

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended June 30, 2004

Commission File No.: 001-16753

AMN HEALTHCARE SERVICES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

06-1500476
(I.R.S. Employer
Identification No.)

12400 High Bluff Drive, Suite 100
San Diego, California
(Address of principal executive offices)

92130
(Zip Code)

Registrant's Telephone Number, Including Area Code: (866) 871-8519

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by a check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

As of August 4, 2004 there were 28,284,962 shares of common stock, \$0.01 par value, outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

AMN HEALTHCARE SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited and in thousands, except par value)

	June 30, 2004	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,831	\$ 4,687
Accounts receivable, net	111,024	117,392
Prepaid expenses	12,342	14,027
Other current assets	1,659	1,835
Total current assets	138,856	137,941
Fixed assets, net	18,125	18,414
Deferred income taxes, net	4,102	6,071
Deposits and other assets	2,418	1,635
Goodwill, net	135,532	135,532
Other intangibles, net	4,271	4,939
Total assets	\$ 303,304	\$ 304,532
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 10,752	\$ 12,954
Accrued compensation and benefits	33,629	32,117
Income taxes payable	151	2,103
Current portion of notes payable	6,000	13,400
Other current liabilities	373	385
Total current liabilities	50,905	60,959
Notes payable, less current portion	122,500	125,500
Other long-term liabilities	2,520	1,976
Total liabilities	175,925	188,435
Stockholders' equity:		
Common stock, \$0.01 par value; 200,000 shares authorized; 43,162 and 42,997 shares issued at June 30, 2004 and December 31, 2003, respectively	432	430
Additional paid-in capital	351,535	349,595
Treasury stock, at cost (14,877 shares at each June 30, 2004 and December 31, 2003)	(249,538)	(249,428)
Retained earnings	24,691	15,809
Accumulated other comprehensive income (loss), net	259	(309)
Total stockholders' equity	127,379	116,097
Commitments and contingencies		
Total liabilities and stockholders' equity	\$ 303,304	\$ 304,532

See accompanying notes to unaudited condensed consolidated financial statements.

AMN HEALTHCARE SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenue	\$ 153,368	\$ 183,364	\$ 314,633	\$ 383,129
Cost of revenue	118,386	141,373	243,822	296,387
Gross profit	34,982	41,991	70,811	86,742
Expenses:				
Selling, general and administrative, excluding non-cash stock-based compensation	24,023	22,012	48,621	44,849
Non-cash stock-based compensation	219	219	437	437
Amortization	89	96	178	191
Depreciation	1,447	1,054	2,823	2,074
Total expenses	25,778	23,381	52,059	47,551
Income from operations	9,204	18,610	18,752	39,191
Interest expense, net	2,118	114	4,252	197
Income before income taxes	7,086	18,496	14,500	38,994
Income tax expense	2,763	7,306	5,618	15,405
Net income	\$ 4,323	\$ 11,190	\$ 8,882	\$ 23,589
Basic and diluted net income per common share:				
Basic	\$ 0.15	\$ 0.29	\$ 0.32	\$ 0.60
Diluted	\$ 0.14	\$ 0.27	\$ 0.28	\$ 0.56
Weighted average common shares outstanding:				
Basic	28,203	38,287	28,162	39,056
Diluted	31,332	41,767	31,313	42,379

See accompanying notes to unaudited condensed consolidated financial statements.

AMN HEALTHCARE SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME (LOSS)
(Unaudited and in thousands)

Six Months Ended June 30, 2004

	Common Stock		Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount					
Balance, December 31, 2003	42,997	\$ 430	\$ 349,595	\$(249,428)	\$ 15,809	\$ (309)	\$ 116,097
Cost of repurchase of common stock into treasury	—	—	—	(110)	—	—	(110)
Exercise of stock options	165	2	1,503	—	—	—	1,505
Stock-based compensation	—	—	437	—	—	—	437
Comprehensive income (loss):							
Foreign currency translation adjustment	—	—	—	—	—	(37)	(37)
Unrealized gain on derivative financial instruments, net of tax	—	—	—	—	—	605	605
Net income	—	—	—	—	8,882	—	8,882
Total comprehensive income							9,450
Balance, June 30, 2004	43,162	\$ 432	\$ 351,535	\$(249,538)	\$ 24,691	\$ 259	\$ 127,379

See accompanying notes to unaudited condensed consolidated financial statements.

AMN HEALTHCARE SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	Six Months Ended June 30,	
	2004	2003
Cash flows from operating activities:		
Net income	\$ 8,882	\$ 23,589
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,001	2,265
(Recovery of) provision for bad debts	(549)	23
Noncash interest expense	490	218
Provision for deferred income taxes	1,728	2,350
Non-cash stock-based compensation	437	437
Loss on disposal or sale of fixed assets	7	65
Changes in assets and liabilities:		
Accounts receivable	6,917	21,093
Prepaid expenses and other current assets	1,874	(2,387)
Deposits and other assets	(120)	(162)
Accounts payable and accrued expenses	(2,202)	(1,362)
Accrued compensation and benefits	1,512	(727)
Income taxes payable	(1,952)	1,386
Other liabilities	862	(88)
	<u>20,887</u>	<u>46,700</u>
Cash flows from investing activities:		
Purchase of fixed assets	(2,533)	(7,032)
Cash paid under deferred purchase agreement	—	(1,000)
	<u>(2,533)</u>	<u>(8,032)</u>
Cash flows from financing activities:		
Capital lease repayments	(168)	(138)
Payment of financing costs	—	(955)
Payments on notes payable	(10,400)	—
Cost of repurchase of common stock into treasury	(110)	(36,003)
Proceeds from issuance of common stock	1,505	—
Change in bank overdraft	—	1,865
	<u>(9,173)</u>	<u>(35,231)</u>
Effect of exchange rate changes on cash and cash equivalents	(37)	(65)
	<u>9,144</u>	<u>3,372</u>
Cash and cash equivalents at beginning of period	4,687	40,135
	<u>\$ 13,831</u>	<u>\$ 43,507</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 4,023	\$ 90
	<u>\$ 5,810</u>	<u>\$ 11,512</u>
Supplemental disclosures of non-cash investing and financing activities:		
Fixed assets obtained through capital leases	\$ 8	\$ 80
	<u>\$ 568</u>	<u>\$ —</u>
Net change in foreign currency translation adjustment and unrealized gain on derivative financial instruments, net of tax	\$ 568	\$ —

See accompanying notes to unaudited condensed consolidated financial statements.

AMN HEALTHCARE SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The condensed consolidated balance sheets and related condensed consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows contained in this Quarterly Report on Form 10-Q, which are unaudited, include the accounts of AMN Healthcare Services, Inc. (the Company) and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, all entries necessary for a fair presentation of such condensed consolidated financial statements have been included. These entries consisted only of normal recurring items. The results of operations for the interim period are not necessarily indicative of the results to be expected for any other interim period or for the entire fiscal year.

The condensed consolidated financial statements do not include all information and notes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America. Please refer to the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2003, contained in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

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

In late 2003 and early 2004, the Company implemented a new payroll and billing system. Due to difficulties encountered with certain processes during the implementation, net income for the three months and the year ended December 31, 2003 was overstated by \$179,000, and net income for the three months ended March 31, 2004 was overstated by \$261,000. The system implementation has been completed and the correction of the cumulative impact of these overstatements was recorded during the three months ended June 30, 2004. The impact of these adjustments is immaterial to the Company's consolidated financial statements for the three months and the year ended December 31, 2003, and each of the three months ended March 31, 2004 and June 30, 2004.

2. 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, and Emerging Issues Task Force (EITF) 00-23, *Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44*, to account for its stock option plans. Under this method, compensation expense for fixed plans is recognized only if, on the date of grant, the then current market price of the underlying stock exceeds the exercise price, and is recorded on a straight-line basis over the applicable vesting period. Compensation expense for variable plans is measured at the end of each reporting period until the related performance criteria are met and is measured based on the excess of the then current market price of the underlying stock over the exercise price. Statement of Financial Accounting Standards (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, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure*.

AMN HEALTHCARE SERVICES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table compares net income per share as reported by the Company to the pro forma amounts that would be reported had compensation expense been recognized for the Company's stock-based compensation plans in accordance with SFAS No. 123 (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
As reported:				
Net income	\$4,323	\$11,190	\$8,882	\$23,589
Stock-based employee compensation, net of tax	\$133	\$132	\$267	\$264
Net income per common share:				
Basic	\$0.15	\$0.29	\$0.32	\$0.60
Diluted	\$0.14	\$0.27	\$0.28	\$0.56
Pro forma:				
Net income, as reported	\$4,323	\$11,190	\$8,882	\$23,589
Stock-based employee compensation per APB Opinion No. 25, net of tax	133	132	267	264
Pro forma stock-based employee compensation per SFAS No. 123, net of tax	(833)	(640)	(1,544)	(1,168)
Pro forma net income	\$3,623	\$10,682	\$7,605	\$22,685
Pro forma net income per common share:				
Basic	\$0.13	\$0.28	\$0.27	\$0.58
Diluted	\$0.12	\$0.26	\$0.24	\$0.53

The fair value of the stock-based employee compensation under SFAS No. 123 was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Expected life	5	5	5	5
Risk-free interest rate	3.88%	2.62%	3.88%	2.62%
Volatility	55%	61%	55%	61%
Dividend yield	0%	0%	0%	0%

3. NET INCOME PER COMMON SHARE

Basic net income per common share is calculated by dividing net income by the weighted average number of common shares outstanding during the reporting period. Diluted net income per common share reflects the effects of potentially dilutive common stock options.

