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As filed with the Securities and Exchange Commission on April 25, 2002

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

AMN Healthcare Services, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**8099**	**06-1500476**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(IRS Employer Identification Number)*

12235 El Camino Real, Suite 200

San Diego, California 92130
(800) 282-0300
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Steven C. Francis

President and Chief Executive Officer
AMN Healthcare Services, Inc.
12235 El Camino Real, Suite 200
San Diego, California 92130
(800) 282-0300
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

John C. Kennedy, Esq.	**Ian B. Blumenstein, Esq.**
Paul, Weiss, Rifkind, Wharton & Garrison	**Latham & Watkins**
1285 Avenue of the Americas	**275 Grove Street 4th Floor**
New York, New York 10019-6064	**Newton, Massachusetts 02466**
(212) 373-3000	**(617) 663-5700**

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective.

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, $0.01 par value per share	11,500,000 shares	$30.05	$345,575,000	$31,793.00

(1) Including 1,500,000 shares subject to the underwriters' over-allotment option.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c), based on the average of the high and low prices for the common stock reported on the New York Stock Exchange on April 23, 2002.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed without notice. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and the selling stockholders are not soliciting offers to buy these securities, in any State where the offer or sale of these securities is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 25, 2002

Prospectus (Not complete)

Issued April 25, 2002

10,000,000 Shares

AMN HEALTHCARE SERVICES, INC.

Common Stock

The selling stockholders named in this prospectus are selling all of the shares of our common stock offered by this prospectus. We will not receive any of the proceeds from the sale of the shares by the selling stockholders.

Our common stock is listed on the New York Stock Exchange under the symbol "AHS." On April 24, 2002, the last reported sale price of our common stock on the New York Stock Exchange was $29.30 per share.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 7.

	Per Share	Total
Offering Price	$	$
Discounts and Commissions to Underwriters	$	$
Offering Proceeds to the Selling Stockholders	$	$

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The selling stockholders have granted the underwriters the right to purchase up to an additional 1,500,000 shares from the selling stockholders at the public offering price to cover any over-allotments. The underwriters can exercise this right at any time within thirty days after this offering. Banc of America Securities LLC expects to deliver the shares of common stock to investors on , 2002.

Book Running Lead Manager

Banc of America Securities LLC

Co-Lead Managers

JPMorgan **UBS Warburg**

SunTrust Robinson Humphrey **Wells Fargo Securities, LLC**

, 2002

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[ART WORK: COMPANY LOGO, SLOGAN (“A LEADER IN HEALTHCARE STAFFING”)

AND A FULL PAGE PHOTO OF TWO NURSES WORKING IN A HOSPITAL HALLWAY.]

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PROSPECTUS SUMMARY

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

The Company

We are a leading temporary healthcare staffing company and the largest nationwide provider of travel nurse staffing services, one of the fastest growing segments of the temporary healthcare staffing industry. We recruit nurses and allied health professionals, our "temporary healthcare professionals," and place them on temporary assignments, typically for 13 weeks away from their permanent homes, at hospitals and healthcare facilities throughout the United States. Approximately 90% of our temporary healthcare professionals are nurses, while the remainder are technicians, therapists and technologists. We are actively working with a pre-screened pool of prospective temporary healthcare professionals, of whom over 7,300 were on assignment during the first quarter of 2002.

In recent years our business has grown significantly, outpacing the growth of the temporary healthcare staffing market. From 1996 to 2001, our revenue and Adjusted EBITDA (as defined) increased at compound annual growth rates of 61% and 65%, respectively. Approximately two-thirds of this growth was generated through the organic growth of our operations, while the remaining one-third was generated through strategic acquisitions. On a combined basis, assuming all of our acquisitions had occurred on January 1, 1999, we would have generated revenues of $605.2 million and Adjusted EBITDA of $67.9 million for the twelve months ended March 31, 2002. This represents organic compound annual growth rates of 52% and 70%, respectively, since 1999.

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

We have established a growing and diverse hospital and healthcare facility client base, ranging from national healthcare providers to premier teaching and regional hospitals. We currently hold contracts with over 40% of all acute-care hospitals in the United States, where we place the vast majority of our temporary healthcare professionals. Hospital and healthcare facilities utilize our services to help cost-effectively manage staff shortages, new unit openings, seasonal variations and other flexible staffing needs. As discussed further in "Risk Factors," we operate in a highly competitive market and our success depends on our ability to remain competitive in obtaining and retaining hospital and healthcare facility clients. In particular, our business depends upon our ability to secure and fill new orders from our hospital and healthcare facility clients because we do not have long-term agreements or exclusive contracts with them.

Market Opportunity and Competitive Strengths

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

- ***Favorable Industry Dynamics.*** Favorable industry trends have increased demand in the $7.2 billion temporary healthcare staffing industry, which was projected to grow 21% to $8.7 billion in 2001 and is projected to further increase 22% to $10.6 billion in 2002. We believe these trends will continue to grow demand for our services. Key industry dynamics include:

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

— *Increasing Nurse Vacancies.* Most regions of the United States are experiencing a shortage of nurses. The American Hospital Association estimates that up to 126,000 position vacancies existed in 2001 for registered nurses, representing approximately 10% of the current hospital-based nursing workforce. A study published in the *Journal of the American Medical Association* projects that the registered nurse workforce will be nearly 20% below projected requirements by 2020.

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

- ***Consistent Growth of Revenue and Profits.*** From 1996 to 2001, our revenue and Adjusted EBITDA increased at compound annual growth rates of 61% and 65%, respectively. On a combined basis, assuming all of our acquisitions had occurred on January 1, 1996, the compound annual growth rate of our revenues from 1996 to 2001 would have been 37%. As discussed further in “Risk Factors,” if we are unable to attract qualified nurses and other allied healthcare professionals for our healthcare staffing business at reasonable costs, it could increase our operating costs and negatively impact our revenue and profits.

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

- ***Proven Multi-Brand Recruiting Strategy.*** We have capitalized on our multi-brand recruiting strategy by utilizing our five strong brand names, complementary geographic concentrations and cross-selling opportunities to successfully recruit temporary healthcare professionals. We believe that each of our recruitment brands has significant opportunity for growth through leveraging our nationwide presence, extensive temporary healthcare professional network and hospital client base.

- ***Established International Recruiting Brand.*** Our acquisition of O’Grady-Peyton International (USA), Inc. in May 2001 expanded our traveler recruiting capabilities beyond the United States. O’Grady-Peyton International is the leading recruiter of registered nurses from English-speaking foreign countries for placement in the United States, with approximately 20 years of international recruiting experience.

- ***No Direct Reimbursement Risk.*** We are not subject to direct reimbursement risk from Medicare, Medicaid or any other federal or state healthcare reimbursement programs. We contract with, and are paid directly by, our hospital and healthcare facility clients.

- ***Experienced Management.*** We have an experienced management team, which has successfully expanded our business, grown our revenues and Adjusted EBITDA, and integrated strategic

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

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

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

Recent Developments

On April 23, 2002, we acquired all of the outstanding stock of Healthcare Resource Management Corporation, a nationwide travel healthcare staffing company located in Charlotte, North Carolina, for $9.3 million in cash. Healthcare Resource Management Corporation recruits and places temporary healthcare professionals on 13-week assignments throughout the United States under the brand name "HRMC." Healthcare Resource Management Corporation's revenues and EBITDA were approximately $13.1 million and $1.5 million, respectively, for the year ended December 31, 2001.

The Offering

Common stock offered by the selling stockholders	10,000,000 shares
Common stock outstanding after the offering	42,637,554 shares
Use of proceeds	We will not receive any proceeds from the sale of the shares by the selling stockholders.
New York Stock Exchange Symbol	"AHS"

Unless we indicate otherwise, the number of shares of common stock to be outstanding after this offering is based on the number of shares outstanding as of April 24, 2002 and:

- includes 347,784 shares of common stock that are subject to options that will be exercised immediately prior to the consummation of this offering by some of the selling stockholders; and

- excludes 6,095,891 shares of common stock that are subject to other options outstanding at a weighted average exercise price of $6.96 per share (of which options for 347,784 shares of common stock would be exercised if the over-allotment option is exercised in full).

Unless otherwise indicated, the information in this prospectus assumes that the underwriters will not exercise the over-allotment option granted to them by the selling stockholders.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

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

The following table summarizes our consolidated financial and operating data as of March 31, 2002, for the years ended December 31, 1999, 2000 and 2001 and for the three months ended March 31, 2001 and 2002, prepared from our historical accounting records. The pro forma consolidated statements of operations and other financial and operating data for the year ended December 31, 2001 and the three months ended March 31, 2001 and 2002 give effect to the acquisitions of O'Grady-Peyton International and Healthcare Resource Management Corporation and this offering, as well as our initial public offering in November 2001, as if these events had occurred on January 1, 2001. The pro forma balance sheet data as of March 31, 2002 give effect to our acquisition of Healthcare Resource Management Corporation and this offering as of such date. The pro forma information is not necessarily indicative of the actual results of operations that would have occurred had the acquisitions of O'Grady-Peyton International and Healthcare Resource Management Corporation and this offering, as well as our initial public offering, occurred on the assumed dates nor do they represent any indication of future performance.

	Years Ended December 31,				Three Months Ended March 31,			
	1999	2000	2001	2001 Pro Forma	2001	2002	2001 Pro Forma	2002 Pro Forma
				(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
				(dollars and shares in thousands, except per share data)				
Consolidated Statements of Operations:								
Revenue	$146,514	$230,766	$517,794	$541,438	$103,048	$173,956	$113,980	$177,720
Cost of revenue	111,784	170,608	388,284	405,227	77,919	131,753	85,642	134,497
Gross profit	34,730	60,158	129,510	136,211	25,129	42,203	28,338	43,223
Expenses:								
Selling, general and administrative (excluding non-cash stock-based compensation)	20,677	30,728	71,483	75,314	13,813	22,725	15,447	23,320
Non-cash stock-based compensation(1)	—	22,379	31,881	31,881	4,365	218	31,771	218
Amortization	1,721	2,387	5,562	6,200	1,306	82	1,551	95
Depreciation	325	916	2,151	2,214	413	691	441	702
Transaction costs(2)	12,404	1,500	1,955	1,955	—	—	—	—
Total expenses	35,127	57,910	113,032	117,564	19,897	23,716	49,210	24,335
Income (loss) from operations	(397)	2,248	16,478	18,647	5,232	18,487	(20,872)	18,888
Interest (income) expense, net	4,030	10,006	13,933	369	4,325	(142)	115	(143)
Income (loss) before minority interest, income taxes and extraordinary item	(4,427)	(7,758)	2,545	18,278	907	18,629	(20,987)	19,031
Minority interest in earnings of subsidiary(3)	(1,325)	—	—	—	—	—	—	—
Income tax expense (benefit)	(872)	(2,560)	1,476	10,601	471	7,452	(10,898)	7,613
Income (loss) before extraordinary item	(4,880)	(5,198)	1,069	7,677	436	11,177	(10,089)	11,418
Extraordinary loss on early extinguishment of debt, net of income tax benefit	(730)	—	(5,455)	N/A	—	—	N/A	N/A
Net income (loss)	$ (5,610)	$ (5,198)	$ (4,386)	$ 7,677	$ 436	$ 11,177	$ (10,089)	$ 11,418
Net income (loss) per common share:								
Basic	$ (0.26)	$ (0.23)	$ (0.14)	$ 0.18	$ 0.02	$ 0.26	$ (0.24)	$ 0.27
Diluted	$ (0.26)	$ (0.23)	$ (0.14)	$ 0.17	$ 0.01	$ 0.24	$ (0.24)	$ 0.24
Weighted average common shares outstanding:								
Basic	21,715	22,497	30,641	42,638	28,835	42,290	42,638	42,638
Diluted	21,715	22,497	30,641	46,211	31,431	46,991	42,638	47,053
Other Financial and Operating Data:								
Revenue growth	67%	58%	124%	N/A	N/A	69%	N/A	56%
Average temporary healthcare professionals on assignment	2,289	3,166	5,964	6,235	5,185	7,335	5,701	7,499
Growth in average temporary healthcare professionals on assignment	59%	38%	88%	N/A	N/A	41%	N/A	32%
Capital expenditures	$ 1,656	$ 2,358	$ 4,497	$ 4,619	$ 1,019	$ 948	1,073	$ 975
Adjusted EBITDA(4)	$ 14,053	$ 29,430	$ 58,027	$ 60,897	$ 11,316	$ 19,478	$ 12,891	$ 19,903
Adjusted EBITDA growth	83%	109%	97%	N/A	N/A	72%	N/A	54%
Adjusted cash earnings per diluted share(5)	$ 0.30	$ 0.44	$ 0.74	$ 0.74	$ 0.12	$ 0.24	$ 0.16	$ 0.25
Adjusted cash earnings per diluted share growth	131%	47%	68%	N/A	N/A	100%	N/A	56%

	As of March 31, 2002	
	Actual	Pro Forma
	(unaudited) (in thousands)	
Consolidated Balance Sheet Data:		
Cash, cash equivalents and short-term investments	$ 37,454	$ 28,539
Working capital	128,015	120,551
Total assets	330,621	331,301
Total long-term debt, including current portion	—	—
Total stockholders' equity	283,237	283,518

(1) Non-cash stock-based compensation represents compensation expense related to our stock option plans to reflect the difference between the fair market value and the exercise price of stock options previously issued to our officers. See Note 9 of Notes to Consolidated Financial Statements for AMN Healthcare Services, Inc.

(2) Transaction costs represent costs incurred in connection with our 1999 recapitalization, our acquisition of Preferred Healthcare Staffing in 2000 and our initial public offering in 2001.

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

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

(5) Adjusted cash earnings per diluted share represents net income (loss) per diluted share excluding the tax-effected impact of non-cash stock-based compensation, transaction costs, amortization expense and extraordinary loss on early extinguishment of debt. Adjusted cash earnings per diluted share is presented because we believe that it provides a meaningful comparison of operating performance. Adjusted cash earnings per diluted share is not intended to represent net income per common share for the period, nor has it been presented as an alternative to net income per common share as an indicator of operating performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with accounting principles generally accepted in the United States. Adjusted cash earnings per diluted share, as we define it, is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation. See our historical and unaudited pro forma financial statements and the related notes appearing elsewhere in this prospectus.

RISK FACTORS

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

If we are unable to attract qualified nurses and other allied healthcare professionals for our healthcare staffing business at reasonable costs, it could increase our operating costs and negatively impact our business.

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

We operate in a highly competitive market and our success depends on our ability to remain competitive in obtaining and retaining hospital and healthcare facility clients and temporary healthcare professionals.

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

Our business depends upon our ability to secure and fill new orders from our hospital and healthcare facility clients because we do not have long-term agreements or exclusive contracts with them.

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

Fluctuations in patient occupancy at the hospital and healthcare facilities of our clients may adversely affect the demand for our services and therefore the profitability of our business.

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

Healthcare reform could negatively impact our business opportunities, revenues and margins.

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

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

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

We operate in a regulated industry and changes in regulations or violations of regulations may result in increased costs or sanctions that could reduce our revenues and profitability.

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

Our business is generally not subject to the extensive and complex laws that apply to our hospital and healthcare facility clients, including laws related to Medicare, Medicaid and other federal and state healthcare

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

Significant legal actions could subject us to substantial liabilities.

In recent years, our hospital and healthcare facility clients have become subject to an increasing number of legal actions alleging malpractice or related legal theories. Because our temporary healthcare professionals provide medical care, claims may be brought against our temporary healthcare professionals and us relating to the quality of medical care provided by our temporary healthcare professionals while on assignment at our hospital and healthcare facility clients. We and our temporary healthcare professionals are at times named in these lawsuits regardless of our contractual obligations or the standard of care provided by our temporary healthcare professionals. In some instances, we are required to indemnify hospital and healthcare facility clients contractually against some or all of these potential legal actions. Also, because most of our temporary healthcare professionals are our employees, we may be subject to various employment claims and contractual disputes regarding the terms of a temporary healthcare professional's employment. We maintain a policy of $10 million for employment practices coverage with an additional excess coverage of $10 million. We also have two layers of professional and general liability coverage. The professional and general liability coverage consists of primary coverage with limits of $1 million per occurrence and $3 million in the aggregate and an umbrella policy with limits of $20 million. However, our insurance coverage may not cover all claims against us or continue to be available to us at a reasonable cost. Also, we may not be able to pass on all or any portion of increased insurance costs to our hospital and healthcare facility clients. If we are unable to maintain adequate insurance coverage or if any claims are not covered by insurance, we may be exposed to substantial liabilities.

We may be legally liable for damages resulting from our hospital and healthcare facility clients' improper treatment of our traveling healthcare personnel.

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

We may not be able to successfully complete the integration of our recent acquisitions.

During the last year we acquired two companies in the temporary healthcare staffing industry: O'Grady-Peyton International and Healthcare Resource Management Corporation. These acquisitions involve significant risks and uncertainties, including difficulties integrating acquired personnel and other corporate cultures into our business, the potential loss of key employees or customers of acquired companies, the assumption of liabilities and exposure to unforeseen liabilities of acquired companies and the diversion of management attention from existing operations. We may not be able to fully integrate the operations of the acquired businesses with our own in an efficient and cost-effective manner. In addition, through the acquisition of O'Grady-Peyton International, we are now involved in new international temporary healthcare professional recruitment markets where we have limited experience. Our failure to effectively integrate either of these businesses could have an adverse effect on our financial condition and results of operations.

Difficulties in maintaining our management information and communications systems may result in increased costs that reduce our profitability.

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

Our operations may deteriorate if we are unable to continue to attract, develop and retain our sales personnel.

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

The loss of key senior management personnel could adversely affect our ability to remain competitive.

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

The HWP stockholders will continue to exercise significant influence on us after this offering, and they may pursue policies with which you disagree.

Currently, HWH Capital Partners, L.P. and some of its affiliates, whom we refer to collectively as the "HWP stockholders," beneficially own approximately 62% of our common stock. Following the consummation of this offering, the HWP stockholders will continue to own approximately 43% of the outstanding shares of our common stock, or 41% if the underwriters' over-allotment option is exercised in full. As a result, the HWP stockholders will continue to have significant influence in electing our directors, appointing new management and approving any action requiring the approval of our stockholders, including any amendment to our certificate of incorporation, mergers or sales of substantially all of our assets. This concentration of ownership also may delay, defer or even prevent a change in control of our company, and make some transactions more difficult or impossible without the support of these stockholders. These transactions might include proxy contests, tender offers, mergers or other purchases of common stock that could give our stockholders the opportunity to realize a premium over the then-prevailing market price for shares of our common stock.

We have a substantial amount of goodwill on our balance sheet. Our level of goodwill may have the effect of decreasing our earnings or increasing our losses.

As of March 31, 2002, we had $127.8 million of unamortized goodwill on our balance sheet, which represents the excess of the total purchase price of our acquisitions over the fair value of the net assets acquired. At March 31, 2002, goodwill represented 39% of our total assets.

Through December 31, 2001, we amortized goodwill on a straight-line basis over the estimated period of future benefit of 25 years. In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets.* SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, as

well as all purchase method business combinations completed after June 30, 2001. SFAS No. 142 requires that, subsequent to January 1, 2002, goodwill not be amortized but rather that it be reviewed annually for impairment. In the event impairment is identified, a charge to earnings would be recorded. We have adopted the provisions of SFAS No. 141 and SFAS No. 142. Although it does not affect our cash flow, an impairment charge to earnings has the effect of decreasing our earnings or increasing our losses, as the case may be. If we are required to record an impairment charge relating to goodwill, our stock price could be adversely affected.

Our stock price may be volatile and you may be unable to resell your shares at or above the offering price.

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

- our operating performance and the performance of other similar companies;
- news announcements relating to us, our industry or our competitors;
- changes in earnings estimates or recommendations by research analysts;
- changes in general economic conditions;
- the number of shares to be publicly traded after this offering;
- actions of our current stockholders; and
- other developments affecting us, our industry or our competitors.

A large number of our shares are or will be eligible for future sale which could depress our stock price.

Sales of substantial amounts of common stock, or the perception that a large number of shares will be sold, could depress the market price of our common stock. After this offering, the HWP stockholders, BancAmerica Capital Investors SBIC I, L.P., Steven Francis and the Francis Family Trust, a family trust of Steven Francis', will hold approximately 49% of the outstanding shares of our common stock, or approximately 46% if the underwriters' over-allotment option is exercised in full. After the expiration of the 180-day "lock-up" period to which all of the selling stockholders and our executive officers are subject, these individuals and entities will be entitled to dispose of their remaining shares, although the shares of common stock held by our affiliates will continue to be subject to the volume and other restrictions of Rule 144 under the Securities Act. In addition, Banc of America Securities LLC may, in its sole discretion and at any time without notice, release all or any portion of the shares subject to the lock-up.

After giving effect to the sale of common stock in this offering (and assuming that the underwriters do not exercise the over-allotment option granted to them by the selling stockholders), the holders of approximately 23,922,561 shares of our common stock (including shares issuable upon the exercise of outstanding options) have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. By exercising their registration rights and selling a large number of shares, these holders could cause the price of our common stock to decline.

FORWARD-LOOKING STATEMENTS

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

- our ability to continue to recruit and retain qualified temporary healthcare professionals and ability to attract and retain operational personnel;
- our ability to enter into contracts with hospitals and other healthcare facility clients on terms attractive to us;
- the general level of patient occupancy at our hospital and healthcare facility clients’ facilities;
- our ability to successfully implement our acquisition and integration strategies;
- the effect of existing or future government regulation of the healthcare industry, and our ability to comply with these regulations;
- the impact of medical malpractice and other claims asserted against us; and
- our ability to carry out our business strategy.

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

USE OF PROCEEDS

The selling stockholders will receive all of the proceeds from the sale of the common stock offered by this prospectus. We will not receive any proceeds from this offering.

DIVIDEND POLICY

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

PRICE RANGE OF COMMON STOCK

Our common stock has traded on the New York Stock Exchange under the symbol “AHS” since November 13, 2001. Prior to that time, there was no public trading market for our common stock. The following table sets forth, for the periods indicated, the high and low sales prices of our common stock reported by the New York Stock Exchange.

	High	Low
Year Ended December 31, 2001		
Fourth Quarter (since November 13, 2001)	$27.90	$21.00
Year Ended December 31, 2002		
First Quarter	$28.40	$20.50
Second Quarter (through April 24, 2002)	$31.49	$25.00

As of April 24, 2002, there were 42,637,554 shares of our common stock issued and outstanding that were held by eight stockholders of record. As of March 15, 2002, there were approximately 3,481 beneficial owners of our common stock. On April 24, 2002, the last reported sale price of our common stock on the New York Stock Exchange was $29.30 per share.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2002. You should read this information in conjunction with "Selected Consolidated Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements and the related notes and our pro forma financial statements appearing elsewhere in this prospectus.

	As of March 31, 2002(1)
	(unaudited) (in thousands)
Long-term debt, including current portion	$ —
Stockholders' equity:	
Common stock, $.01 par value; 200,000 shares authorized; 42,290 shares issued and outstanding on an actual basis	423
Additional paid-in capital	345,976
Accumulated deficit	(63,162)
Total capitalization	$283,237

(1) Our capitalization as of March 31, 2002 does not give effect to the issuance of 347,784 shares of common stock to be issued upon the exercise of outstanding options held by some of the selling stockholders and sold in this offering, the receipt of $1.6 million, representing the exercise price paid by these selling stockholders upon the exercise of these options, and estimated offering expenses of $1.3 million payable by us in connection with this offering.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The selected consolidated financial data set forth below as of December 31, 2000 and 2001 and for the three years ended December 31, 2001 have been derived from our audited consolidated financial statements that appear elsewhere in this prospectus. The selected consolidated financial data as of December 31, 1997, 1998 and 1999 and for the two years ended December 31, 1998 have been derived from our audited consolidated financial statements not included in this prospectus. The selected consolidated financial data as of and for the three months ended March 31, 2001 and 2002 have been derived from our unaudited consolidated financial statements for these periods, which, in the opinion of our management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of this data. The results for any interim period are not necessarily indicative of the results that may be expected for the full year.

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

	Predecessor(1)							
	Period From January 1, Through December 3, 1997	Period From December 4, Through December 31, 1997(2)	Years Ended December 31,				Three Months Ended March 31,	
			1998	1999	2000	2001	2001	2002
	(dollars and shares in thousands, except per share data)						(unaudited)	
Consolidated Statements of Operations:								
Revenue	$63,570	$5,209	$87,718	$146,514	$230,766	$517,794	$103,048	$173,956
Cost of revenue	49,510	4,118	67,244	111,784	170,608	388,284	77,919	131,753
Gross profit	14,060	1,091	20,474	34,730	60,158	129,510	25,129	42,203
Expenses:								
Selling, general and administrative (excluding non-cash stock-based compensation)	9,560	845	12,804	20,677	30,728	71,483	13,813	22,725
Non-cash stock-based compensation(3)	—	—	—	—	22,379	31,881	4,365	218
Amortization	—	90	1,163	1,721	2,387	5,562	1,306	82
Depreciation	68	7	171	325	916	2,151	413	691
Transaction costs(4)	—	—	—	12,404	1,500	1,955	—	—
Total expenses	9,628	942	14,138	35,127	57,910	113,032	19,897	23,716
Income (loss) from operations	4,432	149	6,336	(397)	2,248	16,478	5,232	18,487
Interest (income) expense, net	174	183	2,476	4,030	10,006	13,933	4,325	(142)
Income (loss) before minority interest, income taxes and extraordinary item	4,258	(34)	3,860	(4,427)	(7,758)	2,545	907	18,629
Minority interest in earnings of subsidiary(5)	—	(9)	(657)	(1,325)	—	—	—	—
Income tax expense (benefit)	195	9	1,571	(872)	(2,560)	1,476	471	7,452
Income (loss) before extraordinary item	4,063	(52)	1,632	(4,880)	(5,198)	1,069	436	11,177
Extraordinary loss on early extinguishment of debt, net of income tax benefit	—	—	—	(730)	—	(5,455)	—	—
Net income (loss)	$ 4,063	$ (52)	$ 1,632	$ (5,610)	$ (5,198)	$ (4,386)	$ 436	$ 11,177
Net income (loss) per common share:								
Basic	N/A	N/A	$ 0.09	$ (0.26)	$ (0.23)	$ (0.14)	$ 0.02	$ 0.26
Diluted	N/A	N/A	$ 0.09	$ (0.26)	$ (0.23)	$ (0.14)	$ 0.01	$ 0.24
Weighted average common shares outstanding:								
Basic	N/A	N/A	17,751	21,715	22,497	30,641	28,835	42,290
Diluted	N/A	N/A	17,751	21,715	22,497	30,641	31,431	46,991
Other Financial and Operating Data:								
Revenue growth	N/A	N/A	N/A	67%	58%	124%	N/A	69%
Average temporary healthcare professionals on assignment	1,155	1,194	1,444	2,289	3,166	5,964	5,185	7,335
Growth in average temporary healthcare professionals on assignment	N/A	N/A	N/A	59%	38%	88%	N/A	41%
Capital expenditures	$ 172	$ 112	$ 690	$ 1,656	$ 2,358	$ 4,497	$ 1,019	$ 948
Adjusted EBITDA(6)	$ 4,500	$ 246	$ 7,670	$ 14,053	$ 29,430	$ 58,027	$ 11,316	$ 19,478
Adjusted EBITDA growth	N/A	N/A	N/A	83%	109%	97%	N/A	72%
Adjusted cash earnings per diluted share(7)	N/A	N/A	$ 0.13	$ 0.30	$ 0.44	$ 0.74	$ 0.12	$ 0.24
Adjusted cash earnings per diluted share growth	N/A	N/A	N/A	131%	47%	68%	N/A	100%

	As of December 31,					As of March 31,	
	1997	1998	1999	2000	2001	2001	2002
	(dollars in thousands)					(unaudited)	
Consolidated Balance Sheet Data:							
Cash, cash equivalents and short term investments	$ 1,124	$ 888	$ 503	$ 546	$ 31,968	$ 1,531	$ 37,454
Working capital	9,054	13,159	21,655	44,149	116,478	44,019	128,015
Total assets	42,229	65,337	79,878	209,410	308,929	217,820	330,621
Total long-term debt, including current portion	25,151	37,596	74,006	122,889	—	121,663	—
Total stockholders' equity (deficit)	12,348	19,477	(2,111)	67,070	271,905	71,319	283,237

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

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

(3) Non-cash stock-based compensation represents compensation expense related to our stock option plans to reflect the difference between the fair market value and the exercise price of stock options previously issued to our officers. See Note 9 of Notes to Consolidated Financial Statements for AMN Healthcare Services, Inc.

(4) Transaction costs represent costs incurred in connection with our 1999 recapitalization, our acquisition of Preferred Healthcare Staffing in 2000 and our initial public offering in 2001.

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

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

(7) Adjusted cash earnings per diluted share represents net income (loss) per diluted share excluding the tax-effected impact of non-cash stock-based compensation, transaction costs, amortization expense and extraordinary loss on early extinguishment of debt. Adjusted cash earnings per diluted share is presented because we believe that it provides a meaningful comparison of operating performance. Adjusted cash earnings per diluted share is not intended to represent net income per common share for the period, nor has it been presented as an alternative to net income per common share as an indicator of operating performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with accounting principles generally accepted in the United States. Adjusted cash earnings per diluted share, as we define it, is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation. See our historical financial statements and the related notes appearing elsewhere in this prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

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

We derive substantially all of our revenue from fees paid directly by hospitals and healthcare facilities rather than from payments by government or other third parties. We enter into two types of contracts with our hospital and healthcare facility clients: flat rate contracts and payroll contracts. Under a flat rate contract, the temporary healthcare professional becomes an employee of the hospital or healthcare facility and is placed on their payroll. We bill the hospital or healthcare facility a "flat" weekly rate to compensate us for providing recruitment, housing and travel services. Alternatively, under a payroll contract, the temporary healthcare professional is our employee. We then bill our hospital or healthcare facility client at an hourly rate to compensate us for the temporary healthcare professional's wages and benefits, as well as for recruitment, housing and travel services. Our clients generally prefer payroll contracts because this arrangement eliminates significant employee and payroll administrative burdens for them. Although the temporary healthcare professional wage and benefits billed under a payroll contract primarily represent a pass-through cost component for us, we are able to generate greater profits by providing these value-added services. While payroll contracts generate more gross profit than flat rate contracts, the gross margin generated is lower due to the pass-through of the temporary healthcare professional's compensation costs. Over the past five years, we, and the industry as a whole, have migrated towards a greater utilization of payroll contracts. During the three months ended March 31, 2002, approximately 96% of our contracts with our hospital and healthcare facility clients were payroll contracts.

Since 1998 we have completed five strategic acquisitions. We acquired Medical Express, Inc. in November 1998, which strengthened our presence in the Pacific Northwest and Mountain states. During 2000, we completed the acquisitions of Nurses RX, Inc. in June, and Preferred Healthcare Staffing, Inc. in November, which strengthened our presence in the Eastern and Southern regions of the United States. In May 2001, we acquired O'Grady-Peyton International (USA), Inc., the leading recruiter of registered nurses from English-speaking foreign countries for placement in the United States. In April 2002, we completed the acquisition of Healthcare Resource Management Corporation, further strengthening our presence in the Eastern and Southern regions of the United States. Each of these acquisitions has been accounted for by the purchase method of accounting. Therefore, the operating results of the acquired entities are included in our results of operations commencing on the date of acquisition of each entity. As a result, our results of operations following each acquisition may not be comparable with our prior results.

Upon the completion of our initial public offering in November 2001, options to purchase 5,182,000 shares of our common stock that we granted to members of our management became immediately vested. These options had an average exercise price $12.45 below the initial public offering price of $17.00 per share. As a result, we recorded approximately $18.8 million of non-cash stock-based compensation expense in the fourth quarter of 2001, of which $18.7 million was related to these options. In addition, we also recorded $13.1 million of non-cash stock-based compensation expense in the first three quarters of 2001 and $22.4 million in fiscal year 2000. We also retired all of our indebtedness (approximately $145.2 million) with the proceeds from and upon the completion of our initial public offering. The retirement of debt resulted in an extraordinary charge against earnings of approximately $5.5 million, net of income tax benefits, related to the write-off of the unamortized discount on our senior subordinated notes and unamortized deferred

financing costs and loan fees resulting from the early extinguishment of our existing indebtedness, and a prepayment premium resulting from the early extinguishment of the senior subordinated notes.

Critical Accounting Principles and Estimates

In response to the SEC's Release Numbers 33-8040 "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" and 33-8056, "Commission Statement about Management's Discussion and Analysis of Financial Condition and Results of Operations," we have identified the following critical accounting policies that affect the more significant judgments and estimates used in the preparation of our 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, revenues 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, revenue recognition, allowance for doubtful accounts, and contingencies and litigation. We state these accounting policies in the notes to the consolidated financial statements and at 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 those 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 consolidated financial statements:

- We have recorded goodwill and intangibles resulting from our acquisitions completed in the past four years. Through December 31, 2001, goodwill and intangibles have been amortized on a straight-line basis over their lives of 25 years and four years, respectively. Upon the adoption of SFAS No. 142 on January 1, 2002, we ceased amortizing goodwill and will perform an annual impairment analysis to assess the recoverability of the goodwill, in accordance with the provisions of SFAS No. 142. If we are required to record an impairment charge in the future, it would have an adverse impact on our results of operations.

- We maintain an accrual for our health and workers compensation self-insurance, which is classified in accrued compensation and benefits in our consolidated balance sheets. We determine the adequacy of these accruals by periodically evaluating our historical experience and trends related to both health and workers compensation 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 will adjust the assumptions utilized in our methodologies and reduce or provide for additional accruals as appropriate.

- We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments, which results in bad debt expense. We determine the adequacy of this allowance by continually evaluating individual customer receivables, considering the customer's financial condition, credit history 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.

- We are subject to various claims and legal actions in the ordinary course of our business. Some of these matters include professional liability, employee-related matters and investigations by governmental agencies regarding our employment practices. Our hospital and healthcare facility clients may also become subject to claims, governmental inquiries and investigations and legal actions to which we may become a party relating to services provided by our professionals. From time to time, and depending upon the particular facts and circumstances, we may be subject to indemnification obligations under our contracts with our hospital and healthcare facility clients relating to these matters. Although 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 us, if we become aware of such

claims against us, we will evaluate the probability of an adverse outcome and provide accruals for such contingencies as necessary.

Results of Operations

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

	Years Ended December 31,			Three Months Ended March 31,	
	1999	2000	2001	2001	2002
				(unaudited)	
Consolidated Statement of Operations:					
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue	76.3	73.9	75.0	75.6	75.7
Gross profit	23.7	26.1	25.0	24.4	24.3
Selling, general and administrative (excluding non-cash stock-based compensation)	14.1	13.3	13.8	13.4	13.1
Non-cash stock-based compensation	—	9.7	6.2	4.2	0.2
Amortization and depreciation expense	1.4	1.4	1.5	1.7	0.4
Transaction costs	8.5	0.7	0.4	—	—
Income (loss) from operations	(0.3)	1.0	3.1	5.1	10.6
Interest (income) expense, net	2.7	4.4	2.7	4.2	(0.1)
Income (loss) before minority interest, income taxes and extraordinary item	(3.0)	(3.4)	0.4	0.9	10.7
Minority interest in earnings of subsidiary	(0.9)	—	—	—	—
Income tax expense (benefit)	(0.6)	(1.1)	0.2	0.5	4.3
Extraordinary loss on early extinguishment of debt, net of income tax benefit	(0.5)	—	(1.0)	—	—
Net income (loss)	(3.8)%	(2.3)%	(0.8)%	0.4%	6.4%

Comparison of Results for the Three Months Ended March 31, 2001 to the Three Months Ended March 31, 2002

Revenue. Revenue increased 69%, from $103.0 million for the first three months of 2001 to $174.0 million for the same period in 2002. Of the $71.0 million increase, approximately $60.2 million was attributable to organic growth of our existing brands through growth in the number of temporary healthcare professionals and enhancements in contract terms with our hospital and healthcare facility clients, representing an organic growth rate for our recurring operations of 58%. The total number of temporary healthcare professionals on assignment in our existing brands grew 33% and contributed approximately $34.1 million to the increase. Enhancements in contract terms which included increases in hourly rates charged to hospital and healthcare facility clients accounted for approximately $19.7 million of this increase, and a shift in the mix of payroll versus flat rate temporary healthcare professional contracts accounted for approximately $6.4 million of this increase. The remainder of the increase, $10.8 million, was attributable to the acquisition of O'Grady-Peyton International in May 2001.

Cost of Revenue. Cost of revenue increased 69%, from $77.9 million for the three months ended March 31, 2001 to $131.8 million for the same period in 2002. Of the $53.9 million increase, approximately $46.5 million was attributable to the organic growth of our existing brands, and approximately $7.4 million was attributable to the acquisition of O'Grady-Peyton International.

Gross Profit. Gross profit increased 68%, from $25.1 million for the three months ended March 31, 2001 to $42.2 million for the same period in 2002, representing gross margins of 24.4% and 24.3%,

respectively. Of the $17.1 million increase in gross profit, approximately $13.7 million was attributable to the organic growth of our existing brands, and approximately $3.4 million was attributable to the acquisition of O'Grady-Peyton International.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 64%, from $13.8 million for the three months ended March 31, 2001 to $22.7 million for the same period in 2002. Of the $8.9 million increase, approximately $2.4 million was attributable to the acquisition of O'Grady-Peyton International. The remaining increase of $6.5 million was primarily attributable to increases in nurse education and professional development, information systems development, marketing, recruiting, and administrative and office expenses in support of the recent and anticipated growth in temporary healthcare professionals under contract.

Non-Cash Stock-Based Compensation. We recorded non-cash compensation charges of $4.4 million for the three months ended March 31, 2001 and $0.2 million for the same period in 2002 in connection with our stock option plans to reflect the difference between the fair market value and the exercise price of previously issued stock options. The decrease of $4.2 million is attributable to the vesting of the majority of these options upon the completion of our initial public offering in November 2001.

Amortization and Depreciation Expense. Amortization expense decreased from $1.3 million for the three months ended March 31, 2001 to less than $0.1 million for the same period in 2002. This decrease was attributable to the adoption of SFAS No. 142, *Goodwill and Other Intangible Assets*, under which goodwill amortization was ceased. Depreciation expense increased from $0.4 million for the three months ended March 31, 2001 to $0.7 million for the three months ended March 31, 2002. This increase was primarily attributable to internally developed software placed in service in 2001.

Interest (Income) Expense, Net. Interest (income) expense, net was an expense of $4.3 million for the three months ended March 31, 2001 as compared to income of $0.1 million for the same period in 2002. Of the $4.4 million change, approximately $4.3 million was attributable to the retirement of all of our indebtedness (approximately $145.2 million) with the proceeds from and upon the completion of our initial public offering in November 2001.

Income Tax Expense. The provision for income tax expense for the three months ended March 31, 2001 was $0.5 million as compared to $7.5 million for the three months ended March 31, 2002, reflecting effective income tax rates of 52% and 40% for these periods, respectively. The difference between the effective tax rate for the first three months of 2001 and our expected effective tax rate of 41% for that period is primarily attributable to the effect of various permanent tax difference items, the impact of which is magnified by the reduction in pre-tax income due to the non-cash stock-based compensation expense.

Comparison of Results for the Year Ended December 31, 2000 to the Year Ended December 31, 2001

Revenue. Revenue increased 124%, from $230.8 million for 2000 to $517.8 million for 2001. Of the $287.0 million increase, approximately $160.6 million was attributable to expansion of our existing brands through growth in the number of temporary healthcare professionals and enhancements in contract terms with our hospital and healthcare facility clients, representing an organic growth rate for our recurring operations of 70%. The total number of temporary healthcare professionals on assignment in our existing brands grew 40% and contributed approximately $92.8 million to the increase. Enhancements in contract terms which included increases in hourly rates charged to hospital and healthcare facility clients accounted for approximately $38.5 million of this increase, and a shift in the mix of payroll versus flat rate temporary healthcare professional contracts accounted for approximately $29.3 million of this increase. The remainder of the increase, $126.4 million, was attributable to the acquisitions of NursesRx in June 2000, Preferred Healthcare Staffing in November 2000 and O'Grady-Peyton International in May 2001.

Cost of Revenue. Cost of revenue increased 128%, from $170.6 million for 2000 to $388.3 million for 2001. Of the $217.7 million increase, approximately $122.6 million was attributable to the organic growth of

our existing brands, and approximately $95.1 million was attributable to the acquisitions of NursesRx, Preferred Healthcare Staffing and O'Grady-Peyton International.

Gross Profit. Gross profit increased 115%, from $60.2 million for 2000 to $129.5 million for 2001, representing gross margins of 26.1% and 25.0%, respectively. The decrease in the gross margin was primarily attributable to a larger pass-through of price increases in the form of benefits to our temporary healthcare professionals as compared to 2000 and the shift in the mix of temporary healthcare professionals from flat rate contracts to payroll contracts.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 133%, from $30.7 million for 2000 to $71.5 million for 2001. Of the $40.8 million increase, approximately $18.4 million was attributable to the acquisitions of NursesRx, Preferred Healthcare Staffing and O'Grady-Peyton International. The remaining increase of $22.4 million was primarily attributable to increases in nurse professional development, information systems development, marketing, recruiting, and administrative and office expenses in support of the recent and anticipated growth in temporary healthcare professionals under contract.

Non-Cash Stock-Based Compensation. We recorded non-cash compensation charges of $22.4 million in 2000 and $31.9 million in 2001 in connection with our stock option plans to reflect the difference between the fair market value and the exercise price of previously issued stock options.

Amortization and Depreciation Expense. Amortization expense increased from $2.4 million for 2000 to $5.6 million for 2001. This increase was attributable to the additional goodwill associated with the acquisitions of NursesRx, Preferred Healthcare Staffing and O'Grady-Peyton International. Depreciation expense increased from $0.9 million for 2000 to $2.2 million for 2001. This increase was primarily attributable to the acquisitions of NursesRx, Preferred Healthcare Staffing and O'Grady-Peyton International and the purchase of furniture and equipment to support our recent and anticipated growth.

Transaction Costs. Transaction costs of $2.0 million for 2001 relate to the termination of an advisory agreement in conjunction with our initial public offering. Transaction costs of $1.5 million for 2000 relate to the non-capitalized costs incurred in connection with the acquisition of Preferred Healthcare Staffing.

Interest Expense, Net. Interest expense, net increased from $10.0 million for 2000 to $13.9 million for 2001. Of the $3.9 million increase, approximately $3.7 million was attributable to additional borrowings incurred in conjunction with the acquisitions of NursesRx, Preferred Healthcare Staffing and O'Grady-Peyton International. The remaining increase was primarily due to the new accounting treatment for derivative instruments under SFAS No. 133. Beginning January 1, 2001, SFAS No. 133, as amended, required us to recognize the changes to the fair value of our derivative hedging instruments as a component of interest expense.

Income Tax Expense (Benefit). The provision for income tax for 2000 was a benefit of $2.6 million as compared to income tax expense of $1.5 million for 2001, reflecting effective income tax rates of a 33% benefit and 58% expense for these periods, respectively. The differences between these effective tax rates and our expected effective tax rate of 41% are primarily attributable to the effect of various permanent tax difference items, the impact of which is magnified by the reduction in pre-tax income created by the non-cash stock-based compensation charge.

Extraordinary Loss On Extinguishment of Debt, Net of Income Tax Benefit. The $5.5 million extraordinary loss on extinguishment of debt for 2001 was attributable to the retirement of all of our indebtedness (approximately $145.2 million) with the proceeds from and upon the completion of our initial public offering. This charge was related to the write-off of unamortized discount on our senior subordinated notes and unamortized deferred financing costs and loan fees resulting from the early extinguishment of our existing indebtedness, and a prepayment charge resulting from the early extinguishment of the senior subordinated notes.

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

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

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

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

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

Non-Cash Stock-Based Compensation. We recorded non-cash compensation charges of $22.4 million in 2000 in connection with our stock option plans to reflect the difference between the fair market value and the exercise price of previously issued stock options. No charge was recorded in 1999.

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

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

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

Minority Interest in Earnings of Subsidiary. An officer of ours owned a minority interest in AMN Healthcare, Inc., our primary operating subsidiary, until October 1999. Just prior to our November 1999 recapitalization, this stockholder exchanged his shares of our subsidiary for shares of our common stock, eliminating this minority ownership interest. The $1.3 million in minority interest in earnings of our

subsidiary for 1999 represents this minority interest in the earnings of AMN Healthcare, Inc. for the period January 1, 1999 through October 18, 1999.

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

Extraordinary Loss On Extinguishment of Debt, Net of Income Tax Benefit. The $0.7 million extraordinary loss on extinguishment of debt for 1999 was attributable to the write-off of deferred financing costs associated with our November 1999 recapitalization.

Liquidity and Capital Resources

Historically, our primary liquidity requirements have been for debt service under our credit facility, acquisitions and working capital requirements. We have funded these requirements through internally generated cash flow and funds borrowed under our existing credit facility. At March 31, 2002, we had no debt outstanding under our revolving credit facility. Upon the completion of our initial public offering in November 2001, we amended and restated our credit agreement in order to eliminate all of our term loans and to provide for a secured revolving credit facility of up to $50 million in borrowing capacity. The revolving credit facility has a maturity date of November 16, 2004 and contains a letter of credit sub-facility and a swing-line loan sub-facility. Borrowings under this revolving credit facility bear interest at floating rates based upon either a LIBOR or prime interest rate option selected by us, plus a spread, to be determined based on the outstanding amount of the revolving credit facility. Our amended and restated credit agreement contains a minimum fixed charge coverage ratio, a maximum leverage ratio and other customary covenants. Amounts available under our revolving credit facility may be used for working capital and general corporate purposes, subject to various limitations.

We have relatively low capital investment requirements. Capital expenditures were $1.7 million, $2.4 million and $4.5 million in 1999, 2000 and 2001, respectively, and $0.9 million in the first three months of 2002. In 2001, our primary capital expenditures were $2.2 million for purchased and internally developed software and $2.3 million for computers, furniture and equipment and other expenditures. In the first three months of 2002, our primary capital expenditures were $0.4 million for purchased and internally developed software and $0.5 million for computers, furniture and equipment and other expenditures. We expect our capital expenditure requirements as a percentage of revenue to be similar in the future, other than costs related to our new corporate headquarters, including leasehold improvements, furniture and equipment. See “Business — Properties.”

Our business acquisition expenditures were $91.8 million in 2000 and $13.0 million in 2001. We had no business acquisition expenditures during 1999 or for the first three months of 2002. During 2000, we completed the acquisitions of NursesRx and Preferred Healthcare Staffing and in May 2001 we acquired O’Grady-Peyton International. These acquisitions were financed through a combination of bank debt and equity investments. In addition, on April 23, 2002, we acquired Healthcare Resource Management Corporation for $9.3 million in cash. In connection with our acquisition of NursesRx, we are obligated to make a $3.0 million payment to the former shareholders, $1.0 million of which was paid on June 30, 2001 and the remainder of which is to be paid in two equal installments of $1.0 million on June 28, 2002 and June 30, 2003. In connection with our acquisition of O’Grady-Peyton International, we are obligated to pay to the former shareholders of O’Grady-Peyton International $3.1 million in May 2002 based on O’Grady-Peyton International’s revenue and earnings for 2001. There is also additional contingent consideration of up to $2.4 million subject to collection of an outstanding receivable from a customer. We expect to be able to finance any future 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.

Our principal working capital need is for accounts receivable, which has increased with the growth in our business. Our principal sources of cash to fund our working capital needs are cash generated from operating activities and borrowings under our revolving credit facility. Net cash provided by operations in 2001 and in the first three months of 2002 was $1.7 million and $5.1 million, respectively, resulting primarily from cash earnings generated by us offset by the growth in working capital.

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

At March 31, 2002 and December 31, 2001 and 2000, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not engage in trading activities involving non-exchange traded contracts. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships. We do not have relationships or transactions with persons or entities that derive benefits from their non-independent relationship with us or our related parties other than what is disclosed in the "Related Party Transactions" section of this prospectus and in Note 10 of Notes to Consolidated Financial Statements of AMN Healthcare Services, Inc.

Potential Fluctuations in Quarterly Results and Seasonality

Due to the regional and seasonal fluctuations in the hospital patient census of our hospital and healthcare facility clients and due to the seasonal preferences for destinations by our temporary healthcare professionals, the number of temporary healthcare professionals on assignment, revenue and earnings are subject to moderate seasonal fluctuations. Many of our hospital and healthcare facility clients are located in areas that experience seasonal fluctuations in population, such as Florida and Arizona, during the winter and summer months. These facilities adjust their staffing levels to accommodate the change in this seasonal demand and many of these facilities utilize temporary healthcare professionals to satisfy these seasonal staffing needs.

