion is included for general information only. Each prospective purchaser is urged to consult his tax advisor with respect to the United States federal income tax and federal estate tax consequences of the ownership and disposition of common stock, including the application and effect of the laws of any state, local, foreign or other taxing jurisdiction.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and we cannot predict the effect, if any, that market sales of shares or the availability of any shares for sale will have on the market price of the common stock prevailing from time to time. Sales of substantial amounts of common stock, or the perception that such sales could occur, could adversely affect the market price of our common stock and our ability to raise capital through a sale of our securities.

Upon completion of this offering, we will have 40,714,643 shares of common stock outstanding (or 42,214,643 shares if the underwriters' over-allotment option is exercised in full) of which 30,714,643 will be "restricted shares." These shares will be eligible for sale in the public market after 180 days from the date of this prospectus (subject, in some cases, to volume limitations).

The 10,000,000 shares (or up to 11,500,000 shares if the underwriters' over-allotment option is exercised in full) of common stock sold in this offering will be freely tradable without further restriction or further registration under the Securities Act, except for shares purchased by an affiliate (as this term is defined in the Securities Act) of ours, which will be subject to the limitations of Rule 144 under the Securities Act. Subject to certain contractual limitations, holders of restricted shares generally will be entitled to sell these shares in the public securities market without registration either pursuant to Rule 144 or any other applicable exemption under the Securities Act.

In general, under Rule 144 under the Securities Act, a person (or persons whose shares are aggregated) who has beneficially owned restricted securities within the meaning of Rule 144 for at least one year, and including the holding period of any prior owner except an affiliate, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of one percent of the then outstanding shares of our common stock or the average weekly trading volume of our common stock on the New York Stock Exchange during the four calendar weeks preceding such sale. Sales under Rule 144 are also subject to certain manner of sale provisions, notice requirements and the availability of current public information about our company. Any person (or persons whose shares are aggregated) who is not deemed to have been our affiliate at any time during the three months preceding a sale, and who has beneficially owned shares for at least two years (including any period of ownership of preceding non-affiliated holders), would be entitled to sell such shares under Rule 144(k) without regard to the volume limitations, manner of sale provisions, public information requirements or notice requirements. An "affiliate" is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or under common control with, an issuer.

After the date of this prospectus, we intend to file one or more registration statements on Form S-8 under the Securities Act to register shares of common stock subject to outstanding stock options or reserved for issuance under our equity compensation plans. Upon completion of this offering, options to purchase approximately 5,727,955 shares will be outstanding under our equity compensation plans.

Our directors, executive officers, all of our existing stockholders and all option holders have entered into lock-up agreements pursuant to which they have agreed that they will not sell directly or indirectly, any shares of common stock without the prior written consent of Banc of America Securities LLC for a period of 180 days from the date of this prospectus.

We have granted registration rights to certain of our stockholders who hold approximately 33,218,195 shares in the aggregate (including shares issuable upon the exercise of outstanding options). Beginning 180 days after the date of this offering, some of these stockholders can require us to file registration statements that permit them to re-sell their shares. For more information, see "Related Party Transactions -- Registration Rights Agreements."

UNDERWRITING

We are offering the shares of common stock described in this prospectus through a number of underwriters. Banc of America Securities LLC, UBS Warburg LLC and J.P. Morgan Securities Inc. are the representatives of the underwriters. We have entered into a firm commitment underwriting agreement with the representatives. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has agreed to purchase the number of shares of common stock listed next to its name in the following table:

UNDERWRITER	NUMBER OF SHARES
Banc of America Securities LLC.....	
UBS Warburg LLC.....	
J.P. Morgan Securities Inc.	
Total.....	10,000,000

The underwriters initially will offer shares to the public at the price specified on the cover page of this prospectus. The underwriters may allow to some dealers a concession of not more than $ per share. The underwriters also may allow, and any dealers may reallow, a concession of not more than $ per share to some other dealers. If all the shares are not sold at the initial public offering price, the underwriters may change the offering price and the other selling terms. The common stock is offered subject to a number of conditions, including:

- receipt and acceptance of our common stock by the underwriters; and

- the right to reject orders in whole or in part.

The underwriters have an option to buy up to 1,500,000 additional shares of common stock from us to cover sales of shares by the underwriters which exceed the number of shares specified in the table above. The underwriters have 30 days to exercise this option. If the underwriters exercise this option, they will each purchase additional shares approximately in proportion to the amounts specified in the table above. We will pay the expenses associated with the exercise of the over-allotment option.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

	PAID BY AMN HEALTHCARE SERVICES, INC.	
	NO EXERCISE	FULL EXERCISE
Per share.....	$	$
Total.....	$	$

We and our directors, executive officers, all of our existing stockholders and all option holders have entered into lock-up agreements with the underwriters. Under those agreements, we and those persons may not dispose of or hedge any of our common stock or securities convertible into or exchangeable for shares of our common stock unless permitted to do so by Banc of America Securities LLC. These restrictions will be in effect for a period of 180 days after the date of this prospectus. At any time and without notice, Banc of America Securities LLC may, in its sole discretion, release all or some of the securities from these lock-up agreements.

We will indemnify the underwriters against liabilities, including liabilities under the Securities Act. If we are unable to provide this indemnification, we will contribute to payments the underwriters may be required to make in respect of those liabilities.

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling shares of common stock in the open market for the purpose of preventing or retarding a decline in the market price of the common stock while this offering is in progress.

These stabilizing transactions may including making short sales of the common stock, which involves the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering, and purchasing shares of common stock on the open market to cover positions created by short sales. Short sales may be "covered" shorts, which are short positions in an amount not greater than the underwriters' over-allotment option referred to above, or may be "naked" shorts, which are short positions in excess of that amount.

The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through the over-allotment option.

A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchased in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The underwriters may also engage in other activities that stabilize, maintain or otherwise affect the price of the common stock, including the imposition of penalty bids. This means that if the representatives of the underwriters purchase common stock in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

As a result of these activities, the price of the common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the New York Stock Exchange, in the over-the-counter-market or otherwise.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares of common stock offered by this prospectus.

Prior to this offering, there has been no public market for our common stock. The initial public offering price has been negotiated between us and the representatives. Among the factors considered in these negotiations were:

- the history of, and prospects for, our company and the industry in which we compete;
- the past and present financial performance of our company;
- an assessment of our management;
- the present state of our development;
- the prospects for our future earnings;
- the prevailing market conditions of the applicable United States securities market at the time of this offering;
- market valuations of publicly traded companies that we and the representatives believe to be comparable to our company; and
- other factors deemed relevant.

The underwriters, at our request, have reserved for sale to certain of our employees and affiliates at the initial public offering price up to five percent of the shares being offered by this prospectus. The sale of shares to our employees and affiliates will be made by UBS Warburg LLC. We do not know if our employees or affiliates will choose to purchase all or any portion of these reserved shares, but any purchases they do

make will reduce the number of shares available to the general public. If all of these reserved shares are not purchased, the underwriters will offer the remainder to the general public on the same terms as the other shares offered by this prospectus.

Banc of America Securities LLC is an affiliate of Bank of America, N.A., which is the agent and a lender under our existing credit facility, and BancAmerica Capital Investors SBIC I, L.P., one of our stockholders and the holder of our senior subordinated notes. A portion of the net proceeds from this offering will be used to repay our existing credit facility and our senior subordinated notes. Following this offering, BancAmerica Capital Investors will own approximately 6.9% of our common stock. BancAmerica Capital Investors is also party to a registration rights agreement with us. See "Related Party Transactions."

UBS AG, Stamford Branch, an affiliate of UBS Warburg LLC, is a lender under our existing credit facility. A portion of the net proceeds from this offering will be used to repay our existing credit facility. In addition, an affiliate of Banc of America Securities LLC and an affiliate of J.P. Morgan Securities Inc. hold limited partnership interests in certain HWP stockholders.

Banc of America Securities LLC and UBS Warburg LLC are both members of the National Association of Securities Dealers, Inc. (NASD). Because we expect that more than 10% of the net proceeds of this offering will be paid to affiliates of Banc of America Securities LLC and UBS Warburg LLC under the existing credit facility and the senior subordinated notes, and because an affiliate of Banc of America Securities LLC is the holder of our senior subordinated notes, this offering is being conducted in accordance with the applicable requirements of Conduct Rule 2720 of the NASD regarding the underwriting of securities of a company with which a member has a conflict of interest within the meaning of that rule. Conduct Rule 2720(c)(3) requires that the public offering price of an equity security must be no higher than the price recommended by a qualified independent underwriter which has participated in the preparation of the registration statement and performed its usual standard of due diligence in connection with that preparation. J.P. Morgan Securities Inc. has agreed to act as qualified independent underwriter with respect to this offering. The public offering price of our common stock will be no higher than that recommended by J.P. Morgan Securities Inc. J.P. Morgan Securities Inc. will not receive any compensation for acting in this capacity in connection with this offering; however, we have agreed to indemnify J.P. Morgan Securities Inc. in its capacity as qualified independent underwriter against certain liabilities under the Securities Act of 1933. Additionally, in accordance with Conduct Rule 2720(l), no member of the NASD participating in the offering will execute a transaction in the common stock in a discretionary account without the prior specific written approval of the member's customer.

LEGAL MATTERS

Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York will pass on the validity of the common stock offered by this prospectus for us. Latham & Watkins, New York, New York, will pass upon certain legal matters in connection with this offering for the underwriters. Paul, Weiss, Rifkind, Wharton & Garrison has represented the HWP stockholders from time to time and Latham & Watkins has represented us and our senior management from time to time.

EXPERTS

The consolidated financial statements and schedule of AMN Healthcare Services, Inc. and subsidiaries as of December 31, 1999 and 2000 and for each of the years in the two-year period ended December 31, 2000, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated statements of operations, stockholders equity and cash flows included in the prospectus and the related financial statement schedule included elsewhere in the registration statement of AMN Healthcare Services, Inc. and subsidiary (formerly AMN Holdings, Inc.) for the year ended December 31, 1998 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports appearing herein

and elsewhere in the registration statement, and are included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The financial statements of Nurses RX, Inc. as of December 31, 1998 and 1999 and for each of the years in the two-year period ended December 31, 1999, have been included herein and in the registration statement in reliance upon the report of DDK & Company LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The financial statements of Preferred Healthcare Staffing, Inc. as of December 31, 1999 and November 30, 2000 and for the years ended December 31, 1998 and 1999 and the eleven months ended November 30, 2000, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The financial statements of O'Grady-Peyton International (USA), Inc. as of December 31, 1999 and 2000 and for each of the years in the two-year period ended December 31, 2000, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

CHANGE OF ACCOUNTANTS

In February 2000, in connection with our recapitalization, our board of directors elected to change our independent auditors from Deloitte & Touche LLP to KMPG LLP. In connection with Deloitte & Touche LLP's audit of the financial statements for the year ended December 31, 1998, there were no disagreements with Deloitte & Touche LLP on any matters of accounting principles or practices, financial statement disclosures or auditing scope or procedures, nor any reportable events. Deloitte & Touche LLP's report on our financial statements for the year ended December 31, 1998 contained no adverse opinions or disclaimers of opinion and was not modified or qualified as to uncertainty, audit scope or accounting principles. We have provided Deloitte & Touche LLP with a copy of the disclosure contained in this section of the prospectus. Prior to retaining KPMG LLP, we did not consult with KPMG LLP regarding the application of accounting principles to a specified transaction or the type of audit opinion that might be rendered on our financial statements.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-1 with the Securities and Exchange Commission for the common stock we are offering by this prospectus. This prospectus does not include all of the information contained in the registration statement. You should refer to the registration statement and its exhibits for additional information. Whenever we make reference in this prospectus to any of our contracts, agreements or other documents, the references are not necessarily complete and you should refer to the exhibits attached to the registration statement for copies of the actual contract, agreement or other document. When we complete this offering, we will also be required to file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission.

You can read our Securities and Exchange Commission filings, including the registration statement, over the Internet at the Securities and Exchange Commission's website at http://www.sec.gov. You may also read and copy any document we file with the Securities and Exchange Commission at its public reference facilities at 450 Fifth Street, N.W., Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates by calling the Public Reference Section of the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
AMN Healthcare Services, Inc.:

We have audited the accompanying consolidated statements of operations, stockholders' equity and cash flows of AMN Healthcare Services, Inc. and subsidiary, formerly AMN Holdings, Inc. (the Company) for the year ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 1998 consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of AMN Healthcare Services, Inc. and subsidiary for the year ended December 31, 1998 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

San Diego, California
September 23, 1999

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
AMN Healthcare Services, Inc.:

We have audited the accompanying consolidated balance sheets of AMN Healthcare Services, Inc. and subsidiaries, formerly AMN Holdings, Inc., (the Company), as of December 31, 1999 and 2000, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AMN Healthcare Services, Inc. and subsidiaries as of December 31, 1999 and 2000, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

San Diego, California
March 29, 2001, except as to Note 12,
which is as of July 9, 2001

AMN HEALTHCARE SERVICES, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PAR VALUE)

	DECEMBER 31, 1999	DECEMBER 31, 2000	JUNE 30, 2001 (UNAUDITED)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 503	$ 546	$ 2,594
Accounts receivable, net	26,178	63,401	76,113
Income taxes receivable	3,036	--	--
Other current assets	2,379	4,812	6,270
Total current assets	32,096	68,759	84,977
Fixed assets, net	2,242	5,006	6,154
Deferred income taxes	838	10,565	14,863
Deposits	36	102	111
Goodwill, net	39,365	118,423	127,201
Other intangibles, net	5,301	6,555	6,532
Total assets	$ 79,878	$209,410	$239,838
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Book overdraft	$ 1,005	$ 556	$ --
Accounts payable and accrued expenses	961	2,431	4,073
Accrued compensation and benefits	4,299	11,017	14,996
Income taxes payable	--	1,745	2,363
Due to former shareholder	1,676	342	--
Current portion of notes payable	2,500	7,500	11,250
Other current liabilities	--	1,019	2,043
Total current liabilities	10,441	24,610	34,725
Notes payable, less current portion	71,506	115,389	126,541
Other long-term liabilities	42	2,341	1,457
Total liabilities	81,989	142,340	162,723
Stockholders' equity:			
Common stock, $.01 par value; 2,000 shares authorized; 473, 669, and 669 shares issued and outstanding at December 31, 1999 and 2000, and June 30, 2001, respectively	5	7	7
Additional paid-in capital	62,639	137,016	145,747
Accumulated deficit	(64,755)	(69,953)	(68,124)
Accumulated other comprehensive loss	--	--	(515)
Total stockholders' equity (deficit)	(2,111)	67,070	77,115
Commitments and contingencies			
Total liabilities and stockholders' equity	$ 79,878	$209,410	$239,838

See accompanying notes to consolidated financial statements.

AMN HEALTHCARE SERVICES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1998	1999	2000	2000	2001
				(UNAUDITED)	(UNAUDITED)
Revenue	$87,718	$146,514	$230,766	$90,996	$219,169
Cost of revenue	67,244	111,784	170,608	68,478	164,235
Gross profit	20,474	34,730	60,158	22,518	54,934
Expenses:					
Selling, general and administrative, excluding non-cash stock-based compensation	12,804	20,677	30,728	12,280	30,820
Non-cash stock-based compensation	--	--	22,379	10,601	8,731
Amortization	1,163	1,721	2,387	867	2,696
Depreciation	171	325	916	324	879
Transaction costs	--	12,404	1,500	--	--
Total expenses	14,138	35,127	57,910	24,072	43,126
Income (loss) from operations	6,336	(397)	2,248	(1,554)	11,808
Interest expense, net	2,476	4,030	10,006	4,575	7,997
Income (loss) before minority interest, income taxes, and extraordinary item	3,860	(4,427)	(7,758)	(6,129)	3,811
Minority interest in earnings of subsidiary	(657)	(1,325)	--	--	--
Income tax (expense) benefit	(1,571)	872	2,560	2,023	(1,982)
Income (loss) before extraordinary item	1,632	(4,880)	(5,198)	(4,106)	1,829
Extraordinary loss on early extinguishment of debt, net of income tax benefit of $427	--	(730)	--	--	--
Net income (loss)	$ 1,632	$ (5,610)	$ (5,198)	$(4,106)	$ 1,829
Basic net income (loss) per common share:					
Income (loss) before extraordinary item	$ 3.96	$ (9.68)	$ (9.96)	$ (8.64)	$ 2.73
Extraordinary loss	--	(1.45)	--	--	--
Basic net income (loss) per common share	$ 3.96	$ (11.13)	$ (9.96)	$ (8.64)	2.73
Diluted net income (loss) per common share:					
Income (loss) before extraordinary item	$ 3.96	$ (9.68)	$ (9.96)	$ (8.64)	2.51
Extraordinary loss	--	(1.45)	--	--	--
Diluted net income (loss) per common share	$ 3.96	$ (11.13)	$ (9.96)	$ (8.64)	2.51
Weighted average common shares outstanding:					
Basic	412	504	522	475	669
Diluted	412	504	522	475	729

See accompanying notes to consolidated financial statements.

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1998	1999	2000	2000	2001
				(UNAUDITED)	(UNAUDITED)
Unaudited pro forma information (Note 1)					
Pro forma earnings (loss) per common share					
Pro forma basic net income (loss) per common share:					
Income (loss) before extraordinary item...	$ 0.09	$ (0.23)	$ (0.23)	$ (0.20)	$ 0.06
Extraordinary loss.....	--	(0.03)	--	--	--
Basic net income (loss) per common share.....	$ 0.09	$ (0.26)	$ (0.23)	$ (0.20)	0.06
Pro forma diluted net income (loss) per common share:					
Income (loss) before extraordinary item...	$ 0.09	$ (0.23)	$ (0.23)	$ (0.20)	$ 0.06
Extraordinary loss.....	--	(0.03)	--	--	--
Diluted net income (loss) per common share.....	$ 0.09	$ (0.26)	$ (0.23)	$ (0.20)	0.06
Pro forma weighted average common shares outstanding:					
Basic.....	17,751	21,715	22,497	20,461	28,835
Diluted.....	17,751	21,715	22,497	20,461	31,421

See accompanying notes to consolidated financial statements.

AMN HEALTHCARE SERVICES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1998, 1999 AND 2000 AND FOR
THE SIX MONTHS ENDED JUNE 30, 2001 (UNAUDITED)
(IN THOUSANDS)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (ACCUMULATED DEFICIT)	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
	SHARES	AMOUNT				
Balance, December 31, 1997	400	$ 4	$ 12,396	$ (53)	$ --	$ 12,347
Issuance of stock for cash	37	--	2,050	--	--	2,050
Issuance of common stock	61	1	3,447	--	--	3,448
Net income	--	--	--	1,632	--	1,632
Balance, December 31, 1998	498	5	17,893	1,579	--	19,477
Repurchase of common stock	(492)	(5)	(19,350)	(62,915)	--	(82,270)
Issuance of common stock in exchange for minority interest	104	1	1,581	2,191	--	3,773
Issuance of common stock	363	4	59,515	--	--	59,519
Issuance of warrants	--	--	3,000	--	--	3,000
Net loss	--	--	--	(5,610)	--	(5,610)
Balance, December 31, 1999	473	5	62,639	(64,755)	--	(2,111)
Issuance of common stock	196	2	51,998	--	--	52,000
Stock-based compensation	--	--	22,379	--	--	22,379
Net loss	--	--	--	(5,198)	--	(5,198)
Balance, December 31, 2000	669	7	137,016	(69,953)	--	67,070
Stock-based compensation (unaudited)	--	--	8,731	--	--	8,731
Net income (unaudited)	--	--	--	1,829	--	1,829
Comprehensive income (loss):						
SFAS No. 133 (derivatives) transition adjustment (unaudited)	--	--	--	--	(589)	(589)
Amortization of SFAS No. 133 transition adjustment (unaudited)	--	--	--	--	74	74
Total comprehensive loss (unaudited)	--	--	--	--	--	(515)
Balance, June 30, 2001 (unaudited)	669	$ 7	$145,747	$(68,124)	$(515)	$ 77,115

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

AMN HEALTHCARE SERVICES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1998	1999	2000	2000	2001
				(UNAUDITED)	(UNAUDITED)
Cash flows from operating activities:					
Net income (loss)	$ 1,632	$ (5,610)	$ (5,198)	$ (4,106)	$ 1,829
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,334	2,046	3,303	1,191	3,575
Minority interest in earnings of subsidiary	657	1,325	--	--	--
Debt extinguishment before income tax benefit	--	1,157	--	--	--
Provision for bad debts	30	260	435	16	1,207
Noncash interest expense	163	633	4,188	1,980	2,959
Deferred income taxes	350	(1,196)	(9,727)	(3,830)	(4,106)
Stock-based compensation	--	--	22,379	10,601	8,731
Loss on disposal of fixed assets	31	1	17	--	(1)
Changes in assets and liabilities, net of effects from acquisitions:					--
Accounts receivable	(2,420)	(7,847)	(23,572)	(4,652)	(8,421)
Income taxes receivable and other current assets	(411)	(2,976)	1,921	2,305	(1,212)
Deposits	107	(36)	(63)	(1)	(9)
Accounts payable and accrued expenses	(301)	(232)	68	(23)	1,104
Accrued compensation and benefits	(161)	1,195	3,772	1,573	2,732
Income taxes payable	--	--	1,745	584	(351)
Due to former shareholder	--	1,676	(1,334)	--	(1,342)
Other liabilities	--	42	480	28	50
Net cash provided by (used in) operating activities	1,011	(9,562)	(1,586)	5,666	6,745
Cash flows from investing activities:					
Purchase of fixed assets	(690)	(1,656)	(2,358)	(756)	(1,794)
Proceeds from disposal of fixed assets	3	--	8	--	--
Acquisitions, including acquisition costs	(15,995)	--	(91,793)	(16,440)	(12,963)
Net cash used in investing activities	(16,682)	(1,656)	(94,143)	(17,196)	(14,757)
Cash flows from financing activities:					
Capital lease repayments	--	--	(18)	(5)	(29)
Proceeds from issuance of notes payable	71,426	76,675	48,180	509	18,000
Payment of financing costs	(423)	(5,338)	(1,405)	--	(629)
Payments on notes payable	(58,980)	(37,596)	(2,500)	(191)	(6,726)
Repurchase of common stock	--	(82,270)	--	--	--
Proceeds from issuance of common stock	2,050	59,519	52,000	12,000	--
Proceeds from issuance of stock by AMN	200	--	--	--	--
Change in book overdraft, net of effects of acquisitions	1,162	(157)	(485)	(1,042)	(556)
Net cash provided by (used in) financing activities	15,435	10,833	95,772	11,271	10,060
Net increase (decrease) in cash and cash equivalents	(236)	(385)	43	(259)	2,048
Cash and cash equivalents at beginning of period	1,124	888	503	503	546
Cash and cash equivalents at end of period	$ 888	$ 503	$ 546	$ 244	$ 2,594
Supplemental disclosures of cash flow information:					
Cash paid for interest (net of $0, $36, $58, $4 (unaudited) and $46 (unaudited) capitalized in 1998, 1999 and 2000, and during the six months ended June 30, 2000 and 2001, respectively)	$ 2,298	$ 3,269	$ 5,853	$ 2,544	$ 4,704
Cash paid for income taxes	$ 2,357	$ 2,723	$ 4,640	$ 423	$ 5,257
Supplemental disclosures of noncash investing and financing activities:					
Common stock issued in exchange for minority interest	$ --	$ 3,773	$ --	$ --	$ --
Accrued interest on notes payable converted to notes payable	$ --	$ 273	$ 2,544	$ 1,235	$ 1,390
Fixed assets obtained through capital leases	$ --	$ --	$ 109	$ 63	$ 2
Fair value of assets acquired in acquisitions, net of cash received	$ 5,732	$ --	$ 16,644	$ 4,239	$ 6,192
Goodwill	15,332	--	81,315	15,484	11,325
Noncompete covenants	--	--	1,036	836	200
Liabilities assumed	(1,622)	--	(4,693)	(1,610)	(4,754)
Present value of deferred purchase payments	--	--	(2,509)	(2,509)	--
Common stock issued in connection with acquisition	(3,447)	--	--	--	--
Net cash paid for acquisitions	$ 15,995	$ --	$ 91,793	$ 16,440	$ 12,963

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

AMN HEALTHCARE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1999, AND 2000

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

On April 19, 2001, AMN Holdings, Inc. changed its name to AMN Healthcare Services, Inc. (Services). Services was incorporated in Delaware on November 10, 1997. On December 4, 1997, Services acquired 80% of the outstanding common stock of AMN Healthcare, Inc. (AMN). On November 18, 1998, AMN purchased 100% of Medical Express, Inc. (MedEx). Pursuant to a share exchange completed on October 18, 1999, AMN became a wholly owned subsidiary of Services. On June 28, 2000, AMN purchased 100% of Nurses RX, Inc. (NRx). On November 28, 2000, AMN purchased 100% of Preferred Healthcare Staffing, Inc. (PHS). On May 1, 2001, AMN purchased 100% of O'Grady-Peyton International (USA), Inc. (OGP). Services, AMN, MedEx, NRx, PHS and OGP collectively are referred to herein as the Company. The Company recruits nurses and allied health professionals and places them on temporary assignments at hospitals and other healthcare facilities throughout the United States.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Services, AMN, MedEx, NRx, PHS and OGP. All significant intercompany balances and transactions have been eliminated in consolidation.

(c) Interim Financial Information (unaudited)

The interim financial statements of the Company as of June 30, 2001 and for the six months ended June 30, 2000 and June 30, 2001, included herein, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The unaudited interim financial statements include all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the results for the interim periods presented. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations relating to interim financial statements. In the opinion of management, the accompanying unaudited statements reflect all adjustments necessary to present fairly the results of its operations and its cash flows for the six months ended June 30, 2000 and June 30, 2001.

(d) Minority Interest

On October 18, 1999, the minority stockholder of AMN exchanged its shares of AMN for shares of Services resulting in the elimination of the minority interest in AMN and the consolidation of all of the AMN shareholder interests in the Services shareholder group. Services' only asset was its investment in AMN, and no other assets or consideration was exchanged in this transaction. The relative ownership interests in Services and AMN before and after this event remained the same. Following this exchange, AMN became a wholly owned subsidiary. The exchange of shares was accounted for at historical cost and purchase accounting was not applied. The assets, liabilities and earnings of AMN and its subsidiary, MedEx, are consolidated in the accompanying financial statements, and the ownership interests of the minority stockholder of AMN is reported as minority interest through October 18, 1999.

(e) Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include currency on hand and deposits with financial institutions. At December 31, 1999 and 2000, and at June 30, 2001, the Company had $174,000, $434,000,

and $1,831,000 (unaudited) respectively, in deposits with major financial institutions that exceeded the federally insured limit of $100,000.

(f) Fixed Assets

Furniture, equipment, leasehold improvements and software are stated at cost. Equipment acquired under capital leases are stated at the present value of the future minimum lease payments. Additions and improvements are capitalized, maintenance and repairs are expensed when incurred. Depreciation on furniture and equipment is calculated using the straight-line method based on the estimated useful lives of the related assets (generally five years). Leasehold improvements and equipment obtained under capital leases are amortized over the shorter of the term of the lease or the useful life. Amortization of equipment obtained under capital leases is included in depreciation in the accompanying consolidated financial statements. Software is amortized over the estimated useful life (generally three years).

(g) Goodwill

The excess of purchase price over the fair value of the net assets of entities acquired is recorded as goodwill and amortized on a straight-line basis over the estimated period of future benefit of 25 years. The Company assesses the recoverability of this intangible asset by determining whether the amortization of the goodwill balance over its remaining life can be recovered through future operating cash flows of the acquired operation. The amount of goodwill impairment, if any, is measured based on the projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. The assessment of the recoverability of goodwill will be impacted if estimated future operating cash flows are not achieved.

(h) Debt Issuance Costs

Debt issuance costs related to the notes payable are deferred and amortized to interest expense using the effective interest method over the respective term of the notes.

(i) Concentration of Credit Risk

Most of the Company's business activity is with hospitals located throughout the United States. Credit is extended based on the evaluation of each entity's financial condition and collateral is generally not required. Credit losses have been within management's expectations.

(j) Revenue Recognition

Revenue is recognized in the period in which services are provided. Provisions for discounts to customers and other adjustments are provided for in the period the related revenue is recorded.

(k) Advertising Expenses

The Company's policy is to expense advertising costs as incurred.

(l) Income Taxes

The Company records income taxes using the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

See accompanying notes to consolidated financial statements.

(m) Impairment of Long-Lived Assets

Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(n) Common Stock Split

On November 19, 1999, the Company effected a 200-for-1 stock split of its common stock. All references in the consolidated financial statements to number of shares outstanding, price per share and per share amounts related to Services have been restated to reflect the stock split for all periods presented.

(o) Stock-Based Compensation

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations including Financial Accounting Standards Board (FASB) Interpretation No. 44, Accounting for Certain Transactions involving Stock Compensation an interpretation of APB Opinion No. 25 issued in March 2000, to account for its stock option plans. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123, Accounting for Stock-Based Compensation, established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123.

(p) Net Income (Loss) per Common Share

Basic net income (loss) per common share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the reporting period. Diluted net income (loss) per common share reflects the effects of potentially dilutive securities. Net income (loss) and weighted average shares used to compute net income (loss) per share are presented below (in thousands, except per share amounts):

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1998	1999	2000	2000	2001
				(UNAUDITED)	(UNAUDITED)
Net income (loss)	$1,632	$(5,610)	$(5,198)	$(4,106)	$1,829
Weighted average shares, basic	412	504	522	475	669
Dilutive effect of stock options	--	--	--	--	17
Dilutive effect of warrants	--	--	--	--	43
Weighted average shares, dilutive	412	504	522	475	729
Basic net income (loss) per share	$ 3.96	$(11.13)	$ (9.96)	$ (8.64)	$ 2.73
Diluted net income (loss) per share	$ 3.96	$(11.13)	$ (9.96)	$ (8.64)	$ 2.51

See accompanying notes to consolidated financial statements.

Options to purchase 89,000 shares of common stock at December 31, 2000, and warrants to purchase 58,000 shares of common stock at December 31, 1999 and 2000 and June 30, 2000 were not included in the calculation of diluted net (loss) per common share because the effect of these instruments was anti-dilutive.

(q) Other Comprehensive Income

SFAS No. 130, Reporting Comprehensive Income, establishes rules for the reporting of comprehensive income and its components. The Company's net income (loss) is the same as comprehensive income (loss) for the years ended December 31, 1998, 1999, and 2000 and for the six month period ended June 30, 2000. Comprehensive (loss) for the six months ended June 30, 2001 includes a $515,000 (unaudited) unrealized loss on derivative instruments.

(r) New Accounting Pronouncements

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This statement, as amended, establishes accounting and reporting standards requiring that all derivative instruments (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or a liability measured at its fair value. This statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The accounting provisions for qualifying hedges allow a derivative's gains and losses to offset related results of the hedged item in the income statement and require that the Company must formally document, designate and assess the effectiveness of transactions that qualify for hedge accounting.

The impact of SFAS No. 133, which was adopted by the Company on January 1, 2001, resulted in a transition adjustment to other comprehensive loss as of January 1, 2001 in the amount of $589,000 (unaudited), and charge to net income for the six month period ended June 30, 2001 in the amount of $512,000 (unaudited).

In July 2001, the FASB issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. SFAS No. 141 also specifies the criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill, noting that any purchase price allocable to an assembled workforce may not be accounted for separately. SFAS No. 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 will also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of.

We are required to adopt the provisions of SFAS No. 141 immediately and SFAS No. 142 effective January 1, 2002. Furthermore, any goodwill and any intangible asset determined to have an indefinite useful life that are acquired in a purchase business combination completed after June 30, 2001 will not be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized prior to the adoption of SFAS No. 142.

SFAS No. 141 will require, upon adoption of SFAS No. 142, that we evaluate existing intangible assets and goodwill that were acquired in prior purchase business combinations, and make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. Upon adoption of SFAS No. 142, we will be required to reassess the useful lives and residual

values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, we will be required to test the intangible asset for impairment in accordance with the provisions of SFAS No. 142 within the first interim period. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period.

As of the date of adoption, January 1, 2002, we expect to have unamortized goodwill in the amount of $124,502,000 and unamortized identifiable intangible assets in the amount of $871,000, all of which will be subject to the transition provisions of SFAS Nos. 141 and 142. Amortization expense related to goodwill was $2,257,000 and $2,548,000 for the year ended December 31, 2000 and the six months ended June 30, 2001, respectively. Because of the extensive effort needed to comply with adopting SFAS Nos. 141 and 142, it is not yet practicable to reasonably estimate the impact of adopting these accounting pronouncements on our financial statements, including whether any transitional impairment losses will be required to be recognized as the cumulative effect of a change in accounting principle.

(s) Segment Information

SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, establishes annual and interim reporting standards for an enterprise's operating segments and related disclosures about its products, services, geographic areas and major customers. An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses, and about which separate financial information is regularly evaluated by the chief operating decision maker in deciding how to allocate resources. This statement allows aggregation of similar operating segments into a single operating segment if the businesses are considered similar under the criteria of this statement. For all periods presented, the Company believes it operated in a single segment, temporary healthcare staffing.

(t) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(u) Reclassifications

Certain amounts in the 1998 and 1999 consolidated financial statements have been reclassified to conform to the 2000 presentation.

(v) Pro Forma

All pro forma share and per share information has been retroactively restated to reflect the 43.10849-for-1 stock split which will become effective upon the effective date of the proposed initial public offering. See Note 12.

(2) LEVERAGED RECAPITALIZATION

On November 19, 1999, Services consummated a leveraged recapitalization (the 1999 Recapitalization) pursuant to which the Company's outstanding debt and capital stock were restructured. As part of the 1999 Recapitalization, the Company obtained $70.0 million in new and senior debt financing and $20.0 million in new debt financing through the issuance of senior subordinated notes. The Company also sold 362,976 shares

to AMN Acquisition Corp. (Acquisition), a newly-formed entity created by the new majority stockholder to effect the 1999 Recapitalization, for cash consideration of $59.5 million. Acquisition acquired an additional 79,166 shares directly from existing shareholders for cash consideration of $13.0 million. After the reorganization, Acquisition held 442,142 shares of Services, representing a 93.5% ownership interest. Existing stockholders retained shares representing the remaining 6.5% ownership interest in Services. Proceeds from the equity and debt financing were used to retire existing debt, repurchase stock of existing stockholders and pay fees and expenses incurred in connection with the recapitalization. These transactions were recognized as capital and debt transactions with no change to recorded amounts for existing assets and liabilities. On March 29, 2001, AMN Acquisition Corp. was merged into AMN Healthcare Services, Inc.

In conjunction with the 1999 Recapitalization, the Company incurred the following charges which are included in the 1999 results of operations: (i) an extraordinary loss of $730,000 (net of tax benefit of $427,000) from the retirement of debt outstanding prior to the 1999 Recapitalization; and (ii) transaction costs of $12,404,000 comprised of bonus payments and option buyouts of $6,503,000, a warrant buyout of $1,077,000 and professional service fees of $4,824,000 (including the payment of $2,587,000 to the majority stockholder of Services). In addition, the Company incurred $5,050,000 in financing costs, which have been recorded as deferred financing costs and will be amortized over the term of the related debt.

(3) ACQUISITIONS

(a) AMN

On December 4, 1997, Services acquired 80% of the outstanding common stock of AMN for total consideration of $33,513,000. The transaction has been accounted for in the accompanying consolidated financial statements using the purchase method of accounting, and the assets and liabilities of AMN were recorded at fair value as of the acquisition date. In connection with this transaction, the Company recorded goodwill of $26,985,000, which is being amortized over 25 years. Also in connection with this transaction, the Company borrowed $25,151,000 from a bank (see Note 6) and incurred deferred financing costs totaling $1,084,000, which were being amortized over the life of the loans until the 1999 Recapitalization when they were written off.

On November 18, 1998, in connection with the acquisition of MedEx, Services acquired an additional 2.77% of AMN for $2,050,000.

(b) MedEx

On November 18, 1998, Services acquired 100% of the issued and outstanding stock of MedEx in exchange for 61,200 shares of Services common stock valued at $3,448,000 and cash of $16,362,000, for a total purchase price of $19,809,000. The transaction was accounted for using the purchase method of accounting, and the assets and liabilities of MedEx were recorded at fair value as of the acquisition date. Results of MedEx operations from the acquisition date through December 31, 1998 are included in the accompanying financial statements for the year ended December 31, 1998. In connection with this transaction, the Company recorded goodwill of $15,332,000, which is being amortized over 25 years.

(c) NRx

On June 28, 2000, AMN acquired 100% of the issued and outstanding stock of NRx. The acquisition was recorded using the purchase method of accounting. Thus, the results of operations from the acquired assets are included in the Company's consolidated financial statements from the acquisition date. The purchase price to the former shareholders of NRx included a payment of $16,181,000 in cash and $3,000,000 to be paid in three equal installments of $1,000,000 each on June 29, 2001, June 28, 2002, and June 30, 2003 provided that the terms of the agreement are met. Since the deferred payment in the amount of $3,000,000 is

not interest bearing, AMN recorded the present value of the future payments on the date of the acquisition utilizing an interest rate of 9.5%. As of December 31, 2000, the present value of the amount due on June 29, 2001 is $954,000 and is included in other current liabilities. As of December 31, 2000, the present value of the amounts due on June 28, 2002 and June 30, 2003 is $1,676,000 and is included in other long-term liabilities.

AMN acquired NRx's assets of $4,239,000, assumed its liabilities of $1,610,000, and recorded goodwill in the amount of $15,484,000, which is being amortized over 25 years under the straight line method. AMN allocated $836,000 of the purchase price to the noncompete covenant, which is being amortized over the four-year life of the covenant. As of December 31, 2000, the amortized cost of the covenant is $730,000.

(d) PHS

On November 28, 2000, AMN acquired 100% of the issued and outstanding stock of PHS. The acquisition was recorded using the purchase method of accounting. Thus, the results of operations from the acquired assets are included in the Company's consolidated financial statements from the acquisition date. The purchase price to the former stockholders of PHS included a payment of $75,041,000 in cash (net of cash received), $4,000,000 of which was delivered to an escrow agent on the acquisition date in accordance with the purchase agreement. The funds held in escrow are to be released to the former shareholder in the amount of $2,000,000 on May 31, 2001 and $2,000,000 on December 31, 2001, provided that terms of the agreement are met.

AMN acquired PHS's assets of $12,405,000 (net of cash received), assumed its liabilities of $3,083,000, and recorded goodwill in the amount of $65,831,000, which is being amortized over 25 years using the straight-line method. AMN allocated $200,000 to the noncompete covenant, which is being amortized over the four-year life of the covenant. The amortized cost of this covenant is $195,000 as of December 31, 2000.

(e) OGP

On May 1, 2001, AMN acquired 100% of the issued and outstanding stock of OGP, a healthcare staffing company specializing in the recruitment of nurses domestically and from English-speaking foreign countries. The acquisition was recorded using the purchase method of accounting. The purchase price paid to the former stockholders of OGP included a payment of $11,973,000 in cash (net of $1,574,000 cash received), and $800,000 which was delivered to an escrow agent on the acquisition date in accordance with the purchase agreement. The funds held in escrow are to be released to the former shareholders on November 1, 2002, provided that terms of the agreement are met. The OGP acquisition was financed by an $18,000,000 term loan which bears interest at a rate of either the higher of (i) the federal funds rate plus 0.5% or (ii) the prime rate, plus 2% or LIBOR plus 3.75%, depending on the composition of the loan. Interest is payable in arrears on a quarterly basis, and the principal is due in full on March 31, 2005.

Included in the asset purchase agreement is an earn-out provision whereby AMN agrees to pay the OGP selling stockholders additional consideration contingent on certain annual revenue results of OGP. Earn-out payments, if earned, are capped at $5,340,000 and are to be paid in April 2002. There is also additional contingent consideration of up to $2,369,000 depending upon collection of an outstanding receivable from a customer.

AMN acquired OGP's assets of $7,766,000, assumed its liabilities of $4,754,000, and recorded goodwill in the amount of $11,325,000, which is being amortized over 25 years using the straight-line method. AMN allocated $200,000 of the purchase price to the noncompete agreement, which is being amortized over the four-year life of the agreement.

(f) Pro Forma Consolidated Results of Operations

The following summary presents pro forma consolidated results of operations for the years ended December 31, 1998, 1999, and 2000 as if the MedEx acquisition described above had occurred on January 1, 1998, and the NRx and PHS acquisitions described above had occurred on January 1, 1999. The following unaudited pro forma financial information gives effect to certain adjustments, including the amortization of intangible assets and interest expense on acquisition debt and depreciation on fixed assets. The pro forma financial information is not necessarily indicative of the operating results that would have occurred had the acquisitions been consummated as of the dates indicated, nor are they necessarily indicative of future operating results (in thousands, except per share amounts).

	PRO FORMA		
	YEARS ENDED DECEMBER 31,		
	1998	1999	2000
Revenue	$121,062	$215,323	$301,807
Income from operations	$ 9,791	$ 1,036	$ 5,492
Income (loss) before extraordinary loss	$ 3,077	$ (6,134)	$ (5,120)
Net income (loss)	$ 3,077	$ (6,865)	$ (5,120)
Earnings per share -- basic and diluted	$ 7.47	$ (13.62)	$ (9.81)
Weighted average shares -- basic and diluted	412	504	522

(4) BALANCE SHEET DETAILS

The consolidated balance sheets detail is as follows as of December 31, 1999 and 2000 (in thousands):

	DECEMBER 31,	
	1999	2000
Accounts receivable, net:		
Accounts receivable	$26,434	$ 64,331
Allowance for doubtful accounts	(256)	(930)
Accounts receivable, net	$26,178	$ 63,401
Fixed assets, net:		
Furniture and equipment	$ 2,126	$ 3,538
Software	863	2,798
Leasehold improvements	174	432
	3,163	6,768
Accumulated depreciation and amortization	(921)	(1,762)
Fixed assets, net	$ 2,242	$ 5,006
Goodwill, net:		
Goodwill	$42,307	$123,622
Accumulated amortization	(2,942)	(5,199)
Goodwill, net	$39,365	$118,423

	DECEMBER 31,	
	1999	2000
Other intangibles, net:		
Debt issuance costs	$ 5,338	$ 6,742
Non-compete covenants	100	1,136
	5,438	7,878
Accumulated amortization	(137)	(1,323)
Other intangibles, net	$ 5,301	$ 6,555

Included in fixed assets is equipment acquired through capital leases in the amount of $190,000 as of December 31, 2000. Accumulated amortization on these capital leases is $48,000 as of December 31, 2000. There were no capitalized leases as of December 31, 1999.

(5) INCOME TAXES

The provision (benefit) for income taxes for the years ended December 31, 1998, 1999, and 2000 consists of the following (in thousands):

	DECEMBER 31,		
	1998	1999	2000
Current income taxes:			
Federal	$ 970	$ (103)	$ 5,954
State	251	--	1,213
Total	1,221	(103)	7,167
Deferred income taxes:			
Federal	254	(925)	(8,550)
State	96	(271)	(1,177)
Total	350	(1,196)	(9,727)
Provision (benefit) for income taxes, including tax benefit of $427 on extraordinary loss in 1999	$1,571	$(1,299)	$(2,560)

The Company's income tax expense (benefit) differs from the amount that would have resulted from applying the federal statutory rate of 35% to pretax income (loss) because of the effect of the following items during the years ended December 31, 1998, 1999, and 2000 (in thousands):

	DECEMBER 31,		
	1998	1999	2000
Tax expense (benefit) at federal statutory rate	$1,121	$(2,418)	$(2,715)
State taxes, net of federal benefit	228	(210)	24
Nondeductible transaction costs	--	730	--
Minority interest	192	464	--
Interest	--	--	171
Other, net	30	135	(40)
Income tax expense (benefit)	$1,571	$(1,299)	$(2,560)

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities are presented below as of December 31, 1999, and 2000 (in thousands):

	DECEMBER 31,	
	1999	2000
Deferred tax assets:		
Stock compensation	$ --	$ 8,453
Debt issuance costs	1,084	1,454
Interest and warrants	--	1,026
Accrued bonuses	270	461
State taxes	--	425
Allowance for doubtful accounts	105	314
Other	314	506
Total deferred tax assets	1,773	12,639
Deferred tax liabilities:		
Intangibles	(711)	(1,232)
Capitalized software	--	(633)
Other	(224)	(209)
Total deferred tax liabilities	(935)	(2,074)
Net deferred tax assets	$ 838	$10,565

Management believes it is more likely than not that the results of the future operations will generate sufficient taxable income to realize the deferred tax assets and, accordingly, has not provided a valuation allowance.