Options to purchase 655,000 shares of common stock for the three and six month periods ended June 30, 2004 and options to purchase 744,000 shares of common stock for the three and six month periods ended June 30, 2003 were not included in the calculations of diluted net income per common share because the effect of these instruments was anti-dilutive.

AMN HEALTHCARE SERVICES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table sets forth the computation of basic and diluted net income per common share for the three and six month periods ended June 30, 2004 and 2003 (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income	\$ 4,323	\$ 11,190	\$ 8,882	\$ 23,589
Weighted average common shares outstanding—basic	28,203	38,287	28,162	39,056
Basic net income per common share	\$ 0.15	\$ 0.29	\$ 0.32	\$ 0.60
Weighted average common shares outstanding—basic	28,203	38,287	28,162	39,056
Plus dilutive stock options	3,129	3,480	3,151	3,323
Weighted average common shares outstanding—diluted	31,332	41,767	31,313	42,379
Diluted net income per common share	\$ 0.14	\$ 0.27	\$ 0.28	\$ 0.56

4. COMPREHENSIVE INCOME

SFAS No. 130, *Reporting Comprehensive Income*, establishes standards for the reporting of comprehensive income and its components. Comprehensive income (loss) includes net income, net gains and losses on derivative contracts and foreign currency translation adjustments. The following table summarizes the components of comprehensive income for the three and six month periods ended June 30, 2004 and 2003 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income	\$4,323	\$11,190	\$8,882	\$23,589
Comprehensive income (loss):				
Unrealized gain on derivative financial instruments, net of tax	910	—	605	—
Foreign currency translation adjustment loss	(30)	(5)	(37)	(65)
Total comprehensive income	\$5,203	\$11,185	\$9,450	\$23,524

5. GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

As of June 30, 2004 and December 31, 2003, the Company had the following acquired intangible assets with finite lives (in thousands):

	June 30, 2004		December 31, 2003	
	Gross carrying Amount	Accumulated Amortization	Gross carrying Amount	Accumulated Amortization
Noncompete agreements	\$1,444	\$ (1,292)	\$1,544	\$ (1,214)
Deferred financing costs	5,361	(1,242)	5,361	(752)
Total	\$6,805	\$ (2,534)	\$6,905	\$ (1,966)

AMN HEALTHCARE SERVICES, INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

Aggregate amortization expense for the intangible assets presented in the above table was \$668,000 and \$367,000 for the six months ended June 30, 2004 and June 30, 2003, respectively. Amortization of deferred financing costs is included in interest expense. Estimated future aggregate amortization expense of intangible assets as of June 30, 2004 is as follows (in thousands):

	<u>Amount</u>
Six months ending December 31, 2004	\$ 554
Year ending December 31, 2005	\$1,036
Year ending December 31, 2006	\$ 985
Year ending December 31, 2007	\$ 969
Year ending December 31, 2008	\$ 727

As of June 30, 2004 and December 31, 2003, the Company had unamortized goodwill of \$135.5 million.

6. SUBSEQUENT EVENT

On July 21, 2004, the Company amended its credit facility. This amendment provided for increased flexibility under the Company's financial covenants, an increase in the amount available under the letter of credit sub-facility and a 25 basis point increase in the interest rate margin in the event of a downgrade in the Company's credit rating. Based on the current outstanding indebtedness, a downgrade in the credit rating and the resulting revised pricing would increase interest expense by approximately \$320,000 on an annualized basis. Additionally, as a result of the amendment, the Company incurred amendment fees of approximately \$250,000. These costs were deferred and are being amortized over the remaining term of the credit facility.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with, and is qualified in its entirety by, our consolidated financial statements and the notes thereto and other financial information included elsewhere herein and in our Annual Report on Form 10-K for the year ended December 31, 2003. Certain statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" are "forward-looking statements." See "Special Note Regarding Forward-Looking Statements."

Overview

We are a leading temporary healthcare staffing company and the largest nationwide provider of travel nurse staffing services. We recruit nurses and allied health professionals, our "temporary healthcare professionals," nationally and internationally and place them on temporary assignments of variable lengths at acute care hospitals and healthcare facilities throughout the United States.

Our services are marketed 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 separate recruitment brands, American Mobile Healthcare, Medical Express, NursesRx, Preferred Healthcare Staffing, Thera Tech Staffing and O'Grady-Peyton International, have distinct geographic market strengths and brand reputations. Nurses and allied healthcare professionals join us for a variety of reasons that include: seeking flexible work opportunities, traveling to different areas of the country, building their clinical skills and resume by working at prestigious healthcare facilities, and escaping the demands and political environment of working as a permanent staff nurse. 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 an attractive benefits package, 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 market our services to hospitals and healthcare facilities under one brand, AMN Healthcare, as a single staffing provider with access to temporary healthcare professionals from separate recruitment brands. As of June 30, 2004, we had over 5,000 hospital and healthcare facility clients. Over 96% of our temporary healthcare professional assignments are at acute-care hospitals. Our clients include hospitals and healthcare systems such as Georgetown University Hospital, HCA, 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. Our hospital and healthcare facility clients utilize our services to cost-effectively manage shortages in their staff due to a variety of circumstances, such as the Family Medical Leave Act (FMLA), new unit openings, seasonal patient census variations and other short and long-term staffing needs. In addition to providing continuity of care and quality patient care, we believe hospitals and healthcare facilities contract with us due to our high-quality temporary healthcare professionals, our ability to meet their specific staffing needs, our flexible staffing assignment lengths, our reliable and deep infrastructure, our superior customer service and our ability to offer a large national network of temporary healthcare professionals.

We believe that we have organized our operating model to deliver consistent, high-quality sales and service efforts to our two distinct client bases. Processes within our operating model have been developed and are in place with the intent to maximize the quantity and quality of assignment requests, or "orders," from our hospital and healthcare facility clients and increase the expediency and probability of successfully placing our temporary healthcare professionals. The consistent quality of the benefit and support services which we provide to our temporary healthcare professionals is also critical to our success since the majority of our temporary healthcare professionals stay with us for multiple assignments and we believe our largest source of new candidates is word-of-mouth referrals from satisfied current and former temporary healthcare professionals.

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For the three months ended June 30, 2004, we recorded revenue of \$153.4 million, as compared to revenue of \$183.4 million for the three months ended June 30, 2003. The number of temporary healthcare professionals on assignment averaged 6,130 and 7,355 in the three months ended June 30, 2004 and 2003, respectively. We recorded net income of \$4.3 million for the three months ended June 30, 2004, as compared to net income of \$11.2 million for the three months ended June 30, 2003. For the six months ended June 30, 2004, we recorded revenue of \$314.6 million, as compared to revenue of \$383.1 million for the six months ended June 30, 2003. The number of temporary healthcare professionals on assignment averaged 6,239 and 7,695 in the six months ended June 30, 2004 and 2003, respectively. We recorded net income of \$8.9 million for the six months ended June 30, 2004, as compared to net income of \$23.6 million for the six months ended June 30, 2003. The decrease in revenue and net income from 2003 is due primarily to changes in hospital staffing patterns, which led to a reduction in temporary healthcare professionals on assignment.

Recent Trends

From 1996 through 2000, the temporary healthcare staffing industry grew at a compound annual growth rate of 13%, and this growth accelerated to a compound annual growth rate of approximately 21% from 2000 to 2002. During 2003, the demand for temporary healthcare professionals declined due to a number of factors. In particular, we believe hospitals increased their nurse recruitment efforts, stretched the productivity of permanent staff and maximized the cost-effectiveness of outsourced staffing solutions. In addition, influenced by economic conditions during 2003, we believe permanent staff at our hospital and healthcare facility clients were more likely to work overtime and less likely to leave their positions, creating fewer vacancies and fewer opportunities for us to place our temporary healthcare professionals.

Demand for our services stabilized from April 2003 through late 2003, and has increased in 2004. We believe that this improvement in demand has been caused by a number of factors, including an increase in hospital admissions, legislation impacting healthcare staffing, such as the California nurse-to-patient staffing ratios that went into effect in January 2004, signs of an improving economy and our increased focus on our hospital and healthcare facility clients. While this rise in demand is positive and creates opportunities for growth, there has not been a corresponding growth in the supply of new candidates.

The number of temporary healthcare professionals on assignment with us decreased 17% from an average of 7,355 for the three months ended June 30, 2003 to an average of 6,130 for the three months ended June 30, 2004. Primarily as a result of this decline in the number of temporary healthcare professionals on assignment, our revenue and net income also decreased. While demand for our services continued to grow during the second quarter of 2004, the corresponding supply of temporary healthcare professionals has not kept pace with the demand growth. The number of new applicants is still below 2003 levels while the number of orders from our clients has increased over last year. We are uncertain whether the current increase in demand will lead to increases in the average number of temporary healthcare professionals on assignment. Historically, we have experienced a time lag between when changes in supply and demand occur and when our operations processes translate into changes in the number of temporary healthcare professionals on assignment and in our financial results.