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

Inflation

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

Quantitative and Qualitative Disclosure About Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk has been interest rate risk associated with our debt instruments. In instances where we have had variable (floating) rate debt, we attempted to minimize our interest rate risk by entering into interest rate swap or cap instruments. Our corporate policy is to enter into derivative instruments only if the purpose of such instruments is to hedge a known underlying risk. We have held no derivative instruments since our initial public offering in November 2001.

A 1% change in interest rates on variable rate debt would have resulted in interest expense fluctuating approximately $46,000 for 1999, $73,000 for 2000, $58,000 for 2001 and none for the three months ended March 31, 2002, respectively. During the three months ended March 31, 2002, we had no outstanding debt. A 1% change in the interest rates on short-term investments would have resulted in a fluctuation in interest income of approximately $50,000 for 2001 and $37,000 for the three months ended March 31, 2002.

Recent Accounting Pronouncements

In August 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations*, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and for the associated asset retirement costs. The standard applies to tangible long-lived assets that have a legal obligation associated with their retirement that results from the acquisition, construction or development or normal use of the asset. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the remaining life of the asset. The liability is accreted at the end of each period through charges to operating expense. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. We do not anticipate that the financial impact of this statement will have a material effect on our consolidated financial statements.

In October 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While SFAS No. 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, it retains many of the fundamental provisions of SFAS No. 121, including the recognition and measurement of the impairment of long-lived assets to be held and used, and the measurement of long-lived assets to be disposed of by sale. SFAS No. 144 also supersedes the accounting and reporting provisions of Accounting Principles Board Opinion (APB) No. 30, *Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, for the disposal of a segment of a business. However, it retains the requirement in APB No. 30 to report separately discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. We do not anticipate that the financial impact of this statement will have a material effect on our consolidated financial statements.

BUSINESS

Our Company

We are a leading temporary healthcare staffing company and the largest nationwide provider of travel nurse staffing services, one of the fastest growing segments of the temporary healthcare staffing industry. We recruit nurses and allied health professionals, our "temporary healthcare professionals," and place them on temporary assignments, typically for 13 weeks away from their permanent homes, at hospitals and healthcare facilities throughout the United States. Approximately 90% of our temporary healthcare professionals are nurses, while the remainder are technicians, therapists and technologists. We are actively working with a pre-screened pool of prospective temporary healthcare professionals, of whom over 7,300 were on assignment during the first quarter of 2002.

In recent years our business has grown significantly, outpacing the growth of the temporary healthcare staffing market. From 1996 to 2001, our revenue and Adjusted EBITDA increased at compound annual growth rates of 61% and 65%, respectively. Approximately two-thirds of this growth was generated through the organic growth of our operations, while the remaining one-third was generated through strategic acquisitions. On a combined basis, assuming all of our acquisitions had occurred on January 1, 1996, the compound annual growth rate of our revenues from 1996 to 2001 would have been 37%. Additionally, since 1999, the pace of our organic growth has accelerated. On the same combined basis as discussed above, for the twelve months ended March 31, 2002, we generated revenues of $605.2 million and Adjusted EBITDA of $67.9 million, representing organic compound annual growth rates of 52% and 70%, respectively, since 1999.

We market our services to two distinct customer groups: (1) temporary healthcare professionals and (2) hospital and healthcare facility clients. We use a multi-brand recruiting strategy to enhance our ability to successfully attract temporary healthcare professionals in the United States and internationally. Our five separate brand names, American Mobile Healthcare, Medical Express, NursesRx, Preferred Healthcare Staffing and O'Grady-Peyton International, have distinct geographic market strengths and brand images. Our large number of hospital and healthcare facility clients allows us to offer traveling positions in all 50 states, and in a variety of work environments. In addition, we provide our temporary healthcare professionals with 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 have established a growing and diverse hospital and healthcare facility client base, ranging from national healthcare providers to premier teaching and regional hospitals. At March 31, 2002, we had over 2,800 hospital and healthcare facility clients. Over 95% of our temporary healthcare professional assignments are at acute-care hospitals. We currently hold contracts with over 40% of all acute-care hospitals in the United States. Our clients include hospitals and healthcare systems such as Georgetown University Hospital, HCA, Kaiser Permanente, NYU Medical Center, Stanford Health Care, UCLA Medical Center and The University of Chicago Hospitals. We also provide services to sub-acute healthcare facilities, dialysis centers, clinics and schools. Hospital and healthcare facilities utilize our services to help cost-effectively manage staff shortages, new unit openings, seasonal variations, budgeted vacant positions, long-term leaves of absence and other flexible staffing needs.

Industry Overview

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

consumption of healthcare services. As a result, total healthcare expenditures are projected to increase to approximately $2.6 trillion during the next decade.

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

The temporary healthcare staffing industry accounted for $7.2 billion in revenues in 2000 and was projected to increase by 21% to $8.7 billion in 2001 and is projected to further increase 22% to $10.6 billion in 2002, according to estimates by *The Staffing Industry Report*. Approximately 70% of the temporary healthcare staffing industry is comprised of nurse staffing and approximately 30% is comprised of allied health, physicians and other healthcare professionals. Temporary healthcare staffing has experienced strong historical growth between 1996 and 2000, growing at a compound annual growth rate of 13%, but this growth accelerated to approximately 15% per year during 1999 and 2000. Within the temporary healthcare staffing industry, we believe that travel nurse staffing is one of the fastest growing segments.

Demand and Supply Drivers

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

Demand Drivers

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

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

- ***Nursing Shortage.*** Most regions of the United States are experiencing a shortage of nurses. The American Hospital Association estimated that up to 126,000 position vacancies existed in 2001 for registered nurses, representing approximately 10% of the hospital-based nursing workforce. The *Journal of the American Medical Association* has reported that the registered nurse workforce is expected to be 20% below projected requirements by 2020. Faced with increasing demand for and a shrinking supply of nurses, hospitals are utilizing more temporary nurses to meet staffing requirements. Factors contributing to the current and projected declining supply of nurses include:

  — ***Decreasing Number of Entrants to Nursing School and New Nursing Graduates.*** According to the American Association of Colleges of Nursing, enrollment in all basic nursing education programs (baccalaureate, associate or diploma) fell by approximately 5% each year from 1995 to 2000.

  — ***Nurses Leaving Patient Care Environments for Less Stressful and Demanding Careers.*** Career opportunities for nurses have expanded beyond the traditional bedside role. Pharmaceutical

companies, insurance companies, HMOs and hospital service and supply companies increasingly offer nurses attractive positions which involve less demanding work schedules and physical requirements.

- — ***Aging Nurse Population.*** The average age of a registered nurse is estimated to be 45.2 years old, an increase of 8.4% since 1988. By 2010, 40% of the nurse population is expected to be older than 50, as compared to 29% of nurses that were older than 50 in 2000. As a growing number of nurses retire, the nursing shortage is likely to worsen.

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

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

- ***State Legislation Requiring Healthcare Facilities to Utilize More Nurses.*** In response to concerns by consumer groups over the quality of care provided in healthcare facilities and concerns by nursing organizations about the increased workloads and pressures placed upon nurses, several states have passed or introduced legislation that is expected to increase the demand for nurses.

  - — ***Minimum Nurse-to-Patient Ratios.*** California passed legislation in 1999 which is expected to go into effect in January 2003 that requires the establishment of minimum nurse-to-patient ratios throughout all hospitals. Several states are considering similar legislation.

  - — ***Limitation of Mandatory Overtime.*** Many healthcare facilities require their permanent staff to work overtime to cover staffing shortages. Maine, Minnesota, Oregon, New Jersey and Washington have passed legislation that limit mandatory overtime for nurses, and similar legislation has already been introduced in several other states.

Supply Drivers

- ***Traditional Reasons for a Healthcare Professional to Work on a Travel Assignment.*** Traveling allows healthcare professionals to explore new areas of the United States, work at prestigious hospitals, learn new skills, build their resumes and avoid unwanted workplace politics that may accompany a permanent position. Other benefits to temporary healthcare professionals include free or subsidized housing, professional development opportunities, competitive wages, health insurance and completion bonuses for some assignments. All of these factors have been supply drivers for nearly three decades, resulting in the growth of the number of new healthcare professionals traveling.

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

- ***More Nurses Choosing Traveling Due to the Nursing Shortage.*** In times of nursing shortages, nurses with permanent jobs generally feel more secure about their employment prospects. They have a higher degree of confidence that they can leave their permanent position to take a travel assignment and have the ability to return to a permanent position in the future. Additionally, during a nursing shortage, permanent staff nurses are often required to assume greater responsibility and patient loads, work mandatory overtime and deal with increased pressures within the hospital. Many experienced nurses consequently choose to leave their permanent employer, and look for a more flexible and rewarding position.

- ***New Legislation Allowing Nurses to Become More Mobile.*** The Mutual Recognition Compact Legislation, promoted by the National Council of State Boards of Nursing, allows nurses to work more freely within states participating in the Compact Legislation without obtaining new state licenses. The recognition legislation began in 1999 and had been passed in 18 states as of March 2002.

Growth Strategy

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

- ***Expanding Our Network of Qualified Temporary Healthcare Professionals.*** Through our recruiting efforts both in the United States and internationally, we continue to expand our network of qualified temporary healthcare professionals. We have exhibited substantial growth in our temporary healthcare professional network over the past five years primarily through referrals from our thousands of current and former temporary healthcare professionals, as well as through advertising and direct mailings. While we expect these methods to continue to gain momentum, we are implementing creative ways to attract additional qualified healthcare professionals. Two recent examples include our acquisition of O'Grady-Peyton International, the leading recruiter of registered nurses from English-speaking foreign countries for placement in the United States, and Internet recruitment tools such as our NurseZone.com website, which is a leading nurse community site on the Internet. We also recently purchased the website RN.com. RN.com provides online continuing education programs for nurses, which we intend to use to introduce our brands to more temporary healthcare professional candidates.

- ***Strengthening and Expanding Our Relationships with Hospitals and Healthcare Facilities.*** We seek to continue to strengthen and expand our relationships with our hospital and healthcare facility clients, and to develop new relationships. Because we possess one of the largest national networks of temporary nurse and allied health professionals, we are well positioned to offer our hospital and healthcare facility clients effective solutions to meet their staffing needs. We currently hold contracts with over 40% of all acute-care hospitals in the United States and we believe there is an opportunity to further grow our existing relationships and develop new relationships with hospitals and healthcare facilities.

- ***Leveraging Our Business Model and Large Hospital and Healthcare Facility Client Base to Increase Productivity.*** We seek to increase our productivity through our proven multi-brand recruiting strategy, large network of temporary healthcare professionals, established hospital and healthcare facility client relationships, proprietary information systems, innovative marketing and recruitment programs, training programs and centralized administrative support systems. Our multi-brand recruiting strategy allows a recruiter in any of our brands to take advantage of all of our nationwide placement opportunities. In addition, our information systems and support personnel permit our recruiters to spend more time focused on temporary healthcare professionals' needs and placing them on appropriate assignments in hospitals or healthcare facilities. Implementation of our business model at our acquired brands has resulted in significant increases in productivity.

- ***Expanding Service Offerings Through New Staffing Solutions.*** In order to further enhance the growth in our business and improve our competitive position in the healthcare staffing sector, we continue to explore new service offerings. We have most recently introduced temporary and permanent programs for U.S. and Canadian newly-graduated nurses, specialty training opportunities, vendor management for hospitals and healthcare facilities, permanent placement of nurses and placement of temporary healthcare professionals in Canadian hospital and healthcare facilities.

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

Business Overview

Services Provided

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

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

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

Multi-Brand Recruiting

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

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

Single Staffing Provider

To our hospital and healthcare facility clients, we market and administer our services under the single corporate brand of AMN Healthcare. Hospitals and healthcare facility clients in turn have the advantage of managing one contract with us, but receiving the benefit of more candidates from our five nationally known brands that recruit temporary healthcare professionals for their open positions.

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

[AMN Healthcare Structure Flow Chart]

National Presence and Diversified Hospital and Healthcare Facility Client Base

We offer our temporary healthcare professionals nationwide placement opportunities and provide temporary staffing solutions to our hospital and healthcare facility clients that are located throughout the United States. We typically have open temporary healthcare professional requests, or orders, in all 50 states. The largest percentage of these open orders are typically concentrated in the most heavily populated states, including approximately 15% in California, 13% in Florida, 7% in Arizona, 6% in Texas and 4% in Maryland.

The number of our hospital and healthcare facility clients that we serve has grown from approximately 600 in 1993 to over 2,800 hospital and healthcare facility clients at March 31, 2002. Over 95% of our temporary healthcare professional assignments are at acute-care hospitals. In addition to acute-care hospitals, we also provide services to sub-acute healthcare facilities, dialysis centers, clinics and schools. We currently hold contracts with over 40% of all acute-care hospitals in the United States. Our clients include hospitals and healthcare systems such as Georgetown University Hospital, HCA, Kaiser Permanente, NYU Medical Center, Scripps Health Systems, Stanford Health Care, Swedish Health Services, Texas Children's Hospital, UCLA Medical Center and The University of Chicago Hospitals. As of March 31, 2002, no single client, including affiliated groups, comprised more than 10% of our temporary healthcare professionals on assignment and no single client facility comprised more than 2% of our temporary healthcare professionals on assignment.

Our Business Model

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

The following graph illustrates the elements of our business model:

[ELEMENTS OF OUR BUSINESS MODEL FLOW CHART]

Marketing and Recruitment of New Temporary Healthcare Professionals

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

We believe that our multi-brand recruiting strategy makes us more effective at reaching a larger number of temporary healthcare professionals. Because it is common for these healthcare professionals to register with more than one brand in the industry, we believe that by offering five distinct brands we increase our ability to recruit temporary healthcare professionals. Each brand has its own distinct marketing identity to prospective temporary healthcare professionals. We tailor the marketing of each of our brands through a combination of websites, journal advertising, conferences and conventions, direct mail, printed marketing material and, most importantly, through personal word-of-mouth referrals from current and former temporary healthcare professionals. Referrals from our thousands of current and former temporary healthcare professionals are our largest source of new temporary healthcare professionals applying with us. To broaden our recruitment efforts, we also operate NurseZone.com, a leading nurse community website. This website caters to the professional and personal lives of nurses, and offers nursing news and updates, links to other Internet sites, discounted products and services, continuing education courses and career opportunities sponsored by our five recruitment brands, including an online temporary healthcare professional application process. In late 2001, we introduced TravelNursing.com, a website where nurses can learn about the benefits and opportunities available in traveling, and Nursingjobs.com, a nursing jobs board. Our five leading brands are featured on these websites, including an easy and efficient online application process where nurses can complete one application online and have it sent to each of the brands of their choice. Additionally, in April 2002, we purchased the website RN.com. RN.com provides online continuing education programs for nurses, which we intend to use to introduce our brands to more temporary healthcare professional candidates.

Screening/ Quality Management

Through our quality management department, we screen each candidate prior to their placement and we continue to evaluate each temporary healthcare professional after they are placed to ensure adequate

performance as well as to determine feasibility for future placements. Our internal processes are designed to ensure that each temporary healthcare professional has the appropriate experience, credentials and skills for the assignments that they accept. Our experience has shown us that well-matched placements result in satisfied temporary healthcare professionals and healthcare facility clients. Our screening and quality management process includes three principal stages:

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

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

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

Sales and Marketing to Hospitals and Healthcare Facilities

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

The number of our hospital and healthcare facility clients that we serve has grown from approximately 600 in 1993 to over 2,800 clients at March 31, 2002. Over 95% of our temporary healthcare professional assignments are at acute-care hospitals. In addition to acute-care hospitals, we also provide services to sub-acute healthcare facilities, dialysis centers, clinics and schools. Our hospital and healthcare facility clients include 15 of the top 16 hospitals in the United States as ranked by *US News and World Report* in its July 2001 Best Hospitals Honor Roll.

Account Management

Once hospital and healthcare facility contracts are obtained by our regional client service directors, our hospital account managers are responsible for soliciting and receiving orders from these clients and working with our recruiters to fill those orders with qualified temporary healthcare professionals. An "order" is a request from a client hospital or healthcare facility for a temporary healthcare professional to fill an assignment. Hospital account managers regularly call and solicit orders from our clients, who also submit orders via the Internet and by fax. Depending upon their size and specific needs, one hospital or healthcare facility client may have up to 50 open orders at one time.

Our average number of orders for upcoming assignments has increased significantly during the past three years. The combination of an increasing number of open orders and a greater number of nurses choosing to travel benefits us by providing us with numerous assignments to offer and an increasing supply of new

temporary healthcare professional applicants to place. Our growth in open orders can be attributed to factors including:

- continuing increased demand for traveling nurses;
- our extensive network of temporary healthcare professionals;
- our brand recognition and reputation as a quality provider of temporary healthcare staffing services; and
- our increased number of hospital and healthcare facility client relationships.

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

Placement

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

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

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

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

We share orders among our various brands to increase placement opportunities for our temporary healthcare professionals. Our growth in placement volume has been driven by enabling our recruiters at all of our brands to offer more open assignment orders to their temporary healthcare professionals.

Housing

We offer substantially all of our temporary healthcare professionals free or subsidized housing while on assignment. Our housing department is primarily consolidated and managed at our San Diego corporate

headquarters. Our housing department facilitates the leasing of all apartments and furniture, manages utilities, and arranges all housing and roommate assignments for the thousands of temporary healthcare professionals that we place each year. We generally offer our temporary healthcare professionals a free two-bedroom apartment to share with another temporary healthcare professional. If a temporary healthcare professional desires to have a private, one-bedroom apartment, they typically pay a housing fee to us to cover the incremental costs. If a temporary healthcare professional chooses not to accept housing provided by us, they receive a monthly housing stipend in lieu of an apartment. Generally, our international temporary healthcare professionals are provided with increased travel reimbursements and assistance with immigration costs in lieu of free or subsidized housing. We currently lease over 4,500 apartments nationwide with a monthly housing expense of over $4.5 million.

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

Temporary Healthcare Professional Payroll

For the first three months of 2002, approximately 96% of our working temporary healthcare professionals were on our payroll, while approximately 4% were paid directly by the hospital or healthcare facility client. Providing payroll services is a value-added and convenient service that hospitals and healthcare facilities increasingly expect from their supplemental staffing sources. To provide convenience and flexibility to our hospital and healthcare facility clients, we accommodate several different payroll cycles, and allow the client to choose the cycle that most closely matches that of their permanent staff. This enables our hospital and healthcare facility clients to integrate management of temporary healthcare professional scheduling and overtime with their permanent staff.

Consistent accuracy and timeliness of making payroll payments is essential to the retention of our temporary healthcare professionals. Our internal payroll service group currently receives and processes timesheets for over 7,000 temporary healthcare professionals. Payroll is typically processed within 72 hours after the completion of each pay period, heightening the importance of having adequately trained and skilled payroll personnel and appropriate operating and information systems. We process our payroll utilizing a leading national payroll processing service that can accommodate our large quantity of transactions and the many federal, state and local withholding and employer taxing requirements across the United States.

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

Temporary Healthcare Professional Benefits

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

- ***Completion Bonuses.*** Many of our assignments offer special completion bonuses, which we pay in a lump sum once the temporary healthcare professional has completed his or her 13-week assignment. When offered, completion bonuses usually range from $500 to $4,000 for a 13-week assignment and are typically billed as a separate cost to the hospital client, with a small markup to cover employer taxes and overhead.

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

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

- ***401(k) Plan and Dependent Care and Medical Reimbursement.*** We offer immediate enrollment in our 401(k) plan, including matching employer contributions after 1,000 hours of continued service. In addition, we provide pre-tax deductions for employee dependent care expenses and a medical spending account.

- ***Group Medical, Dental and Life Insurance.*** We pay 100% of premium expenses for medical, dental and life insurance.

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

- ***24-Hour Management and Clinical Support.*** It is our goal to always be available to our temporary healthcare professionals. Professionals with emergencies can be connected 24 hours per day with a clinical liaison, recruitment manager or housing manager to help resolve their problem.

Hospital Billing

To accommodate the needs of our hospital clients, we offer two types of billing: payroll contracts and flat rate contracts. For the first three months of 2002 we billed approximately 96% of working temporary healthcare professionals based on payroll contracts and approximately 4% based on flat rate contracts.

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

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

Information Systems

Our primary management information and communications systems are centralized and controlled in our corporate headquarters and are utilized in each of our staffing offices. Our financial systems are primarily centralized at our corporate headquarters and our operational reporting is standardized at all of our offices. To facilitate payroll for our corporate employees and our temporary healthcare professionals, we utilize a system provided by a national payroll processing service.

During the past few years, we have developed a proprietary information system called American Mobile Information Exchange, or "AMIE." AMIE is a Windows-based, interactive system that is an important tool in maximizing our productivity and accommodating our multi-brand recruiting strategy. The system was custom-designed for our business model, including integrated processes for temporary healthcare professional

and healthcare facility contract management, matching of temporary healthcare professionals to available assignments, temporary healthcare professional file submissions for placements, quality management tracking, controlling compensation packages and managing healthcare facility contract and billing terms. AMIE provides our staff with fast, detailed information regarding individual temporary healthcare professionals and hospital and healthcare facility clients. AMIE also provides a platform for interacting and transacting with temporary healthcare professionals and hospital and healthcare facility clients via the Internet.

Risk Management

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

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

Competition

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

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

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

Government Regulation

The healthcare industry is subject to extensive and complex federal and state laws and regulations related to professional licensure, conduct of operations, payment for services and payment for referrals. Our business, however, is not directly impacted by or subject to the extensive and complex laws and regulations that generally govern the healthcare industry. The laws and regulations which are applicable to our hospital and healthcare facility clients could indirectly impact our business to a certain extent, but because we provide

services on a contract basis and are paid directly by our hospital and healthcare facility clients, we do not have any direct Medicare or managed care reimbursement risk.

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

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

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

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

Legal Proceedings

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

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

Employees

As of March 31, 2002, we had 840 full-time corporate employees. We believe that our employee relations are good. The following chart shows our number of full-time corporate employees by department:

Recruitment	225
Regional Directors and Hospital Account Managers	42
Housing, Quality Management and Traveler Services	218
Customer Accounting and Payroll	218
MIS, Support Services, HR, Marketing and Facilities Staff	116
Corporate and Subsidiary Management	21
Total Corporate Employees	840

During the first quarter of 2002, we had over 7,300 temporary healthcare professionals working on assignment.

Properties

We believe that our properties are adequate for our current needs. In addition, we believe that adequate space can be obtained to meet our foreseeable business needs. We recently signed a lease for approximately fifteen years beginning in August 2003 for a new, approximately 172,000 square foot headquarters building in San Diego, California. We currently lease office space in twelve locations, as identified in the chart below:

Location	Square Feet
San Diego, California (corporate headquarters)	95,677
Ft. Lauderdale, Florida	32,138
Louisville, Colorado	19,427
Huntersville, North Carolina	15,600
Davidson, North Carolina	6,080
Savannah, Georgia	5,656
Cape Town (South Africa)	1,399
Birmingham (United Kingdom)	988
Canning Vale (Australia)	958
Phoenix, Arizona	767
Toronto (Canada)	150
Sydney (Australia)	129
Total	178,969

MANAGEMENT

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

Name	Age	Position(s)
Directors and Executive Officers		
Robert Haas	54	Chairman of the Board and Director
Steven Francis	47	Director, President and Chief Executive Officer
William Miller III	52	Director
Douglas Wheat	51	Director
Michael Gallagher	56	Director
Andrew Stern	53	Director
Susan Nowakowski	37	Executive Vice President, Chief Operating Officer and Secretary
Donald Myll	44	Chief Financial Officer and Treasurer
Other Senior Officers		
Marcia Faller	42	Senior Vice President, Nursing and Traveler Services
Beth Machado	40	Senior Vice President, Recruitment
Diane Stumph	52	Senior Vice President, Finance
Stephen Wehn	41	Senior Vice President, Client Services
Denise Jackson	37	General Counsel and Vice President
Bruce Carothers	41	Chief Technology Officer and Vice President

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

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

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

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

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

Michael Gallagher has been a director since our initial public offering in November 2001. Mr. Gallagher has served as Chief Executive Officer of Playtex Products, Inc. since 1995. Previously, Mr. Gallagher was Chief Executive Officer/ North America for Reckitt & Coleman PLC, President and Executive Officer of

Eastman Kodak's subsidiary, L&F Products, and President of the Lehn & Fink Consumer Products Division of Sterling Drug. Mr. Gallagher previously was Corporate Vice President and General Manager of the Clorox Company and began his career with the Procter and Gamble Company. He also serves as a director of Playtex Products, Inc., Allergan, Inc., Grocery Manufacturers Association, the Association of Sales and Marketing Companies, the Haas School of Business at the University of California (Berkeley) and the Board of Trustees of St. Luke's School.

Andrew Stern has been a director since our initial public offering in November 2001. Mr. Stern has served as Chairman of the Board and Chief Executive Officer of Sunwest Communications, Inc., a public relations firm, since 1983. Mr. Stern also serves as a director of Dallas National Bank and as an advisory director of NeoSpire, Inc. In addition, he serves as Chairman of the Medical City Dallas Hospital.

Susan Nowakowski joined us in 1990 and has been our Chief Operating Officer since December 2000, our Secretary since October 2001 and our Executive Vice President since January 2002. Ms. Nowakowski served as our Senior Vice President of Business Development from September 1998 to December 2000. Following our acquisition of Medical Express, she was additionally appointed President of Medical Express in April 1999. She also served as our Chief Financial Officer and Vice President of Business Development from 1990 to 1993 and 1993 to 1998, respectively. Prior to joining us, Ms. Nowakowski worked as a financial analyst at a subsidiary of Eli Lilly & Co. and as the finance manager of BioVest Partners, a venture capital firm. Ms. Nowakowski also serves as a director of Playtex Products, Inc.

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

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

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

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

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

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

Denise Jackson has been our General Counsel and Vice President of Administration since October 2000, with responsibility for legal, risk management, facilities, temporary healthcare professional benefits and corporate human resource functions. From 1995 to September 2000, Ms. Jackson worked for The Mills Corporation, a publicly traded real estate investment trust, serving as Vice President and Senior Counsel from 1998 to 2000.

Bruce Carothers has been our Chief Technology Officer and Vice President since November 2001, with responsibility for all information technology functions. Prior to joining us, Mr. Carothers worked for Alitum, Inc. as Chief Technology Officer from March 2000 to October 2001 and as a consultant to various technology firms from October 1999 to March 2000. Mr. Carothers also served as Chief Executive Officer and Executive Vice President of Business Development at Motive Software Inc. from January 1995 to October 1999.

Term of Executive Officers and Directors

Each director serves for a term of one year. Directors hold office until the annual meeting of stockholders and until their successors have been duly elected and qualified. Executive officers are appointed by the board and serve at the discretion of the board.

Committees of Our Board of Directors

Our board has established an audit committee, the members of which are Messrs. Miller, Gallagher and Stern, a compensation committee, the members of which are Messrs. Miller and Gallagher, an executive committee, the members of which are Messrs. Haas, Wheat and Francis, and a stock plan committee, the members of which are Messrs. Miller and Gallagher. Each of the decisions of our compensation and stock plan committees are subject to approval by our board. The audit committee oversees actions taken by our independent auditors and reviews our internal controls and procedures. The compensation committee reviews and approves the compensation of our officers and management personnel and administers our employee benefit plans. The executive committee exercises the authority of our board in the interval between meetings of the board. The stock plan committee administers our stock-based and certain other incentive compensation plans.

Compensation Committee Interlocks and Insider Participation

One of our directors, Michael Gallagher, serves as the Chief Executive Officer of Playtex Products, Inc. and serves as a member of our compensation committee. Our Executive Vice President, Chief Operating Officer and Secretary, Susan Nowakowski, also serves as a director of Playtex Products, Inc.

Directors' Compensation

Directors who are not executive officers will receive an annual fee of $10,000, $2,500 for each board meeting they attend and $1,000 for each committee meeting they attend which is not held on the same day as a board meeting. Directors will be reimbursed for out-of-pocket expenses incurred in connection with attending meetings of the board and its committees. We also have granted stock options to some of our directors as compensation for their services as members of our board. See "— Stock Option Plans — Recent Stock Options Award."

Compensation of Executive Officers

The following table sets forth information concerning the annual and long-term compensation for services in all capacities to us during 2000 and 2001 of (i) Steven Francis, our Chief Executive Officer, and

(ii) Susan Nowakowski and Donald Myll, our two other most highly-compensated executive officers, as of December 31, 2001.

		Annual Compensation			Long-Term Compensation Awards	
Name and Principal Positions	Year	Salary	Bonus	All Other Compensation(1)	Restricted Stock Awards	Number of Securities Underlying Options
Steven Francis	2001	$410,577	$300,000	$6,514	—	—
President and Chief	2000	304,875	200,000	1,950	—	746,493
Executive Officer						
Susan Nowakowski	2001	292,308	91,000	6,485	—	—
Executive Vice President,	2000	181,496	67,412	1,950	—	321,456
Chief Operating Officer and Secretary						
Donald Myll(2)	2001	135,573	—	—	—	458,804
Chief Financial Officer and Treasurer						

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

(2) Mr. Myll's salary has been prorated to reflect his employment with us since May 2001.

Options Grants During 2001

The following were the only stock option awards that we granted to directors or named executive officers in 2001. We have never issued any stock appreciation rights.

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(2)	
Name	Number of Securities Underlying Options Granted	Percentage of Total Options Granted to Employees in 2001	Exercise Price (per share)(1)	Expiration Date	5%	10%
Donald Myll	458,804	72.5%	$9.09	July 24, 2011	$2,622,823	$6,646,748

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

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

(2) These amounts represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. These gains are based on assumed rates of stock price appreciation of 5.0% and 10.0% compounded annually from the date the options were granted to the expiration date. These assumptions are not intended to forecast future appreciation of our stock price. The potential realizable value computation does not take into account federal or state income tax consequences of option exercises or sales of appreciated stock.

Aggregated Option Exercises in 2001 and Year-End Option Values

The following table sets forth the number of shares subject to both exercisable and unexercisable stock options as of December 31, 2001. The table also reports values for "in-the-money" options that represent the positive spread between the exercise prices of such options and $27.40 per share, the closing sale price of our common stock on the New York Stock Exchange on December 31, 2001.

Name	Number of Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 2001		Value of Unexercised In-the-Money Options at December 31, 2001	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Steven Francis	—	—	—	2,766,449	—	$63,138,297
Susan Nowakowski	—	—	—	660,804	—	15,250,967
Donald Myll	—	—	—	458,804	—	8,400,701

Management Compensation Incentive Plans

Our Senior Management Bonus Plan provides incentives and rewards to some of our senior members of management for achievement of annual financial goals. The bonus plan is administered by our Compensation Committee. Our board may resolve to administer the plan, thereby assuming all the functions of the compensation committee under the plan. Under the bonus plan, subject to our board's approval, the compensation committee designates for each "performance period" (which is the period during which performance is measured to determine the level of attainment of an award) which participants are eligible for an award, the performance criteria for the performance period and the maximum award. This information is communicated to each participant prior to or during the performance period. The performance criteria for 2002 has been established in a Senior Management Bonus Plan for 2002 and the bonuses under our bonus plan are earned based upon a pre-established level of EBITDA (as defined in the bonus plan for 2002) achieved during the year, and are calculated for each participating member of senior management based upon a specific percentage of the individual's salary at targeted levels of EBITDA achievement. Our board has the power to amend the plan at any time and may amend any outstanding award granted under the plan, subject to grantee consent in appropriate instances. Adopting and maintaining this bonus plan does not preclude our board from making compensation or award arrangements outside of the plan.

Stock Option Plans

1999 Stock Option Plans

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

- attract, motivate and retain executive personnel of outstanding ability;
- focus the attention of executive management on achievement of sustained long-term results;
- foster management's attention on overall corporate performance and thereby promote cooperation and teamwork among management of the operating units; and
- provide executives with a direct economic interest in the attainment of demanding long-term business objectives.

Administration. Our stock plan committee administers our 1999 stock option plans. The board may resolve to administer the plan, thereby assuming all of the functions of the stock plan committee under the plan. Subject to board approval, the stock plan committee has the authority to construe, interpret and implement our 1999 stock option plans and any agreements evidencing any options granted under our 1999 stock option plans, and to prescribe, amend and rescind rules and regulations relating to our 1999 stock option plans.

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

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

Shares Subject to Our 1999 Stock Option Plans. The number of shares of our common stock authorized for issuance under our 1999 Performance Stock Option Plan is 3,688,616, and under our 1999 Super-Performance Stock Option Plan is 1,844,306. If the shares subject to an option under our 1999 stock option plans expire, terminate, or are canceled for any reason without cash consideration paid, the shares will again be available for future award. If there is any recapitalization, or any acquisition, divestiture or any other corporate transaction of any kind involving us that the committee in its discretion deems of a kind appropriate to require an amendment or adjustment to our 1999 stock option plans or to the options issued under these plans, the stock plan committee will make appropriate adjustments to the type and number of shares covered by options then outstanding, the exercise price of outstanding options and the shares that remain available for award under our 1999 stock option plans.

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

All options outstanding under the 1999 stock option plans are fully vested. At least 25% of each holder's options becomes exercisable during May 2002 with the remainder generally becoming exercisable at 25% per year.

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

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

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

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

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

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

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

2001 Stock Option Plan

In connection with our initial public offering, we adopted our 2001 stock option plan for grants to be made to participants in anticipation of, and following, our initial public offering. The purpose of our 2001 stock option plan is to provide a means through which we may attract able persons to enter and remain in the employ of our company and to provide a means whereby employees, directors and consultants can acquire and maintain common stock ownership, thereby strengthening their commitment to the welfare of our company and promoting an identity of interest between stockholders and these employees.

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

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

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

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

stock option plan, the exercise price of outstanding options and the maximum number of shares and the per-person maximum number of shares available for grant under our 2001 stock option plan.

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

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

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

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

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

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

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

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

Change of Control. Under the terms of our 2001 stock option plan, and unless a particular stock option agreement provides otherwise, if there is a change of control (as defined in our 2001 stock option plan), a participant's options will become fully exercisable as to all the shares of common stock covered by that participant's options. Alternatively, in the event of a change of control, the stock plan committee may in

its discretion, by written notice to the participant, provide that the participant's options will be terminated unless exercised within 10 days, in exchange for a payment in cash or stock of the value of that participant's options based upon the per-share value to be received by other shareholders pursuant to the transaction.

Recent Stock Options Awarded

In January 2002, we granted options to some of our directors and employees for an aggregate of 629,500 shares of common stock at an exercise price equal to $22.98 per share, including options to purchase 200,000 shares granted to Steven Francis, 60,000 shares granted to Susan Nowakowski, 50,000 shares granted to Donald Myll and 9,000 shares granted to each of Michael Gallagher, William Miller and Andrew Stern. The first 25% of the options granted to Mr. Francis, Ms. Nowakowski and Mr. Myll are expected to vest on the first anniversary of the date of their grant, and the first 20% of the options granted to Messrs. Gallagher, Miller and Stern are expected to vest on the first anniversary of the date of their grant.

Executive Nonqualified Excess Plan

Our subsidiary, AMN Healthcare, Inc., adopted an Executive Nonqualified Excess Plan in January 2002 in order to assist certain management employees to elect to defer some compensation. The Executive Nonqualified Excess Plan is not intended to be tax qualified and is an unfunded plan. This plan is primarily composed of deferred amounts of income kept on our records. Each participant is fully vested in his salary deferral credits and all income and losses attributable thereto. We make a discretionary matching contribution to the plan that vests incrementally so that the employee is fully vested in the match following five years of service with us.

The compensation committee appointed Steven Francis, Donald Myll and Denise Jackson as members of the Committee to be the administrators of the Executive Nonqualified Excess Plan.

Employment and Severance Agreements

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

Mr. Francis's employment agreement provides that he will receive severance benefits if we voluntarily terminate his employment for any reason other than "cause" (as defined in the agreement), in the event of his disability or death or if he terminates his employment for "good reason" (as defined in the agreement). In the event of such termination, Mr. Francis or his estate, as applicable, will be entitled to any earned but unpaid base salary, an immediate lump sum severance payment of two years of base salary, plus his bonus for the year of termination. In addition, Mr. Francis has the right to resign for any reason or no reason within 90 days following a "change of control" (as defined in the agreement) and have such resignation be treated as "good reason."

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

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

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

RELATED PARTY TRANSACTIONS

Transactions with the HWP Stockholders

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

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

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

During 2000 and 2001, we paid an affiliate of the HWP stockholders a fee for management advisory services provided to us in the amounts of $150,000 and $113,000, respectively. At the completion of our initial public offering in November 2001, we paid fees and expenses to this affiliate of approximately $2.1 million and the agreement governing these fees terminated.

In April 2002, we paid an affiliate of the HWP stockholders $139,000 for advisory services in connection with our acquisition of Health Resource Management Corporation.

Transactions with BancAmerica Capital Investors

BancAmerica Capital Investors SBIC I, L.P., currently beneficially owns 6.8% of our common stock and will beneficially own approximately 4.7% of our common stock following this offering. We issued senior subordinated notes to BancAmerica Capital Investors on November 19, 1999 in connection with our recapitalization. The senior subordinated notes had an aggregate outstanding amount of $25.3 million (including accrued interest) at November 16, 2001 and were repaid in connection with our initial public offering (along with an additional $997,346 of related pre-payment penalties). Affiliates of BancAmerica Capital Investors are acting as an underwriter of this offering and as a lender under our existing credit facility. In addition, an affiliate of BancAmerica Capital Investors acted as an underwriter of our initial public offering in November 2001. For more information, see “Underwriting.”

In June 2000, we issued shares to BancAmerica Capital Investors as consideration for an aggregate capital contribution of $1.3 million in connection with our acquisition of NursesRx. In addition, in November 2000, we issued shares to BancAmerica Capital Investors as consideration for an aggregate capital contribution of $4.4 million in connection with our acquisition of Preferred Healthcare Staffing. Prior to our initial public offering, BancAmerica Capital Investors exercised an outstanding warrant for 1,954,755 shares of common stock.

Transactions with Olympus Partners

In connection with our 1999 recapitalization, we paid $1.5 million in advisory fees and $32,000 in out-of-pocket expenses to our then majority stockholder, Olympus Partners.

Transactions with Directors

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

Steven Francis, our President and Chief Executive Officer, a director and stockholder, owned a minority interest in AMN Healthcare, Inc., our primary operating subsidiary, until October 1999. Prior to our

November 1999 recapitalization, Steven Francis exchanged his shares of our subsidiary for shares of our common stock, eliminating this minority ownership interest.

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

Registration Rights

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

In addition, upon our initial public offering the HWP stockholders, BancAmerica Capital Investors, Steven Francis and the Francis Family Trust were granted piggyback rights on any registration for our account or the account of another stockholder. If the managing underwriter in an underwritten offering determines that the number of securities offered in a piggyback registration would jeopardize the success of the offering, the number of shares included in the offering shall be determined as follows: (i) first, shares offered by the Company for its own account and (ii) second, shares offered by the stockholders (pro rata, based on their respective ownership of our common equity). We are filing a registration statement, of which this prospectus is a part, in response to a demand registration request made by the HWP stockholders. BancAmerica Capital Investors, Steven Francis and the Francis Family Trust are exercising their rights to piggyback on the HWP stockholders' demand registration in connection with this offering.

In connection with this offering, and the other registrations described above, we will agree to indemnify the HWP stockholders, BancAmerica Capital Investors, Steven Francis and the Francis Family Trust. In addition, in this offering we will bear all fees, costs and expenses (except for selling stockholder legal fees and underwriting discounts and selling commissions) of these and the other selling stockholders.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table summarizes certain information as of April 24, 2002 as to the beneficial ownership of our outstanding common stock by:

- each person or group known to us to be the beneficial owner of more than 5% of our common stock;
- our chief executive officer;
- each of our other executive officers;
- each of our directors;
- all of our directors and executive officers as a group; and
- each other selling stockholder participating in this offering.

Beneficial ownership of shares is determined under the rules of the Securities and Exchange Commission and generally includes any shares over which a person exercises sole or shared voting or investment power. Except as indicated by footnote, each person identified in the table possesses sole voting and investment power with respect to all shares of common stock held by them. Shares of common stock subject to options currently exercisable or exercisable within 60 days are deemed outstanding for computing the percentage of the person holding these options, but are not deemed outstanding for computing the percentage of any other person. Applicable percentage ownership in the following table is based on 42,637,554 shares of common stock outstanding. Unless otherwise indicated, the address of each of the named individuals is c/o AMN Healthcare Services, Inc., 12235 El Camino Real, Suite 200, San Diego, CA 92130.

Name	Number of Shares Beneficially Owned Prior to Offering	Shares Offered	Number of Shares Beneficially Owned After the Offering	Percentage of Outstanding Shares Before the Offering	Percentage of Outstanding Shares After the Offering
Robert Haas (1)	26,427,048	—	18,249,087	62.0%	42.8%
HWH Capital Partners, L.P.	12,286,696	3,802,169	8,484,527	28.8%	19.9%
HWH Nightingale Partners, L.P.	9,418,313	2,914,537	6,503,776	22.1%	15.3%
HWP Nightingale Partners II, L.P.	3,395,621	1,050,789	2,344,832	8.0%	5.5%
HWP Capital Partners II, L.P.	1,326,418	410,466	915,952	3.1%	2.1%
BancAmerica Capital Investors SBIC I, L.P. (2)	2,885,403	892,900	1,992,503	6.8%	4.7%
Steven Francis (3)	2,413,532	—	1,913,532	5.5%	4.4%
The Francis Family Trust dated May 24, 1996, as amended (4)	1,214,422	500,000	714,422	2.8%	1.7%
William Miller III (5)	262,897	81,355	181,542	*	*
Douglas Wheat (6)	—	—	—	—	—
Michael Gallagher (7)	—	—	—	—	—
Andrew Stern (8)	—	—	—	—	—
Susan Nowakowski (9)	300,840	—	218,240	*	*
The Nowakowski Family Trust dated September 7, 2001 (10)	300,540	82,600	217,940	*	*
Donald Myll (11)	117,801	45,880	71,921	*	*
Marcia Faller (12)	199,536	57,351	142,185	*	*
Beth Machado (13)	199,536	57,351	142,185	*	*
Diane Stumph (14)	200,136	57,351	142,785	*	*
Stephen Wehn (15)	159,542	47,251	112,391	*	*
All directors and executive officers as a group (16)	29,522,118	8,887,796	20,634,322	66.9%	46.8%

* Less than 1%

(1) Represents shares held by the following entities:

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

The ultimate general partner of each of these limited partnerships is either a limited liability company or a corporation, in each case controlled by Mr. Haas. By virtue of his control over each such limited liability company and corporation, Mr. Haas has sole voting and dispositive power over these 26,427,048 shares. HWH Capital Partners, L.P., HWH Nightingale Partners, L.P., HWP Nightingale Partners II, L.P. and HWP Capital Partners II, L.P. have granted to the underwriters an option to purchase an additional 270,954, 207,699, 74,883 and 29,251 shares of common stock, respectively. If the underwriters' over-allotment option is exercised in full with respect to all selling stockholders, HWH Capital Partners, L.P., HWH Nightingale Partners, L.P., HWP Nightingale Partners II, L.P., HWP Capital Partners II, L.P. and Mr. Haas will beneficially own approximately 19.1%, 14.6%, 5.3%, 2.1% and 41.1% of our common stock after the offering, respectively. The address of Mr. Haas and each of the limited partnerships listed above is c/o Haas Wheat & Partners, L.P., 300 Crescent Court, Suite 1700, Dallas, Texas 75201.

(2) BancAmerica Capital Investors SBIC I, L.P., a Delaware limited partnership, holds 2,885,403 shares of our common stock. BancAmerica Capital Investors SBIC I, L.P. has granted to the underwriters an option to purchase an additional 63,631 shares of common stock. If the underwriters' over-allotment option is exercised in full with respect to all selling stockholders, BancAmerica Capital Investors SBIC I, L.P. will beneficially own approximately 4.5% of our common stock after the offering. The address of BancAmerica Capital Investors SBIC I, L.P. is 100 North Tryon Street, 25th Floor, Charlotte, North Carolina 28255.

(3) Includes 1,214,422 shares owned by the Francis Family Trust dated May 24, 1996, as amended, of which Mr. Francis and his wife, Gayle Francis, are each Trustees, and 2,400 shares held in the aggregate by the children of Mr. Francis in custodial accounts under the control of Mr. Francis and Gayle Francis. As a result, he has investment power over these shares and is therefore deemed to

have beneficial ownership of these shares. Also includes 1,196,610 shares deemed to be beneficially owned by reason of Mr. Francis' right to acquire such shares within 60 days of April 24, 2002 through the exercise of outstanding stock options.

(4) The Francis Family Trust dated May 24, 1996, as amended, has granted to the underwriters an option to purchase an additional 500,000 shares of common stock. If the underwriters' over-allotment option is exercised in full with respect to all selling stockholders, it and Steven Francis will beneficially own less than 1% and 3.2% of our common stock after the offering, respectively.

(5) Mr. Miller has granted to the underwriters an option to purchase an additional 5,798 shares of common stock. If the underwriters' over-allotment option is exercised in full with respect to all selling stockholders, he will beneficially own less than 1% of our common stock after the offering. Mr. Miller's address is c/o Health Management Systems, Inc., 2100 McKinney, Suite 1801, Dallas, Texas 75201.

(6) Mr. Wheat's address is c/o Haas Wheat Partners, L.P., 300 Crescent Court, Suite 1700, Dallas, Texas 75201.

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

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

(9) Includes 300,540 shares deemed to be beneficially owned by the Nowakowski Family Trust dated September 7, 2001, of which Ms. Nowakowski and her husband, Mark Nowakowski, are each Trustees, by reason of its right to acquire such shares within 60 days of April 24, 2002 through the exercise of outstanding stock options. As a result, Ms. Nowakowski has investment power over these shares and is therefore deemed to have beneficial ownership of these shares.

(10) Includes 300,540 shares deemed to be beneficially owned by the Nowakowski Family Trust dated September 7, 2001 by reason of its right to acquire such shares within 60 days of April 24, 2002, of which 82,600 options are deemed to be exercised for purposes of this prospectus. The Nowakowski Family Trust dated September 7, 2001 has granted to the underwriters an option to purchase an additional 82,600 shares of common stock. If the underwriters' overallotment option is exercised in full with respect to all selling stockholders, the Nowakowski Family Trust dated September 7, 2001 will beneficially own less than 1% of our common stock after the offering.

(11) Includes 114,701 shares deemed to be beneficially owned by Mr. Myll by reason of his right to acquire such shares within 60 days of April 24, 2002 through the exercise of outstanding stock options, of which 45,880 options are assumed to be exercised for purposes of this prospectus. Mr. Myll has granted to the underwriters an option to purchase an additional 45,880 shares of common stock. If the underwriters' over-allotment option is exercised in full with respect to all selling stockholders, he will beneficially own less than 1% of our common stock after the offering.

(12) Includes 199,536 shares deemed to be beneficially owned by Ms. Faller by reason of her right to acquire such shares within 60 days of April 24, 2002 through the exercise of outstanding stock options, of which 57,351 options are assumed to be exercised for purposes of this prospectus. Ms. Faller has granted to the underwriters an option to purchase an additional 57,351 shares of common stock. If the underwriters' over-allotment option is exercised in full with respect to all selling stockholders, Ms. Faller will beneficially own less than 1% of our common stock after the offering.

(13) Includes 199,536 shares deemed to be beneficially owned by Ms. Machado by reason of her right to acquire such shares within 60 days of April 24, 2002 through the exercise of outstanding stock options, of which 57,351 options are assumed to be exercised for purposes of this prospectus. Ms. Machado has granted to the underwriters an option to purchase an additional 57,351 shares of common stock. If the underwriters' over-allotment option is exercised in full with respect to all selling stockholders, Ms. Machado will beneficially own less than 1% of our common stock after the offering.

(14) Includes 199,536 shares deemed to be beneficially owned by Ms. Stumph by reason of her right to acquire such shares within 60 days of April 24, 2002 through the exercise of outstanding options, of which 57,351 options are assumed to be exercised for purposes of this prospectus. Ms. Stumph has granted to the underwriters an option to purchase an additional 57,351 shares of common stock. If the underwriters' over-allotment option is exercised in full with respect to all selling stockholders, Ms. Stumph will beneficially own less than 1% of our common stock after the offering.

(15) Includes 400 shares held in the aggregate by the children of Mr. Wehn in custodial accounts under his control. Includes 159,142 shares deemed to be beneficially owned by Mr. Wehn by reason of his right to acquire such shares within 60 days of April 24, 2002 through the exercise of outstanding options, of which 47,251 options are deemed to be exercised for purposes of this prospectus. Mr. Wehn has granted to the underwriters an option to purchase an additional 47,251 shares of common stock. If the underwriters' over-allotment option is exercised in full with respect to all selling stockholders, Mr. Wehn will beneficially own less than 1% of our common stock after the offering.