(6) NOTES PAYABLE

	DECEMBER 31,	
	1999	2000
	(IN THOUSANDS)	
12% Senior subordinated notes issued with attached warrants (see Note 8(b)) due November 19, 2005. Interest payable in cash or through issuance of additional notes	$20,000	$ 20,000
12% Senior subordinated notes issued for conversion of accrued interest to notes payable due November 19, 2005	273	2,818
$20,000,000 Revolver due November 19, 2004 with variable interest rates based on LIBOR, federal funds or the prime lending rate ranging from 8.5% to 11.25% (weighted average of 9.8% at December 31, 2000). An unused fee of .5% per annum is due quarterly on the unused Revolver commitment	6,675	15,045
$50,000,000 Term Loan due in 18 consecutive quarterly installments beginning with a principal payment of $1,250,000 on September 30, 2000. The quarterly principal payment escalates to $2,500,000 on March 31, 2002 and to $3,750,000 and $4,375,000 on March 31 in the succeeding years, maturing on November 19, 2004. Interest is paid quarterly and varies based on LIBOR plus 2.5% to 3.25% (9.5% at December 31, 2000)	50,000	47,500

	DECEMBER 31,	
	1999	2000
	(IN THOUSANDS)	
$32,500,000 Tranche A Acquisition Loan due March 31, 2005, with interest at LIBOR plus 3% (9.44% at December 31, 2000). Principal is due in 17 consecutive quarterly installments beginning with a payment of $625,000 on March 31, 2001. The quarterly payment escalates to $1,250,000 on March 31, 2002 until December 31, 2004, with a full payment of $15,000,000 at the maturity date. Interest is paid quarterly	--	32,500
$7,500,000 Tranche B Acquisition Loan due March 31, 2005, with interest at LIBOR plus 2.5% (8.94% at December 31, 2000). Principal is due at maturity and interest is paid quarterly	--	7,500
Total notes payable	76,948	125,363
Unamortized discount on senior subordinated notes (See Note 8(b))	(2,942)	(2,474)
	74,006	122,889
Less current portion of notes payable	(2,500)	(7,500)
Long-term portion of notes payable	$71,506	$115,389

Annual maturities of long-term debt are as follows (in thousands):

2001	$ 7,500
2002	15,000
2003	20,000
2004	37,545
2005	45,318
	$125,363

The Company's debt is secured by all assets of the Company and the common stock of its subsidiaries. The credit agreement and senior subordinated notes contain various financial ratio covenants, as well as restrictions on assumption of additional indebtedness, declaration of dividends, dispositions of assets, consolidation into another entity, capital expenditures in excess of specified amounts and allowable investments. The Company was in compliance with all covenants and ratios at December 31, 2000.

In conjunction with the 1999 Recapitalization, $37,412,000 of notes payable were repaid with proceeds from the new borrowings. In connection with the early pay-off of these notes, debt issuance costs of $1,157,000 were written off and are reflected net of tax in the accompanying consolidated statements of operations as an extraordinary loss on early extinguishment of debt.

During 2000, the Company entered into interest rate swap agreements as a means to hedge its interest rate exposure on debt instruments. In addition, the Company's credit agreement requires that the Company maintain protection against fluctuations in interest rates providing coverage in an aggregate notional amount equal to $25,000,000. As a result of adopting SFAS No. 133 on January 1, 2001, net settlement amounts to be received or paid under the swap agreements are reflected as adjustments to interest expense. The Company recorded a transition adjustment to other comprehensive income in the amount of $589,000 (unaudited), which will be amortized into interest expense over the remaining life of the debt agreements being hedged. Additionally, included in interest expense for the six month period ended June 30, 2001 is $512,000 (unaudited) related to additional unrealized losses related to these swap agreements that were incurred during the period.

At December 31, 2000, the Company had three interest rate swaps outstanding with major financial institutions that effectively convert variable-rate debt to fixed rate. Two swaps have notional amounts of $25,000,000 each, whereby the Company pays fixed rates of 6.585% and 6.57%, respectively, and receives a floating three-month LIBOR. One swap has a notional amount of $40,000,000, which decreases by $325,000 at the end of each three-month period beginning December 29, 2000; under this agreement, the Company pays a fixed rate of 6.5% and receives a floating three-month LIBOR. All agreements expire in December 2001 and no initial investments were made to enter into these agreements.

Effective December 6, 1999, the Company entered into a three-year interest rate cap agreement. The agreement applies to $25,000,000, which was 50% of the term loan outstanding on that date. The agreement provides a 7% interest rate cap on the three-month LIBOR rate. The cost of the agreement of $289,000 is included in debt issuance costs, and is being amortized over the three-year term of the agreement.

On January 26, 1998, the Company entered into an interest rate collar agreement with a bank to reduce the impact of changes in interest rates on its floating rate long-term debt. The agreement required the Company to make payments to the bank for the difference between the selected interest rate, based on a three-month LIBOR, and the floor rate as specified in the agreement. In addition, the agreement entitled the Company to receive payments from the bank for the difference between the selected interest rate, based on three-month LIBOR, and the cap rate as specified in the agreement. On November 19, 1999, the Company paid $25,000 to terminate this agreement.

(7) RETIREMENT PLAN

The Company maintains the AMN Healthcare Retirement Savings Plan (the AMN Plan), a profit sharing plan that complies with the Internal Revenue Code Section 401(k) provisions. The AMN Plan covers substantially all employees that meet certain age and other eligibility requirements. An annual discretionary matching contribution is determined by the Board of Directors each year and may be up to a maximum 6% of eligible compensation paid to all participants during the plan year. The amount of the employer contributions was $86,000, $213,000, and $422,000 for the years ended December 31, 1998, 1999 and 2000, respectively. Employees of PHS became eligible under the AMN Plan at the date of acquisition.

NRx maintained a separate profit sharing plan that complied with the Internal Revenue Code Section 401(k) provisions. The plan covered substantially all employees that had been employed for at least 12 months. No match was provided under this plan. Effective January 1, 2001, NRx employees were eligible to participate in the AMN Plan and the NRx plan was terminated.

(8) STOCKHOLDERS' EQUITY

(a) Stock Option Plans

In November 1999, Services established two performance stock option plans (the 1999 Plans) to provide for the grant of options to upper management of AMN. Options for a maximum of 93,715 shares of common stock were authorized at an exercise price of $163.97 per option for grants within 120 days of the 1999 Recapitalization and not less than the fair market value in the case of subsequent grants. Options under the plan vest 25% per year beginning in 2000 if certain earnings performance criteria are met and grantee remains an employee. If the Company does not meet the performance criteria for the particular year, that portion of the option, which was eligible to become vested, will terminate. Options that vest expire in nine to ten years from the grant date. In 1999, the Company granted options for 84,343 shares of common stock at an exercise price of $163.97 per share. At December 31, 1999, 9,372 shares of common stock were reserved for future issuance related to the 1999 Plans.

During 2000, options for an additional 34,634 shares were reserved under the 1999 Plans. In November 2000, additional options totaling 4,686 were granted at an exercise price of $163.97. In

December 2000, 31,171 options were granted at an exercise price of $287.84 per share. At December 31, 2000, 8,149 shares of common stock were reserved for future issuance related to the 1999 Plans.

In accordance with the provisions of SFAS No. 123, the Company applies APB Opinion No. 25, and related interpretations in accounting for its 1999 Plan. Accordingly, because the 1999 plan is performance based, the Company applies variable accounting and recorded compensation expense of $22,379,000 in 2000 and $10,601,000 (unaudited) and $8,731,000 (unaudited) for the six month periods ended June 30, 2000 and 2001, respectively, in connection with the 1999 Plans in accordance with APB 25 and FIN 44. Pursuant to the provisions of the 1999 Plans, options become fully vested upon the occurrence of an initial public offering.

A summary of stock option activity under the 1999 Plans is as follows:

	OPTIONS OUTSTANDING	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at December 31, 1998	--	--
Granted	84,343	$163.97
Exercised	--	--
Canceled	--	--
Outstanding at December 31, 1999	84,343	163.97
Granted	35,857	271.65
Exercised	--	--
Canceled	--	--
Outstanding at December 31, 2000	120,200	$196.09
Exercisable as of December 31, 2000	22,257	$163.97

The following table summarizes options outstanding and exercisable as of December 31, 2000:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE		
EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE
$ 163.97	89,029	9	$163.97	22,257	9	$163.97
287.84	31,171	9	287.84	--	--	--
	120,200			22,257		

In December 1997, AMN established a stock incentive plan to provide an equity-based incentive plan to certain officers and key employees. Options for a maximum of 1,200 shares of common stock were authorized. In 1997, AMN granted ten-year options for 1,200 shares of common stock at an exercise price of $536.80 per share. In March 1999, the Company amended the plan to include certain officers and key employees of MedEx. Options for an additional 491 shares of common stock were authorized, and the Company granted ten-year options for 454 shares of stock at an exercise price of $975.85 per share. Options under the plan vested 25% each year over four years, provided that certain performance criteria were met and grantee remained an employee. However, all options would have become fully vested on December 31, 2004, provided that the grantee was employed by the Company on that date. In conjunction with the 1999 Recapitalization, all options previously granted related to this plan were repurchased by the Company for $3,953,000, which is included in transaction costs in the accompanying 1999 consolidated statements of operations.

Under SFAS No. 123, the weighted average per share fair value of the options granted during 1998, 1999 and 2000 was $241.84, $495.78 and $486.42, respectively on the date of grant. Fair value under SFAS No. 123 is determined using the Black-Scholes option-pricing model with the following assumptions:

	1998	1999	2000
Expected life	3	5	5
Risk-free interest rate	6.00%	5.95%	5.30%
Volatility	60%	60%	60%
Dividend yield	0%	0%	0%

Had compensation expense been recognized for stock-based compensation plans in accordance with SFAS No. 123, the Company would have recorded the following net income (loss) and net income (loss) per share amounts (in thousands, except per share amounts):

	1998	1999	2000
Pro forma net income (loss)	$1,589	$(5,610)	$(4,992)
Pro forma income per common share:			
Basic	$ 3.86	$(11.13)	$ (9.56)
Diluted	$ 3.86	$(11.13)	$ (9.56)

(b) Common Stock Warrants

On November 19, 1999, in connection with the issuance of its $20,000,000 senior subordinated notes, Services issued warrants to purchase 58,416 shares of its common stock at $163.97 per share. These warrants are exercisable upon issuance and expire at the earlier of a qualified public stock offering, as defined, or November 19, 2009. The fair value of the warrants in the amount of $3,000,000 was based upon a third-party valuation and was recorded as a discount to the related senior subordinated notes payable. This discount is being amortized to interest expense over the term of the notes using the effective interest method. Discount amortization was $58,000, $468,000 in 1999 and 2000, respectively.

On December 5, 1997, AMN granted warrants to purchase 440 shares of AMN's common stock, at $536.80 per share, to a bank in connection with certain loans. The warrants were immediately exercisable and expire ten years from the date of issuance. In conjunction with the 1999 Recapitalization, these warrants were repurchased by the Company for $1,077,000, and is included in transaction costs in the accompanying 1999 consolidated statements of operations.

(c) Stockholders' Agreement

The stockholders of Services have entered into a stockholders' agreement conferring certain rights and restrictions, including among others: restrictions on transfers of shares, "tag along" and "drag along" rights, rights to acquire shares, and piggyback registration rights, as defined in the agreement. This agreement will terminate at the time of an initial public offering by Services.

(9) FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107, Disclosures about Fair Value of Financial Instruments, requires that fair values be disclosed for most of the Company's financial instruments. Estimated fair values for the Company's financial instruments and a description of the methodologies and assumptions used to determine such amounts follow:

(a) Cash and Cash Equivalents

The carrying amount is assumed to be the fair value due to the liquidity of these instruments.

(b) Accounts Receivable, Income Taxes Receivable, Other Current Assets, Deposits, Book Overdraft, Accounts Payable and Accrued Expenses, Income Taxes Payable, Accrued Compensation and Benefits, and Other Current Liabilities

The carrying amounts of these financial instruments are considered to be representative of their respective fair values because of the short-term nature of these financial instruments.

(c) Notes Payable

The carrying amounts of notes payable are considered to be reasonable estimates of their fair values, as these borrowings have variable rates that reflect currently available terms and conditions for similar debt. The carrying amounts of fixed rate obligations also approximate their fair value.

(d) Other Long-Term Liabilities

Other long-term liabilities consist primarily of the present value of deferred payments related to the acquisition of NRx (Note 3(c)). The carrying value is considered to be representative of the fair value due to the imputed interest rate approximating the current market rate.

(e) Derivative Financial Instruments, Including Off-Balance Sheet Derivative Financial Instruments

Included in debt issuance costs is the amortized cost of the interest rate cap agreement discussed in Note 6 of $281,000 and $185,000 at December 31, 1999 and 2000, respectively. As of December 31, 2000, the fair value of this agreement is estimated based on quoted market price. As of December 31, 1999, the carrying amount of this agreement was considered to be a reasonable estimate of its fair value, due to the recent timing of the agreement.

During 2000, the Company entered into interest rate swap agreements as a means to hedge its interest rate exposure on debt instruments as discussed in Note 6. These agreements did not require an initial investment by the Company. The fair value of these agreements are estimated based on quoted market prices for these or similar instruments. As of December 31, 2000, the fair value of interest rate swap agreements were $589,000 less than the carrying amount.

(10) OTHER RELATED PARTY TRANSACTIONS

During 2000, the Company issued 196,000 shares of common stock to existing stockholders for $52,000,000.

In connection with the acquisition of PHS, the Company paid $1,500,000 to the Company's majority stockholder for advisory services which is reported as transaction costs in the accompanying 2000 statement of operations. During 2000, the Company paid $150,000 in management advisory fees to the majority stockholder which is included in selling, general and administrative expenses. In addition, in conjunction with the 1999 Recapitalization, the Company paid advisory fees to the majority stockholder and to a minority shareholder of $1,500,000 and $100,000, respectively, which is included in transaction costs in fiscal 1999.

The Company was provided the advisory services of the majority stockholder of the Company until the 1999 Recapitalization. The Company paid for out-of-pocket expenses of $32,000 in 1999.

The Company received services from an advertising agency which was 20% owned by the minority stockholders during 1998 and 30% owned by the minority stockholders during 1999 and 2000. The Company incurred expenses of $702,000, $31,000, and $40,000 in 1998, 1999 and 2000, respectively.

(11) COMMITMENTS AND CONTINGENCIES

(a) Legal

The Company is party to legal actions in the normal course of business. In the opinion of management and legal counsel, the outcome of legal actions will not have a material impact on the financial position or results of operations of the Company.

(b) Leases

The Company leases certain office facilities and equipment under various operating and capital leases that expire over the next five years. Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of December 31, 2000 are as follows (in thousands):

	CAPITAL LEASES	OPERATING LEASES
Years ending December 31:		
2001	$ 71	$2,574
2002	71	2,639
2003	18	1,795
2004	6	1,157
2005	2	583
Total minimum lease payments	168	$8,748
Less amount representing interest (at rates ranging from 5.7% to 11.97%)	(77)	
Present value of minimum lease payments	91	
Less current installments of obligations under capital leases	(33)	
Obligations under capital leases, excluding current installments	$ 58	

Obligations under capital leases are included in other current and other long-term liabilities, respectively, in the accompanying financial statements. Rent expense was $529,000, $1,077,000, and $1,810,000 for the years ended December 31, 1998, 1999 and 2000, respectively.

(12) SUBSEQUENT EVENTS

On July 9, 2001, the board of directors of the Company authorized management of the Company to file a registration statement with the Securities and Exchange Commission for an initial public offering of its common stock.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Nurses RX, Inc.

We have audited the accompanying balance sheets of Nurses RX, Inc. as of December 31, 1998 and 1999, and the related statements of income and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nurses RX, Inc. as of December 31, 1998 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

DDK & Company LLP

New York, New York
March 31, 2001

NURSES RX, INC.

BALANCE SHEETS
DECEMBER 31, 1998 AND 1999

	1998	1999
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 121,473	$ 20,843
Accounts receivable, less allowance for doubtful accounts of $141,138 in 1998 and $211,788 in 1999	2,583,929	2,921,756
Unbilled income	466,680	543,179
Prepaid expenses and other current assets	283,232	315,027
Total current assets	3,455,314	3,800,805
Property and equipment, at cost, less accumulated depreciation and amortization of $217,336 in 1998 and $215,620 in 1999	278,014	333,188
Other assets -- security deposit	2,627	3,829
Total assets	$3,735,955	$4,137,822
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Bank debt	$ 522,111	$ 586,530
Accounts payable and accrued expenses	640,722	546,691
Due to officer	270,000	98,000
Income taxes payable	16,972	36,000
Total current liabilities	1,449,805	1,267,221
Other liabilities -- due to officer	98,000	--
Total liabilities	1,547,805	1,267,221
Commitment and Contingencies		
Shareholders' equity:		
Common stock, no par value; 100 shares authorized, issued and outstanding	500	500
Retained earnings	2,187,650	2,870,101
Total shareholders' equity	2,188,150	2,870,601
Total liabilities and shareholders' equity	$3,735,955	$4,137,822

See accompanying notes to financial statements.

NURSES RX, INC.

STATEMENTS OF INCOME AND RETAINED EARNINGS

	YEARS ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,	
	1998	1999	1999	2000
			(UNAUDITED)	(UNAUDITED)
Revenue	$21,438,179	$22,451,359	$6,047,389	$7,490,182
Cost of revenue	15,343,056	15,424,600	4,179,581	5,091,914
Gross profit	6,095,123	7,026,759	1,867,808	2,398,268
Operating expenses:				
Selling and marketing	2,017,191	2,284,234	498,301	578,096
General and administrative (including interest of $81,339 in 1998 and $26,340 in 1999 and $12,167 during the three months ended March 31, 1999 and $9,464 during the three months ended March 31, 2000)	2,832,872	3,128,291	556,866	635,104
	4,850,063	5,412,525	1,055,167	1,213,200
Income before other income and income taxes	1,245,060	1,614,234	812,641	1,185,068
Other income:				
Interest income	7,305	11,630	1,111	--
Management fee	203,078	--	--	--
	210,383	11,630	1,111	--
Income before income taxes	1,455,443	1,625,864	813,752	1,185,068
Income taxes	41,117	57,460	9,000	10,500
Net income	1,414,326	1,568,404	804,752	1,174,568
Retained earnings -- beginning	1,459,969	2,187,650	2,187,650	2,870,101
Distributions to shareholders	(686,645)	(885,953)	(7,333)	(215,519)
Retained earnings -- ending	$ 2,187,650	$ 2,870,101	$2,985,069	$3,829,150

See accompanying notes to financial statements.

NURSES RX, INC.

STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,	
	1998	1999	1999	2000
			(UNAUDITED)	(UNAUDITED)
Operating Activities:				
Net income	$ 1,414,326	$ 1,568,404	$ 804,752	$1,174,568
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	70,129	85,007	19,013	27,646
Bad debts	74,686	70,650	21,082	26,161
Changes in operating assets and liabilities				
Accounts receivable	(416,344)	(408,477)	(534,493)	(749,322)
Unbilled income	(106,726)	(76,499)	(75,104)	(311,750)
Prepaid expenses and other current assets	(41,280)	(32,997)	149,299	28,280
Accounts payable and accrued expenses	115,918	(94,031)	359,604	192,250
Income taxes payable	9,775	19,028	(16,972)	(14,286)
Net cash provided by operating activities	1,120,484	1,131,085	727,181	373,547
Investing Activities -- purchase of property and equipment	(77,474)	(140,181)	(14,031)	(50,955)
Net cash used in investing activities	(77,474)	(140,181)	(14,031)	(50,955)
Financing Activities:				
Principal payments on officer loans	(1,247,857)	(270,000)	(100,000)	(61,000)
Proceeds of bank debt, net	522,111	64,419	(490,728)	(13,128)
Distributions to shareholders	(686,645)	(885,953)	(7,333)	(215,519)
Net cash used in financing activities	(1,412,391)	(1,091,534)	(598,061)	(289,647)
Net decrease in cash and cash equivalents	(369,381)	(100,630)	115,089	32,945
Cash and cash equivalents -- beginning	490,854	121,473	121,473	20,843
Cash and cash equivalents -- ending	$ 121,473	$ 20,843	$ 236,562	$ 53,788
Supplemental Information:				
Interest paid	$ 81,349	$ 25,542	$ 9,727	$ 3,407
Income taxes paid	$ 31,342	$ 38,432	$ 34,544	$ 24,786
Noncash Transactions -- retirement of property and equipment	--	$ 86,723	--	--

See accompanying notes to financial statements.

NURSES RX, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1998 AND 1999

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Business

Nurses RX, Inc. ("Company"), a temporary healthcare staffing company, was incorporated on August 7, 1990, under the laws of the State of North Carolina. The Company primarily sells the services of registered nurses throughout North America.

(b) Interim Financial Information (unaudited)

The interim financial statements of the Company for the three months ended March 31, 1999 and March 31, 2000, included herein, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The unaudited interim financial statements include all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the results for the interim periods presented. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations relating to interim financial statements. In the opinion of management, the accompanying unaudited statements reflect all adjustments necessary to present fairly the results of its operations and its cash flows for the three months ended March 31, 1999 and March 31, 2000.

(c) Revenue Recognition

Fees are primarily billed on a bi-weekly basis in direct proportion to completed work. Income and direct costs are recognized through the balance sheet date on unbilled work.

(d) Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

(e) Property, Equipment and Depreciation

Property and equipment are stated at cost. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in operations. Depreciation is provided by both straight-line and accelerated methods over the estimated useful lives of the assets. Amortization of leasehold improvements is calculated by the straight-line method over the lesser of the term of the related lease or the useful lives of the improvements.

(f) Income Taxes

The Company has elected to have its income taxed under Section 1362 (Subchapter S) of the Internal Revenue Code of 1986 which provides that, in lieu of corporate income taxes, the Company's income or loss is passed to the shareholders and combined with their other personal income and deductions to determine taxable income on their individual tax returns. Therefore, no provision or liability for Federal income tax is reflected in the financial statements. Provision has been made for certain state and local taxes. On June 28, 2000, the Company was acquired by AMN Healthcare, Inc. and the Subchapter S election was terminated.

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities and the effect of future tax planning strategies to reduce any deferred tax liability.

The Company reports on a cash basis for income tax purposes, creating timing differences between tax and financial reporting. The resultant effect is currently considered immaterial and no deferred income taxes are provided.

(g) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(h) Advertising

Advertising costs are expensed as incurred. Advertising costs totaled approximately $500,000 in 1998 and 1999.

2. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	ESTIMATED USEFUL LIVES	1998	1999
Furniture and fixtures	7 years	$163,703	$193,548
Machinery and equipment	5 years	323,133	325,777
Leasehold improvements	Life of lease	8,514	8,514
Computer software	3 years	--	20,969
Total property and equipment		495,350	548,808
Less -- accumulated depreciation and amortization		217,336	215,620
Net property and equipment		$278,014	$333,188

Depreciation and amortization expense for the years ended December 31, 1998 and 1999 was $70,129 and $85,007, respectively. Expense for the three months ended March 31, 1999 and 2000 was approximately $19,000 and $28,000, respectively.

3. DUE TO OFFICER

The debt to officer includes repayments of $1,247,857 during 1998 and $270,000 during 1999. Loans bear interest at 9.50%. Related interest expense charged to operations was $70,073 in 1998 and $20,737 in 1999. This officer sold his minority interest to the remaining shareholders on January 1, 1998. This loan was repaid in full during 2000.

4. BANK DEBT

During February 1998, the Company executed a revolving step down line of credit with a bank providing for maximum borrowings (Commitment Amount) of $1,500,000. The Commitment Amount is reduced annually by $200,000 through January 31, 2003 and is subject to a borrowing base which cannot exceed 80% of eligible accounts receivable and 50% of eligible net book value of furniture and fixtures. The agreement contains certain covenants and restrictions and is secured by all accounts receivable and equipment. Interest is charged at the bank's prime rate and related interest expense charged to operations was approximately $11,000 in 1998 and $4,500 in 1999. This loan was paid in full and the line was closed during June 2000.

5. RELATED PARTY TRANSACTIONS

For the year ended December 31, 1998, the Company charged management fees of $203,078 to an affiliated company for services and expenses incurred on behalf of the affiliate. The affiliate and the Company

have common stockholders. At December 31, 1998 and 1999, included in other current assets is $70,227 due from this affiliate.

6. COMMITMENT AND CONTINGENCIES

Lease

Effective December 1, 1999, the Company entered into a new lease for office space, expiring in December 2005, which requires future minimum base rental payments plus escalation rent and common area maintenance charges. Minimum base rental payments as of December 31, 1999 are as follows:

YEARS ENDING DECEMBER 31,	AMOUNT
2000	$153,300
2001	155,850
2002	161,100
2003	161,100
2004	175,500
2005	179,400
	$986,250

Total rent expense charged to operations was approximately $94,000 in 1998 and $116,000 in 1999, $27,000 for the three months ended March 31, 1999 and $41,000 for the three months ended March 31, 2000.

Cash and Cash Equivalents

At December 31, 1998, bank balances exceeded the $100,000 FDIC insured limit by approximately $232,000.

Claims

The Company is involved in various claims incidental to its business. These claims are substantially covered by insurance. While it is not feasible to predict or determine the final outcome of these claims, management does not believe they should result in a materially adverse effect on the Company's financial position, results of operations or liquidity.

7. PROFIT-SHARING PLAN

The Company has a 401(k) profit-sharing plan covering substantially all of its employees. Eligible employees may elect to have a maximum of 15% of their wages withheld up to a statutory maximum as adjusted annually. The annual contribution to the plan is at the discretion of the Board of Directors. There were no Company contributions in 1998 and 1999.

8. CAFETERIA PLAN

The Company maintains a contributory Premium Payment Plan which qualifies as a "Cafeteria Plan" under Section 125 of the Internal Revenue Code of 1986, as amended. The plan provides for health insurance and other benefits for all eligible employees.

9. SUBSEQUENT EVENT

On June 28, 2000, the shareholders sold all of their stock to AMN Healthcare, Inc.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Preferred Healthcare Staffing, Inc.:

We have audited the accompanying balance sheets of Preferred Healthcare Staffing, Inc. (a wholly owned subsidiary of Preferred Employers Holdings, Inc.) as of December 31, 1999 and November 30, 2000, and the related statements of operations, shareholder's equity and cash flows for the years ended December 31, 1998 and 1999 and the eleven months ended November 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Preferred Healthcare Staffing, Inc. as of December 31, 1999 and November 30, 2000, and the results of its operations and its cash flows for the years ended December 31, 1998 and 1999 and the eleven months ended November 30, 2000 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Miami, Florida
April 4, 2001

PREFERRED HEALTHCARE STAFFING, INC.
(A WHOLLY OWNED SUBSIDIARY OF
PREFERRED EMPLOYERS HOLDINGS, INC.)

BALANCE SHEETS
DECEMBER 31, 1999 AND NOVEMBER 30, 2000

	1999	2000
ASSETS		
Current assets:		
Cash	$ 240,957	$ 147,062
Accounts receivable, net	6,921,417	10,980,481
Prepaid and other current assets	974,392	1,016,658
Deferred tax asset	62,063	--
Total current assets	8,198,829	12,144,201
Property and equipment, net	635,044	886,229
Goodwill, net	4,707,657	4,489,361
Total assets	$13,541,530	$17,519,791
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,977,582	$ 3,196,460
Due to Parent	1,445,960	--
Total current liabilities	3,423,542	3,196,460
Deferred tax liability	65,950	46,122
Total liabilities	3,489,492	3,242,582
Shareholder's equity:		
Common stock, no par value, $1 per share assigned value, 15,000 shares authorized, 10,000 shares issued and outstanding	10,000	10,000
Additional paid-in capital	7,470,437	7,470,437
Retained earnings	2,571,601	6,796,772
Total shareholder's equity	10,052,038	14,277,209
Commitments and contingencies		
Total liabilities and shareholder's equity	$13,541,530	$17,519,791

See accompanying notes to financial statements.

PREFERRED HEALTHCARE STAFFING, INC.
(A WHOLLY OWNED SUBSIDIARY OF
PREFERRED EMPLOYERS HOLDINGS, INC.)

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 1998 AND 1999 AND
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2000

	1998	1999	2000
Staffing revenue, net	$34,461,735	$46,358,045	$57,162,456
Cost of revenue	27,140,355	35,775,512	44,567,866
Gross profit	7,321,380	10,582,533	12,594,590
Expenses:			
Selling, general and administrative expenses	4,587,357	6,295,793	6,616,595
Depreciation and amortization	277,209	391,301	417,006
Total expenses	4,864,566	6,687,094	7,033,601
Income from operations	2,456,814	3,895,439	5,560,989
Non-operating income (expenses):			
Interest income (expense), net	(494,191)	(78,232)	43,654
Other (expenses) income	299	(4,867)	(19,864)
Total non-operating income (expenses)	(493,892)	(83,099)	23,790
Income before income tax expense	1,962,922	3,812,340	5,584,779
Income tax expense	561,155	1,465,509	807,325
Net income	$ 1,401,767	$ 2,346,831	$ 4,777,454
Pro forma information:			
Historical income before income tax	$ 1,962,922	$ --	$ 5,584,779
Pro forma income tax expense	814,058	--	2,042,743
Pro forma net income	1,148,864	--	3,542,036

See accompanying notes to financial statements.

PREFERRED HEALTHCARE STAFFING, INC.
(A WHOLLY OWNED SUBSIDIARY OF PREFERRED EMPLOYERS HOLDINGS, INC.)

STATEMENTS OF SHAREHOLDER'S EQUITY
YEARS ENDED DECEMBER 31, 1998 AND 1999 AND
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2000

	COMMON STOCK		ADDITIONAL PAID-IN	RETAINED	
	SHARES	AMOUNT	CAPITAL	EARNINGS	TOTAL
Balance as of December 31, 1997	10,000	$10,000	$ --	$(1,176,997)	$(1,166,997)
Net income	--	--	--	1,401,767	1,401,767
Capital contribution	--	--	7,470,437	--	7,470,437
Balance as of December 31, 1998	10,000	10,000	7,470,437	224,770	7,705,207
Net income	--	--	--	2,346,831	2,346,831
Balance as of December 31, 1999	10,000	10,000	7,470,437	2,571,601	10,052,038
Net income	--	--	--	4,777,454	4,777,454
Forgiveness of receivable from parent company	--	--	--	(552,283)	(552,283)
Balance as of November 30, 2000	10,000	$10,000	$7,470,437	$ 6,796,772	$14,277,209

See accompanying notes to financial statements.

PREFERRED HEALTHCARE STAFFING, INC.
(A WHOLLY OWNED SUBSIDIARY OF PREFERRED EMPLOYERS HOLDINGS, INC.)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998 AND 1999 AND
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2000

	1998	1999	2000
Cash flows from operating activities:			
Net income	$ 1,401,767	$ 2,346,831	$ 4,777,454
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	82,769	149,151	198,710
Amortization of goodwill	194,440	242,150	218,296
Loss on retirement of property and equipment	--	--	20,179
Provision for doubtful accounts receivable	96,054	64,706	61,009
Deferred taxes	11,030	40,032	42,235
Changes in other assets and liabilities:			
Accounts receivable	(4,500,264)	(455,694)	(4,120,073)
Prepaid and other current assets	(540,088)	(363,630)	(42,266)
Accounts payable and accrued expenses	255,627	460,049	1,218,878
Net cash provided by (used in) operating activities	(2,998,665)	2,483,595	2,374,422
Cash flows from investing activities:			
Purchase of property and equipment	(317,583)	(346,524)	(470,074)
Purchase of HSSI Travel Nurse Operations, Inc	(5,000,000)	--	--
Net cash used in investing activities	(5,317,583)	(346,524)	(470,074)
Cash flows from financing activities:			
Proceeds from line of credit	2,000,000	--	--
Repayment of lines of credit	(2,590,000)	(1,850,000)	--
Repayment of capital lease	(17,559)	(500)	--
Bank overdraft	420,969	(459,296)	--
Capital contribution	7,470,437	--	--
Net advances and receipts from parent company	1,050,026	395,933	(1,998,243)
Net cash (used in) provided by financing activities	8,333,873	(1,913,863)	(1,998,243)
Net (decrease) increase in cash	17,625	223,208	(93,895)
Cash, at beginning of period	124	17,749	240,957
Cash, at end of period	$ 17,749	$ 240,957	$ 147,062
Supplemental disclosure:			
Cash paid for taxes	$ --	$ 85,545	$ 209,649
Cash paid for interest	$ 398,244	$ 78,706	$ --
Supplemental disclosure of noncash financing activities -- forgiveness of receivable from parent company	$ --	$ --	$ 552,283

See accompanying notes to financial statements.

PREFERRED HEALTHCARE STAFFING, INC.
(A WHOLLY OWNED SUBSIDIARY OF
PREFERRED EMPLOYER'S HOLDINGS, INC.)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998, DECEMBER 31, 1999 AND NOVEMBER 30, 2000

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

(a) Description of Business

Preferred Healthcare Staffing, Inc. (the "Company") was incorporated in 1997 under the laws of the state of Delaware as a wholly owned subsidiary of Preferred Employers Holdings, Inc. ("PEHI"). The Company is in the business of providing health care professionals to health care organizations throughout the United States, its territories and possessions. The Company negotiates and enters into contracts with health care organizations on behalf of its network of health care professionals who render medical services to patients affiliated with those facilities.

In March 1998, the Company purchased certain of the assets of HSSI Travel Nurse Operations, Inc. ("Travel Nurse"), which was formerly a wholly owned subsidiary of Hospital Staffing Services, Inc., for $5 million in cash. Based in Fort Lauderdale, Florida since 1981, Travel Nurse has provided registered nurses and other professional medical personnel, often referred to as "temporary healthcare professionals," primarily to client hospitals in the United States and the Caribbean on a contractual basis for periods generally averaging 13 weeks in duration. In August 1998, PEHI issued 517,085 shares of common stock in exchange for all the outstanding common stock of National Explorers and Travelers Healthcare, Inc. ("NET Healthcare"), an employee staffing company and provider of temporary registered nurses and other professional medical personnel primarily to client hospitals, and combined its operations with Travel Nurse. This business combination was accounted for as a pooling-of-interests combination and, accordingly, the Company's financial statements for applicable periods prior to the combination include the accounts and results of operations of NET Healthcare.

On November 28, 2000, AMN Healthcare, Inc. acquired 100 percent of the issued and outstanding stock of the Company. The purchase price to the former shareholder of the Company included a payment of $75,041,267 in cash (net of cash received), $4,000,000 of which was delivered to an escrow agent on the acquisition date in accordance with the purchase agreement. The funds held in escrow are to be released to the former shareholder in the amount of $2,000,000 on May 31, 2001 and $2,000,000 on December 31, 2001, provided that terms of the agreement are not violated.

(b) Basis of Presentation

These financial statements have been prepared to reflect the historical results prior to the change in control, as discussed above, although the period presented for this purpose was November 30, 2000. Certain transactions with AMN Healthcare, Inc. subsequent to the purchase have been excluded.

(c) Revenue Recognition

Revenue is recognized as staffing services are rendered. Provisions for discounts to customers and other adjustments are provided for in the period the related revenue is recorded.

(d) Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation on property and equipment is calculated on the straight-line basis over the estimated useful lives of the related assets which ranges from five to seven years. Leasehold improvements are amortized using the straight-line basis over the lesser of the lease term or estimated useful life of the related improvements. Software and software development costs are depreciated over the estimated useful life which has been established as three years.

PREFERRED HEALTHCARE STAFFING, INC.
(A WHOLLY OWNED SUBSIDIARY OF
PREFERRED EMPLOYER'S HOLDINGS, INC.)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(e) Goodwill

Goodwill was established as a result of the purchase during March 1998 of certain of the assets of Travel Nurse which was formerly a wholly owned subsidiary of Hospital Staffing Services, Inc. The goodwill is being amortized on a straight-line basis over the expected future periods to be benefited, estimated at approximately 20 years. Amortization of goodwill for the year ended December 31, 1999 and the eleven-month period ended November 30, 2000 was $242,150 and $218,296, respectively, resulting in accumulated amortization of $436,590 and $654,885 as of December 31 1999 and November 30, 2000, respectively.

The Company assesses the recoverability of goodwill by determining whether the amortization of the goodwill balance over its remaining estimated life can be recovered through undiscounted future operating cash flows of the acquired operation. The assessment of the recoverability of goodwill will be impacted if estimated future operating cash flows are not achieved.

(f) Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of

Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(g) Income Taxes

The Company filed a consolidated U.S. federal and state income tax return with its parent, PEHI, for the years ended December 31, 1999 and 1998. Accordingly, all income-tax-related balances are included as due to parent in the accompanying financial statements.

On June 28, 2000, International Insurance Group, Inc. ("IIG"), an S corporation, merged with Preferred Employers Holdings, Inc., the parent corporation of the Company, and IIG was the surviving entity. On June 29, 2000, IIG elected to treat the Company as a Qualified Subchapter S Subsidiary ("QSSS") as provided under Internal Revenue Code section 1361(b)(3). A corporation which is a QSSS for federal income tax purposes is not treated as a separate corporation. All of the assets, liabilities, and items of income and expense of the QSSS are treated as items of the S corporation, in this case items of IIG. No provision has been made for income taxes subsequent to June 28, 2000 since the Company is not directly subject to income taxes and the results of operations for the period are includable in the tax returns of the shareholders of IIG.

In August of 1998, the Company merged with NET Healthcare, an S corporation, under a business combination accounted for under the pooling-of-interests method. As a result of the business combination, Net Healthcare's tax status cease to exist. No provision has been made for income taxes prior to the date of the business combination since NET Healthcare was not subject to income tax and the results of operations for the period were included in the tax returns of the shareholders of NET Healthcare.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities for the periods prior to the conversion to a QSSS are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. For the period subsequent to the conversion, the Company follows the built-in gain system of recognizing income taxes. Deferred tax liabilities are recognized on taxable temporary differences for the excess of the current financial statement carrying

amount over the tax basis at conversion. Deferred tax assets would be recognized only for the tax benefits of deductible temporary differences and carryforwards that are expected to be realized by offsetting taxable amounts under the provisions of the tax law. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Pro forma income taxes presented for 2000 and 1998 represents the total of historical income tax that would have been reported had the respective entities been taxable C corporations for each of the periods presented.

(h) Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

The Company estimates an allowance for doubtful accounts based on the credit worthiness of its customers as well as the general economic conditions in their respective geographical regions. Consequently, a change in those factors could affect the Company's estimate of its allowance for doubtful accounts.

(i) Concentration of Credit Risk

Most of the Company's business activity is with healthcare organizations located throughout the United States and the Caribbean. Credit is extended based on the evaluation of each entity's financial condition and collateral is generally not required.

(j) Reclassifications

Certain amounts in the 1999 financial statements have been reclassified to conform to the 2000 presentation.

(k) Pro Forma Net Income

Pro forma net income represents the results of operations for the eleven months ended November 30, 2000 and the year ended December 31, 1998, adjusted to reflect a provision for income tax on historical income before income taxes as if the respective entities had been a taxable C corporation.

(2) ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of December 31, 1999 and November 30, 2000.

	1999	2000
Accounts receivable billed	$5,086,231	$ 9,272,543
Unbilled accounts receivable	2,000,116	1,997,430
	7,086,347	11,269,973
Less allowance for doubtful accounts	(164,930)	(289,492)
Accounts receivable, net	$6,921,417	$10,980,481

PREFERRED HEALTHCARE STAFFING, INC.
(A WHOLLY OWNED SUBSIDIARY OF
PREFERRED EMPLOYER'S HOLDINGS, INC.)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(3) PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 1999 and November 30, 2000:

	1999	2000
Leasehold improvements	$ 30,118	$ 77,460
Office and computer equipment	340,383	479,332
Software and software development	355,717	528,551
Furniture and fixtures	151,490	197,271
	877,708	1,282,614
Less accumulated depreciation and amortization	(242,664)	(396,385)
Property and equipment, net	$ 635,044	$ 886,229

(4) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following as of December 31, 1999 and November 30, 2000:

	1999	2000
Accounts payable	$1,023,680	$ 874,985
Accrued payroll and payroll taxes	822,080	2,029,561
Other accrued expenses	131,822	291,914
Accounts payable and accrued expenses	$1,977,582	$3,196,460

(5) LINE OF CREDIT

In May 1998, the Company entered into a $3,000,000 unsecured revolving line of credit with a bank, unconditionally guaranteed by PEHI. The Company paid the outstanding balance during 1999 and eliminated the facility. The rate of interest on the line of credit floated with the prime lending rate. Interest expense related to the line of credit for the eleven months ended November 30, 2000 and for the years ended December 31, 1999 and 1998 amounted to approximately $0, $56,000 and $107,000, respectively.

PREFERRED HEALTHCARE STAFFING, INC.
(A WHOLLY OWNED SUBSIDIARY OF
PREFERRED EMPLOYER'S HOLDINGS, INC.)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(6) INCOME TAXES

Income tax expense for the years ended December 31, 1998 and 1999 and for the eleven months ended November 30, 2000 consists of the following:

	1998		
	CURRENT	DEFERRED	TOTAL
U.S. federal	$ 469,967	$ 9,967	$ 479,934
State and local	80,158	1,063	81,221
Total	$ 550,125	$11,030	$ 561,155

	1999		
	CURRENT	DEFERRED	TOTAL
U.S. federal	$1,216,882	$36,170	$1,253,052
State and local	208,595	3,862	212,457
Total	$1,425,477	$40,032	$1,465,509

	2000		
	CURRENT	DEFERRED	TOTAL
U.S. federal	$ 690,292	$38,743	$ 729,035
State and local	74,798	3,492	78,290
Total	$ 765,090	$42,235	$ 807,325

Income tax expense and for the years ended December 31, 1998 and 1999 and for the eleven months ended November 30, 2000 differed from the amounts computed by applying the U.S. federal income tax rate of 34 percent to pretax income as a result of the following:

	1998	1999	2000
Computed "expected" tax expense	$ 667,393	$1,296,195	$ 1,898,825
Increase (reduction) in income taxes resulting from:			
State and local income taxes, net of federal income tax benefit	54,146	96,948	52,892
S corporation earnings of Net Healthcare prior to merger	(252,903)	--	--
Meals and entertainment	92,697	27,829	1,029
Other, net	(178)	44,537	2,056
Change in tax status	--	--	69,123
Income during QSSS status	--	--	(1,216,600)
	$ 561,155	$1,465,509	$ 807,325

As of December 31, 1999 and November 30, 2000, the Company has a net deferred tax liability of $3,887 and $46,122, respectively. The tax effects of temporary differences between financial statement carrying amounts and tax basis of assets and liabilities that give rise to the deferred tax assets and liabilities are as follows:

	1999	2000
Deferred tax assets:		
Allowance for doubtful accounts	$31,518	$ --
Allowance for billing adjustments	30,545	--
Total deferred tax assets	62,063	--
Deferred tax liabilities -- depreciation and amortization	65,950	46,122
Net deferred tax liability	$ 3,887	$46,122

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences.