Critical Accounting Principles and Estimates

We have identified the following critical accounting policies that affect the more significant judgments and estimates used in the preparation of our unaudited condensed consolidated financial statements. The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect our reported amounts of assets and liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to asset impairment, accruals for self-insurance and compensation and related benefits, allowance for doubtful accounts and contingencies and litigation. We state these accounting policies in the notes to the audited consolidated financial statements for the year ended December 31, 2003,

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contained in our Annual Report of Form 10-K as filed with the Securities and Exchange Commission, and in relevant sections in this discussion and analysis. These estimates are based on the information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could vary from these estimates under different assumptions or conditions.

We believe that the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our unaudited condensed consolidated financial statements:

- We have recorded goodwill resulting from our past acquisitions. Commencing with the adoption of Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets, on January 1, 2002, we ceased amortizing goodwill and have performed annual impairment analyses to assess the recoverability of the goodwill, in accordance with the provisions of SFAS No. 142. Upon our annual impairment analyses on December 31, 2003 and December 31, 2002, we determined that there was no impairment of goodwill. If we are required to record an impairment charge in the future, it could have an adverse impact on our results of operations. As of June 30, 2004 and December 31, 2003, we had \$135.5 million of goodwill, net of accumulated amortization, recorded on our consolidated balance sheets.
- We maintain an accrual for self-insured health benefits provided to our temporary healthcare professionals, which is included in accrued compensation and benefits in our consolidated balance sheets. We determine the adequacy of this accrual by evaluating our historical experience and trends related to both health insurance claims and payments, information provided to us by our insurance broker, and industry experience and trends. If such information indicates that our accruals are overstated or understated, we adjust the assumptions utilized in our methodologies and reduce or provide for additional accruals as appropriate. As of June 30, 2004 and December 31, 2003, we had \$2.7 million and \$3.5 million, respectively, accrued for incurred but not reported health insurance claims, which is included in accrued compensation and benefits in our consolidated balance sheets. The decline in the accrual is primarily related to a decrease in the number of temporary healthcare professionals covered by the plan and a corresponding decrease in claims. Historically, our accrual for health insurance has been adequate to provide for incurred claims, and has fluctuated with increases or decreases in the average number of temporary healthcare professionals on assignment and increases in national healthcare costs.
- We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments, which results in a provision for bad debt expense. We determine the adequacy of this allowance by evaluating individual customer receivables, considering the financial condition of customers and historical payment trends, delinquency trends, credit histories of customers and current economic conditions. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As of June 30, 2004 and December 31, 2003, our allowance for doubtful accounts was \$2.3 million and \$3.3 million, respectively. The reduction in the allowance for doubtful accounts is primarily related to positive trends in our client collections experience.
- We maintain an accrual for professional liability and workers compensation self-insured retention limits. We determine the adequacy of these accruals by evaluating our historical experience and trends, as well as through the use of independent actuarial studies. If such information indicates that our accruals are overstated or understated, we adjust the assumptions utilized in our methodologies and reduce or provide for additional accruals as appropriate. As of June 30, 2004 and December 31, 2003, we had \$8.8 million and \$7.6 million, respectively, accrued for workers compensation claims, which is included in accrued compensation and benefits in our consolidated balance sheets. The increase in the workers compensation accrual is related to expected claims incurred during the six months ended June 30, 2004, which were greater than the claims paid out for prior periods. There has not been any material

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change in the workers compensation rates. As of June 30, 2004 and December 31, 2003, we had \$5.1 million and \$3.9 million, respectively, accrued for professional liability retention, which is included in accounts payable and accrued expenses in our consolidated balance sheets. The increase in the professional liability accrual is related to expected claims incurred during the six months ended June 30, 2004, offset by an immaterial amount of payments made during the period.

- We are subject to various claims and legal actions in the ordinary course of our business. Some of these matters include payroll and employee-related matters and investigations by governmental agencies regarding our employment practices. As we become aware of such claims and legal actions, we provide accruals if the exposures are probable and estimable. We may also become subject to claims, governmental inquiries and investigations, and legal actions relating to services provided by our professionals, and we maintain accruals for these matters. We are currently not aware of any such pending or threatened litigation that we believe is reasonably likely to have a material adverse effect on our consolidated financial position, results of operations or liquidity.

Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Consolidated Statements of Operations:				
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of revenue	77.2	77.1	77.5	77.4
Gross profit	22.8	22.9	22.5	22.6
Selling, general and administrative (excluding non-cash stock-based compensation)	15.7	12.0	15.4	11.7
Non-cash stock-based compensation	0.1	0.1	0.1	0.1
Amortization and depreciation expense	1.0	0.6	1.0	0.6
Income from operations	6.0	10.2	6.0	10.2
Interest expense, net	1.4	0.1	1.4	0.1
Income before income taxes	4.6	10.1	4.6	10.1
Income tax expense	1.8	4.0	1.8	4.0
Net income	2.8%	6.1%	2.8%	6.1%

Comparison of Results for the Three Months Ended June 30, 2004 to the Three Months Ended June 30, 2003

Revenue. Revenue decreased 16%, from \$183.4 million for the three months ended June 30, 2003 to \$153.4 million for the same period in 2004. This decrease is comparable to the decrease in the number of temporary healthcare professionals on assignment, which decreased 17% from an average of 7,355 for the three months ended June 30, 2003 to an average of 6,130 for the same period in 2004. The \$30.0 million decrease in revenue was primarily attributable to this decline in the average number of temporary healthcare professionals on assignment. The shift in the mix from payroll to flat rate contracts and changes in contract terms with our hospital and healthcare facility clients had an immaterial impact on the change in revenue.

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Cost of Revenue. Cost of revenue decreased 16%, from \$141.4 million for the three months ended June 30, 2003 to \$118.4 million for the same period in 2004. The \$23.0 million decrease was primarily attributable to the decline in the average number of temporary healthcare professionals on assignment.

Gross Profit. Gross profit decreased 17%, from \$42.0 million for the three months ended June 30, 2003 to \$35.0 million for the same period in 2004, representing gross margins of 22.9% and 22.8%, respectively. The slight decrease in gross margin was primarily attributable to increased compensation costs, offset by decreased health insurance and pension plan costs as a percentage of revenue.

Selling, General and Administrative Expenses. Selling, general and administrative expenses, excluding non-cash stock-based compensation, increased 9%, from \$22.0 million for the three months ended June 30, 2003 to \$24.0 million for the same period in 2004. The \$2.0 million increase was primarily attributable to increased corporate facility, international recruiting and professional liability insurance expenses. These increases were partially offset by reductions in the allowance for doubtful accounts due to favorable client collections experience.

Non-Cash Stock-Based Compensation. We recorded non-cash stock-based compensation charges of \$0.2 million for each of the three months ended June 30, 2003 and 2004 in connection with our stock option plans to reflect the difference between the fair market value at the measurement date and the exercise prices of previously issued stock options, which are amortized over their respective vesting periods.

Amortization and Depreciation Expense. Amortization expense of \$0.1 million was consistent for each of the three months ended June 30, 2003 and 2004, as there were no significant changes in the carrying values of intangible assets subject to amortization. Depreciation expense increased from \$1.1 million for the three months ended June 30, 2003 to \$1.4 million for the three months ended June 30, 2004. This increase was primarily attributable to internally developed software placed in service in 2003 and 2004 and additions of leasehold improvements and assets acquired in connection with the consolidation of several San Diego, California locations into a new corporate headquarters facility during the second half of 2003.

Interest Expense, Net. Interest expense, net, was \$0.1 million for the three months ended June 30, 2003 as compared to \$2.1 million for the same period in 2004, due primarily to interest charges related to borrowings initiated under our credit facility in October 2003 to fund our tender offer and the amortization of deferred financing costs associated with those borrowings.

Income Tax Expense. Income tax expense decreased from \$7.3 million for the three months ended June 30, 2003 to \$2.8 million for the same period in 2004, reflecting effective income tax rates of 39.5% and 39.0% for these periods, respectively. The reduction in the effective income tax rate was primarily attributable to changes in the state tax provision.

Comparison of Results for the Six Months Ended June 30, 2004 to the Six Months Ended June 30, 2003

Revenue. Revenue decreased 18%, from \$383.1 million for the six months ended June 30, 2003 to \$314.6 million for the same period in 2004. This decrease is comparable to the decrease in the number of temporary healthcare professionals on assignment, which decreased 19% from an average of 7,695 for the six months ended June 30, 2003 to an average of 6,239 for the same period in 2004. The \$68.5 million decrease in revenue was primarily attributable to a decline in the average number of temporary healthcare professionals on assignment and a shift in the mix from payroll to flat rate contracts. This decrease was offset by improvements in contract terms with our hospital and healthcare facility clients and one extra day in the six months ended June 30, 2004 due to 2004 being a leap year. The total number of temporary healthcare professionals on assignment declined by 19% and contributed approximately \$72.5 million to the decrease in revenue, and the shift in the mix from payroll to flat rate contracts contributed approximately \$3.1 million. These decreases were partially offset by improvements in contract terms, which included increases in bill rates charged to hospital and healthcare facility clients, of approximately \$5.4 million, and the additional day in the period, which contributed approximately \$1.7 million.