(16) The percentage of outstanding shares owned includes 26,427,048 shares owned by the HWP stockholders, 1,214,422 shares owned by the Francis Family Trust dated May 24, 1996, as amended, and 1,611,850 shares of common stock deemed to be beneficially owned by our executive officers by reason of their right to acquire such shares within 60 days of April 24, 2002.

In the event that the underwriters do not fully exercise the over-allotment option granted to them by the selling stockholders, the shares of common stock to be sold in the over-allotment shall include: first, the shares of common stock to be sold by the Francis Family Trust dated May 24, 1996, as amended, as set forth in note (4) above; next, the shares of common stock to be sold by the Nowakowski Family Trust dated September 7, 2001, Mr. Myll, Ms. Faller, Ms. Machado, Mr. Stumph and Mr. Wehn, as set forth in notes (10), (11), (12), (13), (14) and (15) above, pro rata among these stockholders; and last, the shares of common stock to be sold by the each of the HWP stockholders, BancAmerica Capital Investors SBIC I, L.P. and William Miller III, as set forth in notes (1), (2) and (5) above, pro rata among these stockholders.

DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock currently consists of 200,000,000 shares of common stock and 10,000,000 shares of preferred stock. After consummation of this offering, we expect to have 42,637,554 shares of common stock and no shares of preferred stock outstanding.

Common Stock

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

Preferred Stock

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

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

Certain Certificate of Incorporation, By-Law and Statutory Provisions

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

Directors' Liability; Indemnification of Directors and Officers

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

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

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

Special Meetings of Stockholders

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

Advance Notice Requirements For Stockholder Proposals and Director Nominations

Our by-laws establish advance notice procedures for:

- stockholders to nominate candidates for election as a director; and
- stockholders to propose topics at stockholders' meetings.

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

Anti-Takeover Provisions of Delaware Law

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

Transfer Agent And Registrar

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

CERTAIN U.S. FEDERAL TAX

CONSIDERATIONS FOR NON-U.S. HOLDERS

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

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

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

Dividends

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

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

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

Gain on Disposition

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

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

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

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

We believe that we are not currently and do not anticipate becoming a USRPHC. However, since the determination of USRPHC status in the future will be based upon the composition of our assets from time to time and there are uncertainties in the application of certain relevant rules, there can be no assurance that we will not become a USRPHC in the future.

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

U.S. Federal Estate Taxes

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

Information Reporting and Backup Withholding

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

The payment of the proceeds of the disposition of common stock by a non-U.S. holder to or through the U.S. office of a broker generally will be reported to the IRS and reduced by backup withholding unless the non-U.S. holder either certifies its status as a non-U.S. holder under penalties of perjury or otherwise establishes an exemption and the broker has no actual knowledge to the contrary. The payment of the proceeds on the disposition of common stock by a non-U.S. holder to or through a non-U.S. office of a broker generally will not be reduced by backup withholding or reported to the IRS. If, however, the broker is a U.S. person or has certain enumerated connections with the U.S., the proceeds from such disposition generally will be reported to the IRS (but not reduced by backup withholding) unless certain conditions are met.

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

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

SHARES ELIGIBLE FOR FUTURE SALE

We cannot predict the effect, if any, that market sales of shares or the availability of any shares for sale will have on the market price of the common stock prevailing from time to time. Sales of substantial amounts of common stock, or the perception that such sales could occur, could adversely affect the market price of our common stock and our ability to raise capital through a sale of our securities.

Sale of Restricted Shares

As of April 24, 2002, we had an aggregate of 42,637,554 outstanding shares of common stock, excluding 6,095,891 shares underlying outstanding options. Of these shares, the 11,500,000 shares sold in our initial public offering and the 10,000,000 shares sold in this offering (or 11,500,000 shares if the underwriters' over-allotment option is exercised in full) will be freely tradable without restriction or further registration under the Securities Act, except that any shares purchased by our affiliates, as that term is defined in Rule 144 under the Securities Act, may generally only be sold in compliance with the limitations of Rule 144 described below. As defined in Rule 144, an affiliate of an issuer is a person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the issuer. After this offering, approximately 19,150,951 of our outstanding shares of common stock will be deemed "restricted securities," as that term is defined under Rule 144. Restricted securities may be sold in the public market only if they qualify for an exemption from registration under Rule 144, including Rule 144(k) or any other applicable exemption under the Securities Act.

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

Lock-Up Agreements

The selling stockholders and our executive officers have agreed not to offer, sell, contract to sell or otherwise dispose of any shares of common stock or any security convertible into or exchangeable for common stock for a period of 180 days from the date of this prospectus without the prior written consent of Banc of America Securities LLC, subject to certain exceptions. Immediately following this offering, stockholders subject to lockup agreements will hold 21,144,454 shares, representing approximately 50% of the then outstanding shares of common stock, or approximately 47% if the underwriters' over-allotment option is exercised in full.

We have agreed not to issue, sell or otherwise dispose of any shares of common stock during the 180-day period following the date of the prospectus. We may, however, grant options to purchase shares of common stock and issue shares of common stock upon the exercise of outstanding options under our existing stock option plans and we may issue or sell common stock in connection with an acquisition or business combination as long as the acquiror of such common stock agrees in writing to be bound by the obligations and restrictions of our lock-up agreement.

Stock Options

As of April 24, 2002, options to purchase 6,095,891 shares of common stock granted to some of our directors and employees will be outstanding, of which 2,021,817 are currently exercisable or exercisable

within 60 days of April 24, 2002. Of the shares underlying these outstanding options, 5,722,665 are subject to the lock-up agreements described above restricting their sale for a period of 180 days after the date of this prospectus. In November 2001 in connection with our initial public offering, we filed a registration statement under the Securities Act to register shares of common stock issuable upon the exercise of stock options granted under our stock option plans. Except as limited by the lock-up agreements described above and by Rule 144 volume limitations applicable to affiliates, shares issued upon the exercise of stock options generally are available for sale in the open market.

Registration Rights

We have granted registration rights to certain of our stockholders who, after this offering, will hold approximately 23,922,561 shares in the aggregate (including shares issuable upon the exercise of outstanding options). Under certain circumstances, some of these stockholders can require us to file registration statements that permit them to re-sell their shares. For more information, see “Related Party Transactions — Registration Rights Agreements.”

UNDERWRITING

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

Underwriter	Number of Shares
Banc of America Securities LLC	
J.P. Morgan Securities Inc.	
UBS Warburg LLC	
SunTrust Capital Markets, Inc.	
Wells Fargo Securities, LLC	
Total	10,000,000

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

- receipt and acceptance of our common stock by the underwriters; and
- the right to reject orders in whole or in part.

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

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

	Paid by the Selling Stockholders	
	No Exercise	Full Exercise
Per share	$	$
Total	$	$

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

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

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

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

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

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

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

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

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

Banc of America Securities LLC is an affiliate of Bank of America, N.A., which is the agent and a lender under our existing credit facility, and BancAmerica Capital Investors SBIC I, L.P., one of the selling stockholders. Following this offering, BancAmerica Capital Investors will own approximately 4.7% of our common stock. BancAmerica Capital Investors is also party to a registration rights agreement with us. See “Related Party Transactions.”

UBS AG, Stamford Branch, an affiliate of UBS Warburg LLC, is a lender under our existing credit facility. In addition, an affiliate of Banc of America Securities LLC and an affiliate of J.P. Morgan Securities Inc. hold limited partnership interests in certain HWP stockholders.

Banc of America Securities LLC is a member of the National Association of Securities Dealers, Inc. (NASD). Because we expect that more than 10% of the net proceeds of this offering will be paid to an affiliate of Banc of America Securities LLC, this offering is being conducted in accordance with the applicable requirements of Conduct Rules 2710(c)(8) and 2720 of the NASD regarding the underwriting of securities of a company with which a member has a conflict of interest within the meaning of that rule. These rules require that the public offering price of an equity security must be no higher than the price recommended by a qualified independent underwriter which has participated in the preparation of the registration statement and performed its usual standard of due diligence in connection with that preparation. J.P. Morgan Securities Inc. has agreed to act as qualified independent underwriter with respect to this offering. The public offering price of our common stock will be no higher than that recommended by J.P. Morgan Securities Inc. J.P. Morgan Securities Inc. will not receive any compensation for acting in this capacity in connection with this offering; however, we have agreed to indemnify J.P. Morgan Securities Inc. in its capacity as qualified independent underwriter against certain liabilities under the Securities Act. Additionally, in accordance with Conduct Rule 2720(l), no member of the NASD participating in the offering will execute a transaction in the common stock in a discretionary account without the prior specific written approval of the member's customer.

LEGAL MATTERS

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

EXPERTS

The consolidated financial statements and schedule of AMN Healthcare Services, Inc. and subsidiaries as of December 31, 1999, 2000 and 2001 and for each of the years in the three-year period ended December 31, 2001, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

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

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

The financial statements of Healthcare Resource Management Corporation as of December 31, 2000 and 2001 and for each of the years in the two-year period ended December 31, 2001, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

CHANGE OF ACCOUNTANTS

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

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act and in accordance therewith file reports and other information with the Securities and Exchange Commission. We have filed a Registration Statement on Form S-1 with the Commission relating to this offering. This prospectus, which is part of the registration statement, does not contain all of the information included in the registration statement, and you should refer to the registration statement and its exhibits to read that information. References in this prospectus to any of our contracts or other documents are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contract or document. You may read and copy the registration statement, the related exhibits and the reports, proxy statements and other information we file with the Commission at the Commission's public reference room in Washington, D.C. and at the Commission's regional offices. You can also request copies of those documents, upon payment of a duplicating fee, by writing to the Commission. Please call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference rooms. The Commission also maintains a website that contains reports, proxy and information statements and other information regarding issuers that file with the Commission. The website's address is www.sec.gov.

AMN HEALTHCARE SERVICES, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders

AMN Healthcare Services, Inc.:

We have audited the accompanying consolidated balance sheets of AMN Healthcare Services, Inc. and subsidiaries (the Company) as of December 31, 2000 and 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AMN Healthcare Services, Inc. and subsidiaries as of December 31, 2000 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

San Diego, California

February 12, 2002, except
as to Note 13, which is
as of April 23, 2002

AMN HEALTHCARE SERVICES, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)

	December 31, 2000	December 31, 2001	March 31, 2002 (unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 546	$ 15,654	$ 25,288
Short-term held-to-maturity investments	—	16,314	12,166
Accounts receivable, net	63,401	105,416	125,517
Income taxes receivable	—	4,803	—
Prepaid expenses	2,973	7,810	8,493
Other current assets	1,839	1,943	2,327
Total current assets	68,759	151,940	173,791
Fixed assets, net	5,006	7,713	7,996
Deferred income taxes, net	10,565	19,406	19,385
Deposits	102	617	306
Goodwill, net	118,423	127,752	127,752
Other intangibles, net	6,555	1,501	1,391
Total assets	$209,410	$308,929	$330,621
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Bank overdraft	$ 556	$ 1,643	$ 3,069
Accounts payable and accrued expenses	2,431	5,625	7,373
Accrued compensation and benefits	11,017	23,965	28,632
Income taxes payable	1,745	—	2,473
Due to former shareholder	342	—	—
Current portion of notes payable	7,500	—	—
Other current liabilities	1,019	4,229	4,229
Total current liabilities	24,610	35,462	45,776
Notes payable, less current portion	115,389	—	—
Other long-term liabilities	2,341	1,562	1,608
Total liabilities	142,340	37,024	47,384
Stockholders' equity:			
Common stock, $.01 par value; 200,000 shares authorized; 28,835, 42,290, and 42,290 shares issued and outstanding at December 31, 2000 and 2001, and March 31, 2002 (unaudited), respectively	288	423	423
Additional paid-in capital	136,735	345,821	345,976
Accumulated deficit	(69,953)	(74,339)	(63,162)
Total stockholders' equity	67,070	271,905	283,237
Commitments and contingencies			
Total liabilities and stockholders' equity	$209,410	$308,929	$330,621

See accompanying notes to consolidated financial statements.

AMN HEALTHCARE SERVICES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Years Ended December 31,			Three Months Ended March 31,	
	1999	2000	2001	2001	2002
				(unaudited)	
Revenue	$146,514	$230,766	$517,794	$103,048	$173,956
Cost of revenue	111,784	170,608	388,284	77,919	131,753
Gross profit	34,730	60,158	129,510	25,129	42,203
Expenses:					
Selling, general and administrative, excluding non-cash stock-based compensation	20,677	30,728	71,483	13,813	22,725
Non-cash stock-based compensation	—	22,379	31,881	4,365	218
Amortization	1,721	2,387	5,562	1,306	82
Depreciation	325	916	2,151	413	691
Transaction costs	12,404	1,500	1,955	—	—
Total expenses	35,127	57,910	113,032	19,897	23,716
Income (loss) from operations	(397)	2,248	16,478	5,232	18,487
Interest (income) expense, net	4,030	10,006	13,933	4,325	(142)
Income (loss) before minority interest, income taxes, and extraordinary item	(4,427)	(7,758)	2,545	907	18,629
Minority interest in earnings of subsidiary	(1,325)	—	—	—	—
Income tax expense (benefit)	(872)	(2,560)	1,476	471	7,452
Income (loss) before extraordinary item	(4,880)	(5,198)	1,069	436	11,177
Extraordinary loss on extinguishment of debt, net of income tax benefit of $427, $0 and $2,810, respectively	(730)	—	(5,455)	—	—
Net income (loss)	$ (5,610)	$ (5,198)	$ (4,386)	$ 436	$ 11,177
Basic net income (loss) per common share:					
Income (loss) before extraordinary item	$ (0.23)	$ (0.23)	$ 0.04	$ 0.02	$ 0.26
Extraordinary loss	(0.03)	—	(0.18)	—	—
Basic net income (loss) per common share	$ (0.26)	$ (0.23)	$ (0.14)	$ 0.02	$ 0.26
Diluted net income (loss) per common share:					
Income (loss) before extraordinary item	$ (0.23)	$ (0.23)	$ 0.04	$ 0.01	$ 0.24
Extraordinary loss	(0.03)	—	(0.18)	—	—
Diluted net income (loss) per common share	$ (0.26)	$ (0.23)	$ (0.14)	$ 0.01	$ 0.24
Weighted average common shares outstanding:					
Basic	21,715	22,497	30,641	28,835	42,290
Diluted	21,715	22,497	30,641	31,431	46,991

See accompanying notes to consolidated financial statements.

AMN HEALTHCARE SERVICES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 1999, 2000 and 2001 and for the three months ended March 31, 2002 (unaudited) (In thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balance, December 31, 1998	21,451	$ 214	$ 17,684	$ 1,579	$ —	$ 19,477
Repurchase of common stock	(21,187)	(212)	(19,143)	(62,915)	—	(82,270)
Issuance of common stock in exchange for minority interest	4,464	45	1,537	2,191	—	3,773
Issuance of common stock	15,647	157	59,362	—	—	59,519
Issuance of warrants	—	—	3,000	—	—	3,000
Net loss	—	—	—	(5,610)	—	(5,610)
Balance, December 31, 1999	20,375	204	62,440	(64,755)	—	(2,111)
Issuance of common stock	8,460	84	51,916	—	—	52,000
Stock-based compensation	—	—	22,379	—	—	22,379
Net loss	—	—	—	(5,198)	—	(5,198)
Balance, December 31, 2000	28,835	288	136,735	(69,953)	—	67,070
Stock-based compensation	—	—	31,881	—	—	31,881
Issuance of common stock for cash, net of issuance costs	11,500	115	177,225	—	—	177,340
Cashless exercise of warrants	1,955	20	(20)	—	—	—
Comprehensive income (loss):						
SFAS No. 133 (derivatives) transition adjustment	—	—	—	—	(589)	(589)
Amortization of SFAS No. 133 transition adjustment	—	—	—	—	123	123
Realized loss for termination of derivative instruments	—	—	—	—	466	466
Net loss	—	—	—	(4,386)	—	(4,386)
Total comprehensive loss						(4,386)
Balance, December 31, 2001	42,290	423	345,821	(74,339)	—	271,905
Costs of issuance of initial public offering (unaudited)	—	—	(63)	—	—	(63)
Non-cash stock-based compensation (unaudited)	—	—	218	—	—	218
Net income (unaudited)	—	—	—	11,177	—	11,177
Balance, March 31, 2002 (unaudited)	42,290	$ 423	$345,976	$(63,162)	$ —	$283,237

See accompanying notes to consolidated financial statements.

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AMN HEALTHCARE SERVICES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Years Ended December 31,			Three Months Ended March 31,	
	1999	2000	2001	2001	2002
				(unaudited)	
Cash flows from operating activities:					
Net income (loss)	$ (5,610)	$ (5,198)	$ (4,386)	$ 436	$ 11,177
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	2,046	3,303	7,713	1,719	773
Minority interest in earnings of subsidiary	1,325	—	—	—	—
Extraordinary loss on extinguishment of debt	1,157	—	6,996	—	—
Provision for bad debts	260	435	2,906	520	865
Noncash interest expense	633	4,188	4,381	648	86
Deferred income taxes	(1,196)	(9,727)	(8,649)	(2,408)	21
Non-cash stock-based compensation	—	22,379	31,881	4,365	218
Loss (gain) on disposal or sale of fixed assets	1	17	(2)	—	—
Changes in assets and liabilities, net of effects from acquisitions:					
Accounts receivable	(7,847)	(23,572)	(39,482)	(5,386)	(20,966)
Income taxes receivable and other current assets	(2,976)	1,921	(4,668)	(1,101)	3,736
Deposits	(36)	(63)	(515)	(10)	311
Accounts payable and accrued expenses	(232)	68	2,652	1,442	1,748
Accrued compensation and benefits	1,195	3,772	11,700	1,812	4,667
Income taxes payable	—	1,745	(7,548)	1,242	2,473
Due to former shareholder	1,676	(1,334)	(342)	(342)	—
Other liabilities	42	480	(958)	15	9
Net cash provided by (used in) operating activities	(9,562)	(1,586)	1,679	2,952	5,118
Cash flows from investing activities:					
Purchase of short-term held-to-maturity investments	—	—	(16,314)	—	4,148
Purchase of fixed assets	(1,656)	(2,350)	(4,497)	(1,019)	(948)
Acquisitions, including acquisition costs	—	(91,793)	(12,971)		
Net cash provided by (used in) investing activities	(1,656)	(94,143)	(33,782)	(1,019)	3,200
Cash flows from financing activities:					
Capital lease repayments	—	(18)	(94)	(13)	(30)
Proceeds from issuance of notes payable	76,675	48,180	18,000	—	—
Payment of financing costs	(5,338)	(1,405)	(1,261)	—	(17)
Payments on notes payable	(37,596)	(2,500)	(147,861)	(2,029)	—
Repurchase of common stock	(82,270)	—	—	—	—
Proceeds from issuance of common stock, net of issuance costs	59,519	52,000	177,340	—	(63)
Change in bank overdraft, net of effects of acquisitions	(157)	(485)	1,087	1,094	1,426
Net cash provided by (used in) financing activities	10,833	95,772	47,211	(948)	1,316
Net increase (decrease) in cash and cash equivalents	(385)	43	15,108	985	9,634
Cash and cash equivalents at beginning of period	888	503	546	546	15,654
Cash and cash equivalents at end of period	$ 503	$ 546	$ 15,654	$ 1,531	$ 25,288
Supplemental disclosures of cash flow information:					
Cash paid for interest (net of $36, $58, $69 capitalized in 1999, 2000 and 2001, respectively and $21 and $0 capitalized in the first three months of 2001 and 2002, respectively)	$ 3,269	$ 5,853	$ 10,149	2,462	62
Cash paid for income taxes	$ 2,723	$ 4,640	$ 14,054	$ 1,638	$ 326
Supplemental disclosures of noncash investing and financing activities:					
Common stock issued in exchange for minority interest	$ 3,773	$ —	$ —	$ —	$ —

Accrued interest on notes payable converted to notes payable	$ 273	$ 2,544	$ 2,116	$ 685	$ —
Fixed assets obtained through capital leases	$ —	$ 109	$ 142	$ 0	$ 26
Fair value of assets acquired in acquisitions, net of cash received	$ —	$ 16,644	$ 6,120	$ —	$ —
Goodwill	—	81,315	14,579	—	—
Noncompete covenants	—	1,036	200	—	—
Liabilities assumed	—	(4,693)	(4,787)	—	—
Earnout provision accrual	—	—	(3,141)	—	—
Present value of deferred purchase payments	—	(2,509)	—	—	—
Net cash paid for acquisitions	$ —	$ 91,793	$ 12,971	$ —	$ —

See accompanying notes to consolidated financial statements.

AMN HEALTHCARE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999, 2000, and 2001

(1) Summary of Significant Accounting Policies

(a) General

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

(b) Principles of Consolidation

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

(c) Interim Financial Information (unaudited)

The interim financial statements of the Company as of March 31, 2002 and for the three months ended March 31, 2001 and March 31, 2002 included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The unaudited interim financial statements include all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the results for the interim periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations relating to interim financial statements. In the opinion of management, the accompanying unaudited statements reflect all adjustments necessary to present fairly the results of its operations and its cash flows for the three months ended March 31, 2001 and March 31, 2002.

(d) Minority Interest

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

(e) Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include currency on hand, deposits with financial institutions and highly liquid investments. At December 31, 2000 and 2001, the Company had $434,000 and $6,785,000,

respectively, in deposits with major financial institutions that exceeded the federally insured limit of $100,000.

(f) Short-Term Held-to-Maturity Investments

The Company invests in highly liquid instruments with strong credit ratings. Investments with a maturity greater than three months, but less than one year, at the time of purchase are considered to be short-term investments. All short-term investments are classified as held-to-maturity because the Company has the ability and intent to hold the securities until maturity. Held-to-maturity securities are stated at amortized cost. Premiums and discounts are amortized or accreted over the life of the related held to maturity investment as adjustments to yield using the effective interest rate method.

(g) Fixed Assets

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

(h) Goodwill

The excess of purchase price over the fair value of the net assets of entities acquired is recorded as goodwill. Prior to the adoption of Statement of Financial Accounting Standard (SFAS) No. 142, Goodwill and Other Intangible Assets, the Company amortized goodwill on a straight-line basis over the estimated period of future benefit of 25 years. The Company assessed the recoverability of this intangible asset by determining whether the amortization of the goodwill balance over its remaining life could be recovered through future operating cash flows of the acquired operation. The amount of goodwill impairment, if any, was measured based on the projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. On January 1, 2002, the Company adopted SFAS No. 142 and ceased amortization of goodwill (see Note 1(u)).

(i) Other Intangibles

Other intangibles consist of debt issuance costs related to notes payable and the Company's credit facility, and to non-compete covenants. Debt issuance costs are deferred and amortized to interest expense using the effective interest method over the respective term of the notes and credit facility. Non-compete covenants were recorded as a result of acquisitions and are amortized over the life of the related agreements.

(j) Concentration of Credit Risk

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

(k) Revenue Recognition

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

AMN HEALTHCARE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(l) Advertising Expenses

Advertising costs are expensed as incurred.

(m) Income Taxes

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

(n) Impairment of Long-Lived Assets

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

(o) Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, short-term held-to-maturity investments, accounts receivable, income taxes receivable, other current assets, deposits, bank overdraft, accounts payable and accrued expenses, accrued compensation and benefits and other current liabilities approximates their respective fair values due to the short-term nature and liquidity of these financial instruments.

(p) Common Stock Split

On November 19, 1999, the Company effected a 200-for-1 stock split of its common stock. On October 18, 2001, the Company effected a 43.10849-for-1 stock split of its common stock. All references in the consolidated financial statements to number of shares outstanding, price per share and per share amounts related to Services have been retroactively restated to reflect the stock splits for all periods presented.

(q) 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 to account for its stock option plans. Under this method, compensation expense for fixed plans is measured on the date of grant only if the then current market price of the underlying stock exceeded the exercise price and is recorded on a straight-line basis over the applicable vesting period. Compensation expense for variable plans is recorded at the end of each reporting period until the related performance criteria is met in accordance with FIN No. 28, and is measured based on the excess of the then current market price of the underlying stock over the exercise price. SFAS No. 123, Accounting for Stock-Based Compensation, established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the

intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123.

(r) Net Income (Loss) per Common Share

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

	Years ended December 31,			Three months ended March 31,	
	1999	2000	2001	2001	2002
				(unaudited)	(unaudited)
Net income (loss)	$ (5,610)	$ (5,198)	(4,386)	$ 436	$ 11,177
Weighted average shares, basic	21,715	22,497	30,641	28,835	42,290
Dilutive effect of stock options	—	—	—	716	4,701
Dilutive effect of warrants	—	—	—	1,880	—
Weighted average shares, dilutive	21,715	22,497	30,641	31,431	46,991
Basic net income (loss) per share	$ (0.26)	$ (0.23)	$ (0.14)	$ .02	$ .26
Diluted net income (loss) per share	$ (0.26)	$ (0.23)	$ (0.14)	$ .01	$ 0.24

Options to purchase 5,182,000 and 5,815,000 shares of common stock at December 31, 2000 and 2001, respectively, and warrants to purchase 2,518,000 shares of common stock at December 31, 1999 and 2000 and during the year ended December 31, 2001 were not included in the calculation of diluted net loss per common share because the effect of these instruments was anti-dilutive. There were no outstanding warrants at December 31, 2001.

(s) Other Comprehensive Income

SFAS No. 130, Reporting Comprehensive Income, establishes rules for the reporting of comprehensive income and its components. The Company's net income (loss) is the same as total comprehensive income (loss) for the years ended December 31, 1999, 2000 and 2001, and for the three months ended March 31, 2002. Comprehensive loss for the three months ended March 31, 2001 included a $552,000 (unaudited) unrealized loss on derivative instruments.

(t) Derivative Instruments

The Company adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), on January 1, 2001. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at fair value. Gains or losses resulting from changes in the values of those derivatives are accounted for depending upon the use of the derivative and whether it qualifies for hedge accounting. The Company uses derivative instruments to manage the fluctuations in cash flows resulting from interest rate risk on variable-rate debt financing. These instruments include interest swap and cap agreements. The Company does not hold or issue derivative financial instruments for trading purposes. Prior to the adoption of SFAS 133, net gains or losses were recorded monthly on the date earned and were included in interest expense in the consolidated statements of operations. As the Company did not meet the extensive documentation and administration requirements of SFAS 133, the Company determined it did not qualify for hedge accounting treatment on its existing derivatives.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Although the Company's interest rate swap and cap agreements were designated as cash flow hedges, the Company did not apply hedge accounting treatment. As SFAS 133 requires that all unrealized gains and losses on derivatives not qualifying for hedge accounting be recognized currently through earnings, the Company accounted for all of its interest rate swap and cap agreements in this manner. Upon adoption of SFAS 133 on January 1, 2001, the Company recorded a transition adjustment in the amount of $589,000 to accumulated other comprehensive loss per SFAS 133 transition guidelines, and began amortizing the transition adjustment to interest expense over the term of the related agreements of four years. Of the $589,000 transition adjustment, $123,000 and $37,000 (unaudited) were amortized to interest expense during the year ended December 31, 2001, and during the three months ended March 31, 2001, respectively.

In November 2001, the Company paid $896,000 to terminate all derivative instrument agreements. The unamortized value of the transition adjustment at the time the derivative instrument agreements were terminated of $466,000 was reclassified from other comprehensive loss to interest expense. The Company recorded a net gain of $140,000 and a net loss of $740,000 (unaudited), through interest expense, on the change in fair value of its interest rate swap and cap contracts during the year ended December 31, 2001 and during the three months ended March 31, 2001, respectively.

(u) New Accounting Pronouncements

In July 2001, the FASB issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires the use of the purchase method for all business combinations initiated after June 30, 2001 and provides guidance on purchase accounting related to the recognition of intangible assets and accounting for negative goodwill. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Under SFAS No. 142, goodwill will be tested annually and whenever events or circumstances occur indicating that goodwill might be impaired.

The Company adopted the provisions of SFAS No. 142 as of January 1, 2002. Upon adoption of SFAS No. 142, the Company ceased amortization of goodwill and performed the two-step transitional impairment test. SFAS No. 142 requires the impairment test be applied to the relevant "reporting unit" which may differ from the specific entities acquired from which the goodwill arose. Due to the integrated nature of the Company's operations and lack of differing economic characteristics between the Company's subsidiaries, the entire Company was determined to be one single reporting unit. Under the provisions of SFAS No. 142, the Company performed the transitional goodwill impairment assessment which resulted in no impairment to the carrying value of goodwill as of January 1, 2002. As of the date of adoption of SFAS No. 142, January 1, 2002, the Company had unamortized goodwill in the amount of $127,752,000 and unamortized identifiable intangible assets acquired in business combinations in the amount of $871,000, and ceased amortizing

AMN HEALTHCARE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

goodwill. The following reconciliation adjusts net income for amortization expense related to goodwill that is no longer amortized under SFAS No. 142, net of tax (in thousands except per share data):

	March 31,	
	2001	2002
	(unaudited)	
Net income	$ 436	$11,177
Goodwill amortization, net of tax	593	—
Adjusted net income	$1,029	$11,177
Basic net income per common share:		
Net income per common share	$ 0.02	$ 0.26
Goodwill amortization per common share	0.02	—
Adjusted net income per common share	$ 0.04	$ 0.26
Diluted net income per common share:		
Diluted net income per common share	$ 0.01	$ 0.24
Diluted goodwill amortization per common share	0.02	—
Adjusted diluted net income per common share	$ 0.03	$ 0.24

In August 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and for the associated asset retirement costs. The standard applies to tangible long-lived assets that have a legal obligation associated with their retirement that results from the acquisition, construction or development or normal use of the asset. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the remaining life of the asset. The liability is accreted at the end of each period through charges to operating expense. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. We do not anticipate that the financial impact of this statement will have a material effect on our consolidated financial statements.

In October 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While SFAS No. 144 supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, it retains many of the fundamental provisions of SFAS No. 121, including the recognition and measurement of the impairment of long-lived assets to be held and used, and the measurement of long-lived assets to be disposed of by sale. SFAS No. 144 also supersedes the accounting and reporting provisions of Accounting Principles Board Opinion (APB) No. 30, Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business. However, it retains the requirement in APB No. 30 to report separately discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. We do not anticipate that the financial impact of this statement will have a material effect on our consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(v) Segment Information

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

(w) Use of Estimates

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

(x) Reclassifications

Certain amounts in the prior periods' consolidated financial statements have been reclassified to conform to the current period presentation.

(2) Common Stock Offering

In November 2001, the Company issued 11,500,000 shares of its common stock (common stock offering) in an initial public offering and raised proceeds of $177,340,000, net of issuance costs. In connection with the common stock offering, the underwriters exercised their over-allotment option representing 1,500,000 shares of the issued common stock. The Company used the net proceeds from the common stock offering for general corporate purposes and included the repayment of indebtedness of $145,182,000 in November 2001 (see Note 7).

(3) Leveraged Recapitalization

On November 19, 1999, Services consummated a leveraged recapitalization (the 1999 Recapitalization) pursuant to which the Company's outstanding debt and capital stock were restructured. As part of the 1999 Recapitalization, the Company obtained $70.0 million in new and senior debt financing and $20.0 million in new debt financing through the issuance of senior subordinated notes. The Company also sold 15,647,000 shares to AMN Acquisition Corp. (Acquisition), a newly-formed entity created by the new majority stockholder to effect the 1999 Recapitalization, for cash consideration of $59.5 million. Acquisition acquired an additional 3,413,000 shares directly from existing shareholders for cash consideration of $13.0 million. After the reorganization, Acquisition held 19,060,000 shares of Services, representing a 93.5% ownership interest. Existing stockholders retained shares representing the remaining 6.5% ownership interest in Services. Proceeds from the equity and debt financing were used to retire existing debt, repurchase stock of existing stockholders and pay fees and expenses incurred in connection with the recapitalization. These transactions were recognized as capital and debt transactions with no change to recorded amounts for existing assets and liabilities. On March 29, 2001, AMN Acquisition Corp. was merged into AMN Healthcare Services, Inc.

In conjunction with the 1999 Recapitalization, the Company incurred the following charges which are included in the 1999 results of operations: (i) an extraordinary loss of $730,000 (net of tax benefit of

$427,000) from the retirement of debt outstanding prior to the 1999 Recapitalization; and (ii) transaction costs of $12,404,000 comprised of bonus payments and option buyouts of $6,503,000, a warrant buyout of $1,077,000 and professional service fees of $4,824,000 (including the payment of $2,587,000 to the majority stockholder of Services). In addition, the Company incurred $5,050,000 in financing costs, which were recorded as deferred financing costs and amortized over the term of the related debt.

(4) Acquisitions

(a) AMN

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

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

(b) MedEx

On November 18, 1998, Services acquired 100% of the issued and outstanding stock of MedEx in exchange for 2,638,000 shares of Services common stock valued at $3,448,000 and cash of $16,362,000, for a total purchase price of $19,809,000. The transaction was accounted for using the purchase method of accounting, and the assets and liabilities of MedEx were recorded at fair value as of the acquisition date. In connection with this transaction, the Company recorded goodwill of $15,332,000.

(c) NRx

On June 28, 2000, AMN acquired 100% of the issued and outstanding stock of NRx. The acquisition was recorded using the purchase method of accounting. Thus, the results of operations from the acquired assets are included in the Company’s consolidated financial statements from the acquisition date. The purchase price to the former shareholders of NRx included a payment of $16,181,000 in cash and $3,000,000 to be paid in three equal installments of $1,000,000 each on June 29, 2001, June 28, 2002, and June 30, 2003, provided that the terms of the agreement are met. Since the deferred payment in the amount of $3,000,000 is not interest bearing, AMN recorded the present value of the future payments on the date of the acquisition utilizing an interest rate of 9.5%. In June 2001, the Company paid the first installment of $1,000,000. As of December 31, 2001, the present value of the amount due on June 29, 2002 is $955,000 and is included in other current liabilities. As of December 31, 2001, the present value of the amounts due on June 30, 2003 is $876,000 and is included in other long-term liabilities.

AMN acquired NRx’s assets of $4,239,000, assumed its liabilities of $1,610,000, and recorded goodwill in the amount of $15,484,000. AMN allocated $836,000 of the purchase price to the noncompete covenant, which is being amortized over the four-year life of the covenant. As of December 31, 2000 and 2001, the unamortized cost of the covenant was $730,000 and $521,000, respectively.

(d) PHS

On November 28, 2000, AMN acquired 100% of the issued and outstanding stock of PHS. The acquisition was recorded using the purchase method of accounting. Thus, the results of operations from the

acquired assets are included in the Company's consolidated financial statements from the acquisition date. The purchase price to the former stockholders of PHS included a payment of $75,041,000 in cash (net of cash received), of which $4,000,000 was delivered to an escrow agent on the acquisition date in accordance with the purchase agreement. The funds held in escrow were released to the former shareholder in the amount of $2,000,000 on May 31, 2001 and $2,000,000 on December 31, 2001.

AMN acquired PHS's assets of $12,405,000 (net of cash received), assumed its liabilities of $3,083,000, and recorded goodwill in the amount of $65,831,000. AMN allocated $200,000 to the noncompete covenant, which is being amortized over the four-year life of the covenant. As of December 31, 2000 and 2001, the unamortized cost of this covenant was $195,000 and $145,000, respectively.

(e) OGP

On May 1, 2001, AMN acquired 100% of the issued and outstanding stock of OGP, a healthcare staffing company specializing in the recruitment of nurses domestically and from English-speaking foreign countries. The acquisition was recorded using the purchase method of accounting. Thus, the results of operations from the acquired assets are included in the Company's consolidated financial statements from the acquisition date. The purchase price paid to the former stockholders of OGP included a payment of $12,971,000 in cash (net of cash received), and $800,000 which was delivered to an escrow agent on the acquisition date in accordance with the purchase agreement. The funds held in escrow are to be released to the former shareholders on November 1, 2002, provided that terms of the agreement are met. The OGP acquisition was financed by an $18,000,000 term loan bearing interest at a rate of either the higher of (i) the federal funds rate plus 0.5%, (ii) the prime rate plus 2% or (iii) LIBOR plus 3.75%, depending on the composition of the loan. This loan was paid in full in November 2001 with the proceeds from the common stock offering (see Note 7).

Included in the asset purchase agreement is an earn-out provision whereby AMN agreed to pay the OGP selling stockholders additional consideration contingent on certain annual revenue results of OGP. The Company accrued $3,141,000 for this earn-out provision and has recorded this amount as additional goodwill and other current liabilities as of December 31, 2001. Earn-out payments, if earned, are capped at $5,340,000 and are to be paid in April 2002. There is also additional contingent consideration of up to $2,369,000 dependent upon collection of an outstanding receivable from a customer if received prior to May 2002.

AMN acquired OGP's assets of $6,120,000 (net of cash received), assumed its liabilities of $4,787,000, and recorded goodwill in the amount of $14,579,000, including the $3,141,000 earn-out provision accrual. AMN allocated $200,000 of the purchase price to the noncompete agreement, which is being amortized over the four-year life of the agreement. As of December 31, 2001, the unamortized cost of this covenant was $171,000.

(f) Pro Forma Consolidated Results of Operations

The following summary presents pro forma consolidated results of operations for the years ended December 31, 1999, 2000, and 2001 as if the NRx, PHS and OGP acquisitions described above had occurred on January 1, 1999. The following unaudited pro forma financial information gives effect to certain adjustments, including the amortization of intangible assets and interest expense on acquisition debt and depreciation on fixed assets. The pro forma financial information is not necessarily indicative of the operating

AMN HEALTHCARE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

results that would have occurred had the acquisitions been consummated as of the dates indicated, nor are they necessarily indicative of future operating results (in thousands, except per share amounts).

	Pro Forma		
	Years Ended December 31,		
	1999	2000	2001
Revenue	$229,864	$326,355	$528,376
Income from operations	$ 235	$ 8,492	$ 17,547
Income (loss) before extraordinary loss	$ (7,822)	$ (4,221)	$ 1,315
Net loss	$ (8,553)	$ (4,221)	$ (4,141)
Loss per share — basic and diluted	$ (0.39)	$ (0.19)	$ (0.14)
Weighted average shares — basic and diluted	21,715	22,497	30,641

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(5) Balance Sheet Details

The consolidated balance sheets detail is as follows as of December 31, 2000 and 2001 (in thousands):

	December 31,	
	2000	2001
Accounts receivable, net:		
Accounts receivable	$ 64,331	$108,658
Allowance for doubtful accounts	(930)	(3,242)
Accounts receivable, net	$ 63,401	$105,416
Fixed assets, net:		
Furniture and equipment	$ 3,538	$ 6,025
Software	2,798	4,974
Leasehold improvements	432	621
	6,768	11,620
Accumulated depreciation and amortization	(1,762)	(3,907)
Fixed assets, net	$ 5,006	$ 7,713
Goodwill, net:		
Goodwill	$123,622	$138,204
Accumulated amortization	(5,199)	(10,452)
Goodwill, net	$118,423	$127,752
Other intangibles, net:		
Debt issuance costs	$ 6,742	$ 633
Non-compete covenants	1,136	1,336
	7,878	1,969
Accumulated amortization	(1,323)	(468)
Other intangibles, net	$ 6,555	$ 1,501
Accrued compensation and benefits:		
Accrued payroll	$ 6,915	$ 11,517
Accrued bonuses	1,285	4,857
Accrued health insurance	767	3,352
Accrued workers compensation	475	2,132
Other	1,575	2,107
Accrued compensation and benefits	$ 11,017	$ 23,965

Included in fixed assets is equipment acquired through capital leases in the amount of $109,000 and $251,000 as of December 31, 2000 and 2001, respectively. Accumulated amortization on these capital leases is $48,000 and $85,000 as of December 31, 2000 and 2001, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(6) Income Taxes

The provision (benefit) for income taxes for the years ended December 31, 1999, 2000, and 2001 consists of the following (in thousands):

	December 31,		
	1999	2000	2001
Current income taxes:			
Federal	$ (103)	$ 5,954	$ 6,032
State	—	1,213	1,475
Total	(103)	7,167	7,507
Deferred income taxes:			
Federal	(925)	(8,550)	(7,566)
State	(271)	(1,177)	(1,275)
Total	(1,196)	(9,727)	(8,841)
Provision (benefit) for income taxes, including tax benefit of $427, $0 and $2,810 on extraordinary loss in 1999, 2000 and 2001, respectively	$(1,299)	$(2,560)	$(1,334)

The Company's income tax expense (benefit) differs from the amount that would have resulted from applying the federal statutory rate of 35% to pretax income (loss) because of the effect of the following items during the years ended December 31, 1999, 2000, and 2001 (in thousands):

	December 31,		
	1999	2000	2001
Tax benefit at federal statutory rate	$(2,418)	$(2,715)	$(2,002)
State taxes, net of federal benefit	(210)	24	130
Nondeductible transaction costs	730	—	—
Minority interest	464	—	—
Interest	—	171	168
Nondeductible amortization	—	—	127
Other, net	135	(40)	243
Income tax benefit	$(1,299)	$(2,560)	$(1,334)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities are presented below as of December 31, 2000, and 2001 (in thousands):

	December 31,	
	2000	2001
Deferred tax assets:		
Stock compensation	$ 8,453	$20,402
Debt issuance costs	1,454	—
Interest and warrants	1,026	—
Accrued expenses	461	815
State taxes	425	421
Allowance for doubtful accounts	314	1,221
Other	506	433
Total deferred tax assets	12,639	23,292
Deferred tax liabilities:		
Intangibles	(1,232)	(2,601)
Fixed assets, net	(633)	(447)
Other	(209)	(838)
Total deferred tax liabilities	(2,074)	(3,886)
Net deferred tax assets	$10,565	$19,406

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

(7) Notes Payable and Related Derivative Instruments and Credit Agreement

(a) Notes Payable and Related Derivative Instruments

All outstanding debt at December 31, 2000 was repaid in full in fiscal 2001. Of the $147,861,000 of payments made on notes payable during fiscal 2001, $145,182,000 was paid with proceeds from the November 2001 common stock offering. In connection with the pay-off of these notes, the Company wrote off the following: $2,054,000 of unamortized discount on senior subordinated notes, $4,894,000 of loans fees and $320,000 of deferred financing costs. The Company also incurred a pre-payment penalty of $997,000 in connection with the extinguishment of debt. These items have been reflected net of tax in the accompanying consolidated statement of operations as an extraordinary loss on extinguishment of debt. The Company had no outstanding debt at December 31, 2001.

AMN HEALTHCARE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Notes payable consisted of the following:

	December 31,	
	2000	2001
	(in thousands)	
12% Senior subordinated notes issued with attached warrants (see Note 9(b)) due November 19, 2005. Interest payable in cash or through issuance of additional notes	$ 20,000	$ —
12% Senior subordinated notes issued for conversion of accrued interest to notes payable due November 19, 2005.	2,818	—
$20,000,000 Revolver due November 19, 2004 with variable interest rates based on LIBOR, federal funds or the prime lending rate ranging from 8.5% to 11.25%. An unused fee of .5% per annum is due quarterly on the unused Revolver commitment	15,045	—
$50,000,000 Term Loan due in 18 consecutive quarterly installments beginning with a principal payment of $1,250,000 on September 30, 2000. The quarterly principal payment escalates to $2,500,000 on March 31, 2002 and to $3,750,000 and $4,375,000 on March 31 in the succeeding years, maturing on November 19, 2004. Interest is paid quarterly and varies based on LIBOR plus 2.5% to 3.25%	47,500	—
$32,500,000 Tranche A Acquisition Loan due March 31, 2005, with interest at LIBOR plus 3%. Principal is due in 17 consecutive quarterly installments beginning with a payment of $625,000 on March 31, 2001. The quarterly payment escalates to $1,250,000 on March 31, 2002 until December 31, 2004, with a full payment of $15,000,000 at the maturity date Interest is paid quarterly	32,500	—
$7,500,000 Tranche B Acquisition Loan due March 31, 2005, with interest at LIBOR plus 2.5%. Principal is due at maturity and interest is paid quarterly	7,500	—
Total notes payable	125,363	—
Unamortized discount on senior subordinated notes (See Note 9(b))	(2,474)	—
	122,889	—
Less current portion of notes payable	(7,500)	—
Long-term portion of notes payable	$115,389	$ —

The Company's outstanding debt instruments at December 31, 2000 were secured by all assets of the Company and the common stock of its subsidiaries.

During 2000, the Company entered into interest rate swap agreements as a means to hedge its interest rate exposure on debt instruments. In addition, the Company's credit agreement required that the Company maintain protection against fluctuations in interest rates providing coverage in an aggregate notional amount equal to $25,000,000. At December 31, 2000, the Company had three interest rate swaps outstanding with major financial institutions that effectively converted variable-rate debt to fixed rate. Two swaps had notional amounts of $25,000,000 each, whereby the Company paid fixed rates of 6.585% and 6.57%, respectively, and received a floating three-month LIBOR. The third swap had a notional amount of $40,000,000, which decreased by $325,000 at the end of each three-month period beginning December 29, 2000. Under this agreement, the Company paid a fixed rate of 6.5% and received a floating three-month LIBOR. All agreements were to expire in December 2001 and no initial investments were made to enter into these agreements. These agreements were terminated in November 2001.

Effective December 6, 1999, the Company entered into a three-year interest rate cap agreement. The agreement applied to $25,000,000, which was 50% of the term loan outstanding on that date. The agreement provided a 7% interest rate cap on the three-month LIBOR rate. The cost of the agreement of $289,000 was

included in deferred financing costs, and was amortized over the three-year term of the agreement. This agreement was terminated in November 2001.

In conjunction with the 1999 Recapitalization, $37,412,000 of notes payable were repaid in 1999 with proceeds from the new borrowings. In connection with the early pay-off of these notes, debt issuance costs of $1,157,000 were written off and are reflected net of tax in the accompanying consolidated statements of operations for the year ended December 31, 1999 as an extraordinary loss on extinguishment of debt.

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

(b) Credit Agreement

In November 2001, the Company entered into the Amended and Restated Credit Agreement (Credit Agreement) with various lenders. This credit agreement provides for borrowings up to $50 million under a revolving credit agreement, which includes up to $10 million of borrowings under letter of credit obligations and up to $10 million of borrowings under swingline loans. Borrowings are secured by the Company's pledged assets of facilities and properties owned or leased and the Company's capital stock. The revolving credit agreement provides for various interest rates depending on the type of borrowing (5.25%-5.5% at December 31, 2001) and is due quarterly. The revolving credit agreement carries an unused fee of .5% per annum. The letter of credit obligations provides for various interest rates depending on when the type of borrowing is paid off (6.25%-6.5% at December 31, 2001) and is due annually. The swingline loans provides for interest at a base rate (4.75%-5% at December 31, 2001) and is due quarterly. The Company's amended and restated credit agreement contains a minimum fixed charge coverage ratio, a maximum leverage ratio and other customary covenants. At December 31, 2001, the Company had no borrowings under the credit agreement. The credit agreement expires on November 16, 2004.

(8) Retirement Plans

The Company maintains the AMN Healthcare Retirement Savings Plan (the AMN Plan), a profit sharing plan that complies with the Internal Revenue Code Section (IRC) 401(k) provisions. The AMN Plan covers substantially all employees that meet certain age and other eligibility requirements. An annual discretionary matching contribution is determined by the Board of Directors each year and may be up to a maximum 6% of eligible compensation paid to all participants during the plan year. The amount of the employer contributions was $213,000, $422,000 and $1,139,000 for the years ended December 31, 1999, 2000 and 2001, respectively. Employees of PHS became eligible under the AMN Plan at the date of acquisition.

NRx maintained a separate profit sharing plan and OGP maintained a separate salary deferral plan. Both plans complied with the Internal Revenue Code Section 401(k) provisions and covered substantially all employees that met certain age and service requirements. No matches were provided under this plan. Effective January 1, 2001, NRx employees were eligible to participate in the AMN Plan and the NRx plan was terminated. Effective January 1, 2002, OGP employees were eligible to participate in the AMN Plan and the OGP plan was terminated.

In January 2002, the Company established The Executive Nonqualified Excess Plan of AMN Healthcare, Inc. (the Executive Plan), a deferred compensation plan that replaces the AMN Plan for certain executives and which complies with the IRC 401(k) provisions. The Executive Plan covers employees that meet certain

eligibility requirements. An annual discretionary matching contribution will be determined by the Board of Directors each year.

(9) Stockholders' Equity

(a) Stock Option Plans

In July 2001, the 2001 stock option plan (2001 Plan) was established to provide a means to attract and retain employees. The maximum number of options to be granted under the plan is 2,178,000. Unless the plan is otherwise modified, a maximum of 544,500 options may be granted in any calendar year. Exercise prices will be determined at the time of grant and will be no less than fair market value. The options shall vest and become exercisable in increments of 25% on each of the first four anniversaries of the date of grant. The plan expires on the tenth anniversary of the effective date. At December 31, 2001, 1,545,000 shares of common stock were reserved for future grants related to the 2001 Plan.