(7) LEASES

The Company has several noncancelable operating leases, primarily for office space, a telephone system and a copy machine. Approximate future minimum annual lease payments under the noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of November 30, 2000 are as follows:

YEARS ENDING NOVEMBER 30,	TOTAL
2001	$ 399,000
2002	409,000
2003	415,000
2004	345,000
2005	264,000
	$1,832,000

Rent expenses for operating leases was $241,635, $415,325 and $397,629 for the years ended December 31, 1998 and 1999 and for the eleven months ended November 30, 2000, respectively.

(8) COMMITMENTS AND CONTINGENCIES

Self-Insurance

Beginning in 1999, the Company became self-insured for its group health insurance up to predetermined specific and aggregate amounts with stop-loss limits above such amount for which third-party insurance applies. The Company has a recorded liability of approximately $198,000 and $70,000 as of December 31,

1998 and 1999, respectively, for such amounts under this agreement. No amounts were recorded as of November 30, 2000.

Legal Proceedings

The Company is involved in various claims and actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

(9) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of the Company's financial instruments approximates fair value due to the short-term maturity and/or liquidity of these instruments.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
O'Grady-Peyton International (USA), Inc.:

We have audited the consolidated balance sheets of O'Grady-Peyton International (USA), Inc. and subsidiary as of December 31, 1999 and 2000, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of O'Grady-Peyton International (USA), Inc. and subsidiary as of December 31, 1999 and 2000, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Atlanta, Georgia
May 11, 2001

O'GRADY-PEYTON INTERNATIONAL (USA), INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 1999	DECEMBER 31, 2000	MARCH 31, 2001 (UNAUDITED)
ASSETS			
Cash and cash equivalents	$ 14,915	$ 754,703	$1,121,778
Trade accounts receivable including unbilled amounts of $92,000, $563,000, and $1,273,000, and net of allowance for doubtful accounts of $384,000, $275,000, and $151,000 in 1999, 2000, and 2001 (unaudited), respectively	3,333,597	4,958,960	5,855,614
Prepaid expenses and other assets	207,171	92,352	208,249
Deferred taxes	126,317	152,543	152,543
	3,682,000	5,958,558	7,338,184
Equipment and furniture, net	47,784	150,638	178,934
Total assets	$3,729,784	$6,109,196	$7,517,118
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Borrowings under line of credit	$1,500,000	$1,510,654	$2,000,000
Current installments of long-term debt	99,996	--	--
Notes payable to related party	--	300,000	300,000
Accounts payable	509,746	282,247	128,334
Accrued expenses	457,955	1,129,179	595,928
Accrued payroll and payroll taxes	346,206	642,031	1,109,915
Income taxes payable	--	611,498	1,057,478
Total current liabilities	2,913,903	4,475,609	5,191,655
Long-term debt	391,671	--	--
Notes payable to related party	300,000	--	--
Total liabilities	3,605,574	4,475,609	5,191,655
Shareholders' equity:			
Common stock -- authorized 12,500 shares of no par value; 5,000 shares issued and outstanding	4,125	4,125	4,125
Retained earnings	120,085	1,629,462	2,321,338
Total shareholders' equity	124,210	1,633,587	2,325,463
Commitments			
Total liabilities and shareholders' equity	$3,729,784	$6,109,196	$7,517,118

See accompanying notes to consolidated financial statements.

O'GRADY-PEYTON INTERNATIONAL (USA), INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,	
	1999	2000	2000	2001
			(UNAUDITED)	
Revenue	$14,541,030	$24,548,075	$5,121,693	$7,774,735
Cost of revenue	11,344,779	17,228,208	3,581,210	5,432,611
Gross profit	3,196,251	7,319,867	1,540,483	2,342,124
General and administrative expenses	3,852,565	4,709,212	1,328,695	1,199,594
(Loss) income from operations	(656,314)	2,610,655	211,788	1,142,530
Interest expense, net	91,264	162,006	82,470	25,449
(Loss) income before income taxes	(747,578)	2,448,649	129,318	1,117,081
Income tax (benefit) expense	(280,724)	939,272	55,067	425,205
Net (loss) income	$ (466,854)	$ 1,509,377	$ 74,251	$ 691,876

See accompanying notes to consolidated financial statements.

O'GRADY-PEYTON INTERNATIONAL (USA), INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1999 AND 2000 AND
THREE MONTHS ENDED MARCH 31, 2001 (UNAUDITED)

	COMMON STOCK	RETAINED EARNINGS	TOTAL
Balances, December 31, 1998	$4,125	$ 586,939	$ 591,064
Net loss	--	(466,854)	(466,854)
Balances, December 31, 1999	4,125	120,085	124,210
Net income	--	1,509,377	1,509,377
Balances, December 31, 2000	4,125	1,629,462	1,633,587
Net income (unaudited)	--	691,876	691,876
Balances, March 31, 2001	$4,125	$2,321,338	$2,325,463

See accompanying notes to consolidated financial statements.

O'GRADY-PEYTON INTERNATIONAL, INC. (USA) AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,	
	1999	2000	2000	2001
			(UNAUDITED)	
Cash flows from operating activities:				
Net (loss) income	$ (466,854)	$ 1,509,377	$ 74,251	$ 691,876
Adjustments to reconcile net (loss) income to cash (used in) provided by operating activities:				
Depreciation	129,394	36,545	6,522	18,016
Deferred tax benefit	(280,724)	(26,226)	--	--
Changes in:				
Accounts receivable	(1,119,883)	(1,625,363)	473,999	(896,654)
Prepaid expenses and other assets	185,297	114,819	(191,784)	(115,897)
Accounts payable and accrued expenses	594,263	739,550	239,286	(219,280)
Income taxes payable	--	611,498	105,444	445,980
Cash (used in) provided by operating activities	(958,507)	1,360,200	707,718	(75,959)
Cash flows used in investing activities--acquisition of equipment and furniture	(44,844)	(139,399)	(9,506)	(46,312)
Cash flows from financing activities:				
Net borrowings under line of credit	1,100,000	10,654	--	489,346
Proceeds from long-term debt	500,000	--	--	--
Payments on notes payable to related parties	(603,955)	--	--	--
Repayment of long-term debt	(8,332)	(491,667)	(25,000)	
Net cash provided by (used in) financing activities	987,713	(481,013)	(25,000)	489,346
Net (decrease) increase in cash and cash equivalents	(15,638)	739,788	673,212	367,075
Cash and cash equivalents at beginning of year	30,553	14,915	14,915	754,703
Cash and cash equivalents at end of year	$ 14,915	$ 754,703	$ 688,127	$1,121,778
Supplemental cash flows information -- cash paid during the year for:				
Interest	$ 85,028	$ 219,000	$ 86,280	$ 32,043
Income taxes	$ 24,011	$ 354,000	$ --	$ 3,580

See accompanying notes to consolidated financial statements.

O'GRADY-PEYTON INTERNATIONAL (USA), INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000 AND MARCH 31, 2001 (UNAUDITED)

(1) DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

O'Grady-Peyton International (USA), Inc. (the "Company"), employs registered nurses and contracts their services to hospitals and health care facilities throughout the United States. The Company extends credit to its customers on an unsecured basis. The Company recruits many of its nurses from the United States, Ireland, United Kingdom, South Africa, Australia, New Zealand, Philippines, and Canada.

The accompanying consolidated interim financial statements (including notes to financial statements) of the Company as of March 31, 2001 and for the three months ended March 31, 2000 and 2001, are unaudited. In the opinion of management, the accompanying unaudited consolidated interim financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of the Company at March 31, 2001, and the results of its operations and its cash flows for the three months ended March 31, 2000 and 2001.

The following is a summary of the more significant accounting policies and practices of the Company.

(a) Consolidation

The accompanying financial statements include the accounts of the Company and its wholly owned subsidiary. Significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Revenue Recognition

The Company recognizes revenue when services are performed.

(c) Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

(d) Equipment and Furniture

Equipment and furniture are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Equipment	3 - 5 years
Furniture	5 years

(e) Self-Insurance

The Company provides a self-insured medical reimbursement program covering substantially all full-time employees whereby it assumes limited liabilities with the excess liability assumed by the insurance company. Provision for claims under the self-insured program is recorded based on the Company's experience.

(f) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(g) Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(h) Fair Value of Financial Instruments

The fair value of financial instruments is determined by reference to various market data and other valuation techniques, as appropriate. The Company believes that the fair value of financial instruments, including cash and cash equivalents, trade accounts receivable, and accounts payable and accrued expenses, approximates their recorded values due primarily to the short-term nature of their maturities. The carrying amounts of long-term debt is considered to be reasonable estimates of their fair values, as the borrowings have variable rates that reflect currently available terms and conditions for similar debt. The carrying amounts of notes payable to related party are impractical to determine due to their related party nature.

(2) PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	DECEMBER 31,	
	1999	2000
Equipment	$307,271	$422,489
Furniture	65,271	93,582
	372,542	516,071
Less accumulated depreciation	324,758	365,433
Property and equipment, net	$ 47,784	$150,638

Depreciation expense charged to operations was approximately $129,000, $37,000, $7,000 and $18,000 for the years ended December 31, 1999 and 2000 and the three months ended March 31, 2000 and 2001 (unaudited), respectively.

(3) LINE OF CREDIT

The Company has a $2,000,000 line of credit facility with a commercial bank. Interest on outstanding borrowings is payable monthly at rates ranging from the prime rate less .25% to prime plus .5% (10% at December 31, 2000), depending on the Company's debt-to-net worth ratio. Borrowings under the facility are secured by substantially all assets of the Company. The line of credit agreement contains provisions which place limitations on indebtedness and the disposition of assets. At December 31, 2000, the Company was in compliance with these covenants. The facility matures on June 30, 2001.

(4) LONG-TERM DEBT

Long-term debt consists of the following:

	DECEMBER 31,	
	1999	2000
Installment note payable in monthly principal payments of $8,333 plus interest at the prime rate through November 2004; secured by substantially all assets of the Company	$491,667	$ --
Less current installments	99,996	--
	$391,671	$ --

(5) RETIREMENT PLAN

The Company sponsors a salary deferral plan that covers all full-time employees who have met certain age and service requirements. Contributions to the plan are at the discretion of the Board of Directors. The Company made no contributions to the plan in 1999 and 2000.

(6) INCOME TAX

Income tax (benefit) expense consists of:

	CURRENT	DEFERRED	TOTAL
Year ended December 31, 1999:			
U.S. Federal	$ --	$(251,174)	$(251,174)
State and local	--	(29,550)	(29,550)
	$ --	$(280,724)	$(280,724)
Year ended December 31, 2000:			
U.S. Federal	$812,890	$ (23,465)	$ 789,425
State and local	152,608	(2,761)	149,847
	$965,498	$ (26,226)	$ 939,272

Income tax (benefit) expense differed from the amounts computed by applying the U.S. Federal income tax rate of 34% to (loss) income before taxes as a result of the following:

	1999	2000
Computed "expected" tax expense (benefit)	$(254,176)	$832,540
Increase (reduction) in income taxes resulting from:		
Meals and entertainment	3,002	8,497
State and local income taxes, net of Federal income tax benefit	(19,503)	98,899
Other, net	(10,047)	(664)
	$(280,724)	$939,272

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1999 and 2000 are presented below:

	1999	2000
Deferred tax assets:		
Accounts receivable, principally due to allowance for doubtful accounts	$ --	$104,500
Depreciation	9,514	--
Accrued expenses	--	42,650
Net operating loss carryforwards	115,929	--
Other	874	5,393
Total gross deferred tax asset	$126,317	$152,543

Management believes that it is more likely than not that the results of the future operations will generate sufficient taxable income to realize the deferred tax assets and, accordingly, has not provided a valuation allowance.

(7) COMMITMENTS

The Company leases office space under noncancelable leases. Minimum annual rentals are as follows:

YEARS ENDING DECEMBER 31,	AMOUNT
2001	$165,000
2002	156,000
2003	56,000
	$377,000

Total rent expense amounted to $179,339 and $139,254 in 1999 and 2000 and $49,560 and $42,376 for the three months ended March 31, 2000 and 2001 (unaudited), respectively.

(8) RELATED PARTY TRANSACTIONS

The Company has a $300,000 note payable to a party related to the shareholders of the Company. The note is unsecured, bears interest at 8%, and is due June 2001. Interest paid on the note amounted to $24,000 in 1999 and 2000.

The Company pays recruiting expenses to various companies under common management control. Recruiting costs include approximately $1,561,000 and $1,500,000 paid to these related companies in 1999 and 2000, respectively. In addition, the Company pays a management fee to a company under common management control. The fee in 2000 was $800,000. Accrued expenses includes approximately $692,000 owed to a related company.

(9) SUBSEQUENT EVENT

Effective May 1, 2001, the Company was acquired by AMN Healthcare Services, Inc.

AMN HEALTHCARE SERVICES, INC.

INDEX TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

We acquired Nurses RX, Inc., Preferred Healthcare Staffing, Inc., and O'Grady-Peyton International (USA), Inc. on June 28, 2000, November 28, 2000 and May 1, 2001, respectively. NursesRx and Preferred Healthcare's results of operations for the six months and one month ended December 31, 2000, respectively, are included in our condensed consolidated statement of operations for the year ended December 31, 2000. The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2000 and the six months ended June 30, 2000 give effect to the acquisitions of NursesRx, Preferred Healthcare and O'Grady-Peyton, as well as this initial public offering, including application of the proceeds thereof to repay outstanding indebtedness under our credit facility and our senior subordinated notes as required pursuant to the debt agreements, as if these events had occurred on January 1, 2000. The unaudited pro forma condensed consolidated statement of operations for the six months ended June 30, 2001 gives effect to the acquisition of O'Grady-Peyton and this initial public offering as if these events had occurred on January 1, 2000.

This pro forma financial information does not purport to represent what our actual results of operations or financial position would have been had the acquisitions occurred on the dates indicated or for any future period or date. The pro forma adjustments give effect to available information and assumptions that we believe are reasonable. You should read our pro forma condensed consolidated financial information in conjunction with our financial statements and the related notes, as well as "Selected Consolidated Financial and Operating Data," "Summary Consolidated Financial and Operating Data," "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus.

AMN HEALTHCARE SERVICES, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	HISTORICAL(1)					
	AMN	NURSESRX	PREFERRED HEALTHCARE	O'GRADY-PEYTON	PRO FORMA ADJUSTMENTS	PRO FORMA
Revenue	$230,766	$13,879	$57,162	$24,548	$ --	$326,355
Cost of revenue	170,608	9,580	44,568	17,228	--	241,984
Gross profit	60,158	4,299	12,594	7,320	--	84,371
Expenses:						
Selling, general, and administrative (excluding non-cash stock-based compensation)	30,728	3,580	6,637	4,672	(1,018)(2)	44,599
Non-cash stock-based compensation	22,379	--	--	--	31,771(3)	54,150
Amortization	2,387	--	218	--	3,130(4)	5,735
Depreciation	916	55	199	37	--	1,207
Transaction costs	1,500	--	--	--	--	1,500
Total expenses	57,910	3,635	7,054	4,709	33,883	107,191
Income (loss) from operations	2,248	664	5,540	2,611	(33,883)	(22,820)
Interest income (expense), net	(10,006)	(18)	44	(162)	10,173(5)	31
Income (loss) before income tax benefit (expense) and extraordinary item	(7,758)	646	5,584	2,449	(23,710)	(22,789)
Income tax benefit (expense)	2,560	(189)	(807)	(940)	6,896(6)	7,520
Income (loss) before extraordinary item(7)	$ (5,198)	$ 457	$ 4,777	$ 1,509	$(16,814)	$(15,269)
Net loss per common share -- basic and diluted						$ (16.17)
Weighted average common shares -- basic and diluted						944(8)
Split adjusted net loss per common share -- basic and diluted						$ (.38)(9)
Split adjusted weighted average common shares -- basic and diluted						40,715(9)

See accompanying notes to Unaudited Pro Forma Condensed Consolidated Statement of Operations.

AMN HEALTHCARE SERVICES, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000

(1) The historical results of operations of AMN includes the results of NursesRx and Preferred Healthcare commencing June 28, 2000 and November 28, 2000, respectively, their dates of acquisition by AMN. The historical results of operations of NursesRx and Preferred Healthcare reflect their results from January 1, 2000 through June 28, 2000 and November 28, 2000, respectively. The historical results of operations of O'Grady-Peyton reflects its results for the year ended December 31, 2000.

(2) The pro forma selling, general and administrative expense gives effect to the elimination of certain payments to the former owners of Preferred Healthcare and NursesRx. Specifically, these amounts were made up of $878,000 related to the NursesRx acquisition and $140,000 related to the Preferred Healthcare acquisition. Of the $878,000 attributable to NursesRx, $610,000 relates to payments made to the former owners of NursesRx in excess of their annual compensation. As these amounts are not included in their current contractual employment agreements with the Company, these payments would not have been made if the acquisition had occurred on January 1, 2000. The remaining $268,000 was paid to senior management by the sellers as a bonus for the successful sale of NursesRx to the Company. These payments were paid by the seller in the month of the closing of the transaction.

The $140,000 related to the Preferred Healthcare acquisition was recorded as a pro forma adjustment as it relates to nominal management services provided by the former owners of Preferred Healthcare that will be provided by existing company management at no additional cost. Therefore, this expense was eliminated by the Company after the acquisition and will not have a continuing impact on the Company going forward.

(3) The pro forma stock-based compensation adjustment gives effect to the vesting of all outstanding stock options under the 1999 stock option plans as if the consummation of this initial public offering had occurred on January 1, 2000. Pursuant to the provisions of the 1999 stock option plans, options become fully vested upon the occurrence of an initial public offering.

(4) The pro forma amortization expense gives effect to additional goodwill amortization of $305,000, $2,174,000, and $453,000 in connection with the NursesRx, Preferred Healthcare and O'Grady-Peyton acquisitions, respectively. It also gives effect to additional non-compete amortization of $103,000, $45,000, and $50,000 for NursesRx, Preferred Healthcare, and O'Grady-Peyton, respectively.

(5) The pro forma interest expense, net gives effect to the reduction of interest expense in the amount of $10,173,000 related to the payment of all outstanding debt with the proceeds of this initial public offering.

(6) The pro forma adjustment represents the additional tax expense, calculated at our effective tax rate of approximately 33.0% related to the pro forma adjustments described above and pre-tax income of NursesRx, Preferred Healthcare and O'Grady-Peyton.

(7) Pro forma income (loss) does not include $5,471,000 in extraordinary loss, net of income tax benefit of $2,694,000, resulting from the write-off of the unamortized discount on the senior subordinated notes and unamortized deferred financing costs as this is a nonrecurring charge which will be included in our income (loss) following this initial public offering.

(8) Pro forma basic and diluted weighted average shares gives effect to the shares issued in this initial public offering plus the shares of common stock to be issued upon exercise of warrants at the time of this initial public offering, but does not give effect to the shares that had been issued under stock options outstanding under the 1999 stock option plans, as the impact would be anti-dilutive.

(9) Pro forma split adjusted basic and diluted weighted average shares reflect the 43.10849-for-1 stock split of our common stock which will become effective upon the effective date of this offering.

AMN HEALTHCARE SERVICES, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2001
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	HISTORICAL(1)			
	AMN	O'GRADY-PEYTON	PRO FORMA ADJUSTMENTS	PRO FORMA
Revenue	$219,169	$10,582	$ --	$229,751
Cost of revenue	164,235	7,373	--	171,608
Gross profit	54,934	3,209	--	58,143
Expenses:				
Selling, general, and administrative (excluding non-cash stock-based compensation)	30,820	1,818	--	32,638
Non-cash stock-based compensation	8,731	--	(8,731)(2)	--
Amortization	2,696	--	168(3)	2,864
Depreciation	879	25	--	904
Total expenses	43,126	1,843	(8,563)	36,406
Income from operations	11,808	1,366	8,563	21,737
Interest income (expense), net	(7,997)	(43)	8,004(4)	(36)
Income before income tax expense	3,811	1,323	16,567	21,701
Income tax expense	(1,982)	(539)	(8,763)(5)	(11,284)
Net income	$ 1,829	$ 784	$ 7,804	$ 10,417
Net income per common share				
Basic				$ 11.03
Diluted				$ 10.13
Weighted average common shares				
Basic				944(6)
Diluted				1,028(7)
Split adjusted net income per common share				
Basic				$ 0.26(8)
Diluted				$ 0.24(8)
Split adjusted weighted average common shares				
Basic				40,715(8)
Diluted				44,325(8)

See accompanying notes to Unaudited Pro Forma Condensed Consolidated Statement of Operations.

AMN HEALTHCARE SERVICES, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET AND
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2001

(1) The historical results of operations of AMN includes the results of O'Grady-Peyton, commencing May 1, 2001, its date of acquisition by AMN. The historical results of operations of O'Grady-Peyton reflect its results from January 1, 2001 through May 1, 2001.

(2) The pro forma stock-based compensation adjustment gives effect to the vesting of all outstanding stock options under the 1999 stock option plans as if the consummation of this initial public offering had occurred on January 1, 2000. Pursuant to the provisions of the 1999 stock option plans, options become fully vested upon the occurrence of an initial public offering. Therefore, there would be no charge during the six months ended June 30, 2001 related to these options.

(3) The pro forma amortization expense gives effect to additional goodwill amortization of $151,000 and additional non compete amortization of $17,000 in connection with the O'Grady-Peyton acquisition.

(4) The pro forma interest expense, net gives effect to the reduction of interest expense in the amount of $6,980,000 and the settlement of the derivative instrument agreements in the amount of $1,024,000 in connection with the payment of all outstanding debt with the proceeds of this initial public offering.

(5) The pro forma tax adjustment represents the additional tax expense, calculated at AMN's effective tax rate of approximately 52%, for the pro forma adjustments described above and the pre-tax income of O'Grady-Peyton.

(6) Pro forma basic weighted average shares gives effect to the shares issued in this initial public offering plus the shares of common stock to be issued upon the exercise of warrants at the time of this initial public offering.

(7) Pro forma diluted weighted average shares gives effect to the stock options outstanding under the 1999 stock option plans.

(8) Pro forma split adjusted basic and diluted weighted average shares reflect the 43.10849-for-1 stock split of our common stock which will become effective upon the effective date of this offering.

AMN HEALTHCARE SERVICES, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2000

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	HISTORICAL(1)					
	AMN	NURSESRX	PREFERRED HEALTHCARE	O'GRADY-PEYTON	PRO FORMA ADJUSTMENTS	PRO FORMA
Revenue	$90,996	$13,879	$27,699	$10,657	$ --	$143,231
Cost of revenue	68,478	9,580	20,913	7,403	--	106,374
Gross profit	22,518	4,299	6,786	3,254	--	36,857
Expenses:						
Selling, general, and administrative (excluding non-cash stock-based compensation)	12,280	3,580	4,397	2,408	(983)(2)	21,682
Non-cash stock-based compensation	10,601	--	--	--	43,549(3)	54,150
Amortization	867	--	--	--	2,008(4)	2,875
Depreciation	324	55	221	18	--	618
Transaction costs	--	--	--	--	--	--
Total expenses	24,072	3,635	4,618	2,426	44,574	79,325
Income (loss) from operations	(1,554)	664	2,168	828	(44,574)	(42,468)
Interest income (expense), net	(4,575)	(18)	25	(120)	4,674(5)	(14)
Income (loss) before income tax benefit (expense) and extraordinary item	(6,129)	646	2,193	708	(39,900)	(42,482)
Income tax benefit (expense)	2,023	(189)	(802)	(240)	13,227(6)	14,019
Income (loss) before extraordinary item(7)	$(4,106)	$ 457	$ 1,391	$ 468	$(26,673)	$(28,463)
Net loss per common share -- basic and diluted						$ (30.15)(8)
Weighted average common shares -- basic and diluted						944(8)
Split adjusted net loss per common share -- basic and diluted						$ (0.70)(9)
Split adjusted weighted average common shares -- basic and diluted						40,715(9)

See accompanying notes to Unaudited Pro Forma Condensed Consolidated Statement of Operations.

AMN HEALTHCARE SERVICES, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2000

(1)The historical results of operations of AMN includes the results of NursesRx commencing June 28, 2000, its date of acquisition by AMN. The historical results of operations of NursesRx and Preferred Healthcare reflect their results from January 1, 2000 through June 28, 2000 and June 30, 2000, respectively. The historical results of operations of O'Grady-Peyton reflects its results for the six months ended June 30, 2000.

(2)The pro forma selling, general and administrative expense gives effect to the elimination of certain payments to the former owners of Preferred Healthcare and NursesRx. Specifically, these amounts were made up of $878,000 related to the NursesRx acquisition and $105,000 related to the Preferred Healthcare acquisition. Of the $878,000 attributable to NursesRx, $610,000 relates to payments made to the former owners of NursesRx in excess of their annual compensation. As these amounts are not included in their current contractual employment agreements with the Company, these payments would not have been made if the acquisition had occurred on January 1, 2000. The remaining $268,000 was paid to senior management by the sellers as a bonus for the successful sale of NursesRx to the Company. These payments were paid by the seller in the month of the closing of the transaction.

The $105,000 related to the Preferred Healthcare acquisition was recorded as a pro forma adjustment as it relates to nominal management services provided by the former owners of Preferred Healthcare that will be provided by existing company management at no additional cost. Therefore, this expense was eliminated by the Company after the acquisition and will not have a continuing impact on the Company going forward.

(3)The pro forma stock-based compensation adjustment gives effect to the vesting of all outstanding stock options under the 1999 stock option plans as if the consummation of this initial public offering had occurred on January 1, 2000. Pursuant to the provisions of the 1999 stock option plans, options become fully vested upon the occurrence of an initial public offering.

(4)The pro forma amortization expense gives effect to additional goodwill amortization of $305,000, $1,322,000, and $228,000 in connection with the NursesRx, Preferred Healthcare and O'Grady-Peyton acquisitions, respectively. It also gives effect to additional non-compete amortization of $103,000, $25,000, and $25,000 for NursesRx, Preferred Healthcare, and O'Grady-Peyton, respectively.

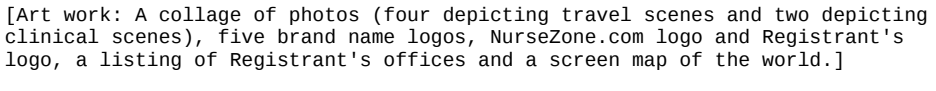
(5)The pro forma interest expense, net gives effect to the reduction of interest expense in the amount of $4,674,000 related to the payment of all outstanding debt with the proceeds of this initial public offering.

(6)The pro forma adjustment represents the additional tax expense, calculated at our effective tax rate of approximately 33.0% related to the pro forma adjustments described above and pre-tax income of NursesRx, Preferred Healthcare and O'Grady-Peyton.

(7)Pro forma income (loss) does not include $5,471,000 in extraordinary loss, net of income tax benefit of $2,694,000, resulting from the write-off of the unamortized discount on the senior subordinated notes and unamortized deferred financing costs as this is a nonrecurring charge which will be included in our income (loss) following this initial public offering.

(8)Pro forma basic and diluted weighted average shares gives effect to the shares issued in this initial public offering plus the shares of common stock to be issued upon exercise of warrants at the time of this initial public offering, but does not give effect to the shares that had been issued under stock options outstanding under the 1999 stock option plans, as the impact would be anti-dilutive.

(9)Pro forma split adjusted basic and diluted weighted average shares reflect the 43.10849-for-1 stock split of our common stock which will become effective upon the effective date of this offering.


[Art work: A collage of photos (four depicting travel scenes and two depicting clinical scenes), five brand name logos, NurseZone.com logo and Registrant's logo, a listing of Registrant's offices and a screen map of the world.]

10,000,000 Shares

[AMN Heathcare Services, Inc. Logo]

Prospectus
, 2001

BANC OF AMERICA SECURITIES LLC

UBS WARBURG

JPMORGAN

Until , 2001, all dealers that buy, sell or trade the common stock may be required to deliver a prospectus, regardless of whether they are participating in this offering. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following sets forth the estimated expenses and costs (other than underwriting discounts and commissions) expected to be incurred in connection with the issuance and distribution of the common stock registered hereby:

SEC registration fee	$ 46,000
NASD fee	31,000
Printing and engraving expenses	900,000
Accounting fees and expenses	1,080,000
Legal fees and expenses	1,250,000
Blue Sky fees and expenses	40,000
NYSE listing application fee	266,000
Transfer agent fees and expenses	5,000
Miscellaneous	466,000
TOTAL	4,084,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the General Corporation Law of the State of Delaware provides as follows:

A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent or another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interest of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification will be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Our amended and restated certificate of incorporation provides that we will indemnify any person, including persons who are not our directors and officers, to the fullest extent permitted by Section 145 of the Delaware General Corporation Law.

In addition, pursuant to our Bylaws, we will indemnify our directors and officers against expenses (including judgments or amounts paid in settlement) incurred in any action, civil or criminal, to which any such person is a party by reason of any alleged act or failure to act in his capacity as such, except as to a matter as to which such director or officer shall have been finally adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation or not to have acted in good faith in the reasonable belief that his action was in the best interest of the corporation.

The underwriting agreement provides that the underwriters are obligated, under certain circumstances, to indemnify our directors, officers and controlling persons against certain liabilities, including liabilities under the Securities Act. Reference is made to the form of underwriting agreement filed as Exhibit 1.1 hereto.

We maintain directors and officers liability insurance for the benefit of our directors and certain of our officers.

Reference is made to Item 17 for our undertakings with respect to indemnification for liabilities arising under the U.S. Securities Act of 1993.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

The following is a summary of transactions by us involving sales of our securities that were not registered under the Securities Act during the last three years preceding the date of this registration statement:

(a) On November 18, 1998, we issued 1,800 shares of common stock upon a stock split to our then existing stockholders.

(b) On November 18, 1998, we issued 182 shares of common stock at a price of $11,265.21 per share to our then existing stockholders.

(c) On November 18, 1998, we issued 306 shares of common stock to the stockholders of Medical Express, Inc. in connection with our acquisition of Medical Express, Inc.

(d) On October 18, 1999, we issued 517.8 shares of common stock in exchange for AMN Healthcare, Inc. shares.

(e) On November 19, 1999, we issued 1,814.9 shares of common stock at a price of $32,794.87 per share upon our recapitalization to some of our existing stockholders.

(f) On November 19, 1999, we issued 472,634.9 shares of common stock upon the split of 2,363.17 outstanding shares, on the basis of 200 shares for each outstanding share to our then existing stockholders.

(g) On November 19, 1999, we issued options to purchase an aggregate of 84,343.4 shares of stock to members of management, each at an exercise price of $163.9743 per share.

(h) On June 26, 2000, we issued an aggregate of 73,182.2 shares at a price of $163.9743 per share for capital contributions in connection with our acquisition of Nurses RX, Inc. to some of our existing stockholders.

(i) On November 20, 2000, we issued options to purchase 4,686 shares of stock to a member of management at an exercise price of $163.9743 per share.

(j) On November 28, 2000, we issued an aggregate of 123,077 shares at a price of $325.00 per share for capital contributions in connection with our acquisition of Preferred Healthcare Staffing, Inc. to some of our existing stockholders.

(k) On December 13, 2000, we issued options to purchase an aggregate of 31,170.6 shares of stock to members of management, each at an exercise price of $287.84 per share.

(l) On March 29, 2001, we issued 616,694.9 shares of common stock to the HWP stockholders in connection with the merger of AMN Acquisition Corp. with and into us and the 616,694.9 shares previously held by AMN Acquisition Corp. were canceled.

(m) On July 24, 2001, we issued options to purchase an aggregate of 12,673 shares of stock to members of management, each at an exercise price of $392.04 per share.

(n) Prior to the effectiveness of this offering, we issued 28,835,015 shares of common stock upon the split of 668,894.1 outstanding shares, on the basis of 43.10849 shares for each outstanding share to our existing stockholders.

(o) Prior to the effectiveness of this offering, we issued 1,879,628 shares of common stock to BancAmerica Capital Investors SBIC I, L.P. in connection with the exercise of a warrant.

The issuances listed above are exempt from registration under Section 4(2) of the Securities Act as transactions by an issuer not involving a public offering.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

a. Exhibits

1.1	Form of Underwriting Agreement.**
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99.2	Consent of Andrew Stern to be named as a director nominee.**

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* Filed herewith.

** Previously filed.

***To be provided by amendment.

b. Financial Statement Schedules

The following financial statement schedules are included herein:

Schedule II -- Valuation and qualifying accounts

All other schedules are omitted because they are either not required, not applicable or the required information is included in the financial statements or notes thereto.

ITEM 17. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this amendment to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California, on September 14, 2001.

AMN Healthcare Services, Inc.

By: /s/ STEVEN FRANCIS

Name: Steven Francis
Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this amendment to the registration statement has been signed below by the following persons in the following capacities on the 14th day of September, 2001.

*

Name: Robert Haas
Title: Chairman of the Board and Director

/s/ STEVEN FRANCIS

Name: Steven Francis
Title: President, Chief Executive Officer and Director

*

Name: William Miller
Title: Director

*

Name: Douglas Wheat
Title: Director

*

Name: Donald Myll
Title: Chief Accounting Officer and Chief Financial Officer

*By: /s/ STEVEN FRANCIS

Steven Francis
Attorney-in-fact

INDEX TO FINANCIAL
STATEMENT SCHEDULES

SCHEDULE II

AMN HEALTHCARE SERVICES, INC.

VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1999 AND 2000
(IN THOUSANDS)

ALLOWANCE FOR DOUBTFUL ACCOUNTS	BALANCE AT BEGINNING OF PERIOD	PROVISION	PROVISION DUE TO ACQUISITIONS	DEDUCTIONS(*)	BALANCE AT END OF PERIOD
Year ended December 31, 1998....	$ 70	$ 30	$ 35	$ --	$135
Year ended December 31, 1999....	$135	$260	--	$(139)	$256
Year ended December 31, 2000....	$256	$270	$441	$ (37)	$930

(*) Accounts written off

See accompanying notes to consolidated financial statements

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EXHIBIT 4.1

AMN HEALTHCARE
NUMBER SERVICES, INC.
AMN SHARES
COMMON STOCK COMMON STOCK

SEE REVERSE FOR
CERTAIN DEFINITIONS

CUSIP
001744 10 1

Incorporated Under the Laws of the State of Delaware

THIS CERTIFIES THAT
IS THE RECORD HOLDER OF

FULLY PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK,
$0.01 PAR VALUE PER SHARE, OF

A.M.N. Healthcare Services, Inc. (hereinafter called the "Corporation"), transferable on the books of the Corporation by the registered holder hereof in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned and registered by the Transfer Agent and Registrar.

In Witness Whereof, the Corporation has caused the facsimile signatures of its duly authorized officers and its facsimile seal to be affixed hereto.

DATED:

[AMN HEALTHCARE SERVICES, INC. CORPORATE SEAL]

/s/Steven C. Francis
PRESIDENT AND CHIEF EXECUTIVE OFFICER

/s/Susan B. Nowakowski
SECRETARY AND CHIEF OPERATING OFFICER

Countersigned and Registered:
AMERICAN STOCK TRANSFER & TRUST COMPANY
(NEW YORK, NY)
Transfer Agent and Registrar,

By:

Authorized Signature

AMN HEALTHCARE SERVICES, INC.

This Corporation will furnish without charge to each stockholder who so requests, a copy of the designations, powers, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and / or rights. Any such requests may be addressed to the Secretary of the Corporation.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
IT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - _____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to Minors Act _____
(State)

UNIF TRP MIN ACT - _____ Custodian (until age _____)
(Cust)
_____ under Uniform Transfers
(Minor)
to Minors Act _____
(State)

Additional abbreviations may also be used though not in the above list.

For Value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE
[ ]
[ ]

_____
PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE, OF ASSIGNEE

_____

_____

_____ Shares

of the Stock represented by the within Certificate, and do(es) hereby

irrevocably constitute and appoint _____

_____ Attorney to transfer the sold Stock on the books of

the within named Corporation with full power of substitution in the premises.

Dated _____ X _____

X _____

NOTICE: THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Signature(s) Guaranteed:

By _____
THE SIGNATURE(S) MUST BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

EXHIBIT 10.37

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of September ___, 2001

among

AMN HEALTHCARE, INC.,
as Borrower,

AMN HEALTHCARE SERVICES, INC.,
and
CERTAIN SUBSIDIARIES OF THE BORROWER
FROM TIME TO TIME PARTY HERETO,
as Guarantors,

THE SEVERAL LENDERS
FROM TIME TO TIME PARTY HERETO,

BANK OF AMERICA, N. A.,
as Agent,

BANC OF AMERICA SECURITIES LLC,
as Lead Arranger and Book Manager,

and

GENERAL ELECTRIC CAPITAL CORPORATION,
as Syndication Agent

TABLE OF CONTENTS

SCHEDULES

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AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT, dated as of September ___, 2001 (as amended, modified, restated or supplemented from time to time, the "Credit Agreement"), is by and among AMN HEALTHCARE, INC., a Nevada corporation (the "Borrower"), AMN HEALTHCARE SERVICES, INC. (formerly known as AMN Holdings, Inc.), a Delaware corporation (the "Parent"), the Subsidiary Guarantors (as defined herein), the Lenders (as defined herein) and BANK OF AMERICA, N. A., as Agent for the Lenders (in such capacity, the "Agent").

W I T N E S S E T H

WHEREAS, the Borrower is party to that certain Credit Agreement, dated as of November 19, 1999, (as amended from time to time through the date hereof, the "Existing Credit Agreement"), among the Parent, the Borrower, the Subsidiary Guarantors, the lenders party thereto, Bank of America, N.A. , as Agent, Wells Fargo Bank, N.A. as Syndication Agent and Fleet National Bank, as Documentation Agent;

WHEREAS, the parties to the Existing Credit Agreement have agreed to amend the Existing Credit Agreement and for ease of reference have agreed to amend and restate the Existing Credit Agreement in this Credit Agreement; and

WHEREAS, the Borrower, the Parent and the Subsidiary Guarantors have requested, and the Lenders have agreed, to provide a revolving credit facility to the Borrower in an aggregate amount of $50,000,000 (the "Credit Facility") on the terms and conditions hereinafter set forth.

NOW, THEREFORE, IN CONSIDERATION of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1

DEFINITIONS

1.1 DEFINITIONS.

As used in this Credit Agreement, the following terms shall have the meanings specified below unless the context otherwise requires:

"Acquisition", by any Person, means the acquisition by such Person of all of the Capital Stock or all or substantially all of the Property of another Person, whether or not involving a merger or consolidation with such other Person.

"Adjusted Base Rate" means the Base Rate plus the Applicable Percentage.

"Adjusted Eurodollar Rate" means the Eurodollar Rate plus the Applicable Percentage.

"Affiliate" means, with respect to any Person, any other Person (i) directly or indirectly controlling or controlled by or under direct or indirect common control with such Person or (ii) directly or indirectly owning or holding ten percent (10%) or more of the Capital Stock in such Person. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent" shall have the meaning assigned to such term in the heading hereof, together with any successors or assigns.

"Agent's Fee Letter" means that certain letter agreement, dated as of September ___ 2001, between the Agent and the Borrower, as amended, modified, restated or supplemented from time to time.

"Applicable Lending Office" means, for each Lender, the office of such Lender (or of an Affiliate of such Lender) as such Lender may from time to time specify to the Agent and the Borrower by written notice as the office by which its Eurodollar Loans are made and maintained (and, for purposes of Section 3.11, shall include any office at which its Base Rate Loans are made and maintained).

"Applicable Percentage" for purposes of calculating the applicable interest rate for any day for (i) Eurodollar Loans shall mean (a) 1.50% if the Used Revolving Committed Amount is less than $25,000,000 and (b) 1.75% if the Used Revolving Committed Amount is equal to or greater than $25,000,000, (ii) Base Rate Loans shall mean (a) .50% if the Used Revolving Committed Amount is less than $25,000,000 and (b) .75% if the Used Revolving Committed Amount is equal to or greater than $25,000,000, (iii) standby Letters of Credit shall mean (a) 1.50% if the Used Revolving Committed Amount is less than $25,000,000 and (b) 1.75% if the Used Revolving Committed Amount is equal to or greater than $25,000,000 and (iv) trade Letters of Credit shall mean (a) .75% if the Used Revolving Committed Amount is less than $25,000,000 and (b) .875% if the Used Revolving Committed Amount is equal to or greater than $25,000,000.

"Application Period", in respect of any Asset Disposition, shall have the meaning assigned to such term in Section 8.5.

"Asset Disposition" means any disposition (including pursuant to a Sale and Leaseback Transaction) of any or all of the Property (including without limitation the Capital Stock of a Subsidiary) of the Parent or any Consolidated Party whether by sale, lease, transfer or otherwise, but other than pursuant to any casualty or condemnation event.

"Asset Disposition Prepayment Event" means, with respect to any Asset Disposition other than an Excluded Asset Disposition, the failure of the Credit Parties to apply (or cause to be applied) the Net Cash Proceeds of such Asset Disposition to Eligible Reinvestments during the Application Period for such Asset Disposition.

"Bank of America" means Bank of America, N. A. and its successors.

"Bankruptcy Code" means the Bankruptcy Code in Title 11 of the United States Code, as amended, modified, succeeded or replaced from time to time.

"Bankruptcy Event" means, with respect to any Person, the occurrence of any of the following with respect to such Person: (i) a court or governmental agency having jurisdiction in the premises shall enter a decree or order for relief in respect of such Person in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of such Person or for any substantial part of its Property or ordering the winding up or liquidation of its affairs; or (ii) there shall be commenced against such Person an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or any case, proceeding or other action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of such Person or for any substantial part of its Property or for the winding up or liquidation of its affairs, and such involuntary case or other case, proceeding or other action shall remain undismissed, undischarged or unbonded for a period of sixty (60) consecutive days; or (iii) such Person shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, creditor in possession, custodian, trustee, sequestrator (or similar official) of such Person or for any substantial part of its Property or make any general assignment for the benefit of creditors; or (iv) such Person shall be unable to, or shall admit in writing its inability to, pay its debts generally as they become due.

"Base Rate" means, for any day, the rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus one-half of one percent (0.5%) and (b) the Prime Rate for such day. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or Federal Funds Rate.

"Base Rate Loan" means (i) any Revolving Loan bearing interest at a rate determined by reference to the Base Rate or (ii) any Swingline Loan.

"Borrower" means the Person identified as such in the heading hereof, together with any permitted successors and assigns.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in Charlotte, North Carolina, San Diego, California or New York, New York are authorized or required by law to close, except that, when used in connection with a Eurodollar Loan, such day shall also be a day on which dealings between banks are carried on in Dollar deposits in London, England.

"Businesses" shall have the meaning assigned to such term in Section 6.16.

"Capital Lease" means, as applied to any Person, any lease of any Property (whether real, personal or mixed) by that Person as lessee which, in accordance with GAAP, is required to be accounted for as a capital lease on the balance sheet of that Person.