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Cost of Revenue. Cost of revenue decreased 18%, from \$296.4 million for the six months ended June 30, 2003 to \$243.8 million for the same period in 2004. Of the \$52.6 million decrease, approximately \$56.1 million was attributable to the decline in the average number of temporary healthcare professionals on assignment, offset by an approximately \$1.3 million increase attributable to the extra day in the six months ended June 30, 2004 and an approximately \$2.2 million increase attributable to net increases in compensation and overall benefits provided to our temporary healthcare professionals.

Gross Profit. Gross profit decreased 18%, from \$86.7 million for the six months ended June 30, 2003 to \$70.8 million for the same period in 2004, representing gross margins of 22.6% and 22.5%, respectively. The slight decrease in gross margin was primarily attributable to increased compensation and housing costs, offset by decreased health insurance costs as a percentage of revenue.

Selling, General and Administrative Expenses. Selling, general and administrative expenses, excluding non-cash stock-based compensation, increased 8%, from \$44.8 million for the six months ended June 30, 2003 to \$48.6 million for the same period in 2004. The \$3.8 million increase was primarily attributable to increased corporate facility, professional services, international recruiting and professional liability insurance expenses. These increases were partially offset by reductions in the allowance for doubtful accounts due to favorable client collections experience, reductions in employee expenses and reductions in marketing and advertising expenses.

Non-Cash Stock-Based Compensation. We recorded non-cash stock-based compensation charges of \$0.4 million for each of the six months ended June 30, 2003 and 2004 in connection with our stock option plans to reflect the difference between the fair market value at the measurement date and the exercise prices of previously issued stock options, which are amortized over their respective vesting periods.

Amortization and Depreciation Expense. Amortization expense of \$0.2 million was consistent for each of the six months ended June 30, 2003 and 2004, as there were no significant changes in the carrying values of intangible assets subject to amortization. Depreciation expense increased from \$2.1 million for the six months ended June 30, 2003 to \$2.8 million for the six months ended June 30, 2004. This increase was primarily attributable to internally developed software placed in service in 2003 and 2004 and additions of leasehold improvements and assets acquired in connection with the consolidation of several San Diego, California locations into a new corporate headquarters facility during the second half of 2003.

Interest Expense, Net. Interest expense, net, was \$0.2 million for the six months ended June 30, 2003 as compared to \$4.3 million for the same period in 2004, due primarily to interest charges related to borrowings initiated under our credit facility in October 2003 to fund our tender offer and the amortization of deferred financing costs associated with those borrowings.

Income Tax Expense. Income tax expense decreased from \$15.4 million for the six months ended June 30, 2003 to \$5.6 million for the same period in 2004, reflecting effective income tax rates of 39.5% and 38.7% for these periods, respectively. The reduction in the effective income tax rate was primarily attributable to changes in the state tax provision.

Liquidity and Capital Resources

Historically, our primary liquidity requirements have been for acquisitions, working capital requirements and debt service under our credit facility. We have funded these requirements through internally generated cash flow and funds borrowed under our credit facility. At June 30, 2004, \$128.5 million was outstanding under our credit facility. We believe that cash generated from operations and available borrowings under our revolving credit facility will be sufficient to fund our operations for the next 12 months. We expect to be able to finance future acquisitions either with cash provided from operations, borrowings under our revolving credit facility, bank loans, debt or equity offerings, or some combination of the foregoing. The following discussion provides further details of our liquidity and capital resources.

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Operating Activities:

Historically, our principal working capital need has been for accounts receivable. Our Days Sales Outstanding (DSO) have generally ranged between approximately 58 and 62 days. At June 30, 2004, our DSO was 66 days. At June 30, 2003, our DSO was 57 days and at December 31, 2003, our DSO was 68 days. The increase in DSO compared to June 30, 2003 was primarily related to the temporary delay in client billings associated with the implementation of a new payroll and billing system initiated in November 2003. Our DSO has declined since December 31, 2003 and we expect our DSO to decrease in the future. 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 provided by operations decreased \$25.8 million from \$46.7 million in the six months ended June 30, 2003 to \$20.9 million in the six months ended June 30, 2004. This decrease in net cash provided by operations was primarily related to the decrease in net income and the increase in our DSO compared to the prior year.

Investing Activities:

We continue to have relatively low capital investment requirements. Capital expenditures were \$2.5 million and \$7.0 million for the six months ended June 30, 2004 and 2003, respectively. For the first six months of 2004, our primary capital expenditures were \$2.0 million for purchased and internally developed software and \$0.5 million for computers, furniture and equipment and other expenditures. The higher level of capital expenditures for the first six months ended June 30, 2003 was primarily related to our leasehold improvements for our new corporate headquarters. We expect our capital expenditure requirements to be similar in the future, other than costs related to our new corporate headquarters, in relation to revenue.

Financing Activities:

In November 2002, our board of directors approved a stock repurchase program authorizing a repurchase of up to \$100 million of our common stock on the open market from time to time through December 2003. Stock repurchases were subject to prevailing market conditions and other considerations, including limitations under applicable securities laws. Under the terms of the repurchase program, we repurchased 2,892,200 shares at an average purchase price of \$12.45 per share, or an aggregate of \$36.0 million, during the six months ended June 30, 2003.

On October 16, 2003, we completed a tender offer for an aggregate of \$180 million, or approximately 10 million shares of our common stock and certain employee stock options. In connection with the tender offer, we amended our credit facility. The amended credit facility provides for, among other things, a \$75 million secured revolving credit facility, letter of credit sub-facility and swing-line loan sub-facility and a new \$130 million secured term loan facility maturing in October 2008. Our amended and restated credit agreement stipulates a minimum fixed charge coverage ratio, a maximum leverage ratio and other customary covenants.

On July 21, 2004, we amended our credit facility. This amendment provides for increased flexibility under our financial covenants, an increase in the amount available under our letter of credit sub-facility and a 25 basis point increase in the interest rate margin in the event of a downgrade in our credit rating. Based on our current outstanding indebtedness, a downgrade in our credit rating and the resulting revised pricing would increase our interest expense by approximately \$320,000 on an annualized basis. Additionally, as a result of the amendment, we incurred amendment fees of approximately \$250,000. These costs were deferred and are being amortized over the remaining term of our credit facility.

The revolving credit facility carries an unused fee of 0.5% per annum, and there are no mandatory reductions in the revolving commitment under the revolving credit facility. Borrowings under this revolving credit facility bear interest at floating rates based upon either a LIBOR or a prime interest rate option selected by us, plus a spread, to be determined based on our leverage ratio. Amounts available under our revolving credit facility may be used for working capital, acquisitions and general corporate purposes, subject to various limitations.

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The five year, \$130 million term loan portion of our credit facility is subject to quarterly amortization of principal (in equal installments), with an amount equal to 1.15% of the initial aggregate principal amount of the facility payable quarterly beginning June 30, 2004 until 2008 with any remaining amounts payable in 2008. We paid the initial principal installment of \$1.5 million on June 30, 2004. We are required to make mandatory prepayments on the term loan within ninety days after the end of each fiscal year, commencing with the fiscal year ending December 31, 2004. The prepayment is equal to 50% of the Company's excess cash flow (as defined in the Credit Agreement), less any voluntary prepayments made during the fiscal year. The mandatory prepayment amount, if any, is applied ratably to the remaining quarterly amortization payments.

We are also required to maintain interest rate protection on at least 50% of the term loan portion of our credit facility until January 1, 2006. On October 17, 2003 we entered into interest rate swap arrangements to minimize our exposure to interest rate fluctuations on \$110 million of our outstanding variable rate debt under the new credit facility. We have formally documented the hedging relationships and account for these arrangements as cash flow hedges.

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 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. This historical seasonality of revenue and earnings may vary due to, among other factors, the recent changes in the demand from our hospital and healthcare facility clients and supply of temporary healthcare professionals. Results of any one quarter are not necessarily indicative of the results to be expected for any other quarter or for any year.

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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 materially from those implied by the forward-looking statements in this Quarterly Report:

- our ability to continue to recruit and retain qualified temporary healthcare professionals at reasonable costs;
- our 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 and to secure orders related to those contracts;
- the attractiveness to hospitals and healthcare facility clients of our services;
- changes in the timing of hospital and healthcare facility clients' orders for and our placement of temporary healthcare professionals;

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- the general level of patient occupancy at our hospital and healthcare facility clients' facilities;
- the overall level of demand for services offered by temporary healthcare staffing providers;
- increased utilization of permanent staff by our hospital and healthcare facility clients;
- our ability to successfully implement our strategic growth, acquisition and integration strategies;
- our ability to leverage our cost structure;
- the performance of our management information and communication systems;
- the effect of existing or future government regulation, and our ability to operate our business in compliance 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 contained in this Quarterly Report are set forth in our Annual Report on Form 10-K for the year ended December 31, 2003. We undertake no obligation to update the forward-looking statements in this filing. References in this filing to "AMN Healthcare," the "Company," "we," "us" and "our" refer to AMN Healthcare Services, Inc. and its subsidiaries.