In November 1999, Services established two performance stock option plans (the 1999 Plans) to provide for the grant of options to upper management of AMN. Options for a maximum of 4,040,000 shares of common stock were authorized at an exercise price of $3.80 per option for grants within 120 days of the 1999 Recapitalization and not less than the fair market value in the case of subsequent grants. Options under the plan vest 25% per year beginning in 2000 if certain earnings performance criteria are met and the grantee remains an employee. If the Company does not meet the performance criteria for the particular year, that portion of the option, which was eligible to become vested, will terminate. Options that vest expire in nine to ten years from the grant date. During 2000, options for an additional 1,493,000 shares were reserved under the 1999 Plans. At December 31, 2000 and 2001, 351,000 shares of common stock were reserved for future grants related to the 1999 Plans. Pursuant to the amended provisions of the 1999 Plans, all options previously granted under the 1999 Plans became fully vested upon the November 2001 common stock offering and are exercisable over a four-year term.

In December 1997, AMN established a stock incentive plan to provide an equity-based incentive plan to certain officers and key employees. Options for a maximum of 10,400,000 shares of common stock were authorized. In conjunction with the 1999 Recapitalization, all options previously granted related to this plan were repurchased by the Company for $3,953,000, which is included in transaction costs for the year ended December 31, 1999 in the accompanying consolidated statements of operations.

In accordance with the provisions of SFAS No. 123, the Company applies APB Opinion No. 25 and related interpretations in accounting for its 1999 Plans and 2001 Plan. Accordingly, because the 1999 Plans were performance based and certain grants under the 2001 Plan were granted at less than fair market value, the Company recorded compensation expense of $22,379,000 and $31,881,000 in 2000 and 2001, respectively.

AMN HEALTHCARE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A summary of stock option activity under the 1999 Plans and the 2001 Plan are as follows:

	1999 Plans		2001 Plan	
	Options Outstanding	Weighted-Average Exercise Price	Options Outstanding	Weighted-Average Exercise Price
Outstanding at December 31, 1998	—	$ —	—	$ —
Granted	3,636,000	3.80	—	—
Exercised	—	—	—	—
Canceled	—	—	—	—
Outstanding at December 31, 1999	3,636,000	3.80	—	—
Granted	1,546,000	6.30	—	—
Exercised	—	—	—	—
Canceled	—	—	—	—
Outstanding at December 31, 2000	5,182,000	4.55	—	—
Granted	—	—	633,000	9.46
Exercised	—	—	—	—
Canceled	—	—	—	—
Outstanding at December 31, 2001	5,182,000	$4.55	633,000	$9.46
Exercisable at December 31, 2001	—	$ —	—	$ —

The following table summarizes options outstanding and exercisable as of December 31, 2001:

		Options Outstanding			Options Exercisable		
	Exercise Price	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price
1999 Plans	$ 3.80	3,838,000	8	$ 3.80	—	—	—
	6.68	1,344,000	8	6.68	—	—	—
		5,182,000			—		
2001 Plan	$ 9.09	547,000	9	$ 9.09	—	—	—
	11.92	86,000	10	11.92	—	—	—
		633,000			—		

Under SFAS No. 123, the weighted average per share fair value of the options granted during 1999, 2000 and 2001 was $0.97, $1.83 and $9.90, respectively, on the date of grant. Fair value under SFAS No. 123 is determined using the Black-Scholes option-pricing model with the following assumptions:

	1999	2000	2001
Expected life	5	5	5
Risk-free interest rate	5.95%	5.30%	4.39%
Volatility	60%	60%	60%
Dividend yield	0%	0%	0%

AMN HEALTHCARE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	1999	2000	2001
Pro forma net loss	$(5,610)	$(4,992)	$(6,645)
Pro forma loss per common share:			
Basic and diluted	$ (0.26)	$ (0.22)	$ (0.22)

(b) Common Stock Warrants

On November 19, 1999, in connection with the issuance of its $20,000,000 senior subordinated notes, Services issued warrants to purchase 2,518,000 shares of its common stock at $3.80 per share. These warrants were exercisable upon issuance and were to expire at the earlier of a qualified public stock offering, as defined, or November 19, 2009. The fair value of the warrants of $3,000,000 was based upon a third-party valuation and was recorded as a discount to the related senior subordinated notes payable. This discount was amortized to interest expense over the term of the notes using the effective interest method. Discount amortization was $58,000, $468,000 and $420,000 in 1999, 2000 and 2001, respectively. In conjunction with the November 2001 common stock offering, these warrants were converted into 1,955,000 shares of common stock. The warrants were converted using the market value of the stock at the first date of the common stock offering of $17 per share and 563,000 warrants were forfeited in this cashless exercise.

On December 5, 1997, AMN granted warrants to purchase 19,000 shares of AMN's common stock, at $12.45 per share, to a bank in connection with certain loans. The warrants were immediately exercisable and were to expire ten years from the date of issuance. In conjunction with the 1999 Recapitalization, these warrants were repurchased by the Company for $1,077,000, which is included in transaction costs for the year ended December 31, 1999 in the accompanying consolidated statements of operations.

(c) Stockholders' Agreement

The stockholders of Services entered into various stockholders' agreements and a registration rights agreement conferring certain rights and restrictions, including among others: restrictions on transfers of shares, "tag along" and "drag along" rights, rights to acquire shares, and piggyback registration rights, as defined in the agreement. These agreements each terminated upon the November 2001 common stock offering pursuant to the terms of such agreements and were replaced with a single registration rights agreement with similar terms among the same parties.

(10) Related Party Transactions

(a) Majority stockholder

During 2000 and 2001, the Company paid an affiliate of the majority stockholders a fee for management advisory services provided to the Company in the amounts of $150,000 and $113,000, respectively, which is included in selling, general and administrative expenses. At the completion of the Company's common stock offering in November 2001, the Company paid a fee to this affiliate of $1,955,000 and the agreement governing these fees was then terminated. This advisory fee is included as transaction costs for the year ended December 31, 2001 in the accompanying consolidated statement of operations.

In June 2000, the Company issued shares to a controlling stockholder as consideration for an aggregate capital contribution of $10,061,000 in connection with the Company's acquisition of NRx. In November 2000, the Company issued shares to this same stockholder as consideration for an aggregate capital contribution of $35,600,000 in connection with the Company's acquisition of PHS. Also in connection with

the acquisition of PHS, the Company paid $1,500,000 to an affiliate of the controlling stockholder in exchange for advisory services. This advisory fee is included as transaction costs for the year ended December 31, 2000 in the accompanying consolidated statement of operations.

In November 1999, the Company paid $3,700,000 to a controlling stockholder to reimburse it for expenses incurred in the Company's 1999 recapitalization. Also in connection with the Company's 1999 recapitalization, the Company paid $1,500,000 in advisory fees and $32,000 in out-of-pocket expenses to its previous majority stockholder. These costs are included as transaction costs for the year ended December 31, 1999 in the accompanying consolidated statement of operations.

(b) Minority stockholders

In June 2000, the Company issued shares to two minority stockholders as consideration for aggregate capital contributions of $1,320,000 and $619,000 in connection with the acquisition of NRx. In November 2000, the Company issued shares to one of the minority stockholders as consideration for an aggregate capital contribution of $4,400,000 in connection with the acquisition of PHS.

In connection with the Company's 1999 recapitalization, the Company paid $100,000 in advisory fees to a minority stockholder.

The Company received services from an advertising agency which was 30% owned by a minority stockholder during 1999, 2000 and 2001. The Company incurred expenses of $31,000, $40,000 and $39,000 in 1999, 2000 and 2001, respectively related to these services.

(11) Commitments and Contingencies

(a) Legal

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

(b) Leases

The Company leases certain office facilities and equipment under various operating and capital leases that expire over the next five years. Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of December 31, 2001 are as follows (in thousands):

	Capital Leases	Operating Leases
Years ending December 31:		
2002	$ 141	$4,139
2003	89	2,817
2004	16	1,613
2005	3	741
Total minimum lease payments	249	$9,310
Less amount representing interest (at rates ranging from 5.5% to 11.25%)	(12)	
Present value of minimum lease payments	237	
Less current installments of obligations under capital leases	(133)	
Obligations under capital leases, excluding current installments	$ 104	

AMN HEALTHCARE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Obligations under capital leases are included in other current and other long-term liabilities, respectively, in the accompanying financial statements. Rent expense was $1,077,000, $1,810,000 and $3,282,000 for the years ended December 31, 1999, 2000, and 2001, respectively.

(12) Quarterly Financial Data (Unaudited)

	Year Ended December 31, 2001				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter(a)	Total Year
	(in thousands, except per share data)				
Revenue	$103,048	$116,124	$137,936	$160,686	$517,794
Gross profit	$ 25,129	$ 30,020	$ 34,626	$ 39,735	$129,510
Income (loss) before extraordinary item	$ 436	$ 1,393	$ 2,749	$ (3,509)	$ 1,069
Net income (loss)	$ 436	$ 1,393	$ 2,749	$ (8,964)	$ (4,386)
Basic income (loss) per share:					
Income (loss) before extraordinary item	$ 0.02	$ 0.05	$ 0.10	$ (0.10)	$ 0.04
Net income (loss)	$ 0.02	$ 0.05	$ 0.10	$ (0.25)	$ (0.14)
Diluted income (loss) per share:					
Income (loss) before extraordinary item	$ 0.01	$ 0.04	$ 0.09	$ (0.09)	$ 0.04
Net income (loss)	$ 0.01	$ 0.04	$ 0.09	$ (0.23)	$ (0.14)

	Year Ended December 31, 2000				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
	(in thousands, except per share data)				
Revenue	$44,951	$46,045	$60,717	$79,053	$230,766
Gross profit	$11,381	$11,137	$16,466	$21,174	$ 60,158
Income (loss) before extraordinary item	$ (1,546)	$ (2,560)	$ 194	$ (1,286)	$ (5,198)
Net income (loss)	$ (1,546)	$ (2,560)	$ 194	$ (1,286)	$ (5,198)
Basic income (loss) per share:					
Income (loss) before extraordinary item	$ (0.08)	$ (0.12)	$ 0.01	$ (0.06)	$ (0.23)
Net income (loss)	$ (0.08)	$ (0.12)	$ 0.01	$ (0.06)	$ (0.23)
Diluted income (loss) per share:					
Income (loss) before extraordinary item	$ (0.08)	$ (0.12)	$ 0.01	$ (0.06)	$ (0.23)
Net income (loss)	$ (0.08)	$ (0.12)	$ 0.01	$ (0.06)	$ (0.23)

(a) Fourth quarter 2001 net loss includes an after-tax extraordinary charge of $5.5 million ($0.15 per share) for the early extinguishment of debt.

(13) Subsequent Events

On April 2, 2002, the Company signed a 15-year lease for a new corporate headquarters in San Diego, California commencing in August 2003. As a result, the Company has future minimum lease payments of approximately $123 million to be paid over the next 15 years under this lease.

On April 23, 2002, the Company acquired all of the outstanding stock of Healthcare Resource Management Corporation, a temporary healthcare staffing company located in Charlotte, North Carolina, for $9.3 million in cash. Healthcare Resource Management Corporation recruits and places temporary healthcare professionals in the United States under the brand name “HRMC.”

INDEPENDENT AUDITORS' REPORT

The Board of Directors

Preferred Healthcare Staffing, Inc.:

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

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

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

KPMG LLP

Miami, Florida

April 4, 2001

PREFERRED HEALTHCARE STAFFING, INC.

(A Wholly Owned Subsidiary of Preferred Employers Holdings, Inc.)

BALANCE SHEETS

December 31, 1999 and November 30, 2000

ASSETS

	1999	2000
Current assets:		
Cash	$ 240,957	$ 147,062
Accounts receivable, net	6,921,417	10,980,481
Prepaid and other current assets	974,392	1,016,658
Deferred tax asset	62,063	—
Total current assets	8,198,829	12,144,201
Property and equipment, net	635,044	886,229
Goodwill, net	4,707,657	4,489,361
Total assets	$13,541,530	$17,519,791

LIABILITIES AND SHAREHOLDER'S EQUITY

Current liabilities:		
Accounts payable and accrued expenses	$ 1,977,582	$ 3,196,460
Due to Parent	1,445,960	—
Total current liabilities	3,423,542	3,196,460
Deferred tax liability	65,950	46,122
Total liabilities	3,489,492	3,242,582
Shareholder's equity:		
Common stock, no par value, $1 per share assigned value, 15,000 shares authorized, 10,000 shares issued and outstanding	10,000	10,000
Additional paid-in capital	7,470,437	7,470,437
Retained earnings	2,571,601	6,796,772
Total shareholder's equity	10,052,038	14,277,209
Commitments and contingencies		
Total liabilities and shareholder's equity	$13,541,530	$17,519,791

See accompanying notes to financial statements.

PREFERRED HEALTHCARE STAFFING, INC.

(A Wholly Owned Subsidiary of Preferred Employers Holdings, Inc.)

STATEMENTS OF OPERATIONS

Years Ended December 31, 1998 and 1999 and for the Eleven Months Ended November 30, 2000

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

See accompanying notes to financial statements.

PREFERRED HEALTHCARE STAFFING, INC.

(A Wholly Owned Subsidiary of Preferred Employers Holdings, Inc.)

STATEMENTS OF SHAREHOLDER'S EQUITY

Years Ended December 31, 1998 and 1999 and for the Eleven Months Ended November 30, 2000

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount			
Balance as of December 31, 1997	10,000	$10,000	$ —	$(1,176,997)	$ (1,166,997)
Net income	—	—	—	1,401,767	1,401,767
Capital contribution	—	—	7,470,437	—	7,470,437
Balance as of December 31, 1998	10,000	10,000	7,470,437	224,770	7,705,207
Net income	—	—	—	2,346,831	2,346,831
Balance as of December 31, 1999	10,000	10,000	7,470,437	2,571,601	10,052,038
Net income	—	—	—	4,777,454	4,777,454
Forgiveness of receivable from parent company	—	—	—	(552,283)	(552,283)
Balance as of November 30, 2000	10,000	$10,000	$7,470,437	$ 6,796,772	$14,277,209

See accompanying notes to financial statements.

PREFERRED HEALTHCARE STAFFING, INC.

(A Wholly Owned Subsidiary of Preferred Employers Holdings, Inc.)

STATEMENTS OF CASH FLOWS

Years Ended December 31, 1998 and 1999 and for the Eleven Months Ended November 30, 2000

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

See accompanying notes to financial statements.

PREFERRED HEALTHCARE STAFFING, INC.

(A Wholly Owned Subsidiary of Preferred Employer's Holdings, Inc.)

NOTES TO FINANCIAL STATEMENTS

December 31, 1998, December 31, 1999 and November 30, 2000

(1) Summary of Significant Accounting Policies and Practices

(a) Description of Business

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

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

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

(b) Basis of Presentation

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

(c) Revenue Recognition

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

(d) Property and Equipment

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

PREFERRED HEALTHCARE STAFFING, INC.
(A Wholly Owned Subsidiary of Preferred Employer's Holdings, Inc.)

NOTES TO FINANCIAL STATEMENTS — (Continued)

(e) Goodwill

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

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

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

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

(g) Income Taxes

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

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

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

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

PREFERRED HEALTHCARE STAFFING, INC.
(A Wholly Owned Subsidiary of Preferred Employer's Holdings, Inc.)

NOTES TO FINANCIAL STATEMENTS — (Continued)

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

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

(h) Use of Estimates

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

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

(i) Concentration of Credit Risk

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

(j) Reclassifications

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

(k) Pro Forma Net Income

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

(2) Accounts Receivable

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

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

PREFERRED HEALTHCARE STAFFING, INC.
(A Wholly Owned Subsidiary of Preferred Employer's Holdings, Inc.)

NOTES TO FINANCIAL STATEMENTS — (Continued)

(3) Property and Equipment

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

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

(4) Accounts Payable and Accrued Expenses

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

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

(5) Line of Credit

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

(6) Income Taxes

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

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

PREFERRED HEALTHCARE STAFFING, INC.
(A Wholly Owned Subsidiary of Preferred Employer's Holdings, Inc.)

NOTES TO FINANCIAL STATEMENTS — (Continued)

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

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

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

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

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

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

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax

PREFERRED HEALTHCARE STAFFING, INC.
(A Wholly Owned Subsidiary of Preferred Employer's Holdings, Inc.)

NOTES TO FINANCIAL STATEMENTS — (Continued)

liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences.

(7) Leases

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

Years ending November 30,	Total
2001.	$ 399,000
2002	409,000
2003	415,000
2004	345,000
2005	264,000
	$1,832,000

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

(8) Commitments and Contingencies

Self-Insurance

Beginning in 1999, the Company became self-insured for its group health insurance up to predetermined specific and aggregate amounts with stop-loss limits above such amount for which third-party insurance applies. The Company has a recorded liability of approximately $198,000 and $70,000 as of December 31, 1998 and 1999, respectively, for such amounts under this agreement. No amounts were recorded as of November 30, 2000.

Legal Proceedings

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

(9) Fair Value of Financial Instruments

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

O'Grady-Peyton International (USA), Inc.:

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

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

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

KPMG LLP

Atlanta, Georgia

May 11, 2001

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

CONSOLIDATED BALANCE SHEETS

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

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF INCOME

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

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 1999 and 2000 and
Three Months ended March 31, 2001 (Unaudited)

	Common stock	Retained earnings	Total
Balances, December 31, 1998	$4,125	$ 586,939	$ 591,064
Net loss	—	(466,854)	(466,854)
Balances, December 31, 1999	4,125	120,085	124,210
Net income	—	1,509,377	1,509,377
Balances, December 31, 2000	4,125	1,629,462	1,633,587
Net income (unaudited)	—	691,876	691,876
Balances, March 31, 2001	$4,125	$2,321,338	$2,325,463

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

See accompanying notes to consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 2000 and March 31, 2001 (Unaudited)

(1) Description of Business and Summary of Significant Accounting Policies

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

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

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

(a) Consolidation

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

(b) Revenue Recognition

The Company recognizes revenue when services are performed.

(c) Cash Equivalents

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

(d) Equipment and Furniture

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

Equipment	3 – 5 years
Furniture	5 years

(e) Self-Insurance

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

(f) Income Taxes

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(g) Estimates

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

(h) Fair Value of Financial Instruments

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

(2) Property and Equipment

Property and equipment consists of the following:

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

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

(3) Line of Credit

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(4) Long-Term Debt

Long-term debt consists of the following:

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

(5) Retirement Plan

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

(6) Income Tax

Income tax (benefit) expense consists of:

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

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

(7) Commitments

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

Years ending December 31,	Amount
2001	$165,000
2002	156,000
2003	56,000
	$377,000

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

(8) Related Party Transactions

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

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

(9) Subsequent Event

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders

Healthcare Resource Management Corporation:

We have audited the accompanying balance sheets of Healthcare Resource Management Corporation, (the Company), as of December 31, 2000 and 2001, and the related statements of income, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healthcare Resource Management Corporation as of December 31, 2000 and 2001, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Charlotte, North Carolina

April 5, 2002, except as to
Note 7, which is
as of April 23, 2002

HEALTHCARE RESOURCE MANAGEMENT CORPORATION

BALANCE SHEETS

	As of December 31,		As of March 31,
	2000	2001	2002
			(unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 105,573	$ 305,282	$ 317,372
Accounts receivable	1,201,568	1,577,323	1,628,660
Receivables from officer	21,577	6,047	203
Other receivables	—	3,830	30,188
Refundable deposits	32,844	43,092	44,657
Prepaid expenses	17,074	109,904	145,641
Total current assets	1,378,636	2,045,478	2,166,721
Fixed assets, net of accumulated depreciation	104,504	111,857	129,054
Cash surrender value of life insurance	42,488	53,544	55,128
Other assets	86,308	64,435	64,247
Total assets	$1,611,936	$2,275,314	$2,415,150
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 85,427	$ 95,546	$ 52,714
Accrued expenses	168,498	357,247	346,108
Secured borrowing	936,870	1,176,937	1,113,836
Current portion of note payable	9,018	7,191	7,976
Total current liabilities	1,199,813	1,636,921	1,520,634
Note payable, less current portion	14,823	7,632	5,049
Total liabilities	1,214,636	1,644,553	1,525,683
Stockholders' equity:			
Common stock, $1 par value. Authorized 100,000 shares; issued and outstanding 1,610 shares at December 31, 2000 and 2001 and March 31, 2002 (unaudited)	1,610	1,610	1,610
Additional paid-in capital	23,000	23,000	23,000
Retained earnings	372,690	606,151	864,857
Total stockholders' equity	397,300	630,761	889,467
Commitments and contingencies			
Total liabilities and stockholders' equity	$1,611,936	$2,275,314	$2,415,150

See accompanying notes to financial statements.

HEALTHCARE RESOURCE MANAGEMENT CORPORATION

STATEMENTS OF INCOME

	Year Ended December 31,		Three Months Ended March 31,	
	2000	2001	2001	2002
			(unaudited)	
Revenue	$9,423,426	$13,061,645	$3,156,819	$3,764,420
Cost of revenue	7,073,573	9,569,838	2,289,579	2,743,789
Gross profit	2,349,853	3,491,807	867,240	1,020,631
Expenses:				
Selling, general, and administrative	1,599,675	2,012,587	451,701	595,505
Depreciation and amortization	40,004	37,784	9,727	10,554
Total expenses	1,639,679	2,050,371	461,428	606,059
Income from operations	710,174	1,441,436	405,812	414,572
Interest expense, net	206,070	257,459	63,456	59,062
Income before income taxes	504,104	1,183,977	342,356	355,510
State income taxes	1,740	7,056	7,056	13,084
Net income	$ 502,364	$ 1,176,921	$ 335,300	$ 342,426

See accompanying notes to financial statements.

HEALTHCARE RESOURCE MANAGEMENT CORPORATION

STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 2000 and 2001 and Three Months Ended March 31, 2002 (unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount			
Balances, December 31, 1999	1,610	$1,610	$23,000	$ 328,228	$ 352,838
Net income	—	—	—	502,364	502,364
Dividends ($284 per share)	—	—	—	(457,902)	(457,902)
Balances, December 31, 2000	1,610	1,610	23,000	372,690	397,300
Net income	—	—	—	1,176,921	1,176,921
Dividends ($586 per share)	—	—	—	(943,460)	(943,460)
Balances, December 31, 2001	1,610	1,610	23,000	606,151	630,761
Net income (unaudited)	—	—	—	342,426	342,426
Dividends ($52 per share) (unaudited)	—	—	—	(83,720)	(83,720)
Balances, March 31, 2002 (unaudited)	1,610	$1,610	$23,000	$ 864,857	$ 889,467

See accompanying notes to financial statements

HEALTHCARE RESOURCE MANAGEMENT CORPORATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2000 and 2001 and the Three Months Ended March 31, 2001 (unaudited) and March 31, 2002 (unaudited)

	Year Ended December 31,		Three Months Ended March 31,	
	2000	2001	2001	2002
			(unaudited)	
Cash flows from operating activities:				
Net income	$ 502,364	$1,176,921	$ 335,300	$ 342,426
Adjustments to reconcile net income to net cash provided by:				
Operating activities:				
Depreciation and amortization	40,004	37,784	9,727	10,554
Gain on sale of fixed assets and investments	(25,362)	(32,368)	(38,877)	—
Changes in assets and liabilities:				
Accounts receivable	(358,059)	(354,178)	(130,015)	(51,337)
Receivables from officers	35,759	(6,047)	8,964	5,844
Other receivables	—	(3,830)	(13,160)	(26,358)
Refundable deposits	(16,961)	(10,248)	(7,117)	(1,565)
Prepaid expenses	(10,155)	(92,830)	(90,749)	(35,737)
Cash surrender value of life insurance	(5,476)	(11,056)	(1,583)	(1,584)
Other assets	(12,370)	21,119	189	188
Accounts payable	42,066	10,119	(8,658)	(42,832)
Accrued expenses	85,612	188,749	32,505	(11,139)
Net cash provided by operating activities	277,422	924,135	96,526	188,460
Cash flows from investing activities:				
Purchase of fixed assets	(26,731)	(44,383)	(8,081)	(27,751)
Cash proceeds on sale of fixed assets and investments	77,474	32,368	50,158	—
Net cash provided by (used in) investing activities	50,743	(12,015)	42,077	(27,751)
Cash flows from financing activities:				
Dividend payments	(457,902)	(943,460)	(141,680)	(83,720)
Net cash receipts on secured borrowing	236,188	240,067	63,688	(63,101)
Payments on notes payable	(29,436)	(9,018)	(1,198)	(1,798)
Net cash used in financing activities	(251,150)	(712,411)	(79,190)	(148,619)
Net increase (decrease) in cash and cash equivalents	77,015	199,709	59,413	12,090
Cash and cash equivalents at beginning of period	28,558	105,573	105,573	305,282
Cash and cash equivalents at end of period	$ 105,573	$ 305,282	$ 164,986	317,372
Supplemental disclosures of cash flow information:				
Cash paid for interest	$ 206,425	$ 267,244	$ 64,255	$ 60,550
Cash paid for taxes	$ 1,740	$ 7,056	$ 7,056	$ 13,084

See accompanying notes to financial statements.

HEALTHCARE RESOURCE MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 2001

(1) Summary of Significant Accounting Policies

(a) General

Healthcare Resource Management Corporation (the Company) recruits nurses and places them on temporary assignments at hospitals and other healthcare facilities throughout the United States.

The accompanying consolidated interim financial statements (including notes to financial statements) of the Company as of March 31, 2002 and for the three months ended March 31, 2001 and 2002, are unaudited. In the opinion of management, the accompanying unaudited consolidated interim financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of the Company at March 31, 2002, and the results of its operations and its cash flows for the three months ended March 31, 2001 and 2002.

(b) Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At December 31, 2000 and 2001, and March 31, 2002, the Company had money market accounts of $100,350, $279,463 and $210,951 (unaudited), respectively, included in cash and cash equivalents.

(c) Fixed Assets

Furniture and fixtures, equipment, and automobiles are stated at cost. Additions and improvements are capitalized, and maintenance and repairs are expensed when incurred. Depreciation on furniture and fixtures, equipment, and automobiles is calculated using the straight-line method based on the estimated useful lives of the related assets as follows: furniture and fixtures (7 years); equipment (3 to 7 years); and automobiles (5 years).

(d) Concentration of Credit Risk

The majority of the Company’s business activity is with hospitals located throughout the United States. Credit is extended based on the evaluation of each entity’s financial condition and credit worthiness.

(e) Revenue Recognition

Revenue is recognized in the period in which services are provided.

(f) Advertising Expenses

Advertising costs of $364,211 and $420,500 for the years ended December 31, 2000 and 2001, respectively, and $109,406 (unaudited) and $141,934 (unaudited) for the three months ended March 31, 2001 and 2002, respectively, are expensed as incurred and are included in selling, general, and administrative expenses in the accompanying financial statements.

(g) Impairment of Long-Lived Assets

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

HEALTHCARE RESOURCE MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS — (Continued)

amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(h) Income Taxes

The Company has elected to file its federal income tax returns under the S Corporation provisions of the Internal Revenue Code and was granted S Corporation status for North Carolina state tax purposes. In accordance with the federal provisions, corporate earnings flow through and are taxed solely at the shareholder level. Under the provisions of the franchise tax laws in certain states the Company conducts business, S Corporation earnings are assessed a surtax at the corporate level and flow through to the shareholders to be taxed at the individual level. Accordingly, income tax expense for the years ended December 31, 2000 and 2001 aggregated $1,740 and $7,056, respectively.

(i) Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, receivables from officers, other receivables, accounts payable, accrued expenses, secured borrowing and note payable approximates their respective fair values due to the short-term nature and liquidity of these financial instruments.

(j) Derivative Instruments

The Company adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133) on January 1, 2001. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at fair value. The Company does not have any derivative instruments to be accounted for under SFAS 133.

(k) New Accounting Pronouncements

In July 2001, the FASB issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires the use of the purchase method for all business combinations initiated after June 30, 2001 and provides guidance on purchase accounting related to the recognition of intangible assets and accounting for negative goodwill. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Under SFAS No. 142, goodwill will be tested annually and whenever events or circumstances occur indicating that goodwill might be impaired. The Company adopted the provisions of SFAS No. 142 as of January 1, 2002. The adoption of SFAS No. 142 did not have a material impact on the Company’s financial statements.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment of Disposal of Long-Lived Assets (SFAS No. 144). SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. SFAS No. 144 requires companies to separately report discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The Company adopted SFAS No. 144 on January 1, 2002. The adoption of SFAS No. 144 will not have a material impact on the Company’s financial statements.

HEALTHCARE RESOURCE MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS — (Continued)

(l) Sale of Accounts Receivable

On January 5, 1999, the Company entered into an agreement to sell, on an ongoing basis with full recourse, its trade accounts receivable. The Company is responsible for repurchasing any receivables at fair value which have not been collected 60 days from the date of the invoice. The buyer is responsible for servicing the receivables. The agreement may be terminated by either party with 90 days notice prior to the end of the term of the agreement or terminated at any other time upon mutual agreement of the parties. Upon termination, the Company is required to repurchase all outstanding receivables and pay certain termination fees. During 2000, the receivables were purchased by the buyer net of a 1.45% non-refundable administrative fee. This fee was decreased to 1.25% in 2001 until October 12, 2001 when the fee was further reduced to ...9%. Additionally, the Company is required to pay the purchaser certain finance charge fees based upon the age of outstanding receivables. The Company has accounted for the cash proceeds received from the transfer as a secured borrowing in accordance with SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities”. The secured borrowing is $936,870, $1,176,937, and $1,113,837 (unaudited) at December 31, 2000 and 2001, and March 31, 2002, respectively. The Company incurred fees on these secured borrowings of $203,608 and $265,984 for the years ended December 31, 2000 and 2001, respectively, and $63,981 (unaudited) and $60,163 (unaudited) for the three months ended March 31, 2001 and 2002, respectively, which are included in interest expense in the accompanying financial statements.

(m) Use of Estimates

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

(n) Reclassifications

Certain amounts in the prior periods financial statements have been reclassified to conform to the current period presentation.

(2) Fixed Assets, net

Fixed assets, net is comprised of the following at December 31, 2000 and 2001:

	2000	2001
Furniture and fixtures	$ 42,914	$ 54,389
Equipment	111,541	144,448
Automobiles	69,464	69,464
	223,919	268,301
Less accumulated depreciation	(119,415)	(156,444)
	$ 104,504	$ 111,857

(3) Note Payable

Note payable consists of a five year note on an automobile purchase with monthly payments of $728 through 2004. This note payable is collateralized by an automobile and has a 8.25% interest rate.

HEALTHCARE RESOURCE MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS — (Continued)

(4) Related Party Transactions

At December 31, 2001 and March 31, 2002, the Company had $6,047 and $203 (unaudited), respectively, due from officers. There were no receivables due from officers at December 31, 2000.

For the years ended December 31, 2000 and 2001, and the three months ended March 31, 2001 and 2002, the Company's shareholders received dividend distributions of $457,902, $943,460, $141,680 (unaudited) and $83,720 (unaudited), respectively, principally related to the payments of the shareholders' personal taxes on the Company's earnings. Additionally, the Company paid its directors, who are also shareholders, director fees of $12,000, $15,000, $15,000 (unaudited) and $0 (unaudited) for the years ended December 31, 2000 and 2001, and the three months ended March 31, 2001 and 2002 respectively.

(5) Leases

The Company leases certain office facilities and equipment under various operating leases that expire over the next three years. Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2001 are as follows:

Years ending December 31:	
2002	$144,848
2003	148,837
2004	77,669
Total minimum lease payments	$371,354

Rent expense was $106,546 and $127,194 for the years ended December 31, 2000 and 2001, respectively.

Additionally, the Company leases apartments for nurses on temporary assignments under short-term lease agreements. These lease commitments are not included in the above future minimum lease payments due to their short noncancellable term. The Company is required to pay an up-front deposit on these apartments, which is classified as refundable deposits in the accompanying financial statements.

(6) Employee Benefit Plans

The Company sponsors a 401(k) defined contribution plan for its full-time employees. The Company, at its discretion, matches 25% of the first 6% contributed by each employee. The Company contributed $24,369 and $32,669 to the 401(k) plan for the years ended December 31, 2000 and 2001, respectively.

(7) Subsequent Event

On April 23, 2002, the Company was acquired by AMN Healthcare, Inc.

AMN HEALTHCARE SERVICES, INC.

Index to Pro Forma Condensed Consolidated Financial Statements

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

We acquired O'Grady-Peyton International (USA), Inc., and Healthcare Resource Management Corporation (HRMC) on May 1, 2001 and April 23, 2002, respectively. O'Grady-Peyton's results of operations for the eight months ended December 31, 2001 are included in our condensed consolidated statement of operations for the year ended December 31, 2001. The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2001 and the three months ended March 30, 2001 give effect to the acquisitions of O'Grady-Peyton and HRMC and this offering, as well as our initial public offering in November 2001, as if these events had occurred on January 1, 2001. The unaudited pro forma condensed consolidated statement of operations for the three months ended March 31, 2002 gives effect to the acquisition of HRMC and this offering, as well as our initial public offering in November 2001, as if these events had occurred on January 1, 2001. The unaudited pro forma condensed consolidated balance sheet as of March 31, 2002 gives effect to the acquisition of HRMC and this offering, as of such date.

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

AMN HEALTHCARE SERVICES, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

STATEMENT OF OPERATIONS
For the Year Ended December 31, 2001
(In thousands, except share and per share data)

	Historical (1)				
	AMN	O'Grady-Peyton	HRMC	Pro Forma Adjustments	Pro Forma
Revenue	$517,794	$10,582	$13,062	$ —	$541,438
Cost of revenue	388,284	7,373	9,570	—	405,227
Gross profit	129,510	3,209	3,492	—	136,211
Expenses:					
Selling, general, and administrative (excluding non-cash stock-based compensation)	71,483	1,818	2,013	—	75,314
Non-cash stock-based compensation	31,881	—	—	—	31,881
Amortization	5,562	—	—	638(2)	6,200
Depreciation	2,151	25	38	—	2,214
Transaction costs	1,955	—	—	—	1,955
Total expenses	113,032	1,843	2,051	638	117,564
Income from operations	16,478	1,366	1,441	(638)	18,647
Interest expense, net	13,933	43	257	(13,864)(3)	369
Income before income tax expense (benefit) and extraordinary item	2,545	1,323	1,184	13,226	18,278
Income tax expense (benefit)	1,476	539	7	8,579(4)	10,601
Income before extraordinary item	$ 1,069	$ 784	$ 1,177	$ 4,647	$ 7,677
Net income per common share					
Basic					$ 0.18
Diluted					$ 0.17
Weighted average common shares					
Basic					42,638(5)
Diluted					46,211(6)

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

AMN HEALTHCARE SERVICES, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

STATEMENT OF OPERATIONS
For the Year Ended December 31, 2001

(1) The historical results of operations of AMN includes the results of O'Grady-Peyton commencing May 1, 2001, its date of acquisition by AMN. The historical results of operations of O'Grady-Peyton reflect its results from January 1, 2001 through April 30, 2001. The historical results of operations of HRMC reflect its results for the year ended December 31, 2001.

(2) The pro forma amortization expense gives effect to additional goodwill amortization of $278,000 and $293,000 in connection with the O'Grady-Peyton and HRMC acquisitions, respectively. It also gives effect to additional non-compete amortization of $17,000 and $50,000 for O'Grady-Peyton and HRMC, respectively.

(3) The pro forma interest expense, net gives effect to the reduction of interest expense in the amount of $13,864,000 related to the repayment of all of the outstanding debt with the proceeds from our initial public offering.

(4) The pro forma income tax expense gives effect to the additional tax expense, calculated at our effective tax rate of approximately 58%, related to the pro forma adjustments described above and pre-tax income of O'Grady-Peyton and HRMC.

(5) Pro forma basic weighted average shares gives effect to the shares issued in our initial public offering, the shares issued upon exercise of warrants at the time of our initial public offering, and shares issued upon the exercise of outstanding options by certain selling stockholders in conjunction with this offering.

(6) Pro forma diluted weighted average shares gives effect to the stock options outstanding under the 1999 and 2001 stock option plans and options exercised by certain selling stockholders in conjunction with this offering.

AMN HEALTHCARE SERVICES, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

STATEMENT OF OPERATIONS
For the Three Months Ended March 31, 2002
(In thousands, except share and per share data)

	Historical (1)		Pro Forma Adjustments	Pro Forma
	AMN	HRMC		
Revenue	$173,956	$3,764	$ —	$177,720
Cost of revenue	131,753	2,744	—	134,497
Gross profit	42,203	1,020	—	43,223
Expenses:				
Selling, general, and administrative (excluding non-cash stock-based compensation)	22,725	595	—	23,320
Non-cash stock-based compensation	218	—	—	218
Amortization	82	—	13(2)	95
Depreciation	691	11	—	702
Total expenses	23,716	606	13	24,335
Income from operations	18,487	414	(13)	18,888
Interest (income) expense, net	(142)	59	(60)(3)	(143)
Income before income tax expense	18,629	355	47	19,031
Income tax expense	7,452	13	148(4)	7,613
Net income	$ 11,177	$ 342	$(101)	$ 11,418
Net income per common share				
Basic				$ 0.27
Diluted				$ 0.24
Weighted average common shares				
Basic				42,638(5)
Diluted				47,053(6)

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

AMN HEALTHCARE SERVICES, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED

CONSOLIDATED STATEMENT OF OPERATIONS
For the Three Months Ended March 31, 2002

(1) The historical results of operations of HRMC reflect its results for the three months ended March 31, 2002.

(2) The pro forma amortization expense gives effect to additional non-compete amortization of $13,000 in connection with the HRMC acquisition.

(3) The pro forma interest expense, net gives effect to the reduction of interest expense in the amount of $60,000 related to the repayment of all of the outstanding debt of HRMC at the time of its acquisition by AMN as required pursuant to the purchase agreement.

(4) The pro forma income tax expense gives effect to the additional tax expense, calculated at AMN's effective tax rate of approximately 40%, related to the pro forma adjustments described above and pre-tax income of HRMC.

(5) Pro forma basic weighted average shares gives effect to the shares issued in our initial public offering, the shares issued upon exercise of warrants at the time of our initial public offering, and shares issued upon the exercise of outstanding options by certain selling stockholders in conjunction with this offering.

(6) Pro forma diluted weighted average shares gives effect to the stock options outstanding under the 1999 and 2001 stock option plans and options exercised by certain selling stockholders in conjunction with this offering.

AMN HEALTHCARE SERVICES, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

STATEMENT OF OPERATIONS
For the Three Months Ended March 31, 2001
(In thousands, except share and per share data)

	Historical(1)				
	AMN	O'Grady-Peyton	HRMC	Pro Forma Adjustments	Pro Forma
Revenue	$103,048	$7,775	$3,157	$ —	$113,980
Cost of revenue	77,919	5,433	2,290	—	85,642
Gross profit	25,129	2,342	867	—	28,338
Expenses:					
Selling, general, and administrative (excluding non-cash stock-based compensation)	13,813	1,182	452	—	15,447
Non-cash stock-based compensation	4,365	—	—	27,406(2)	31,771
Amortization	1,306	—	—	245(3)	1,551
Depreciation	413	18	10	—	441
Total expenses	19,897	1,200	462	27,651	49,210
Income (loss) from operations	5,232	1,142	405	(27,651)	(20,872)
Interest expense, net	4,325	25	63	(4,298)(4)	115
Income (loss) before income tax expense (benefit) and extraordinary item	907	1,117	342	(23,353)	(20,987)
Income tax expense (benefit)	471	425	7	(11,801)(5)	(10,898)
Income (loss) before extraordinary item	$ 436	$ 692	$ 335	$(11,552)	$(10,089)
Net income (loss) per common share — basic and diluted					$ (0.24)
Weighted average common shares — basic and diluted					$ 42,638(6)

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

AMN HEALTHCARE SERVICES, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

STATEMENT OF OPERATIONS
For the Three Months Ended March 31, 2001

(1) The historical results of operations of O'Grady-Peyton and HRMC reflect their results for the three months ended March 31, 2001.

(2) The pro forma stock-based compensation adjustment gives effect to the vesting of all outstanding stock options under the 1999 stock option plans as if the consummation of our initial public offering had occurred on January 1, 2001. In accordance with the provisions of the 1999 stock option plans, options became fully vested upon the consummation of our initial public offering.

(3) The pro forma amortization expense gives effect to additional goodwill amortization of $146,000 and $73,000 in connection with the O'Grady-Peyton and HRMC acquisitions, respectively. It also gives effect to additional non-compete amortization of $13,000 and $13,000 for O'Grady-Peyton and HRMC, respectively.

(4) The pro forma interest expense, net gives effect to the reduction of interest expense in the amount of $4,298,000 related to the repayment of all of the outstanding debt with the proceeds from our initial public offering.

(5) The pro forma income tax expense gives effect to the additional tax expense, calculated at our effective tax rate of approximately 52%, related to the pro forma adjustments described above and pre-tax income of O'Grady-Peyton and HRMC.

(6) Pro forma basic and diluted weighted average shares gives effect to the shares issued in our initial public offering, the shares issued upon exercise of warrants at the time of our initial public offering, and shares issued upon the exercise of outstanding options by certain selling stockholders in conjunction with this offering, but does not give effect to stock options outstanding under the 1999 and 2001 stock option plans, as the impact would be anti-dilutive.

AMN HEALTHCARE SERVICES, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

BALANCE SHEET
As of March 31, 2002
(In thousands)

	Historical		Pro Forma Adjustments	Pro Forma
	AMN	HRMC		
ASSETS				
Current assets:				
Cash and cash equivalents	$ 25,288	$ 317	$(9,232)(1)	$ 16,373
Short-term held-to-maturity investments	12,166	—	—	12,166
Accounts receivable, net	125,517	1,629	—	127,146
Prepaid expenses	8,493	146	—	8,639
Other current assets	2,327	75	—	2,402
Total current assets	173,791	2,167	(9,232)	166,726
Fixed assets, net	7,996	129	—	8,125
Deferred income taxes, net	19,385	—	—	19,385
Deposits and other assets	306	119	—	425
Goodwill, net	127,752	—	7,297(2)	135,049
Other intangibles, net	1,391	—	200(3)	1,591
Total assets	$330,621	$2,415	$(1,735)	$331,301
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Bank overdraft	$ 3,069	$ —	$ —	$ 3,069
Accounts payable and accrued expenses	7,373	53	—	7,426
Accrued compensation and benefits	28,632	346	—	28,978
Income taxes payable	2,473	—	—	2,473
Current portion of notes payable	—	1,122	(1,122)(4)	—
Other current liabilities	4,229	—	—	4,229
Total current liabilities	45,776	1,521	(1,122)	46,175
Notes payable, less current portion	—	5	(5)(4)	—
Other long-term liabilities	1,608	—	—	1,608
Total liabilities	47,384	1,526	(1,127)	47,783
Stockholders' equity:				
Common stock	423	1	2(5)	426
Additional paid-in capital	345,976	23	255(5)	346,254
Accumulated deficit	(63,162)	865	(865)(5)	(63,162)
Total stockholders' equity	283,237	889	(608)	283,518
Commitments and contingencies				
Total liabilities and stockholders' equity	$330,621	$2,415	$(1,735)	$331,301

See accompanying notes to Unaudited Pro Forma Condensed Consolidated Balance Sheet.

AMN HEALTHCARE SERVICES, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

BALANCE SHEET
As of March 31, 2002

(1) The pro forma adjustment gives effect to the cash used to acquire HRMC of $9,513,000, estimated expenses associated with this offering of $1,285,000, and proceeds from the exercise of options by certain selling stockholders in conjunction with this offering of $1,566,000.

(2) The pro forma adjustment gives effect to goodwill recorded in connection with the acquisition of HRMC.

(3) The pro forma adjustment gives effect to the recording of the non-compete agreement in connection with the HRMC acquisition in the amount of $200,000.

(4) The pro forma adjustment gives effect to the repayment of all of the outstanding debt of HRMC at the time of its acquisition by AMN.

(5) The pro forma adjustment gives effect to AMN's acquisition of HRMC, the capitalization of the estimated costs associated with this offering and the impact of options exercised in conjunction with this offering.

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

10,000,000 Shares

Prospectus

, 2002

Book Running Lead Manager

Banc of America Securities LLC

Co-Lead Managers

JPMorgan
SunTrust Robinson Humphrey

UBS Warburg
Wells Fargo Securities, LLC

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

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

SEC registration fee	$31,793.00
NASD fee	30,500.00
Printing expenses	*
Accounting fees and expenses	*
Legal fees and expenses	*
Blue Sky fees and expenses	*
Transfer agent fees and expenses	*
Miscellaneous	*
TOTAL	*

* To be provided by amendment.

No portion of the above expenses will be paid by the selling stockholders.

Item 14. Indemnification of Directors and Officers.

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

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

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

circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

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

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

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

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

Reference is made to Item 17 for our undertakings with respect to indemnification for liabilities arising under the U.S. Securities Act of 1933.

Item 15. Recent Sales of Unregistered Securities.

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

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

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

(c) On November 19, 1999, we issued 472,634.9 shares of common stock upon the split of 2,363.17 outstanding shares, on the basis of 200 shares for each outstanding share to our then existing stockholders.

(d) On November 19, 1999, we issued options to purchase an aggregate of 84,343.4 shares of stock to members of management, each at an exercise price of $163.9743 per share.

(e) On June 26, 2000, we issued an aggregate of 73,182.2 shares at a price of $163.9743 per share for capital contributions in connection with our acquisition of Nurses RX, Inc. to some of our existing stockholders.

(f) On November 20, 2000, we issued options to purchase 4,686 shares of stock to a member of management at an exercise price of $163.9743 per share.

(g) On November 28, 2000, we issued an aggregate of 123,077 shares at a price of $325.00 per share for capital contributions in connection with our acquisition of Preferred Healthcare Staffing, Inc. to some of our existing stockholders.

(h) On December 13, 2000, we issued options to purchase an aggregate of 31,170.6 shares of stock to members of management, each at an exercise price of $287.84 per share.

(i) On March 29, 2001, we issued 616,694.9 shares of common stock to the HWP stockholders in connection with the merger of AMN Acquisition Corp. with and into us and the 616,694.9 shares previously held by AMN Acquisition Corp. were canceled.

(j) On July 24, 2001, we issued options to purchase an aggregate of 12,673 shares of stock to members of management, each at an exercise price of $392.04 per share.

(k) On October 18, 2001, we issued 28,835,015 shares of common stock upon the split of 668,894.1 outstanding shares, on the basis of 43.10849 shares for each outstanding share to our existing stockholders.

(l) In connection with the effectiveness of our initial public offering, we issued 1,954,755 shares of common stock to BancAmerica Capital Investors SBIC I, L.P. in connection with the exercise of a warrant.

(m) On January 17, 2002, we issued options to purchase an aggregate of 629,500 shares of common stock to some of our directors and members of management at an exercise price equal to $22.98 per share.

The issuances listed above are exempt from registration under Section 4(2) of the Securities Act as transactions by an issuer not involving a public offering.

Item 16. Exhibits and Financial Statement Schedules.

Exhibit Number	Description
1.1	Form of Underwriting Agreement.****
3.1	Amended and Restated Certificate of Incorporation of AMN Healthcare Services, Inc.***
3.2	By-laws of AMN Healthcare Services, Inc.***
4.1	Specimen Stock Certificate.***
4.2	Registration Rights Agreement, dated as of November 16, 2001, among the Registrant, HWH Capital Partners, L.P., HWH Nightingale Partners, L.P., HWP Nightingale Partners II, L.P., HWP Capital Partners II, L.P., BancAmerica Capital Investors SBIC I, L.P., the Francis Family Trust dated May 24, 1996 and Steven Francis.***
5.1	Opinion of Paul, Weiss, Rifkind, Wharton & Garrison as to the legality of the shares of common stock.****
8.1	Opinion of Paul, Weiss, Rifkind, Wharton & Garrison as to certain tax matters.****
10.1	Stock Purchase Agreement, dated as of June 23, 2000, by and between AMN Healthcare, Inc., Suzanne Confoy and George Robert Kraus, Jr.**
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10.3	Stock Purchase Agreement, dated as of April 3, 2001, by and between AMN Healthcare, Inc., Joseph O'Grady and Teresa O'Grady-Peyton.**
10.4	AMN Holdings, Inc. 1999 Performance Stock Option Plan, as amended.**
10.5	AMN Holdings, Inc. 1999 Super-Performance Stock Option Plan, as amended.**
10.6	AMN Healthcare Services, Inc. 2001 Stock Option Plan.**
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10.35	AMN Healthcare Services, Inc. 2001 Senior Management Bonus Plan.**
10.36	Amended and Restated Financial Advisory Agreement, dated as of November 16, 2001, between the Registrant and Haas Wheat & Partners, L.P.***
10.37	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.**
10.38	2001 Stock Option Plan Stock Option Agreement, dated as of January 17, 2002, between the Registrant and Steven Francis.*
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10.41	2001 Stock Option Plan Stock Option Agreement, dated as of January 17, 2002, between the Registrant and Michael Gallagher.*
10.42	2001 Stock Option Plan Stock Option Agreement, dated as of January 17, 2002, between the Registrant and William Miller.*
10.43	2001 Stock Option Plan Stock Option Agreement, dated as of January 17, 2002, between the Registrant and Andrew Stern.*
10.44	First Amendment, dated as of April 8, 2002, 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.*
10.45	Office Lease, dated as of April 2, 2002, between Kilroy Realty, L.P. and AMN Healthcare, Inc.*
10.46	Stock Purchase Agreement, dated as of April 17, 2002, by and among AMN Healthcare, Inc., Sandra Gilbert, Robert Gilbert, Jr., Suzette Marek, Robert Gilbert III and Benjamin Gilbert.*
10.47	AMN Healthcare, Inc. Executive Nonqualified Excess Plan.*
10.48	Amendment to AMN Healthcare, Inc. Executive Nonqualified Excess Plan, dated as of January 1, 2002.*
16.1	Letter from Deloitte & Touche LLP regarding change in certifying accountant.***
21.1	Subsidiaries of the Registrant.*
23.1	Consent of Paul, Weiss, Rifkind, Wharton & Garrison (included in Exhibit 5.1).****
23.2	Independent Auditors' Report on Schedule and Consent of KPMG LLP with respect to the Registrant.*
23.3	Consent of KPMG LLP with respect to Preferred Healthcare Staffing, Inc.*
23.4	Consent of KPMG LLP with respect to O'Grady-Peyton International (USA), Inc.*
23.5	Consent of KPMG LLP with respect to Health Resource Management Corporation.*
24.1	Power of Attorney (included on signature pages).*

* Filed herewith.