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"Capital Stock" means (i) in the case of a corporation, capital stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (iii) in the case of a partnership, partnership interests (whether general or limited), (iv) in the case of a limited liability company, membership interests and (v) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cash Equivalents" means, as at any date, (a) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) having maturities of not more than twelve months from the date of acquisition, (b) Dollar denominated time deposits and certificates of deposit of (i) any Lender, (ii) any domestic commercial bank of recognized standing having capital and surplus in excess of $500,000,000 or (iii) any bank whose short-term commercial paper rating from S&P is at least A-1 or the equivalent thereof or from Moody's is at least P-1 or the equivalent thereof (any such bank being an "Approved Bank"), in each case with maturities of not more than 270 days from the date of acquisition, (c) commercial paper and variable or fixed rate notes issued by any Approved Bank (or by the parent company thereof) or any variable rate notes issued by, or guaranteed by, any domestic corporation rated A-1 (or the equivalent thereof) or better by S&P or P-1 (or the equivalent thereof) or better by Moody's and maturing within six months of the date of acquisition, (d) repurchase agreements entered into by any Person with a bank or trust company (including any of the Lenders) or recognized securities dealer having capital and surplus in excess of $500,000,000 for direct obligations issued by or fully guaranteed by the United States in which such Person shall have a perfected first priority security interest (subject to no other Liens) and having, on the date of purchase thereof, a fair market value of at least 100% of the amount of the repurchase obligations and (e) Investments, classified in accordance with GAAP as current assets, in money market investment programs registered under the Investment Company Act of 1940, as amended, which are administered by reputable financial institutions having capital of at least $500,000,000 and the portfolios of which are limited to Investments of the character described in the foregoing subdivisions (a) through (d).

"Change in Control" means any of the following events: (i) the Sponsor Entities shall fail to own beneficially, directly or indirectly, (a) at least 20% of the outstanding Voting Stock of the Parent and (b) a greater percentage of the outstanding Voting Stock of the Parent than the percentage of such outstanding Voting Stock which any other "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act) other than the Sponsor Entities (x) shall have acquired beneficial ownership, directly or indirectly, of, or (y) shall have acquired by contract or otherwise (or shall have entered into a contract or arrangement that, upon consummation, will result in its or their acquisition of) control over, (ii) the Parent shall fail to own directly 100% of the outstanding Capital Stock of the Borrower, or (iii) Continuing Directors shall cease for any reason to constitute a majority of the members of the board of directors of the Parent then in office. As used herein, "beneficial ownership" shall have the meaning provided in Rule 13d-3 of the Securities and Exchange Commission under the Securities and Exchange Act of 1934.

"Closing Date" means the date hereof.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor statute thereto, as interpreted by the rules and regulations issued thereunder, in each case as in effect from time to time. References to sections of the Code shall be construed also to refer to any successor sections.

"Collateral" means a collective reference to all Property with respect to which Liens in favor of the Agent are purported to be granted pursuant to and in accordance with the terms of the Collateral Documents.

"Collateral Documents" means a collective reference to the Security Agreement, the Pledge Agreement and such other documents executed and delivered in connection with the attachment and perfection of the Agent's security interests and liens arising thereunder, including without limitation, UCC financing statements and patent and trademark filings.

"Commitment" means (i) with respect to each Lender, the Revolving Commitment of such Lender, (ii) with respect to the Issuing Lender(s), the LOC Commitment and (iii) with respect to the Swingline Lender, the Swingline Commitment.

"Commitment Percentage" means, for any Lender in respect of the Revolving Commitment of such Lender, the percentage identified as such Lender's Commitment Percentage for such Revolving Commitment on Schedule 2.1(a), as any such percentage may be modified in connection with any assignment made in accordance with the provisions of Section 11.3.

"Consolidated Capital Expenditures" means, as of any date for the four fiscal quarter period ending on such date with respect to the Consolidated Parties on a consolidated basis, all capital expenditures, as determined in accordance with GAAP; provided, however, that Consolidated Capital Expenditures shall not include Eligible Reinvestments made with proceeds of any Involuntary Disposition.

"Consolidated Cash Interest Expense" means, as of any date for the four fiscal quarter period ending on such date with respect to the Consolidated Parties on a consolidated basis, interest expense (including the interest component under Capital Leases and the implied interest component under Synthetic Leases), as determined in accordance with GAAP, but excluding non-cash components of interest expense (e.g. amortization of deferred financing fees).

"Consolidated Cash Taxes" means, as of any date for the four fiscal quarter period ending on such date with respect to the Consolidated Parties on a consolidated basis, the aggregate of all Federal, state and foreign income taxes, as determined in accordance with GAAP, to the extent the same are paid in cash.

"Consolidated EBITDA" means, as of any date for the four fiscal quarter period ending on such date with respect to the Consolidated Parties on a consolidated basis, the

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sum of (i) Consolidated Net Income, plus (ii) an amount which, in the determination of Consolidated Net Income, has been deducted for, without duplication, (A) interest expense, (B) total Federal, state, local and foreign income, value added and similar taxes, (C) depreciation and amortization expense and (D) Consolidated Non-Cash Charges, all as determined in accordance with GAAP, plus (iii) the Consolidated EBITDA Adjustment for the four fiscal quarter period ending on such date.

"Consolidated EBITDA Adjustment" means the amount indicated on Schedule 1.1A.

"Consolidated Net Income" means, as of any date for the four fiscal quarter period ending on such date with respect to the Consolidated Parties on a consolidated basis, net income (excluding extraordinary items) after interest expense, income taxes and depreciation and amortization, all as determined in accordance with GAAP.

"Consolidated Net Working Capital" means, as of any date with respect to the Consolidated Parties on a consolidated basis, an amount equal to (i) current assets, excluding cash and Cash Equivalents, minus (ii) current liabilities other than current maturities of long term debt, all as determined in accordance with GAAP. Consolidated Net Working Capital as of any date may be a positive or negative number. Consolidated Net Working Capital increases when it becomes more positive or less negative and decreases when it becomes less positive or more negative.

"Consolidated Non-Cash Charges" means the non-cash component of any item of expense other than (i) to the extent requiring an accrual or reserve for future cash expenses, and (ii) write-offs of accounts receivable.

"Consolidated Parties" means a collective reference to the Borrower and its Subsidiaries, and "Consolidated Party" means any one of them.

"Consolidated Scheduled Funded Debt Payments" means, as of any date for the four fiscal quarter period ending on such date with respect to the Consolidated Parties on a consolidated basis, the sum of all scheduled payments of principal on Funded Indebtedness, as determined in accordance with GAAP. For purposes of this definition, "scheduled payments of principal" (i) shall be determined without giving effect to any reduction of such scheduled payments resulting from the application of any voluntary or mandatory prepayments made during the applicable period, (ii) shall be deemed to include the implied principal component of payments due on Capital Leases and Synthetic Leases and (iii) shall not include any voluntary prepayments or mandatory prepayments required pursuant to Section 3.3.

"Consolidated Total Assets" means, as of any date with respect to the Consolidated Parties on a consolidated basis, total assets, as determined in accordance with GAAP.

"Continue", "Continuation", "Continuing", and "Continued" shall refer to the continuation pursuant to Section 3.2 hereof of a Eurodollar Loan from one Interest Period to the next Interest Period.

"Continuing Directors" means during any period of up to 24 consecutive months commencing after the Closing Date, individuals who at the beginning of such 24 month period were directors of the Parent (together with any new director whose election by the Parent's board of directors or whose nomination for election by the Parent's shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved).

"Convert", "Conversion", "Converting" and "Converted" shall refer to a conversion pursuant to Section 3.2 or Sections 3.7 through 3.12, inclusive, of a Base Rate Loan into a Eurodollar Loan.

"Credit Documents" means a collective reference to this Credit Agreement, the Notes, the LOC Documents, each Joinder Agreement, the Agent's Fee Letter, the Collateral Documents and all other related agreements and documents issued or delivered hereunder or thereunder or pursuant hereto or thereto (in each case as the same may be amended, modified, restated, supplemented, extended, renewed or replaced from time to time), and "Credit Document" means any one of them.

"Credit Facility" shall have the meaning assigned to such term in the recitals hereto.

"Credit Parties" means a collective reference to the Borrower and the Guarantors, and "Credit Party" means any one of them.

"Credit Party Obligations" means, without duplication, (i) all of the obligations of the Credit Parties to the Lenders (including the Issuing Lender(s) and the Swingline Lender) and the Agent, whenever arising, under this Credit Agreement, the Notes, the Collateral Documents or any of the other Credit Documents (including, but not limited to, any interest accruing after the occurrence of a Bankruptcy Event with respect to any Credit Party, regardless of whether such interest is an allowed claim under the Bankruptcy Code) and (ii) all liabilities and obligations, whenever arising, owing from the Borrower to any Lender, or any Affiliate of a Lender, arising under any Hedging Agreement.

"Default" means any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Defaulting Lender" means, at any time, any Lender that, as determined by the Agent, (a) has failed to make a Loan or purchase a Participation Interest required pursuant to the term of this Credit Agreement within one Business Day of when due, (b) other than as set forth in (a) above, has failed to pay to the Agent or any Lender an amount owed by such Lender pursuant to the terms of this Credit Agreement within one Business Day of when due, unless such amount is subject to a good faith dispute or (c) has been deemed insolvent or has become subject to a bankruptcy or insolvency proceeding or with respect to which (or with respect to any of the assets of which) a receiver, trustee or similar official has been appointed.

"Dollar", "Dollars" and "$" means dollars in lawful currency of the United States.

"Domestic Subsidiary" means any direct or indirect Subsidiary of the Parent which is incorporated or organized under the laws of any State of the United States or the District of Columbia.

"Eligible Assets" means any assets or any business (or any substantial part thereof) used or useful in the same or a substantially similar line of business as the Borrower and its Subsidiaries were engaged in on the Closing Date (or any reasonable extensions or expansions thereof).

"Eligible Assignee" means (i) a Lender; (ii) an Affiliate of a Lender or any fund that invests in bank loans and is managed by an investment advisor to a Lender; and (iii) any other Person approved by the Agent and, unless an Event of Default has occurred and is continuing at the time any assignment is effected in accordance with Section 11.3, the Borrower (such approval by the Agent or the Borrower not to be unreasonably withheld or delayed (it being understood that disapproval of a proposed assignee by the Borrower because an assignment to such assignee may require the Credit Parties to incur increased costs or pay additional amounts (including Taxes and Other Taxes) under this Credit Agreement or any other Credit Documents shall be deemed to be a reasonable exercise of the Borrower's rights hereunder) and such approval to be deemed given by the Borrower if no objection is received by the assigning Lender and the Agent from the Borrower within two (2) Business Days after confirmation (such confirmation not to be unreasonably withheld or delayed) by an Executive Officer of the Borrower of receipt of notice of such proposed assignment by the assigning Lender); provided, however, that neither the Borrower nor an Affiliate of the Borrower shall qualify as an Eligible Assignee.

"Eligible Reinvestment" means (i) any acquisition (whether or not constituting a capital expenditure, but not constituting an Acquisition) of Eligible Assets and (ii) any Permitted Acquisition.

"Environmental Laws" means any and all lawful and applicable Federal, state, local and foreign statutes, laws (including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Resource Conservation and Recovery Act of 1976, the Toxic Substances Control Act, the Water Pollution Control Act, the Clean Air Act and the Hazardous Materials Transportation Act), regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"Equity Issuance" means any issuance by the Parent or any Consolidated Party to any Person of (a) shares of its Capital Stock, (b) any shares of its Capital Stock pursuant to the exercise of options or warrants, (c) any shares of its Capital Stock pursuant to the

conversion of any debt securities to equity or (d) any options or warrants relating to its Capital Stock. The term "Equity Issuance" shall not include any Asset Disposition.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto, as interpreted by the rules and regulations thereunder, all as the same may be in effect from time to time. References to sections of ERISA shall be construed also to refer to any successor sections.

"ERISA Affiliate" means an entity which is under common control with the Parent or any Consolidated Party within the meaning of Section 4001(a)(14) of ERISA, or is a member of a group which includes the Parent or any Consolidated Party and which is treated as a single employer under Sections 414(b) or (c) of the Code.

"ERISA Event" means (i) with respect to any Plan, the occurrence of a Reportable Event not otherwise subject to a waiver or the substantial cessation of operations (within the meaning of Section 4062(e) of ERISA); (ii) the withdrawal by the Parent or any Consolidated Party or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a substantial employer (as such term is defined in Section 4001(a)(2) of ERISA), or the termination of a Multiple Employer Plan; (iii) the distribution of a notice of intent to terminate or the actual termination of a Plan pursuant to Section 4041(a)(2) or 4041A of ERISA; (iv) the institution of proceedings to terminate or the actual termination of a Plan by the PBGC under Section 4042 of ERISA; (v) any event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan; (vi) the complete or partial withdrawal of the Parent or any Consolidated Party or any ERISA Affiliate from a Multiemployer Plan; (vii) the conditions for imposition of a lien under Section 302(f) of ERISA exist with respect to any Plan; or (viii) the adoption of an amendment to any Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA.

"Eurodollar Loan" means any Loan that bears interest at a rate based upon the Eurodollar Rate.

"Eurodollar Rate" means, for any Eurodollar Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by the Agent to be equal to the quotient obtained by dividing (a) the Interbank Offered Rate for such Eurodollar Loan for such Interest Period by (b) 1 minus the Eurodollar Reserve Requirement for such Eurodollar Loan for such Interest Period.

"Eurodollar Reserve Requirement" means, at any time, the maximum rate at which reserves (including, without limitation, any marginal, special, supplemental, or emergency reserves) are required to be maintained under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) by member banks of the Federal Reserve System against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Eurodollar Reserve Requirement shall reflect any other reserves required to be maintained by such member banks with respect to (i) any category of liabilities which includes deposits by reference to which the Adjusted Eurodollar Rate is to be determined, or (ii) any category of extensions of credit or other assets which include Eurodollar Loans. The Adjusted Eurodollar Rate

shall be adjusted automatically on and as of the effective date of any change in the Eurodollar Reserve Requirement.

"Event of Default" shall have the meaning assigned to such term in Section 9.1.

"Excess Cash Flow" means, with respect to any fiscal year period of the Consolidated Parties on a consolidated basis, an amount equal to (a) Consolidated EBITDA minus (b) Consolidated Capital Expenditures minus (c) Consolidated Cash Interest Expense minus (d) to the extent not taken into account in the calculation of Excess Cash Flow for any prior fiscal year, Federal, state and other income taxes accrued or paid (without duplication) by the Parent and the Consolidated Parties on a consolidated basis minus (e) Consolidated Scheduled Funded Debt Payments minus (f) increases in Consolidated Net Working Capital minus (g) the cash amount of all Restricted Payments made pursuant to clause (f) of Section 8.7 minus (h) the cash amount of all Investments of the types referred to in clauses (ix) and (xiii) of the definition of "Permitted Investments" set forth in this Section 1.1) plus (i) decreases in Consolidated Net Working Capital.

"Existing Credit Agreement" shall have the meaning assigned to such term in the recitals hereto.

"Excess Proceeds" shall have the meaning assigned to such term in Section 7.6(b).

"Excluded Asset Disposition" means, with respect to the Parent or any Consolidated Party, (i) the sale of inventory in the ordinary course of such Person's business, (ii) the sale or disposition of machinery and equipment no longer used or useful in the conduct of such Person's business, (iii) any Equity Issuance by such Person, (iv) any Involuntary Disposition by such Person, (v) any sale, lease, transfer or other disposition of Property by such Person to a Credit Party other than the Parent, provided that the Credit Parties shall cause to be executed and delivered such documents, instruments and certificates as the Agent may reasonably request so as to cause the Credit Parties to be in compliance with the terms of Section 7.13 after giving effect to such transaction and (vi) subject to the terms of Section 8.6 and the definition of "Permitted Investments" set forth in this Section 1.1, any sale, lease, transfer or other disposition of Property by such Person to a Consolidated Party that is not a Credit Party.

"Excluded Property" means with respect to any Credit Party, including any Person that becomes a Credit Party after the Closing Date as contemplated by Section 7.12, (i) any owned or leased real or personal Property of such Credit Party which is located outside of the United States, (ii) any owned real Property of such Credit Party which has a net book value of less than $50,000, provided that the aggregate net book value of all real Property of all of the Credit Parties excluded pursuant to this clause (ii) shall not exceed $250,000, (iii) any leased real Property of such Credit Party which, at the written request of the Borrower, the Agent has agreed in writing in its sole discretion is not material, (iv) any leased personal Property of such Credit Party, (v) any personal Property of such Credit Party (including, without limitation, motor vehicles) in respect of which perfection of a Lien is not either (A) governed by the Uniform Commercial Code or (B) effected by appropriate evidence of the Lien being filed in either the United States Copyright Office or the United States Patent and Trademark Office, (vi) any Property of such Credit Party

which, subject to the terms of Section 8.11 and Section 8.15, is subject to a Lien of the type described in clause (vii) of the definition of "Permitted Liens" set forth in Section 1.1 pursuant to documents which prohibit such Credit Party from granting any other Liens in such Property and (vii) the leased real property of the Borrower described on Schedule 1.1B.

"Executive Officer" of any Person means any of the chief executive officer, chief operating officer, president, chief financial officer or treasurer of such Person.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to the Agent (in its individual capacity) on such day on such transactions as determined by the Agent.

"Fees" means all fees payable pursuant to Section 3.5.

"Fixed Charge Coverage Ratio" means, as of the end of any fiscal quarter of the Consolidated Parties for the four fiscal quarter period ending on such date with respect to the Consolidated Parties on a consolidated basis, the ratio of (a) the sum of (i) Consolidated EBITDA for such period minus (ii) Consolidated Capital Expenditures for such period minus (iii) Consolidated Cash Taxes for such period minus (iv) the cash amount of all Restricted Payments made pursuant to clauses (f) and (k) of Section 8.7 to (b) the sum of (i) Consolidated Cash Interest Expense for such period plus (ii) Consolidated Scheduled Funded Debt Payments for such period (other than Consolidated Scheduled Funded Debt Payments for any period prior to the Closing Date).

"Foreign Subsidiary" means any direct or indirect Subsidiary of the Parent which is not a Domestic Subsidiary.

"Fully Satisfied" means, with respect to the Credit Party Obligations as of any date, that, as of such date, (a) all principal of and interest accrued to such date which constitute Credit Party Obligations shall have been paid in full in cash, (b) all fees, expenses and other amounts then due and payable which constitute Credit Party Obligations shall have been paid in cash, (c) all outstanding Letters of Credit shall have been (i) terminated, (ii) fully cash collateralized or (iii) secured by one or more letters of credit on terms and conditions, and with one or more financial institutions, reasonably satisfactory to the Issuing Lender and (d) the Commitments shall have been expired or terminated in full.

"Funded Indebtedness" means, with respect to any Person, without duplication, (a) all Indebtedness of such Person other than Indebtedness of the types referred to in clauses (e), (f), (g), (i) and (m) of the definition of "Indebtedness" set forth in this

Section 1.1, (b) all Funded Indebtedness of others of the type referred to in clause (a) above secured by (or for which the holder of such Funded Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, Property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed (or, if less, the aggregate net book value of all Property securing such Funded Indebtedness of others), (c) all Guaranty Obligations of such Person with respect to Funded Indebtedness of the type referred to in clause (a) above of another Person and (d) Funded Indebtedness of the type referred to in clause (a) above of any partnership or unincorporated joint venture in which such Person is a general partner or a joint venturer to the extent that such Funded Indebtedness is recourse to such Person.

"GAAP" means generally accepted accounting principles in the United States applied on a consistent basis and subject to the terms of Section 1.3 (except, in respect of Synthetic Leases, as otherwise treated herein).

"Governmental Authority" means any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"Guarantors" means a collective reference to the Parent and each of the Subsidiary Guarantors, together with their successors and permitted assigns, and "Guarantor " means any one of them.

"Guaranty Obligations" means, with respect to any Person, without duplication, any obligations of such Person (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing or intended to guarantee any Indebtedness of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (i) to purchase any such Indebtedness or any Property constituting security therefor, (ii) to advance or provide funds or other support for the payment or purchase of any such Indebtedness or to maintain working capital, solvency or other balance sheet condition of such other Person (including without limitation keep well agreements, maintenance agreements, comfort letters or similar agreements or arrangements) for the benefit of any holder of Indebtedness of such other Person, (iii) to lease or purchase Property, securities or services primarily for the purpose of assuring the holder of such Indebtedness, or (iv) to otherwise assure or hold harmless the holder of such Indebtedness against loss in respect thereof. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount (or maximum principal amount, if larger) of the Indebtedness actually guaranteed by such Guaranty Obligation.

"Hedging Agreements" means any interest rate protection agreement or foreign currency exchange agreement.

"Indebtedness" means, with respect to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (c) all obligations of such Person under conditional sale or other title retention agreements relating to Property purchased by such Person (other than customary reservations or retentions of title under agreements with suppliers entered into in

the ordinary course of business), (d) all obligations of such Person issued or assumed as the deferred purchase price of Property or services purchased by such Person (other than trade debt incurred in the ordinary course of business) which would appear as liabilities on a balance sheet of such Person, (e) all obligations of such Person under take-or-pay or similar arrangements or under commodities agreements, (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, Property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (g) all Guaranty Obligations of such Person with respect to Indebtedness of another Person, (h) the implied principal component of all obligations of such Person under Capital Leases, (i) all obligations of such Person under Hedging Agreements, (j) the maximum amount of all performance and standby letters of credit issued or bankers' acceptances facilities created for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed), (k) all preferred Capital Stock issued by such Person and which by the terms thereof could be (at the request of the holders thereof or otherwise) subject to mandatory sinking fund payments, redemption or other acceleration (other than as a result of a Change in Control or an Asset Disposition that does not in fact result in a redemption of such preferred Capital Stock) at any time prior to the Maturity Date, (l) the principal portion of all obligations of such Person under Synthetic Leases, (m) the Indebtedness of any partnership or unincorporated joint venture in which such Person is a general partner or a joint venturer to the extent that such Indebtedness is recourse to such Person and (n) the aggregate amount of uncollected accounts receivable of such Person subject at such time to a sale of receivables (or similar transaction) regardless of whether such transaction is effected without recourse to such Person or in a manner that would not be reflected on the balance sheet of such Person in accordance with GAAP.

"Indemnified Party" shall have the meaning assigned to such term in Section 11.5(b).

"Initial Public Offering" shall mean the initial public offering of common Capital Stock of the Parent in an aggregate amount of not less than $125,000,000 in net cash proceeds.

"Interbank Offered Rate" means, for any Eurodollar Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Page 3750 (or any successor page) of the Dow Jones Market Service as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, the term "Interbank Offered Rate" shall mean, for any Eurodollar Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%).

"Interest Payment Date" means (a) as to Base Rate Loans (including Swingline Loans which are Base Rate Loans), each March 31, June 30, September 30 and December 31, the date of repayment of principal of such Loan and the Maturity Date, and (b) as to Eurodollar Loans, the last day of each applicable Interest Period, the date of repayment of principal of such Loan and the Maturity Date, and in addition where the applicable Interest Period for a Eurodollar Loan is greater than three months, then also the date three months from the beginning of the Interest Period and each three months thereafter.

"Interest Period" means, as to Eurodollar Loans, a period of one, two, three or six months' duration, as the Borrower may elect, commencing, in each case, on the date of the borrowing (including continuations and conversions thereof); provided, however, (a) if any Interest Period would end on a day which is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day (except that where the next succeeding Business Day falls in the next succeeding calendar month, then on the next preceding Business Day), (b) no Interest Period shall extend beyond the Maturity Date and (c) where an Interest Period begins on a day for which there is no numerically corresponding day in the calendar month in which the Interest Period is to end, such Interest Period shall end on the last Business Day of such calendar month.

"Investment" in any Person means (a) the acquisition (whether for cash, property, services, assumption of Indebtedness, securities or otherwise) of assets (other than equipment, inventory and supplies in the ordinary course of business and other than any acquisition of assets constituting a Consolidated Capital Expenditure), Capital Stock, bonds, notes, debentures, partnership, joint ventures or other ownership interests or other securities of such other Person or (b) any deposit with, or advance, loan or other extension of credit to, such Person (other than deposits made in connection with the purchase of equipment inventory, services, leases or supplies in the ordinary course of business) or (c) any other capital contribution to or investment in such Person, including, without limitation, any Guaranty Obligations (including any support for a letter of credit issued on behalf of such Person) incurred for the benefit of such Person and any Asset Disposition to such Person for consideration less than the fair market value of the Property disposed in such transaction, but excluding any Restricted Payment to such Person. Investments which are capital contributions or purchases of Capital Stock which have a right to participate in the profits of the issuer thereof shall be valued at the amount actually contributed or paid to purchase such Capital Stock as of the date of such contribution or payment. Investments which are loans, advances, extensions of credit or Guaranty Obligations shall be valued at the principal amount of such loan, advance or extension of credit outstanding as of the date of determination or, as applicable, the principal amount of the loan or advance outstanding as of the date of determination actually guaranteed by such Guaranty Obligation.

"Involuntary Disposition" shall have the meaning assigned to such term in Section 7.6(b).

"Issuing Lender" means (i) Bank of America, in its capacity as issuer of any Letter of Credit or (ii) if Bank of America shall be unwilling to issue any Letter of Credit in the form requested by the Borrower in accordance with the terms of Section 2.2, such other

Lender reasonably acceptable to the Agent selected by the Borrower from time to time to issue such Letter of Credit.

"Joinder Agreement" means a Joinder Agreement substantially in the form of Exhibit 7.12 hereto, executed and delivered by a new Guarantor in accordance with the provisions of Section 7.12.

"Lender" means any of the Persons identified as a "Lender" on the signature pages hereto, and any Person which may become a Lender by way of assignment in accordance with the terms hereof, together with their successors and permitted assigns.

"Lending Party" shall have the meaning assigned to such term in Section 11.14.

"Letter of Credit" means any letter of credit issued by the applicable Issuing Lender for the account of the Borrower in accordance with the terms of Section 2.2.

"Leverage Ratio" means, as of the end of any fiscal quarter of the Consolidated Parties for the four fiscal quarter period ending on such date with respect to the Consolidated Parties on a consolidated basis, the ratio of (a) Funded Indebtedness of the Consolidated Parties on a consolidated basis on the last day of such period to (b) Consolidated EBITDA for such period.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance, lien (statutory or otherwise), preference, priority or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the Uniform Commercial Code as adopted and in effect in the relevant jurisdiction or other similar recording or notice statute, and any lease in the nature thereof).

"Loan" or "Loans" means the Revolving Loans (or a portion of any Revolving Loan bearing interest at the Adjusted Base Rate or the Adjusted Eurodollar Rate and referred to as a Base Rate Loan or a Eurodollar Loan) and/or the Swingline Loans, individually or collectively, as appropriate.

"LOC Commitment" means the commitment of the Issuing Lender(s) to issue Letters of Credit in an aggregate face amount at any time outstanding (together with the amounts of any unreimbursed drawings thereon) of up to the LOC Committed Amount.

"LOC Committed Amount" shall have the meaning assigned to such term in Section 2.2.

"LOC Documents" means, with respect to any Letter of Credit, such Letter of Credit, any amendments thereto, any documents delivered in connection therewith, any application therefor, and any agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (i) the rights and obligations of the parties concerned or at risk or (ii) any collateral security for such obligations.

"LOC Obligations" means, at any time, the sum of (i) the maximum amount which is, or at any time thereafter may become, available to be drawn under Letters of Credit then outstanding, assuming compliance with all requirements for drawings referred to in such Letters of Credit plus (ii) the aggregate amount of all drawings under Letters of Credit honored by the Issuing Lender(s) but not theretofore reimbursed by the Borrower.

"Material Adverse Effect" means a material adverse effect on (i) the condition (financial or otherwise), operations, business, assets, liabilities or prospects of the Parent and the Consolidated Parties taken as a whole, (ii) the ability of any Credit Party to perform any material obligation under the Credit Documents to which it is a party or (iii) the material rights and remedies of the Agent and the Lenders under the Credit Documents.

"Materials of Environmental Concern" means any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Laws, including, without limitation, asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

"Maturity Date" means September ___, 2004.

"Moody's" means Moody's Investors Service, Inc., or any successor or assignee of the business of such company in the business of rating securities.

"Multiemployer Plan" means a Plan which is a "multiemployer plan" as defined in Sections 3(37) or 4001(a)(3) of ERISA.

"Multiple Employer Plan" means a Plan (other than a Multiemployer Plan) which the Parent or any Consolidated Party or any ERISA Affiliate and at least one employer other than the Parent, any Consolidated Party or any ERISA Affiliate are contributing sponsors.

"Net Cash Proceeds" means the aggregate proceeds paid in cash or Cash Equivalents received by the Parent or any Consolidated Party in respect of any Asset Disposition or Involuntary Disposition, net of (a) direct costs (including, without limitation, legal, accounting, consulting and investment banking fees, and sales commissions), (b) taxes paid or payable as a result thereof and (c) the amount of liabilities, if any, which are required to be repaid concurrently and in connection with the consummation of such Asset Disposition or Involuntary Disposition out of the proceeds thereof; it being understood that "Net Cash Proceeds" shall include, without limitation, any cash or Cash Equivalents received upon the sale or other disposition of any non-cash consideration received by the Parent or any Consolidated Party in any Asset Disposition or Involuntary Disposition.

"Note" or "Notes" means the Revolving Notes and/or the Swingline Note, individually or collectively, as appropriate.

"Notice of Borrowing" means a written notice of borrowing in substantially the form of Exhibit 2.1(b)(i), as required by Section 2.1(b)(i).

"Notice of Extension/Conversion" means the written notice of extension or conversion in substantially the form of Exhibit 3.2, as required by Section 3.2.

"Operating Lease" means, as applied to any Person, any lease (including, without limitation, leases which may be terminated by the lessee at any time) of any Property (whether real, personal or mixed) which is not a Capital Lease other than any such lease in which that Person is the lessor.

"Other Taxes" shall have the meaning assigned to such term in Section 3.11(b).

"Parent" means the Person identified as such in the heading hereof, together with any permitted successors and assigns.

"Participation Interest" means a purchase by a Lender of a participation in Letters of Credit or LOC Obligations as provided in Section 2.2, in Swingline Loans as provided in Section 2.3(b)(iii) or in any Loans as provided in Section 3.14.

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA and any successor thereof.

"Permitted Acquisition" means an Acquisition by the Borrower or any Subsidiary of the Borrower, provided that (i) the Property acquired (or the Property of the Person acquired) in such Acquisition is used or useful in the same or a similar line of business as the Borrower and its Subsidiaries were engaged in on the Closing Date (or any reasonable extensions or expansions thereof), (ii) the Agent shall have received all items in respect of the Capital Stock or Property acquired in such Acquisition required to be delivered by the terms of Section 7.12 and/or Section 7.13, (iii) in the case of an Acquisition of the Capital Stock of another Person, the board of directors (or other comparable governing body) of such other Person shall have duly approved such Acquisition, (iv) the Borrower shall have delivered to the Agent a Pro Forma Compliance Certificate demonstrating that, upon giving effect to such Acquisition on a Pro Forma Basis, no Default or Event of Default would exist as the result of a violation of Section 7.11(a) or Section 7.11(b), (v) the representations and warranties made by the Credit Parties in any Credit Document shall be true and correct in all material respects at and as if made as of the date of such Acquisition (after giving effect thereto) except to the extent such representations and warranties expressly relate to an earlier date, (vi) if such transaction involves the purchase of an interest in a partnership between the Borrower (or a Subsidiary of the Borrower) as a general partner and entities unaffiliated with the Borrower or such Subsidiary as the other partners, such transaction shall be effected by having such equity interest acquired by a holding company directly or indirectly wholly-owned by the Borrower newly formed for the sole purpose of effecting such transaction and (vii) the total Qualifying Consideration for any such Acquisition shall not exceed an amount equal to (A) $25,000,000 plus (B) 50% of Excess Cash Flow for each fiscal year ended after the Closing Date minus (C) the aggregate amount of Qualifying Consideration paid with respect to all Acquisitions occurring after the Closing Date.

"Permitted Asset Disposition" means (i) any Asset Disposition permitted by Section 8.5 and (ii) any Excluded Asset Disposition.

"Permitted Investments" means Investments which are (i) cash and Cash Equivalents; (ii) accounts receivable created, acquired or made by the Parent or any Consolidated Party in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; (iii) Investments consisting of Capital Stock, obligations, securities or other property received by the Parent or any Consolidated Party in settlement of accounts receivable (created in the ordinary course of business) from bankrupt obligors or in connection with a work-out or reorganization; (iv) Investments existing as of the Closing Date and set forth in Schedule 1.1C; (v) rental deposits made for the benefit of officers, employees or agents; (vi) advances or loans to directors, officers, employees, agents, customers or suppliers that do not exceed $500,000 in the aggregate at any one time outstanding; (vii) loans to employees to finance the purchase of newly issued or treasury Capital Stock in the Parent; (viii) Investments in any Credit Party other than the Parent; (ix) Investments in Foreign Subsidiaries in an aggregate amount not to exceed $10,000,000; (x) to the extent constituting Investments, transactions permitted under Section 8.7; (xi) Permitted Acquisitions; (xii) Investments not constituting cash or Cash Equivalents received as consideration for any Asset Disposition permitted under Section 8.5; and (xiii) other Investments not to exceed $25,000,000 (less the aggregate amount of Investments of the type set forth in clause (ix) above) in the aggregate at any time outstanding.

"Permitted Liens" means:

(i) Liens in favor of the Agent to secure the Credit Party Obligations;

(ii) Liens (other than Liens created or imposed under ERISA) for taxes, assessments or governmental charges or levies not yet due or Liens for taxes being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established (and as to which the Property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof);

(iii) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and suppliers and other Liens imposed by law or pursuant to customary reservations or retentions of title arising in the ordinary course of business, provided that such Liens (a) secure only amounts not yet due and payable or, if due and payable, are either unfiled and no other action has been taken to enforce the same or (b) are being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established (and as to which the Property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof);

(iv) Liens (other than Liens created or imposed under ERISA) incurred or deposits made by the Parent or any Consolidated Party in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, bids, leases, contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(v) Liens in connection with attachments or judgments (including judgment or appeal bonds) provided that the judgments secured shall, within 30 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall have been discharged within 30 days after the expiration of any such stay;

(vi) easements, rights-of-way, licenses, covenants, restrictions (including zoning restrictions), minor defects or irregularities in title and other similar charges or encumbrances, in the aggregate, not, in any material respect, impairing the use of the encumbered Property in the operations of the Consolidated Parties;

(vii) Liens on Property of any Person securing purchase money Indebtedness (including Capital Leases and Synthetic Leases) of such Person permitted under Section 8.1(c), provided that any such Lien attaches to such Property concurrently with or within 90 days after the acquisition thereof;

(viii) Liens securing Indebtedness permitted by Section 8.1(g);

(ix) leases or subleases granted to others not interfering in any material respect with the business of the Parent or any Consolidated Party;

(x) any interest of title of a lessor under, and Liens arising from UCC financing statements (or equivalent filings, registrations or agreements in foreign jurisdictions) relating to, leases permitted by this Credit Agreement;

(xi) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(xii) Liens deemed to exist in connection with Investments in repurchase agreements permitted under Section 8.6;

(xiii) normal and customary rights of setoff upon deposits of cash in favor of banks or other depository institutions;

(xiv) Liens of a collection bank arising under Section 4-210 of the Uniform Commercial Code on items in the course of collection;

(xv) Liens of sellers of goods to the Borrower and any of its Subsidiaries arising under Article 2 of the Uniform Commercial Code or similar provisions of applicable law in the ordinary course of business, covering only the goods sold and securing only the unpaid purchase price for such goods and related expenses; and

(xvi) Liens existing as of the Closing Date and set forth on Schedule 1.1D; provided that (a) no such Lien shall at any time be extended to or cover any Property other than the Property subject thereto on the Closing Date and (b) the principal amount of the Indebtedness secured by such Liens shall not be increased.

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"Person" means any individual, partnership, joint venture, firm, corporation, limited liability company, association, trust or other enterprise (whether or not incorporated) or any Governmental Authority.

"Plan" means any employee benefit plan (as defined in Section 3(3) of ERISA) which is covered by ERISA and with respect to which the Parent or any Consolidated Party or any ERISA Affiliate is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" within the meaning of Section 3(5) of ERISA.

"Pledge Agreement" means the pledge agreement dated as of November 19, 1999 in the form of Exhibit 1.1A executed in favor of the Agent by each of the Credit Parties, as amended, modified, restated or supplemented from time to time.

"Prime Rate" means the per annum rate of interest established from time to time by Bank of America as its prime rate, which rate may not be the lowest rate of interest charged by Bank of America to its customers.

"Principal Office" means the principal office of Bank of America, presently located at Charlotte, North Carolina.

"Pro Forma Basis" means, for purposes of calculating (utilizing the principles set forth in the second paragraph of Section 1.3), in respect of a proposed transaction, compliance with each of the financial covenants set forth in Section 7.11(a) and Section 7.11(b), that such transaction shall be deemed to have occurred as of the first day of the four fiscal-quarter period ending as of the most recent fiscal quarter end preceding the date of such transaction with respect to which the Agent has received the Required Financial Information (such period in respect of any transaction being referred to in this definition as the "Pro Forma Period" for such transaction). As used herein, "transaction" shall mean (i) any Asset disposition or (ii) any Acquisition as referred to in the definition of "Permitted Acquisition" set forth in this Section 1.1. In connection with any calculation of the Leverage Ratio and the Fixed Charge Coverage Ratio upon giving effect to a transaction on a Pro Forma Basis:

(a) for purposes of any such calculation in respect of any Asset Disposition, (i) income statement items (whether positive or negative) and capital expenditures attributable to the Property disposed of shall be excluded and (ii) any Indebtedness which is retired in connection with such transaction shall be excluded and deemed to have been retired as of the first day of the applicable period; and

(b) for purposes of any such calculation in respect of any Acquisition as referred to in the definition of "Permitted Acquisition" set forth in this Section 1.1, (i) any Indebtedness incurred by any Consolidated Party in connection with such transaction (A) shall be deemed to have been incurred as of the first day of the applicable period and (B) if such Indebtedness has a floating or formula rate, shall have an implied rate of interest for the applicable period for purposes of this definition determined by utilizing the rate which is or would be in

effect with respect to such Indebtedness as at the relevant date of determination, (ii) income statement items (whether positive or negative) attributable to the Person or Property acquired shall be included beginning as of the first day of the applicable period, provided, however, that income statement items attributable to such Person or Property shall not be included in any calculation of Consolidated Net Income or Consolidated EBITDA unless the applicable income statement for such Person or Property is a Qualifying Financial Statement which shall have been delivered to the Agent, and (iii) pro forma adjustments may be included to the extent that such adjustments (A) are made in the good faith judgment of the management of the Consolidated Parties and (B) give effect to events that are (1) directly attributable to such transaction, (2) expected to have a continuing impact on the Consolidated Parties, (3) verifiable and supportable and (4) realizable within 180 days following the consummation of the related Acquisition (or later if such additional time is acceptable to the Agent).

"Pro Forma Compliance Certificate" means a certificate of an Executive Officer of the Borrower delivered to the Agent in connection with (i) any Asset Disposition or (ii) any Acquisition as referred to in the definition of "Permitted Acquisition" set forth in this Section 1.1, as applicable, containing reasonably detailed calculations, upon giving effect to the applicable transaction on a Pro Forma Basis, of (a) the Leverage Ratio and the Fixed Charge Coverage Ratio as of the most recent fiscal quarter end preceding the date of the applicable transaction with respect to which the Agent shall have received the Required Financial Information and (b) in the case of any Acquisition, Consolidated EBITDA for the four fiscal-quarter period ending as of the most recent fiscal quarter end preceding the date of such transaction with respect to which the Agent has received the Required Financial Information (such calculations of Consolidated EBITDA to include a break-down in reasonable detail of any pro forma adjustments).

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Qualifying Consideration" shall mean, with respect to any Acquisition, all cash consideration paid by the Parent and the Consolidated Parties, other than consideration consisting of (A) Capital Stock of the Parent issued to the seller of the Capital Stock or Property acquired in such Acquisition, (B) the proceeds of any Equity Issuance by the Parent consummated in connection with and for the purpose of financing such Acquisition, (C) the proceeds of Subordinated Indebtedness issued by the Parent pursuant to Section 8.1(f) and (D) the principal amount of any assumed Indebtedness.

"Qualifying Financial Statements" means, in respect of the Person or Property acquired in any Acquisition, a consolidated balance sheet and income statement of such Person or Property as of, and for the four quarter period ending on, the last day of the most recently ended fiscal year of such Person or Property preceding the date of such Acquisition, which financial statements either (i) shall have been audited by independent certified public accountants of recognized national standing reasonably acceptable to the Agent and whose opinion shall be to the effect that such financial statements have been prepared in accordance with generally accepted accounting principles in the United States and shall not be limited as to the scope of the audit or qualified as to the status of the Person or Property

acquired as a going concern or any other material qualifications or exceptions or (ii) shall be reasonably acceptable to the Agent.

"Real Properties" shall have the meaning assigned to such term in Section 6.16.

"Register" shall have the meaning assigned to such term in Section 11.3(c).

"Regulation D, T, U, or X" means Regulation D, T, U or X, respectively, of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"Related Parties" means, with respect to any Sponsor, a collective reference to (i) each Person which is a controlling stockholder or partner of such Sponsor, (ii) each Person at least 80% of whose Voting Stock is owned by such Sponsor, directly or indirectly, (iii) each trust, corporation, partnership or other entity, the controlling beneficiaries, stockholders, partners or owners of which, directly or indirectly, consist of such Sponsor and/or such other Persons referred to in the preceding clauses (i) or (ii) and/or in the succeeding clause (v), (iv) each partner or stockholder of such Sponsor as of the Closing Date who acquires any assets or Voting Stock of the Parent pursuant to a general distribution by such Sponsor to each of its partners or stockholders and (v) each officer or director of such Sponsor.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the notice requirement has been waived by regulation.

"Required Financial Information" means (i) the financial statements of the Consolidated Parties required to be delivered pursuant to Section 7.1(a) or (b) for the most recently completed fiscal period or quarter end, and (ii) the certificate of an Executive Officer of the Borrower required by Section 7.1(c) to be delivered with the financial statements described in clause (i) above.

"Requirement of Law" means, as to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or to which any of its material property is subject.

"Requisite Lenders" means, at any time, two or more Lenders (other than Defaulting Lenders holding in the aggregate at least a majority of (i) the Revolving Commitments (and Participation Interests therein) or (ii) if the Revolving Commitments have been terminated, the outstanding Revolving Loans, LOC Obligations and Participation Interests (including the Participation Interests of the applicable Issuing Lender in any Letters of Credit issued by such Issuing Lender and the Participation Interests of the Swingline Lender in any Swingline Loans).

"Restricted Payment" by the Parent or any Consolidated Party means (i) any dividend or other payment or distribution, direct or indirect, on account of any shares of any class of Capital Stock of such Person, now or hereafter outstanding (including without

limitation any payment in connection with any dissolution, merger, consolidation or disposition involving such Person), or to the holders, in their capacity as such, of any shares of any class of Capital Stock of such Person, now or hereafter outstanding (other than dividends or distributions payable in Capital Stock of the applicable Person and other than dividends or distributions payable (directly or indirectly through Subsidiaries) to any Credit Party other than the Parent), (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of Capital Stock of such Person, now or hereafter outstanding, (iii) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of Capital Stock of such Person, now or hereafter outstanding (excluding the issuance of Capital Stock by such Person), (iv) any payment or prepayment of principal of, premium, if any, or interest on, including any redemption, purchase, retirement, defeasance, sinking fund or similar payment with respect to, any Subordinated Indebtedness and (v) in the case of any Consolidated Party, any loan or advance to the Parent.

"Revolving Commitment" means, with respect to each Lender, the commitment of such Lender in an aggregate principal amount at any time outstanding of up to such Lender's Commitment Percentage of the Revolving Committed Amount, (i) to make Revolving Loans in accordance with the provisions of Section 2.1(a), (ii) to purchase Participation Interests in Letters of Credit in accordance with the provisions of Section 2.2(c) and (iii) to purchase Participation Interests in the Swingline Loans in accordance with the provisions of Section 2.3(b)(iii).