Additional Information

We maintain a corporate website at www.amnhealthcare.com/investors. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports, are made available, free of charge, through this website as soon as reasonably practicable after being filed with or furnished to the Securities and Exchange Commission.

On July 28, 2004, we announced that the resignation of Donald Myll, our chief financial officer, will be effective August 11, 2004, and that Susan Nowakowski has been appointed interim Chief Financial Officer and Brent Rivard has been appointed interim Chief Accounting Officer and Treasurer. Please refer to the Company's Current Report on Form 8-K dated July 28, 2004 as furnished to the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures 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. We do not believe that we have any material market risk exposure with respect to derivative or other financial instruments.

During 2003 and 2004, our primary exposure to market risk was interest rate risk associated with our debt instruments and short-term investments. See “Item 2. Management’s Discussion and Analysis—Liquidity and Capital Resources—Financing Activities” for further description of our debt instruments.” Excluding the effect of interest rate swap arrangements, a 1% change in interest rates on variable rate debt would have resulted in interest expense fluctuating approximately \$782,000 during the six months ended June 30, 2004.

Our international operations create exposure to foreign currency exchange rate risks. We believe that our foreign currency risk is immaterial.

Item 4. Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures as of June 30, 2004 were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission’s rules and forms.

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2004 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION**Item 4. Submission of Matters to a Vote of Security Holders**

We held our Annual Meeting of Stockholders on May 18, 2004. The matters submitted to a vote of our stockholders were (i) the election of seven directors to our Board of Directors (ii) the approval of the Company's 2001 Stock Option Plan as amended and restated, and (iii) ratification of the selection of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2004.

Our stockholders elected the following seven directors to our Board of Directors, to hold office until the next Annual Meeting of Stockholders or until their successors are duly elected and qualified. The results of the voting were as follows:

<u>Name</u>	<u>Votes For</u>	<u>Votes Withheld</u>
Robert B. Haas	27,376,334	14,273
Steven C. Francis	27,376,334	14,273
Susan R. Nowakowski	27,376,334	14,273
William F. Miller III	27,376,334	14,273
Douglas D. Wheat	27,376,334	14,273
Kenneth F. Yontz	27,376,334	14,273
Andrew M. Stern	27,376,334	14,273

Our stockholders approved our 2001 Stock Option Plan as amended and restated. The results of the voting were as follows:

<u>Votes For</u>	<u>Votes Against</u>	<u>Abstained</u>	<u>Unvoted</u>
20,976,417	2,061,507	155,917	4,196,766

Our stockholders also ratified the selection of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2004. The results of the voting were as follows:

<u>Votes For</u>	<u>Votes Against</u>	<u>Abstained</u>
26,924,132	460,692	5,783

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Item 6. Exhibits and Reports on Form 8-K

(a) List of Exhibits

Exhibit No.	Description of Document
10.1	Sixth Amendment, dated as of July 21, 2004, to the Amended and Restated Credit Agreement, dated as of November 16, 2001, by and among AMN Healthcare, Inc. as borrower, the Registrant, Worldview Healthcare, Inc. and O'Grady-Peyton International (USA), Inc., as guarantors, and the lenders party thereto*
31.1	Certification by Steven C. Francis pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934*
31.2	Certification by Donald R. Myll pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934*
32.1	Certification by Steven C. Francis pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification by Donald R. Myll pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

* Filed herewith.

(b) Reports on Form 8-K:

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 4, 2004

AMN HEALTHCARE SERVICES, INC.

/s/ STEVEN C. FRANCIS

Name: **Steven C. Francis**
Title: **Chief Executive Officer**

Date: August 4, 2004

/s/ DONALD R. MYLL

Name: **Donald R. Myll**
Title: **Chief Accounting Officer and
Chief Financial Officer**

**SIXTH AMENDMENT
TO
AMENDED AND RESTATED CREDIT AGREEMENT**

THIS SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment"), dated as of July 21, 2004, is entered into 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 signatory hereto, the lenders identified on the signature pages hereto as the Lenders (the "Lenders") and BANK OF AMERICA, N. A., as Agent for the Lenders (in such capacity, the "Agent").

RECITALS

A. The Borrower, the Parent, the Subsidiary Guarantors, the Lenders and the Agent, are party to that certain Amended and Restated Credit Agreement dated as of November 16, 2001, as amended by that certain First Amendment to Amended and Restated Credit Agreement dated as of April 8, 2002, as amended by that certain Second Amendment to Amended and Restated Credit Agreement dated as of May 2, 2002, as amended by that certain Third Amendment to Amended and Restated Credit Agreement dated as of November 8, 2002, as amended by that certain Fourth Amendment to Amended and Restated Credit Agreement dated as of January 10, 2003 and as amended by that certain Fifth Amendment to Amended and Restated Credit Agreement dated as of October 2, 2003 (as amended, the "Existing Credit Agreement"). Unless otherwise defined herein or the context otherwise requires, terms used in this Amendment, including its preamble and recitals, have the meanings provided in the Existing Credit Agreement.

B. The Credit Parties have requested that the Lenders amend the Existing Credit Agreement as provided herein.

C. The Issuing Lender, the Requisite Lenders and the Lenders holding in the aggregate at least a majority of the Revolving Commitments have agreed to amend the Existing Credit Agreement on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the agreements herein contained, the parties hereto hereby agree as follows:

**PART I
DEFINITIONS**

SUBPART 1.1 Certain Definitions. Unless otherwise defined herein or the context otherwise requires, the following terms used in this Amendment, including its preamble and recitals, have the following meanings.:

“Amended Credit Agreement” means the Existing Credit Agreement as amended hereby.

“Amendment No. 6 Effective Date” is defined in Part III.

SUBPART 1.2 Other Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Amendment, including its preamble and recitals, have the meanings provided in the Existing Credit Agreement.

**PART II
AMENDMENTS TO EXISTING CREDIT AGREEMENT**

Effective on (and subject to the occurrence of) the Amendment No. 6 Effective Date, the Existing Credit Agreement is hereby amended in accordance with this Part II.

SUBPART 2.1 Amendments to Section 1.1. The definition of “Applicable Percentage” contained in Section 1.1 of the Existing Credit Agreement is hereby amended to add the following sentence immediately following the pricing table:

Notwithstanding any provision of this Credit Agreement or any other Credit Document to the contrary, if (i) the Borrower’s “long term issuer rating” or “senior secured bank debt rating” as determined by S&P is lower than BB- or (ii) the Borrower’s “long term issuer rating” or “senior secured bank credit facility rating” as determined by Moody’s is lower than Ba3 (long term issuer rating) or Ba2 (senior secured bank credit facility rating), respectively, then each of the Applicable Percentages set forth in the table above shall be increased by 25 basis points, effective beginning on the first day following the date on which such rating change occurred and continuing so long as such rating remains below the applicable rating as set forth in clauses (i) or (ii) above.

SUBPART 2.2 Amendments to Section 2.2. Section 2.2(a) of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

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 Revolving 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 **THIRTY MILLION DOLLARS (\$30,000,000)** (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. The issuance and expiry dates of each Letter of Credit shall be a Business Day.

SUBPART 2.3 Amendments to Section 2.4. Section 2.4(e) of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

(e) Interest. Subject to the provisions of Section 3.1, the Tranche B Loan shall bear interest at a per annum rate equal to:

(i) Base Rate Loans. During such periods as the Tranche B Loan shall be comprised in whole or in part of Base Rate Loans, such Base Rate Loans shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus 2.00% (or plus 2.25% if (i) the Borrower's "long term issuer rating" or "senior secured bank debt rating" as determined by S&P is lower than BB- or (ii) the Borrower's "long term issuer rating" or "senior secured bank credit facility rating" as determined by Moody's is lower than Ba3 (long term issuer rating) or Ba2 (senior secured bank credit facility rating) respectively, effective beginning on the first day following the date on which such rating change occurred and continuing so long as such rating remains below the applicable rating as set forth in clauses (i) or (ii) above);

(ii) Eurodollar Loans. During such periods as the Tranche B Loan shall be comprised in whole or in part of Eurodollar Loans, such Eurodollar Loans shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the sum of (A) the Eurodollar Rate for such Interest Period plus 3.00% (or plus 3.25% if (i) the Borrower's "long term issuer rating" or "senior secured bank debt rating" as determined by S&P is lower than BB- or (ii) the Borrower's "long term issuer rating" or "senior secured bank credit facility rating" as determined by Moody's is lower than Ba3 (long term issuer rating) or Ba2 (senior secured bank credit facility rating) respectively, effective beginning on the first day following the date on which such rating change occurred and continuing so long as such rating remains below the applicable rating as set forth in clauses (i) or (ii) above);

Interest on the Tranche B Loan shall be payable in arrears on each applicable Interest Payment Date (or at such other times as may be specified herein).