** Incorporated by reference to the exhibits filed with the Registrant's Registration Statement on Form S-1 (File No. 333-65168).

*** Incorporated by reference to the exhibits filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

**** To be filed by amendment.

b. Financial Statement Schedules

The following financial statement schedules are included herein:

Schedule II — Valuation and qualifying accounts

All other schedules are omitted because they are either not required, not applicable or the required information is included in the financial statements or notes thereto.

Item 17. Undertakings

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California, on April 25, 2002.

AMN HEALTHCARE SERVICES, INC.

By: /s/ STEVEN FRANCIS

Name: Steven Francis
Title: President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Steven Francis, Susan Nowakowski and Donald Myll, or any of them, as his true and lawful attorney-in-fact with full power of substitution and resubstitution, in any and all capacities, to sign this registration statement or amendments (including post-effective amendments and including, without limitation, registration statements filed pursuant to Rule 462 under the Securities Act of 1933) thereto and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each of said attorney-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes and he might or could do in person, hereby ratifying and conforming all that said attorney-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the following capacities on the 25th day of April, 2002.

/s/ ROBERT HAAS

Name: Robert Haas
Title: Chairman of the Board and Director

/s/ STEVEN FRANCIS

Name: Steven Francis
Title: Director, President and Chief Executive Officer

/s/ MICHAEL GALLAGHER

Name: Michael Gallagher
Title: Director

/s/ WILLIAM MILLER III

Name: William Miller III
Title: Director

/s/ ANDREW STERN

Name: Andrew Stern
Title: Director

/s/ DOUGLAS WHEAT

Name: Douglas Wheat
Title: Director

/s/ DONALD MYLL

Name: Donald Myll
Title: Chief Financial Officer and Treasurer (principal financial and accounting officer)

SCHEDULE II

AMN HEALTHCARE SERVICES, INC.

VALUATION AND QUALIFYING ACCOUNTS

For Years Ended December 31, 1999, 2000 and 2001

Allowance for Doubtful Accounts	Balance at the Beginning of Year	Provision	Provision from Acquisitions	Deductions(*)	Balance at End of Year
			(in thousands)		
Year ended December 31, 1999	$135	$ 260	—	$(139)	$ 256
Year ended December 31, 2000	$256	$ 435	$441	$(202)	$ 930
Year ended December 31, 2001	$930	$2,906	$171	$(765)	$3,242

(*) Accounts written off

See accompanying independent auditors' report

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10.44	First Amendment, dated as of April 8, 2002, 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.*
10.45	Office Lease, dated as of April 2, 2002, between Kilroy Realty, L.P. and AMN Healthcare, Inc.*
10.46	Stock Purchase Agreement, dated as of April 17, 2002, by and among AMN Healthcare, Inc., Sandra Gilbert, Robert Gilbert, Jr., Suzette Marek, Robert Gilbert III and Benjamin Gilbert.*
10.47	AMN Healthcare, Inc. Executive Nonqualified Excess Plan.*
10.48	Amendment to AMN Healthcare, Inc. Executive Nonqualified Excess Plan, dated as of January 1, 2002.*
16.1	Letter from Deloitte & Touche LLP regarding change in certifying accountant.***
21.1	Subsidiaries of the Registrant.*
23.1	Consent of Paul, Weiss, Rifkind, Wharton & Garrison (included in Exhibit 5.1).****
23.2	Independent Auditors' Report on Schedule and Consent of KPMG LLP with respect to the Registrant.*
23.3	Consent of KPMG LLP with respect to Preferred Healthcare Staffing, Inc.*
23.4	Consent of KPMG LLP with respect to O'Grady-Peyton International (USA), Inc.*
23.5	Consent of KPMG LLP with respect to Health Resource Management Corporation.*
24.1	Power of Attorney (included on signature pages).*

* Filed herewith.

** Incorporated by reference to the exhibits filed with the Registrant's Registration Statement on Form S-1 (File No. 333-65168).

*** Incorporated by reference to the exhibits filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

**** To be filed by amendment.

EXHIBIT 10.38

AMN HEALTHCARE SERVICES, INC.
2001 STOCK OPTION PLAN
STOCK OPTION AGREEMENT

THIS STOCK OPTION AGREEMENT (the "Agreement"), made this 17th day of January, 2002, by and between AMN Healthcare Services, Inc. (the "Company"), a Delaware corporation, and Steven C. Francis (the "Optionee").

W I T N E S S E T H:

WHEREAS, the Company sponsors the AMN Healthcare Services, Inc. 2001 Stock Option Plan (the "Plan"), and desires to afford the Optionee the opportunity to acquire and maintain the Optionee's ownership of the Company's common stock, par value $.01 per share ("Stock") thereunder, thereby strengthening the Optionee's commitment to the welfare of the Company and Affiliates and promoting an identity of interest between stockholders and the Optionee.

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

1. DEFINITIONS.

The following definitions shall be applicable throughout the Agreement. Where defined terms are not defined herein, their meaning shall be that set forth in the Plan.

(a) "Affiliate" means (i) any entity that directly or indirectly is controlled by, or is under common control with the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

(b) "Board" means the Board of Directors of the Company.

(c) "Cause" means the Company or an Affiliate having "cause" to terminate an Optionee's employment or service, as defined in any existing employment, consulting or any other agreement between the Optionee and the Company or a Subsidiary or Affiliate, or, in the absence of such an employment, consulting or other agreement, upon (i) the determination by the Committee that the Optionee has ceased to perform his duties to the Company or an Affiliate (other than as a result of his incapacity due to physical or mental illness or injury), which failure amounts to an intentional and extended neglect of his duties to such party, (ii) the Committee's determination that the Optionee has engaged or is about to engage in conduct injurious to the Company or an Affiliate, (iii) the Optionee having been convicted of, or pleaded guilty or no contest to, a felony or a crime involving moral turpitude or (iv) the failure of the Optionee to follow the lawful instructions of the Board or his direct superiors; provided, however, that in the instances of clauses (i), (ii) and (iv), the Company or Affiliate, as applicable, must give

the optionee twenty (20) days' prior written notice of the defaults constituting "cause" hereunder.

(d) "Change in Control" shall, unless in the case of a particular Option the applicable Stock Option Agreement states otherwise or contains a different definition of "Change in Control," be deemed to occur upon:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") (other than any of the following (each an "Excluded Person"): HWH Capital Partners, L.P., HWP Capital Partners II, L.P., HWH Nightingale Partners, L.P., HWP Nightingale Partners II, L.P., Haas Wheat & Partners, L.P., any Affiliate of any of the foregoing, or any such group of which any of the foregoing is a member) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a majority of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, or the acquisition by a Person other than an Excluded Person of at least thirty percent (30%) of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, if at such time the Excluded Persons in the aggregate own a lesser percentage of such securities than the Person making such acquisition of such securities;

(ii) the dissolution or liquidation of the Company;

(iii) the sale of all or substantially all of the business or assets of the Company; or

(iv) the consummation of a merger, consolidation or similar form of corporate transaction involving the Company that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), if immediately following such Business Combination: (x) a Person (other than an Excluded Person), is or becomes the beneficial owner, directly or indirectly, of a majority of the combined voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), or (y) the Company's shareholders cease to beneficially own, directly or indirectly, in substantially the same proportion as they owned the then outstanding voting securities immediately prior to the Business Combination, a majority of the combined voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation). "Surviving Corporation" shall mean the corporation resulting from a Business Combination, and "Parent Corporation" shall mean the ultimate parent corporation that directly or indirectly has beneficial ownership of a majority of the combined voting power of the then outstanding voting securities of the Surviving Corporation entitled to vote generally in the election of directors.

(e) "Code" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include

any amendments or successor provisions to such section and any regulations under such section.

(f) "Committee" means a committee of at least two people as the Board may appoint to administer the Plan or, if no such committee has been appointed by the Board, the Board. Unless the Board is acting as the Committee or the Board specifically determines otherwise, each member of the Committee shall, at the time he takes any action with respect to a Option under the Plan, be an Eligible Director, however the mere fact that a Committee member shall fail to qualify as an Eligible Director shall not invalidate any Option granted by the Committee which Option is otherwise validly made under the Plan.

(g) "Common Stock" means the common stock, par value $0.01 per share, of the Company.

(h) "Company" means AMN Healthcare Services, Inc.

(i) "Disability" means a condition entitling a person to receive benefits under the long-term disability plan of the Company, a Subsidiary or Affiliate, as may be applicable to the Optionee in question, or, in the absence of such a plan, the complete and permanent inability by reason of illness or accident to perform the duties of the occupation at which the Optionee was employed or served when such disability commenced or, as determined by the Committee based upon medical evidence acceptable to it.

(j) "Effective Date" means January 17, 2002.

(k) "Eligible Director" means a person who is (i) a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act, or a person meeting any similar requirement under any successor rule or regulation and (ii) an "outside director" within the meaning of Section 162(m) of the Code, and the Treasury Regulations promulgated thereunder; provided, however, that clause (ii) shall apply only with respect to grants of Options with respect to which the Company's tax deduction could be limited by Section 162(m) of the Code if such clause did not apply.

(l) "Eligible Person" means any (i) individual regularly employed by the Company, a Subsidiary or Affiliate who satisfies all of the requirements of Section 6; provided, however, that no such employee covered by a collective bargaining agreement shall be an Eligible Person unless and to the extent that such eligibility is set forth in such collective bargaining agreement or in an agreement or instrument relating thereto; (ii) director of the Company, or Affiliate or (iii) consultant or advisor to the Company, a Subsidiary or Affiliate who is entitled to participate in an "employee benefit plan" within the meaning of 17 CFR Section 230.405 (which, as of the Effective Date, includes those who (A) are natural persons and (B) provide bona fide services to the Company other than in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the Company's securities).

(m) "Exchange Act" means the Securities Exchange Act of 1934.

(n) "Fair Market Value," on a given date means (i) if the Stock is listed on a national securities exchange, the mean between the highest and lowest sale prices reported as having occurred on the primary exchange with which the Stock is listed and traded on the date prior to such date, or, if there is no such sale on that date, then on the last preceding date on which such a sale was reported; (ii) if the Stock is not listed on any national securities exchange but is quoted in the National Market System of the National Association of Securities Dealers Automated Quotation System ("NASDAQ") on a last sale basis, the average between the high bid price and low ask price reported on the date prior to such date, or, if there is no such sale on that date, then on the last preceding date on which a sale was reported; or (iii) if the Stock is not listed on a national securities exchange nor quoted in the NASDAQ on a last sale basis, the amount determined by the Board to be the fair market value based upon a good faith attempt to value the Stock accurately and computed in accordance with applicable regulations of the Internal Revenue Service.

(o) "Grant Date" means the date on which the granting of an Option is authorized, or such other date as may be specified in such authorization or, if there is no such date, the date of this Stock Option Agreement.

(p) "Non-Qualified Stock Option" means an Option granted by the Committee to an Optionee under the Plan which is not an incentive stock option as described in Section 422 of the Code.

(q) "Normal Termination" means termination of employment or service with the Company and Affiliates:

(i) by the Optionee;

(ii) upon retirement;

(iii) on account of death or Disability; or

(iv) by the Company, a Subsidiary or Affiliate without Cause.

(r) "Option" means an award granted under Section 2.

(s) "Option Period" means the period described in Section 2.

(t) "Option Price" means the exercise price for an Option as described in Section 2.

(u) "Optionee" means an Eligible Person who has been selected by the Committee to participate in the Plan and to receive an Option pursuant to Section 2.

(v) "Securities Act" means the Securities Act of 1933, as amended.

(w) "Stock" means the Common Stock or such other authorized shares of stock of the Company, as the Committee may from time to time authorize for use under the Plan.

(x) "Subsidiary" means any subsidiary of the Company as defined in Section 424(f) of the Code.

2. GRANT OF OPTION. Subject to the terms and conditions set forth herein, the Company hereby grants to the Optionee, during the period commencing on the date of this Agreement and ending the day prior to the tenth anniversary of the date hereof (the "Termination Date"), the right and option (the right to purchase any one share of Stock hereunder being an "Option") to purchase from the Company, at $22.98 per share (the "Option Price"), an aggregate of 200,000 shares of Stock (the "Option Shares"). The original ten-year term of such Option shall be referred to herein as the "Option Period". The Options are not intended to be "incentive stock options" within the meaning of Section 422 of the Code.

3. LIMITATIONS ON EXERCISE OF OPTION. As set forth in the Plan, and subject to the terms and conditions set forth herein, the Optionee may exercise 25% of the Option on and after the first annual anniversary of the Grant Date, an additional 25% of the Option on and after the second anniversary of the Grant Date, an additional 25% of the Option on and after the third anniversary of the Grant Date, and a final 25% of the Option on and after the fourth anniversary of the Grant Date.

4. TERMINATION OF EMPLOYMENT.

(a) If, prior to the end of the Option Period, the Optionee shall undergo a Normal Termination other than due to death or Disability, (i) the portion of the Option which is vested at the time of such Normal Termination shall be determined in accordance with Section 3, (ii) the portion of the Option which is not vested at the date of such Normal Termination shall expire on such date; and (iii) the portion of the Option which is vested at the date of such Normal Termination shall expire on the earlier of the Termination Date or the date that is three months after the date of such Normal Termination.

(b) If, prior to the end of the Option Period, the Optionee dies or incurs a Disability while still in the employ or service of the Company, a Subsidiary or Affiliate, or if the Optionee dies within three months following a Normal Termination, (i) the portion of the Option which is not vested at the date of such termination shall expire on such date; and (ii) the portion of the Option which is vested at the date of such termination shall expire on the earlier of the Termination Date or the date that is twelve months after the date of such termination. In such event, the vested portion of the Option may be exercised as described above by the Optionee's personal representative or

executor, or by the person or persons to whom the Optionee's rights under the Option pass by will or the applicable laws of descent and distribution.

(c) If, prior to the Termination Date, the Optionee is terminated from the employment or service with the Company for Cause or for reasons other than a Normal Termination, all portions of the Option then held by such Optionee (whether or not vested) shall expire immediately upon such cessation of employment or service.

5. METHOD OF EXERCISING OPTION.

(a) The Optionee may exercise any or all of the Options after the time they become vested pursuant to Section 3 hereof by delivering to the Committee a written notice of exercise (in a form designated by the Committee) signed by the Optionee stating the number of Options that the Optionee has elected to exercise at that time and tendering the full payment of the Option Price of the shares of Stock to be thereby purchased from the Company. Payment of the Option Price of the shares may be made in cash and/or shares of Stock valued at the Fair Market Value at the time the Option is exercised (including any means of attestation of ownership of a sufficient number of shares of Stock in lieu of actual delivery of such shares to the Company; provided, however, that such shares are not subject to any pledge or other security interest and have either been held by the Optionee for six months, previously acquired by the Optionee on the open market or meet such other requirements as the Committee may determine necessary in order to avoid an accounting earnings charge in respect of the Option), or, in the discretion of the Committee, either (i) in other property having a fair market value on the date of exercise equal to the Option Price, (ii) by delivering to the Committee a copy of irrevocable instructions to a stockbroker to deliver promptly to the Company an amount of loan proceeds, or proceeds of the sale of the Stock subject to the Option, sufficient to pay the Option Price, or (iii) by such other method as the Committee may allow.

(b) The Optionee may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any shares of Stock or other property deliverable under the Option or from any compensation or other amounts owing to the Optionee the amount (in cash, Stock or other property) of any required tax withholding and payroll taxes in respect of an Option, its exercise, or any payment or transfer under an Option or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(c) Without limiting the generality of clause (b) above, in the Committee's sole discretion the Optionee may satisfy, in whole or in part, the foregoing withholding liability (but no more than the minimum required withholding liability) by delivery of shares of Stock owned by the Optionee (which are not subject to any pledge or other security interest and which have been owned by the Participant for at least 6 months or purchased on the open market) with a Fair Market Value equal to such withholding liability or by having the Company withhold from the number of shares of

Stock otherwise issuable pursuant to the exercise of the Option a number of shares with a Fair Market Value equal to such withholding liability.

6. ISSUANCE OF SHARES. As promptly as practical after receipt of written notification of exercise and full payment of the Option Price together with any required income tax withholding, the Company shall issue or transfer to the Optionee, the number of shares with respect to which the Option has been so exercised (less shares withheld in satisfaction of tax withholding obligations, if any), and shall deliver to the Optionee a certificate or certificates therefor, registered in the Optionee's name. The shares delivered to the Optionee pursuant to this Section 6 shall be free and clear of all liens, fully paid and non-assessable.

7. COMPANY; OPTIONEE.

(a) The term "Company" as used in this Agreement with reference to employment shall include the Company, its Subsidiaries and its Affiliates, as appropriate.

(b) Whenever the word "Optionee" is used in any provision of this Agreement under circumstances where the provision should logically be construed to apply to the beneficiaries, the executors, the administrators, or the person or persons to whom the Options may be transferred by will or by the laws of descent and distribution, the word "Optionee" shall be deemed to include such person or persons.

8. PURCHASE FOR INVESTMENT; LEGENDS. In the event that the offering of Option Shares with respect to which the Options are being exercised is not registered under the Securities Act, but an exemption is available that requires an investment representation or other representation, the Optionee, if electing to purchase Option Shares, shall represent that such Option Shares are being acquired for investment and not with a view to distribution thereof, and to make such other reasonable and customary representations regarding matters relevant to compliance with applicable securities laws as are deemed necessary by counsel to the Company. Stock certificates evidencing such unregistered Option Shares that are acquired upon exercise of the Options shall bear restrictive legends in substantially the following form and such other restrictive legends as are required or advisable under the provisions of any applicable laws or are provided for in the Shareholders Agreement or any other agreement to which Optionee is a party:

> THE SHARES REPRESENTED BY THIS STOCK CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), NOR UNDER ANY STATE SECURITIES LAWS AND SHALL NOT BE TRANSFERRED AT ANY TIME IN THE ABSENCE OF (I) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS WITH RESPECT TO SUCH SHARES AT SUCH TIME, OR (II) AN OPINION OF

COUNSEL SATISFACTORY TO THE COMPANY AND ITS COUNSEL, TO THE EFFECT THAT SUCH TRANSFER AT SUCH TIME WILL NOT VIOLATE THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS.

9. NON-TRANSFERABILITY. The Options are not transferable by the Optionee other than to a designated beneficiary upon death, by will or the laws of descent and distribution, or to a trust solely for the benefit of the Optionee or his immediate family, and are exercisable during the Optionee's lifetime only by him, or in the case of the Options being held by such a trust, by the trustee.

10. FORFEITURE FOR NON-COMPETE VIOLATION.

(a) Non-Compete. The grantee agrees that during the term of grantee's employment and for a period of two years thereafter (the "Coverage Period") the grantee will not engage in, consult with, participate in, hold a position as shareholder, director, officer, consultant, employee, partner or investor, or otherwise assist any business entity (i) in any State of the United States of America or (ii) in any other country in which the Company has business activities, in either case, that is engaged in any activities which are competitive with the business of providing healthcare or other personnel on a temporary basis to hospitals, healthcare facilities or other entities and any and all business activities reasonably related thereto in which the Company or any of its divisions, affiliates or subsidiaries are then engaged.

(b) Non-Solicit. The grantee agrees that during the Coverage Period, he shall not solicit, attempt to solicit or endeavor to entice away from the Company any person who, at any time during the Term was a traveling nurse or other healthcare professional, employee, customer, client or supplier of the Company.

(c) Confidential and Proprietary Information. The grantee agrees that he will not, at any time make use of or divulge to any other person, firm or corporation any confidential or proprietary information concerning the business or policies of the Company or any of its divisions, affiliates or subsidiaries. For purposes of this Agreement, any confidential information shall constitute any information designated as confidential or proprietary by the Company or otherwise known by the grantee to be confidential or proprietary information including, without limitation, customer information. Grantee acknowledges and agrees that for purposes of this Agreement, "customer information" includes without limitation, customer lists, all lists of professional personnel, names, addresses, phone numbers, contact persons, preferences, pricing arrangements, requirements and practices. Grantee's obligation under this Section 10(c) shall not apply to any information which (i) is known publicly; (ii) is in the public domain or hereafter enters the public domain without the fault of grantee; or (iii) is hereafter disclosed to grantee by a third party not under an obligation of confidence to the Company. Grantee agrees not to remove from the premises of the Company, except as an employee of the Company in pursuit of the business of the Company or except as specifically permitted in writing by the Company, any document or other object

containing or reflecting any such confidential or proprietary information. Grantee recognizes that all such information, whether developed by the grantee or by someone else, will be the sole exclusive property of the Company. Upon termination of employment, grantee shall forthwith deliver to the Company all such confidential or proprietary information, including without limitation all lists of customers, pricing methods, financial structures, correspondence, accounts, records and any other documents, computer disks, computer programs, software, laptops, modems or property made or held by him or under his control in relation to the business or affairs of the Company or any of its divisions, subsidiaries or affiliates, and no copy of any such confidential or proprietary information shall be retained by him.

(d) Forfeiture for Violations. If the grantee shall at any time violate the provisions of Section 10(a), (b), or (c), the grantee shall immediately forfeit all options (whether vested or unvested) and any exercise of an option which occurs after (or within 6 months before) any such violation shall be void ab initio.

11. RIGHTS AS STOCKHOLDER. The Optionee or a transferee of the Options shall have no rights as a stockholder with respect to any share of Stock covered by the Options until the Optionee shall have become the holder of record of such share and no adjustment shall be made for dividends or distributions or other rights in respect of such share of Stock for which the record date is prior to the date upon which she shall become the holder of record thereof.

12. CHANGES IN CAPITAL STRUCTURE. Options granted under the Plan and any Stock Option Agreements, the maximum number of shares of Stock subject to all Options stated in Section 5(a) of the Plan and the maximum number of shares of Stock with respect to which any one person may be granted Options during any period stated in Section 5(d) of the Plan shall be subject to adjustment or substitution, as determined by the Committee in its sole discretion, as to the number, price or kind of a share of Stock or other consideration subject to such Options or as otherwise determined by the Committee to be equitable (i) in the event of changes in the outstanding Stock or in the capital structure of the Company by reason of stock or extraordinary cash dividends, stock splits, reverse stock splits, recapitalization, reorganizations, mergers, consolidations, combinations, exchanges, or other relevant changes in capitalization occurring after the Date of Grant of any such Option or (ii) in the event of any change in applicable laws or any change in circumstances which results in or would result in any substantial dilution or enlargement of the rights granted to, or available for, Participants, or which otherwise warrants equitable adjustment because it interferes with the intended operation of the Plan. Any adjustments under Section 11 of the Plan shall be made in a manner which does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act. Further, with respect to Options intended to qualify as "performance-based compensation" under Section 162(m) of the Code, such adjustments or substitutions shall be made only to the extent that the Committee determines that such adjustments or substitutions may be made without causing Options granted under the Plan to fail to qualify as "performance-based compensation" for purposes of Section 162(m) of the Code. The Company shall give each Optionee notice of an

adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

Notwithstanding the above, in the event of any of the following:

(a) The Company is merged or consolidated with another corporation or entity and, in connection therewith, consideration is received by shareholders of the Company in a form other than stock or other equity interests of the surviving entity;

(b) All or substantially all of the assets of the Company are acquired by another person;

(c) The reorganization or liquidation of the Company; or

(d) The Company shall enter into a written agreement to undergo an event described in clauses (a), (b) or (c) above, then the Committee may, in its discretion and upon at least 10 days advance notice to the affected persons, cancel any outstanding Options and pay to the holders thereof, in cash or stock, or any combination thereof, the value of such Options based upon the price per share of Stock received or to be received by other shareholders of the Company in the event.

13. EFFECT OF CHANGE IN CONTROL.

(a) In the event of a Change in Control, notwithstanding any vesting schedule, the Option shall become immediately exercisable with respect to 100 percent of the shares subject to such Option and, to the extent practicable, such acceleration of exercisability shall occur in a manner and at a time which allows the Optionee the ability to exercise his Option and participate in the Change in Control transaction with respect to the Stock subject to such Option.

(b) In addition, in the event of a Change in Control, the Committee may in its discretion and upon at least 10 days' advance notice to the Optionee, cancel any outstanding portions of the Option and pay to the Optionee, in cash or stock, or any combination thereof, the value of such portions of the Option based upon the price per share of Stock received or to be received by other shareholders of the Company in the event.

(c) The obligations of the Company under this Agreement shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. The Company agrees that it will make appropriate provisions for the preservation of the Optionee's rights under this Agreement in any agreement or plan which it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

14. COMPLIANCE WITH LAW. Notwithstanding any of the provisions hereof, the Optionee hereby agrees that the Optionee will not exercise the Options, and

that the Company will not be obligated to issue or transfer any shares to the Optionee hereunder, if the exercise hereof or the issuance or transfer of such shares shall constitute a violation by the Optionee or the Company of any provisions of any law or regulation of any governmental authority. Any determination in this connection by the Committee shall be final, binding and conclusive. The Company shall in no event be obliged to register any securities for sale under the Securities Act or to take any other affirmative action in order to cause the exercise of the Options or the issuance or transfer of shares pursuant thereto to comply with any law or regulation of any governmental authority.

15. NOTICE. Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided, provided that, unless and until some other address be so designated, all notices or communications by the Optionee to the Company shall be mailed or delivered to the Company at its principal executive office, and all notices or communications by the Company to the Optionee may be given to the Optionee personally or may be mailed to her at her address as recorded in the records of the Company.

16. NO RIGHT TO CONTINUED EMPLOYMENT. This Agreement shall not be construed as giving the Optionee the right to be retained in the employ or service of the Company, a Subsidiary or an Affiliate. Further, the Company or an Affiliate may at any time dismiss the Optionee or discontinue any consulting relationship, free from any liability or any claim under this Agreement, except as otherwise expressly provided herein.

17. BINDING EFFECT. Subject to Section 9 hereof, this Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

18. AMENDMENT OF AGREEMENT. The Committee may, to the extent consistent with the terms of this Agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any portion of the Option heretofore granted, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would impair the rights of the Optionee in respect of any Option already granted shall not to that extent be effective without the consent of the Optionee.

19. OPTION SUBJECT TO PLAN. By entering into this Agreement, the Optionee agrees and acknowledges that the Optionee has received and read a copy of the Plan. The Option is subject to the Plan. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

20. GOVERNING LAW. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Delaware without regard to the principles of conflicts of law thereof, or principles of conflicts of laws of any other

jurisdiction which could cause the application of the laws of any jurisdiction other than the State of Delaware.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

AMN HEALTHCARE SERVICES, INC.

By: /s/ SUSAN R. NOWAKOWSKI

Name: Susan R. Nowakowski
Title: Chief Operating Officer and Executive Vice President

OPTIONEE

By: /s/ STEVEN C. FRANCIS

Name: Steven C. Francis

EXHIBIT 10.39

AMN HEALTHCARE SERVICES, INC.
2001 STOCK OPTION PLAN
STOCK OPTION AGREEMENT

THIS STOCK OPTION AGREEMENT (the "Agreement"), made this 17th day of January, 2002, by and between AMN Healthcare Services, Inc. (the "Company"), a Delaware corporation, and Susan R. Nowakowski (the "Optionee").

W I T N E S S E T H:

WHEREAS, the Company sponsors the AMN Healthcare Services, Inc. 2001 Stock Option Plan (the "Plan"), and desires to afford the Optionee the opportunity to acquire and maintain the Optionee's ownership of the Company's common stock, par value $.01 per share ("Stock") thereunder, thereby strengthening the Optionee's commitment to the welfare of the Company and Affiliates and promoting an identity of interest between stockholders and the Optionee.

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

1. DEFINITIONS.

The following definitions shall be applicable throughout the Agreement. Where defined terms are not defined herein, their meaning shall be that set forth in the Plan.

(a) "Affiliate" means (i) any entity that directly or indirectly is controlled by, or is under common control with the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

(b) "Board" means the Board of Directors of the Company.

(c) "Cause" means the Company or an Affiliate having "cause" to terminate an Optionee's employment or service, as defined in any existing employment, consulting or any other agreement between the Optionee and the Company or a Subsidiary or Affiliate, or, in the absence of such an employment, consulting or other agreement, upon (i) the determination by the Committee that the Optionee has ceased to perform his duties to the Company or an Affiliate (other than as a result of his incapacity due to physical or mental illness or injury), which failure amounts to an intentional and extended neglect of his duties to such party, (ii) the Committee's determination that the Optionee has engaged or is about to engage in conduct injurious to the Company or an Affiliate, (iii) the Optionee having been convicted of, or pleaded guilty or no contest to, a felony or a crime involving moral turpitude or (iv) the failure of the Optionee to follow the lawful instructions of the Board or his direct superiors; provided, however, that in the instances of clauses (i), (ii) and (iv), the Company or Affiliate, as applicable, must give

the optionee twenty (20) days' prior written notice of the defaults constituting "cause" hereunder.

(d) "Change in Control" shall, unless in the case of a particular Option the applicable Stock Option Agreement states otherwise or contains a different definition of "Change in Control," be deemed to occur upon:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") (other than any of the following (each an "Excluded Person"): HWH Capital Partners, L.P., HWP Capital Partners II, L.P., HWH Nightingale Partners, L.P., HWP Nightingale Partners II, L.P., Haas Wheat & Partners, L.P., any Affiliate of any of the foregoing, or any such group of which any of the foregoing is a member) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a majority of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, or the acquisition by a Person other than an Excluded Person of at least thirty percent (30%) of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, if at such time the Excluded Persons in the aggregate own a lesser percentage of such securities than the Person making such acquisition of such securities;

(ii) the dissolution or liquidation of the Company;

(iii) the sale of all or substantially all of the business or assets of the Company; or

(iv) the consummation of a merger, consolidation or similar form of corporate transaction involving the Company that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), if immediately following such Business Combination: (x) a Person (other than an Excluded Person), is or becomes the beneficial owner, directly or indirectly, of a majority of the combined voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), or (y) the Company's shareholders cease to beneficially own, directly or indirectly, in substantially the same proportion as they owned the then outstanding voting securities immediately prior to the Business Combination, a majority of the combined voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation). "Surviving Corporation" shall mean the corporation resulting from a Business Combination, and "Parent Corporation" shall mean the ultimate parent corporation that directly or indirectly has beneficial ownership of a majority of the combined voting power of the then outstanding voting securities of the Surviving Corporation entitled to vote generally in the election of directors.

(e) "Code" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include

any amendments or successor provisions to such section and any regulations under such section.

(f) "Committee" means a committee of at least two people as the Board may appoint to administer the Plan or, if no such committee has been appointed by the Board, the Board. Unless the Board is acting as the Committee or the Board specifically determines otherwise, each member of the Committee shall, at the time he takes any action with respect to a Option under the Plan, be an Eligible Director, however the mere fact that a Committee member shall fail to qualify as an Eligible Director shall not invalidate any Option granted by the Committee which Option is otherwise validly made under the Plan.

(g) "Common Stock" means the common stock, par value $0.01 per share, of the Company.

(h) "Company" means AMN Healthcare Services, Inc.

(i) "Disability" means a condition entitling a person to receive benefits under the long-term disability plan of the Company, a Subsidiary or Affiliate, as may be applicable to the Optionee in question, or, in the absence of such a plan, the complete and permanent inability by reason of illness or accident to perform the duties of the occupation at which the Optionee was employed or served when such disability commenced or, as determined by the Committee based upon medical evidence acceptable to it.

(j) "Effective Date" means January 17, 2002.

(k) "Eligible Director" means a person who is (i) a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act, or a person meeting any similar requirement under any successor rule or regulation and (ii) an "outside director" within the meaning of Section 162(m) of the Code, and the Treasury Regulations promulgated thereunder; provided, however, that clause (ii) shall apply only with respect to grants of Options with respect to which the Company's tax deduction could be limited by Section 162(m) of the Code if such clause did not apply.

(l) "Eligible Person" means any (i) individual regularly employed by the Company, a Subsidiary or Affiliate who satisfies all of the requirements of Section 6; provided, however, that no such employee covered by a collective bargaining agreement shall be an Eligible Person unless and to the extent that such eligibility is set forth in such collective bargaining agreement or in an agreement or instrument relating thereto; (ii) director of the Company, or Affiliate or (iii) consultant or advisor to the Company, a Subsidiary or Affiliate who is entitled to participate in an "employee benefit plan" within the meaning of 17 CFR Section 230.405 (which, as of the Effective Date, includes those who (A) are natural persons and (B) provide bona fide services to the Company other than in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the Company's securities).

(m) "Exchange Act" means the Securities Exchange Act of 1934.

(n) "Fair Market Value," on a given date means (i) if the Stock is listed on a national securities exchange, the mean between the highest and lowest sale prices reported as having occurred on the primary exchange with which the Stock is listed and traded on the date prior to such date, or, if there is no such sale on that date, then on the last preceding date on which such a sale was reported; (ii) if the Stock is not listed on any national securities exchange but is quoted in the National Market System of the National Association of Securities Dealers Automated Quotation System ("NASDAQ") on a last sale basis, the average between the high bid price and low ask price reported on the date prior to such date, or, if there is no such sale on that date, then on the last preceding date on which a sale was reported; or (iii) if the Stock is not listed on a national securities exchange nor quoted in the NASDAQ on a last sale basis, the amount determined by the Board to be the fair market value based upon a good faith attempt to value the Stock accurately and computed in accordance with applicable regulations of the Internal Revenue Service.

(o) "Grant Date" means the date on which the granting of an Option is authorized, or such other date as may be specified in such authorization or, if there is no such date, the date of this Stock Option Agreement.

(p) "Non-Qualified Stock Option" means an Option granted by the Committee to an Optionee under the Plan which is not an incentive stock option as described in Section 422 of the Code.

(q) "Normal Termination" means termination of employment or service with the Company and Affiliates:

(i) by the Optionee;

(ii) upon retirement;

(iii) on account of death or Disability; or

(iv) by the Company, a Subsidiary or Affiliate without Cause.

(r) "Option" means an award granted under Section 2.

(s) "Option Period" means the period described in Section 2.

(t) "Option Price" means the exercise price for an Option as described in Section 2.

(u) "Optionee" means an Eligible Person who has been selected by the Committee to participate in the Plan and to receive an Option pursuant to Section 2.

(v) "Securities Act" means the Securities Act of 1933, as amended.

(w) "Stock" means the Common Stock or such other authorized shares of stock of the Company, as the Committee may from time to time authorize for use under the Plan.

(x) "Subsidiary" means any subsidiary of the Company as defined in Section 424(f) of the Code.

2. GRANT OF OPTION. Subject to the terms and conditions set forth herein, the Company hereby grants to the Optionee, during the period commencing on the date of this Agreement and ending the day prior to the tenth anniversary of the date hereof (the "Termination Date"), the right and option (the right to purchase any one share of Stock hereunder being an "Option") to purchase from the Company, at $22.98 per share (the "Option Price"), an aggregate of 60,000 shares of Stock (the "Option Shares"). The original ten-year term of such Option shall be referred to herein as the "Option Period". The Options are not intended to be "incentive stock options" within the meaning of Section 422 of the Code.

3. LIMITATIONS ON EXERCISE OF OPTION. As set forth in the Plan, and subject to the terms and conditions set forth herein, the Optionee may exercise 25% of the Option on and after the first annual anniversary of the Grant Date, an additional 25% of the Option on and after the second anniversary of the Grant Date, an additional 25% of the Option on and after the third anniversary of the Grant Date, and a final 25% of the Option on and after the fourth anniversary of the Grant Date.

4. TERMINATION OF EMPLOYMENT.

(a) If, prior to the end of the Option Period, the Optionee shall undergo a Normal Termination other than due to death or Disability, (i) the portion of the Option which is vested at the time of such Normal Termination shall be determined in accordance with Section 3, (ii) the portion of the Option which is not vested at the date of such Normal Termination shall expire on such date; and (iii) the portion of the Option which is vested at the date of such Normal Termination shall expire on the earlier of the Termination Date or the date that is three months after the date of such Normal Termination.

(b) If, prior to the end of the Option Period, the Optionee dies or incurs a Disability while still in the employ or service of the Company, a Subsidiary or Affiliate, or if the Optionee dies within three months following a Normal Termination, (i) the portion of the Option which is not vested at the date of such termination shall expire on such date; and (ii) the portion of the Option which is vested at the date of such termination shall expire on the earlier of the Termination Date or the date that is twelve months after the date of such termination. In such event, the vested portion of the Option may be exercised as described above by the Optionee's personal representative or

executor, or by the person or persons to whom the Optionee's rights under the Option pass by will or the applicable laws of descent and distribution.

(c) If, prior to the Termination Date, the Optionee is terminated from the employment or service with the Company for Cause or for reasons other than a Normal Termination, all portions of the Option then held by such Optionee (whether or not vested) shall expire immediately upon such cessation of employment or service.

5. METHOD OF EXERCISING OPTION.

(a) The Optionee may exercise any or all of the Options after the time they become vested pursuant to Section 3 hereof by delivering to the Committee a written notice of exercise (in a form designated by the Committee) signed by the Optionee stating the number of Options that the Optionee has elected to exercise at that time and tendering the full payment of the Option Price of the shares of Stock to be thereby purchased from the Company. Payment of the Option Price of the shares may be made in cash and/or shares of Stock valued at the Fair Market Value at the time the Option is exercised (including any means of attestation of ownership of a sufficient number of shares of Stock in lieu of actual delivery of such shares to the Company; provided, however, that such shares are not subject to any pledge or other security interest and have either been held by the Optionee for six months, previously acquired by the Optionee on the open market or meet such other requirements as the Committee may determine necessary in order to avoid an accounting earnings charge in respect of the Option), or, in the discretion of the Committee, either (i) in other property having a fair market value on the date of exercise equal to the Option Price, (ii) by delivering to the Committee a copy of irrevocable instructions to a stockbroker to deliver promptly to the Company an amount of loan proceeds, or proceeds of the sale of the Stock subject to the Option, sufficient to pay the Option Price, or (iii) by such other method as the Committee may allow.

(b) The Optionee may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any shares of Stock or other property deliverable under the Option or from any compensation or other amounts owing to the Optionee the amount (in cash, Stock or other property) of any required tax withholding and payroll taxes in respect of an Option, its exercise, or any payment or transfer under an Option or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(c) Without limiting the generality of clause (b) above, in the Committee's sole discretion the Optionee may satisfy, in whole or in part, the foregoing withholding liability (but no more than the minimum required withholding liability) by delivery of shares of Stock owned by the Optionee (which are not subject to any pledge or other security interest and which have been owned by the Participant for at least 6 months or purchased on the open market) with a Fair Market Value equal to such withholding liability or by having the Company withhold from the number of shares of

Stock otherwise issuable pursuant to the exercise of the Option a number of shares with a Fair Market Value equal to such withholding liability.

6. ISSUANCE OF SHARES. As promptly as practical after receipt of written notification of exercise and full payment of the Option Price together with any required income tax withholding, the Company shall issue or transfer to the Optionee, the number of shares with respect to which the Option has been so exercised (less shares withheld in satisfaction of tax withholding obligations, if any), and shall deliver to the Optionee a certificate or certificates therefor, registered in the Optionee's name. The shares delivered to the Optionee pursuant to this Section 6 shall be free and clear of all liens, fully paid and non-assessable.

7. COMPANY; OPTIONEE.

(a) The term "Company" as used in this Agreement with reference to employment shall include the Company, its Subsidiaries and its Affiliates, as appropriate.

(b) Whenever the word "Optionee" is used in any provision of this Agreement under circumstances where the provision should logically be construed to apply to the beneficiaries, the executors, the administrators, or the person or persons to whom the Options may be transferred by will or by the laws of descent and distribution, the word "Optionee" shall be deemed to include such person or persons.

8. PURCHASE FOR INVESTMENT; LEGENDS. In the event that the offering of Option Shares with respect to which the Options are being exercised is not registered under the Securities Act, but an exemption is available that requires an investment representation or other representation, the Optionee, if electing to purchase Option Shares, shall represent that such Option Shares are being acquired for investment and not with a view to distribution thereof, and to make such other reasonable and customary representations regarding matters relevant to compliance with applicable securities laws as are deemed necessary by counsel to the Company. Stock certificates evidencing such unregistered Option Shares that are acquired upon exercise of the Options shall bear restrictive legends in substantially the following form and such other restrictive legends as are required or advisable under the provisions of any applicable laws or are provided for in the Shareholders Agreement or any other agreement to which Optionee is a party:

> THE SHARES REPRESENTED BY THIS STOCK CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), NOR UNDER ANY STATE SECURITIES LAWS AND SHALL NOT BE TRANSFERRED AT ANY TIME IN THE ABSENCE OF (I) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS WITH RESPECT TO SUCH SHARES AT SUCH TIME, OR (II) AN OPINION OF

COUNSEL SATISFACTORY TO THE COMPANY AND ITS COUNSEL, TO THE EFFECT THAT SUCH TRANSFER AT SUCH TIME WILL NOT VIOLATE THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS.

9. NON-TRANSFERABILITY. The Options are not transferable by the Optionee other than to a designated beneficiary upon death, by will or the laws of descent and distribution, or to a trust solely for the benefit of the Optionee or his immediate family, and are exercisable during the Optionee's lifetime only by him, or in the case of the Options being held by such a trust, by the trustee.

10. FORFEITURE FOR NON-COMPETE VIOLATION.

(a) Non-Compete. The grantee agrees that during the term of grantee's employment and for a period of two years thereafter (the "Coverage Period") the grantee will not engage in, consult with, participate in, hold a position as shareholder, director, officer, consultant, employee, partner or investor, or otherwise assist any business entity (i) in any State of the United States of America or (ii) in any other country in which the Company has business activities, in either case, that is engaged in any activities which are competitive with the business of providing healthcare or other personnel on a temporary basis to hospitals, healthcare facilities or other entities and any and all business activities reasonably related thereto in which the Company or any of its divisions, affiliates or subsidiaries are then engaged.

(b) Non-Solicit. The grantee agrees that during the Coverage Period, he shall not solicit, attempt to solicit or endeavor to entice away from the Company any person who, at any time during the Term was a traveling nurse or other healthcare professional, employee, customer, client or supplier of the Company.

(c) Confidential and Proprietary Information. The grantee agrees that he will not, at any time make use of or divulge to any other person, firm or corporation any confidential or proprietary information concerning the business or policies of the Company or any of its divisions, affiliates or subsidiaries. For purposes of this Agreement, any confidential information shall constitute any information designated as confidential or proprietary by the Company or otherwise known by the grantee to be confidential or proprietary information including, without limitation, customer information. Grantee acknowledges and agrees that for purposes of this Agreement, "customer information" includes without limitation, customer lists, all lists of professional personnel, names, addresses, phone numbers, contact persons, preferences, pricing arrangements, requirements and practices. Grantee's obligation under this Section 10(c) shall not apply to any information which (i) is known publicly; (ii) is in the public domain or hereafter enters the public domain without the fault of grantee; or (iii) is hereafter disclosed to grantee by a third party not under an obligation of confidence to the Company. Grantee agrees not to remove from the premises of the Company, except as an employee of the Company in pursuit of the business of the Company or except as specifically permitted in writing by the Company, any document or other object

containing or reflecting any such confidential or proprietary information. Grantee recognizes that all such information, whether developed by the grantee or by someone else, will be the sole exclusive property of the Company. Upon termination of employment, grantee shall forthwith deliver to the Company all such confidential or proprietary information, including without limitation all lists of customers, pricing methods, financial structures, correspondence, accounts, records and any other documents, computer disks, computer programs, software, laptops, modems or property made or held by him or under his control in relation to the business or affairs of the Company or any of its divisions, subsidiaries or affiliates, and no copy of any such confidential or proprietary information shall be retained by him.

(d) Forfeiture for Violations. If the grantee shall at any time violate the provisions of Section 10(a), (b), or (c), the grantee shall immediately forfeit all options (whether vested or unvested) and any exercise of an option which occurs after (or within 6 months before) any such violation shall be void ab initio.

11. RIGHTS AS STOCKHOLDER. The Optionee or a transferee of the Options shall have no rights as a stockholder with respect to any share of Stock covered by the Options until the Optionee shall have become the holder of record of such share and no adjustment shall be made for dividends or distributions or other rights in respect of such share of Stock for which the record date is prior to the date upon which she shall become the holder of record thereof.

12. CHANGES IN CAPITAL STRUCTURE. Options granted under the Plan and any Stock Option Agreements, the maximum number of shares of Stock subject to all Options stated in Section 5(a) of the Plan and the maximum number of shares of Stock with respect to which any one person may be granted Options during any period stated in Section 5(d) of the Plan shall be subject to adjustment or substitution, as determined by the Committee in its sole discretion, as to the number, price or kind of a share of Stock or other consideration subject to such Options or as otherwise determined by the Committee to be equitable (i) in the event of changes in the outstanding Stock or in the capital structure of the Company by reason of stock or extraordinary cash dividends, stock splits, reverse stock splits, recapitalization, reorganizations, mergers, consolidations, combinations, exchanges, or other relevant changes in capitalization occurring after the Date of Grant of any such Option or (ii) in the event of any change in applicable laws or any change in circumstances which results in or would result in any substantial dilution or enlargement of the rights granted to, or available for, Participants, or which otherwise warrants equitable adjustment because it interferes with the intended operation of the Plan. Any adjustments under Section 11 of the Plan shall be made in a manner which does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act. Further, with respect to Options intended to qualify as "performance-based compensation" under Section 162(m) of the Code, such adjustments or substitutions shall be made only to the extent that the Committee determines that such adjustments or substitutions may be made without causing Options granted under the Plan to fail to qualify as "performance-based compensation" for purposes of Section 162(m) of the Code. The Company shall give each Optionee notice of an

adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

Notwithstanding the above, in the event of any of the following:

(a) The Company is merged or consolidated with another corporation or entity and, in connection therewith, consideration is received by shareholders of the Company in a form other than stock or other equity interests of the surviving entity;

(b) All or substantially all of the assets of the Company are acquired by another person;

(c) The reorganization or liquidation of the Company; or

(d) The Company shall enter into a written agreement to undergo an event described in clauses (a), (b) or (c) above, then the Committee may, in its discretion and upon at least 10 days advance notice to the affected persons, cancel any outstanding Options and pay to the holders thereof, in cash or stock, or any combination thereof, the value of such Options based upon the price per share of Stock received or to be received by other shareholders of the Company in the event.

13. EFFECT OF CHANGE IN CONTROL.

(a) In the event of a Change in Control, notwithstanding any vesting schedule, the Option shall become immediately exercisable with respect to 100 percent of the shares subject to such Option and, to the extent practicable, such acceleration of exercisability shall occur in a manner and at a time which allows the Optionee the ability to exercise his Option and participate in the Change in Control transaction with respect to the Stock subject to such Option.

(b) In addition, in the event of a Change in Control, the Committee may in its discretion and upon at least 10 days' advance notice to the Optionee, cancel any outstanding portions of the Option and pay to the Optionee, in cash or stock, or any combination thereof, the value of such portions of the Option based upon the price per share of Stock received or to be received by other shareholders of the Company in the event.