"Revolving Committed Amount" shall have the meaning assigned to such term in Section 2.1(a).

"Revolving Loans" shall have the meaning assigned to such term in Section 2.1(a).

"Revolving Note" or "Revolving Notes" means the promissory notes of the Borrower in favor of each Lender provided pursuant to Section 2.1(e) and evidencing the Revolving Loans of such Lender, individually or collectively, as appropriate, as such promissory notes may be amended, modified, restated, supplemented, extended, renewed or replaced from time to time.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc., or any successor or assignee of the business of such division in the business of rating securities.

"Sale and Leaseback Transaction" means, with respect to the Parent or any Consolidated Party, any arrangement pursuant to which such Person, directly or indirectly, becomes liable as lessee, guarantor or other surety with respect to any lease, whether an Operating Lease or a Capital Lease, of any Property (a) which such Person has sold or transferred (or is to sell or transfer) to a Person which is not a Credit Party or (b) which such Person intends to use for substantially the same purpose as any other Property which has been sold or transferred (or is to be sold or transferred) by such Person to another Person which is not a Credit Party in connection with such lease.

"Securities Act" means the Securities Act of 1933, as amended, and all regulations issued pursuant thereto.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended, and all regulations issued pursuant thereto.

"Security Agreement" means the security agreement dated as of the Closing Date in the form of Exhibit 1.1B to be executed in favor of the Agent by each of the Credit Parties, as amended, modified, restated or supplemented from time to time.

"Single Employer Plan" means any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan or a Multiple Employer Plan.

"Solvent" or "Solvency" means, with respect to any Person as of a particular date, that on such date (i) such Person is able to pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (ii) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature in their ordinary course, (iii) such Person is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such Person's Property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged or is to engage, (iv) the fair value of the Property of such Person on a going concern basis is greater than the fair value of the total amount of liabilities, including, without limitation, contingent liabilities, of such Person and (v) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Sponsor Entity" means any Person that is (i) a Sponsor or (ii) a Related Party.

"Sponsors" means a collective reference to HWH Capital Partners, L.P., HWP Capital Partners II, L.P., HWH Nightingale Partners, L.P., HWP - II Nightingale Partners, L.P. and Haas Wheat & Partners, L.P., together with their successors and permitted assigns, and "Sponsor" means any one of them.

"Standby Letter of Credit Fee" shall have the meaning assigned to such term in Section 3.5(c)(i).

"Subordinated Indebtedness" means Indebtedness of the Parent, the Borrower or any Subsidiary of the Borrower which (i) is subordinated to the Credit Party Obligations in a manner reasonably satisfactory to the Agent and (ii) has a maturity date which is at least six months after the Maturity Date.

"Subsidiary" means, as to any Person at any time, (a) any corporation more than 50% of whose Capital Stock of any class or classes having by the terms thereof ordinary

voting power to elect a majority of the directors of such corporation (irrespective of whether or not at such time, any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at such time owned by such Person directly or indirectly through Subsidiaries, and (b) any partnership, association, joint venture or other entity of which such Person directly or indirectly through Subsidiaries owns at such time more than 50% of the Capital Stock.

"Subsidiary Guarantor" means each of the Persons identified as a "Subsidiary Guarantor" on the signature pages hereto and each Person which may hereafter execute a Joinder Agreement pursuant to Section 7.12, together with their successors and permitted assigns, and "Subsidiary Guarantor" means any one of them.

"Swingline Commitment" means the commitment of the Swingline Lender to make Swingline Loans in an aggregate principal amount at any time outstanding of up to the Swingline Committed Amount.

"Swingline Committed Amount" shall have the meaning assigned to such term in Section 2.3(a).

"Swingline Lender" means Bank of America.

"Swingline Loan" shall have the meaning assigned to such term in Section 2.3(a).

"Swingline Note" means the promissory note of the Borrower in favor of the Swingline Lender evidencing the Swingline Loans provided pursuant to Section 2.3(d), as such promissory notes may be amended, modified, restated, supplemented, extended, renewed or replaced from time to time.

"Synthetic Lease" means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an Operating Lease under GAAP.

"Taxes" shall have the meaning assigned to such term in Section 3.11(a).

"Trade Letter of Credit Fee" shall have the meaning assigned to such term in Section 3.5(c)(ii).

"Unused Fee" shall have the meaning assigned to such term in Section 3.5(b).

"Unused Fee Calculation Period" shall have the meaning assigned to such term in Section 3.5(b).

"Unused Revolving Committed Amount" means, for any period, the amount by which (a) the then applicable Revolving Committed Amount exceeds (b) the daily average sum for such period of (i) the outstanding aggregate principal amount of all Revolving Loans (but not including any Swingline Loans) plus (ii) the outstanding aggregate principal amount of all LOC Obligations.

"Used Revolving Committed Amount" means, as of any date, the sum of (i) the outstanding aggregate principal amount of all Revolving Loans plus (ii) the outstanding aggregate principal amount of all LOC Obligations.

"Voting Stock" means, with respect to any Person, Capital Stock issued by such Person the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

"Wholly Owned Subsidiary" means any Person 100% of whose Voting Stock is at the time owned by the Borrower directly or indirectly through other Persons 100% of whose Voting Stock is at the time owned, directly or indirectly, by the Borrower.

1.2 COMPUTATION OF TIME PERIODS.

For purposes of computation of periods of time hereunder, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

1.3 ACCOUNTING TERMS.

Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Agent hereunder shall be prepared, in accordance with GAAP applied on a consistent basis; provided, however, that calculations of the implied principal component of all obligations under any Synthetic Lease or the implied interest component of any rent paid under any Synthetic Lease shall be made by the Borrower in accordance with accepted financial practice and consistent with the terms of such Synthetic Lease. All calculations made for the purposes of determining compliance with this Credit Agreement shall (except as otherwise expressly provided herein) be made by application of GAAP applied on a basis consistent with the most recent annual or quarterly financial statements of the Consolidated Parties delivered pursuant to Section 7.1 (or, prior to the delivery of the first financial statements pursuant to Section 7.1, consistent with the financial statements as at December 31, 2000); provided, however, if (a) the Credit Parties shall object to determining such compliance on such basis at the time of delivery of such financial statements due to any change in GAAP or the rules promulgated with respect thereto or (b) the Agent or the Requisite Lenders shall so object in writing within 60 days after delivery of such financial statements, then such calculations shall be made on a basis consistent with the most recent financial statements delivered by the Credit Parties to the Lenders as to which no such objection shall have been made.

Notwithstanding the above, the parties hereto acknowledge and agree that, for purposes of all calculations made under the financial covenants set forth in Section 7.11 (including without limitation for purposes of the definition of "Pro Forma Basis" set forth in Section 1.1), (a) following consummation of any Asset Disposition (i) income statement items (whether positive or negative) and capital expenditures attributable to the Property disposed of shall be excluded to the extent relating to any period occurring prior to the date of the transaction for which such calculation is determined and (ii) Indebtedness which is retired shall be excluded and deemed to have been retired as of the first day of the applicable period and (b) following

consummation of any Acquisition (i) income statement items (whether positive or negative) attributable to the Person or Property acquired shall, to the extent not otherwise included in such income statement items for the Consolidated Parties in accordance with GAAP or in accordance with any defined terms set forth in Section 1.1, be included to the extent relating to any period applicable in such calculations, provided, however, that income statement items attributable to such Person or Property shall not be included in any calculation of Consolidated Net Income or Consolidated EBITDA unless the applicable income statement for such Person or Property is a Qualifying Financial Statement which shall have been delivered to the Agent, (ii) Indebtedness of the Person or Property acquired shall be deemed to have been incurred as of the first day of the applicable period and (iii) pro forma adjustments may be included to the extent that such adjustments (A) are made in the good faith judgment of the management of the Consolidated Parties and (B) give effect to events that are (1) directly attributable to such transaction, (2) expected to have a continuing impact on the Consolidated Parties, (3) verifiable and supportable and (4) realizable within 180 days following the consummation of the related Acquisition (or later if such additional time is acceptable to the Agent).

SECTION 2

CREDIT FACILITY

2.1 REVOLVING LOANS.

(a) Revolving Commitment. Subject to the terms and conditions hereof and in reliance upon the representations and warranties set forth herein, each Lender severally agrees to make available to the Borrower such Lender's Commitment Percentage of revolving credit loans requested by the Borrower in Dollars ("Revolving Loans") from time to time from the Closing Date until the Maturity Date, or such earlier date as the Revolving Commitments shall have been terminated as provided herein; provided, however, that the sum of the aggregate outstanding principal amount of Revolving Loans shall not exceed FIFTY MILLION DOLLARS ($50,000,000) (as such aggregate maximum amount may be reduced from time to time as provided in Section 3.4, the "Revolving Committed Amount"); provided, further, (A) with regard to each Lender individually, such Lender's outstanding Revolving Loans shall not exceed such Lender's Commitment Percentage of the Revolving Committed Amount, and (B) the sum of the aggregate outstanding principal amount of Revolving Loans plus LOC Obligations plus Swingline Loans shall not exceed the Revolving Committed Amount. Revolving Loans may consist of Base Rate Loans or Eurodollar Loans, or a combination thereof, as the Borrower may request; provided, however, that no more than 6 Eurodollar Loans which are Revolving Loans shall be outstanding hereunder at any time (it being understood that, for purposes hereof, Eurodollar Loans with different Interest Periods shall be considered as separate Eurodollar Loans, even if they begin on the same date, although borrowings, extensions and conversions may, in accordance with the provisions hereof, be combined at the end of existing Interest Periods to constitute a new Eurodollar Loan with a single Interest Period). Revolving Loans hereunder may be repaid and reborrowed in accordance with the provisions hereof.

(b) Revolving Loan Borrowings.

(i) Notice of Borrowing.

(A) The Borrower shall submit an appropriate Notice of Borrowing to the Agent with respect to the initial borrowing of Revolving Loans on the Closing Date no later than 12:00 Noon (Charlotte, North Carolina time) on the Closing Date. Such Notice of Borrowing shall be irrevocable and shall specify the aggregate principal amount of the Revolving Loan to be borrowed. The full amount of the Revolving Loan disbursed on the Closing Date shall be a Base Rate Loan.

(B) With respect to each borrowing of Revolving Loans disbursed after the Closing Date, the Borrower shall request such Revolving Loan borrowing by written notice (or telephonic notice promptly confirmed in writing) to the Agent not later than 12:30 P.M. (Charlotte, North Carolina time) on the date of the requested borrowing in the case of Base Rate Loans, and on the third Business Day prior to the date of the requested borrowing in the case of Eurodollar Loans. Each such request for borrowing shall be irrevocable and shall specify (A) that a Revolving Loan is requested, (B) the date of the requested borrowing (which shall be a Business Day), (C) the aggregate principal amount to be borrowed, and (D) whether the borrowing shall be comprised of Base Rate Loans, Eurodollar Loans or a combination thereof, and if Eurodollar Loans are requested, the Interest Period(s) therefor. If the Borrower shall fail to specify in any such Notice of Borrowing (I) an applicable Interest Period in the case of a Eurodollar Loan, then such notice shall be deemed to be a request for an Interest Period of one month, or (II) the type of Revolving Loan requested, then such notice shall be deemed to be a request for a Base Rate Loan hereunder. The Agent shall give notice to each affected Lender promptly upon receipt of each Notice of Borrowing pursuant to this Section 2.1(b)(i), the contents thereof and each such Lender's share of any borrowing to be made pursuant thereto.

(ii) Minimum Amounts. Each Eurodollar Loan or Base Rate Loan that is a Revolving Loan shall be in a minimum aggregate principal amount of $2,000,000 and integral multiples of $250,000 in excess thereof (or the remaining amount of the Revolving Committed Amount, if less).

(iii) Advances. Each Lender will make its Commitment Percentage of each Revolving Loan borrowing available to the Agent for the account of the Borrower as specified in Section 3.15(a), or in such other manner as the Agent may specify in writing, by 2:00 P.M. (Charlotte, North Carolina time) on the date specified in the applicable Notice of Borrowing in Dollars and in funds immediately available to the Agent. Such borrowing will then be made available to the Borrower by the Agent by crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Agent by the Lenders and in like funds as received by the Agent; provided, however, that the Agent shall, if requested by the Borrower, make the initial advance of Revolving Loans on the Closing Date available to Borrower as provided above prior to the Agent's receipt of corresponding amounts from the Lenders.

(c) Repayment. The principal amount of all Revolving Loans shall be due and payable in full on the Maturity Date, unless accelerated sooner pursuant to Section 9.2.

(d) Interest. Subject to the provisions of Section 3.1,

(i) Base Rate Loans. During such periods as Revolving Loans shall be comprised in whole or in part of Base Rate Loans, such Base Rate Loans shall bear interest at a per annum rate equal to the Adjusted Base Rate.

(ii) Eurodollar Loans. During such periods as Revolving Loans shall be comprised in whole or in part of Eurodollar Loans, such Eurodollar Loans shall bear interest at a per annum rate equal to the Adjusted Eurodollar Rate.

Interest on Revolving Loans shall be payable in arrears on each applicable Interest Payment Date (or at such other times as may be specified herein).

(e) Revolving Notes. The Revolving Loans made by each Lender shall be evidenced by a duly executed promissory note of the Borrower to such Lender in an original principal amount equal to such Lender's Commitment Percentage of the Revolving Committed Amount and in substantially the form of Exhibit 2.1(e).

2.2 LETTER OF CREDIT SUBFACILITY.

(a) Issuance. Subject to the terms and conditions hereof and in reliance upon the representations and warranties set forth herein, the applicable Issuing Lender agrees to issue, and each Lender severally agrees to participate in the issuance by each Issuing Lender of, standby and trade Letters of Credit in Dollars from time to time from the Closing Date until the date thirty (30) days prior to the Maturity Date as the Borrower may request, in a form acceptable to the applicable Issuing Lender; provided, however, that (i) the LOC Obligations outstanding shall not at any time exceed TEN MILLION DOLLARS ($10,000,000) (the "LOC Committed Amount") and (ii) the sum of the aggregate outstanding principal amount of Revolving Loans plus LOC Obligations plus Swingline Loans shall not at any time exceed the Revolving Committed Amount. No Letter of Credit shall (x) have an original expiry date more than one year from the date of issuance (provided that any such Letter of Credit may contain customary "evergreen" provisions pursuant to which the expiry date is automatically extended by a specific time period unless the applicable Issuing Lender gives notice to the beneficiary of such Letter of Credit at least a specified time period prior to the expiry date then in effect) or (y) as originally issued or as extended, have an expiry date extending beyond the date thirty (30) days prior to the Maturity Date. Each Letter of Credit shall comply with the related LOC Documents. The issuance and expiry dates of each Letter of Credit shall be a Business Day.

(b) Notice and Reports. The request for the issuance of a Letter of Credit shall be submitted by the Borrower to the applicable Issuing Lender at least three (3) Business Days prior to the requested date of issuance. At least quarterly (and more frequently upon request), each Issuing Lender shall provide to the Agent a detailed report specifying the Letters of Credit issued by such Issuing Lender which are then issued and outstanding and

any activity with respect thereto which may have occurred since the date of the prior report, and including therein, among other things, the beneficiary, the face amount and the expiry date, as well as any payment or expirations which may have occurred. The Agent shall disseminate promptly to each of the Lenders the information provided by the Issuing Lender(s) pursuant to this subsection (b).

(c) Participation. Each Lender, upon issuance of a Letter of Credit, shall be deemed to have purchased without recourse a Participation Interest from the applicable Issuing Lender in such Letter of Credit and the obligations arising thereunder and any collateral relating thereto, in each case in an amount equal to its pro rata share of the obligations under such Letter of Credit (based on the respective Commitment Percentages of the Lenders) and shall absolutely, unconditionally and irrevocably assume and be obligated to pay to the applicable Issuing Lender and discharge when due, its pro rata share of the obligations arising under such Letter of Credit. Without limiting the scope and nature of each Lender's Participation Interest in any Letter of Credit, to the extent that the applicable Issuing Lender has not been reimbursed as required hereunder or under any such Letter of Credit, each such Lender shall pay to the Agent for the account of the applicable Issuing Lender its pro rata share of such unreimbursed drawing in same day funds on the day of notification by the Agent of an unreimbursed drawing pursuant to the provisions of subsection (d) below. The obligation of each Lender to so reimburse the applicable Issuing Lender shall be absolute and unconditional and shall not be affected by the occurrence of a Default, an Event of Default or any other occurrence or event. Any such reimbursement shall not relieve or otherwise impair the obligation of the Borrower to reimburse the applicable Issuing Lender under any Letter of Credit, together with interest as hereinafter provided.

(d) Reimbursement. In the event of any drawing under any Letter of Credit, the applicable Issuing Lender will promptly notify the Borrower and the Agent. Unless the Borrower shall promptly notify the Agent and the applicable Issuing Lender that the Borrower intends to otherwise reimburse the applicable Issuing Lender for such drawing, the Borrower shall be deemed to have requested that the Lenders make a Revolving Loan in the amount of such drawing as provided in subsection (e) below, the proceeds of which will be used to satisfy the related reimbursement obligations. The Borrower promises to reimburse the applicable Issuing Lender (such reimbursement to made to the Agent for the account of the applicable Issuing Lender) for each drawing under any Letter of Credit (either with the proceeds of a Revolving Loan obtained hereunder or otherwise) in same day funds (i) if it shall receive notice of such drawing from the applicable Issuing Lender prior to 1:00 P.M. (Charlotte, North Carolina time) on any Business Day, on such Business Day and (ii) if it shall receive such notice after 1:00 P.M. (Charlotte, North Carolina time) on any day, on the next Business Day after it shall receive such notice. The unreimbursed amount of any drawing shall bear interest from the date of such drawing through the date upon which reimbursement thereof is required as provided above at the Federal Funds Rate. If the Borrower shall fail to reimburse the applicable Issuing Lender as provided hereinabove, the unreimbursed amount of such drawing shall thereafter bear interest at a per annum rate equal to the Adjusted Base Rate plus 2%. The Borrower's reimbursement obligations hereunder shall be absolute and unconditional under all circumstances irrespective of any rights of setoff, counterclaim or defense to payment the Borrower may claim or have against the applicable Issuing Lender, the Agent, the Lenders, the beneficiary

of the Letter of Credit drawn upon or any other Person, including without limitation any defense based on any failure of the Borrower or any other Credit Party to receive consideration or the legality, validity, regularity or unenforceability of the Letter of Credit. The applicable Issuing Lender will promptly notify the Agent, who shall, in turn, promptly notify the other Lenders of the amount of any unreimbursed drawing and each Lender shall promptly pay to the Agent for the account of the applicable Issuing Lender in Dollars and in immediately available funds, the amount of such Lender's pro rata share of such unreimbursed drawing. Such payment shall be made on the day such notice is received by such Lender from the Agent if such notice is received at or before 3:00 P.M. (Charlotte, North Carolina time), and otherwise such payment shall be made at or before 12:00 Noon (Charlotte, North Carolina time) on the Business Day next succeeding the day such notice is received. If such Lender does not pay such amount to the Agent for the account of the applicable Issuing Lender in full upon such request, such Lender shall, on demand, pay to the Agent for the account of the applicable Issuing Lender interest on the unpaid amount during the period from the date of such drawing until such Lender pays such amount to the Agent for the account of the applicable Issuing Lender in full at a rate per annum equal to, if paid within two (2) Business Days of the date that such Lender is required to make payments of such amount pursuant to the preceding sentence, the Federal Funds Rate and thereafter at a rate equal to the Base Rate. Each Lender's obligation to make such payment to the applicable Issuing Lender, and the right of the applicable Issuing Lender to receive the same, shall be absolute and unconditional, shall not be affected by any circumstance whatsoever and without regard to the termination of this Credit Agreement or the Commitments hereunder, the existence of a Default or Event of Default or the acceleration of the obligations of the Borrower hereunder and shall be made without any offset, abatement, withholding or reduction whatsoever. Simultaneously with the making of each such payment by a Lender to the Agent for the account of the applicable Issuing Lender, such Lender shall, automatically and without any further action on the part of the Agent, the applicable Issuing Lender or such Lender, acquire a Participation Interest in an amount equal to such payment (excluding the portion of such payment constituting interest owing to the applicable Issuing Lender) in the related unreimbursed drawing portion of the LOC Obligation and in the interest thereon, and shall have a claim against the Borrower with respect thereto.

(e) Repayment with Revolving Loans. On any day on which the Borrower shall have requested, or been deemed to have requested, a Revolving Loan advance to reimburse a drawing under a Letter of Credit, the Agent shall give notice to the Lenders that a Revolving Loan has been requested or deemed requested by the Borrower to be made in connection with a drawing under a Letter of Credit, in which case a Revolving Loan advance comprised of Base Rate Loans shall be immediately made to the Borrower by all Lenders (notwithstanding any termination of the Commitments pursuant to Section 9.2) pro rata based on the respective Commitment Percentages of the Lenders (determined before giving effect to any termination of the Commitments pursuant to Section 9.2) and the proceeds thereof shall be paid directly to the Agent for the account of the applicable Issuing Lender for application to the respective LOC Obligations. Each such Lender hereby irrevocably agrees to make its pro rata share of each such Revolving Loan immediately upon any such request or deemed request in the amount, in the manner and on the date specified in the preceding sentence notwithstanding (i) the amount of such borrowing may not comply with the minimum amount for advances of Revolving Loans otherwise required

hereunder, (ii) whether any conditions specified in Section 5.2 are then satisfied, (iii) whether a Default or an Event of Default then exists, (iv) failure of any such request or deemed request for Revolving Loan to be made by the time otherwise required hereunder, (v) whether the date of such borrowing is a date on which Revolving Loans are otherwise permitted to be made hereunder or (vi) any termination of the Commitments immediately prior to or contemporaneously with such borrowing. In the event that any Revolving Loan cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding under the Bankruptcy Code with respect to the Borrower or any other Credit Party), then each such Lender hereby agrees that it shall forthwith purchase (as of the date such borrowing would otherwise have occurred, but adjusted for any payments received from the Borrower on or after such date and prior to such purchase) from the applicable Issuing Lender such Participation Interests in the outstanding LOC Obligations as shall be necessary to cause each such Lender to share in such LOC Obligations ratably (based upon the respective Commitment Percentages of the Lenders (determined before giving effect to any termination of the Commitments pursuant to Section 9.2)), provided that at the time any purchase of Participation Interests pursuant to this sentence is actually made, the purchasing Lender shall be required to pay to the Agent for the account of the applicable Issuing Lender, to the extent not paid to the applicable Issuing Lender by the Borrower in accordance with the terms of subsection (d) above, interest on the principal amount of Participation Interests purchased for each day from and including the day upon which such borrowing would otherwise have occurred to but excluding the date of payment for such Participation Interests, at the rate equal to, if paid within two (2) Business Days of the date of the Revolving Loan advance, the Federal Funds Rate, and thereafter at a rate equal to the Base Rate.

(f) Designation of Consolidated Parties as Account Parties. Notwithstanding anything to the contrary set forth in this Credit Agreement, including without limitation Section 2.2(a), a Letter of Credit issued hereunder may be issued for the account of a Consolidated Party other than the Borrower, provided that notwithstanding such statement, the Borrower shall be the actual account party for all purposes of this Credit Agreement for such Letter of Credit and such statement shall not affect the Borrower's reimbursement obligations hereunder with respect to such Letter of Credit.

(g) Renewal, Extension. The renewal or extension of any Letter of Credit shall, for purposes hereof, be treated in all respects the same as the issuance of a new Letter of Credit hereunder.

(h) Uniform Customs and Practices. The applicable Issuing Lender may have the Letters of Credit be subject to The Uniform Customs and Practice for Documentary Credits, as published as of the date of issue by the International Chamber of Commerce (the "UCP"), in which case the UCP may be incorporated therein and deemed in all respects to be a part thereof. Standby Letters of Credit may also be subject to IFP98 (International Standby Practice).

(i) Indemnification; Nature of Issuing Lender's Duties.

(i) In addition to its other obligations under this Section 2.2, the Borrower hereby agrees to pay, and protect, indemnify and save each Lender

harmless from and against, any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees) that such Lender may incur or be subject to as a consequence, direct or indirect, of (A) the issuance of any Letter of Credit or (B) the failure of such Lender to honor a drawing under a Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority (all such acts or omissions, herein called "Government Acts").

(ii) As between the Borrower and the Lenders (including the applicable Issuing Lender), the Borrower shall assume all risks of the acts, omissions or misuse of any Letter of Credit by the beneficiary thereof. No Lender (including the applicable Issuing Lender) shall be responsible: (A) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of any Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason; (C) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (D) for any loss or delay in the transmission or otherwise of any document required in order to make a drawing under a Letter of Credit or of the proceeds thereof; and (E) for any consequences arising from causes beyond the control of such Lender, including, without limitation, any Government Acts. None of the above shall affect, impair, or prevent the vesting of the applicable Issuing Lender's rights or powers hereunder.

(iii) Nothing in this subsection (i) is intended to limit the reimbursement obligations of the Borrower contained in subsection (d) above. The obligations of the Borrower under this subsection (i) shall survive the termination of this Credit Agreement. No act or omission of any current or prior beneficiary of a Letter of Credit shall in any way affect or impair the rights of the Lenders (including the applicable Issuing Lender) to enforce any right, power or benefit under this Credit Agreement.

(iv) Notwithstanding anything to the contrary contained in this subsection (i), the Borrower shall have no obligation to indemnify any Lender (including the applicable Issuing Lender) in respect of any liability incurred by such Lender (A) arising out of the gross negligence or willful misconduct of such Lender, or (B) caused by such Lender's failure to pay under any Letter of Credit after presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit, unless such payment is prohibited by any law, regulation, court order or decree.

(j) Responsibility of Issuing Lender. It is expressly understood and agreed that the obligations of the applicable Issuing Lender hereunder to the Lenders are only those expressly set forth in this Credit Agreement and that the applicable Issuing Lender shall be entitled to assume that the conditions precedent set forth in Section 5.2 have been satisfied

unless it shall have acquired actual knowledge that any such condition precedent has not been satisfied; provided, however, that nothing set forth in this Section 2.2 shall be deemed to prejudice the right of any Lender to recover from the applicable Issuing Lender any amounts made available by such Lender to the applicable Issuing Lender pursuant to this Section 2.2 in the event that it is determined by a court of competent jurisdiction that the payment with respect to a Letter of Credit constituted gross negligence or willful misconduct on the part of the applicable Issuing Lender.

(k) Conflict with LOC Documents. In the event of any conflict between this Credit Agreement and any LOC Document (including any letter of credit application), this Credit Agreement shall control.

2.3 SWINGLINE LOAN SUBFACILITY OF THE REVOLVER.

(a) Swingline Commitment. Subject to the terms and conditions hereof and in reliance upon the representations and warranties set forth herein, the Swingline Lender, in its individual capacity, agrees to make certain revolving credit loans requested by the Borrower in Dollars to the Borrower (each a "Swingline Loan" and, collectively, the "Swingline Loans") from time to time from the Closing Date until the Maturity Date for the purposes hereinafter set forth; provided, however, (i) the aggregate principal amount of Swingline Loans outstanding at any time shall not exceed TEN MILLION DOLLARS ($10,000,000) (the "Swingline Committed Amount"), and (ii) the sum of the aggregate outstanding principal amount of Revolving Loans plus LOC Obligations plus Swingline Loans shall not exceed the Revolving Committed Amount. Swingline Loans hereunder may be repaid and reborrowed in accordance with the provisions hereof.

(b) Swingline Loan Advances.

(i) Notices; Disbursement. Whenever the Borrower desires a Swingline Loan advance hereunder it shall give written notice (or telephonic notice promptly confirmed in writing) to the Swingline Lender not later than 3:00 P.M. (Charlotte, North Carolina time) on the Business Day of the requested Swingline Loan advance. Each such notice shall be irrevocable and shall specify (A) that a Swingline Loan advance is requested, (B) the date of the requested Swingline Loan advance (which shall be a Business Day) and (C) the principal amount of the Swingline Loan advance requested. Each Swingline Loan shall be made as a Base Rate Loan and shall have such maturity date as the Swingline Lender and the Borrower shall agree upon receipt by the Swingline Lender of any such notice from the Borrower. The Swingline Lender shall initiate the transfer of funds representing the Swingline Loan advance to the Borrower by 3:00 P.M. (Charlotte, North Carolina time) on the Business Day of the requested borrowing.

(ii) Minimum Amounts. Each Swingline Loan advance shall be in a minimum principal amount of $100,000 and integral multiples of $100,000 (or the remaining amount of the Swingline Committed Amount, if less).

(iii) Repayment of Swingline Loans. The principal amount of all Swingline Loans shall be due and payable on the earlier of (A) the maturity date

agreed to by the Swingline Lender and the Borrower with respect to such Loan (which maturity date shall not be a date more than seven (7) Business Days from the date of advance thereof) or (B) the Maturity Date. The Swingline Lender may, at any time, in its sole discretion, by written notice to the Borrower and the Lenders, demand repayment of its Swingline Loans by way of a Revolving Loan advance, in which case the Borrower shall be deemed to have requested a Revolving Loan advance comprised solely of Base Rate Loans in the amount of such Swingline Loans; provided, however, that any such demand shall be deemed to have been given one Business Day prior to the Maturity Date and on the date of the occurrence of any Event of Default described in Section 9.1 and upon acceleration of the indebtedness hereunder and the exercise of remedies in accordance with the provisions of Section 9.2. Each Lender hereby irrevocably agrees to make its pro rata share of each such Revolving Loan in the amount, in the manner and on the date specified in the preceding sentence notwithstanding (I) the amount of such borrowing may not comply with the minimum amount for advances of Revolving Loans otherwise required hereunder, (II) whether any conditions specified in Section 5.2 are then satisfied, (III) whether a Default or an Event of Default then exists, (IV) failure of any such request or deemed request for Revolving Loan to be made by the time otherwise required hereunder, (V) whether the date of such borrowing is a date on which Revolving Loans are otherwise permitted to be made hereunder or (VI) any termination of the Commitments relating thereto immediately prior to or contemporaneously with such borrowing. In the event that any Revolving Loan cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding under the Bankruptcy Code with respect to the Borrower or any other Credit Party), then each Lender hereby agrees that it shall forthwith purchase (as of the date such borrowing would otherwise have occurred, but adjusted for any payments received from the Borrower on or after such date and prior to such purchase) from the Swingline Lender such Participation Interests in the outstanding Swingline Loans as shall be necessary to cause each such Lender to share in such Swingline Loans ratably based upon its Commitment Percentage of the Revolving Committed Amount (determined before giving effect to any termination of the Commitments pursuant to Section 3.4), provided that (A) all interest payable on the Swingline Loans shall be for the account of the Swingline Lender until the date as of which the respective Participation Interest is purchased and (B) at the time any purchase of Participation Interests pursuant to this sentence is actually made, the purchasing Lender shall be required to pay to the Swingline Lender, to the extent not paid to the Swingline Lender by the Borrower in accordance with the terms of subsection (c)(ii) below, interest on the principal amount of Participation Interests purchased for each day from and including the day upon which such borrowing would otherwise have occurred to but excluding the date of payment for such Participation Interests, at the rate equal to the Federal Funds Rate.

(c) Interest on Swingline Loans.

(i) Rate of Interest . Subject to the provisions of Section 3.1, each Swingline Loan shall bear interest at a per annum rate equal to the Base Rate.

(ii) Payment of Interest. Interest on Swingline Loans shall be payable in arrears on each applicable Interest Payment Date (or at such other times as may be specified herein), unless accelerated sooner pursuant to Section 9.2.

(d) Swingline Note. The Swingline Loans shall be evidenced by a duly executed promissory note of the Borrower to the Swingline Lender in an original principal amount equal to the Swingline Committed Amount substantially in the form of Exhibit 2.3(d).

SECTION 3

OTHER PROVISIONS RELATING TO CREDIT FACILITY

3.1 DEFAULT RATE.

Upon the occurrence, and during the continuance, of a default in the payment of any amount hereunder, under the Notes or under any of the other Credit Documents, such overdue amount shall bear interest, payable on demand, at a per annum rate 2% greater than the rate which would otherwise be applicable (or if no rate is applicable, whether in respect of interest, fees or other amounts, then the Adjusted Base Rate plus 2%).

3.2 EXTENSION AND CONVERSION.

The Borrower shall have the option, on any Business Day, to extend existing Loans into a subsequent permissible Interest Period or to convert Loans into Loans of another interest rate type; provided, however, that (i) except as provided in Section 3.8, Eurodollar Loans may be converted into Base Rate Loans or extended as Eurodollar Loans for new Interest Periods only on the last day of the Interest Period applicable thereto, (ii) without the consent of the Requisite Lenders, Eurodollar Loans may be extended, and Base Rate Loans may be converted into Eurodollar Loans, only if the conditions precedent set forth in Section 5.2 are satisfied on the date of extension or conversion, (iii) Loans extended as, or converted into, Eurodollar Loans shall be subject to the terms of the definition of "Interest Period" set forth in Section 1.1 and shall be in such minimum amounts as provided in, with respect to Revolving Loans, Section 2.1(b)(ii), (iv) no more than 6 Eurodollar Loans which are Revolving Loans shall be outstanding hereunder at any time (it being understood that, for purposes hereof, Eurodollar Loans with different Interest Periods shall be considered as separate Eurodollar Loans, even if they begin on the same date, although borrowings, extensions and conversions may, in accordance with the provisions hereof, be combined at the end of existing Interest Periods to constitute a new Eurodollar Loan with a single Interest Period), (v) any request for extension or conversion of a Eurodollar Loan which shall fail to specify an Interest Period shall be deemed to be a request for an Interest Period of one month and (vi) Swingline Loans may not be extended or converted pursuant to this Section 3.2. Each such extension or conversion shall be effected by the Borrower by giving a Notice of Extension/Conversion (or telephonic notice promptly confirmed in writing) to the office of the Agent specified in Schedule 2.1(a), or at such other office as the Agent may designate in writing, prior to 12:00 Noon (Charlotte, North Carolina time) on the Business Day of, in the case of the conversion of a Eurodollar Loan into a Base Rate Loan, and on the third Business Day prior to, in the case of the extension of a Eurodollar Loan as, or

conversion of a Base Rate Loan into, a Eurodollar Loan, the date of the proposed extension or conversion, specifying the date of the proposed extension or conversion, the Loans to be so extended or converted, the types of Loans into which such Loans are to be converted and, if appropriate, the applicable Interest Periods with respect thereto. Each request for extension or conversion shall be irrevocable and shall constitute a representation and warranty by the Borrower of the matters specified in clauses (b), (c), (d) and (e) of Section 5.2. In the event the Borrower fails to request extension or conversion of any Eurodollar Loan in accordance with this Section 3.2, or any such conversion or extension is not permitted or required by this Credit Agreement, then such Eurodollar Loan shall be automatically converted into a Base Rate Loan at the end of the Interest Period applicable thereto. The Agent shall give each Lender notice as promptly as practicable of any such proposed extension or conversion affecting any Loan.

3.3 PREPAYMENTS.

(a) Voluntary Prepayments. The Borrower shall have the right to prepay Loans in whole or in part from time to time; provided, however, that each partial prepayment of Loans (other than Swingline Loans) shall be in a minimum principal amount of $1,000,000 and integral multiples of $250,000 in excess thereof (or the then remaining principal balance of the Revolving Loans, if less). Subject to the foregoing terms, amounts prepaid under this Section 3.3(a) shall be applied as the Borrower may elect; provided that if the Borrower shall fail to specify, voluntary prepayments shall be applied first to Base Rate Loans and then to Eurodollar Loans in direct order of Interest Period maturities. All prepayments under this Section 3.3(a) shall be subject to Section 3.12, but otherwise without premium or penalty, and shall be accompanied by interest on the principal amount prepaid through the date of prepayment.

(b) Mandatory Prepayments.

(i) (A) Revolving Committed Amount. If at any time, the sum of the aggregate outstanding principal amount of Revolving Loans plus LOC Obligations plus Swingline Loans shall exceed the Revolving Committed Amount, the Borrower immediately shall prepay the Revolving Loans and (after all Revolving Loans have been repaid) cash collateralize the LOC Obligations, in an amount sufficient to eliminate such excess.

(B) LOC Committed Amount. If at any time, the sum of the aggregate principal amount of LOC Obligations shall exceed the LOC Committed Amount, the Borrower immediately shall cash collateralize the LOC Obligations in an amount sufficient to eliminate such excess.

(ii) (A) Asset Dispositions. Immediately upon the occurrence of any Asset Disposition Prepayment Event, the Borrower shall prepay the Loans in an aggregate amount equal to 100% of the Net Cash Proceeds of the related Asset Disposition not applied (or caused to be applied) by the Credit Parties during the related Application Period to make Eligible Reinvestments as contemplated by the terms of Section 8.5(g) (such prepayment to be applied as set forth in clause (iii) below).

(B) Casualty and Condemnation Events. Immediately upon the occurrence of any event requiring application of any insurance proceeds to the prepayment of Loans (and cash collateralization of LOC Obligations) pursuant to Section 7.6(b), the Borrower shall prepay the Loans in the amount required by such Section 7.6(b) (such prepayment to be applied as set forth in clause (iii) below).

(iii) Application of Mandatory Prepayments. All amounts required to be paid pursuant to this Section 3.3(b) shall be applied as follows: (A) with respect to all amounts prepaid pursuant to Section 3.3(b)(i)(A), to Revolving Loans (without any reduction in the Revolving Committed Amount) and (after all Revolving Loans have been repaid) to a cash collateral account in respect of LOC Obligations, (B) with respect to all amounts prepaid pursuant to Section 3.3(b)(i)(B), to a cash collateral account in respect of LOC Obligations and (C) with respect to all amounts prepaid pursuant to Section 3.3(b)(ii), first, to the Swingline Loans, second (after all Swingline Loans have been repaid), to Revolving Loans and, third (after all Revolving Loans have been repaid), to a cash collateral account in respect of LOC Obligations (without a corresponding permanent reduction in the Revolving Committed Amount in connection with any application required pursuant to this Section 3.3(b)). Within the parameters of the applications set forth above, prepayments shall be applied first to Base Rate Loans and then to Eurodollar Loans subject to Section 3.3(b)(iv) in direct order of Interest Period maturities. All prepayments under this Section 3.3(b) shall be subject to Section 3.12, but otherwise without premium or penalty, and shall be accompanied by interest on the principal amount prepaid through the date of prepayment.

(iv) Prepayment Account. If the Borrower is required to make a mandatory prepayment of Eurodollar Loans under this Section 3.3(b), the Borrower shall have the right, in lieu of making such prepayment in full, to deposit an amount equal to such mandatory prepayment with the Agent in a cash collateral account maintained (pursuant to documentation reasonably satisfactory to the Agent) by and in the sole dominion and control of the Agent. Any amounts so deposited shall be held by the Agent as collateral for the prepayment of such Eurodollar Loans and shall be applied to the prepayment of the applicable Eurodollar Loans at the end of the current Interest Periods applicable thereto. At the request of the Borrower, amounts so deposited shall be invested by the Agent in Cash Equivalents maturing prior to the date or dates on which it is anticipated that such amounts will be applied to prepay such Eurodollar Loans; any interest earned on such Cash Equivalents will be for the account of the Borrower and the Borrower will deposit with the Agent the amount of any loss on any such Cash Equivalents to the extent necessary in order that the amount of the prepayment to be made with the deposited amounts may not be reduced.

3.4 TERMINATION AND REDUCTION OF REVOLVING COMMITTED AMOUNT.

(a) Voluntary Reductions. The Borrower may from time to time permanently reduce or terminate the Revolving Committed Amount in whole or in part (in

minimum aggregate amounts of $5,000,000 or in integral multiples of $1,000,000 in excess thereof (or, if less, the full remaining amount of the then applicable Revolving Committed Amount)) upon five Business Days' prior written notice to the Agent; provided, however, no such termination or reduction shall be made which would cause the sum of the aggregate outstanding principal amount of Revolving Loans plus LOC Obligations plus Swingline Loans to exceed the Revolving Committed Amount unless, concurrently with such termination or reduction, the Revolving Loans are repaid to the extent necessary to eliminate such excess. The Agent shall promptly notify each affected Lender of receipt by the Agent of any notice from the Borrower pursuant to this Section 3.4(a).

(b) Maturity Date. The Revolving Commitments of the Lenders, the LOC Commitment of the Issuing Lender(s) and the Swingline Commitment of the Swingline Lender shall automatically terminate on the Maturity Date.

(c) General. The Borrower shall pay to the Agent for the account of the Lenders in accordance with the terms of Section 3.5(b), on the date of each termination or reduction of the Revolving Committed Amount, the Unused Fee accrued through the date of such termination or reduction on the amount of the Revolving Committed Amount so terminated or reduced.

3.5 FEES.

(a) Underwriting Fee. The Borrower promises to pay to the Agent, for the benefit of the Lenders, on the Closing Date an underwriting fee in the amount provided in the Agent's Fee Letter.

(b) Unused Fee. In consideration of the Revolving Commitments of the Lenders hereunder, the Borrower promises to pay to the Agent for the account of each Lender a fee (the "Unused Fee") on the Unused Revolving Committed Amount computed at a per annum rate for each day during the applicable Unused Fee Calculation Period (hereinafter defined) at a rate equal to .50%. The Unused Fee shall commence to accrue on the Closing Date and shall be due and payable in arrears on the last Business Day of each March, June, September and December (and on any date that the Revolving Committed Amount is reduced and on the Maturity Date) for the immediately preceding quarter (or portion thereof) (each such quarter or portion thereof for which the Unused Fee is payable hereunder being herein referred to as an "Unused Fee Calculation Period"), beginning with the first of such dates to occur after the Closing Date.

(c) Letter of Credit Fees.

(i) Standby Letter of Credit Issuance Fee. In consideration of the issuance of standby Letters of Credit hereunder, the Borrower promises to pay to the Agent for the account of each Lender a fee (the "Standby Letter of Credit Fee") on such Lender's Commitment Percentage of the average daily maximum amount available to be drawn under each such standby Letter of Credit computed at a per annum rate for each day from the date of issuance to the date of expiration equal to the Applicable Percentage. The Standby Letter of Credit Fee will be payable

quarterly in arrears on the last Business Day of each March, June, September and December for the immediately preceding quarter (or a portion thereof).

(ii) Trade Letter of Credit Drawing Fee. In consideration of the issuance of trade Letters of Credit hereunder, the Borrower promises to pay to the Agent for the account of each Lender a fee (the "Trade Letter of Credit Fee") on such Lender's Commitment Percentage of the average daily maximum amount available to be drawn under each such trade Letter of Credit computed at a per annum rate for each day from the date of issuance to the date of expiration equal to the Applicable Percentage. The Trade Letter of Credit Fee will be payable quarterly in arrears on the last Business Day of each March, June, September and December for the immediately preceding quarter (or a portion thereof).

(iii) Issuing Lender Fees. In addition to the Standby Letter of Credit Fee payable pursuant to clause (i) above and the Trade Letter of Credit Fee payable pursuant to clause (ii) above, the Borrower promises to pay to the Agent for the account of the applicable Issuing Lender, without sharing by the other Lenders, (i) a letter of credit fronting fee of 1/4% on the average daily maximum amount available to be drawn under each Letter of Credit computed at a per annum rate for each day from the date of issuance to the date of expiration (which fronting fee shall be payable quarterly in arrears on the last Business Day of each March, June, September and December for the immediately preceding quarter (or a portion thereof)) and (ii) the customary charges from time to time of the applicable Issuing Lender with respect to the issuance, amendment, transfer, administration, cancellation and conversion of, and drawings under, such Letters of Credit.