SUBPART 2.4 Amendments to Section 7.11. Section 7.11 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

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:

<u>Fiscal Year</u>	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
2003	1.50	1.50	1.50	2.50
2004	2.50	2.75	3.25	3.25
2005	3.00	2.50	2.25	2.00
2006	2.00	1.75	1.50	1.50
2007 and Thereafter	1.50	1.50	1.50	1.50

(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 be less than:

<u>Fiscal Year</u>	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
2003	3.00	3.00	3.00	3.00
2004	3.00	3.00	2.25	2.00
2005	2.00	2.25	2.50	3.00
2006	3.00	3.00	3.00	3.00
2007 and Thereafter	3.00	3.00	3.00	3.00

SUBPART 2.5 Amendments to Exhibits. Exhibit 2.1(b)(i) of the Existing Credit Agreement is amended and restated in its entirety to read in the form of such Exhibit 2.1(b)(i) attached hereto as Annex I to this Amendment and Exhibit 3.2 of the Existing Credit Agreement is amended and restated in its entirety to read in the form of such Exhibit 3.2 attached hereto as Annex II to this Amendment.

**PART III
CONDITIONS TO EFFECTIVENESS**

This Amendment shall be and become effective as of the date (the "Amendment No. 6 Effective Date") when all of the conditions set forth in this Part III shall have been satisfied.

SUBPART 3.1 Execution of Counterparts of Amendment. The Agent shall have received counterparts of this Amendment, which collectively shall have been duly executed on behalf of each of the Borrower, each of the Guarantors, the Issuing Lender, the Requisite Lenders and the Lenders holding in the aggregate at least a majority of the Revolving Commitments.

SUBPART 3.2 Fees and Expenses. The Agent shall have received, (i) for the account of each Lender who executes and approves this Amendment on or before 5:00 P.M. (EST) on July

21, 2004, an amendment fee equal to 5 basis points of the Revolving Commitment and the Term B Loan Commitment of each such approving Lender, which fee shall be due and payable to each approving Lender when all of the conditions set forth in this Part III shall have been satisfied and (ii) on the date hereof, all out-of-pocket costs and expenses of the Agent in connection with the preparation, execution and delivery of this Amendment, including without limitation the fees and expenses of Moore & Van Allen PLLC, special counsel to the Agent.

SUBPART 3.3 Other Items. The Agent shall have received such other documents, agreements or information which may be reasonably requested by the Agent.

PART IV MISCELLANEOUS

SUBPART 4.1 Construction. This Amendment is a Credit Document executed pursuant to the Existing Credit Agreement and shall (unless otherwise expressly indicated therein) be construed, administered and applied in accordance with the terms and provisions of the Amended Credit Agreement.

SUBPART 4.2 Representations and Warranties. Each Credit Party hereby represents and warrants that (i) each Credit Party that is party to this Amendment: (a) has the requisite corporate power and authority to execute, deliver and perform this Amendment, as applicable and (b) is duly authorized to, and has been authorized by all necessary corporate action, to execute, deliver and perform this Amendment, (ii) the representations and warranties contained in Section 6 of the Amended Credit Agreement are true and correct in all material respects on and as of the date hereof upon giving effect to this Amendment as though made on and as of such date (except for those which expressly relate to an earlier date) and (iii) no Default or Event of Default exists under the Existing Credit Agreement on and as of the date hereof upon giving effect to this Amendment.

SUBPART 4.3 Acknowledgment. The Guarantors acknowledge and consent to all of the terms and conditions of this Amendment and agree that this Amendment does not operate to reduce or discharge the Guarantors' obligations under the Amended Credit Agreement or the other Credit Documents. The Guarantors further acknowledge and agree that the Guarantors have no claims, counterclaims, offsets, or defenses to the Credit Documents and the performance of the Guarantors' obligations thereunder or if the Guarantors did have any such claims, counterclaims, offsets or defenses to the Credit Documents or any transaction related to the Credit Documents, the same are hereby waived, relinquished and released in consideration of the Lenders' execution and delivery of this Amendment.

SUBPART 4.4 Counterparts. This Amendment may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

SUBPART 4.5 Binding Effect. This Amendment, the Amended Credit Agreement and the other Credit Documents embody the entire agreement between the parties and supersede all prior agreements and understandings, if any, relating to the subject matter hereof. These Credit

Documents represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. Except as expressly modified and amended in this Amendment, all the terms, provisions and conditions of the Credit Documents shall remain unchanged and shall continue in full force and effect.

SUBPART 4.6 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SUBPART 4.7 Severability. If any provision of this Amendment 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.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

BORROWER:

AMN HEALTHCARE, INC.

By: 

Name: DONALD R. MYLL
Title: CHIEF FINANCIAL OFFICER

PARENT:

AMN HEALTHCARE SERVICES, INC.

By: 

Name: DONALD R. MYLL
Title: CHIEF FINANCIAL OFFICER

**SUBSIDIARY
GUARANTORS:**

WORLDVIEW HEALTHCARE, INC.

By: 

Name: DONALD R. MYLL
Title: CHIEF FINANCIAL OFFICER

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

By: 

Name: DONALD R. MYLL
Title: CHIEF FINANCIAL OFFICER

**INTERNATIONAL HEALTHCARE
RECRUITERS, INC.**

By: 

Name: DONALD R. MYLL
Title: CHIEF FINANCIAL OFFICER

AMN STAFFING SERVICES, INC.

By: 

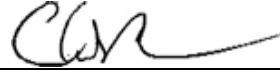
Name: DONALD R. MYLL
Title: CHIEF FINANCIAL OFFICER

[Signatures Continued]

AGENT:

BANK OF AMERICA, N.A.,
in its capacity as Agent

By:



Name: Charles Graber
Title: Vice President

LENDERS:

BANK OF AMERICA, N.A.

By: _____

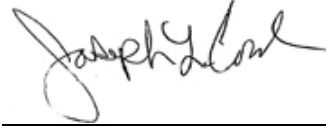
Name: _____

Title: _____

[Signatures Continued]

**Bank of America, N.A.
as Lender**

By:




Name: Joseph L. Corah
Title: Principal

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

Sierra CLO I

By:



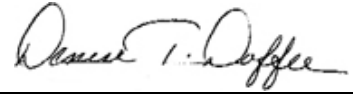
Name: John M. Casparian

Title: Chief Operating Officer
Centre Pacific Manager

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

THE TRAVELERS INSURANCE COMPANY

By

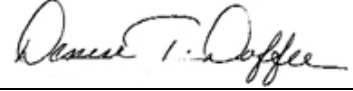


Name: DENISE DUFFEE
Title: Investment Officer

CITICORP INSURANCE AND INVESTMENT TRUST

By TRAVELERS ASSET MANAGEMENT
INTERNATIONAL COMPANY LLC

By



Name: DENISE DUFFEE
Title: Investment Officer

AMN HEALTHCARE INC.
Sixth Amendment

By:



Name: MARK W. POEPELMAN

Title: AUTHORIZED SIGNATORY

[LENDER]

By:

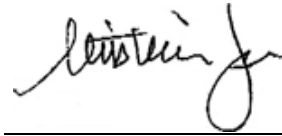


Name: Mark W. Poepelman

Title: Authorized Signatory

**VAN KAMPEN
SENIOR INCOME TRUST
By: Van Kampen Investment Advisory Corp.**

By:

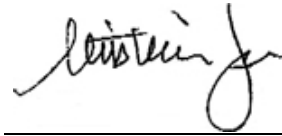


Name: Christina Jamieson
Title: Executive Director

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

**VAN KAMPEN
SENIOR LOAN FUND
By: Van Kampen Investment Advisory Corp.**

By:



Name: Christina Jamieson
Title: Executive Director

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

[LENDER]

Venture III CDO Limited

**By its investment advisor, MJX Asset Management
LLC**

By:



Name: Illegible

Title: Illegible

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

[LENDER]

Venture CDO 2002, Limited

By its investment advisor, MJX Asset Management
LLC

By:



Name: Illegible

Title: Illegible

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

**GENERAL ELECTRIC CAPITAL
CORPORATION**

By:



Name: Maura Fitzgerald

Title: Its Duly Authorized Signatory

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

AVALON CAPITAL LTD.

By: INVESCO Senior Secured Management, Inc.
As Portfolio Advisor

By:

A handwritten signature in black ink, appearing to read 'T. Ewald', is written over a horizontal line.

Name: Thomas H. B. Ewald
Title: Authorized Signatory

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

AVALON CAPITAL LTD. 2

By: INVESCO Senior Secured Management, Inc.
As Portfolio Advisor

By:

A handwritten signature in black ink, appearing to read 'T. Ewald', is written over a horizontal line.

Name: Thomas H. B. Ewald
Title: Authorized Signatory

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

CHARTER VIEW PORTFOLIO

By: INVESCO Senior Secured Management, Inc.
As Investment Advisor

By:

A handwritten signature in black ink, appearing to read 'T. Ewald', is written over a horizontal line.

Name: Thomas H. B. Ewald
Title: Authorized Signatory

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

DIVERSIFIED CREDIT PORTFOLIO LTD.

By: INVESCO Senior Secured Management, Inc.
as Investment Adviser

By:

A handwritten signature in black ink, appearing to read 'T. Ewald', is written over a horizontal line.

Name: Thomas H. B. Ewald
Title: Authorized Signatory

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

AIM FLOATING RATE FUND

By: INVESCO Senior Secured Management, Inc.
As Sub-Adviser

By:

A handwritten signature in black ink, appearing to read 'T. Ewald', is written over a horizontal line.

Name: Thomas H. B. Ewald
Title: Authorized Signatory

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

INVESCO EUROPEAN CDO I. S.A.