(c) The obligations of the Company under this Agreement shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. The Company agrees that it will make appropriate provisions for the preservation of the Optionee's rights under this Agreement in any agreement or plan which it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

14. COMPLIANCE WITH LAW. Notwithstanding any of the provisions hereof, the Optionee hereby agrees that the Optionee will not exercise the Options, and

that the Company will not be obligated to issue or transfer any shares to the Optionee hereunder, if the exercise hereof or the issuance or transfer of such shares shall constitute a violation by the Optionee or the Company of any provisions of any law or regulation of any governmental authority. Any determination in this connection by the Committee shall be final, binding and conclusive. The Company shall in no event be obliged to register any securities for sale under the Securities Act or to take any other affirmative action in order to cause the exercise of the Options or the issuance or transfer of shares pursuant thereto to comply with any law or regulation of any governmental authority.

15. NOTICE. Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided, provided that, unless and until some other address be so designated, all notices or communications by the Optionee to the Company shall be mailed or delivered to the Company at its principal executive office, and all notices or communications by the Company to the Optionee may be given to the Optionee personally or may be mailed to her at her address as recorded in the records of the Company.

16. NO RIGHT TO CONTINUED EMPLOYMENT. This Agreement shall not be construed as giving the Optionee the right to be retained in the employ or service of the Company, a Subsidiary or an Affiliate. Further, the Company or an Affiliate may at any time dismiss the Optionee or discontinue any consulting relationship, free from any liability or any claim under this Agreement, except as otherwise expressly provided herein.

17. BINDING EFFECT. Subject to Section 9 hereof, this Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

18. AMENDMENT OF AGREEMENT. The Committee may, to the extent consistent with the terms of this Agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any portion of the Option heretofore granted, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would impair the rights of the Optionee in respect of any Option already granted shall not to that extent be effective without the consent of the Optionee.

19. OPTION SUBJECT TO PLAN. By entering into this Agreement, the Optionee agrees and acknowledges that the Optionee has received and read a copy of the Plan. The Option is subject to the Plan. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

20. GOVERNING LAW. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Delaware without regard to the principles of conflicts of law thereof, or principles of conflicts of laws of any other

jurisdiction which could cause the application of the laws of any jurisdiction other than the State of Delaware.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

AMN HEALTHCARE SERVICES, INC.

By: /s/ STEVEN C. FRANCIS

Name: Steven C. Francis
Title: CEO and President

OPTIONEE

By: /s/ SUSAN R. NOWAKOWSKI

Name: Susan R. Nowakowski

EXHIBIT 10.40

AMN HEALTHCARE SERVICES, INC.
2001 STOCK OPTION PLAN
STOCK OPTION AGREEMENT

THIS STOCK OPTION AGREEMENT (the "Agreement"), made this 17th day of January, 2002, by and between AMN Healthcare Services, Inc. (the "Company"), a Delaware corporation, and Donald Myll (the "Optionee").

W I T N E S S E T H:

WHEREAS, the Company sponsors the AMN Healthcare Services, Inc. 2001 Stock Option Plan (the "Plan"), and desires to afford the Optionee the opportunity to acquire and maintain the Optionee's ownership of the Company's common stock, par value $.01 per share ("Stock") thereunder, thereby strengthening the Optionee's commitment to the welfare of the Company and Affiliates and promoting an identity of interest between stockholders and the Optionee.

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

1. DEFINITIONS.

The following definitions shall be applicable throughout the Agreement. Where defined terms are not defined herein, their meaning shall be that set forth in the Plan.

(a) "Affiliate" means (i) any entity that directly or indirectly is controlled by, or is under common control with the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

(b) "Board" means the Board of Directors of the Company.

(c) "Cause" means the Company or an Affiliate having "cause" to terminate an Optionee's employment or service, as defined in any existing employment, consulting or any other agreement between the Optionee and the Company or a Subsidiary or Affiliate, or, in the absence of such an employment, consulting or other agreement, upon (i) the determination by the Committee that the Optionee has ceased to perform his duties to the Company or an Affiliate (other than as a result of his incapacity due to physical or mental illness or injury), which failure amounts to an intentional and extended neglect of his duties to such party, (ii) the Committee's determination that the Optionee has engaged or is about to engage in conduct injurious to the Company or an Affiliate, (iii) the Optionee having been convicted of, or pleaded guilty or no contest to, a felony or a crime involving moral turpitude or (iv) the failure of the Optionee to follow the lawful instructions of the Board or his direct superiors; provided, however, that in the instances of clauses (i), (ii) and (iv), the Company or Affiliate, as applicable, must give

the optionee twenty (20) days' prior written notice of the defaults constituting "cause" hereunder.

(d) "Change in Control" shall, unless in the case of a particular Option the applicable Stock Option Agreement states otherwise or contains a different definition of "Change in Control," be deemed to occur upon:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") (other than any of the following (each an "Excluded Person"): HWH Capital Partners, L.P., HWP Capital Partners II, L.P., HWH Nightingale Partners, L.P., HWP Nightingale Partners II, L.P., Haas Wheat & Partners, L.P., any Affiliate of any of the foregoing, or any such group of which any of the foregoing is a member) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a majority of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, or the acquisition by a Person other than an Excluded Person of at least thirty percent (30%) of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, if at such time the Excluded Persons in the aggregate own a lesser percentage of such securities than the Person making such acquisition of such securities;

(ii) the dissolution or liquidation of the Company;

(iii) the sale of all or substantially all of the business or assets of the Company; or

(iv) the consummation of a merger, consolidation or similar form of corporate transaction involving the Company that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), if immediately following such Business Combination: (x) a Person (other than an Excluded Person), is or becomes the beneficial owner, directly or indirectly, of a majority of the combined voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), or (y) the Company's shareholders cease to beneficially own, directly or indirectly, in substantially the same proportion as they owned the then outstanding voting securities immediately prior to the Business Combination, a majority of the combined voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation). "Surviving Corporation" shall mean the corporation resulting from a Business Combination, and "Parent Corporation" shall mean the ultimate parent corporation that directly or indirectly has beneficial ownership of a majority of the combined voting power of the then outstanding voting securities of the Surviving Corporation entitled to vote generally in the election of directors.

(e) "Code" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include

any amendments or successor provisions to such section and any regulations under such section.

(f) "Committee" means a committee of at least two people as the Board may appoint to administer the Plan or, if no such committee has been appointed by the Board, the Board. Unless the Board is acting as the Committee or the Board specifically determines otherwise, each member of the Committee shall, at the time he takes any action with respect to a Option under the Plan, be an Eligible Director, however the mere fact that a Committee member shall fail to qualify as an Eligible Director shall not invalidate any Option granted by the Committee which Option is otherwise validly made under the Plan.

(g) "Common Stock" means the common stock, par value $0.01 per share, of the Company.

(h) "Company" means AMN Healthcare Services, Inc.

(i) "Disability" means a condition entitling a person to receive benefits under the long-term disability plan of the Company, a Subsidiary or Affiliate, as may be applicable to the Optionee in question, or, in the absence of such a plan, the complete and permanent inability by reason of illness or accident to perform the duties of the occupation at which the Optionee was employed or served when such disability commenced or, as determined by the Committee based upon medical evidence acceptable to it.

(j) "Effective Date" means January 17, 2002.

(k) "Eligible Director" means a person who is (i) a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act, or a person meeting any similar requirement under any successor rule or regulation and (ii) an "outside director" within the meaning of Section 162(m) of the Code, and the Treasury Regulations promulgated thereunder; provided, however, that clause (ii) shall apply only with respect to grants of Options with respect to which the Company's tax deduction could be limited by Section 162(m) of the Code if such clause did not apply.

(l) "Eligible Person" means any (i) individual regularly employed by the Company, a Subsidiary or Affiliate who satisfies all of the requirements of Section 6; provided, however, that no such employee covered by a collective bargaining agreement shall be an Eligible Person unless and to the extent that such eligibility is set forth in such collective bargaining agreement or in an agreement or instrument relating thereto; (ii) director of the Company, or Affiliate or (iii) consultant or advisor to the Company, a Subsidiary or Affiliate who is entitled to participate in an "employee benefit plan" within the meaning of 17 CFR Section 230.405 (which, as of the Effective Date, includes those who (A) are natural persons and (B) provide bona fide services to the Company other than in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the Company's securities).

(m) "Exchange Act" means the Securities Exchange Act of 1934.

(n) "Fair Market Value," on a given date means (i) if the Stock is listed on a national securities exchange, the mean between the highest and lowest sale prices reported as having occurred on the primary exchange with which the Stock is listed and traded on the date prior to such date, or, if there is no such sale on that date, then on the last preceding date on which such a sale was reported; (ii) if the Stock is not listed on any national securities exchange but is quoted in the National Market System of the National Association of Securities Dealers Automated Quotation System ("NASDAQ") on a last sale basis, the average between the high bid price and low ask price reported on the date prior to such date, or, if there is no such sale on that date, then on the last preceding date on which a sale was reported; or (iii) if the Stock is not listed on a national securities exchange nor quoted in the NASDAQ on a last sale basis, the amount determined by the Board to be the fair market value based upon a good faith attempt to value the Stock accurately and computed in accordance with applicable regulations of the Internal Revenue Service.

(o) "Grant Date" means the date on which the granting of an Option is authorized, or such other date as may be specified in such authorization or, if there is no such date, the date of this Stock Option Agreement.

(p) "Non-Qualified Stock Option" means an Option granted by the Committee to an Optionee under the Plan which is not an incentive stock option as described in Section 422 of the Code.

(q) "Normal Termination" means termination of employment or service with the Company and Affiliates:

(i) by the Optionee;

(ii) upon retirement;

(iii) on account of death or Disability; or

(iv) by the Company, a Subsidiary or Affiliate without Cause.

(r) "Option" means an award granted under Section 2.

(s) "Option Period" means the period described in Section 2.

(t) "Option Price" means the exercise price for an Option as described in Section 2.

(u) "Optionee" means an Eligible Person who has been selected by the Committee to participate in the Plan and to receive an Option pursuant to Section 2.

(v) "Securities Act" means the Securities Act of 1933, as amended.

(w) "Stock" means the Common Stock or such other authorized shares of stock of the Company, as the Committee may from time to time authorize for use under the Plan.

(x) "Subsidiary" means any subsidiary of the Company as defined in Section 424(f) of the Code.

2. GRANT OF OPTION. Subject to the terms and conditions set forth herein, the Company hereby grants to the Optionee, during the period commencing on the date of this Agreement and ending the day prior to the tenth anniversary of the date hereof (the "Termination Date"), the right and option (the right to purchase any one share of Stock hereunder being an "Option") to purchase from the Company, at $22.98 per share (the "Option Price"), an aggregate of 50,000 shares of Stock (the "Option Shares"). The original ten-year term of such Option shall be referred to herein as the "Option Period". The Options are not intended to be "incentive stock options" within the meaning of Section 422 of the Code.

3. LIMITATIONS ON EXERCISE OF OPTION. As set forth in the Plan, and subject to the terms and conditions set forth herein, the Optionee may exercise 25% of the Option on and after the first annual anniversary of the Grant Date, an additional 25% of the Option on and after the second anniversary of the Grant Date, an additional 25% of the Option on and after the third anniversary of the Grant Date, and a final 25% of the Option on and after the fourth anniversary of the Grant Date.

4. TERMINATION OF EMPLOYMENT.

(a) If, prior to the end of the Option Period, the Optionee shall undergo a Normal Termination other than due to death or Disability, (i) the portion of the Option which is vested at the time of such Normal Termination shall be determined in accordance with Section 3, (ii) the portion of the Option which is not vested at the date of such Normal Termination shall expire on such date; and (iii) the portion of the Option which is vested at the date of such Normal Termination shall expire on the earlier of the Termination Date or the date that is three months after the date of such Normal Termination.

(b) If, prior to the end of the Option Period, the Optionee dies or incurs a Disability while still in the employ or service of the Company, a Subsidiary or Affiliate, or if the Optionee dies within three months following a Normal Termination, (i) the portion of the Option which is not vested at the date of such termination shall expire on such date; and (ii) the portion of the Option which is vested at the date of such termination shall expire on the earlier of the Termination Date or the date that is twelve months after the date of such termination. In such event, the vested portion of the Option may be exercised as described above by the Optionee's personal representative or

executor, or by the person or persons to whom the Optionee's rights under the Option pass by will or the applicable laws of descent and distribution.

(c) If, prior to the Termination Date, the Optionee is terminated from the employment or service with the Company for Cause or for reasons other than a Normal Termination, all portions of the Option then held by such Optionee (whether or not vested) shall expire immediately upon such cessation of employment or service.

5. METHOD OF EXERCISING OPTION.

(a) The Optionee may exercise any or all of the Options after the time they become vested pursuant to Section 3 hereof by delivering to the Committee a written notice of exercise (in a form designated by the Committee) signed by the Optionee stating the number of Options that the Optionee has elected to exercise at that time and tendering the full payment of the Option Price of the shares of Stock to be thereby purchased from the Company. Payment of the Option Price of the shares may be made in cash and/or shares of Stock valued at the Fair Market Value at the time the Option is exercised (including any means of attestation of ownership of a sufficient number of shares of Stock in lieu of actual delivery of such shares to the Company; provided, however, that such shares are not subject to any pledge or other security interest and have either been held by the Optionee for six months, previously acquired by the Optionee on the open market or meet such other requirements as the Committee may determine necessary in order to avoid an accounting earnings charge in respect of the Option), or, in the discretion of the Committee, either (i) in other property having a fair market value on the date of exercise equal to the Option Price, (ii) by delivering to the Committee a copy of irrevocable instructions to a stockbroker to deliver promptly to the Company an amount of loan proceeds, or proceeds of the sale of the Stock subject to the Option, sufficient to pay the Option Price, or (iii) by such other method as the Committee may allow.

(b) The Optionee may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any shares of Stock or other property deliverable under the Option or from any compensation or other amounts owing to the Optionee the amount (in cash, Stock or other property) of any required tax withholding and payroll taxes in respect of an Option, its exercise, or any payment or transfer under an Option or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(c) Without limiting the generality of clause (b) above, in the Committee's sole discretion the Optionee may satisfy, in whole or in part, the foregoing withholding liability (but no more than the minimum required withholding liability) by delivery of shares of Stock owned by the Optionee (which are not subject to any pledge or other security interest and which have been owned by the Participant for at least 6 months or purchased on the open market) with a Fair Market Value equal to such withholding liability or by having the Company withhold from the number of shares of

Stock otherwise issuable pursuant to the exercise of the Option a number of shares with a Fair Market Value equal to such withholding liability.

6. ISSUANCE OF SHARES. As promptly as practical after receipt of written notification of exercise and full payment of the Option Price together with any required income tax withholding, the Company shall issue or transfer to the Optionee, the number of shares with respect to which the Option has been so exercised (less shares withheld in satisfaction of tax withholding obligations, if any), and shall deliver to the Optionee a certificate or certificates therefor, registered in the Optionee's name. The shares delivered to the Optionee pursuant to this Section 6 shall be free and clear of all liens, fully paid and non-assessable.

7. COMPANY; OPTIONEE.

(a) The term "Company" as used in this Agreement with reference to employment shall include the Company, its Subsidiaries and its Affiliates, as appropriate.

(b) Whenever the word "Optionee" is used in any provision of this Agreement under circumstances where the provision should logically be construed to apply to the beneficiaries, the executors, the administrators, or the person or persons to whom the Options may be transferred by will or by the laws of descent and distribution, the word "Optionee" shall be deemed to include such person or persons.

8. PURCHASE FOR INVESTMENT; LEGENDS. In the event that the offering of Option Shares with respect to which the Options are being exercised is not registered under the Securities Act, but an exemption is available that requires an investment representation or other representation, the Optionee, if electing to purchase Option Shares, shall represent that such Option Shares are being acquired for investment and not with a view to distribution thereof, and to make such other reasonable and customary representations regarding matters relevant to compliance with applicable securities laws as are deemed necessary by counsel to the Company. Stock certificates evidencing such unregistered Option Shares that are acquired upon exercise of the Options shall bear restrictive legends in substantially the following form and such other restrictive legends as are required or advisable under the provisions of any applicable laws or are provided for in the Shareholders Agreement or any other agreement to which Optionee is a party:

> THE SHARES REPRESENTED BY THIS STOCK CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), NOR UNDER ANY STATE SECURITIES LAWS AND SHALL NOT BE TRANSFERRED AT ANY TIME IN THE ABSENCE OF (I) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS WITH RESPECT TO SUCH SHARES AT SUCH TIME, OR (II) AN OPINION OF

COUNSEL SATISFACTORY TO THE COMPANY AND ITS COUNSEL, TO THE EFFECT THAT SUCH TRANSFER AT SUCH TIME WILL NOT VIOLATE THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS.

9. NON-TRANSFERABILITY. The Options are not transferable by the Optionee other than to a designated beneficiary upon death, by will or the laws of descent and distribution, or to a trust solely for the benefit of the Optionee or his immediate family, and are exercisable during the Optionee's lifetime only by him, or in the case of the Options being held by such a trust, by the trustee.

10. FORFEITURE FOR NON-COMPETE VIOLATION.

(a) Non-Compete. The grantee agrees that during the term of grantee's employment and for a period of two years thereafter (the "Coverage Period") the grantee will not engage in, consult with, participate in, hold a position as shareholder, director, officer, consultant, employee, partner or investor, or otherwise assist any business entity (i) in any State of the United States of America or (ii) in any other country in which the Company has business activities, in either case, that is engaged in any activities which are competitive with the business of providing healthcare or other personnel on a temporary basis to hospitals, healthcare facilities or other entities and any and all business activities reasonably related thereto in which the Company or any of its divisions, affiliates or subsidiaries are then engaged.

(b) Non-Solicit. The grantee agrees that during the Coverage Period, he shall not solicit, attempt to solicit or endeavor to entice away from the Company any person who, at any time during the Term was a traveling nurse or other healthcare professional, employee, customer, client or supplier of the Company.

(c) Confidential and Proprietary Information. The grantee agrees that he will not, at any time make use of or divulge to any other person, firm or corporation any confidential or proprietary information concerning the business or policies of the Company or any of its divisions, affiliates or subsidiaries. For purposes of this Agreement, any confidential information shall constitute any information designated as confidential or proprietary by the Company or otherwise known by the grantee to be confidential or proprietary information including, without limitation, customer information. Grantee acknowledges and agrees that for purposes of this Agreement, "customer information" includes without limitation, customer lists, all lists of professional personnel, names, addresses, phone numbers, contact persons, preferences, pricing arrangements, requirements and practices. Grantee's obligation under this Section 10(c) shall not apply to any information which (i) is known publicly; (ii) is in the public domain or hereafter enters the public domain without the fault of grantee; or (iii) is hereafter disclosed to grantee by a third party not under an obligation of confidence to the Company. Grantee agrees not to remove from the premises of the Company, except as an employee of the Company in pursuit of the business of the Company or except as specifically permitted in writing by the Company, any document or other object

containing or reflecting any such confidential or proprietary information. Grantee recognizes that all such information, whether developed by the grantee or by someone else, will be the sole exclusive property of the Company. Upon termination of employment, grantee shall forthwith deliver to the Company all such confidential or proprietary information, including without limitation all lists of customers, pricing methods, financial structures, correspondence, accounts, records and any other documents, computer disks, computer programs, software, laptops, modems or property made or held by him or under his control in relation to the business or affairs of the Company or any of its divisions, subsidiaries or affiliates, and no copy of any such confidential or proprietary information shall be retained by him.

(d) Forfeiture for Violations. If the grantee shall at any time violate the provisions of Section 10(a), (b), or (c), the grantee shall immediately forfeit all options (whether vested or unvested) and any exercise of an option which occurs after (or within 6 months before) any such violation shall be void ab initio.

11. RIGHTS AS STOCKHOLDER. The Optionee or a transferee of the Options shall have no rights as a stockholder with respect to any share of Stock covered by the Options until the Optionee shall have become the holder of record of such share and no adjustment shall be made for dividends or distributions or other rights in respect of such share of Stock for which the record date is prior to the date upon which she shall become the holder of record thereof.

12. CHANGES IN CAPITAL STRUCTURE. Options granted under the Plan and any Stock Option Agreements, the maximum number of shares of Stock subject to all Options stated in Section 5(a) of the Plan and the maximum number of shares of Stock with respect to which any one person may be granted Options during any period stated in Section 5(d) of the Plan shall be subject to adjustment or substitution, as determined by the Committee in its sole discretion, as to the number, price or kind of a share of Stock or other consideration subject to such Options or as otherwise determined by the Committee to be equitable (i) in the event of changes in the outstanding Stock or in the capital structure of the Company by reason of stock or extraordinary cash dividends, stock splits, reverse stock splits, recapitalization, reorganizations, mergers, consolidations, combinations, exchanges, or other relevant changes in capitalization occurring after the Date of Grant of any such Option or (ii) in the event of any change in applicable laws or any change in circumstances which results in or would result in any substantial dilution or enlargement of the rights granted to, or available for, Participants, or which otherwise warrants equitable adjustment because it interferes with the intended operation of the Plan. Any adjustments under Section 11 of the Plan shall be made in a manner which does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act. Further, with respect to Options intended to qualify as "performance-based compensation" under Section 162(m) of the Code, such adjustments or substitutions shall be made only to the extent that the Committee determines that such adjustments or substitutions may be made without causing Options granted under the Plan to fail to qualify as "performance-based compensation" for purposes of Section 162(m) of the Code. The Company shall give each Optionee notice of an

adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

Notwithstanding the above, in the event of any of the following:

(a) The Company is merged or consolidated with another corporation or entity and, in connection therewith, consideration is received by shareholders of the Company in a form other than stock or other equity interests of the surviving entity;

(b) All or substantially all of the assets of the Company are acquired by another person;

(c) The reorganization or liquidation of the Company; or

(d) The Company shall enter into a written agreement to undergo an event described in clauses (a), (b) or (c) above, then the Committee may, in its discretion and upon at least 10 days advance notice to the affected persons, cancel any outstanding Options and pay to the holders thereof, in cash or stock, or any combination thereof, the value of such Options based upon the price per share of Stock received or to be received by other shareholders of the Company in the event.

13. EFFECT OF CHANGE IN CONTROL.

(a) In the event of a Change in Control, notwithstanding any vesting schedule, the Option shall become immediately exercisable with respect to 100 percent of the shares subject to such Option and, to the extent practicable, such acceleration of exercisability shall occur in a manner and at a time which allows the Optionee the ability to exercise his Option and participate in the Change in Control transaction with respect to the Stock subject to such Option.

(b) In addition, in the event of a Change in Control, the Committee may in its discretion and upon at least 10 days' advance notice to the Optionee, cancel any outstanding portions of the Option and pay to the Optionee, in cash or stock, or any combination thereof, the value of such portions of the Option based upon the price per share of Stock received or to be received by other shareholders of the Company in the event.

(c) The obligations of the Company under this Agreement shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. The Company agrees that it will make appropriate provisions for the preservation of the Optionee's rights under this Agreement in any agreement or plan which it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

14. COMPLIANCE WITH LAW. Notwithstanding any of the provisions hereof, the Optionee hereby agrees that the Optionee will not exercise the Options, and

that the Company will not be obligated to issue or transfer any shares to the Optionee hereunder, if the exercise hereof or the issuance or transfer of such shares shall constitute a violation by the Optionee or the Company of any provisions of any law or regulation of any governmental authority. Any determination in this connection by the Committee shall be final, binding and conclusive. The Company shall in no event be obliged to register any securities for sale under the Securities Act or to take any other affirmative action in order to cause the exercise of the Options or the issuance or transfer of shares pursuant thereto to comply with any law or regulation of any governmental authority.

15. NOTICE. Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided, provided that, unless and until some other address be so designated, all notices or communications by the Optionee to the Company shall be mailed or delivered to the Company at its principal executive office, and all notices or communications by the Company to the Optionee may be given to the Optionee personally or may be mailed to her at her address as recorded in the records of the Company.

16. NO RIGHT TO CONTINUED EMPLOYMENT. This Agreement shall not be construed as giving the Optionee the right to be retained in the employ or service of the Company, a Subsidiary or an Affiliate. Further, the Company or an Affiliate may at any time dismiss the Optionee or discontinue any consulting relationship, free from any liability or any claim under this Agreement, except as otherwise expressly provided herein.

17. BINDING EFFECT. Subject to Section 9 hereof, this Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

18. AMENDMENT OF AGREEMENT. The Committee may, to the extent consistent with the terms of this Agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any portion of the Option heretofore granted, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would impair the rights of the Optionee in respect of any Option already granted shall not to that extent be effective without the consent of the Optionee.

19. OPTION SUBJECT TO PLAN. By entering into this Agreement, the Optionee agrees and acknowledges that the Optionee has received and read a copy of the Plan. The Option is subject to the Plan. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

20. GOVERNING LAW. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Delaware without regard to the principles of conflicts of law thereof, or principles of conflicts of laws of any other

jurisdiction which could cause the application of the laws of any jurisdiction other than the State of Delaware.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

AMN HEALTHCARE SERVICES, INC.

By: /s/ STEVEN C. FRANCIS

Name: Steven C. Francis
Title: CEO and President

OPTIONEE

By: /s/ DONALD MYLL

Name: Donald Myll

EXHIBIT 10.41

AMN HEALTHCARE SERVICES, INC.
2001 STOCK OPTION PLAN
STOCK OPTION AGREEMENT

THIS STOCK OPTION AGREEMENT (the "Agreement"), made this 17th day of January, 2002, by and between AMN Healthcare Services, Inc. (the "Company"), a Delaware corporation and Michael Gallagher (the "Optionee").

W I T N E S S E T H:

WHEREAS, the Company sponsors the AMN Healthcare Services, Inc. 2001 Stock Option Plan (the "Plan"), and desires to afford the Optionee the opportunity to acquire and maintain the Optionee's ownership of the Company's common stock, par value $.01 per share ("Stock") thereunder, thereby strengthening the Optionee's commitment to the welfare of the Company and Affiliates and promoting an identity of interest between stockholders and the Optionee.

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

1. DEFINITIONS.

The following definitions shall be applicable throughout the Agreement. Where defined terms are not defined herein, their meaning shall be that set forth in the Plan.

(a) "Affiliate" means (i) any entity that directly or indirectly is controlled by, or is under common control with the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

(b) "Board" means the Board of Directors of the Company.

(c) "Cause" means the Company or an Affiliate having "cause" to terminate an Optionee's employment or service, as defined in any existing employment, consulting or any other agreement between the Optionee and the Company or a Subsidiary or Affiliate, or, in the absence of such an employment, consulting or other agreement, upon (i) the determination by the Committee that the Optionee has ceased to perform his duties to the Company or an Affiliate (other than as a result of his incapacity due to physical or mental illness or injury), which failure amounts to an intentional and extended neglect of his duties to such party, (ii) the Committee's determination that the Optionee has engaged or is about to engage in conduct injurious to the Company or an Affiliate, (iii) the Optionee having been convicted of, or pleaded guilty or no contest to, a felony or a crime involving moral turpitude or (iv) the failure of the Optionee to follow the lawful instructions of the Board or his direct superiors; provided, however, that in the instances of clauses (i), (ii) and (iv), the Company or Affiliate, as applicable, must give

the optionee twenty (20) days' prior written notice of the defaults constituting "cause" hereunder.

(d) "Change in Control" shall, unless in the case of a particular Option the applicable Stock Option Agreement states otherwise or contains a different definition of "Change in Control," be deemed to occur upon:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") (other than any of the following (each an "Excluded Person"): HWH Capital Partners, L.P., HWP Capital Partners II, L.P., HWH Nightingale Partners, L.P., HWP Nightingale Partners II, L.P., Haas Wheat & Partners, L.P., any Affiliate of any of the foregoing, or any such group of which any of the foregoing is a member) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a majority of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, or the acquisition by a Person other than an Excluded Person of at least thirty percent (30%) of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, if at such time the Excluded Persons in the aggregate own a lesser percentage of such securities than the Person making such acquisition of such securities;

(ii) the dissolution or liquidation of the Company;

(iii) the sale of all or substantially all of the business or assets of the Company; or

(iv) the consummation of a merger, consolidation or similar form of corporate transaction involving the Company that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), if immediately following such Business Combination: (x) a Person (other than an Excluded Person), is or becomes the beneficial owner, directly or indirectly, of a majority of the combined voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), or (y) the Company's shareholders cease to beneficially own, directly or indirectly, in substantially the same proportion as they owned the then outstanding voting securities immediately prior to the Business Combination, a majority of the combined voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation). "Surviving Corporation" shall mean the corporation resulting from a Business Combination, and "Parent Corporation" shall mean the ultimate parent corporation that directly or indirectly has beneficial ownership of a majority of the combined voting power of the then outstanding voting securities of the Surviving Corporation entitled to vote generally in the election of directors.

(e) "Code" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include

any amendments or successor provisions to such section and any regulations under such section.

(f) "Committee" means a committee of at least two people as the Board may appoint to administer the Plan or, if no such committee has been appointed by the Board, the Board. Unless the Board is acting as the Committee or the Board specifically determines otherwise, each member of the Committee shall, at the time he takes any action with respect to a Option under the Plan, be an Eligible Director, however the mere fact that a Committee member shall fail to qualify as an Eligible Director shall not invalidate any Option granted by the Committee which Option is otherwise validly made under the Plan.

(g) "Common Stock" means the common stock, par value $0.01 per share, of the Company.

(h) "Company" means AMN Healthcare Services, Inc.

(i) "Disability" means a condition entitling a person to receive benefits under the long-term disability plan of the Company, a Subsidiary or Affiliate, as may be applicable to the Optionee in question, or, in the absence of such a plan, the complete and permanent inability by reason of illness or accident to perform the duties of the occupation at which the Optionee was employed or served when such disability commenced or, as determined by the Committee based upon medical evidence acceptable to it.

(j) "Effective Date" means January 17, 2002.

(k) "Eligible Director" means a person who is (i) a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act, or a person meeting any similar requirement under any successor rule or regulation and (ii) an "outside director" within the meaning of Section 162(m) of the Code, and the Treasury Regulations promulgated thereunder; provided, however, that clause (ii) shall apply only with respect to grants of Options with respect to which the Company's tax deduction could be limited by Section 162(m) of the Code if such clause did not apply.

(l) "Eligible Person" means any (i) individual regularly employed by the Company, a Subsidiary or Affiliate who satisfies all of the requirements of Section 6; provided, however, that no such employee covered by a collective bargaining agreement shall be an Eligible Person unless and to the extent that such eligibility is set forth in such collective bargaining agreement or in an agreement or instrument relating thereto; (ii) director of the Company, or Affiliate or (iii) consultant or advisor to the Company, a Subsidiary or Affiliate who is entitled to participate in an "employee benefit plan" within the meaning of 17 CFR Section 230.405 (which, as of the Effective Date, includes those who (A) are natural persons and (B) provide bona fide services to the Company other than in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the Company's securities).

(m) "Exchange Act" means the Securities Exchange Act of 1934.

(n) "Fair Market Value," on a given date means (i) if the Stock is listed on a national securities exchange, the mean between the highest and lowest sale prices reported as having occurred on the primary exchange with which the Stock is listed and traded on the date prior to such date, or, if there is no such sale on that date, then on the last preceding date on which such a sale was reported; (ii) if the Stock is not listed on any national securities exchange but is quoted in the National Market System of the National Association of Securities Dealers Automated Quotation System ("NASDAQ") on a last sale basis, the average between the high bid price and low ask price reported on the date prior to such date, or, if there is no such sale on that date, then on the last preceding date on which a sale was reported; or (iii) if the Stock is not listed on a national securities exchange nor quoted in the NASDAQ on a last sale basis, the amount determined by the Board to be the fair market value based upon a good faith attempt to value the Stock accurately and computed in accordance with applicable regulations of the Internal Revenue Service.

(o) Grant Date" means January 17, 2002, which is the date specified in the authorization of the Option grant.

(p) "Non-Qualified Stock Option" means an Option granted by the Committee to an Optionee under the Plan which is not an incentive stock option as described in Section 422 of the Code.

(q) "Normal Termination" means termination of employment or service with the Company and Affiliates:

(i) by the Optionee;

(ii) upon retirement;

(iii) on account of death or Disability; or

(iv) by the Company, a Subsidiary or Affiliate without Cause.

(r) "Option" means an award granted under Section 2.

(s) "Option Period" means the period described in Section 2.

(t) "Option Price" means the exercise price for an Option as described in Section 2.

(u) "Optionee" means an Eligible Person who has been selected by the Committee to participate in the Plan and to receive an Option pursuant to Section 2.

(v) "Securities Act" means the Securities Act of 1933, as amended.

(w) "Stock" means the Common Stock or such other authorized shares of stock of the Company, as the Committee may from time to time authorize for use under the Plan.

(x) "Subsidiary" means any subsidiary of the Company as defined in Section 424(f) of the Code.

2. GRANT OF OPTION. Subject to the terms and conditions set forth herein, the Company hereby grants to the Optionee, during the period commencing on the date of this Agreement and ending the day prior to the tenth anniversary of the date hereof (the "Termination Date"), the right and option (the right to purchase any one share of Stock hereunder being an "Option") to purchase from the Company, at $22.98 per share (the "Option Price"), an aggregate of 9000 shares of Stock (the "Option Shares"). The original ten-year term of such Option shall be referred to herein as the "Option Period". The Options are not intended to be "incentive stock options" within the meaning of Section 422 of the Code.

3. LIMITATIONS ON EXERCISE OF OPTION. As set forth in the Plan, and subject to the terms and conditions set forth herein, the Optionee may exercise 20% of the Option on and after the first annual anniversary of the Grant Date, an additional 20% of the Option on and after the second anniversary of the Grant Date, an additional 20% of the Option on and after the third anniversary of the Grant Date, an additional 20% of the Option on and after the fourth anniversary of the Grant Date, and a final 20% of the Option on and after the fifth anniversary of the Grant Date.

4. TERMINATION OF EMPLOYMENT.

(a) If, prior to the end of the Option Period, the Optionee shall undergo a Normal Termination other than due to death or Disability, (i) the portion of the Option which is vested at the time of such Normal Termination shall be determined in accordance with Section 3, (ii) the portion of the Option which is not vested at the date of such Normal Termination shall expire on such date; and (iii) the portion of the Option which is vested at the date of such Normal Termination shall expire on the earlier of the Termination Date or the date that is three months after the date of such Normal Termination.

(b) If, prior to the end of the Option Period, the Optionee dies or incurs a Disability while still in the employ or service of the Company, a Subsidiary or Affiliate, or if the Optionee dies within three months following a Normal Termination, (i) the portion of the Option which is not vested at the date of such termination shall expire on such date; and (ii) the portion of the Option which is vested at the date of such termination shall expire on the earlier of the Termination Date or the date that is twelve months after the date of such termination. In such event, the vested portion of the Option may be exercised as described above by the Optionee's personal representative or

executor, or by the person or persons to whom the Optionee's rights under the Option pass by will or the applicable laws of descent and distribution.

(c) If, prior to the Termination Date, the Optionee is terminated from the employment or service with the Company for Cause or for reasons other than a Normal Termination, all portions of the Option then held by such Optionee (whether or not vested) shall expire immediately upon such cessation of employment or service.

5. METHOD OF EXERCISING OPTION.

(a) The Optionee may exercise any or all of the Options after the time they become vested pursuant to Section 3 hereof by delivering to the Committee a written notice of exercise (in a form designated by the Committee) signed by the Optionee stating the number of Options that the Optionee has elected to exercise at that time and tendering the full payment of the Option Price of the shares of Stock to be thereby purchased from the Company. Payment of the Option Price of the shares may be made in cash and/or shares of Stock valued at the Fair Market Value at the time the Option is exercised (including any means of attestation of ownership of a sufficient number of shares of Stock in lieu of actual delivery of such shares to the Company; provided, however, that such shares are not subject to any pledge or other security interest and have either been held by the Optionee for six months, previously acquired by the Optionee on the open market or meet such other requirements as the Committee may determine necessary in order to avoid an accounting earnings charge in respect of the Option), or, in the discretion of the Committee, either (i) in other property having a fair market value on the date of exercise equal to the Option Price, (ii) by delivering to the Committee a copy of irrevocable instructions to a stockbroker to deliver promptly to the Company an amount of loan proceeds, or proceeds of the sale of the Stock subject to the Option, sufficient to pay the Option Price, or (iii) by such other method as the Committee may allow.

(b) The Optionee may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any shares of Stock or other property deliverable under the Option or from any compensation or other amounts owing to the Optionee the amount (in cash, Stock or other property) of any required tax withholding and payroll taxes in respect of an Option, its exercise, or any payment or transfer under an Option or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(c) Without limiting the generality of clause (b) above, in the Committee's sole discretion the Optionee may satisfy, in whole or in part, the foregoing withholding liability (but no more than the minimum required withholding liability) by delivery of shares of Stock owned by the Optionee (which are not subject to any pledge or other security interest and which have been owned by the Participant for at least 6 months or purchased on the open market) with a Fair Market Value equal to such withholding liability or by having the Company withhold from the number of shares of

Stock otherwise issuable pursuant to the exercise of the Option a number of shares with a Fair Market Value equal to such withholding liability.

6. ISSUANCE OF SHARES. As promptly as practical after receipt of written notification of exercise and full payment of the Option Price together with any required income tax withholding, the Company shall issue or transfer to the Optionee, the number of shares with respect to which the Option has been so exercised (less shares withheld in satisfaction of tax withholding obligations, if any), and shall deliver to the Optionee a certificate or certificates therefor, registered in the Optionee's name. The shares delivered to the Optionee pursuant to this Section 6 shall be free and clear of all liens, fully paid and non-assessable.

7. COMPANY; OPTIONEE.

(a) The term "Company" as used in this Agreement with reference to employment shall include the Company, its Subsidiaries and its Affiliates, as appropriate.

(b) Whenever the word "Optionee" is used in any provision of this Agreement under circumstances where the provision should logically be construed to apply to the beneficiaries, the executors, the administrators, or the person or persons to whom the Options may be transferred by will or by the laws of descent and distribution, the word "Optionee" shall be deemed to include such person or persons.

8. PURCHASE FOR INVESTMENT; LEGENDS. In the event that the offering of Option Shares with respect to which the Options are being exercised is not registered under the Securities Act, but an exemption is available that requires an investment representation or other representation, the Optionee, if electing to purchase Option Shares, shall represent that such Option Shares are being acquired for investment and not with a view to distribution thereof, and to make such other reasonable and customary representations regarding matters relevant to compliance with applicable securities laws as are deemed necessary by counsel to the Company. Stock certificates evidencing such unregistered Option Shares that are acquired upon exercise of the Options shall bear restrictive legends in substantially the following form and such other restrictive legends as are required or advisable under the provisions of any applicable laws or are provided for in the Shareholders Agreement or any other agreement to which Optionee is a party:

> THE SHARES REPRESENTED BY THIS STOCK CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), NOR UNDER ANY STATE SECURITIES LAWS AND SHALL NOT BE TRANSFERRED AT ANY TIME IN THE ABSENCE OF (I) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS WITH RESPECT TO SUCH SHARES AT SUCH TIME, OR (II) AN OPINION OF

COUNSEL SATISFACTORY TO THE COMPANY AND ITS COUNSEL, TO THE EFFECT THAT SUCH TRANSFER AT SUCH TIME WILL NOT VIOLATE THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS.

9. NON-TRANSFERABILITY. The Options are not transferable by the Optionee other than to a designated beneficiary upon death, by will or the laws of descent and distribution, or to a trust solely for the benefit of the Optionee or his immediate family, and are exercisable during the Optionee's lifetime only by him, or in the case of the Options being held by such a trust, by the trustee.

10. FORFEITURE FOR NON-COMPETE VIOLATION.

(a) Non-Compete. The grantee agrees that during the term of grantee's employment and for a period of two years thereafter (the "Coverage Period") the grantee will not engage in, consult with, participate in, hold a position as shareholder, director, officer, consultant, employee, partner or investor, or otherwise assist any business entity (i) in any State of the United States of America or (ii) in any other country in which the Company has business activities, in either case, that is engaged in any activities which are competitive with the business of providing healthcare or other personnel on a temporary basis to hospitals, healthcare facilities or other entities and any and all business activities reasonably related thereto in which the Company or any of its divisions, affiliates or subsidiaries are then engaged.

(b) Non-Solicit. The grantee agrees that during the Coverage Period, he shall not solicit, attempt to solicit or endeavor to entice away from the Company any person who, at any time during the Term was a traveling nurse or other healthcare professional, employee, customer, client or supplier of the Company.

(c) Confidential and Proprietary Information. The grantee agrees that he will not, at any time make use of or divulge to any other person, firm or corporation any confidential or proprietary information concerning the business or policies of the Company or any of its divisions, affiliates or subsidiaries. For purposes of this Agreement, any confidential information shall constitute any information designated as confidential or proprietary by the Company or otherwise known by the grantee to be confidential or proprietary information including, without limitation, customer information. Grantee acknowledges and agrees that for purposes of this Agreement, "customer information" includes without limitation, customer lists, all lists of professional personnel, names, addresses, phone numbers, contact persons, preferences, pricing arrangements, requirements and practices. Grantee's obligation under this Section 10(c) shall not apply to any information which (i) is known publicly; (ii) is in the public domain or hereafter enters the public domain without the fault of grantee; or (iii) is hereafter disclosed to grantee by a third party not under an obligation of confidence to the Company. Grantee agrees not to remove from the premises of the Company, except as an employee of the Company in pursuit of the business of the Company or except as specifically permitted in writing by the Company, any document or other object

containing or reflecting any such confidential or proprietary information. Grantee recognizes that all such information, whether developed by the grantee or by someone else, will be the sole exclusive property of the Company. Upon termination of employment, grantee shall forthwith deliver to the Company all such confidential or proprietary information, including without limitation all lists of customers, pricing methods, financial structures, correspondence, accounts, records and any other documents, computer disks, computer programs, software, laptops, modems or property made or held by him or under his control in relation to the business or affairs of the Company or any of its divisions, subsidiaries or affiliates, and no copy of any such confidential or proprietary information shall be retained by him.

(d) Forfeiture for Violations. If the grantee shall at any time violate the provisions of Section 10(a), (b), or (c), the grantee shall immediately forfeit all options (whether vested or unvested) and any exercise of an option which occurs after (or within 6 months before) any such violation shall be void ab initio.

11. RIGHTS AS STOCKHOLDER. The Optionee or a transferee of the Options shall have no rights as a stockholder with respect to any share of Stock covered by the Options until the Optionee shall have become the holder of record of such share and no adjustment shall be made for dividends or distributions or other rights in respect of such share of Stock for which the record date is prior to the date upon which she shall become the holder of record thereof.

12. CHANGES IN CAPITAL STRUCTURE. Options granted under the Plan and any Stock Option Agreements, the maximum number of shares of Stock subject to all Options stated in Section 5(a) of the Plan and the maximum number of shares of Stock with respect to which any one person may be granted Options during any period stated in Section 5(d) of the Plan shall be subject to adjustment or substitution, as determined by the Committee in its sole discretion, as to the number, price or kind of a share of Stock or other consideration subject to such Options or as otherwise determined by the Committee to be equitable (i) in the event of changes in the outstanding Stock or in the capital structure of the Company by reason of stock or extraordinary cash dividends, stock splits, reverse stock splits, recapitalization, reorganizations, mergers, consolidations, combinations, exchanges, or other relevant changes in capitalization occurring after the Date of Grant of any such Option or (ii) in the event of any change in applicable laws or any change in circumstances which results in or would result in any substantial dilution or enlargement of the rights granted to, or available for, Participants, or which otherwise warrants equitable adjustment because it interferes with the intended operation of the Plan. Any adjustments under Section 11 of the Plan shall be made in a manner which does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act. Further, with respect to Options intended to qualify as "performance-based compensation" under Section 162(m) of the Code, such adjustments or substitutions shall be made only to the extent that the Committee determines that such adjustments or substitutions may be made without causing Options granted under the Plan to fail to qualify as "performance-based compensation" for purposes of Section 162(m) of the Code. The Company shall give each Optionee notice of an

adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

Notwithstanding the above, in the event of any of the following:

(a) The Company is merged or consolidated with another corporation or entity and, in connection therewith, consideration is received by shareholders of the Company in a form other than stock or other equity interests of the surviving entity;

(b) All or substantially all of the assets of the Company are acquired by another person;

(c) The reorganization or liquidation of the Company; or

(d) The Company shall enter into a written agreement to undergo an event described in clauses (a), (b) or (c) above, then the Committee may, in its discretion and upon at least 10 days advance notice to the affected persons, cancel any outstanding Options and pay to the holders thereof, in cash or stock, or any combination thereof, the value of such Options based upon the price per share of Stock received or to be received by other shareholders of the Company in the event.

13. EFFECT OF CHANGE IN CONTROL.

(a) In the event of a Change in Control, notwithstanding any vesting schedule, the Option shall become immediately exercisable with respect to 100 percent of the shares subject to such Option and, to the extent practicable, such acceleration of exercisability shall occur in a manner and at a time which allows the Optionee the ability to exercise his Option and participate in the Change in Control transaction with respect to the Stock subject to such Option.

(b) In addition, in the event of a Change in Control, the Committee may in its discretion and upon at least 10 days' advance notice to the Optionee, cancel any outstanding portions of the Option and pay to the Optionee, in cash or stock, or any combination thereof, the value of such portions of the Option based upon the price per share of Stock received or to be received by other shareholders of the Company in the event.

(c) The obligations of the Company under this Agreement shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. The Company agrees that it will make appropriate provisions for the preservation of the Optionee's rights under this Agreement in any agreement or plan which it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

14. COMPLIANCE WITH LAW. Notwithstanding any of the provisions hereof, the Optionee hereby agrees that the Optionee will not exercise the Options, and

that the Company will not be obligated to issue or transfer any shares to the Optionee hereunder, if the exercise hereof or the issuance or transfer of such shares shall constitute a violation by the Optionee or the Company of any provisions of any law or regulation of any governmental authority. Any determination in this connection by the Committee shall be final, binding and conclusive. The Company shall in no event be obliged to register any securities for sale under the Securities Act or to take any other affirmative action in order to cause the exercise of the Options or the issuance or transfer of shares pursuant thereto to comply with any law or regulation of any governmental authority.

15. NOTICE. Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided, provided that, unless and until some other address be so designated, all notices or communications by the Optionee to the Company shall be mailed or delivered to the Company at its principal executive office, and all notices or communications by the Company to the Optionee may be given to the Optionee personally or may be mailed to her at her address as recorded in the records of the Company.

16. NO RIGHT TO CONTINUED EMPLOYMENT. This Agreement shall not be construed as giving the Optionee the right to be retained in the employ or service of the Company, a Subsidiary or an Affiliate. Further, the Company or an Affiliate may at any time dismiss the Optionee or discontinue any consulting relationship, free from any liability or any claim under this Agreement, except as otherwise expressly provided herein.

17. BINDING EFFECT. Subject to Section 9 hereof, this Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

18. AMENDMENT OF AGREEMENT. The Committee may, to the extent consistent with the terms of this Agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any portion of the Option heretofore granted, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would impair the rights of the Optionee in respect of any Option already granted shall not to that extent be effective without the consent of the Optionee.

19. OPTION SUBJECT TO PLAN. By entering into this Agreement, the Optionee agrees and acknowledges that the Optionee has received and read a copy of the Plan. The Option is subject to the Plan. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

20. GOVERNING LAW. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Delaware without regard to the principles of conflicts of law thereof, or principles of conflicts of laws of any other

jurisdiction which could cause the application of the laws of any jurisdiction other than the State of Delaware.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

AMN HEALTHCARE SERVICES, INC.

By: /s/ STEVEN C. FRANCIS

Name: Steven C. Francis
Title: Chief Executive Officer and President

OPTIONEE

By: /s/ MICHAEL GALLAGHER

Name: Michael Gallagher

EXHIBIT 10.42

AMN HEALTHCARE SERVICES, INC.
2001 STOCK OPTION PLAN
STOCK OPTION AGREEMENT

THIS STOCK OPTION AGREEMENT (the "Agreement"), made this 17th day of January, 2002, by and between AMN Healthcare Services, Inc. (the "Company"), a Delaware corporation and William Miller, III (the "Optionee").

W I T N E S S E T H:

WHEREAS, the Company sponsors the AMN Healthcare Services, Inc. 2001 Stock Option Plan (the "Plan"), and desires to afford the Optionee the opportunity to acquire and maintain the Optionee's ownership of the Company's common stock, par value $.01 per share ("Stock") thereunder, thereby strengthening the Optionee's commitment to the welfare of the Company and Affiliates and promoting an identity of interest between stockholders and the Optionee.

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

1. DEFINITIONS.

The following definitions shall be applicable throughout the Agreement. Where defined terms are not defined herein, their meaning shall be that set forth in the Plan.

(a) "Affiliate" means (i) any entity that directly or indirectly is controlled by, or is under common control with the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

(b) "Board" means the Board of Directors of the Company.