(d) Administrative Fees. The Borrower promises to pay to the Agent, for its own account and for the account of Banc of America Securities LLC, as applicable, the fees referred to in the Agent's Fee Letter.

3.6 CAPITAL ADEQUACY.

If any Lender has determined, after the date hereof, that the adoption or the becoming effective of, or any change in, or any change by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof in the interpretation or administration of, any applicable law, rule or regulation regarding capital adequacy, or compliance by such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's capital or assets as a consequence of its commitments or obligations hereunder to a level below that which such Lender could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's policies with respect to capital adequacy), then, upon notice from such Lender to the Borrower, the Borrower shall be obligated to pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction. Each determination by any such Lender of amounts owing under this Section shall, absent manifest error, be conclusive and binding on the parties hereto. Notwithstanding any other provision in this Section 3.6, none of the Lenders shall be entitled to demand compensation pursuant to this Section 3.6, if it shall not be

the general practice of such Lender to demand such compensation in similar circumstances under comparable provisions of other comparable credit agreements.

3.7 LIMITATION ON EURODOLLAR LOANS.

If on or prior to the first day of any Interest Period for any Eurodollar Loan:

(a) the Agent determines (which determination shall be conclusive) that by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period; or

(b) the Requisite Lenders determine (which determination shall be conclusive) and notify the Agent that the Eurodollar Rate will not adequately and fairly reflect the cost to the Lenders of funding Eurodollar Loans for such Interest Period;

then the Agent shall give the Borrower prompt notice thereof, and so long as such condition remains in effect, the Lenders shall be under no obligation to make additional Eurodollar Loans, Continue Eurodollar Loans, or to Convert Base Rate Loans into Eurodollar Loans and the Borrower shall, on the last day(s) of the then current Interest Period(s) for the outstanding Eurodollar Loans, either prepay such Eurodollar Loans or Convert such Eurodollar Loans into Base Rate Loans in accordance with the terms of this Credit Agreement.

3.8 ILLEGALITY.

Notwithstanding any other provision of this Credit Agreement, in the event that it becomes unlawful for any Lender or its Applicable Lending Office to make, maintain, or fund Eurodollar Loans hereunder, then such Lender shall promptly notify the Borrower thereof and such Lender's obligation to make or Continue Eurodollar Loans and to Convert Base Rate Loans into Eurodollar Loans shall be suspended until such time as such Lender may again make, maintain, and fund Eurodollar Loans (in which case the provisions of Section 3.10 shall be applicable).

3.9 REQUIREMENTS OF LAW.

If, after the date hereof, the adoption of any applicable law, rule, or regulation, or any change in any applicable law, rule, or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such Governmental Authority, central bank, or comparable agency:

(i) shall subject such Lender (or its Applicable Lending Office) to any tax, duty, or other charge with respect to any Eurodollar Loans, its Notes, or its obligation to make Eurodollar Loans, or change the basis of taxation of any amounts payable to such Lender (or its Applicable Lending Office) under this Credit Agreement or its Notes in respect of any Eurodollar Loans (other than franchise taxes and taxes imposed on the overall net income of such Lender by the jurisdiction in which such Lender is organized or any political subdivision thereof or therein or has its principal office or such Applicable Lending Office);

(ii) shall impose, modify, or deem applicable any reserve, special deposit, assessment, or similar requirement (other than the Eurodollar Reserve Requirement utilized in the determination of the Adjusted Eurodollar Rate) relating to any extensions of credit or other assets of, or any deposits with or other liabilities or commitments of, such Lender (or its Applicable Lending Office), including the Commitment of such Lender hereunder; or

(iii) shall impose on such Lender (or its Applicable Lending Office) or the London interbank market any other condition affecting this Credit Agreement or its Notes or any of such extensions of credit or liabilities or commitments;

and the result of any of the foregoing is to increase the cost to such Lender (or its Applicable Lending Office) of making, Converting into, Continuing, or maintaining any Eurodollar Loans or to reduce any sum received or receivable by such Lender (or its Applicable Lending Office) under this Credit Agreement or its Notes with respect to any Eurodollar Loans, then the Borrower shall pay to such Lender within 5 Business Days following demand such amount or amounts as will compensate such Lender for such increased cost or reduction; provided that such increases or reductions shall not include any increased costs or reductions in respect of taxes that are governed by the provisions of Section 3.11, and the provisions of this Section 3.9 shall not be interpreted to cause a duplication in payment or treatment of any taxes in a manner inconsistent with the provisions of Section 3.11. If any Lender requests compensation by the Borrower under this Section 3.9, the Borrower may, by notice to such Lender (with a copy to the Agent), suspend the obligation of such Lender to make or Continue Eurodollar Loans, or to Convert Base Rate Loans into Eurodollar Loans, until the event or condition giving rise to such request ceases to be in effect (in which case the provisions of Section 3.10 shall be applicable); provided that such suspension shall not affect the right of such Lender to receive the compensation so requested. Each Lender shall promptly notify the Borrower and the Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Lender to compensation pursuant to this Section 3.9 and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender, be otherwise disadvantageous to it. Any Lender claiming compensation under this Section 3.9 shall furnish to the Borrower and the Agent a statement setting forth the additional amount or amounts to be paid to it hereunder which shall be conclusive in the absence of manifest error. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

3.10 TREATMENT OF AFFECTED LOANS.

If the obligation of any Lender to make any Eurodollar Loan or to Continue, or to Convert Base Rate Loans into, Eurodollar Loans shall be suspended pursuant to Section 3.7, 3.8 or 3.9 hereof, such Lender's Eurodollar Loans shall be automatically Converted into Base Rate Loans on the last day(s) of the then current Interest Period(s) for such Eurodollar Loans (or, in the case of a Conversion, on such earlier date as such Lender may specify to the Borrower with a copy to the Agent) and, unless and until such Lender gives notice as provided below that the circumstances specified in Section 3.7, 3.8 or 3.9 hereof that gave rise to such Conversion no longer exist:

(a) to the extent that such Lender's Eurodollar Loans have been so Converted, all payments and prepayments of principal that would otherwise be applied to such Lender's Eurodollar Loans shall be applied instead to its Base Rate Loans; and

(b) all Loans that would otherwise be made or Continued by such Lender as Eurodollar Loans shall be made or Continued instead as Base Rate Loans, and all Base Rate Loans of such Lender that would otherwise be Converted into Eurodollar Loans shall remain as Base Rate Loans.

If such Lender gives notice to the Borrower (with a copy to the Agent) that the circumstances specified in Section 3.7, 3.8 or 3.9 hereof that gave rise to the Conversion of such Lender's Eurodollar Loans pursuant to this Section 3.10 no longer exist (which such Lender agrees to do promptly upon such circumstances ceasing to exist) at a time when Eurodollar Loans made by other Lenders are outstanding, such Lender's Base Rate Loans shall be automatically Converted, on the first day(s) of the next succeeding Interest Period(s) for such outstanding Eurodollar Loans, to the extent necessary so that, after giving effect thereto, all Loans held by the Lenders holding Eurodollar Loans and by such Lender are held pro rata (as to principal amounts, interest rate basis, and Interest Periods) in accordance with their respective Commitments.

3.11 TAXES.

(a) Any and all payments by any Credit Party to or for the account of any Lender or the Agent hereunder or under any other Credit Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Lender (or its Applicable Lending Office) or the Agent (as the case may be) is organized or any political subdivision thereof or therein (all such non-excluded taxes, duties, levies, imposts, deductions, charges, withholdings, and liabilities being hereinafter referred to as "Taxes"). If any Credit Party shall be required by law to deduct any Taxes from or in respect of any sum payable under this Credit Agreement or any other Credit Document to any Lender or the Agent, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.11) such Lender or the Agent receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Credit Party shall make such deductions, (iii) such Credit Party shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law, and (iv) such Credit Party shall furnish to the Agent, at its address referred to in Section 11.1, the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Borrower agrees to pay any and all present or future stamp or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under this Credit Agreement or any other Credit Document or from the execution or delivery of, or otherwise with respect to, this Credit Agreement or any other Credit Document (hereinafter referred to as "Other Taxes").

(c) The Borrower agrees to indemnify each Lender and the Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 3.11) paid by

such Lender or the Agent (as the case may be) and any liability (including penalties, interest, and expenses) arising therefrom or with respect thereto.

(d) Each Lender on or prior to the date of its execution and delivery of this Credit Agreement in the case of each Lender listed on the signature pages hereof and on or prior to the date on which it becomes a Lender in the case of each other Lender, and from time to time thereafter if requested in writing by the Borrower or the Agent (but only so long as such Lender remains lawfully able to do so), shall provide the Borrower and the Agent with (A) if such Lender is a United States person under Section 7701(a)(30) of the Code (other than any such Lender that is a financial institution whose name includes the word "Bank", "Credit Union", "Savings and Loan" or "Mutual Savings Bank"), Internal Revenue Service Form W-9 or any successor form prescribed by the Internal Revenue Service or (B) if such Lender is not a United States person under Section 7701(a)(30) of the Code (i) Internal Revenue Service Form W-8 BEN or W-8 ECI, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Lender is entitled to benefits under an income tax treaty to which the United States is a party which reduces to zero the rate of withholding tax on payments of hereunder or under any other Credit Document or certifying that the income receivable hereunder or under any other Credit Document is effectively connected with the conduct of a trade or business in the United States or (ii) with respect to payments of interest, if such Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a certificate substantially in the form of Exhibit 3.11(d) and Internal Revenue Service Form W-8 BEN. The Borrower shall be entitled to rely on such forms in its possession until receipt of any revised or successor form pursuant to this Section 3.11(d).

(e) For any period with respect to which a Lender has failed to provide the Borrower and the Agent with the appropriate form pursuant to Section 3.11(d) (unless such failure is due to a change in treaty, law, or regulation occurring subsequent to the date on which a form originally was required to be provided), (i) the Borrower shall be entitled to deduct or withhold on payments to the Agent or such Lender as a result of such failure, as required by law, and (ii) the Borrower shall not be required to make payments of additional amounts with respect to such withheld amounts pursuant to Section 3.11(a) (or to indemnify a Lender pursuant to Section 3.11(c)) to the extent such withholding (or liability for Tax) is required solely by reason of the failure of the Agent or such Lender to provide the necessary certificate, document or other evidence of an exemption from withholding; provided, however, that should a Lender, which is otherwise exempt from withholding tax, become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(f) If any Credit Party is required to pay additional amounts to or for the account of any Lender pursuant to this Section 3.11, then such Lender will agree to use reasonable efforts to change the jurisdiction of its Applicable Lending Office so as to eliminate or reduce any such additional payment which may thereafter accrue if such change, in the judgment of such Lender, is not otherwise disadvantageous to such Lender.

(g) Without prejudice to the survival of any other agreement of the Credit Parties hereunder, the agreements and obligations of the Credit Parties contained in this

Section 3.11 shall survive the repayment of the Loans, LOC Obligations and other obligations under the Credit Documents and the termination of the Commitments hereunder.

3.12 COMPENSATION.

Upon the request of any Lender, the Borrower shall pay to such Lender such amount or amounts as shall be sufficient (in the reasonable opinion of such Lender) to compensate it for any loss, cost, or expense (excluding loss of anticipated profits) incurred by it as a result of:

(a) any payment, prepayment, or Conversion of a Eurodollar Loan for any reason (including, without limitation, (i) in connection with any assignment by Bank of America pursuant to Section 11.3(b) as part of the primary syndication of the Loans during the 180-day period immediately following the Closing Date and (ii) the acceleration of the Loans pursuant to Section 9.2) on a date other than the last day of the Interest Period for such Loan; or

(b) any failure by the Borrower for any reason (including, without limitation, the failure of any condition precedent specified in Section 5 to be satisfied) to borrow, Convert, Continue, or prepay a Eurodollar Loan on the date for such borrowing, Conversion, Continuation, or prepayment specified in the relevant notice of borrowing, prepayment, Continuation, or Conversion under this Credit Agreement.

With respect to Eurodollar Loans, such indemnification may include an amount equal to the excess, if any, of (a) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, Converted or Continued, for the period from the date of such prepayment or of such failure to borrow, Convert or Continue to the last day of the applicable Interest Period (or, in the case of a failure to borrow, Convert or Continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Eurodollar Loans provided for herein (excluding, however, the Applicable Percentage included therein, if any) over (b) the amount of interest (as reasonably determined by such Lender) which would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Eurodollar market. The covenants of the Borrower set forth in this Section 3.12 shall survive the repayment of the Loans, LOC Obligations and other obligations under the Credit Documents and the termination of the Commitments hereunder.

3.13 PRO RATA TREATMENT.

Except to the extent otherwise provided herein:

(a) Loans. Each Loan, each payment or (subject to the terms of Section 3.3) prepayment of principal of any Loan or reimbursement obligations arising from drawings under Letters of Credit, each payment of interest on the Loans or reimbursement obligations arising from drawings under Letters of Credit, each payment of Unused Fees, each payment of the Standby Letter of Credit Fee, each payment of the Trade Letter of Credit Fee, each reduction of the Revolving Committed Amount and each conversion or extension of any Loan, shall be allocated pro rata among the Lenders in accordance with the respective

principal amounts of their outstanding Loans of the applicable type and Participation Interests in Loans of the applicable type and Letters of Credit.

(b) Advances. No Lender shall be responsible for the failure or delay by any other Lender in its obligation to make its ratable share of a borrowing hereunder; provided, however, that the failure of any Lender to fulfill its obligations hereunder shall not relieve any other Lender of its obligations hereunder. Unless the Agent shall have been notified by any Lender prior to the date of any requested borrowing that such Lender does not intend to make available to the Agent its ratable share of such borrowing to be made on such date, the Agent may assume that such Lender has made such amount available to the Agent on the date of such borrowing, and the Agent in reliance upon such assumption, may (in its sole discretion but without any obligation to do so) make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Agent, the Agent shall be able to recover such corresponding amount from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Agent's demand therefor, the Agent will promptly notify the Borrower, and the Borrower shall within 3 Business Days after demand pay such corresponding amount to the Agent. The Agent shall also be entitled to recover from the Lender or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Agent to the Borrower to the date such corresponding amount is recovered by the Agent at a per annum rate equal to (i) from the Borrower at the applicable rate for the applicable borrowing pursuant to the Notice of Borrowing and (ii) from a Lender at the Federal Funds Rate.

3.14 SHARING OF PAYMENTS.

The Lenders agree among themselves that, in the event that any Lender shall obtain payment in respect of any Loan, LOC Obligations or any other obligation owing to such Lender under this Credit Agreement through the exercise of a right of setoff, banker's lien or counterclaim, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, in excess of its pro rata share of such payment as provided for in this Credit Agreement, such Lender shall promptly purchase from the other Lenders a Participation Interest in such Loans, LOC Obligations and other obligations in such amounts, and make such other adjustments from time to time, as shall be equitable to the end that all Lenders share such payment in accordance with their respective ratable shares as provided for in this Credit Agreement. The Lenders further agree among themselves that if payment to a Lender obtained by such Lender through the exercise of a right of setoff, banker's lien, counterclaim or other event as aforesaid shall be rescinded or must otherwise be restored, each Lender which shall have shared the benefit of such payment shall, by repurchase of a Participation Interest theretofore sold, return its share of that benefit (together with its share of any accrued interest payable with respect thereto) to each Lender whose payment shall have been rescinded or otherwise restored. The Borrower agrees that any Lender so purchasing such a Participation Interest may, to the fullest extent permitted by law, exercise all rights of payment, including setoff, banker's lien or counterclaim, with respect to such Participation Interest as fully as if such Lender were a holder of such Loan, LOC Obligations or other obligation in the amount of such Participation Interest. Except as otherwise expressly provided in this Credit Agreement, if any Lender shall fail to remit to the Agent or any other Lender an amount payable by

such Lender to the Agent or such other Lender pursuant to this Credit Agreement on the date when such amount is due, such payments shall be made together with interest thereon for each date from the date such amount is due until the date such amount is paid to the Agent or such other Lender at a rate per annum equal to the Federal Funds Rate. If under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a setoff to which this Section 3.14 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders under this Section 3.14 to share in the benefits of any recovery on such secured claim.

3.15 PAYMENTS, COMPUTATIONS, ETC.

(a) Generally. Except as otherwise specifically provided herein, all payments hereunder shall be made to the Agent in Dollars in immediately available funds, without setoff, deduction, counterclaim or withholding of any kind, at the Agent's office specified in Schedule 2.1(a) not later than 2:00 P.M. (Charlotte, North Carolina time) on the date when due. Payments received after such time shall be deemed to have been received on the next succeeding Business Day. The Borrower shall, at the time it makes any payment under this Credit Agreement, specify to the Agent the Loans, LOC Obligations, Fees, interest or other amounts payable by the Borrower hereunder to which such payment is to be applied (and in the event that it fails so to specify, the Agent shall distribute such payments first to Swingline Loans and second to Revolving Loans (first to Base Rate Loans and then to Eurodollar Loans in direct order of Interest Period maturities), and, after all Revolving Loans have been repaid, to a cash collateral account in respect of LOC Obligations. The Agent will distribute such payments to such Lenders, if any such payment is received prior to 2:00 P.M. (Charlotte, North Carolina time) on a Business Day in like funds as received prior to the end of such Business Day and otherwise the Agent will distribute such payment to such Lenders on the next succeeding Business Day. Whenever any payment hereunder shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day (subject to accrual of interest and Fees for the period of such extension), except that in the case of Eurodollar Loans, if the extension would cause the payment to be made in the next following calendar month, then such payment shall instead be made on the next preceding Business Day. Except as expressly provided otherwise herein, all computations of interest and fees shall be made on the basis of actual number of days elapsed over a year of 360 days, except with respect to computation of interest on Base Rate Loans which shall be calculated based on a year of 365 or 366 days, as appropriate. Interest shall accrue from and include the date of borrowing, but exclude the date of payment.

(b) Allocation of Payments After Event of Default. Notwithstanding any other provisions of this Credit Agreement to the contrary, after acceleration of the Credit Party Obligations pursuant to Section 9.2, all amounts collected or received by the Agent or any Lender on account of the Credit Party Obligations or any other amounts outstanding under any of the Credit Documents or in respect of the Collateral shall be paid over or delivered as follows:

FIRST, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation reasonable attorneys' fees) of the Agent in connection with enforcing the rights of the Lenders under the Credit Documents and any protective advances made by the Agent with respect to the Collateral under or pursuant to the terms of the Collateral Documents;

SECOND, to payment of any fees owed to the Agent;

THIRD, to the payment of all of the Credit Party Obligations consisting of accrued fees and interest;

FOURTH, to the payment of the outstanding principal amount of the Credit Party Obligations (including the payment or cash collateralization of the outstanding LOC Obligations);

FIFTH, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation, reasonable attorneys' fees) of each of the Lenders in connection with enforcing its rights under the Credit Documents or otherwise with respect to the Credit Party Obligations owing to such Lender;

SIXTH, to all other Credit Party Obligations and other obligations which shall have become due and payable under the Credit Documents or otherwise and not repaid pursuant to clauses "FIRST" through "FIFTH" above; and

SEVENTH, to the payment of the surplus, if any, to whomever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (i) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category; (ii) each of the Lenders shall receive an amount equal to its pro rata share (based on the proportion that the then outstanding Loans and LOC Obligations held by such Lender bears to the aggregate then outstanding Loans and LOC Obligations) of amounts available to be applied pursuant to clauses "THIRD", "FOURTH", "FIFTH" and "SIXTH" above; and (iii) to the extent that any amounts available for distribution pursuant to clause "FIFTH" above are attributable to the issued but undrawn amount of outstanding Letters of Credit, such amounts shall be held by the Agent in a cash collateral account and applied (A) first, to reimburse the Issuing Lender(s) from time to time for any drawings under such Letters of Credit and (B) then, following the expiration of all Letters of Credit, to all other obligations of the types described in clauses "FIFTH" and "SIXTH" above in the manner provided in this Section 3.15(b).

3.16 EVIDENCE OF DEBT.

(a) Each Lender shall maintain an account or accounts evidencing each Loan made by such Lender to the Borrower from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Credit Agreement. Each Lender will make reasonable efforts to maintain the accuracy of its account or accounts and to promptly update its account or accounts from time to time, as necessary.

(b) The Agent shall maintain the Register pursuant to Section 11.3(c), and a subaccount for each Lender, in which Register and subaccounts (taken together) shall be recorded (i) the amount, type and Interest Period of each such Loan hereunder, (ii) the

amount of any principal or interest due and payable or to become due and payable to each Lender hereunder and (iii) the amount of any sum received by the Agent hereunder from or for the account of any Credit Party and each Lender's share thereof. The Agent will make reasonable efforts to maintain the accuracy of the subaccounts referred to in the preceding sentence and to promptly update such subaccounts from time to time, as necessary.

(c) The entries made in the accounts, Register and subaccounts maintained pursuant to clause (b) of this Section 3.16 (and, if consistent with the entries of the Agent, clause (a)) shall be prima facie evidence of the existence and amounts of the obligations of the Credit Parties therein recorded; provided, however, that the failure of any Lender or the Agent to maintain any such account, such Register or such subaccount, as applicable, or any error therein, shall not in any manner affect the obligation of the Credit Parties to repay the Credit Party Obligations owing to such Lender.

3.17 REPLACEMENT OF AFFECTED LENDERS.

If any Lender having a Revolving Commitment becomes a Defaulting Lender or otherwise defaults in its Revolving Commitment or if any Lender is owed increased costs under Section 3.6, Section 3.8, Section 3.9, or, or the Borrower is required to make any payments under Section 3.11 to any Lender in excess of those to the other Lenders or if any Lender elects not to enter into any amendment, modification, consent or waiver with respect to the Credit Agreement or any other Credit Document requested by the Borrower, which amendment, modification, consent or waiver cannot become effective without the consent of such Lender, the Borrower shall have the right, if no Event of Default then exists, to replace such Lender (the "Replaced Lender") with one or more other Eligible Assignee or Eligible Assignees, none of whom shall constitute a Defaulting Lender at the time of such replacement (collectively, the "Replacement Lender"), provided that (i) at the time of any replacement pursuant to this Section 3.17, the Replaced Lender and Replacement Lender shall enter into an Assignment and Acceptance in the form of Exhibit 11.3(b), pursuant to which the Replacement Lender shall acquire all or a portion, as the case may be, of the Commitments and outstanding Loans of, and participation in Letters of Credit by, the Replaced Lender and (ii) all obligations of the Borrower owing to the Replaced Lender relating to the Loans so replaced (including, without limitation, such increased costs and excluding those specifically described in clause (i) above in respect of which the assignment purchase price has been, or is concurrently being paid) shall be paid in full to such Replaced Lender concurrently with such replacement. Upon the execution of the assignment documentation, the payment of amounts referred to in clauses (i) and (ii) above and, if so requested by the Replacement Lender, delivery to the Replacement Lender of the appropriate Note or Notes executed by the Borrower, the Replacement Lender shall become a Lender hereunder and the Replaced Lender shall cease to constitute a Lender hereunder with respect to such replaced Loans, except with respect to indemnification provisions under this Agreement, which shall survive as to such Replaced Lender. Notwithstanding anything to the contrary contained above, (1) any Lender that acts as an Issuing Lender may not be replaced hereunder at any time that it has Letters of Credit outstanding hereunder unless arrangements satisfactory to such Lender (including the furnishing of a back-up standby letter of credit in form and substance, and issued by an issuer satisfactory to such Lender or the depositing of cash collateral into a cash collateral account maintained with the Agent in amounts and pursuant to arrangements satisfactory to such Lender) have been made with respect to such outstanding Letters of Credit and (2) the Lender that acts as the Agent may not be replaced hereunder except in accordance

with the terms of Section 10.7. The Replaced Lender shall be required to deliver for cancellation its applicable Notes to be canceled on the date of replacement, or if any such Note is lost or unavailable, such other assurances or indemnification therefor as the Borrower may reasonably request.

SECTION 4

GUARANTY

4.1 THE GUARANTY.

Each of the Guarantors hereby jointly and severally guarantees to each Lender, each Affiliate of a Lender that enters into a Hedging Agreement, and the Agent as hereinafter provided, as primary obligor and not as surety, the prompt payment of the Credit Party Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration, as a mandatory cash collateralization or otherwise) strictly in accordance with the terms thereof. The Guarantors hereby further agree that if any of the Credit Party Obligations are not paid in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration, as a mandatory cash collateralization or otherwise), the Guarantors will, jointly and severally, promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Credit Party Obligations, the same will be promptly paid in full when due (whether at extended maturity, as a mandatory prepayment, by acceleration, as a mandatory cash collateralization or otherwise) in accordance with the terms of such extension or renewal.

Notwithstanding any provision to the contrary contained herein or in any other of the Credit Documents or Hedging Agreements, the obligations of each Guarantor under this Credit Agreement and the other Credit Documents shall be limited to an aggregate amount equal to the largest amount that would not render such obligations subject to avoidance under Section 548 of the Bankruptcy Code or any comparable provisions of any applicable state law.

4.2 OBLIGATIONS UNCONDITIONAL.

The obligations of the Guarantors under Section 4.1 are joint and several, absolute and unconditional, irrespective of the value, genuineness, validity, regularity or enforceability of any of the Credit Documents or Hedging Agreements, or any other agreement or instrument referred to therein, or any substitution, release, impairment or exchange of any other guarantee of or security for any of the Credit Party Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 4.2 that the obligations of the Guarantors hereunder shall be absolute and unconditional under any and all circumstances. Each Guarantor agrees that such Guarantor shall have no right of subrogation, indemnity, reimbursement or contribution against the Borrower or any other Guarantor for amounts paid under this Section 4 until such time as the Credit Party Obligations have been Fully Satisfied. Without limiting the generality of the foregoing, it is agreed that, to the fullest extent permitted by law, the occurrence of any one or more of the following shall not alter or impair the liability of any Guarantor hereunder which shall remain absolute and unconditional as described above:

(a) at any time or from time to time, without notice to any Guarantor, the time for any performance of or compliance with any of the Credit Party Obligations shall be extended, or such performance or compliance shall be waived;

(b) any of the acts mentioned in any of the provisions of any of the Credit Documents, any Hedging Agreement between the Borrower and any Lender, or any Affiliate of a Lender, or any other agreement or instrument referred to in the Credit Documents or such Hedging Agreements shall be done or omitted;

(c) the maturity of any of the Credit Party Obligations shall be accelerated, or any of the Credit Party Obligations shall be modified, supplemented or amended in any respect, or any right under any of the Credit Documents, any Hedging Agreement between the Borrower and any Lender, or any Affiliate of a Lender, or any other agreement or instrument referred to in the Credit Documents or such Hedging Agreements shall be waived or any other guarantee of any of the Credit Party Obligations or any security therefor shall be released, impaired or exchanged in whole or in part or otherwise dealt with;

(d) any Lien granted to, or in favor of, the Agent or any Lender or Lenders as security for any of the Credit Party Obligations shall fail to attach or be perfected; or

(e) any of the Credit Party Obligations shall be determined to be void or voidable (including, without limitation, for the benefit of any creditor of any Guarantor) or shall be subordinated to the claims of any Person (including, without limitation, any creditor of any Guarantor).

With respect to its obligations hereunder, each Guarantor hereby expressly waives diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Agent or any Lender exhaust any right, power or remedy or proceed against any Person under any of the Credit Documents, any Hedging Agreement between the Borrower and any Lender, or any Affiliate of a Lender, or any other agreement or instrument referred to in the Credit Documents or such Hedging Agreements, or against any other Person under any other guarantee of, or security for, any of the Credit Party Obligations.

4.3 REINSTATEMENT.

The obligations of the Guarantors under this Section 4 shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Person in respect of the Credit Party Obligations is rescinded or must be otherwise restored by any holder of any of the Credit Party Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and each Guarantor agrees that it will indemnify the Agent and each Lender on demand for all reasonable costs and expenses (including, without limitation, fees and expenses of counsel) incurred by the Agent or such Lender in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

4.4 CERTAIN ADDITIONAL WAIVERS.

In the event that North Carolina law is determined to be controlling in any legal action or proceeding with respect to this Section 4 notwithstanding the parties' contractual choice of New York law pursuant to Section 11.10(a), each Guarantor hereby specifically waives the benefits of N.C. Gen. Stat. Sections 26-7 through 26-9, inclusive, to the extent applicable. Each Guarantor further agrees that such Guarantor shall have no right of recourse to security for the Credit Party Obligations, except through the exercise of rights of subrogation pursuant to Section 4.2 and through the exercise of rights of contribution pursuant to Section 4.6.

4.5 REMEDIES.

The Guarantors agree that, to the fullest extent permitted by law, as between the Guarantors, on the one hand, and the Agent and the Lenders, on the other hand, the Credit Party Obligations may be declared to be forthwith due and payable as provided in Section 9.2 (and shall be deemed to have become automatically due and payable in the circumstances provided in said Section 9.2) for purposes of Section 4.1 notwithstanding any stay, injunction or other prohibition preventing such declaration (or preventing the Credit Party Obligations from becoming automatically due and payable) as against any other Person and that, in the event of such declaration (or the Credit Party Obligations being deemed to have become automatically due and payable), the Credit Party Obligations (whether or not due and payable by any other Person) shall forthwith become due and payable by the Guarantors for purposes of Section 4.1. The Guarantors acknowledge and agree that their obligations hereunder are secured in accordance with the terms of the Collateral Documents and that the Lenders may exercise their remedies thereunder in accordance with the terms thereof.

4.6 RIGHTS OF CONTRIBUTION.

The Guarantors hereby agree as among themselves that, if any Guarantor shall make an Excess Payment (as defined below), such Guarantor shall have a right of contribution from each other Guarantor in an amount equal to such other Guarantor's Contribution Share (as defined below) of such Excess Payment. The payment obligations of any Guarantor under this Section 4.6 shall be subordinate and subject in right of payment to the Credit Party Obligations until such time as the Credit Party Obligations have been Fully Satisfied, and none of the Guarantors shall exercise any right or remedy under this Section 4.6 against any other Guarantor until such Credit Party Obligations have been Fully Satisfied. For purposes of this Section 4.6, (a) "Excess Payment" shall mean the amount paid by any Guarantor in excess of its Pro Rata Share of any Credit Party Obligations; (b) "Pro Rata Share" shall mean, for any Guarantor in respect of any payment of Credit Party Obligations, the ratio (expressed as a percentage) as of the date of such payment of Credit Party Obligations of (i) the amount by which the aggregate present fair salable value on a going concern basis of all of its assets and properties exceeds the amount of all debts and liabilities of such Guarantor (including contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of such Guarantor hereunder) to (ii) the amount by which the aggregate present fair salable value on a going concern basis of all assets and other properties of all of the Credit Parties exceeds the amount of all of the debts and liabilities (including contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of the Credit Parties hereunder) of the Credit Parties; provided, however, that, for purposes of calculating the Pro Rata Shares of the Guarantors in respect of any payment of Credit Party Obligations, any Guarantor that became a Guarantor subsequent to the date of any such payment shall be deemed to

have been a Guarantor on the date of such payment and the financial information for such Guarantor as of the date such Guarantor became a Guarantor shall be utilized for such Guarantor in connection with such payment; and (e) "Contribution Share" shall mean, for any Guarantor in respect of any Excess Payment made by any other Guarantor, the ratio (expressed as a percentage) as of the date of such Excess Payment of (i) the amount by which the aggregate present fair salable value on a going concern basis of all of its assets and properties exceeds the amount of all debts and liabilities of such Guarantor (including contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of such Guarantor hereunder) to (ii) the amount by which the aggregate present fair salable value on a going concern basis of all assets and other properties of the Credit Parties other than the maker of such Excess Payment exceeds the amount of all of the debts and liabilities (including contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of the Credit Parties) of the Credit Parties other than the maker of such Excess Payment; provided, however, that, for purposes of calculating the Contribution Shares of the Guarantors in respect of any Excess Payment, any Guarantor that became a Guarantor subsequent to the date of any such Excess Payment shall be deemed to have been a Guarantor on the date of such Excess Payment and the financial information for such Guarantor as of the date such Guarantor became a Guarantor shall be utilized for such Guarantor in connection with such Excess Payment. This Section 4.6 shall not be deemed to affect any right of subrogation, indemnity, reimbursement or contribution that any Guarantor may have under applicable law against the Borrower in respect of any payment of Credit Party Obligations. Notwithstanding the foregoing, all rights of contribution against any Guarantor shall terminate from and after such time, if ever, that such Guarantor shall be relieved of its obligations pursuant to Section 8.5.

4.7 GUARANTEE OF PAYMENT; CONTINUING GUARANTEE.

The guarantee in this Section 4 is a guaranty of payment and not of collection, is a continuing guarantee, and shall apply to all Credit Party Obligations whenever arising.

SECTION 5

CONDITIONS

5.1 CLOSING CONDITIONS.

The obligation of the Lenders to enter into this Credit Agreement and to make the initial Loans or the applicable Issuing Lender to issue the initial Letter of Credit, whichever shall occur first, shall be subject to satisfaction of the following conditions:

(a) Executed Credit Documents. Receipt by the Agent of duly executed copies of: (i) this Credit Agreement, (ii) the Notes, (iii) the Security Agreement and (iv) the Agent's Fee Letter.

(b) Corporate Documents. Receipt by the Agent of the following:

(i) Charter Documents. Copies of the articles or certificates of incorporation or other charter documents of each Credit Party certified to be true and complete as of a recent date by the appropriate Governmental Authority of the state

or other jurisdiction of its incorporation and certified by a secretary or assistant secretary of such Credit Party to be true and correct as of the Closing Date.

(ii) Bylaws. A copy of the bylaws of each Credit Party certified by a secretary or assistant secretary of such Credit Party to be true and correct as of the Closing Date.

(iii) Resolutions. Copies of resolutions of the Board of Directors of each Credit Party approving and adopting the Credit Documents to which it is a party, the transactions contemplated therein and authorizing execution and delivery thereof, certified by a secretary or assistant secretary of such Credit Party to be true and correct and in force and effect as of the Closing Date.

(iv) Good Standing. Copies of (A) certificates of good standing, existence or its equivalent with respect to each Credit Party certified as of a recent date by the appropriate Governmental Authorities of the state or other jurisdiction of incorporation and the state or other jurisdiction of the chief executive office and principal place of business and (B) to the extent available, a certificate indicating payment of all corporate or comparable franchise taxes certified as of a recent date by the appropriate governmental taxing authorities.

(v) Incumbency. An incumbency certificate of each Credit Party certified by a secretary or assistant secretary to be true and correct as of the Closing Date.

(c) Opinions of Counsel. The Agent shall have received, in each case dated as of the Closing Date:

(i) a legal opinion of Paul, Weiss, Rifkind, Wharton & Garrison, in form and substance reasonably satisfactory to the Agent; and

(ii) a legal opinion of special Nevada counsel for the Borrower, in form and substance reasonably satisfactory to the Agent.

(d) Personal Property Collateral. The Agent shall have received:

(i) searches of Uniform Commercial Code filings in the jurisdiction of the chief executive office of each Credit Party and each jurisdiction where any Collateral is located or where a filing would need to be made in order to perfect the Agent's security interest in the Collateral, copies of the financing statements on file in such jurisdictions and evidence that no Liens exist other than Permitted Liens;

(ii) duly executed UCC financing statements for each appropriate jurisdiction as is necessary, in the Agent's sole discretion, to perfect the Agent's security interest in the Collateral;

(iii) searches of ownership of, and Liens on, intellectual property of each Credit Party in the appropriate governmental offices;

(iv) all certificates evidencing any certificated Capital Stock pledged to the Agent pursuant to the Pledge Agreement, together with duly executed in blank, undated stock powers attached thereto;

(v) such patent/trademark/copyright filings as requested by the Agent in order to perfect the Agent's security interest in the Collateral;

(vi) all instruments and chattel paper in the possession of any of the Credit Parties, together with allonges or assignments as may be necessary or appropriate to perfect the Agent's security interest in the Collateral; and

(vii) duly executed consents as are necessary, in the Agent's sole discretion, to perfect the Agent's security interest in the Collateral.

(e) Initial Public Offering and Receipt of Proceeds. The Initial Public Offering shall have been consummated and the Agent shall be satisfied that the Parent shall have contributed not less than $125,000,000 in cash to the Borrower, on terms and conditions reasonably acceptable to the Agent.

(f) Litigation. There shall not exist any pending or threatened in writing action, suit, investigation or proceeding against the Parent or any Consolidated Party that could reasonably be expected to have a Material Adverse Effect.

(g) Repayment of Term Loans and Acquisition Loans. The Term Loans and the Acquisition Loans (as such terms are defined in the Existing Credit Agreement) shall have been paid in full.

(h) Repayment of Subordinated Note Agreement. The obligations of the Parent under the Subordinated Note Agreement (as defined in the Existing Credit Agreement) shall have been paid in full.

(i) Other Indebtedness. Receipt by the Agent of evidence that, after giving effect to the Initial Public Offering, the Parent and the Consolidated Parties shall have no Funded Indebtedness other than Indebtedness permitted under Section 8.1.

(j) Officer's Certificates. The Agent shall have received a certificate or certificates executed by an Executive Officer of the Borrower as of the Closing Date, in form and substance reasonably satisfactory to the Agent, stating that (i) all governmental, shareholder and third party consents and approvals, if any, with respect to the Credit Documents and the transactions contemplated thereby have been obtained, (ii) no action, suit, investigation or proceeding is pending or threatened in any court or before any arbitrator or governmental instrumentality that purports to affect any Credit Party or any transaction contemplated by the Credit Documents, if such action, suit, investigation or proceeding could reasonably be expected to have a Material Adverse Effect and (iii) (A) no Default or Event of Default exists and (B) all representations and warranties contained

herein and in the other Credit Documents are true and correct in all material respects as of the Closing Date (except for such representations and warranties which expressly relate to an earlier date).

(k) Fees and Expenses. Payment by the Credit Parties to the Lenders and the Agent of all fees and expenses relating to the Credit Facility which are due and payable on the Closing Date, including, without limitation, payment to the Agent of the fees set forth in the Agent's Fee Letter.

(l) Other. Receipt by the Agent of such other documents, instruments, agreements or information as reasonably requested by the Agent, including, but not limited to, information regarding litigation, tax, accounting, labor, insurance, pension liabilities (actual or contingent), real estate leases, material contracts, debt agreements, property ownership and contingent liabilities of the Parent and the Consolidated Parties.

5.2 CONDITIONS TO ALL EXTENSIONS OF CREDIT.

The obligations of each Lender to make, convert or extend any Loan and of the applicable Issuing Lender to issue or extend any Letter of Credit (including the initial Loans and the initial Letter of Credit) are subject to satisfaction of the following conditions in addition to satisfaction on the Closing Date of the conditions set forth in Section 5.1:

(a) The Borrower shall have delivered (i) in the case of any Revolving Loan, an appropriate Notice of Borrowing or Notice of Extension/Conversion or (ii) in the case of any Letter of Credit, the applicable Issuing Lender shall have received an appropriate request for issuance in accordance with the provisions of Section 2.2(b);

(b) The representations and warranties set forth in Section 6 shall, subject to the limitations set forth therein, be true and correct in all material respects as of such date (except for those which expressly relate to an earlier date);

(c) There shall not have been commenced against the Parent or any Consolidated Party an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or any case, proceeding or other action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of such Person or for any substantial part of its Property or for the winding up or liquidation of its affairs, and such involuntary case or other case, proceeding or other action shall remain undismissed, undischarged or unbonded;

(d) No Default or Event of Default shall exist and be continuing either prior to or after giving effect thereto; and

(e) Immediately after giving effect to the making of such Loan (and the application of the proceeds thereof) or to the issuance of such Letter of Credit, as the case may be, (i) the sum of the aggregate outstanding principal amount of Revolving Loans plus LOC Obligations plus Swingline Loans shall not exceed the Revolving Committed Amount and (ii) the LOC Obligations shall not exceed the LOC Committed Amount.

The delivery of each Notice of Borrowing, each Notice of Extension/Conversion and each request for a Letter of Credit pursuant to Section 2.2(b) shall constitute a representation and warranty by the Credit Parties of the correctness of the matters specified in clauses (b), (c), (d) and (e) above.

SECTION 6

REPRESENTATIONS AND WARRANTIES

The Credit Parties hereby represent to the Agent and each Lender that:

6.1 FINANCIAL CONDITION.

(a) The audited consolidated balance sheets and income statements of the Consolidated Parties for the fiscal year ended December 31, 2000 (including the notes thereto) (i) have been audited by KPMG Peat Marwick, (ii) have been prepared in accordance with GAAP consistently applied throughout the periods covered thereby and (iii) present fairly in all material respects (on the basis disclosed in the footnotes to such financial statements) the consolidated financial condition, results of operations and cash flows of the Consolidated Parties as of such date and for such periods. The unaudited interim balance sheets of the Consolidated Parties as at the end of, and the related unaudited interim statements of earnings and of cash flows for, each fiscal quarterly period ended after December 31, 2000 and prior to the Closing Date (i) have been prepared in accordance with GAAP consistently applied throughout the periods covered thereby, and (ii) present fairly in all material respects the consolidated and consolidating financial condition, results of operations and cash flows of the Consolidated Parties as of such date and for such periods except that they do not contain the materials and disclosures to be found in notes to financial statements prepared in accordance with GAAP nor do they reflect year-end adjustments. During the period from December 31, 2000 to and including the Closing Date, there has been no sale, transfer or other disposition by any Consolidated Party of any material part of the business or property of the Consolidated Parties, taken as a whole, and no purchase or other acquisition (other than O'Grady Peyton International (USA), Inc. and its subsidiaries) by any of them of any business or property (including any Capital Stock of any other Person) material in relation to the consolidated financial condition of the Consolidated Parties, taken as a whole, in each case, which is not reflected in the foregoing financial statements or in the notes thereto. Except as set forth on Schedule 6.1(a), as of the Closing Date, the Borrower and its Subsidiaries have no material liabilities (contingent or otherwise) that are not reflected in the foregoing financial statements or in the notes thereto.

(b) The financial statements delivered pursuant to Section 7.1(a) and (b) have been prepared in accordance with GAAP (except as may otherwise be permitted under Section 7.1(a) and (b)) and present fairly in all material respects (on the basis disclosed in the footnotes, if any, to such financial statements) the consolidated and consolidating financial condition, results of operations and cash flows of the Consolidated Parties as of such date and for such periods.

6.2 NO MATERIAL CHANGE.

Since June 30, 2001, there has been no development or event relating to or affecting the Parent or any Consolidated Party which has had or could reasonably be expected to have a Material Adverse Effect.

6.3 ORGANIZATION AND GOOD STANDING.

Each of the Parent and the Consolidated Parties (a) is duly organized, validly existing and is in good standing under the laws of the jurisdiction of its incorporation or organization, (b) has the corporate or other necessary power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged and (c) is duly qualified as a foreign entity and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification, other than in such jurisdictions where the failure to be so qualified and in good standing could not reasonably be expected to have a Material Adverse Effect.