By: INVESCO Senior Secured Management, Inc.
As Collateral Manager

By:

A handwritten signature in black ink, appearing to read 'T. Ewald', is written over a horizontal line.

Name: Thomas H. B. Ewald
Title: Authorized Signatory

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

SEQUILS-LIBERTY LTD.

By: INVESCO Senior Secured Management, Inc.
As Collateral Manager

By:

A handwritten signature in black ink, appearing to read 'T. Ewald', is written over a horizontal line.

Name: Thomas H. B. Ewald
Title: Authorized Signatory

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

SAGAMORE CLO LTD.

By: INVESCO Senior Secured Management, Inc.
As Collateral Manager

By:

A handwritten signature in black ink, appearing to read 'TBE', is written over a horizontal line.

Name: Thomas H. B. Ewald
Title: Authorized Signatory

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

SARATOGA CLO I, LIMITED.

By: INVESCO Senior Secured Management, Inc.
As Asset Manager

By:

A handwritten signature in black ink, appearing to read 'T. Ewald', is written over a horizontal line.

Name: Thomas H. B. Ewald
Title: Authorized Signatory

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

Flagship CLO II

By: Flagship Capital Management, Inc.

By:



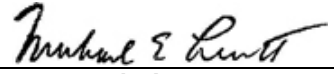
Name: Colleen Cunniffe

Title: Director

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

Harch CLO I, Ltd.

By:



Name:

Michael E. Lewitt

Title:

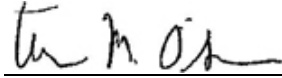
AUTHORIZED SIGNATORY

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

GoldenTree Loan Opportunities II, Limited

By: GoldenTree Asset Management, LP

By:




Name: Thomas M. O'Shea

Title: Portfolio Manager

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

**The Sumitomo Trust & Banking Co., Ltd.,
New York Branch**

By: 

Name: Elizabeth A. Quirk

Title: Vice President

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

By:



Name: Douglas S. Lambell

Title: Vice President / SCM

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

Bank of Montreal

By: S. Valia

Name: S. Valia

Title: _____

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

GULF STREAM-COMPASS CLO 2002-1 LTD

By: Gulf stream Asset Management LLC

As Collateral Manager

Gulf Stream Asset Management LLC

By:



Name: Barry Love

Title: Chief Credit Officer

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

Landmark III CDO Limited

By: *Aladdin Capital Management*

Name: Illegible

Title: Director

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

**Aurum CLO 2002-1 Ltd., by Columbia Management
Advisors, Inc., as Investment Manager**

By:




Name: Thomas R. Bouchard

Title: V.P.

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

**Stein Roe & Farnham CLO1 Ltd., by
Columbia Management Advisors, Inc., as
Portfolio Manager**

By: 

Name: Thomas R. Bouchard

Title: V.P.

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

LONG GROVE CLO, Limited.

By: Deerfield Capital Management LLC as its Collateral
Manager

By:



Name: Dale Burrow

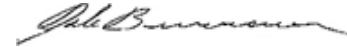
Title: Senior Vice President

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

ROSEMONT CLO, Ltd.

By: Deerfield Capital Management LLC as its Collateral
Manager

By:



Name: Dale Burrow

Title: Senior Vice President

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

BRYN MAWR CLO, Ltd.

By: Deerfield Capital Management LLC as its Collateral
Manager

By:



Name: Dale Burrow

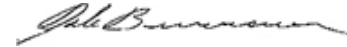
Title: Senior Vice President

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

SEQUILS-Cumberland I, Ltd.

By: Deerfield Capital Management LLC as its Collateral
Manager

By:



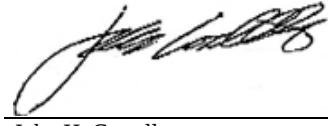
Name: Dale Burrow

Title: Senior Vice President

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

**Fidelity Advisor Series II: Fidelity Advisor
Floating Rate High Income Fund**

By:



Name: John H. Costello

Title: Assistant Treasurer

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

IKB Capital Corporation

By:



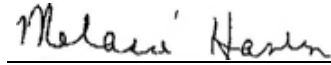
Name: **DAVID SNYDER**
Title: **PRESIDENT**
IKB CAPITAL CORPORATION

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

COLUMBUS LOAN FUNDING LTD.

By: Travelers Asset Management International
Company LLC

By:



Name: Melanie Hanlon

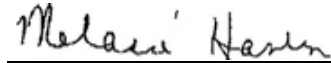
Title: Vice President

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

**CITIGROUP INVESTMENTS
CORPORATE LOAN FUND INC.**

By: Travelers Asset Management International
Company LLC

By:



Name: Melanie Hanlon

Title: Vice President

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

AGENT:

BANK OF AMERICA, N.A.,
in its capacity as Agent

By: _____
Name: Charles Graber
Title: Vice President


LENDERS:

BANK OF AMERICA, N.A.

By: _____
Name: _____
Title: _____

[Signatures Continued]

Longhorn CDO II, LTD.
By: Illegible

By:  _____

AMN HEALTHCARE, INC.

**EATON VANCE INSTITUTIONAL SENIOR LOAN FUND
BY: EATON VANCE MANAGEMENT
AS INVESTMENT ADVISOR**

By:



Name: PAYSON F. SWAFFIELD
Title: VICE PRESIDENT

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

EATON VANCE CDO III, LTD.
BY: EATON VANCE MANAGEMENT
AS INVESTMENT ADVISOR

By:



Name: PAYSON F. SWAFFIELD
Title: VICE PRESIDENT

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

**EATON VANCE CDO VI LTD.
BY: EATON VANCE MANAGEMENT
AS INVESTMENT ADVISOR**

By:



Name: PAYSON F. SWAFFIELD
Title: VICE PRESIDENT

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

GRAYSON & CO
BY: BOSTON MANAGEMENT AND RESEARCH
AS INVESTMENT ADVISOR

By:



Name: PAYSON F. SWAFFIELD
Title: VICE PRESIDENT

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

**BIG SKY SENIOR LOAN FUND, LTD.
BY: EATON VANCE MANAGEMENT
AS INVESTMENT ADVISOR**

By:



Name: PAYSON F. SWAFFIELD
Title: VICE PRESIDENT

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

TOLLI & CO.
BY: EATON VANCE MANAGEMENT
AS INVESTMENT ADVISORS

By:

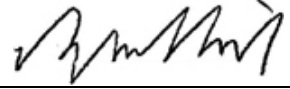


Name: PAYSON F. SWAFFIELD
Title: VICE PRESIDENT

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

**EATON VANCE SENIOR
FLOATING-RATE TRUST
BY: EATON VANCE MANAGEMENT
AS INVESTMENT ADVISOR**

By:



Name: PAYSON F. SWAFFIELD
Title: VICE PRESIDENT

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

**COLUMBIA FLOATING RATE
ADVANTAGE FUND**

**By: Highland Capital Management, L.P.,
Its Investment Advisor**

By:



Name:

Mark Okada

Title:


**Chief Investment Officer
Highland Capital Management, L.P.**

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

ELF FUNDING TRUST I

**By: Highland Capital Management, L.P.,
As Collateral Manager**

By:



Name:

Mark Okada

Title:


Chief Investment Officer

Highland Capital Management, L.P.

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

LOAN FUNDING IV LLC (Bristol Bay)
By: Highland Capital Management, L.P.,
As Portfolio Manager

By:



Name: Mark Okada


Title: Chief Investment Officer

Highland Capital Management, L.P.

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

Dryden V Leveraged Loan CDO 2003
By: Prudential Investment Management,
Inc., as Collateral Manager

By:



Name: Illegible

Title: Vice President

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

Centurion CDO VII, Ltd.
By: American Express Asset Management
Group, Inc. as Collateral Manager

By: 

Name: Yvonne Stevens
Title: Senior Managing Director

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

Centurion CDO II, Ltd.
By: American Express Asset Management
Group, Inc. as Collateral Manager

By:



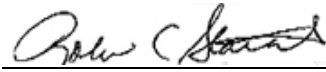
Name: Robin C. Stancil

Title: Supervisor - Fixed Income Support Team

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

Centurion CDO VI, Ltd.
By: American Asset Management
Group, Inc. as Collateral Manager

By:



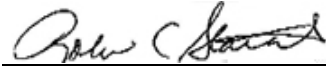
Name: Robin C. Stancil

Title: Supervisor - Fixed Income Support Team

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

Sequils-Centurion V, Ltd.
By: American Express Asset
Management Group, Inc. as Collateral
Manager

By:



Name: Robin C. Stancil

Title: Supervisor - Fixed Income Support Team

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

Centurion CDO III, Ltd.
By: American Express Asset Management
Group, Inc. as Collateral Manager

By:



Name: Robin C. Stancil

Title: Supervisor - Fixed Income Support Team

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

EAST WEST BANK

By: *Nancy A. Moore*


Name: Nancy A. Moore

Title: Senior Vice President

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

KZH CYPRESSTREE-1 LLC

By:




Name: DORIAN HERRERA

Title: AUTHORIZED AGENT

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

KZH STERLING LLC

By:



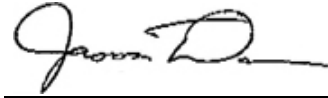
Name: DORIAN HERRERA

Title: AUTHORIZED AGENT

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

ECL FUNDING LLC

By:




Name: JASON TRALA

Title: Attorney-In-Fact

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

FRANKLIN FLOATING RATE MASTER SERIES


By: 

Name: Madeline Lam

Title: Asst. Vice President

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

FRANKLIN FLOATING RATE DAILY ACCESS FUND

By: 

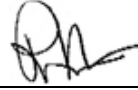
Name: Madeline Lam

Title: Asst. Vice President

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

**FRANKLIN TEMPLETON LIMITED DURATION
INCOME TRUST**

By:



Name: Richard Hsu

Title: Asst. Vice President

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

FRANKLIN CLO I, LIMITED

By:



Name: DAVID ARDINI

Title: VICE PRESIDENT

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

FRANKLIN CLO IV, LIMITED

By:



Name: DAVID ARDINI

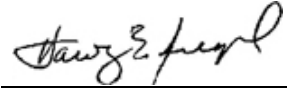
Title: VICE PRESIDENT

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

GSC PARTNERS CDO FUND IV, LIMITED

By: GSCP (NJ), L.P. as Collateral Manager

By:



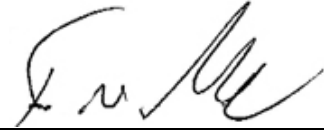
Name: Harvey Siegel

Title: Authorized Signatory

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

HSH Nordbank AG

By:



Name: Drew von Glahn

Title: Senior Vice President

By:



Name: David Canavan

Title: Senior Vice President

INDOSUEZ CAPITAL FUNDING VI, LIMITED
By: Indosuez Capital as Collateral Manager

By:




Name: Charles Kobayashi
Title: Principal and Portfolio Manager

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

First Dominion Funding III

By:



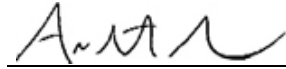
Name: ANDREW MARSHAK

Title: AUTHORIZED SIGNATORY

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

CSAM Funding III

By:



Name: ANDREW MARSHAK

Title: AUTHORIZED SIGNATORY

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
AMN HEALTHCARE, INC.

Exhibit 2.1(b)(i)

FORM OF NOTICE OF BORROWING

Bank of America, N. A.,
as Agent for the Lenders
101 North Tryon Street
Independence Center, 15th Floor
NC1-001-15-04
Charlotte, North Carolina 28255
Attention: Agency Services

Ladies and Gentlemen:

The undersigned, AMN HEALTHCARE, INC. (the "Borrower"), refers to the Amended and Restated Credit Agreement dated as of November 16, 2001 (as amended, modified, restated or supplemented from time to time, the "Credit Agreement"), among the Borrower, the Guarantors, the Lenders and Bank of America, N.A., as Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The Borrower hereby gives notice pursuant to Section 2.1 of the Credit Agreement that it requests a Revolving Loan advance under the Credit Agreement, and in connection therewith sets forth below the terms on which such Loan advance is requested to be made:

- (A) Date of Borrowing (which is a Business Day) _____
- (B) Principal Amount of Borrowing _____
- (C) Interest rate basis _____
- (D) Interest Period and the last day thereof _____

AMN HEALTHCARE, INC.

In accordance with the requirements of Section 5.2, the Borrower hereby reaffirms the representations and warranties set forth in the Credit Agreement as provided in clause (b) of such Section, and confirms that the matters referenced in clauses (c), (d), (e) and (f) of such Section, are true and correct. Delivered herewith are detailed calculations demonstrating compliance by the Borrower with clause (f) of Section 5.2 as of the Date of Borrowing set forth in subsection (A) of this Notice of Borrowing.

AMN HEALTHCARE, INC.

By: _____

Name: _____

Title: _____

AMN HEALTHCARE, INC.

Attachment to Notice of Borrowing

Computation of the Section 5.2(f)

- A. Funded Indebtedness of the Consolidated Parties on a consolidated basis on the Date of Borrowing: \$ _____
- B. Consolidated EBITDA for the three fiscal-quarter period ending as of the last day of the most recent fiscal quarter preceding the Date of Borrowing for which the Agent has received the Required Financial Information: \$ _____
- C. Projected Consolidated EBITDA for the applicable fiscal quarter with respect to which the Parent has provided the Projected Consolidated EBITDA: \$ _____
- D. Pro Forma EBITDA (Sum of Lines B + C): \$ _____
- E. Pro Forma Leverage Ratio (Line A ÷ Line D): _____ to 1.00
- F. Line E shall not exceed the then applicable ratio set forth in Section 7.11 (a) (set forth below) for the last day of the applicable fiscal quarter with respect to which the Parent has provided the Projected Consolidated EBITDA:

Section 7.11 (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:

<u>Fiscal Year</u>	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
2003	1.50	1.50	1.50	2.50
2004	2.50	2.75	3.25	3.25
2005	3.00	2.50	2.25	2.00
2006	2.00	1.75	1.50	1.50
2007 and Thereafter	1.50	1.50	1.50	1.50

AMN HEALTHCARE, INC.

Exhibit 3.2

FORM OF NOTICE OF EXTENSION/CONVERSION

Bank of America, N. A.,
as Agent for the Lenders
101 North Tryon Street
Independence Center, 15th Floor
NCI-001-15-04
Charlotte, North Carolina 28255
Attention: Agency Services

Ladies and Gentlemen:

The undersigned, AMN HEALTHCARE, INC. (the "Borrower"), refers to the Amended and Restated Credit Agreement dated as of November 16, 2001 (as amended, modified, restated or supplemented from time to time, the "Credit Agreement"), among the Borrower, the Guarantors, the Lenders and Bank of America, N. A., as Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The Borrower hereby gives notice pursuant to Section 3.2 of the Credit Agreement that it requests an extension or conversion of a [Revolving Loan] [Tranche B Loan] outstanding under the Credit Agreement, and in connection therewith sets forth below the terms on which such extension or conversion is requested to be made:

- (A) Loan Type/Tranche _____
- (B) Date of Extension or Conversion
(which is the last day of the
the applicable Interest Period) _____
- (C) Principal Amount of Extension or Conversion _____
- (D) Interest rate basis _____
- (E) Interest Period and the last day thereof _____

AMN HEALTHCARE, INC.

In accordance with the requirements of Section 5.2, the Borrower hereby reaffirms the representations and warranties set forth in the Credit Agreement as provided in clause (b) of such Section, and confirms that the matters referenced in clauses (c), (d), (e) and (f) of such Section, are true and correct. Delivered herewith are detailed calculations demonstrating compliance by the Borrower with clause (f) of Section 5.2 as of the Date of Extension or Conversion set forth in subsection (B) of this Notice of Extension/Conversion.

AMN HEALTHCARE, INC.

By: _____
Name: _____
Title: _____

AMN HEALTHCARE, INC.

Computation of the Section 5.2(f)

- A. Funded Indebtedness of the Consolidated Parties on a consolidated basis on the Date of Extension or Conversion: \$ _____
- B. Consolidated EBITDA for the three fiscal-quarter period ending as of the last day of the most recent fiscal quarter preceding the Date of Extension or Conversion for which the Agent has received the Required Financial Information: \$ _____
- C. Projected Consolidated EBITDA for the applicable fiscal quarter with respect to which the Parent has provided the Projected Consolidated EBITDA: \$ _____
- D. Pro Forma EBITDA (Sum of Lines B + C): \$ _____
- E. Pro Forma Leverage Ratio (Line A ÷ Line D): _____ to 1.00
- F. Line E shall not exceed the then applicable ratio set forth in Section 7.11 (a) (set forth below) for the last day of the applicable fiscal quarter with respect to which the Parent has provided the Projected Consolidated EBITDA:

Section 7.11 (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:

<u>Fiscal Year</u>	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
2003	1.50	1.50	1.50	2.50
2004	2.50	2.75	3.25	3.25
2005	3.00	2.50	2.25	2.00
2006	2.00	1.75	1.50	1.50
2007 and Thereafter	1.50	1.50	1.50	1.50

AMN HEALTHCARE, INC.

**Certification Pursuant To
Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Steven C. Francis, certify that:

1. I have reviewed this report on Form 10-Q of AMN Healthcare Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date: August 4, 2004

/s/ STEVEN C. FRANCIS

Name:	Steven C. Francis
Title:	Chief Executive Officer

**Certification Pursuant To
Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Donald R. Myll, certify that:

1. I have reviewed this report on Form 10-Q of AMN Healthcare Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting

Date: August 4, 2004

/s/ DONALD R. MYLL

Name: **Donald R. Myll**
Title: **Chief Accounting Officer and Chief Financial Officer**

AMN Healthcare Services, Inc.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of AMN Healthcare Services, Inc. (the Company) on Form 10-Q for the period ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Steven C. Francis, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2004

/s/ STEVEN C. FRANCIS

Steven C. Francis
Chief Executive Officer

AMN Healthcare Services, Inc.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of AMN Healthcare Services, Inc. (the Company) on Form 10-Q for the period ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Donald R. Myll, Chief Accounting Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2004

/s/ DONALD R. MYLL

Donald R. Myll
Chief Accounting Officer and Chief Financial Officer