(c) "Cause" means the Company or an Affiliate having "cause" to terminate an Optionee's employment or service, as defined in any existing employment, consulting or any other agreement between the Optionee and the Company or a Subsidiary or Affiliate, or, in the absence of such an employment, consulting or other agreement, upon (i) the determination by the Committee that the Optionee has ceased to perform his duties to the Company or an Affiliate (other than as a result of his incapacity due to physical or mental illness or injury), which failure amounts to an intentional and extended neglect of his duties to such party, (ii) the Committee's determination that the Optionee has engaged or is about to engage in conduct injurious to the Company or an Affiliate, (iii) the Optionee having been convicted of, or pleaded guilty or no contest to, a felony or a crime involving moral turpitude or (iv) the failure of the Optionee to follow the lawful instructions of the Board or his direct superiors; provided, however, that in the instances of clauses (i), (ii) and (iv), the Company or Affiliate, as applicable, must give

the optionee twenty (20) days' prior written notice of the defaults constituting "cause" hereunder.

(d) "Change in Control" shall, unless in the case of a particular Option the applicable Stock Option Agreement states otherwise or contains a different definition of "Change in Control," be deemed to occur upon:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") (other than any of the following (each an "Excluded Person"): HWH Capital Partners, L.P., HWP Capital Partners II, L.P., HWH Nightingale Partners, L.P., HWP Nightingale Partners II, L.P., Haas Wheat & Partners, L.P., any Affiliate of any of the foregoing, or any such group of which any of the foregoing is a member) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a majority of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, or the acquisition by a Person other than an Excluded Person of at least thirty percent (30%) of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, if at such time the Excluded Persons in the aggregate own a lesser percentage of such securities than the Person making such acquisition of such securities;

(ii) the dissolution or liquidation of the Company;

(iii) the sale of all or substantially all of the business or assets of the Company; or

(iv) the consummation of a merger, consolidation or similar form of corporate transaction involving the Company that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), if immediately following such Business Combination: (x) a Person (other than an Excluded Person), is or becomes the beneficial owner, directly or indirectly, of a majority of the combined voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), or (y) the Company's shareholders cease to beneficially own, directly or indirectly, in substantially the same proportion as they owned the then outstanding voting securities immediately prior to the Business Combination, a majority of the combined voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation). "Surviving Corporation" shall mean the corporation resulting from a Business Combination, and "Parent Corporation" shall mean the ultimate parent corporation that directly or indirectly has beneficial ownership of a majority of the combined voting power of the then outstanding voting securities of the Surviving Corporation entitled to vote generally in the election of directors.

(e) "Code" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include

any amendments or successor provisions to such section and any regulations under such section.

(f) "Committee" means a committee of at least two people as the Board may appoint to administer the Plan or, if no such committee has been appointed by the Board, the Board. Unless the Board is acting as the Committee or the Board specifically determines otherwise, each member of the Committee shall, at the time he takes any action with respect to a Option under the Plan, be an Eligible Director, however the mere fact that a Committee member shall fail to qualify as an Eligible Director shall not invalidate any Option granted by the Committee which Option is otherwise validly made under the Plan.

(g) "Common Stock" means the common stock, par value $0.01 per share, of the Company.

(h) "Company" means AMN Healthcare Services, Inc.

(i) "Disability" means a condition entitling a person to receive benefits under the long-term disability plan of the Company, a Subsidiary or Affiliate, as may be applicable to the Optionee in question, or, in the absence of such a plan, the complete and permanent inability by reason of illness or accident to perform the duties of the occupation at which the Optionee was employed or served when such disability commenced or, as determined by the Committee based upon medical evidence acceptable to it.

(j) "Effective Date" means January 17, 2002.

(k) "Eligible Director" means a person who is (i) a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act, or a person meeting any similar requirement under any successor rule or regulation and (ii) an "outside director" within the meaning of Section 162(m) of the Code, and the Treasury Regulations promulgated thereunder; provided, however, that clause (ii) shall apply only with respect to grants of Options with respect to which the Company's tax deduction could be limited by Section 162(m) of the Code if such clause did not apply.

(l) "Eligible Person" means any (i) individual regularly employed by the Company, a Subsidiary or Affiliate who satisfies all of the requirements of Section 6; provided, however, that no such employee covered by a collective bargaining agreement shall be an Eligible Person unless and to the extent that such eligibility is set forth in such collective bargaining agreement or in an agreement or instrument relating thereto; (ii) director of the Company, or Affiliate or (iii) consultant or advisor to the Company, a Subsidiary or Affiliate who is entitled to participate in an "employee benefit plan" within the meaning of 17 CFR Section 230.405 (which, as of the Effective Date, includes those who (A) are natural persons and (B) provide bona fide services to the Company other than in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the Company's securities).

(m) "Exchange Act" means the Securities Exchange Act of 1934.

(n) "Fair Market Value," on a given date means (i) if the Stock is listed on a national securities exchange, the mean between the highest and lowest sale prices reported as having occurred on the primary exchange with which the Stock is listed and traded on the date prior to such date, or, if there is no such sale on that date, then on the last preceding date on which such a sale was reported; (ii) if the Stock is not listed on any national securities exchange but is quoted in the National Market System of the National Association of Securities Dealers Automated Quotation System ("NASDAQ") on a last sale basis, the average between the high bid price and low ask price reported on the date prior to such date, or, if there is no such sale on that date, then on the last preceding date on which a sale was reported; or (iii) if the Stock is not listed on a national securities exchange nor quoted in the NASDAQ on a last sale basis, the amount determined by the Board to be the fair market value based upon a good faith attempt to value the Stock accurately and computed in accordance with applicable regulations of the Internal Revenue Service.

(o) Grant Date" means January 17, 2002, which is the date specified in the authorization of the Option grant.

(p) "Non-Qualified Stock Option" means an Option granted by the Committee to an Optionee under the Plan which is not an incentive stock option as described in Section 422 of the Code.

(q) "Normal Termination" means termination of employment or service with the Company and Affiliates:

(i) by the Optionee;

(ii) upon retirement;

(iii) on account of death or Disability; or

(iv) by the Company, a Subsidiary or Affiliate without Cause.

(r) "Option" means an award granted under Section 2.

(s) "Option Period" means the period described in Section 2.

(t) "Option Price" means the exercise price for an Option as described in Section 2.

(u) "Optionee" means an Eligible Person who has been selected by the Committee to participate in the Plan and to receive an Option pursuant to Section 2.

(v) "Securities Act" means the Securities Act of 1933, as amended.

(w) "Stock" means the Common Stock or such other authorized shares of stock of the Company, as the Committee may from time to time authorize for use under the Plan.

(x) "Subsidiary" means any subsidiary of the Company as defined in Section 424(f) of the Code.

2. GRANT OF OPTION. Subject to the terms and conditions set forth herein, the Company hereby grants to the Optionee, during the period commencing on the date of this Agreement and ending the day prior to the tenth anniversary of the date hereof (the "Termination Date"), the right and option (the right to purchase any one share of Stock hereunder being an "Option") to purchase from the Company, at $22.98 per share (the "Option Price"), an aggregate of 9000 shares of Stock (the "Option Shares"). The original ten-year term of such Option shall be referred to herein as the "Option Period". The Options are not intended to be "incentive stock options" within the meaning of Section 422 of the Code.

3. LIMITATIONS ON EXERCISE OF OPTION. As set forth in the Plan, and subject to the terms and conditions set forth herein, the Optionee may exercise 20% of the Option on and after the first annual anniversary of the Grant Date, an additional 20% of the Option on and after the second anniversary of the Grant Date, an additional 20% of the Option on and after the third anniversary of the Grant Date, an additional 20% of the Option on and after the fourth anniversary of the Grant Date, and a final 20% of the Option on and after the fifth anniversary of the Grant Date.

4. TERMINATION OF EMPLOYMENT.

(a) If, prior to the end of the Option Period, the Optionee shall undergo a Normal Termination other than due to death or Disability, (i) the portion of the Option which is vested at the time of such Normal Termination shall be determined in accordance with Section 3, (ii) the portion of the Option which is not vested at the date of such Normal Termination shall expire on such date; and (iii) the portion of the Option which is vested at the date of such Normal Termination shall expire on the earlier of the Termination Date or the date that is three months after the date of such Normal Termination.

(b) If, prior to the end of the Option Period, the Optionee dies or incurs a Disability while still in the employ or service of the Company, a Subsidiary or Affiliate, or if the Optionee dies within three months following a Normal Termination, (i) the portion of the Option which is not vested at the date of such termination shall expire on such date; and (ii) the portion of the Option which is vested at the date of such termination shall expire on the earlier of the Termination Date or the date that is twelve months after the date of such termination. In such event, the vested portion of the Option may be exercised as described above by the Optionee's personal representative or

executor, or by the person or persons to whom the Optionee's rights under the Option pass by will or the applicable laws of descent and distribution.

(c) If, prior to the Termination Date, the Optionee is terminated from the employment or service with the Company for Cause or for reasons other than a Normal Termination, all portions of the Option then held by such Optionee (whether or not vested) shall expire immediately upon such cessation of employment or service.

5. METHOD OF EXERCISING OPTION.

(a) The Optionee may exercise any or all of the Options after the time they become vested pursuant to Section 3 hereof by delivering to the Committee a written notice of exercise (in a form designated by the Committee) signed by the Optionee stating the number of Options that the Optionee has elected to exercise at that time and tendering the full payment of the Option Price of the shares of Stock to be thereby purchased from the Company. Payment of the Option Price of the shares may be made in cash and/or shares of Stock valued at the Fair Market Value at the time the Option is exercised (including any means of attestation of ownership of a sufficient number of shares of Stock in lieu of actual delivery of such shares to the Company; provided, however, that such shares are not subject to any pledge or other security interest and have either been held by the Optionee for six months, previously acquired by the Optionee on the open market or meet such other requirements as the Committee may determine necessary in order to avoid an accounting earnings charge in respect of the Option), or, in the discretion of the Committee, either (i) in other property having a fair market value on the date of exercise equal to the Option Price, (ii) by delivering to the Committee a copy of irrevocable instructions to a stockbroker to deliver promptly to the Company an amount of loan proceeds, or proceeds of the sale of the Stock subject to the Option, sufficient to pay the Option Price, or (iii) by such other method as the Committee may allow.

(b) The Optionee may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any shares of Stock or other property deliverable under the Option or from any compensation or other amounts owing to the Optionee the amount (in cash, Stock or other property) of any required tax withholding and payroll taxes in respect of an Option, its exercise, or any payment or transfer under an Option or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(c) Without limiting the generality of clause (b) above, in the Committee's sole discretion the Optionee may satisfy, in whole or in part, the foregoing withholding liability (but no more than the minimum required withholding liability) by delivery of shares of Stock owned by the Optionee (which are not subject to any pledge or other security interest and which have been owned by the Participant for at least 6 months or purchased on the open market) with a Fair Market Value equal to such withholding liability or by having the Company withhold from the number of shares of

Stock otherwise issuable pursuant to the exercise of the Option a number of shares with a Fair Market Value equal to such withholding liability.

6. ISSUANCE OF SHARES. As promptly as practical after receipt of written notification of exercise and full payment of the Option Price together with any required income tax withholding, the Company shall issue or transfer to the Optionee, the number of shares with respect to which the Option has been so exercised (less shares withheld in satisfaction of tax withholding obligations, if any), and shall deliver to the Optionee a certificate or certificates therefor, registered in the Optionee's name. The shares delivered to the Optionee pursuant to this Section 6 shall be free and clear of all liens, fully paid and non-assessable.

7. COMPANY; OPTIONEE.

(a) The term "Company" as used in this Agreement with reference to employment shall include the Company, its Subsidiaries and its Affiliates, as appropriate.

(b) Whenever the word "Optionee" is used in any provision of this Agreement under circumstances where the provision should logically be construed to apply to the beneficiaries, the executors, the administrators, or the person or persons to whom the Options may be transferred by will or by the laws of descent and distribution, the word "Optionee" shall be deemed to include such person or persons.

8. PURCHASE FOR INVESTMENT; LEGENDS. In the event that the offering of Option Shares with respect to which the Options are being exercised is not registered under the Securities Act, but an exemption is available that requires an investment representation or other representation, the Optionee, if electing to purchase Option Shares, shall represent that such Option Shares are being acquired for investment and not with a view to distribution thereof, and to make such other reasonable and customary representations regarding matters relevant to compliance with applicable securities laws as are deemed necessary by counsel to the Company. Stock certificates evidencing such unregistered Option Shares that are acquired upon exercise of the Options shall bear restrictive legends in substantially the following form and such other restrictive legends as are required or advisable under the provisions of any applicable laws or are provided for in the Shareholders Agreement or any other agreement to which Optionee is a party:

> THE SHARES REPRESENTED BY THIS STOCK CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), NOR UNDER ANY STATE SECURITIES LAWS AND SHALL NOT BE TRANSFERRED AT ANY TIME IN THE ABSENCE OF (I) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS WITH RESPECT TO SUCH SHARES AT SUCH TIME, OR (II) AN OPINION OF

COUNSEL SATISFACTORY TO THE COMPANY AND ITS COUNSEL, TO THE EFFECT THAT SUCH TRANSFER AT SUCH TIME WILL NOT VIOLATE THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS.

9. NON-TRANSFERABILITY. The Options are not transferable by the Optionee other than to a designated beneficiary upon death, by will or the laws of descent and distribution, or to a trust solely for the benefit of the Optionee or his immediate family, and are exercisable during the Optionee's lifetime only by him, or in the case of the Options being held by such a trust, by the trustee.

10. FORFEITURE FOR NON-COMPETE VIOLATION.

(a) Non-Compete. The grantee agrees that during the term of grantee's employment and for a period of two years thereafter (the "Coverage Period") the grantee will not engage in, consult with, participate in, hold a position as shareholder, director, officer, consultant, employee, partner or investor, or otherwise assist any business entity (i) in any State of the United States of America or (ii) in any other country in which the Company has business activities, in either case, that is engaged in any activities which are competitive with the business of providing healthcare or other personnel on a temporary basis to hospitals, healthcare facilities or other entities and any and all business activities reasonably related thereto in which the Company or any of its divisions, affiliates or subsidiaries are then engaged.

(b) Non-Solicit. The grantee agrees that during the Coverage Period, he shall not solicit, attempt to solicit or endeavor to entice away from the Company any person who, at any time during the Term was a traveling nurse or other healthcare professional, employee, customer, client or supplier of the Company.

(c) Confidential and Proprietary Information. The grantee agrees that he will not, at any time make use of or divulge to any other person, firm or corporation any confidential or proprietary information concerning the business or policies of the Company or any of its divisions, affiliates or subsidiaries. For purposes of this Agreement, any confidential information shall constitute any information designated as confidential or proprietary by the Company or otherwise known by the grantee to be confidential or proprietary information including, without limitation, customer information. Grantee acknowledges and agrees that for purposes of this Agreement, "customer information" includes without limitation, customer lists, all lists of professional personnel, names, addresses, phone numbers, contact persons, preferences, pricing arrangements, requirements and practices. Grantee's obligation under this Section 10(c) shall not apply to any information which (i) is known publicly; (ii) is in the public domain or hereafter enters the public domain without the fault of grantee; or (iii) is hereafter disclosed to grantee by a third party not under an obligation of confidence to the Company. Grantee agrees not to remove from the premises of the Company, except as an employee of the Company in pursuit of the business of the Company or except as specifically permitted in writing by the Company, any document or other object

containing or reflecting any such confidential or proprietary information. Grantee recognizes that all such information, whether developed by the grantee or by someone else, will be the sole exclusive property of the Company. Upon termination of employment, grantee shall forthwith deliver to the Company all such confidential or proprietary information, including without limitation all lists of customers, pricing methods, financial structures, correspondence, accounts, records and any other documents, computer disks, computer programs, software, laptops, modems or property made or held by him or under his control in relation to the business or affairs of the Company or any of its divisions, subsidiaries or affiliates, and no copy of any such confidential or proprietary information shall be retained by him.

(d) Forfeiture for Violations. If the grantee shall at any time violate the provisions of Section 10(a), (b), or (c), the grantee shall immediately forfeit all options (whether vested or unvested) and any exercise of an option which occurs after (or within 6 months before) any such violation shall be void ab initio.

11. RIGHTS AS STOCKHOLDER. The Optionee or a transferee of the Options shall have no rights as a stockholder with respect to any share of Stock covered by the Options until the Optionee shall have become the holder of record of such share and no adjustment shall be made for dividends or distributions or other rights in respect of such share of Stock for which the record date is prior to the date upon which she shall become the holder of record thereof.

12. CHANGES IN CAPITAL STRUCTURE. Options granted under the Plan and any Stock Option Agreements, the maximum number of shares of Stock subject to all Options stated in Section 5(a) of the Plan and the maximum number of shares of Stock with respect to which any one person may be granted Options during any period stated in Section 5(d) of the Plan shall be subject to adjustment or substitution, as determined by the Committee in its sole discretion, as to the number, price or kind of a share of Stock or other consideration subject to such Options or as otherwise determined by the Committee to be equitable (i) in the event of changes in the outstanding Stock or in the capital structure of the Company by reason of stock or extraordinary cash dividends, stock splits, reverse stock splits, recapitalization, reorganizations, mergers, consolidations, combinations, exchanges, or other relevant changes in capitalization occurring after the Date of Grant of any such Option or (ii) in the event of any change in applicable laws or any change in circumstances which results in or would result in any substantial dilution or enlargement of the rights granted to, or available for, Participants, or which otherwise warrants equitable adjustment because it interferes with the intended operation of the Plan. Any adjustments under Section 11 of the Plan shall be made in a manner which does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act. Further, with respect to Options intended to qualify as "performance-based compensation" under Section 162(m) of the Code, such adjustments or substitutions shall be made only to the extent that the Committee determines that such adjustments or substitutions may be made without causing Options granted under the Plan to fail to qualify as "performance-based compensation" for purposes of Section 162(m) of the Code. The Company shall give each Optionee notice of an

adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

Notwithstanding the above, in the event of any of the following:

(a) The Company is merged or consolidated with another corporation or entity and, in connection therewith, consideration is received by shareholders of the Company in a form other than stock or other equity interests of the surviving entity;

(b) All or substantially all of the assets of the Company are acquired by another person;

(c) The reorganization or liquidation of the Company; or

(d) The Company shall enter into a written agreement to undergo an event described in clauses (a), (b) or (c) above, then the Committee may, in its discretion and upon at least 10 days advance notice to the affected persons, cancel any outstanding Options and pay to the holders thereof, in cash or stock, or any combination thereof, the value of such Options based upon the price per share of Stock received or to be received by other shareholders of the Company in the event.

13. EFFECT OF CHANGE IN CONTROL.

(a) In the event of a Change in Control, notwithstanding any vesting schedule, the Option shall become immediately exercisable with respect to 100 percent of the shares subject to such Option and, to the extent practicable, such acceleration of exercisability shall occur in a manner and at a time which allows the Optionee the ability to exercise his Option and participate in the Change in Control transaction with respect to the Stock subject to such Option.

(b) In addition, in the event of a Change in Control, the Committee may in its discretion and upon at least 10 days' advance notice to the Optionee, cancel any outstanding portions of the Option and pay to the Optionee, in cash or stock, or any combination thereof, the value of such portions of the Option based upon the price per share of Stock received or to be received by other shareholders of the Company in the event.

(c) The obligations of the Company under this Agreement shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. The Company agrees that it will make appropriate provisions for the preservation of the Optionee's rights under this Agreement in any agreement or plan which it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

14. COMPLIANCE WITH LAW. Notwithstanding any of the provisions hereof, the Optionee hereby agrees that the Optionee will not exercise the Options, and

that the Company will not be obligated to issue or transfer any shares to the Optionee hereunder, if the exercise hereof or the issuance or transfer of such shares shall constitute a violation by the Optionee or the Company of any provisions of any law or regulation of any governmental authority. Any determination in this connection by the Committee shall be final, binding and conclusive. The Company shall in no event be obliged to register any securities for sale under the Securities Act or to take any other affirmative action in order to cause the exercise of the Options or the issuance or transfer of shares pursuant thereto to comply with any law or regulation of any governmental authority.

15. NOTICE. Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided, provided that, unless and until some other address be so designated, all notices or communications by the Optionee to the Company shall be mailed or delivered to the Company at its principal executive office, and all notices or communications by the Company to the Optionee may be given to the Optionee personally or may be mailed to her at her address as recorded in the records of the Company.

16. NO RIGHT TO CONTINUED EMPLOYMENT. This Agreement shall not be construed as giving the Optionee the right to be retained in the employ or service of the Company, a Subsidiary or an Affiliate. Further, the Company or an Affiliate may at any time dismiss the Optionee or discontinue any consulting relationship, free from any liability or any claim under this Agreement, except as otherwise expressly provided herein.

17. BINDING EFFECT. Subject to Section 9 hereof, this Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

18. AMENDMENT OF AGREEMENT. The Committee may, to the extent consistent with the terms of this Agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any portion of the Option heretofore granted, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would impair the rights of the Optionee in respect of any Option already granted shall not to that extent be effective without the consent of the Optionee.

19. OPTION SUBJECT TO PLAN. By entering into this Agreement, the Optionee agrees and acknowledges that the Optionee has received and read a copy of the Plan. The Option is subject to the Plan. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

20. GOVERNING LAW. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Delaware without regard to the principles of conflicts of law thereof, or principles of conflicts of laws of any other

jurisdiction which could cause the application of the laws of any jurisdiction other than the State of Delaware.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

AMN HEALTHCARE SERVICES, INC.

By: /s/ STEVEN C. FRANCIS

Name: Steven C. Francis
Title: Chief Executive Officer and President

OPTIONEE

By: /s/ WILLIAM MILLER, III

Name: William Miller, III

EXHIBIT 10.43

AMN HEALTHCARE SERVICES, INC.
2001 STOCK OPTION PLAN
STOCK OPTION AGREEMENT

THIS STOCK OPTION AGREEMENT (the "Agreement"), made this 17th day of January, 2002, by and between AMN Healthcare Services, Inc. (the "Company"), a Delaware corporation and Andrew Stern (the "Optionee").

W I T N E S S E T H:

WHEREAS, the Company sponsors the AMN Healthcare Services, Inc. 2001 Stock Option Plan (the "Plan"), and desires to afford the Optionee the opportunity to acquire and maintain the Optionee's ownership of the Company's common stock, par value $.01 per share ("Stock") thereunder, thereby strengthening the Optionee's commitment to the welfare of the Company and Affiliates and promoting an identity of interest between stockholders and the Optionee.

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

1. DEFINITIONS.

The following definitions shall be applicable throughout the Agreement. Where defined terms are not defined herein, their meaning shall be that set forth in the Plan.

(a) "Affiliate" means (i) any entity that directly or indirectly is controlled by, or is under common control with the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

(b) "Board" means the Board of Directors of the Company.

(c) "Cause" means the Company or an Affiliate having "cause" to terminate an Optionee's employment or service, as defined in any existing employment, consulting or any other agreement between the Optionee and the Company or a Subsidiary or Affiliate, or, in the absence of such an employment, consulting or other agreement, upon (i) the determination by the Committee that the Optionee has ceased to perform his duties to the Company or an Affiliate (other than as a result of his incapacity due to physical or mental illness or injury), which failure amounts to an intentional and extended neglect of his duties to such party, (ii) the Committee's determination that the Optionee has engaged or is about to engage in conduct injurious to the Company or an Affiliate, (iii) the Optionee having been convicted of, or pleaded guilty or no contest to, a felony or a crime involving moral turpitude or (iv) the failure of the Optionee to follow the lawful instructions of the Board or his direct superiors; provided, however, that in the instances of clauses (i), (ii) and (iv), the Company or Affiliate, as applicable, must give

the optionee twenty (20) days' prior written notice of the defaults constituting "cause" hereunder.

(d) "Change in Control" shall, unless in the case of a particular Option the applicable Stock Option Agreement states otherwise or contains a different definition of "Change in Control," be deemed to occur upon:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") (other than any of the following (each an "Excluded Person"): HWH Capital Partners, L.P., HWP Capital Partners II, L.P., HWH Nightingale Partners, L.P., HWP Nightingale Partners II, L.P., Haas Wheat & Partners, L.P., any Affiliate of any of the foregoing, or any such group of which any of the foregoing is a member) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a majority of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, or the acquisition by a Person other than an Excluded Person of at least thirty percent (30%) of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, if at such time the Excluded Persons in the aggregate own a lesser percentage of such securities than the Person making such acquisition of such securities;

(ii) the dissolution or liquidation of the Company;

(iii) the sale of all or substantially all of the business or assets of the Company; or

(iv) the consummation of a merger, consolidation or similar form of corporate transaction involving the Company that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), if immediately following such Business Combination: (x) a Person (other than an Excluded Person), is or becomes the beneficial owner, directly or indirectly, of a majority of the combined voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), or (y) the Company's shareholders cease to beneficially own, directly or indirectly, in substantially the same proportion as they owned the then outstanding voting securities immediately prior to the Business Combination, a majority of the combined voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation). "Surviving Corporation" shall mean the corporation resulting from a Business Combination, and "Parent Corporation" shall mean the ultimate parent corporation that directly or indirectly has beneficial ownership of a majority of the combined voting power of the then outstanding voting securities of the Surviving Corporation entitled to vote generally in the election of directors.

(e) "Code" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include

any amendments or successor provisions to such section and any regulations under such section.

(f) "Committee" means a committee of at least two people as the Board may appoint to administer the Plan or, if no such committee has been appointed by the Board, the Board. Unless the Board is acting as the Committee or the Board specifically determines otherwise, each member of the Committee shall, at the time he takes any action with respect to a Option under the Plan, be an Eligible Director, however the mere fact that a Committee member shall fail to qualify as an Eligible Director shall not invalidate any Option granted by the Committee which Option is otherwise validly made under the Plan.

(g) "Common Stock" means the common stock, par value $0.01 per share, of the Company.

(h) "Company" means AMN Healthcare Services, Inc.

(i) "Disability" means a condition entitling a person to receive benefits under the long-term disability plan of the Company, a Subsidiary or Affiliate, as may be applicable to the Optionee in question, or, in the absence of such a plan, the complete and permanent inability by reason of illness or accident to perform the duties of the occupation at which the Optionee was employed or served when such disability commenced or, as determined by the Committee based upon medical evidence acceptable to it.

(j) "Effective Date" means January 17, 2002.

(k) "Eligible Director" means a person who is (i) a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act, or a person meeting any similar requirement under any successor rule or regulation and (ii) an "outside director" within the meaning of Section 162(m) of the Code, and the Treasury Regulations promulgated thereunder; provided, however, that clause (ii) shall apply only with respect to grants of Options with respect to which the Company's tax deduction could be limited by Section 162(m) of the Code if such clause did not apply.

(l) "Eligible Person" means any (i) individual regularly employed by the Company, a Subsidiary or Affiliate who satisfies all of the requirements of Section 6; provided, however, that no such employee covered by a collective bargaining agreement shall be an Eligible Person unless and to the extent that such eligibility is set forth in such collective bargaining agreement or in an agreement or instrument relating thereto; (ii) director of the Company, or Affiliate or (iii) consultant or advisor to the Company, a Subsidiary or Affiliate who is entitled to participate in an "employee benefit plan" within the meaning of 17 CFR Section 230.405 (which, as of the Effective Date, includes those who (A) are natural persons and (B) provide bona fide services to the Company other than in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the Company's securities).

(m) "Exchange Act" means the Securities Exchange Act of 1934.

(n) "Fair Market Value," on a given date means (i) if the Stock is listed on a national securities exchange, the mean between the highest and lowest sale prices reported as having occurred on the primary exchange with which the Stock is listed and traded on the date prior to such date, or, if there is no such sale on that date, then on the last preceding date on which such a sale was reported; (ii) if the Stock is not listed on any national securities exchange but is quoted in the National Market System of the National Association of Securities Dealers Automated Quotation System ("NASDAQ") on a last sale basis, the average between the high bid price and low ask price reported on the date prior to such date, or, if there is no such sale on that date, then on the last preceding date on which a sale was reported; or (iii) if the Stock is not listed on a national securities exchange nor quoted in the NASDAQ on a last sale basis, the amount determined by the Board to be the fair market value based upon a good faith attempt to value the Stock accurately and computed in accordance with applicable regulations of the Internal Revenue Service.

(o) Grant Date" means January 17, 2002, which is the date specified in the authorization of the Option grant.

(p) "Non-Qualified Stock Option" means an Option granted by the Committee to an Optionee under the Plan which is not an incentive stock option as described in Section 422 of the Code.

(q) "Normal Termination" means termination of employment or service with the Company and Affiliates:

(i) by the Optionee;

(ii) upon retirement;

(iii) on account of death or Disability; or

(iv) by the Company, a Subsidiary or Affiliate without Cause.

(r) "Option" means an award granted under Section 2.

(s) "Option Period" means the period described in Section 2.

(t) "Option Price" means the exercise price for an Option as described in Section 2.

(u) "Optionee" means an Eligible Person who has been selected by the Committee to participate in the Plan and to receive an Option pursuant to Section 2.

(v) "Securities Act" means the Securities Act of 1933, as amended.

(w) "Stock" means the Common Stock or such other authorized shares of stock of the Company, as the Committee may from time to time authorize for use under the Plan.

(x) "Subsidiary" means any subsidiary of the Company as defined in Section 424(f) of the Code.

2. GRANT OF OPTION. Subject to the terms and conditions set forth herein, the Company hereby grants to the Optionee, during the period commencing on the date of this Agreement and ending the day prior to the tenth anniversary of the date hereof (the "Termination Date"), the right and option (the right to purchase any one share of Stock hereunder being an "Option") to purchase from the Company, at $22.98 per share (the "Option Price"), an aggregate of 9000 shares of Stock (the "Option Shares"). The original ten-year term of such Option shall be referred to herein as the "Option Period". The Options are not intended to be "incentive stock options" within the meaning of Section 422 of the Code.

3. LIMITATIONS ON EXERCISE OF OPTION. As set forth in the Plan, and subject to the terms and conditions set forth herein, the Optionee may exercise 20% of the Option on and after the first annual anniversary of the Grant Date, an additional 20% of the Option on and after the second anniversary of the Grant Date, an additional 20% of the Option on and after the third anniversary of the Grant Date, an additional 20% of the Option on and after the fourth anniversary of the Grant Date, and a final 20% of the Option on and after the fifth anniversary of the Grant Date.

4. TERMINATION OF EMPLOYMENT.

(a) If, prior to the end of the Option Period, the Optionee shall undergo a Normal Termination other than due to death or Disability, (i) the portion of the Option which is vested at the time of such Normal Termination shall be determined in accordance with Section 3, (ii) the portion of the Option which is not vested at the date of such Normal Termination shall expire on such date; and (iii) the portion of the Option which is vested at the date of such Normal Termination shall expire on the earlier of the Termination Date or the date that is three months after the date of such Normal Termination.

(b) If, prior to the end of the Option Period, the Optionee dies or incurs a Disability while still in the employ or service of the Company, a Subsidiary or Affiliate, or if the Optionee dies within three months following a Normal Termination, (i) the portion of the Option which is not vested at the date of such termination shall expire on such date; and (ii) the portion of the Option which is vested at the date of such termination shall expire on the earlier of the Termination Date or the date that is twelve months after the date of such termination. In such event, the vested portion of the Option may be exercised as described above by the Optionee's personal representative or

executor, or by the person or persons to whom the Optionee's rights under the Option pass by will or the applicable laws of descent and distribution.

(c) If, prior to the Termination Date, the Optionee is terminated from the employment or service with the Company for Cause or for reasons other than a Normal Termination, all portions of the Option then held by such Optionee (whether or not vested) shall expire immediately upon such cessation of employment or service.

5. METHOD OF EXERCISING OPTION.

(a) The Optionee may exercise any or all of the Options after the time they become vested pursuant to Section 3 hereof by delivering to the Committee a written notice of exercise (in a form designated by the Committee) signed by the Optionee stating the number of Options that the Optionee has elected to exercise at that time and tendering the full payment of the Option Price of the shares of Stock to be thereby purchased from the Company. Payment of the Option Price of the shares may be made in cash and/or shares of Stock valued at the Fair Market Value at the time the Option is exercised (including any means of attestation of ownership of a sufficient number of shares of Stock in lieu of actual delivery of such shares to the Company; provided, however, that such shares are not subject to any pledge or other security interest and have either been held by the Optionee for six months, previously acquired by the Optionee on the open market or meet such other requirements as the Committee may determine necessary in order to avoid an accounting earnings charge in respect of the Option), or, in the discretion of the Committee, either (i) in other property having a fair market value on the date of exercise equal to the Option Price, (ii) by delivering to the Committee a copy of irrevocable instructions to a stockbroker to deliver promptly to the Company an amount of loan proceeds, or proceeds of the sale of the Stock subject to the Option, sufficient to pay the Option Price, or (iii) by such other method as the Committee may allow.

(b) The Optionee may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any shares of Stock or other property deliverable under the Option or from any compensation or other amounts owing to the Optionee the amount (in cash, Stock or other property) of any required tax withholding and payroll taxes in respect of an Option, its exercise, or any payment or transfer under an Option or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(c) Without limiting the generality of clause (b) above, in the Committee's sole discretion the Optionee may satisfy, in whole or in part, the foregoing withholding liability (but no more than the minimum required withholding liability) by delivery of shares of Stock owned by the Optionee (which are not subject to any pledge or other security interest and which have been owned by the Participant for at least 6 months or purchased on the open market) with a Fair Market Value equal to such withholding liability or by having the Company withhold from the number of shares of

Stock otherwise issuable pursuant to the exercise of the Option a number of shares with a Fair Market Value equal to such withholding liability.

6. ISSUANCE OF SHARES. As promptly as practical after receipt of written notification of exercise and full payment of the Option Price together with any required income tax withholding, the Company shall issue or transfer to the Optionee, the number of shares with respect to which the Option has been so exercised (less shares withheld in satisfaction of tax withholding obligations, if any), and shall deliver to the Optionee a certificate or certificates therefor, registered in the Optionee's name. The shares delivered to the Optionee pursuant to this Section 6 shall be free and clear of all liens, fully paid and non-assessable.

7. COMPANY; OPTIONEE.

(a) The term "Company" as used in this Agreement with reference to employment shall include the Company, its Subsidiaries and its Affiliates, as appropriate.

(b) Whenever the word "Optionee" is used in any provision of this Agreement under circumstances where the provision should logically be construed to apply to the beneficiaries, the executors, the administrators, or the person or persons to whom the Options may be transferred by will or by the laws of descent and distribution, the word "Optionee" shall be deemed to include such person or persons.

8. PURCHASE FOR INVESTMENT; LEGENDS. In the event that the offering of Option Shares with respect to which the Options are being exercised is not registered under the Securities Act, but an exemption is available that requires an investment representation or other representation, the Optionee, if electing to purchase Option Shares, shall represent that such Option Shares are being acquired for investment and not with a view to distribution thereof, and to make such other reasonable and customary representations regarding matters relevant to compliance with applicable securities laws as are deemed necessary by counsel to the Company. Stock certificates evidencing such unregistered Option Shares that are acquired upon exercise of the Options shall bear restrictive legends in substantially the following form and such other restrictive legends as are required or advisable under the provisions of any applicable laws or are provided for in the Shareholders Agreement or any other agreement to which Optionee is a party:

> THE SHARES REPRESENTED BY THIS STOCK CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), NOR UNDER ANY STATE SECURITIES LAWS AND SHALL NOT BE TRANSFERRED AT ANY TIME IN THE ABSENCE OF (I) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS WITH RESPECT TO SUCH SHARES AT SUCH TIME, OR (II) AN OPINION OF

COUNSEL SATISFACTORY TO THE COMPANY AND ITS COUNSEL, TO THE EFFECT THAT SUCH TRANSFER AT SUCH TIME WILL NOT VIOLATE THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS.

9. NON-TRANSFERABILITY. The Options are not transferable by the Optionee other than to a designated beneficiary upon death, by will or the laws of descent and distribution, or to a trust solely for the benefit of the Optionee or his immediate family, and are exercisable during the Optionee's lifetime only by him, or in the case of the Options being held by such a trust, by the trustee.

10. FORFEITURE FOR NON-COMPETE VIOLATION.

(a) Non-Compete. The grantee agrees that during the term of grantee's employment and for a period of two years thereafter (the "Coverage Period") the grantee will not engage in, consult with, participate in, hold a position as shareholder, director, officer, consultant, employee, partner or investor, or otherwise assist any business entity (i) in any State of the United States of America or (ii) in any other country in which the Company has business activities, in either case, that is engaged in any activities which are competitive with the business of providing healthcare or other personnel on a temporary basis to hospitals, healthcare facilities or other entities and any and all business activities reasonably related thereto in which the Company or any of its divisions, affiliates or subsidiaries are then engaged.

(b) Non-Solicit. The grantee agrees that during the Coverage Period, he shall not solicit, attempt to solicit or endeavor to entice away from the Company any person who, at any time during the Term was a traveling nurse or other healthcare professional, employee, customer, client or supplier of the Company.

(c) Confidential and Proprietary Information. The grantee agrees that he will not, at any time make use of or divulge to any other person, firm or corporation any confidential or proprietary information concerning the business or policies of the Company or any of its divisions, affiliates or subsidiaries. For purposes of this Agreement, any confidential information shall constitute any information designated as confidential or proprietary by the Company or otherwise known by the grantee to be confidential or proprietary information including, without limitation, customer information. Grantee acknowledges and agrees that for purposes of this Agreement, "customer information" includes without limitation, customer lists, all lists of professional personnel, names, addresses, phone numbers, contact persons, preferences, pricing arrangements, requirements and practices. Grantee's obligation under this Section 10(c) shall not apply to any information which (i) is known publicly; (ii) is in the public domain or hereafter enters the public domain without the fault of grantee; or (iii) is hereafter disclosed to grantee by a third party not under an obligation of confidence to the Company. Grantee agrees not to remove from the premises of the Company, except as an employee of the Company in pursuit of the business of the Company or except as specifically permitted in writing by the Company, any document or other object

containing or reflecting any such confidential or proprietary information. Grantee recognizes that all such information, whether developed by the grantee or by someone else, will be the sole exclusive property of the Company. Upon termination of employment, grantee shall forthwith deliver to the Company all such confidential or proprietary information, including without limitation all lists of customers, pricing methods, financial structures, correspondence, accounts, records and any other documents, computer disks, computer programs, software, laptops, modems or property made or held by him or under his control in relation to the business or affairs of the Company or any of its divisions, subsidiaries or affiliates, and no copy of any such confidential or proprietary information shall be retained by him.

(d) Forfeiture for Violations. If the grantee shall at any time violate the provisions of Section 10(a), (b), or (c), the grantee shall immediately forfeit all options (whether vested or unvested) and any exercise of an option which occurs after (or within 6 months before) any such violation shall be void ab initio.

11. RIGHTS AS STOCKHOLDER. The Optionee or a transferee of the Options shall have no rights as a stockholder with respect to any share of Stock covered by the Options until the Optionee shall have become the holder of record of such share and no adjustment shall be made for dividends or distributions or other rights in respect of such share of Stock for which the record date is prior to the date upon which she shall become the holder of record thereof.

12. CHANGES IN CAPITAL STRUCTURE. Options granted under the Plan and any Stock Option Agreements, the maximum number of shares of Stock subject to all Options stated in Section 5(a) of the Plan and the maximum number of shares of Stock with respect to which any one person may be granted Options during any period stated in Section 5(d) of the Plan shall be subject to adjustment or substitution, as determined by the Committee in its sole discretion, as to the number, price or kind of a share of Stock or other consideration subject to such Options or as otherwise determined by the Committee to be equitable (i) in the event of changes in the outstanding Stock or in the capital structure of the Company by reason of stock or extraordinary cash dividends, stock splits, reverse stock splits, recapitalization, reorganizations, mergers, consolidations, combinations, exchanges, or other relevant changes in capitalization occurring after the Date of Grant of any such Option or (ii) in the event of any change in applicable laws or any change in circumstances which results in or would result in any substantial dilution or enlargement of the rights granted to, or available for, Participants, or which otherwise warrants equitable adjustment because it interferes with the intended operation of the Plan. Any adjustments under Section 11 of the Plan shall be made in a manner which does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act. Further, with respect to Options intended to qualify as "performance-based compensation" under Section 162(m) of the Code, such adjustments or substitutions shall be made only to the extent that the Committee determines that such adjustments or substitutions may be made without causing Options granted under the Plan to fail to qualify as "performance-based compensation" for purposes of Section 162(m) of the Code. The Company shall give each Optionee notice of an

adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

Notwithstanding the above, in the event of any of the following:

(a) The Company is merged or consolidated with another corporation or entity and, in connection therewith, consideration is received by shareholders of the Company in a form other than stock or other equity interests of the surviving entity;

(b) All or substantially all of the assets of the Company are acquired by another person;

(c) The reorganization or liquidation of the Company; or

(d) The Company shall enter into a written agreement to undergo an event described in clauses (a), (b) or (c) above, then the Committee may, in its discretion and upon at least 10 days advance notice to the affected persons, cancel any outstanding Options and pay to the holders thereof, in cash or stock, or any combination thereof, the value of such Options based upon the price per share of Stock received or to be received by other shareholders of the Company in the event.

13. EFFECT OF CHANGE IN CONTROL.

(a) In the event of a Change in Control, notwithstanding any vesting schedule, the Option shall become immediately exercisable with respect to 100 percent of the shares subject to such Option and, to the extent practicable, such acceleration of exercisability shall occur in a manner and at a time which allows the Optionee the ability to exercise his Option and participate in the Change in Control transaction with respect to the Stock subject to such Option.

(b) In addition, in the event of a Change in Control, the Committee may in its discretion and upon at least 10 days' advance notice to the Optionee, cancel any outstanding portions of the Option and pay to the Optionee, in cash or stock, or any combination thereof, the value of such portions of the Option based upon the price per share of Stock received or to be received by other shareholders of the Company in the event.

(c) The obligations of the Company under this Agreement shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. The Company agrees that it will make appropriate provisions for the preservation of the Optionee's rights under this Agreement in any agreement or plan which it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

14. COMPLIANCE WITH LAW. Notwithstanding any of the provisions hereof, the Optionee hereby agrees that the Optionee will not exercise the Options, and

that the Company will not be obligated to issue or transfer any shares to the Optionee hereunder, if the exercise hereof or the issuance or transfer of such shares shall constitute a violation by the Optionee or the Company of any provisions of any law or regulation of any governmental authority. Any determination in this connection by the Committee shall be final, binding and conclusive. The Company shall in no event be obliged to register any securities for sale under the Securities Act or to take any other affirmative action in order to cause the exercise of the Options or the issuance or transfer of shares pursuant thereto to comply with any law or regulation of any governmental authority.

15. NOTICE. Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided, provided that, unless and until some other address be so designated, all notices or communications by the Optionee to the Company shall be mailed or delivered to the Company at its principal executive office, and all notices or communications by the Company to the Optionee may be given to the Optionee personally or may be mailed to her at her address as recorded in the records of the Company.

16. NO RIGHT TO CONTINUED EMPLOYMENT. This Agreement shall not be construed as giving the Optionee the right to be retained in the employ or service of the Company, a Subsidiary or an Affiliate. Further, the Company or an Affiliate may at any time dismiss the Optionee or discontinue any consulting relationship, free from any liability or any claim under this Agreement, except as otherwise expressly provided herein.

17. BINDING EFFECT. Subject to Section 9 hereof, this Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

18. AMENDMENT OF AGREEMENT. The Committee may, to the extent consistent with the terms of this Agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any portion of the Option heretofore granted, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would impair the rights of the Optionee in respect of any Option already granted shall not to that extent be effective without the consent of the Optionee.

19. OPTION SUBJECT TO PLAN. By entering into this Agreement, the Optionee agrees and acknowledges that the Optionee has received and read a copy of the Plan. The Option is subject to the Plan. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

20. GOVERNING LAW. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Delaware without regard to the principles of conflicts of law thereof, or principles of conflicts of laws of any other

jurisdiction which could cause the application of the laws of any jurisdiction other than the State of Delaware.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

AMN HEALTHCARE SERVICES, INC.

By: /s/ STEVEN C. FRANCIS

Name: Steven C. Francis
Title: Chief Executive Officer and President

OPTIONEE

By: /s/ ANDREW STERN

Name: Andrew Stern

EXHIBIT 10.44

FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment"), dated as of April 8, 2002, 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 signatory hereto 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 previously amended, the "Existing Credit Agreement").

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

C. The Lenders 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. 1 Effective Date" is defined in Subpart 3.1.

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. 1 Effective Date, the Existing Credit Agreement is hereby amended in accordance with this Part II.

SUBPART 2.1 Amendments to Section 1.1. Section 1.1 of the Existing Credit Agreement is hereby amended in the following respects:

(a) The following definition appearing in Section 1.1 of the Existing Credit Agreement is amended and restated in its entirety to read as follows:

"Permitted Acquisition" means an Acquisition by the Borrower or any Subsidiary of the Borrower, provided that (i) the Property acquired (or the Property of the Person acquired) in such Acquisition is used or useful in the same or a similar line of business as the Borrower and its Subsidiaries were engaged in on the Closing Date (or any reasonable extensions or expansions thereof), (ii) the Agent shall have received all items in respect of the Capital Stock or Property acquired in such Acquisition required to be delivered by the terms of Section 7.12 and/or Section 7.13, (iii) in the case of an Acquisition of the Capital Stock of another Person, the board of directors (or other comparable governing body) of such other Person shall have duly approved such Acquisition, (iv) the Borrower shall have delivered to the Agent a Pro Forma Compliance Certificate demonstrating that, upon giving effect to such Acquisition on a Pro Forma Basis, no Default or Event of Default would exist as the result of a violation of Section 7.11(a) or Section 7.11(b), (v) the representations and warranties made by the Credit Parties in any Credit Document shall be true and correct in all material respects at and as if made as of the date of such Acquisition (after giving effect thereto) except to the extent such representations and warranties expressly relate to an earlier date, (vi) if such transaction involves the purchase of an interest in a partnership between the Borrower (or a Subsidiary of the Borrower) as a general partner and entities unaffiliated with the Borrower or such Subsidiary as the other partners, such transaction shall be effected by having such equity interest acquired by a holding company directly or indirectly wholly-owned by the Borrower newly formed for the sole purpose of effecting such transaction and (vii) the total Qualifying Consideration for any such Acquisition shall not exceed an amount equal to (A) $54,000,000 plus (B) 50% of Excess Cash Flow for each fiscal year ended after the Closing Date minus (C) the aggregate amount of Qualifying Consideration paid with respect to all Acquisitions occurring after the Closing Date.

PART III
CONDITIONS TO EFFECTIVENESS

This Amendment shall be and become effective as of the date (the "Amendment No. 1 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, the Guarantors and the Requisite Lenders.

SUBPART 3.2 Fees and Expenses. The Borrower has paid all fees and expenses incurred in connection with the negotiation, preparation, execution and delivery of this Amendment and the other transactions contemplated herein.

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.

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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: /s/ Donald R. Myll

Name: Donald R. Myll

Title: Chief Financial Officer

PARENT: AMN HEALTHCARE SERVICES, INC.

By: /s/ Donald R. Myll

Name: Donald R. Myll

Title: Chief Financial Officer

SUBSIDIARY GUARANTORS: WORLDVIEW HEALTHCARE, INC.

By: /s/ Donald R. Myll

Name: Donald R. Myll

Title: Chief Financial Officer

O'GRADY PEYTON INTERNATIONAL (USA), INC.

By: /s/ Donald R. Myll

Name: Donald R. Myll

Title: Chief Financial Officer

[Signatures Continued]

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

By: /s/ Charles D. Graber

Name: Charles D. Graber

Title: Vice President

LENDERS: BANK OF AMERICA, N.A.

By: /s/ Bank of America, N.A.

Name:

Title:

[Signatures Continued]

GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ Thomas S. Beck

Name: Thomas S. Beck

Title: Duly Authorized Signatory

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Douglas S. Lambell

Name: Douglas S. Lambell

Title: Vice President/SCM

SAN DIEGO CORPORATE CENTER, LOT #7 PROJECT

OFFICE LEASE

This Office Lease (the "LEASE"), dated as of the date set forth in Section 1 of the Summary of Basic Lease Information (the "SUMMARY"), below, is made by and between KILROY REALTY, L.P., a Delaware limited partnership ("LANDLORD"), and AMN HEALTHCARE, INC., a Nevada corporation ("TENANT").