6.4 POWER; AUTHORIZATION; ENFORCEABLE OBLIGATIONS.

Each of the Credit Parties has the corporate or other necessary power and authority, and the legal right, to make, deliver and perform the Credit Documents to which it is a party, and in the case of the Borrower, to obtain extensions of credit hereunder, and has taken all necessary corporate or other necessary action to authorize the borrowings and other extensions of credit on the terms and conditions of this Credit Agreement and to authorize the execution, delivery and performance of the Credit Documents to which it is a party. No consent or authorization of, filing with, notice to or other similar act by or in respect of, any Governmental Authority or any other Person is required to be obtained or made by or on behalf of any Credit Party in connection with the borrowings or other extensions of credit hereunder, with the execution, delivery, performance, validity or enforceability of the Credit Documents to which such Credit Party is a party, except for (i) consents, authorizations, notices and filings described in Schedule 6.4, all of which have been obtained or made or have the status described in such Schedule 6.4 and (ii) filings to perfect the Liens created by the Collateral Documents. This Credit Agreement has been, and each other Credit Document to which any Credit Party is a party will be, duly executed and delivered on behalf of the Credit Parties. This Credit Agreement constitutes, and each other Credit Document to which any Credit Party is a party when executed and delivered will constitute, a legal, valid and binding obligation of such Credit Party enforceable against such party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

6.5 NO CONFLICTS.

Neither the execution and delivery of the Credit Documents, nor the consummation of the transactions contemplated therein, nor performance of and compliance with the terms and provisions thereof by such Credit Party will (a) violate or conflict with any provision of its articles or certificate of incorporation or bylaws or other organizational or governing documents of such Person, (b) violate, contravene or materially conflict with any material Requirement of Law or any other law, regulation (including, without limitation, Regulation U or Regulation X), order, writ,

judgment, injunction, decree or permit applicable to it, (c) violate, contravene or conflict with contractual provisions of, or cause an event of default under, any indenture, loan agreement, mortgage, deed of trust, contract or other agreement or instrument to which it is a party or by which it may be bound, the violation, contravention, conflict or default of which could reasonably be expected to have a Material Adverse Effect, or (d) result in or require the creation of any Lien (other than Permitted Liens) upon or with respect to its properties.

6.6 NO DEFAULT.

Neither the Parent nor any Consolidated Party is in default in any respect under any contract, lease, loan agreement, indenture, mortgage, security agreement or other agreement or obligation to which it is a party or by which any of its properties is bound which default could have a Material Adverse Effect. No Default or Event of Default has occurred or exists except as previously disclosed in writing to the Agent.

6.7 OWNERSHIP.

Except to the extent the failure of which could not reasonably be expected to have a Material Adverse Effect, each of the Parent and the Consolidated Parties is the owner of, and has good and marketable title to, or a valid leasehold interest in, all of its respective assets shown on the balance sheet dated June 30, 2001 and all assets and properties acquired since the date of such balance sheet, except for such properties as are no longer used or useful in the conduct of such Person's business or as have been disposed of in the ordinary course of business or as otherwise permitted by this Credit Agreement, and except for minor defects in title that do not interfere with the ability of such Person to conduct its business as now conducted, and none of such assets is subject to any Lien other than Permitted Liens.

6.8 INDEBTEDNESS.

Except as otherwise permitted under Section 8.1, the Parent and the Consolidated Parties have no Indebtedness.

6.9 LITIGATION.

Except as disclosed in Schedule 6.9, there are no actions, suits or legal, equitable, arbitration or administrative proceedings, pending or, to the knowledge of any Executive Officer of any Credit Party, threatened in writing against the Parent or any Consolidated Party which could reasonably be expected to have a Material Adverse Effect.

6.10 TAXES.

Each of the Parent and the Consolidated Parties has filed, or caused to be filed, all material tax returns (Federal, state, local and foreign) required to be filed and paid (a) all amounts of taxes shown thereon to be due (including interest and penalties) and (b) all other material taxes, fees, assessments and other governmental charges (including mortgage recording taxes, documentary stamp taxes and intangibles taxes) owing by it, except for such taxes (i) which are not yet delinquent or (ii) that are being contested in good faith and by proper proceedings, and against which adequate reserves are being maintained in accordance with GAAP. No Credit Party is aware

as of the Closing Date of any proposed tax assessments by any taxing authority against the Parent or any Consolidated Party.

6.11 COMPLIANCE WITH LAW.

Each of the Parent and the Consolidated Parties is in compliance with all Requirements of Law and all other laws, rules, regulations, orders and decrees (including without limitation Environmental Laws) applicable to it, or to its properties, unless such failure to comply could not reasonably be expected to have a Material Adverse Effect. No Requirement of Law could reasonably be expected to cause a Material Adverse Effect.

6.12 ERISA.

Except as disclosed and described in Schedule 6.12 attached hereto:

(a) During the five-year period prior to the date on which this representation is made or deemed made: (i) no ERISA Event has occurred, and, to the best knowledge of the Executive Officers of the Credit Parties, no event or condition has occurred or exists as a result of which any ERISA Event could reasonably be expected to occur, with respect to any Plan; (ii) no "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, has occurred with respect to any Plan; (iii) each Plan has been maintained, operated, and funded in compliance with its own terms and in material compliance with the provisions of ERISA, the Code, and any other applicable Federal or state laws; and (iv) no lien in favor of the PBGC or a Plan has arisen or is reasonably likely to arise on account of any Plan.

(b) The actuarial present value of all "benefit liabilities" (as defined in Section 4001(a)(16) of ERISA), whether or not vested, under each Single Employer Plan, as of the last annual valuation date prior to the date on which this representation is made or deemed made (determined, in each case, in accordance with Financial Accounting Standards Board Statement 87, utilizing the actuarial assumptions used in such Plan's most recent actuarial valuation report), did not exceed as of such valuation date the fair market value of the assets of such Plan.

(c) Neither the Parent, any Consolidated Party nor any ERISA Affiliate has incurred, or, to the best knowledge of the Executive Officers of the Credit Parties, could be reasonably expected to incur, any withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. Neither the Parent, any Consolidated Party nor any ERISA Affiliate would become subject to any withdrawal liability under ERISA if the Parent, any Consolidated Party or any ERISA Affiliate were to withdraw completely from all Multiemployer Plans and Multiple Employer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. Neither the Parent, any Consolidated Party nor any ERISA Affiliate has received any notification that any Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA), is insolvent (within the meaning of Section 4245 of ERISA), or has been terminated (within the meaning of Title IV of ERISA), and no Multiemployer Plan is, to the best knowledge of the Executive Officers of the Credit Parties, reasonably expected to be in reorganization, insolvent, or terminated.

(d) No prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility has occurred with respect to a Plan which has subjected or may subject the Parent, any Consolidated Party or any ERISA Affiliate to any liability under Sections 406, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which the Parent, any Consolidated Party or any ERISA Affiliate has agreed or is required to indemnify any Person against any such liability.

(e) Neither the Parent, any Consolidated Party nor any ERISA Affiliates has any material liability with respect to "expected post-retirement benefit obligations" within the meaning of the Financial Accounting Standards Board Statement 106. Each Plan which is a welfare plan (as defined in Section 3(1) of ERISA) to which Sections 601-609 of ERISA and Section 4980B of the Code apply has been administered in compliance in all material respects of such sections.

(f) Neither the execution and delivery of this Credit Agreement nor the consummation of the financing transactions contemplated thereunder will involve any transaction which is subject to the prohibitions of Sections 404, 406 or 407 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975 of the Code. The representation by the Credit Parties in the preceding sentence is made in reliance upon and subject to the accuracy of the Lenders' representation in Section 11.15 with respect to their source of funds and is subject, in the event that the source of the funds used by the Lenders in connection with this transaction is an insurance company's general asset account, to the application of Prohibited Transaction Class Exemption 95-60, 60 Fed. Reg. 35,925 (1995), compliance with the regulations issued under Section 401(c)(1)(A) of ERISA, or the issuance of any other prohibited transaction exemption or similar relief, to the effect that assets in an insurance company's general asset account do not constitute assets of an "employee benefit plan" within the meaning of Section 3(3) of ERISA or a "plan" within the meaning of Section 4975(e)(1) of the Code.

6.13 CORPORATE STRUCTURE; CAPITAL STOCK, ETC.

The capital and ownership structure of the Parent and the Consolidated Parties as of the Closing Date is as described in Schedule 6.13A. Set forth on Schedule 6.13B is a complete and accurate list as of the Closing Date with respect to the Borrower and each of its direct and indirect Subsidiaries of (i) jurisdiction of incorporation, (ii) number of shares of each class of Capital Stock outstanding, (iii) number and percentage of outstanding shares of each class owned (directly or indirectly) by the Parent and the Consolidated Parties and (iv) number and effect, if exercised, of all outstanding options, warrants, rights of conversion or purchase and all other similar rights with respect thereto. The outstanding Capital Stock of all such Persons is validly issued, fully paid and non-assessable and as of the Closing Date is owned by the Parent and the Consolidated Parties, directly or indirectly, in the manner set forth on Schedule 6.13B, free and clear of all Liens (other than Permitted Liens). As of the Closing Date, other than as set forth in Schedule 6.13B, neither the Borrower nor any of its Subsidiaries has outstanding any securities convertible into or exchangeable for its Capital Stock nor does any such Person have outstanding any rights to subscribe for or to purchase any options for the purchase of, or any agreements providing for the

issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, its Capital Stock.

6.14 GOVERNMENTAL REGULATIONS, ETC.

(a) None of the transactions contemplated by this Credit Agreement (including, without limitation, the direct or indirect use of the proceeds of the Loans) will violate or result in a violation of the Securities Act, the Securities Exchange Act or any of Regulations U and X. If requested by any Lender or the Agent, the Borrower will furnish to the Agent and each Lender a statement, in conformity with the requirements of FR Form U-1 referred to in Regulation U, that no part of the Letters of Credit or proceeds of the Loans will be used, directly or indirectly, for the purpose of "buying" or "carrying" any "margin stock" within the meaning of Regulations U and X, or for the purpose of purchasing or carrying or trading in any securities.

(b) Neither the Parent nor any of the Consolidated Parties is (i) an "investment company", or a company "controlled" by "investment company", within the meaning of the Investment Company Act of 1940, as amended, (ii) a "holding company" as defined in, or otherwise subject to regulation under, the Public Utility Holding Company Act of 1935, as amended or (iii) subject to regulation under any other Federal or state statute or regulation which limits its ability to incur Indebtedness.

6.15 PURPOSE OF LOANS AND LETTERS OF CREDIT.

The Borrower will use the proceeds of the Revolving Loans to provide for working capital and general corporate purposes of the Borrower and its Subsidiaries (including, without limitation, Permitted Acquisitions). The Letters of Credit shall be used only for or in connection with appeal bonds, reimbursement obligations arising in connection with surety and reclamation bonds, reinsurance, domestic or international trade transactions and obligations not otherwise aforementioned relating to transactions entered into by the applicable account party in the ordinary course of business.

6.16 ENVIRONMENTAL MATTERS.

Except as would not reasonably be expected to have a Material Adverse Effect:

(a) Each of the facilities and properties owned, leased or operated by the Parent and the Consolidated Parties (the "Real Properties") and all operations at the Real Properties are in compliance with all applicable Environmental Laws, there is no violation of any Environmental Law with respect to the Real Properties or the businesses operated by the Parent and the Consolidated Parties (the "Businesses"), and there are no conditions relating to the Real Properties or the Businesses that are reasonably likely to give rise to liability under any applicable Environmental Laws.

(b) None of the Real Properties contains, or has previously contained, any Materials of Environmental Concern at, on or under the Real Properties in amounts or concentrations that constitute or constituted a violation of, or are reasonably likely to give rise to liability under, Environmental Laws.

(c) Neither the Parent nor any Consolidated Party has received any written or verbal notice of, or inquiry from any Governmental Authority regarding, any violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Real Properties or the Businesses, nor does any Executive Officer of any Credit Party have knowledge or reason to believe that any such notice will be received or is being threatened.

(d) Materials of Environmental Concern have not been transported or disposed of from the Real Properties, or generated, treated, stored or disposed of at, on or under any of the Real Properties or any other location, in each case by or on behalf of the Parent or any Consolidated Party in violation of, or in a manner that are reasonably likely to give rise to liability under, any applicable Environmental Law.

(e) No judicial proceeding or governmental or administrative action is pending or, to the best knowledge of the Executive Officers of the Credit Parties, threatened, under any Environmental Law to which the Parent or any Consolidated Party is or will be named as a party, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Parent or the Consolidated Parties, the Real Properties or the Businesses.

(f) There has been no release, or threat of release, of Materials of Environmental Concern at or from the Real Properties, or arising from or related to the operations (including, without limitation, disposal) of the Parent or any Consolidated Party in connection with the Real Properties or otherwise in connection with the Businesses, in violation of or in amounts or in a manner that are reasonably likely to give rise to liability under Environmental Laws.

6.17 INTELLECTUAL PROPERTY.

Each of the Parent and the Consolidated Parties owns, or has the legal right to use, all trademarks, tradenames, copyrights, technology, know-how and processes (the "Intellectual Property") necessary for each of them to conduct its business as currently conducted except for those the failure to own or have such legal right to use could not reasonably be expected to have a Material Adverse Effect. Set forth on Schedule 6.17 is a list of all Intellectual Property registered with the United States Copyright Office or the United States Patent and Trademark Office and owned by each of the Parent and the Consolidated Parties or that the Parent or any Consolidated Party has the right to use. Except as provided on Schedule 6.17, no claim has been asserted in writing and is pending by any Person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does any Credit Party know of any such claim, and, to the knowledge of the Executive Officers of the Credit Parties, the use of such Intellectual Property by the Parent or any Consolidated Party does not infringe on the rights of any Person, except for such claims and infringements that, in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

6.18 SOLVENCY.

The Credit Parties, on a consolidated basis, are Solvent.

6.19 INVESTMENTS.

All Investments of each of the Parent and the Consolidated Parties are Permitted Investments.

6.20 BUSINESS LOCATIONS.

Set forth on Schedule 6.20(a) is a list as of the Closing Date of all real property located in the United States and owned or leased by any Credit Party with street address and state where located. Set forth on Schedule 6.20(b) is a list as of the Closing Date of all locations where any tangible personal property of a Credit Party is located, including street address and state where located. Set forth on Schedule 6.20(c) is the chief executive office and principal place of business of each Credit Party as of the Closing Date.

6.21 DISCLOSURE.

Taken as whole, this Credit Agreement, the financial statements referred to in Section 6.1(a) and the other documents, certificates or statements furnished by or on behalf of the Parent or any Consolidated Party in connection with this Credit Agreement do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein or herein in light of the circumstances under which they were made not misleading.

6.22 NO BURDENSOME RESTRICTIONS.

Neither the Parent nor any Consolidated Party is a party to any agreement or instrument or subject to any other obligation or any charter or corporate restriction or any provision of any applicable law, rule or regulation which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

6.23 BROKERS' FEES.

Other than in connection with the Initial Public Offering, neither the Parent nor any Consolidated Party has any obligation to any Person in respect of any finder's, broker's, investment banking or other similar fee in connection with any of the transactions contemplated under the Credit Documents.

6.24 LABOR MATTERS.

Other than as set forth on Schedule 6.24, there are no collective bargaining agreements or Multiemployer Plans covering the employees of the Parent or any Consolidated Party as of the Closing Date and neither the Parent nor any of the Consolidated Parties has suffered any strikes, walkouts, work stoppages or other material labor difficulty within the last five years.

6.25 NATURE OF BUSINESS.

As of the Closing Date, the Parent and the Consolidated Parties are engaged in the business of providing temporary medical staffing services.

SECTION 7

AFFIRMATIVE COVENANTS

Each Credit Party hereby covenants and agrees that, so long as this Credit Agreement is in effect or any amounts payable hereunder or under any other Credit Document shall remain outstanding or any Letter of Credit is outstanding, and until all of the Commitments hereunder shall have terminated:

7.1 INFORMATION COVENANTS.

The Credit Parties will furnish, or cause to be furnished, to the Agent:

(a) Annual Financial Statements.

(i) As soon as available, and in any event within 90 days after the close of each fiscal year of the Consolidated Parties, a consolidated and consolidating balance sheet and income statement of the Consolidated Parties as of the end of such fiscal year, together with related consolidated statements of retained earnings and cash flows for such fiscal year, in each case setting forth in comparative form figures for the preceding fiscal year, all such financial information described above to be in reasonable form and detail and reasonably acceptable to the Agent, and accompanied by a certificate of an Executive Officer of the Borrower to the effect that such annual financial statements fairly present in all material respects the financial condition of the Consolidated Parties and have been prepared in accordance with GAAP and the absence of footnotes.

(ii) As soon as available, and in any event within 90 days after the close of each fiscal year of the Parent, a consolidated and consolidating balance sheet and income statement of the Parent as of the end of such fiscal year, together with related consolidated statements of retained earnings and cash flows for such fiscal year, in each case setting forth in comparative form figures for the preceding fiscal year, all such financial information described above to be in reasonable form and detail and audited by independent certified public accountants of recognized national standing reasonably acceptable to the Agent and whose opinion shall be to the effect that such financial statements have been prepared in accordance with GAAP (except for changes with which such accountants concur) and shall not be limited as to the scope of the audit or qualified as to the status of the Parent as a going concern or any other material qualifications or exceptions. Notwithstanding the foregoing, the Lenders agree that, to the extent that the requirements of this paragraph (ii) are contained in the annual report of the Parent for such fiscal year on Form 10-K as filed with the SEC (the "Annual Report"),

the obligations of the Credit Parties under this paragraph (ii) will be satisfied by delivering to the Agent, within 90 days after the end of such fiscal year, the Annual Report, with copies for each Lender.

(b) Quarterly Statements. As soon as available, and in any event within 45 days after the close of each of the first three fiscal quarters of the Consolidated Parties, a consolidated and consolidating balance sheet and income statement of the Consolidated Parties as of the end of such fiscal quarter, together with related consolidated statements of retained earnings and cash flows for such fiscal quarter, in each case setting forth in comparative form figures for the corresponding period of the preceding fiscal year, all such financial information described above to be in reasonable form and detail and reasonably acceptable to the Agent, and accompanied by a certificate of an Executive Officer of the Borrower to the effect that such quarterly financial statements fairly present in all material respects the financial condition of the Consolidated Parties and have been prepared in accordance with GAAP, subject to changes resulting from audit and normal year-end audit adjustments and the absence of footnotes.

(c) Officer's Certificate. At the time of delivery of the financial statements provided for in Sections 7.1(a)(i) and 7.1(b) above, a certificate of an Executive Officer of the Borrower substantially in the form of Exhibit 7.1(c), (i) demonstrating compliance with the financial covenants contained in Section 7.11 by calculation thereof as of the end of each such fiscal period and (ii) stating that no Default or Event of Default exists, or, if any Default or Event of Default does exist, specifying the nature and extent thereof and what action the Credit Parties propose to take with respect thereto.

(g) Annual Business Plan and Budgets. As soon as available but in any event no later than 45 days following the end of each fiscal year of the Borrower, an annual business plan and budget of the Consolidated Parties containing, among other things, pro forma financial statements for the next four fiscal quarters and the next fiscal year.

(h) Compliance With Certain Provisions of the Credit Agreement. Within 90 days after the end of each fiscal year of the Credit Parties, a certificate executed by an Executive Officer of the Borrower regarding the amount of all Asset Dispositions that were made during the prior fiscal year.

(i) Accountant's Certificate. Within the period for delivery of the annual financial statements provided in Section 7.1(a)(ii), a certification of the accountants conducting the annual audit stating that they have reviewed this Credit Agreement as it relates to accounting and other financial matters and stating further whether, in the course of their audit, they have become aware of any Default or Event of Default and, if any such Default or Event of Default exists, specifying the nature and extent thereof, provided that such accountants shall not be liable by reason of any failure to obtain knowledge of any such Default or Event of Default that would not be disclosed in the course of their audit examination.

(j) Auditor's Reports. Within a reasonable time period after receipt, a copy of any "management letter" submitted by independent accountants to the Parent or any Consolidated Party in connection with any annual audit of the books of such Person.

(k) Reports. Promptly upon transmission or receipt thereof, (i) copies of any filings and registrations with, and reports to or from, the Securities and Exchange Commission, or any successor agency (other than exhibits and registration statements on Form S-8) and (ii) upon the request of the Agent, all reports and written information to and from the United States Environmental Protection Agency, or any state or local agency responsible for environmental matters, the United States Occupational Health and Safety Administration, or any state or local agency responsible for health and safety matters, or any successor agencies or authorities concerning environmental, health or safety matters.

(l) Notices. Upon any Executive Officer of a Credit Party obtaining knowledge thereof, the Credit Parties will give written notice to the Agent immediately of (i) the occurrence of an event or condition consisting of a Default or Event of Default, specifying the nature and existence thereof and what action the Credit Parties propose to take with respect thereto, and (ii) the occurrence of any of the following with respect to the Parent or any Consolidated Party (A) the pendency or commencement of any litigation, arbitral or governmental proceeding against such Person which if adversely determined is reasonably likely to have a Material Adverse Effect or (B) the institution of any proceedings against such Person with respect to, or the receipt of notice by such Person of potential liability or responsibility for violation, or alleged violation of any Federal, state or local law, rule or regulation, including but not limited to, Environmental Laws, the violation of which could reasonably be expected to have a Material Adverse Effect.

(m) ERISA. Upon any Executive Officer of a Credit Party obtaining knowledge thereof, the Credit Parties will give written notice to the Agent promptly (and in any event within five Business Days) of: (i) any event or condition, including, but not limited to, any Reportable Event, that constitutes, or might reasonably lead to, an ERISA Event; (ii) with respect to any Multiemployer Plan, the receipt of notice as prescribed in ERISA or otherwise of any withdrawal liability assessed against the Credit Parties or any ERISA Affiliates, or of a determination that any Multiemployer Plan is in reorganization or insolvent (both within the meaning of Title IV of ERISA); (iii) the failure to make full payment on or before the due date (including extensions) thereof of all amounts which the Parent, any Consolidated Party or any ERISA Affiliate is required to contribute to each Plan pursuant to its terms and as required to meet the minimum funding standard set forth in ERISA and the Code with respect thereto; or (iv) any change in the funding status of any Plan that could reasonably be expected to have a Material Adverse Effect, together with a description of any such event or condition or a copy of any such notice and a statement by an Executive Officer of the Borrower briefly setting forth the details regarding such event, condition, or notice, and the action, if any, which has been or is being taken or is proposed to be taken by the Credit Parties with respect thereto. Promptly upon request, the Credit Parties shall furnish the Agent and the Lenders with such additional information concerning any Plan as may be reasonably requested, including, but not limited to, copies of each annual report/return (Form 5500 series), as well as all schedules and attachments thereto required to be filed with the Department of Labor and/or the Internal Revenue Service pursuant to ERISA and the Code, respectively, for each "plan year" (within the meaning of Section 3(39) of ERISA).

(n) Environmental. Upon the reasonable written request of the Agent following the occurrence of any event or the discovery of any condition which the Agent reasonably believes has caused (or could be reasonably expected to cause) the representations and warranties set forth in Section 6.16 to be untrue in any material respect, the Credit Parties will furnish or cause to be furnished to the Agent, at the Credit Parties' expense, a report of an environmental assessment of reasonable scope, form and depth, (including, where appropriate, invasive soil or groundwater sampling) by a consultant reasonably acceptable to the Agent as to the nature and extent of the presence of any Materials of Environmental Concern on any Real Properties (as defined in Section 6.16) and as to the compliance by the Parent, any Consolidated Party with Environmental Laws at such Real Properties. If the Credit Parties fail to deliver such an environmental report within seventy-five (75) days after receipt of such written request then the Agent may arrange for same, and the Credit Parties hereby grant to the Agent and their representatives access to the Real Properties to reasonably undertake such an assessment (including, where appropriate, invasive soil or groundwater sampling). The reasonable cost of any assessment arranged for by the Agent pursuant to this provision will be payable by the Credit Parties on demand and added to the obligations secured by the Collateral Documents.

(o) Additional Patents and Trademarks. At the time of delivery of the financial statements and reports provided for in Section 7.1(a), a report signed by an Executive Officer of the Borrower setting forth (i) a list of registration numbers for all patents, trademarks, service marks, tradenames and copyrights awarded to the Parent or any Consolidated Party since the last day of the immediately preceding fiscal year and (ii) a list of all patent applications, trademark applications, service mark applications, trade name applications and copyright applications submitted by the Parent or any Consolidated Party since the last day of the immediately preceding fiscal year and the status of each such application, all in such form as shall be reasonably satisfactory to the Agent.

(p) Other Information. With reasonable promptness upon any such request, such other information regarding the business, properties or financial condition of the Parent or any Consolidated Party as the Agent may reasonably request.

7.2 PRESERVATION OF EXISTENCE AND FRANCHISES.

Except as a result of or in connection with a dissolution, merger or disposition of a Subsidiary not prohibited by Section 8.4 or Section 8.5, each Credit Party will, and will cause each of its Subsidiaries to, do all things necessary to preserve and keep in full force and effect its existence, authority and material rights and franchises.

7.3 BOOKS AND RECORDS.

Each Credit Party will, and will cause each of its Subsidiaries to, keep complete and accurate books and records of its transactions in accordance with good accounting practices on the basis of GAAP (including the establishment and maintenance of appropriate reserves).

7.4 COMPLIANCE WITH LAW.

Each Credit Party will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders, and all applicable restrictions imposed by all Governmental Authorities, applicable to it and its Property if noncompliance with any such law, rule, regulation, order or restriction could reasonably be expected to have a Material Adverse Effect.

7.5 PAYMENT OF TAXES AND OTHER INDEBTEDNESS.

Each Credit Party will, and will cause each of its Subsidiaries to, pay and discharge (a) all material taxes, assessments and governmental charges or levies imposed upon it, or upon its income or profits, or upon any of its properties, before they shall become delinquent, (b) all lawful claims (including claims for labor, materials and supplies) which, if unpaid, might give rise to a Lien upon any of its properties, and (c) except as prohibited hereunder, all of its other Indebtedness as it shall become due; provided, however, that neither the Parent nor any Consolidated Party shall be required to pay any such tax, assessment, charge, levy, claim or Indebtedness which is being contested in good faith by appropriate proceedings and as to which adequate reserves therefor have been established in accordance with GAAP, unless the failure to make any such payment (i) could give rise to an immediate right to foreclose on a Lien securing such amounts or (ii) could reasonably be expected to have a Material Adverse Effect.

7.6 INSURANCE.

(a) Each Credit Party will, and will cause each of its Subsidiaries to, at all times maintain in full force and effect insurance (including worker's compensation insurance, liability insurance, casualty insurance and business interruption insurance) in such amounts, covering such risks and liabilities and with such deductibles or self-insurance retentions as are in accordance with normal industry practice (or as otherwise required by the Collateral Documents). The Agent shall be named as loss payee or mortgagee, as its interest may appear, and/or additional insured with respect to any such insurance providing coverage in respect of any Collateral, and each provider of any such insurance shall agree, by endorsement upon the policy or policies issued by it or by independent instruments furnished to the Agent, that it will give the Agent thirty (30) days prior written notice before any such policy or policies shall be altered or canceled. The present insurance coverage of the Parent and the Consolidated Parties as of the Closing Date is outlined as to carrier, policy number, expiration date, type and amount on Schedule 7.6.

(b) In the event that the Parent or any of the Consolidated Parties receive Net Cash Proceeds in excess of $100,000 in aggregate amount during any fiscal year of the Parent and the Consolidated Parties ("Excess Proceeds") on account of any loss of, damage to or destruction of, or any condemnation or other taking for public use of, any Property of the Parent or the Consolidated Parties (with respect to the Parent or any Consolidated Party, an "Involuntary Disposition"), the Credit Parties shall, within the period of 360 days following the date of receipt of such Excess Proceeds, apply (or cause to be applied) an amount equal to such Excess Proceeds to (i) make Eligible Reinvestments (including but not limited to the repair or replacement of the related Property) or (ii) prepay the Loans (and cash collateralize LOC Obligations) in accordance with the terms of Section 3.3(b)(ii)(B); provided, however, that such Person shall not undertake replacement

or restoration of such Property unless, after giving pro forma effect to any Funded Indebtedness to be incurred in connection with such replacement or restoration, no Default or Event of Default would have occurred as of the most recent fiscal quarter end preceding the date of determination with respect to which the Agent has received the Required Financial Information (assuming, for purposes hereof, that such Funded Indebtedness was incurred as of the first day of the four fiscal-quarter period ending as of such fiscal quarter end). All insurance proceeds shall be subject to the security interest of the Agent (for the ratable benefit of the Lenders) under the Collateral Documents. Pending final application of any Excess Proceeds, the Credit Parties may apply such Excess Proceeds to temporarily reduce the Revolving Loans or to make Permitted Investments.

7.7 MAINTENANCE OF PROPERTY.

Each Credit Party will, and will cause each of its Subsidiaries to, maintain and preserve its properties and equipment material to the conduct of its business in good repair, working order and condition, normal wear and tear and casualty and condemnation excepted, and will make, or cause to be made, in such properties and equipment from time to time all repairs, renewals, replacements, extensions, additions, betterments and improvements thereto as may be needed or proper, to the extent and in the manner customary for companies in similar businesses.

7.8 PERFORMANCE OF OBLIGATIONS.

Each Credit Party will, and will cause each of its Subsidiaries to, perform in all material respects all of its material obligations under the terms of all material agreements, indentures, mortgages, security agreements or other debt instruments to which it is a party or by which it is bound.

7.9 USE OF PROCEEDS.

The Borrower will use the proceeds of the Loans and will use the Letters of Credit solely for the purposes set forth in Section 6.15.

7.10 AUDITS/INSPECTIONS.

Upon reasonable notice and during normal business hours, each Credit Party will, and will cause each of its Subsidiaries to, permit representatives appointed by the Agent, including, without limitation, independent accountants, agents, attorneys, and appraisers to visit and inspect its property, including its books and records, its accounts receivable and inventory, its facilities and its other business assets, and to make photocopies or photographs thereof and to write down and record any information such representative obtains and shall permit the Agent or its representatives to investigate and verify the accuracy of information provided to the Lenders and to discuss all such matters with the officers, employees and representatives of such Person; provided, however, that, unless an Event of Default shall be in existence, the Agent shall not exercise it rights under this sentence more often than one time during any calendar year. The Credit Parties agree that the Agent, and its representatives, may conduct an annual audit of the Collateral, at the expense of the Credit Parties not to exceed $10,000 per annum.

7.11 FINANCIAL COVENANTS.

(a) Leverage Ratio. The Credit Parties shall not permit the Leverage Ratio as of the last day of any fiscal quarter of the Consolidated Parties to be greater than 2.00 to 1.00.

(b) Fixed Charge Coverage Ratio. The Credit Parties shall not permit the Fixed Charge Coverage Ratio as of the last day of any fiscal quarter of the Consolidated Parties to be less than 3.00 to 1.00.

7.12 ADDITIONAL GUARANTORS.

As soon as practicable and in any event within 30 days after any Person becomes a direct or indirect Subsidiary of the Parent, the Borrower shall provide the Agent with written notice thereof setting forth information in reasonable detail describing all of the assets of such Person and shall (a) if such Person is a Domestic Subsidiary, (i) cause such Person to execute a Joinder Agreement in substantially the same form as Exhibit 7.12 and (ii) cause 100% of the issued and outstanding Capital Stock of such Person to be delivered (if certificated) to the Agent (together with undated stock powers signed in blank) and pledged to the Agent pursuant to an appropriate pledge agreement(s) in substantially the form of the Pledge Agreement and otherwise in form reasonably acceptable to the Agent, (b) if such Person is a direct Foreign Subsidiary of a Credit Party, cause 65% (or such greater percentage that, due to a change in an applicable Requirement of Law after the date hereof, (i) could not reasonably be expected to cause the undistributed earnings of such Foreign Subsidiary as determined for United States federal income tax purposes to be treated as a deemed dividend to such Foreign Subsidiary's United States parent and (ii) could not reasonably be expected to cause any material adverse tax consequences) of the issued and outstanding Capital Stock entitled to vote (within the meaning of Treas. Reg. Section 1.956-2(c)(2)) and 100% of the issued and outstanding Capital Stock not entitled to vote (within the meaning of Treas. Reg. Section 1.956-2(c)(2)) of such Person to be delivered (if certificated) to the Agent (together with undated stock powers signed in blank (unless, with respect to a Foreign Subsidiary, such stock powers are deemed unnecessary by the Agent in its reasonable discretion under the law of the jurisdiction of incorporation of such Person)) and pledged to the Agent pursuant to an appropriate pledge agreement(s) in substantially the form of the Pledge Agreement and otherwise in form acceptable to the Agent and (c) cause such Person to (i) if such Person is a Domestic Subsidiary which has any real Property required by Section 7.13 to be pledged to the Agent, use commercially reasonable efforts to cause to be delivered to the Agent with respect to such real Property, such real property documents, instruments and other items, in form reasonably acceptable to the Agent, as the Agent shall reasonably request in order the provide the Agent with a first priority, perfected and title insured Lien in such real Property to secure the Credit Party Obligations and (ii) deliver such other documentation as the Agent may reasonably request in connection with the foregoing, including, without limitation, appropriate UCC-1 financing statements, real estate title insurance policies, environmental reports, landlord's waivers, certified resolutions and other organizational and authorizing documents of such Person, favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to above and the perfection of the Agent's Liens thereunder) and other items of the types required to be delivered pursuant to Section 5.1(b), (c) and (d), all in form, content and scope reasonably satisfactory to the Agent.

7.13 PLEDGED ASSETS.

Each Credit Party will (i) cause all of its owned Property other than Excluded Property, and (ii) to the extent deemed to be material by the Agent or the Requisite Lender in its or their sole reasonable discretion, use commercially reasonable efforts to cause all of its leased Property other than Excluded Property, to be subject at all times to first priority, perfected and, in the case of owned real Property, title insured Liens in favor of the Agent to secure the Credit Party Obligations pursuant to the terms and conditions of the Collateral Documents or, with respect to any such Property acquired subsequent to the Closing Date, such other additional security documents as the Agent shall reasonably request, subject in any case to Permitted Liens. In keeping with the requirements of the preceding sentence, each Credit Party will use commercially reasonable efforts to cause to be delivered to the Agent, with respect to any real Property acquired by such Person subsequent to the Closing Date and required by this Section 7.13 to be pledged to the Agent, such real property documents, instruments and other items, in form reasonably acceptable to the Agent, as the Agent shall reasonably request in order the provide the Agent with a first priority, perfected and title insured Lien in such real Property to secure the Credit Party Obligations. Without limiting the generality of the above, the Credit Parties will cause (i) 100% of the issued and outstanding Capital Stock of the Borrower, (ii) 100% of the issued and outstanding Capital Stock of each Domestic Subsidiary and (iii) 65% (or such greater percentage that, due to a change in an applicable Requirement of Law after the date hereof, (i) could not reasonably be expected to cause the undistributed earnings of such Foreign Subsidiary as determined for United States federal income tax purposes to be treated as a deemed dividend to such Foreign Subsidiary's United States parent and (ii) could not reasonably be expected to cause any material adverse tax consequences) of the issued and outstanding Capital Stock entitled to vote (within the meaning of Treas. Reg. Section 1.956-2(c)(2)) and 100% of the issued and outstanding Capital Stock not entitled to vote (within the meaning of Treas. Reg. Section 1.956-2(c)(2)) of each Foreign Subsidiary directly owned by the Parent or any Domestic Subsidiary to be subject at all times to a first priority, perfected Lien in favor of the Agent pursuant to the terms and conditions of the Collateral Documents or such other security documents as the Agent shall reasonably request.

7.14 ENVIRONMENTAL.

The Parent and the Consolidated Parties will conduct and complete all investigations, studies, sampling, and testing and all remedial, removal, and other actions necessary to address all Materials of Environmental Concern on, from or affecting any of the Real Properties to the extent necessary to be in compliance with all Environmental Laws and with the validly issued orders and directives of all Governmental Authorities with jurisdiction over such Real Properties to the extent any failure to undertake such action could reasonably be expected to have a Material Adverse Effect.

SECTION 8

NEGATIVE COVENANTS

Each Credit Party hereby covenants and agrees that, so long as this Credit Agreement is in effect or any amounts payable hereunder or under any other Credit Document shall remain outstanding or any Letter of Credit is outstanding, and until all of the Commitments hereunder shall have terminated:

8.1 INDEBTEDNESS.

The Credit Parties will not permit the Parent or any Consolidated Party to contract, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness arising under this Credit Agreement and the other Credit Documents;

(b) Indebtedness of the Borrower and its Subsidiaries set forth in Schedule 8.1 (and renewals, refinancings and extensions thereof on terms and conditions no less favorable to such Person than such existing Indebtedness);

(c) purchase money Indebtedness (including obligations in respect of Capital Leases or Synthetic Leases) hereafter incurred by the Borrower or any of its Subsidiaries to finance the purchase of fixed assets provided that (i) the total of all such Indebtedness under this clause (c) for all such Persons taken together shall not exceed an aggregate principal amount of $5,000,000 at any one time outstanding; (ii) such Indebtedness when incurred shall not exceed the purchase price of the asset(s) financed; and (iii) no such Indebtedness shall be refinanced for a principal amount in excess of the principal balance outstanding thereon at the time of such refinancing;

(d) obligations of the Borrower in respect of Hedging Agreements entered into in order to manage existing or anticipated interest rate or exchange rate risks and not for speculative purposes;

(e) intercompany Indebtedness arising out of loans, advances and Guaranty Obligations permitted under Section 8.6;

(f) Subordinated Indebtedness of the Parent in an aggregate principal amount not to exceed $25,000,000 at any one time outstanding plus any accumulated accrued pay-in-kind interest on such Indebtedness; provided, that such Subordinated Indebtedness does not provide for the payment of cash interest prior to six months after the Maturity Date;

(g) Indebtedness of any Subsidiary of the Borrower that existed at the time such Person became a Subsidiary of the Borrower in connection with a Permitted Acquisition and Indebtedness assumed by the Borrower or any Subsidiary of the Borrower in connection with a Permitted Acquisition; provided that (i) such Indebtedness was not incurred in contemplation of such Permitted Acquisition; (ii) the total of all such Indebtedness under this clause (h) for all such Persons taken together shall not exceed an

aggregate principal amount of $5,000,000 at any one time outstanding; and (iii) no such Indebtedness shall be refinanced for a principal amount in excess of the principal balance outstanding thereon at the time of such refinancing;

(h) Subordinated Indebtedness of the Borrower in an aggregate principal amount not to exceed $25,000,000 at any one time outstanding plus any accumulated accrued pay-in-kind interest on such Indebtedness;

(i) other unsecured Indebtedness of the Borrower or any of its Subsidiaries in an aggregate principal amount not to exceed $10,000,000 at any one time outstanding; and

(j) Guaranty Obligations of the Parent, the Borrower or any of the Subsidiaries of the Borrower with respect to any Indebtedness of the Borrower or any of its Subsidiaries permitted by this Section 8.1.

8.2 LIENS.

The Credit Parties will not permit the Parent or any Consolidated Party to contract, create, incur, assume or permit to exist any Lien with respect to any of its Property, whether now owned or after acquired, except for Permitted Liens.

8.3 NATURE OF BUSINESS.

The Credit Parties will not permit the Parent or any Consolidated Party to engage at any time in any business or business activity other than the business conducted by such Person as of the Closing Date and any business reasonably related or similar thereto.

8.4 CONSOLIDATION, MERGER, DISSOLUTION, ETC.

Except in connection with a Permitted Asset Disposition, the Credit Parties will not permit the Parent or any Consolidated Party to merge or consolidate or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); provided that, notwithstanding the foregoing provisions of this Section 8.4 but subject to the terms of Sections 7.12 and 7.13, (a) the Borrower may merge or consolidate with any of its Subsidiaries; provided that the Borrower shall be the continuing or surviving corporation, (b) any Credit Party other than the Parent or the Borrower may merge or consolidate with any other Credit Party other than the Parent or the Borrower, (c) any Consolidated Party which is not a Credit Party may be merged or consolidated with or into any Credit Party other than the Parent provided that such Credit Party shall be the continuing or surviving corporation, (d) any Consolidated Party which is not a Credit Party may be merged or consolidated with or into any other Consolidated Party which is not a Credit Party, (e) any Subsidiary of the Borrower may merge with any Person that is not a Credit Party in connection with an Asset Disposition permitted under Section 8.5, (f) the Borrower or any Subsidiary of the Borrower may merge with any Person other than a Consolidated Party in connection with a Permitted Acquisition provided that, if such transaction involves the Borrower, the Borrower shall be the continuing or surviving corporation and (g) any Subsidiary of the Borrower may dissolve, liquidate or wind up its affairs at any time provided that such dissolution, liquidation or winding up, as applicable, could not reasonably be expected to have a Material Adverse Effect. It is understood that this Section 8.4 shall not prohibit

the Parent or any Consolidated Party from entering into any agreement of merger or consolidation, but shall prohibit the consummation of any such merger or consolidation (except as permitted pursuant to this Section 8.4).

8.5 ASSET DISPOSITIONS.

The Credit Parties will not permit the Parent or any Consolidated Party to make any Asset Disposition other than an Excluded Asset Disposition unless (a) at least 80% of the consideration paid in connection therewith shall consist of cash or Cash Equivalents, (b) if such transaction is a Sale and Leaseback Transaction, such transaction is not prohibited by the terms of Section 8.13, (c) such transaction does not involve the sale or other disposition of a minority equity interest in any Consolidated Party, (d) such transaction does not involve a sale or other disposition of receivables other than receivables owned by or attributable to other Property concurrently being disposed of in a transaction otherwise permitted under this Section 8.5, (e) the aggregate net book value of all of the assets sold or otherwise disposed of by the Parent and the Consolidated Parties in all such transactions after the Closing Date shall not exceed $5,000,000, (f) if the aggregate net book value of the assets being sold or otherwise disposed of by the Parent and the Consolidated Parties in such transaction exceeds $250,000, a certificate of an Executive Officer of the Borrower specifying the anticipated date of such Asset Disposition, briefly describing the assets to be sold or otherwise disposed of and setting forth the net book value of such assets, the aggregate consideration and the Net Cash Proceeds to be received for such assets in connection with such Asset Disposition and (g) the Credit Parties shall, within the period of 360 days following the consummation of such Asset Disposition (with respect to any such Asset Disposition, the "Application Period"), apply (or cause to be applied) an amount equal to the Net Cash Proceeds of such Asset Disposition to (i) make Eligible Reinvestments or (ii) prepay the Loans (and cash collateralize LOC Obligations) in accordance with the terms of Section 3.3(b)(ii)(A). Pending final application of the Net Cash Proceeds of any Asset Disposition, the Parent and the Consolidated Parties may apply such Net Cash Proceeds to temporarily reduce the Revolving Loans or to make Investments in Cash Equivalents.

Upon a sale of assets or the sale of Capital Stock of a Consolidated Party permitted by this Section 8.5, the Agent shall (to the extent applicable) deliver to the Credit Parties, upon the Credit Parties' request and at the Credit Parties' expense, such documentation as is reasonably necessary to evidence the release of the Agent's security interest, if any, in such assets or Capital Stock, including, without limitation, amendments or terminations of UCC financing statements, if any, the return of stock certificates, if any, and the release of such Consolidated Party from all of its obligations, if any, under the Credit Documents.

8.6 INVESTMENTS.

The Credit Parties will not permit the Parent or any Consolidated Party to make Investments in or to any Person, except for Permitted Investments.

8.7 RESTRICTED PAYMENTS.

The Credit Parties will not permit the Parent or any Consolidated Party to, directly or indirectly, declare, order, make or set apart any sum for or pay any Restricted Payment, except (a) to make dividends or other distributions payable to any Credit Party other than the Parent (directly or

indirectly through Subsidiaries), (b) payments by any Consolidated Parties to the Parent in respect of the tax liability of the affiliated group of corporations that file consolidated federal income tax returns (or that file state or local income tax returns on a consolidated, combined, unitary or similar basis), (c) loans, advances, dividends or distributions by any Consolidated Party to the Parent not to exceed $500,000 in any fiscal year to enable the Parent to pay its costs (including all professional fees and expenses) incurred to comply with its reporting obligations under federal or state laws or in connection with reporting obligations in respect of any Indebtedness of the Parent permitted under Section 8.1, (d) loans, advances, dividends or distributions by any Consolidated Party to the Parent to enable the Parent to pay for corporate, administrative and operating expenses in the ordinary course of business (including, without limitation, costs and expenses in connection with the Initial Public Offering and advisory fees, commissions and expenses incurred by a Credit Party in connection with any Permitted Acquisition or other business combination permitted under this Credit Agreement) not to exceed $500,000 in any fiscal year (exclusive of costs and expenses in connection with the Initial Public Offering), (e) loans, advances, dividends or distributions by a Consolidated Party to enable the Parent to pay an annual management fee to the Sponsor Entities in an aggregate amount not to exceed $500,000 in any fiscal year, (f) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock or any option to acquire Capital Stock of the Parent held by members of senior management and other key employees of the Parent and its Subsidiaries in an aggregate cash amount of up to $5,000,000 per year and not to exceed $10,000,000 in the aggregate during the term of this Credit Agreement, (g) as permitted by Section 8.8 or Section 8.9, (h) loans, advances, dividends or distributions to the Parent to effect the consummation of the Initial Public Offering, (i) payments in kind of interest accrued in respect of any Subordinated Indebtedness, (j) the refinancing of any Subordinated Indebtedness with the proceeds received from any Equity Issuance or other Subordinated Indebtedness and (k) Restricted Payments in addition to the foregoing in an amount not to exceed (x) 50% of Excess Cash Flow for each fiscal year ended after the Closing Date minus (y) the cumulative aggregate amount of Restricted Payments paid under Section 8.7(k) since the Closing Date minus (z) the Used Revolving Committed Amount as of the date of such Restricted Payment.

8.8 OTHER INDEBTEDNESS, ETC.

The Credit Parties will not permit the Parent or any Consolidated Party to (a) if any Default or Event of Default has occurred and is continuing or would be directly or indirectly caused as a result thereof, (i) after the issuance thereof, amend or modify any of the terms of any Indebtedness of any such Person if such amendment or modification would add or change any terms in a manner adverse to such Person, or shorten the final maturity or average life to maturity or require any payment to be made sooner than originally scheduled or increase the interest rate applicable thereto or change any subordination provision thereof, or (ii) make (or give any notice with respect thereto) any voluntary or optional payment or prepayment or redemption or acquisition for value of (including without limitation, by way of depositing money or securities with the trustee with respect thereto before due for the purpose of paying when due), refund, refinance or exchange of any other Indebtedness of such Person, (b) shorten the final maturity of any Subordinated Indebtedness or amend or modify any of the subordination provisions of any Subordinated Indebtedness, (c) make interest payments in respect of any Subordinated Indebtedness in violation of the subordination provisions of the documents evidencing and/or governing such Subordinated Indebtedness or (d) except as otherwise permitted under Section 8.7, make (or give any notice with respect thereto) any voluntary or optional payment or prepayment, redemption, acquisition for value or defeasance of (including without limitation, by way of depositing money or securities with the trustee with

respect thereto before due for the purpose of paying when due), refund, refinance or exchange of any Subordinated Indebtedness.

8.9 TRANSACTIONS WITH AFFILIATES.

The Credit Parties will not permit the Parent or any Consolidated Party to enter into or permit to exist any transaction or series of transactions with any officer, director, shareholder, Subsidiary or Affiliate of such Person other than (a) advances of working capital to any Credit Party other than the Parent, (b) transfers of cash and assets to any Credit Party other than the Parent, (c) transactions expressly permitted by Section 8.1, Section 8.4, Section 8.5, Section 8.6, or Section 8.7, (d) customary compensation and reimbursement of expenses of officers and directors, (e) transactions described on Schedule 8.9 and (f) except as otherwise specifically limited in this Credit Agreement, other transactions which are entered into in the ordinary course of such Person's business on terms and conditions substantially as favorable to such Person as would be obtainable by it in a comparable arms-length transaction with a Person other than an officer, director, shareholder, Subsidiary or Affiliate.

8.10 ORGANIZATIONAL DOCUMENTS; FISCAL YEAR.

The Credit Parties will not permit the Parent or any Consolidated Party to (i) amend, modify or change its articles of incorporation (or corporate charter or other similar organizational document) or bylaws (or other similar document) in any manner materially adverse to the Lenders or (ii) change its fiscal year.

8.11 LIMITATION ON RESTRICTED ACTIONS.

The Credit Parties will not permit the Parent or any Consolidated Party to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any such Person to (a) pay dividends or make any other distributions to any Credit Party on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits, (b) pay any Indebtedness or other obligation owed to any Credit Party, (c) make loans or advances to any Credit Party, (d) sell, lease or transfer any of its properties or assets to any Credit Party, or (e) act as a Credit Party and pledge its assets pursuant to the Credit Documents or any renewals, refinancings, exchanges, refundings or extension thereof, except (in respect of any of the matters referred to in clauses (a)-(d) above) for such encumbrances or restrictions existing under or by reason of (i) this Credit Agreement and the other Credit Documents, (ii) documents evidencing and/or governing any Subordinated Indebtedness to the extent consistent with the restrictions in this Section 8.11, (iii) applicable law, (iv) any document or instrument governing Indebtedness incurred pursuant to Section 8.1(c) or Section 8.1(g), provided that any such restriction contained therein relates only to the asset or assets constructed or acquired in connection therewith, (v) any Permitted Lien or any document or instrument governing any Permitted Lien, provided that any such restriction contained therein relates only to the asset or assets subject to such Permitted Lien or (vi) customary restrictions and conditions contained in any agreement relating to the sale of any Property permitted under Section 8.5 pending the consummation of such sale.

8.12 OWNERSHIP OF SUBSIDIARIES; LIMITATIONS ON PARENT.

Notwithstanding any other provisions of this Credit Agreement to the contrary:

(a) The Credit Parties will not permit the Parent or any Consolidated Party to (i) permit any Person (other than the Borrower or any Wholly Owned Subsidiary of the Borrower) to own any Capital Stock of any Subsidiary of the Borrower, except (A) to qualify directors where required by applicable law or to satisfy other requirements of applicable law with respect to the ownership of Capital Stock of Foreign Subsidiaries or (B) as a result of or in connection with a dissolution, merger, consolidation or disposition of a Subsidiary not prohibited by Section 8.4 or Section 8.5, (ii) permit any Subsidiary of the Borrower to issue or have outstanding any shares of preferred Capital Stock or (iii) permit, create, incur, assume or suffer to exist any Lien on any Capital Stock of any Subsidiary of the Borrower, except for Permitted Liens.

(b) The Parent shall not (i) hold any material assets other than the Capital Stock of the Borrower, (ii) have any liabilities other than (A) Indebtedness permitted under Section 8.1, (B) tax liabilities in the ordinary course of business, (C) loans, advances and payments permitted under Section 8.9, (D) corporate, administrative and operating expenses in the ordinary course of business and (E) other liabilities under (1) the Credit Documents, (2) the documents evidencing and/or governing any Subordinated Indebtedness, (3) registration rights agreements, (4) stock option plans (including, without limitation, those in existence on the Closing Date), or (5) any other agreement, document or instrument related to any of the foregoing or (iii) engage in any business other than (A) owning the Capital Stock of the Borrower and activities incidental or related thereto, (B) acting as a Guarantor hereunder and pledging its assets to the Agent, for the benefit of the Lenders, pursuant to the Collateral Documents to which it is a party, (C) activities related to its obligations under the Securities Exchange Act, (D) acting as a borrower or guarantor, as applicable, in respect of Indebtedness permitted under Section 8.1 and (E) in connection with the exercise of its rights under and its compliance with the obligations applicable to it under the documents listed in clause (ii)(E) above.

8.13 SALE LEASEBACKS.

The Credit Parties will not permit the Parent or any Consolidated Party to enter into any Sale and Leaseback Transaction.

8.14 CAPITAL EXPENDITURES.

The Credit Parties will not permit Consolidated Capital Expenditures for any fiscal year to exceed $10,000,000 plus the unused amount available for Consolidated Capital Expenditures under this Section 8.14 for the immediately preceding fiscal year (excluding any carry forward available from any prior fiscal year).

8.15 NO FURTHER NEGATIVE PLEDGES.

The Credit Parties will not permit the Parent or any Consolidated Party to enter into, assume or become subject to any agreement prohibiting or otherwise restricting the existence of any Lien

upon any of its Property in favor of the Agent (for the benefit of the Lenders) for the purpose of securing the Credit Party Obligations, whether now owned or hereafter acquired, or requiring the grant of any security for any obligation if such Property is given as security for the Credit Party Obligations, except (a) pursuant to any document or instrument governing Indebtedness incurred pursuant to Section 8.1(c), provided that any such restriction contained therein relates only to the asset or assets constructed or acquired in connection therewith, (b) pursuant to any document or instrument governing Indebtedness incurred pursuant to Section 8.1(g), (c) in connection with any Permitted Lien or any document or instrument governing any Permitted Lien, provided that any such restriction contained therein relates only to the asset or assets subject to such Permitted Lien and (d) pursuant to customary restrictions and conditions contained in any agreement relating to the sale of any Property permitted under Section 8.5, pending the consummation of such sale.

8.16 LIMITATION ON FOREIGN OPERATIONS.

The Credit Parties will not permit (i) the Borrower and the Domestic Subsidiaries to own at any time less than 90% of Consolidated Total Assets or (ii) the portion of Consolidated EBITDA attributable to the Borrower and the Domestic Subsidiaries on a consolidated basis for any four quarter period to be less than 90% of total Consolidated EBITDA for such period.

SECTION 9

EVENTS OF DEFAULT

9.1 EVENTS OF DEFAULT.

An Event of Default shall exist upon the occurrence and during the continuance of any of the following specified events (each an "Event of Default"):

(a) Payment. Any Credit Party shall

(i) default in the payment when due of any principal of any of the Loans or of any reimbursement obligations arising from drawings under Letters of Credit, or

(ii) default, and such default shall continue for three (3) or more Business Days, in the payment when due of any interest on the Loans or on any reimbursement obligations arising from drawings under Letters of Credit, or of any Fees or other amounts owing hereunder, under any of the other Credit Documents or in connection herewith or therewith; or

(b) Representations. Any representation, warranty or statement made or deemed to be made by any Credit Party herein, in any of the other Credit Documents, or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove untrue in any material respect on the date as of which it was deemed to have been made; or

(c) Covenants. Any Credit Party shall

(i) default in the due performance or observance of any term, covenant or agreement contained in Sections 7.2, 7.9 or 7.11 or Section 8;

(ii) default in the due performance or observance of any term, covenant or agreement contained in Sections 7.1(a) or (b), 7.12 or 7.13 and such default shall continue unremedied for a period of at least 15 days after the earlier of an Executive Officer of a Credit Party becoming aware of such default or notice thereof by the Agent; or

(iii) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in clauses (a), (b), (c)(i) or (c)(ii) of this Section 9.1) contained in this Credit Agreement or any other Credit Document and such default shall continue unremedied for a period of at least 30 days after the earlier of an Executive Officer of a Credit Party becoming aware of such default or notice thereof by the Agent; or

(d) Other Credit Documents. Except as a result of or in connection with a dissolution, merger or disposition of a Subsidiary not prohibited by Section 8.4 or Section 8.5, any Credit Document shall fail to be in full force and effect or to give the Agent and/or the Lenders the Liens, rights, powers and privileges purported to be created thereby, or any Credit Party shall so state in writing; or

(e) Guaranties. Except as the result of or in connection with a dissolution, merger or disposition of a Subsidiary not prohibited by Section 8.4 or Section 8.5, the guaranty given by any Guarantor hereunder (including any Person after the Closing Date in accordance with Section 7.12) or any provision thereof shall cease to be in full force and effect, or any Guarantor (including any Person after the Closing Date in accordance with Section 7.12) hereunder or any Person acting by or on behalf of such Guarantor shall deny or disaffirm such Guarantor's obligations under such guaranty, or any Guarantor shall default in the due performance or observance of any term, covenant or agreement on its part to be performed or observed pursuant to any guaranty; or

(f) Bankruptcy, etc. Any Bankruptcy Event shall occur with respect to the Parent or any Consolidated Party; or

(g) Defaults under Other Indebtedness. With respect to any Indebtedness (other than Indebtedness outstanding under this Credit Agreement) in excess of $2,000,000 in the aggregate for the Parent and the Consolidated Parties taken as a whole, either (1) a default in any payment shall occur and continue (beyond the applicable grace period with respect thereto, if any) with respect to any such Indebtedness, or (2) a default in the observance or performance of any other agreement or condition relating to such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event or condition shall occur or exist, the effect of which default or other event or condition is to cause, or permit, the holder or holders of such Indebtedness (or trustee or agent on behalf of such holders) to cause (with the giving of notice, if required), any such Indebtedness to

become due prior to its stated maturity, or, in the case of any such Indebtedness constituting a Guaranty Obligation, to become due and payable; or

(h) Judgments. One or more judgments or decrees shall be entered against one or more of the Parent and the Consolidated Parties involving a liability of $2,000,000 or more in the aggregate (to the extent not paid or fully covered by insurance provided by a carrier who has acknowledged coverage and has the ability to perform) and any such judgments or decrees shall not have been vacated, discharged or stayed or bonded pending appeal within 30 days from the entry thereof; or

(i) ERISA. Any of the following events or conditions, if such event or condition could involve possible taxes, penalties, and other liabilities in an aggregate amount in excess of $2,000,000: (i) any "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, shall exist with respect to any Plan, or any lien shall arise on the assets of the Parent, any Consolidated Party or any ERISA Affiliate in favor of the PBGC or a Plan; (ii) an ERISA Event shall occur with respect to a Single Employer Plan, which is, in the reasonable opinion of the Agent, likely to result in the termination of such Plan for purposes of Title IV of ERISA; (iii) an ERISA Event shall occur with respect to a Multiemployer Plan or Multiple Employer Plan, which is, in the reasonable opinion of the Agent, likely to result in (A) the termination of such Plan for purposes of Title IV of ERISA, or (B) the Parent, any Consolidated Party or any ERISA Affiliate incurring any liability in connection with a withdrawal from, reorganization of (within the meaning of Section 4241 of ERISA), or insolvency (within the meaning of Section 4245 of ERISA) of such Plan; or (iv) any prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility shall occur which may subject the Parent, any Consolidated Party or any ERISA Affiliate to any liability under Sections 406, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which the Parent, any Consolidated Party or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability; or

(j) Ownership. There shall occur a Change in Control.

9.2 ACCELERATION; REMEDIES.

Upon the occurrence and continuance of an Event of Default, the Agent shall, upon the request and direction of the Requisite Lenders, by written notice to the Credit Parties take any of the following actions:

(a) Termination of Commitments. Declare the Commitments terminated whereupon the Commitments shall be immediately terminated.

(b) Acceleration. Declare the unpaid principal of and any accrued interest in respect of all Loans, any reimbursement obligations arising from drawings under Letters of Credit and any and all other indebtedness or obligations of any and every kind owing by the Credit Parties to the Agent and/or any of the Lenders hereunder to be due whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Credit Parties.

(c) Cash Collateral. Direct the Credit Parties to pay (and the Credit Parties agree that upon receipt of such notice they will immediately pay) to the Agent additional cash, to be held by the Agent, for the benefit of the Lenders, in a cash collateral account as additional security for the LOC Obligations in respect of subsequent drawings under all then outstanding Letters of Credit in an amount equal to the maximum aggregate amount which may be drawn under all Letters of Credits then outstanding.

(d) Enforcement of Rights. Enforce any and all rights and interests created and existing under the Credit Documents including, without limitation, all rights and remedies existing under the Collateral Documents, all rights and remedies against a Guarantor and all rights of set-off.

Notwithstanding the foregoing, if an Event of Default specified in Section 9.1(f) shall occur with respect to the Borrower, then, without the giving of any notice or other action by the Agent or the Lenders, (i) the Commitments automatically shall terminate, (ii) all Loans, all reimbursement obligations arising from drawings under Letters of Credit, all accrued interest in respect thereof, all accrued and unpaid Fees and other indebtedness or obligations owing to the Agent and/or any of the Lenders hereunder automatically shall immediately become due and payable and (iii) the Credit Parties automatically shall be obligated to pay to the Agent additional cash, to be held by the Agent, for the benefit of the Lenders, in a cash collateral account as additional security for the LOC Obligations in respect of subsequent drawings under all then outstanding Letters of Credit in an amount equal to the maximum aggregate amount which may be drawn under all Letters of Credits then outstanding.

SECTION 10

AGENCY PROVISIONS

10.1 APPOINTMENT, POWERS AND IMMUNITIES.

Each Lender hereby irrevocably appoints and authorizes the Agent to act as its agent under this Credit Agreement and the other Credit Documents with such powers and discretion as are specifically delegated to the Agent by the terms of this Credit Agreement and the other Credit Documents, together with such other powers as are reasonably incidental thereto. The Agent (which term as used in this sentence and in Section 10.5 and the first sentence of Section 10.6 hereof shall include its Affiliates and its own and its Affiliates' officers, directors, employees, and agents): (a) shall not have any duties or responsibilities except those expressly set forth in this Credit Agreement and shall not be a trustee or fiduciary for any Lender; (b) shall not be responsible to the Lenders for any recital, statement, representation, or warranty (whether written or oral) made in or in connection with any Credit Document or any certificate or other document referred to or provided for in, or received by any of them under, any Credit Document, or for the value, validity, effectiveness, genuineness, enforceability, or sufficiency of any Credit Document, or any other document referred to or provided for therein or for any failure by any Credit Party or any other Person to perform any of its obligations thereunder; (c) shall not be responsible for or have any duty to ascertain, inquire into, or verify the performance or observance of any covenants or agreements by any Credit Party or the satisfaction of any condition or to inspect the property

(including the books and records) of any Credit Party or any of its Subsidiaries or Affiliates; and (d) shall not be responsible for any action taken or omitted to be taken by it under or in connection with any Credit Document, except for its own gross negligence or willful misconduct. The Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care.

10.2 RELIANCE BY AGENT.

The Agent shall be entitled to rely upon any certification, notice, instrument, writing, or other communication (including, without limitation, any thereof by telephone or telecopy) believed by it to be genuine and correct and to have been signed, sent or made by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel (including counsel for any Credit Party), independent accountants, and other experts selected by the Agent. The Agent may deem and treat the payee of any Note as the holder thereof for all purposes hereof unless and until the Agent receives and accepts an Assignment and Acceptance executed in accordance with Section 11.3(b) hereof. As to any matters not expressly provided for by this Credit Agreement, the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Requisite Lenders, and such instructions shall be binding on all of the Lenders; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to any Credit Document or applicable law or unless it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking any such action.

10.3 DEFAULTS.

The Agent shall not be deemed to have knowledge or notice of the occurrence of a Default or Event of Default unless the Agent has received written notice from a Lender or a Credit Party specifying such Default or Event of Default and stating that such notice is a "Notice of Default". In the event that the Agent receives such a notice of the occurrence of a Default or Event of Default, the Agent shall give prompt notice thereof to the Lenders. The Agent shall (subject to Section 10.2 hereof) take such action with respect to such Default or Event of Default as shall reasonably be directed by the Requisite Lenders (or such other Lenders as required by Section 11.6), provided that, unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interest of the Lenders.

10.4 RIGHTS AS A LENDER.

With respect to its Commitment and the Loans made by it, Bank of America (and any successor acting as Agent) in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as the Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include the Agent in its individual capacity. Bank of America (and any successor acting as Agent) and its Affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to, make investments in, provide services to, and generally engage in any kind

of lending, trust, or other business with any Credit Party or any of its Subsidiaries or Affiliates as if it were not acting as Agent, and Bank of America (and any successor acting as Agent) and its Affiliates may accept fees and other consideration from any Credit Party or any of its Subsidiaries or Affiliates for services in connection with this Credit Agreement or otherwise without having to account for the same to the Lenders.

10.5 INDEMNIFICATION.

The Lenders agree to indemnify the Agent (to the extent not reimbursed under Section 11.5 hereof, but without limiting the obligations of the Credit Parties under such Section) ratably (in accordance with their respective Revolving Commitments (or, if the Revolving Commitments have been terminated, the outstanding Revolving Loans and Participation Interests in Letters of Credit (including the Participation Interests of the Issuing Lender(s) in Letters of Credit))), for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees), or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against the Agent (including by any Lender) in any way relating to or arising out of any Credit Document or the transactions contemplated thereby or any action taken or omitted by the Agent under any Credit Document; provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Person to be indemnified. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any costs or expenses payable by the Credit Parties under Section 11.5, to the extent that the Agent is not promptly reimbursed for such costs and expenses by the Credit Parties. The agreements in this Section 10.5 shall survive the repayment of the Loans, LOC Obligations and other obligations under the Credit Documents and the termination of the Commitments hereunder.

10.6 NON-RELIANCE ON AGENT AND OTHER LENDERS.

Each Lender agrees that it has, independently and without reliance on the Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Credit Parties and their Subsidiaries and decision to enter into this Credit Agreement and that it will, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under the Credit Documents. Except for financial statements, notices and other information delivered to the Agent by any of the Credit Parties pursuant to the terms of Section 7.1 (which the Agent shall be required to deliver to each of the Lenders promptly following receipt thereof by the Agent) and except for any other notices, reports, and other documents and information expressly required to be furnished to the Lenders by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition, or business of any Credit Party or any of its Subsidiaries or Affiliates that may come into the possession of the Agent or any of its Affiliates.

10.7 SUCCESSOR AGENT.

The Agent may resign at any time by giving notice thereof to the Lenders and the Credit Parties. Upon any such resignation, the Requisite Lenders shall have the right to appoint a successor Agent; provided that, unless an Event of Default has occurred and is continuing at the

time such appointment, such successor Agent shall be approved by the Borrower (such approval not to be unreasonably withheld or delayed). If no successor Agent shall have been so appointed by the Requisite Lenders and shall have accepted such appointment within thirty (30) days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent which shall be a commercial bank organized under the laws of the United States having combined capital and surplus of at least $100,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor, such successor shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges, and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 10 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Agent. If no successor Agent has accepted appointment as Agent by the date which is thirty (30) days following a retiring Agent's notice of resignation, the retiring Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of Agent hereunder until such time, if any, as the Requisite Lenders appoint a successor Agent as provided for above; provided that, unless an Event of Default has occurred and is continuing at the time such appointment, such successor Agent shall be approved by the Borrower (such approval not to be unreasonably withheld or delayed).

SECTION 11

MISCELLANEOUS

11.1 NOTICES.

Except as otherwise expressly provided herein, all notices and other communications shall have been duly given and shall be effective (a) when delivered, (b) when transmitted via telecopy (or other facsimile device) to the number set out below, (c) the Business Day following the day on which the same has been delivered prepaid to a reputable national overnight air courier service, or (d) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case to the respective parties at the address, in the case of the Credit Parties and the Agent, set forth below, and, in the case of the Lenders, set forth on Schedule 2.1(a), or at such other address as such party may specify by written notice to the other parties hereto:

if to any Credit Party:

AMN Healthcare, Inc.
12235 El Camino Real
Suite 200
San Diego, California 92130
Attn: Donald R. Myll
Telephone: (858) 720-6257
Telecopy: (866) 295-0267

with a copy to:

Hass Wheat and Partners, L.P.

300 Crescent Court
Suite 1700
Dallas, Texas 75201
Attn: Douglas D. Wheat
Telephone: (214) 871-8300
Telecopy: (214) 871-8316

if to the Agent:

for notices regarding borrowings, payments, conversions, fees, interest, and other administrative matters:

Bank of America, N. A.
101 North Tryon Street
Location Code: NC1-001-15-04
Charlotte, NC 28255
Attention: Sam Maynard
Telephone: (704) 386-9368
Telecopy: (704) 409-0283

for all other notices (including with respect to Defaults and Events of Default, amendments, waivers and modifications of the Credit Documents, assignments):

Bank of America, N. A.
Agency Management
1455 Market Street, 5th Floor
Location Code: CA5-701-05-19
San Francisco, California 94103
Attention: Charles Graber, Vice President
Telephone: (415) 436-3495
Telecopy: (415) 436-3425

Bank of America, N. A.

Location Code: NC1-007-13-06
100 North Tryon, 13th Floor
Charlotte, North Carolina 28202
Attention: Robert Klawinski
Telephone: (704) 387-0467
Telecopy: (704) 409-0185

11.2 RIGHT OF SET-OFF; ADJUSTMENTS.

Upon the occurrence and during the continuance of any Event of Default, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender (or any of its Affiliates) to or for the credit or the account of any Credit Party against any and all of the obligations of such

Person now or hereafter existing under this Credit Agreement, under the Notes, under any other Credit Document or otherwise, irrespective of whether such Lender shall have made any demand hereunder or thereunder and although such obligations may be unmatured. Each Lender agrees promptly to notify any affected Credit Party after any such set-off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section 11.2 are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender may have.

11.3 BENEFIT OF AGREEMENT.

(a) This Credit Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided that none of the Credit Parties may assign or transfer any of its interests and obligations without prior written consent of each of the Lenders; provided further that the rights of each Lender to transfer, assign or grant participations in its rights and/or obligations hereunder shall be limited as set forth in this Section 11.3.

(b) Each Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Credit Agreement (including, without limitation, all or a portion of its Loans, its Notes, and its Commitment); provided, however, that

(i) each such assignment shall be to an Eligible Assignee;

(ii) except in the case of an assignment to another Lender, an Affiliate of an existing Lender or any fund that invests in bank loans and is advised or managed by an investment advisor to an existing Lender or an assignment of all of a Lender's rights and obligations under this Credit Agreement, any such partial assignment shall be in an amount at least equal to $2,500,000 (or, if less, the remaining amount of the Commitment being assigned by such Lender) or an integral multiple of $1,000,000 in excess thereof;

(iii) [Reserved.]

(iv) the parties to such assignment shall execute and deliver to the Agent for its acceptance an Assignment and Acceptance in the form of Exhibit 11.3(b), together with any Note subject to such assignment and a processing fee of $3,500.

Upon execution, delivery, and acceptance of such Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of such assignment, have the obligations, rights, and benefits of a Lender hereunder and the assigning Lender shall, to the extent of such assignment, relinquish its rights and be released from its obligations under this Credit Agreement. Upon the consummation of any assignment pursuant to this Section 11.3(b), the assignor, the Agent and the Credit Parties shall make appropriate arrangements so that as soon as practicable new Notes are issued to the assignor and the assignee. The assignee shall (to the extent required by Section 3.11) deliver to the Credit

Parties and the Agent certification as to exemption from deduction or withholding of Taxes in accordance with Section 3.11.

(c) The Agent shall maintain at its address referred to in Section 11.1 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Credit Parties, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Credit Agreement. The Register shall be available for inspection by the Credit Parties or any Lender at any reasonable time and from time to time upon reasonable prior notice. Any assignment of any Loan or other Credit Party Obligations shall be effective only upon an entry with respect thereto being made in the Register.

(d) Upon its receipt of an Assignment and Acceptance executed by the parties thereto, together with any Note subject to such assignment and payment of the processing fee, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit 11.3(b) hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the parties thereto.

(e) Each Lender may sell participations to one or more Persons in all or a portion of its rights, obligations or rights and obligations under this Credit Agreement (including all or a portion of its Commitment or its Loans); provided, however, that (i) such Lender's obligations under this Credit Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participant shall be entitled to the benefit of the yield protection provisions contained in Sections 3.6, 3.8, 3.9, 3.10, 3.11 and 3.12 (but only to the extent that the selling Lender is so entitled) and (iv) the Credit Parties shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Credit Agreement, and such Lender shall retain the sole right to enforce the obligations of the Credit Parties relating to the Credit Party Obligations owing to such Lender and to approve any amendment, modification, or waiver of any provision of this Credit Agreement (other than amendments, modifications, or waivers (A) decreasing the amount of principal of or the rate at which interest is payable on such Loans or Notes, (B) extending any scheduled principal payment date or date fixed for the payment of interest on such Loans or Notes, (C) extending its Commitment, (D) except as the result of or in connection with an Asset Disposition not prohibited by Section 8.5, releasing all or substantially all of the Collateral or (E) except as the result of or in connection with a dissolution, merger or disposition of a Consolidated Party not prohibited by Section 8.4 or Section 8.5, releasing the Borrower or substantially all of the other Credit Parties from its or their obligations under the Credit Documents).

(f) Notwithstanding any other provision set forth in this Credit Agreement, any Lender may at any time assign and pledge all or any portion of its Loans and its Notes to any Federal Reserve Bank as collateral security pursuant to Regulation A and any

Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Lender from its obligations hereunder.

(g) Any Lender may furnish any information concerning the Parent or any of the Consolidated Parties in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants), subject, however, to the provisions of Section 11.14 hereof.

11.4 NO WAIVER; REMEDIES CUMULATIVE.

No failure or delay on the part of the Agent or any Lender in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between the Agent or any Lender and any of the Credit Parties shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies provided herein are cumulative and not exclusive of any rights or remedies which the Agent or any Lender would otherwise have. No notice to or demand on any Credit Party in any case shall entitle the Credit Parties to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Agent or the Lenders to any other or further action in any circumstances without notice or demand.

11.5 EXPENSES; INDEMNIFICATION.

(a) The Credit Parties jointly and severally agree to pay on demand all reasonable costs and expenses of the Agent in connection with the syndication, preparation, execution, delivery, administration, modification, and amendment of this Credit Agreement, the other Credit Documents, and the other documents to be delivered hereunder, including, without limitation, the reasonable fees and expenses of counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities under the Credit Documents. The Credit Parties further jointly and severally agree to pay on demand all costs and expenses of the Agent and the Lenders, if any (including, without limitation, reasonable attorneys' fees of a single counsel for the Agent and the Lenders), in connection with the enforcement (whether through negotiations, legal proceedings, or otherwise) of the Credit Documents and the other documents to be delivered hereunder.

(b) The Credit Parties jointly and severally agree to indemnify and hold harmless the Agent and each Lender and each of their Affiliates and their respective officers, directors, employees, agents, and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, costs, and expenses (including, without limitation, reasonable attorneys' fees) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation, or proceeding or preparation of defense in connection therewith) the Credit Documents, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Loans, except to the extent such claim, damage, loss, liability, cost, or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. In

the case of an investigation, litigation or other proceeding to which the indemnity in this Section 11.5 applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by any of the Credit Parties, their respective directors, shareholders or creditors or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. The Credit Parties agree not to assert any claim against the Agent, any Lender, any of their Affiliates, or any of their respective directors, officers, employees, attorneys, agents, and advisers, on any theory of liability, for special, indirect, consequential, or punitive damages arising out of or otherwise relating to the Credit Documents, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Loans.

(c) Without prejudice to the survival of any other agreement of the Credit Parties hereunder, the agreements and obligations of the Credit Parties contained in this Section 11.5 shall survive the repayment of the Loans, LOC Obligations and other obligations under the Credit Documents and the termination of the Commitments hereunder.

11.6 AMENDMENTS, WAIVERS AND CONSENTS.

Neither this Credit Agreement nor any other Credit Document nor any of the terms hereof or thereof may be amended, changed, waived, discharged or terminated unless such amendment, change, waiver, discharge or termination is in writing entered into by, or approved in writing by, each of the Credit Parties party thereto and the Requisite Lenders, provided, however, that:

(a) without the written consent of each Lender affected thereby, neither this Credit Agreement nor any other Credit Document may be amended, changed, waived, discharged or terminated so as to

(i) extend the final maturity of any Loan or of any reimbursement obligation, or any portion thereof, arising from drawings under Letters of Credit,

(ii) reduce the rate or extend the time of payment of interest on any Loan or of any reimbursement obligation, or any portion thereof, arising from drawings under Letters of Credit or of any Fees,

(iii) reduce or waive the principal amount of any Loan or of any reimbursement obligation, or any portion thereof, arising from drawings under Letters of Credit,

(iv) increase the Commitment of a Lender over the amount thereof in effect (it being understood and agreed that a waiver of any Default or Event of Default or mandatory reduction in the Commitments shall not constitute a change in the terms of any Commitment of any Lender),

(v) except as the result of or in connection with an Asset Disposition not prohibited by Section 8.5, release all or substantially all of the Collateral,

(vi) except as the result of or in connection with a dissolution, merger or disposition of a Consolidated Party not prohibited by Section 8.4 or Section 8.5, release the Borrower or substantially all of the other Credit Parties from its or their obligations under the Credit Documents,

(vii) amend, modify or waive any provision of this Section 11.6,

(viii) reduce any percentage specified in, or otherwise modify, the definition of Requisite Lenders, or

(ix) consent to the assignment or transfer by the Borrower or all or substantially all of the other Credit Parties of any of its or their rights and obligations under (or in respect of) the Credit Documents except as permitted thereby;

(b) without the written consent of the Agent, no provision of Section 10 or any other provision of any Credit Agreement pertaining to the duties and responsibilities of the Agent may be amended, changed, waived, discharged or terminated;

(c) without the written consent of the Issuing Lender(s), no provision of Section 2.2 may be amended, changed, waived, discharged or terminated; or

(d) without the written consent of the Swingline Lender, no provision of Section 2.3 may be amended, changed, waived, discharged or terminated.

Notwithstanding the fact that the consent of all the Lenders is required in certain circumstances as set forth above, (x) each Lender is entitled to vote as such Lender sees fit on any bankruptcy reorganization plan that affects the Loans, and each Lender acknowledges that the provisions of Section 1126(c) of the Bankruptcy Code supersedes the unanimous consent provisions set forth herein and (y) the Requisite Lenders shall determine whether or not to allow a Credit Party to use cash collateral in the context of a bankruptcy or insolvency proceeding and such determination shall be binding on all of the Lenders.

11.7 COUNTERPARTS.

This Credit Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Credit Agreement to produce or account for more than one such counterpart for each of the parties hereto. Delivery by facsimile by any of the parties hereto of an executed counterpart of this Credit Agreement shall be as effective as an original executed counterpart hereof and shall be deemed a representation that an original executed counterpart hereof will be delivered.

11.8 HEADINGS.

The headings of the sections hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Credit Agreement.

11.9 SURVIVAL.

All indemnities set forth herein, including, without limitation, in Section 2.2(i), 3.11, 3.12, 10.5 or 11.5 shall survive the execution and delivery of this Credit Agreement, the making of the Loans, the issuance of the Letters of Credit, the repayment of the Loans, LOC Obligations and other obligations under the Credit Documents and the termination of the Commitments hereunder, and all representations and warranties made by the Credit Parties herein shall survive until this Credit Agreement shall be terminated in accordance with the terms of Section 11.13(b).

11.10 GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE.

(a) THIS CREDIT AGREEMENT AND, UNLESS OTHERWISE EXPRESSLY PROVIDED THEREIN, THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. Any legal action or proceeding with respect to this Credit Agreement or any other Credit Document may be brought in the courts of the State of New York, or of the United States for the Southern District of New York, and, by execution and delivery of this Credit Agreement, each of the Credit Parties hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the nonexclusive jurisdiction of such courts. Each of the Credit Parties further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to it at the address set out for notices pursuant to Section 11.1, such service to become effective three (3) days after such mailing. Nothing herein shall affect the right of the Agent or any Lender to serve process in any other manner permitted by law or to commence legal proceedings or to otherwise proceed against any Credit Party in any other jurisdiction.

(b) Each of the Credit Parties hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Credit Agreement or any other Credit Document brought in the courts referred to in clause (a) above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) TO THE EXTENT PERMITTED BY LAW, EACH OF THE AGENT, THE LENDERS (INCLUDING THE ISSUING LENDER AND THE SWINGLINE LENDER), EACH OF THE CREDIT PARTIES HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS CREDIT AGREEMENT, ANY OF THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY.

11.11 SEVERABILITY.

If any provision of any of the Credit Documents is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

11.12 ENTIRETY.

This Credit Agreement together with the other Credit Documents represent the entire agreement of the parties hereto and thereto, and supersede all prior agreements and understandings, oral or written, if any, including any commitment letters or correspondence relating to the Credit Documents or the transactions contemplated herein and therein.

11.13 BINDING EFFECT; TERMINATION.

(a) This Credit Agreement shall become effective at such time on or after the Closing Date upon satisfaction of all of the conditions in Section 5.1 and when it shall have been executed by each Credit Party and the Agent, and the Agent shall have received copies hereof (telefaxed or otherwise) which, when taken together, bear the signatures of each Lender, and thereafter this Credit Agreement shall be binding upon and inure to the benefit of each Credit Party, the Agent and each Lender (including the Issuing Lender(s) and the Swingline Lender) and their respective successors and assigns.

(b) The term of this Credit Agreement shall be until the Credit Party Obligations are Fully Satisfied.

(c) At such time as this Credit Agreement shall have become effective pursuant to the terms of Section 11.13(a) and Section 5.1, the promissory notes executed in connection with the Existing Credit Agreement shall be replaced with the Notes, if any, executed in connection with this Credit Agreement.

(d) The Agent and the Lenders acknowledge and agree (i) that the Acquisition Loans and the Term Loans (as such terms are defined under the Existing Credit Agreement) have been paid in full in cash and terminated on the Closing Date and (ii) to return any note(s) evidencing the Acquisition Loans or the Term Loans to the Borrower promptly after the Closing Date for cancellation.

(e) The Agent and the Lenders consent to the repayment in full in cash on the Closing Date of the Subordinated Note Agreement (as defined under the Existing Credit Agreement).

11.14 CONFIDENTIALITY.

The Agent and each Lender (each, a "Lending Party") agrees to keep confidential (and to use reasonable efforts to cause their respective officers, directors, employees, agents and representatives to keep confidential) any information, materials and documents furnished or made available to it by or on behalf of the Credit Parties pursuant to this Credit Agreement;

provided that nothing herein shall prevent any Lending Party from disclosing such information (a) to any other Lending Party or any Affiliate of any Lending Party, or any officer, director, employee, agent, or advisor of any Lending Party or Affiliate of any Lending Party or to any other Person if reasonably incidental to the administration of the Credit Facility, in each case, on a need to know basis in accordance with customary banking practices and who receive such information having been made aware of the restrictions of this Section 11.14, (b) as required by any law, rule, or regulation, (c) upon the order of any court or administrative agency, (d) upon the request or demand of any regulatory agency or authority, (e) that is or becomes available to the public or that is or becomes available to any Lending Party other than as a result of a disclosure by any Lending Party prohibited by this Credit Agreement, (f) in connection with any litigation to which such Lending Party or any of its Affiliates may be a party, (g) to the extent necessary in connection with the exercise of any remedy under this Credit Agreement or any other Credit Document, (h) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender, (i) to any direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional advisor to such contractual counterparty (i) has been approved in writing by the Borrower and (ii) agrees in a writing enforceable by the Borrower to be bound by the provisions of this Section 11.14) and (j) subject to provisions substantially similar to those contained in this Section 11.14, to any actual or proposed participant or assignee; provided, however, that with respect to clauses (b), (c), (d), (f) and (h), the Agent or such Lender shall, to the extent practicable, use reasonable efforts to give notice to the Borrower of the release of such information.

11.15 SOURCE OF FUNDS.

Each of the Lenders hereby represents and warrants to the Borrower that at least one of the following statements is an accurate representation as to the source of funds to be used by such Lender in connection with the financing hereunder:

(a) no part of such funds constitutes assets allocated to any separate account maintained by such Lender in which any employee benefit plan (or its related trust) has any interest;

(b) to the extent that any part of such funds constitutes assets allocated to any separate account maintained by such Lender, such Lender has disclosed to the Borrower the name of each employee benefit plan whose assets in such account exceed 10% of the total assets of such account as of the date of such purchase (and, for purposes of this clause (b), all employee benefit plans maintained by the same employer or employee organization are deemed to be a single plan);

(c) to the extent that any part of such funds constitutes assets of an insurance company's general account, such insurance company has complied with all of the requirements of the regulations issued under Section 401(c)(1)(A) of ERISA such that the assets of such general account do not constitute assets of an employee benefit plan; or

(d) such funds constitute assets of one or more specific benefit plans which such Lender has identified in writing to the Borrower.

As used in this Section 11.15, the terms "employee benefit plan" and "separate account" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

11.16 REGULATION D.

Each of the Lenders hereby represents and warrants to the Borrower that it is a commercial lender, other financial institution or other "accredited" investor (as defined in SEC Regulation D) which makes or acquires or loans on the ordinary course of business and that it will make or acquire Loans for its own account in the ordinary course of business.

11.17 CONFLICT.

To the extent that there is a conflict or inconsistency between any provision hereof, on the one hand, and any provision of any Credit Document, on the other hand, this Credit Agreement shall control.

[Signature Page to Follow]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Credit Agreement to be duly executed and delivered as of the date first above written.

BORROWER: AMN HEALTHCARE, INC.

By:
Name:
Title:

PARENT: AMN HEALTHCARE SERVICES, INC.
(FORMERLY KNOWN AS AMN HOLDINGS, INC.)

By:
Name:
Title:

SUBSIDIARY GUARANTORS: AMN SERVICES, INC.

By:
Name:
Title:

O'GRADY PEYTON INTERNATIONAL (USA), INC.

By:
Name:
Title:

[Signatures Continued]

LENDERS:

BANK OF AMERICA, N. A.,
as a Lender and as Agent

By:
Name:
Title:

GENERAL ELECTRIC CAPITAL CORPORATION

By:
Name:
Title:

UNION BANK OF CALIFORNIA, N.A.

By:
Name:
Title:

Exhibit 23.2

The Board of Directors and Stockholders
AMN Healthcare Services, Inc.:

The audits referred to in our report dated March 29, 2001, except as to Note 12 which is as of July 9, 2001, included the related financial statement schedule as of December 31, 2000, and for each of the years in the two-year period ended December 31, 2000, included in the registration statement. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We consent to the use of our report included herein and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP

San Diego, California
September 14, 2001

Exhibit 23.3

INDEPENDENT ACCOUNTANTS' CONSENT

The Board of Directors and Shareholders
Preferred Healthcare Staffing, Inc.:

We consent to the use of our report dated April 4, 2001, included herein on the financial statements of Preferred Healthcare Staffing, Inc. as of December 31, 1999 and November 30, 2000 and for the years ended December 31, 1998 and 1999 and the eleven months ended November 30, 2000, and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP

September 14, 2001
Miami, Florida

Exhibit 23.4

INDEPENDENT AUDITORS' CONSENT

The Board of Directors and Shareholders
O'Grady-Peyton International (USA), Inc.

We consent to the use of our report dated May 11, 2001, included herein and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP

Atlanta, Georgia
September 14, 2001

EXHIBIT 23.5

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Amendment No. 2 to Registration Statement No. 333-65168 of AMN Healthcare Services, Inc. (formerly AMN Holdings, Inc.) of our report dated September 23, 1999, appearing in the Prospectus, which is part of such Registration Statement, and of our report dated September 23, 1999 relating to the financial statement schedule appearing elsewhere in the Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ Deloitte & Touche LLP

San Diego, California
September 12, 2001

Exhibit 23.6

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
AMN Healthcare Services, Inc.:

We have audited the consolidated statements of operations, stockholders' equity and cash flows of AMN Healthcare Services, Inc. and subsidiary, formerly AMN Holdings, Inc., (the "Company") for the year ended December 31, 1998, and have issued our report thereon dated September 23, 1999 (included elsewhere in this Registration Statement). Our audit also included the financial statement schedule listed in Item 16 of this Registration Statement. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

San Diego, California
September 23, 1999

[DDK & COMPANY LLP LETTERHEAD]

EXHIBIT 23.7

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated March 31, 2001, relating to the financial statements of Nurses RX, Inc. for the years ended December 31, 1998 and 1999, and to the reference to our firm under the caption "Experts" in the Prospectus.

New York, New York
September 11, 2001

/s/ DDK & Company LLP