SUMMARY OF BASIC LEASE INFORMATION

	TERMS OF LEASE	DESCRIPTION
1.	Date:	April 2, 2002
2.	Premises	
	2.1 Building:	That certain six (6)-story, "Class-A" office building to be constructed by Landlord and located at 12400 High Bluff Drive, San Diego, California 92130 in the "Project" in Del Mar Heights, which Building shall contain approximately 208,961 rentable (193,766) usable square feet of space (assuming a multi-tenant second (2nd) floor).
	2.2 Premises:	Approximately 172,259 rentable (160,801 usable) square feet of space, consisting of all of the first (1st), third (3rd), fourth (4th), fifth (5th) and sixth (6th) floors of the Building, as further set forth in EXHIBIT A to the Office Lease.
	2.3 Project:	The Building is part of a single-office building (with adjoining parking structure) project known as the "SAN DIEGO CORPORATE CENTER LOT #7 PROJECT", as further set forth in Section 1.1.2 of this Lease, the legal description of which is set forth in EXHIBIT A-1 to this Lease.
3.	Lease Term (Article 2).	
	3.1 Length of Term:	Fifteen (15) years and no (0) months.
	3.2 Lease Commencement Date:	The earlier to occur of (i) the date upon which Tenant first commences to conduct business in

		the Premises and (ii) the date upon which the Premises are "Ready for Occupancy," as that term is set forth in Section 5.1 of the Tenant Work Letter attached as EXHIBIT B to the Lease, which date is anticipated to be August 1, 2003.
3.3	Lease Expiration Date:	The date immediately preceding the fifteenth anniversary of the Lease Commencement Date.
3.4	Option Term(s):	Two (2) five (5)-year options to renew, as more particularly set forth in Section 2.2 of this Lease.

4. Base Rent (Article 3):

Lease Year	Annual Base Rent	Monthly Installment of Base Rent	Monthly Rental Rate per Rentable Square Foot
1 - 3	$6,594,075.00	$549,506.25	$3.190
4 - 6	$7,400,247.00	$616,687.25	$3.580
7* - 8	$7,918,263.00	$659,855.25	$3.831
9* - 10	$8,472,543.00	$706,045.25	$4.099
11* - 12	$9,065,619.00	$755,468.25	$4.386
13* - 14	$9,700,215.00	$808,351.25	$4.693
15*	$10,379,229.00	$864,935.75	$5.021

To the extent Tenant elects to increase the amount of the Tenant Improvement Allowance pursuant to Section 2.2.2 of the Tenant Work Letter, such "TIA Increase," as that term is defined in Section 2.2.2 of the Tenant Work Letter, shall be amortized over the initial Lease Term using an amortization rate of twelve and one-half percent (12 1/2%) per annum, the monthly payment of which shall be payable in the same place and in the same manner as Base Rent for each month of the initial Lease Term as "Additional Rent," as that term is set forth in Section 4.1 of the Lease. Accordingly, for each dollar of TIA Increase utilized by Tenant, the Base Rent payable by Tenant during the first six (6) Lease Years, as set forth in Section 4 of the Summary, shall be increased by an amount equal to $0.01233 per rentable square foot of the Premises per month, with the Base Rent for subsequent Lease Years calculated as set forth below.

*Commencing as of the seventh (7th) Lease Year, and continuing as of the ninth (9th), eleventh (11th), thirteenth (13th) and fifteenth (15th) Lease Years, Annual Base Rent (and Monthly Installment of Base Rent/Monthly Rental Rate per Rentable Square Foot) was calculated using seven percent (7.0%) increases over the previously existing amounts; provided, however, that in each instance (including Lease Years one (1) through six (6)), the resulting actual Monthly Installment of Base Rent was rounded up or down, as applicable, to the nearest twenty-five cents ($0.25), and the scheduled Annual Base Rent is, therefore, an amount equal to twelve (12) times such rounded Monthly Installment of Base Rent amount.

5.	Base Year (Article 4):	The twelve (12)-month period commencing as of the Lease Commencement Date.
6.	Tenant's Share (Article 4):	Approximately 82.44%.
7.	Permitted Use (Article 5):	Tenant shall use the Premises solely for general office purposes, customer service and to the extent permitted by applicable law, research and development. Tenant's use shall at all times be consistent with applicable zoning, the San Diego Corporate Center P.I.D., (the "P.I.D.") and the character of the Building as a first-class office building (including, without limitation, Tenant's administrative offices, sales and marketing office and incidental uses relating thereto (specifically including Tenant's non-retail use of its "cafeteria" and "work-out" areas), and Tenant shall not use or permit the Premises to be used for any other purpose or purposes whatsoever.
8.	Security Deposit (Article 21):	An amount equal to the Monthly Installment of Base Rent for the last month of the initial Lease Term ($903,804.00, subject to adjustment pursuant to Section 4 of this Summary, Section 1.2 of the Lease and Section 2.2.2 of the Tenant Work Letter). In addition to the Security Deposit, Tenant shall have additional security obligations, in the form more particularly set forth in Section 21.2, and subject to reductions pursuant to the TCC's of Section 21.2.
9.	Parking Pass Ratio (Article 28):	Six hundred (600) unreserved parking spaces attributable to the first 100,000 rentable square feet of the Premises, and four (4) unreserved parking spaces for every 1,000 rentable square feet of the Premises in excess of 100,000 rentable square feet, of which twenty-five (25) spaces shall be for the use of reserved parking spaces; provided, however, that in addition to such twenty-five (25) parking spaces, all of the parking spaces located on the "Extra Parking Level," as that term is set forth in Section 28.2 of the Lease, shall be reserved parking spaces

		exclusively for Tenant's use.
10.	Address of Tenant (Section 29.18):	AMN Healthcare, Inc. 12235 El Camino Real, Suite 200 San Diego, California 92130 Attention: Denise L. Jackson, Esq. (Prior to Lease Commencement Date) and AMN Healthcare, Inc. at the Premises to the attention of Denise L. Jackson, Esq. (After Lease Commencement Date) with a copy to: Brobeck, Phleger & Harrison LLP 12750 High Bluff Drive, Suite 300 San Diego, California 92130 Attention: Scott Biel, Esq.
11.	Address of Landlord (Section 29.18):	See Section 29.18 of the Lease.
12.	Broker(s) (Section 29.24):	Irving Hughes (for Tenant) and Business Real Estate (BRE) (for Landlord)
13.	Tenant Improvement Allowance (Section 2 of EXHIBIT B):	$6,432,040.00 (which amount was calculated based upon $40.00 per Usable Square Foot for each of the 160,801 Usable Square Feet of space in the Premises).

ARTICLE 1

PREMISES, BUILDING, PROJECT, AND COMMON AREAS

1.1 PREMISES, BUILDING, PROJECT AND COMMON AREAS.

1.1.1 THE PREMISES. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the premises which are to be constructed by Landlord and are set forth in Section 2.2 of the Summary (the "PREMISES"). The outline of the Premises is set forth in EXHIBIT A attached hereto. The parties hereto agree that the lease of the Premises is upon and subject to the terms, covenants and conditions (collectively, the "TCCS") herein set forth, and Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all of such terms, covenants and conditions by it to be kept and performed and that this Lease is made upon the condition of such performance. The parties hereto hereby acknowledge that the purpose of EXHIBIT A is to show the approximate location of the Premises in the "BUILDING," as that term is defined in Section 1.1.2, below, only, and such exhibit is not meant to constitute an agreement, representation or warranty as to the construction of the Premises, the precise area thereof or the specific location of the "COMMON AREAS," as that term is defined in Section 1.1.3, below, or the elements thereof or of the accessways to the Premises or the "PROJECT," as that term is defined in Section 1.1.2, below. Except as specifically set forth in this Lease and in the Tenant Work Letter attached hereto as EXHIBIT B (the "TENANT WORK LETTER"), Landlord shall not be obligated to provide or pay for any improvement work or services related to the improvement of the Premises. Tenant also acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty regarding the condition of the Premises, the Building or the Project or with respect to the suitability of any of the foregoing for the conduct of Tenant's business, except as specifically set forth in this Lease and the Tenant Work Letter. Subject to the completion of "Landlord's Work," as that term is set forth in Section 1.1 of the Tenant Work Letter, pursuant to the TCCs (including the correction of any deficiencies thereof) of such Tenant Work Letter, the taking of possession of the Premises by Tenant shall conclusively establish that the Premises and the Building were at such time in good and sanitary order, condition and repair.

1.1.2 THE BUILDING AND THE PROJECT. The Premises are a part of the building set forth in Section 2.1 of the Summary (the "BUILDING"). The Building is part of a single-office building project known as "San Diego Corporate Center, Lot #7 Project." The term "PROJECT," as used in this Lease, shall mean (i) the Building and the Common Areas, (ii) the parking facility being constructed on the Project adjacent to the Building (the "PARKING FACILITY"), and (iii) the land (which is improved with landscaping and other improvements) upon which the Building, the Parking Facility and the Common Areas are located.

1.1.3 COMMON AREAS. Tenant shall have the non-exclusive right to use in common with other tenants in the Project, and subject to the rules and regulations referred to in Article 5 of this Lease, the Parking Facility and those portions of the Project which are provided, from time to time, for use in common by Landlord, Tenant and any other tenants of the Project (such areas, together with such other portions of the Project designated by Landlord, in its discretion, including certain areas designated for the exclusive use of certain tenants, or to be shared by Landlord and certain tenants, are collectively referred to herein as the "COMMON

AREAS"). Landlord shall operate and maintain the Common Areas in a manner that is consistent with a first class office building in the Del Mar Heights/University Town Center ("UTC") area and the use thereof shall be subject to such rules, regulations and restrictions as Landlord may make from time to time. Landlord reserves the right to close temporarily, make alterations or additions to, or change the location of elements of the Project and the Common Areas, so long as the alterations or additions do not materially and adversely diminish Tenant's rights to quiet enjoyment and use and enjoyment of the Premises and Common Areas (except that such restriction shall not apply to alterations and additions required by Law).

1.2 VERIFICATION OF RENTABLE SQUARE FEET OF PREMISES AND BUILDING. For purposes of this Lease, "rentable square feet" and "usable square feet" shall be calculated pursuant to Standard Method of Measuring Floor Area in Office Building, ANSI Z65.1 - 1996 ("BOMA"). Within thirty (30) days after the Lease Commencement Date, Landlord's space planner/architect shall measure the rentable and usable square feet of the Premises in accordance with the provisions of this Section 1.2 and the results thereof shall be presented to Tenant in writing. Tenant's space planner/architect may review Landlord's space planner/architect's determination of the number of rentable square feet and useable square feet of the Premises and Tenant may, within fifteen (15) business days after Tenant's receipt of Landlord's space planner/architect's written determination, object to such determination by written notice to Landlord. Tenant's failure to deliver written notice of such objection within said fifteen (15) business day period shall be deemed to constitute Tenant's acceptance of Landlord's space planner/architect's determination. If Tenant objects to such determination, Landlord's space planner/architect and Tenant's space planner/architect shall promptly meet and attempt to agree upon the rentable and useable square footage of the Premises. If Landlord's space planner/architect and Tenant's space planner/architect cannot agree on the rentable and useable square footage of the Premises within thirty (30) days after Tenant's objection thereto, Landlord and Tenant shall mutually select an independent third party space measurement professional to field measure the Premises under the BOMA Standard. Such third party independent measurement professional's determination shall be conclusive and binding on Landlord and Tenant. Landlord and Tenant shall each pay one-half (1/2) of the fees and expenses of the independent third party space measurement professional. If the Lease Term commences prior to such final determination, Landlord's determination shall be utilized until a final determination is made, whereupon an appropriate adjustment, if necessary, shall be made retroactively, and Landlord shall make appropriate payment (if applicable) to Tenant. In the event that pursuant to the procedure described in this Section 1.2 above, it is determined that the square footage amounts shall be different from those set forth in this Lease, all amounts, percentages and figures appearing or referred to in this Lease based upon such incorrect amount (including, without limitation, the amount of the "RENT" and any "SECURITY DEPOSIT," as those terms are defined in Section 4.1 and Article 21 of this Lease, respectively, and the amount of the Tenant Improvement Allowance, as that term is defined in Section 2.1 of EXHIBIT B, attached hereto) shall be modified in accordance with such determination. If such determination is made, it will be confirmed in writing by Landlord to Tenant.

1.3 EXPANSION RIGHT. Landlord hereby grants to the Tenant originally named in this Lease (the "ORIGINAL TENANT"), its Affiliates and any assignee of the Original Tenant's interest in this Lease pursuant to the TCCs of Article 14 of this Lease (each, a "PERMITTED ASSIGNEE"), the right to expand the Premises to include one half (1/2) or all of the second floor of the Building (the "EXPANSION SPACE").

1.3.1 PROCEDURE FOR ELECTION. The right contained in this Section 1.3 shall be exercised by Tenant, if at all, only in the manner set forth in this Section 1.3.1. Tenant shall deliver written notice (the "EXPANSION NOTICE") to Landlord on or before October 31, 2002 (the "OUTSIDE EXPANSION DATE"), stating that Tenant is exercising its right to expand the Premises to include the Expansion Space, which Expansion Notice shall set forth whether the Expansion Space is to consist of one half (1/2) or all of the second floor of the Building; provided, however, that to the extent such exercised Expansion Space is to constitute only one-half (1/2) of the second floor, Landlord shall be entitled to determine which one-half (1/2) of such second floor Landlord shall retain.

1.3.2 EXPANSION RENT. Upon the timely and properly exercise of Tenant's expansion rights hereunder, the Premises shall be immediately expanded to include the Expansion Space, and the Annual Base Rent (and Monthly Installment of Base Rent) set forth in Section 4 of the Summary shall be recalculated based upon such increased Rentable Square Footage of the total Premises (including both the initial Premises and the Expansion Space), the Rental Rate per Rentable Square Foot being identical for both the initial Premises and the Expansion Space.

1.3.3 CONSTRUCTION OF EXPANSION SPACE. Provided that Tenant timely and properly exercise its expansion rights hereunder, the initial improvements therein shall be constructed by Landlord pursuant to the TCCs of the Tenant Work Letter as if the Expansion Premises were part of the initial Premises. In such event the Tenant Improvement Allowance shall be recalculated based upon such increased Rentable Square Footage of the total Premises (including both the initial Premises and the Expansion Space).

1.3.4 AMENDMENT TO LEASE. If Tenant timely and properly exercises Tenant's right to lease Expansion Space as set forth herein, Landlord and Tenant shall, within fifteen (15) days thereafter, execute an amendment to this Lease adding such Expansion Space to this Lease upon the same terms and conditions as the initial Premises, except as otherwise set forth in this Section 1.3. The lease term of the Expansion Space shall commence on the Lease Commencement Date and shall expire on the Expiration Date.

1.4 SECOND FLOOR RIGHT OF FIRST REFUSAL. Provided that Tenant has not previously leased all of second floor of the Building pursuant to the TCCs of Section 1.3 of this Lease, then from the date occurring after the expiration of Tenant's right to lease the Expansion Space through the end of the initial Lease Term, Landlord hereby grants to the Original Tenant and its Affiliates, separate and apart from the rights granted in Section 1.3, a right of first refusal with respect to the second floor of the Building (the "SECOND FLOOR FIRST REFUSAL SPACE").

1.4.1 PROCEDURE FOR LEASE.

1.4.1.1 PROCEDURE FOR OFFER. Landlord shall notify Tenant (the "SECOND FLOOR FIRST REFUSAL NOTICE") from time-to-time when and if Landlord receives a "bona-fide third-party offer" for the Second Floor First Refusal Space. Pursuant to such Second Floor First Refusal Notice, Landlord shall offer to lease to Tenant the applicable Second Floor First Refusal Space. The Second Floor First Refusal Notice shall describe the Second Floor First Refusal Space, and the lease term, rent and other fundamental economic terms and conditions,

including the method of measurement of rentable and usable square feet, upon which Landlord proposes to lease such Second Floor First Refusal Space pursuant to the bona-fide third-party offer. For purposes of this Section 1.4, a "BONA-FIDE THIRD-PARTY OFFER" shall mean a counter-offer received by Landlord to lease Second Floor First Refusal Space from an unaffiliated and qualified third party. For purposes of example only, the following would each constitute a bone-fide third-party offer:

(i) Landlord receives a request for proposal from an unaffiliated and qualified third party. Landlord responds to the request for proposal with a lease proposal and subsequently receives a written bona-fide counter proposal from the unaffiliated and qualified third party.

(ii) Landlord receives a written offer to lease from an unaffiliated and qualified third party. Landlord responds to the offer with a written counter offer and subsequently receives a bona-fide counter to Landlord's counter offer from the unaffiliated and qualified third party.

1.4.1.2 PROCEDURE FOR ACCEPTANCE. If Tenant wishes to exercise Tenant's right of first refusal with respect to the Second Floor First Refusal Space described in the Second Floor First Refusal Notice, then within seven (7) business days of delivery of the Second Floor First Refusal Notice to Tenant, Tenant shall deliver notice to Landlord of Tenant's exercise of its right of first refusal with respect to all of the Second Floor First Refusal Space described in the Second Floor First Refusal Notice at the rent, for the term and upon the other fundamental economic terms and conditions contained in such Second Floor First Refusal Notice, including, but not limited to rental concessions and improvement allowances. If Tenant does not so notify Landlord within such seven (7) business day period of Tenant's exercise of its first refusal right, then Landlord shall be free to negotiate and enter into a lease for the Second Floor First Refusal Space to anyone whom it desires on terms which are no more favorable (except as set forth at the end of this sentence) to the tenant than those set forth in the Second Floor First Refusal Notice, within a period of one hundred eighty (180) days commencing upon the expiration of the seven (7) day period, after which time, Tenant's rights to such space under this Section 1.4 shall renew; provided, however, that notwithstanding the foregoing Landlord may modify the rentable square feet of the Second Floor First Refusal Space by up to five percent (5%), and may modify the lease term by up to five percent (5%) than that set forth in the Second Floor First Refusal Notice and may rent such Second Floor First Refusal Space at a rent and other fundamental economic terms and conditions which together, on an average annual "present value" "net effective" basis, as those terms are defined below, are no more than five percent (5%) more favorable to the tenant than set forth in the Second Floor First Refusal Notice. As used in this Section 1.4.1.2, for purposes of determining "net effective" value of the rent, the determined face (or gross) rent to be paid under the terms of a particular lease shall be adjusted based upon the value of all monetary concessions (specifically including, without limitation, any such tenant improvement allowance and any free rental period), where the value of such concessions are evenly spread over the entire lease term on a straight-line basis, without interest. As used in this Section 1.4.1.2, "present value" shall mean the present value as of the proposed lease commencement date of the net effective basis using a discount rate of eight percent (8%) and adjusted to an annual basis. After Landlord enters into any lease of Second Floor First Refusal Space to any such third party in accordance with the foregoing ("THIRD PARTY LEASE"),

Tenant's rights under this Section 1.4 shall be subordinate to the rights of the tenant under the Third Party Lease with respect to the space leased and encumbered pursuant to the provisions of the Third Party Lease, all extensions and renewals thereof, all pure expansion options contained therein which are stated as Landlord delivery obligations within a certain time frame for a certain amount of space, and all right of first offer expansions contained therein.

1.4.2 AMENDMENT TO LEASE. If Tenant timely exercises Tenant's right of first refusal to lease Second Floor First Refusal Space as set forth herein, Landlord and Tenant shall within thirty (30) days thereafter execute an amendment to this Lease (the "SECOND FLOOR FIRST REFUSAL SPACE AMENDMENT") for such Second Floor First Refusal Space upon the terms set forth in the Second Floor First Refusal Notice, including, but not limited to rent (the "SECOND FLOOR FIRST REFUSAL SPACE RENT"), but otherwise upon the TCCs set forth in this Lease and this Section 1.4. Notwithstanding the foregoing, Landlord may, at its sole option, require that a separate lease be executed by Landlord and Tenant in connection with Tenant's lease of the Second Floor First Refusal Space, in which event such lease (the "SECOND FLOOR FIRST REFUSAL SPACE LEASE") shall be on the same TCCs as this Lease with regard to the Initial Premises, except as provided in this Section 1.4 and specifically in this Lease to the contrary. The Second Floor First Refusal Lease, if applicable, shall be executed by Landlord and Tenant within thirty (30) days following Tenant's exercise of its right to lease the Second Floor First Refusal Space.

1.4.3 NO DEFAULTS. The rights contained in this Section 1.4 shall be personal to the Original Tenant and its Affiliates and may only be exercised by the Original Tenant or an Affiliate (and not any assignee, subleasee or other transferee of the Original Tenant's interest in this Lease) either (i) prior to the Lease Commencement Date, or (ii) thereafter, if the Original Tenant and/or an Affiliate occupies not less than seventy-five percent (75%) of the then existing Premises. The right to lease Expansion Space as provided in this Section 1.4 may not be exercised if, as of the date of the attempted exercise of the expansion option by Tenant, or as of the scheduled date of delivery of such Expansion Space to Tenant, Tenant is in economic Default under this Lease, with any applicable cure periods having expired.

1.4.4 SECOND FLOOR FIRST REFUSAL SPACE COMMENCEMENT DATE. The commencement date for the Second Floor First Refusal Space shall be the date set forth in the bona-fide third-party offer (the "SECOND FLOOR FIRST REFUSAL SPACE COMMENCEMENT DATE"), unless otherwise agreed to by Landlord and Tenant. The term of Tenant's occupancy of the Second Floor First Refusal Space shall be referred to herein as a "SECOND FLOOR LEASE TERM."

ARTICLE 2

INITIAL LEASE TERM; OPTION TERM(S)

2.1 INITIAL LEASE TERM. The terms and provisions of this Lease shall be effective as of the date of this Lease. The term of this Lease (the "LEASE TERM") shall be as set forth in Section 3.1 of the Summary, shall commence on the date set forth in Section 3.2 of the Summary (the "LEASE COMMENCEMENT DATE"), and shall terminate on the date set forth in Section 3.3 of the Summary (the "LEASE EXPIRATION DATE") unless this Lease is sooner terminated as hereinafter provided. For purposes of this Lease, the term "LEASE YEAR" shall mean each consecutive twelve (12) month period during the Lease Term; provided, however, that if the

Lease Commencement Date occurs on a date other than the first (1st) day of a calendar month, then the first Lease Year shall commence on the Lease Commencement Date and end on the last day of the eleventh month thereafter and the second and each succeeding Lease Year shall commence on the first day of the next calendar month; and further provided that the last Lease Year shall end on the Lease Expiration Date. At any time during the Lease Term, Landlord may deliver to Tenant a notice in the form as set forth in EXHIBIT C, attached hereto, as a confirmation only of the information set forth therein, which Tenant shall, after confirming the accuracy thereof, execute and return to Landlord within five (5) business days of receipt thereof.

2.2 OPTION TERM(s).

2.2.1 OPTION RIGHT. Landlord hereby grants the Original Tenant, its Affiliates and any Permitted Assignee two (2) options to extend the Lease Term for the entire initial Premises, as the same may be increased pursuant to Sections 1.3 and/or 1.4 of this Lease (the total of such identified space shall be, collectively, the "OPTION PREMISES"), each by a period of five (5) years (each, an "OPTION TERM"). Such option shall be exercisable only by Notice delivered by Tenant to Landlord as provided below, provided that, as of the date of delivery of such Notice, Tenant is not in Default under this Lease (with all applicable cure periods having expired). Upon the proper exercise of such option to extend, and provided that, as of the end of the then applicable Lease Term, Tenant is not in Default under this Lease (with all applicable cure periods having expired), the Lease Term, as it applies to the entire then-existing Option Premises, shall be extended for a period of five (5) years. The rights contained in this Section 2.2 shall only be exercised by the Original Tenant, its Affiliates and any Permitted Assignee (and not any other assignee, sublessee or other transferee of the Original Tenant's interest in this Lease).

2.2.2 OPTION RENT. The Rent payable by Tenant during the Option Term (the "OPTION RENT") shall be equal to the Market Rent as set forth below; provided, however, that the average annual, effective (including free rent, if applicable, spread on a straight line basis) base rent component of Market Rent, shall not be lower than the Base Rent for the month immediately preceding such Option Term. For purposes of this Lease, the term "MARKET RENT" shall mean rent (including additional rent and considering any "base year" or "expense stop" applicable thereto), including all escalations, at which new tenants (as opposed to renewing tenants), as of the commencement of the applicable term are, pursuant to transactions completed within the eighteen (18) months prior to the date of the applicable Exercise Notice leasing non-sublease, non-encumbered, non-synthetic, non-equity, non-renewal space (unless such space was leased pursuant to a definition of "fair market" comparable to the definition of Market Rent) comparable in size, location and quality to the Premises for a "Comparable Term," as that term is defined in this Section 2.2.2 (the "COMPARABLE DEALS"), which comparable space is located in the "Comparable Buildings," as that term is defined in this Section 2.2.2, giving appropriate consideration to the annual rental rates per rentable square foot (adjusting the base rent component of such rate to reflect a net value after accounting for whether or not utility expenses are directly paid by the tenant such as Tenant's direct utility payments provided for in Section 6.1.2 of this Lease), the standard of measurement by which the rentable square footage is measured, the ratio of rentable square feet to usable square feet, and taking into consideration only, and granting only, the following concessions (provided that the rent payable in Comparable Deals in which the terms of such Comparable Deals are determined by use of a discounted fair

market rate formula shall be equitably increased in order that such Comparable Deals will not reflect a discounted rate) (collectively, the "RENT CONCESSIONS"): (a) rental abatement concessions or build-out periods, if any, being granted such tenants in connection with such comparable spaces; (b) tenant improvements or allowances provided or to be provided for such comparable space, taking into account the value of the existing improvements in the Option Premises, such value to be based upon the age, quality and layout of the improvements and the extent to which the same could be utilized by general office users as contrasted with this specific Tenant, (c) other reasonable monetary concessions, if any, being granted such tenants in connection with such comparable space; provided, however, that notwithstanding anything to the contrary herein, no consideration shall be given to the fact that Landlord is or is not required to pay a real estate brokerage commission in connection with the applicable term or the fact that the Comparable Deals do or do not involve the payment of real estate brokerage commissions. The term "COMPARABLE TERM" shall refer to the length of the lease term, without consideration of options to extend such term, for the space in question. In addition, the determination of the Market Rent shall include a determination as to whether, and if so to what extent, Tenant must provide Landlord with financial security, such as a letter of credit or guaranty, for Tenant's rent obligations during any Option Term. Such determination shall be made by reviewing the extent of financial security then generally being imposed in Comparable Transactions upon tenants of comparable financial condition and credit history to the then existing financial condition and credit history of Tenant (with appropriate adjustments to account for differences in the then-existing financial condition of Tenant and such other tenants) If in determining the Market Rent, Tenant is entitled to a tenant improvement or comparable allowance for the improvement of the Option Premises (the "OPTION TERM TI ALLOWANCE"), Landlord may, at Landlord's sole option, elect any or a portion of the following: (A) to grant some or all of the Option Term TI Allowance to Tenant in the form as described above (i.e., as an improvement allowance), and/or (B) to reduce the rental rate component of the Market Rent to be an effective rental rate which takes into consideration (including the application of the appropriate interest rate to any such unfunded Option Term TI Allowance) that Tenant will not receive the total dollar value of such excess Option Term TI Allowance (in which case the Option Term TI Allowance evidenced in the effective rental rate shall not be granted to Tenant). The term "COMPARABLE BUILDINGS" shall mean the Building and other first-class office buildings which are comparable to the Building in terms of age (based upon the date of completion of construction or major renovation as to the building containing the portion of the Premises in question), quality of construction, level of services and amenities, size and appearance, and are located in the Del Mar Heights/UTC area (the ("COMPARABLE AREA").

2.2.3 EXERCISE OF OPTION. The option contained in this Section 2.2 shall be exercised by Tenant, if at all, only in the manner set forth in this Section 2.2.3. Tenant shall deliver notice (the "EXERCISE NOTICE") to Landlord not more than eighteen (18) months nor less than twelve (12) months prior to the expiration of the then Lease Term, stating that Tenant is exercising its option. Concurrently with such Exercise Notice, Tenant shall deliver to Landlord Tenant's calculation of the Market Rent (the "TENANT'S OPTION RENT CALCULATION"). Landlord shall deliver notice (the "LANDLORD RESPONSE NOTICE") to Tenant on or before the date which is thirty (30) days after Landlord's receipt of the Exercise Notice and Tenant's Option Rent Calculation (the "LANDLORD RESPONSE DATE"), stating that (A) Landlord is accepting Tenant's Option Rent Calculation as the Market Rent, or (B) rejecting Tenant's Option Rent Calculation and setting forth Landlord's calculation of the Market Rent (the "LANDLORD'S OPTION RENT

CALCULATION"). Within fifteen (15) business days of its receipt of the Landlord Response Notice, Tenant may, at its option, accept the Market Rent contained in the Landlord's Option Rent Calculation. If Tenant does not affirmatively accept or Tenant rejects the Market Rent specified in the Landlord's Option Rent Calculation, the parties shall follow the procedure, and the Market Rent shall be determined as set forth in Section 2.2.4.

2.2.4 DETERMINATION OF MARKET RENT. In the event Tenant objects or is deemed to have objected to the Market Rent, Landlord and Tenant shall attempt to agree upon the Market Rent using reasonable good-faith efforts. If Landlord and Tenant fail to reach agreement within sixty (60) days following Tenant's receipt of the Landlord Response Notice (the "OUTSIDE AGREEMENT DATE"), then the issue of Option Rent shall be submitted to arbitration pursuant to the TCCs of this Section 2.2.4, but subject to the conditions, when appropriate, of Sections 2.2.2 and 2.2.3.

2.2.4.1 Landlord and Tenant shall mutually appoint one arbitrator (the "ARBITRATOR") who shall by profession be a licensed Southern California MAI appraiser who shall have been active over the five (5)-year period ending on the date of such appointment in the leasing of first-class office properties in the Comparable Area. The determination of the Arbitrator shall be limited solely to the issue of whether Landlord's Option Rent Calculation or Tenant's Option Rent Calculation, is the closest to the actual Market Rent as determined by the Arbitrator, taking into account the requirements of Section 2.2.2 of this Lease. Such Arbitrator shall be appointed within fifteen (15) days after the applicable Outside Agreement Date. Landlord and Tenant may not directly or indirectly, consult with the Arbitrator prior to, or subsequent to, his or her appointment.

2.2.4.2 The Arbitrator shall within thirty (30) days of appointment reach a decision as to Market Rent and determine whether the Landlord's Option Rent Calculation or Tenant's Option Rent Calculation as submitted pursuant to Section 2.2.4 of this Lease is closest to Market Rent as determined by the Arbitrator and simultaneously publish a ruling ("AWARD") indicating whether Landlord's Option Rent Calculation or Tenant's Option Rent Calculation is closest to the Market Rent as determined by the Arbitrator. Following notification of the Award, the Landlord's Option Rent Calculation or Tenant's Option Rent Calculation, whichever is selected by the Arbitrator as being closest to Market Rent shall become the then applicable Market Rent.

2.2.4.3 The Award issued by the Arbitrator shall be binding upon Landlord and Tenant.

2.2.4.4 If Landlord and Tenant fail to appoint an Arbitrator within fifteen (15) days after the applicable Outside Agreement Date, either party may petition the presiding judge of the Superior Court of San Diego County to appoint such Arbitrator subject to the criteria in Section 2.2.4.1 of this Lease, or if he or she refuses to act, either party may petition any judge having jurisdiction over the parties to appoint such Arbitrator.

2.2.4.5 The cost of arbitration shall be paid (i) by Landlord if Tenant's Option Rent Calculation is closest to the Market Rent as determined by the Arbitrator, or (ii) by

Tenant if Landlord's Option Rent Calculation is closest to the Market Rent as determined by the Arbitrator.

2.3 TERMINATION RIGHT.

2.3.1 EXERCISE OF TERMINATION RIGHT. Tenant shall have the right to terminate and cancel this Lease effective as of the first day of the thirteenth (13th) Lease Year or thereafter during the initial Lease Term (the "TERMINATION DATE"), provided that, not later than twelve (12) months prior to the Termination Date, Landlord receives (i) written notice from Tenant (the "TERMINATION NOTICE") that Tenant intends to terminate this Lease pursuant to the terms of this Section 2.3, and (ii) cash in the amount of the "Termination Fee," as that term is defined below, as consideration for such early termination. Upon Tenant's delivery of the Termination Notice to Landlord, all of Tenant's rights under Section 1.4 (with respect to the First Offer Space) and Section 2.2 (with respect to the Option Terms), shall automatically terminate and be of no further force and effect regardless of whether this Lease thereafter shall be terminated in accordance with the terms of this Section 2.3. As used in this Lease, the "TERMINATION FEE" shall be equal to the "Unamortized Value as of the Termination Date," as that term is defined below, of the Lease Concessions. As used in this Lease, the "LEASE CONCESSIONS" shall be equal to the sum of: (A) the amount of all tenant improvement costs (including, without limitation, the Tenant Improvement Allowance) expended by Landlord in connection with this Lease (other than amounts initially and directly reimbursed by Tenant); (B) any free rent, reduced rent or rent abatement granted to Tenant; (C) the amount of all real estate commissions paid to Tenant or any broker or brokerage company in connection with the consummation of this Lease; (D) any other monetary amounts paid by Landlord to Tenant or any other monetary concessions granted by Landlord to Tenant in connection with this Lease or the Premises, and (E) Landlord's deferred rent receivables. As used in this Lease, the "UNAMORTIZED VALUE AS OF THE TERMINATION DATE" of the applicable Lease Concessions shall be equal to the present value as of the Termination Date of the right to receive an annuity of monthly payments equal to the applicable "Monthly Amortization Amount," as determined below, on the first day of each month for the period commencing on the Termination Date and ending on the Lease Expiration Date, such present value to be determined using a discount factor equal to the future value interest factor described in item (2), below. As used in this Lease, the "MONTHLY AMORTIZATION AMOUNT" shall be determined in connection with the calculation of a missing component of an annuity, using: (1) the amount of the applicable Lease Concessions as the present value of such annuity; (2) the annual "Bank Prime Loan" rate cited in the Federal Reserve Statistical Release Publication G.13(415), published on the first Tuesday of each calendar month (or such other comparable index as Landlord and Tenant shall reasonably agree upon if such rate ceases to be published) (the "REFERENCE RATE") in effect as of the date of the disbursement of each of the applicable Lease Concessions, as the future value interest factor; (3) the number of months in the Lease Term as the number of monthly payments of the annuity; and (4) the Monthly Amortization Amount (the missing component) as the monthly payment amount under the annuity. For purposes of example only, assuming (x) a Termination Date on the first day of the thirteenth (13th) Lease Year, (y) a Tenant Improvement Allowance equal to $40.00 per Usable Square Foot of the Premises, and (z) 180,000 Rentable Square Feet in the Premises, the Termination Fee would be approximately $6,900,000.00.

2.3.2 TERMINATION OF LEASE. Provided that Tenant timely elects to terminate this Lease in accordance with Section 2.3.1, above, this Lease (including any subtenancies) shall automatically terminate and be of no further force or effect, and Landlord and Tenant shall be relieved of their respective obligations under this Lease, as of the Termination Date, except with respect to those obligations set forth in this Lease which specifically survive the expiration or earlier termination of this Lease, including, without limitation, the payment by Tenant of all amounts owed by Tenant under this Lease. The termination right contained in this Section 2.3 shall be personal to the Original Tenant and its Affiliates, and may only be exercised by Original Tenant or its Affiliates (and not by any other assignee, sublessee or other "Transferee," as that term is defined in Section 14.1 of this Lease, of Tenant's interest in this Lease).

2.3.3 NO TENANT DEFAULT. Notwithstanding anything to the contrary contained in this Section 2.3, Tenant shall have no right to exercise the termination right set forth in this Section 2.3 if Tenant is in default under this Lease as of the date of Tenant's delivery to Landlord of the Termination Notice or, at Landlord's option, at any time prior to the Termination Date; provided, however, Tenant may retain its right to so exercise if the Termination Fee is increased by an amount sufficient to cure any such default. Except to the extent Tenant cures the applicable default pursuant to the TCCs of the preceding sentence, if Tenant is in default under the Lease following Tenant's delivery to Landlord of the Termination Notice but prior to the Termination Date, then, at Landlord's option, the Termination Notice shall be null and void and of no further force or effect, and Landlord shall have the right to add the Termination Fee to the "Security Deposit," as that term is defined in Article 21, below, held by Landlord under this Lease and, therefore, if Tenant defaults with respect to any provisions of this Lease, then Landlord shall have the right, without notice to Tenant, but not the obligation, to apply all or any part of the Termination Fee for the payment of any Rent or any other sum in default in accordance with Article 21, below. Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code, or any successor statute, with respect to Landlord's use of the Termination Fee in connection with Tenant's default under this Lease.

ARTICLE 3

BASE RENT; LATE DELIVERY ABATEMENT

3.1 BASE RENT. Tenant shall pay, without prior notice or demand, to Landlord or Landlord's agent at such place as Landlord may from time to time designate in writing, by a check for currency which, at the time of payment, is legal tender for private or public debts in the United States of America, base rent ("BASE RENT") as set forth in Section 4 of the Summary, payable in equal monthly installments as set forth in Section 4 of the Summary in advance on or before the first day of each and every calendar month during the Lease Term, without any setoff or deduction whatsoever. The Base Rent for the first full month of the Lease Term which occurs after the expiration of any free rent period shall be paid at the time of Tenant's execution of this Lease. If any Rent payment date (including the Lease Commencement Date) falls on a day of the month other than the first day of such month or if any payment of Rent is for a period which is shorter than one month, the Rent for any fractional month shall accrue on a daily basis for the period from the date such payment is due to the end of such calendar month or to the end of the Lease Term at a rate per day which is equal to 1/365 of the applicable annual Rent. All other

payments or adjustments required to be made under the terms of this Lease that require proration on a time basis shall be prorated on the same basis.

3.2 LATE DELIVERY CREDIT. In the event the Premises is not Ready for Occupancy on or before August 16, 2003 (subject to extension due to "Force Majeure" and "Tenant Delays," as those terms are set forth, respectively, in Section 29.16 of this Lease and Section 5.2 of the Tenant Work Letter, the "FIRST OUTSIDE RFO DATE"), then Tenant shall receive a credit against Base Rent equal to Two Thousand Five Hundred and No/100 Dollars ($2,500.00) per day of the period commencing on the First Outside RFO Date and ending on the earlier to occur of (i) the date the Premises is Ready for Occupancy, or (ii) the day immediately preceding the "Second Outside RFO Date". In addition to the foregoing, in the event the Premises is not Ready for Occupancy on or before August 24, 2003 (subject to extension due to Force Majeure and Tenant Delays, the "SECOND OUTSIDE RFO DATE"), then Tenant shall receive a credit against Base Rent equal to Three Thousand Five Hundred and No/100 Dollars ($3,500.00) per day of the period commencing on the Second Outside RFO Date and ending on the earlier to occur of (iii) the date the Premises is Ready for Occupancy, or (iv) the day immediately preceding the "Third Outside RFO Date". In addition to the foregoing, in the event the Premises is not Ready for Occupancy on or before September 1, 2003 (subject to extension due to Force Majeure and Tenant Delays, the "THIRD OUTSIDE RFO DATE"), then Tenant shall receive a credit against Base Rent equal to Five Thousand and No/100 Dollars ($5,000.00) per day of the period commencing on the Third Outside RFO Date and ending on the the date the Premises is Ready for Occupancy. Notwithstanding anything to the contrary set forth above, to the extent the selected "Contractor," as that term is set forth in Section 4.1.1 of the Tenant Work Letter is a general contractor other than Reno Contracting, then each of the First Outside RFO Date, the Second Outside RFO Date and the Third Outside RFO Date, shall be automatically extended (in addition to any extension due to Force Majeure and/or Tenant Delays) by a period equal to one (1) month.

ARTICLE 4

ADDITIONAL RENT

4.1 GENERAL TERMS. In addition to paying the Base Rent specified in Article 3 of this Lease, Tenant shall pay "TENANT'S SHARE" of the annual "DIRECT EXPENSES," as those terms are defined in Sections 4.2.6 and 4.2.2 of this Lease, respectively, which are in excess of the amount of Direct Expenses applicable to the "Base Year," as that term is defined in Section 4.2.1, below; provided, however, that in no event shall any decrease in Direct Expenses for any Expense Year below Direct Expenses for the Base Year entitle Tenant to any decrease in Base Rent or any credit against sums due under this Lease. Such payments by Tenant, together with any and all other amounts payable by Tenant to Landlord pursuant to the terms of this Lease, are hereinafter collectively referred to as the "ADDITIONAL RENT", and the Base Rent and the Additional Rent are herein collectively referred to as "RENT." All amounts due under this Article 4 as Additional Rent shall be payable for the same periods and in the same manner as the Base Rent. Without limitation on other obligations of Tenant which survive the expiration of the Lease Term, the obligations of Tenant to pay the Additional Rent provided for in this Article 4 shall survive the expiration of the Lease Term, provided that Landlord bills Tenant for such Additional Rent within one (1) year following the calendar year in which the Lease Term expires, except where the failure to timely furnish such bill as to any particular item includable as Additional Rent is

beyond Landlord's reasonable control (e.g., tax assessments that are late in arriving from the assessor), in which case such one (1) year limit shall not be applicable.

4.2 DEFINITIONS OF KEY TERMS RELATING TO ADDITIONAL RENT. As used in this Article 4, the following terms shall have the meanings hereinafter set forth:

4.2.1 "BASE YEAR" shall mean the period set forth in Section 5 of the Summary.

4.2.2 "DIRECT EXPENSES" shall mean "Operating Expenses" and "Tax Expenses."

4.2.3 "EXPENSE YEAR" shall mean each calendar year in which any portion of the Lease Term falls, through and including the calendar year in which the Lease Term expires, provided that Landlord, upon notice to Tenant, may change the Expense Year from time to time to any other twelve (12) consecutive month period, and, in the event of any such change, Tenant's Share of Direct Expenses shall be equitably adjusted for any Expense Year involved in any such change.

4.2.4 "OPERATING EXPENSES" shall be calculated under accounting principles consistently applied from year to year and shall mean all expenses, costs and amounts of every kind and nature which, in accordance with sound real estate management principles (consistently applied), Landlord pays or accrues during any Expense Year because of or in connection with the ownership, management, maintenance, security, repair, replacement, restoration or operation of the Project, or any portion thereof. Without limiting the generality of the foregoing, Operating Expenses shall specifically include any and all of the following: (i) the cost of supplying all utilities, the cost of operating, repairing, maintaining, and renovating the utility, telephone, mechanical, sanitary, storm drainage, and elevator systems, and the cost of maintenance and service contracts in connection therewith; (ii) the cost of licenses, certificates, permits and inspections and the cost of contesting any governmental enactments which may affect Operating Expenses, and the costs incurred in connection with a transportation system management program or similar program; (iii) the cost of all insurance carried by Landlord in connection with the Project; provided, however, that if Landlord does not carry earthquake/flood insurance for the Real Property and/or the Building during any part of the Base Year but subsequently obtains earthquake/flood insurance for the Real Property and/or the Building during the Lease Term, then from and after the date upon which Landlord obtains such earthquake/flood insurance and continuing throughout the period during which Landlord maintains such insurance, Operating Expenses for the Base Year shall be deemed to be increased by the amount of the premium Landlord reasonably estimates it would have incurred had Landlord maintained such insurance for the same period of time during the Base Year as such insurance was maintained by Landlord during such subsequent Expense Year; provided further, however, any such earthquake/flood insurance shall be subject to Tenant's reasonable approval (Tenant acknowledging and agreeing, however, that it shall be deemed unreasonable for Tenant to withhold such consent to the extent (A) such earthquake/flood insurance is mandated by applicable governmental entities or Landlord's lender, or (B) landlords of Comparable Buildings are requiring such earthquake/flood insurance policies be maintained and Landlord's earthquake/flood insurance policy is commercially reasonably vis-a-vis such third party policies); (iv) the cost of landscaping, relamping, and all supplies, tools, equipment and materials used in the operation, repair and maintenance of the Project, or any portion thereof; (v) costs incurred in connection with the

parking areas servicing the Project; (vi) fees and other costs, including management fees, consulting fees, legal fees and accounting fees, of all contractors and consultants in connection with the management, operation, maintenance and repair of the Project (which fees shall be commercially reasonable vis-a-vis the competitive fees being charged for similar services at Comparable Buildings in the Comparable Area); (vii) payments under any equipment rental agreements and the fair rental value of any management office space; (viii) wages, salaries and other compensation and benefits, including taxes levied thereon, of all persons engaged in the operation, maintenance and security of the Project; (ix) costs under any instrument pertaining to the sharing of costs by the Project; (x) operation, repair, maintenance and replacement of all systems and equipment and components thereof of the Building; (xi) the cost of janitorial, alarm, security and other services, replacement of wall and floor coverings, ceiling tiles and fixtures in common areas, maintenance and replacement of curbs and walkways, repair to roofs and re-roofing; (xii) amortization (including interest on the unamortized cost) of the cost of acquiring or the rental expense of personal property used in the maintenance, operation and repair of the Project, or any portion thereof; (xiii) the cost of capital improvements or other costs incurred in connection with the Project (A) which are intended to effect economies in the operation or maintenance of the Project, or any portion thereof, (B) that are required to comply with present or anticipated conservation programs, (C) which are replacements or modifications of nonstructural items located in the Common Areas required to keep the Common Areas in good order or condition, or (D) that are required under any governmental law or regulation enacted after construction of the Building; provided, however, that any capital expenditure shall be amortized with interest over its useful life in accordance with sound real estate management and accounting principles; (xiv) costs, fees, charges or assessments imposed by, or resulting from any mandate imposed on Landlord by, any federal, state or local government for fire and police protection, trash removal, community services, or other services which do not constitute "Tax Expenses" as that term is defined in Section 4.2.5, below; and (xv) payments under any easement, license, operating agreement, declaration, restrictive covenant, or instrument pertaining to the sharing of costs by the Building.

If Landlord is not furnishing any particular work or service (the cost of which, if performed by Landlord, would be included in Operating Expenses) to a tenant who has undertaken to perform such work or service in lieu of the performance thereof by Landlord, Operating Expenses shall be deemed to be increased by an amount equal to the additional Operating Expenses which would reasonably have been incurred during such period by Landlord if it had at its own expense furnished such work or service to such tenant. If the Project is not at least ninety-five percent (95%) occupied during all or a portion of the Base Year or any Expense Year, Landlord may elect to make an appropriate adjustment to the components of Operating Expenses for such year to determine the amount of Operating Expenses that would have been incurred had the Project been ninety-five percent (95%) occupied; and the amount so determined shall be deemed to have been the amount of Operating Expenses for such year. Operating Expenses for the Base Year shall not include cost increases due to extraordinary circumstances, including, but not limited to, Force Majeure boycotts, strikes, conservation surcharges, embargoes or shortages, or amortized costs relating to capital improvements. In no event shall the components of Direct Expenses for any Expense Year related to Project utilities, services, or insurance costs be less than the components of Direct Expenses related to Project utilities, services, or insurance costs in the Base Year. If Landlord, in any Expense Year following the Base Year, begins providing any new services, then for such period of time in which such new

services apply, Operating Expenses for the Base Year shall be increased by the amount that Landlord reasonably determines it would have incurred had Landlord provided such new service during the same period of time during the Base Year as such new service was provided during such subsequent Expense Year. Notwithstanding the foregoing, no adjustment to the Operating Expenses for the Base Year shall occur to the extent such new service (1) is attributable to Tenant's use of the Premises (as opposed to office use generally), in which case Landlord may elect (Y) to include the cost of such new services in Operating Expenses, or (Z) to invoice Tenant directly for such costs, depending upon the nature of the service and the extent to which the need for such service is directly attributable to Tenant's use, as determined in Landlord's reasonable discretion, (2) is being offered by landlords in the majority of Comparable Buildings, or (3) is required by "Applicable Laws," as that Term is set forth in Article 24. If Landlord, in any Expense Year after the Base Year, discontinues any service then for such period of time in which such services are discontinued, Operating Expenses for the Base Year shall be decreased by the amount that Landlord reasonably determines it incurred for such service throughout the Base Year.

Notwithstanding the foregoing, for purposes of this Lease, Operating Expenses shall not include:

(i) bad debt expenses and interest, principal, points and fees on debts (except in connection with the financing of items which are expressly included in the definition of Operating Expenses above) or amortization or rent, attorneys' fees or other transaction costs on any ground lease, mortgage or mortgages or any other debt instrument encumbering the Building or the Project, transaction costs or fees incurred in the sale or refinancing of the Project or any Building within the Project;

(ii) marketing costs, including leasing commissions, attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Project;

(iii) costs, including permit, license, construction and inspection costs, incurred with respect to the installation of other tenants' or occupants' improvements made for tenants or other occupants in the Project or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants, prospective tenants or other occupants in the Project;

(iv) any costs expressly excluded from Operating Expenses elsewhere in this Lease;

(v) costs of any items (including, but not limited to, costs incurred by Landlord for the repair of damage to the Building) to the extent Landlord receives reimbursement from insurance proceeds or from a third party;

(vi) costs of capital improvements, capital replacements, capital repairs, capital restorations and capital additions except those set forth in Sections 4.2.4(xii) and (xiii) above;

(vii) depreciation, amortization and interest payments, except as specifically included in Operating Expenses pursuant to the terms of this Lease and except on materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party, where such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services, all as determined in accordance with sound real estate management and accounting principles, consistently applied, and when depreciation or amortization is permitted or required, the item shall be amortized over its reasonably anticipated useful life;

(viii) costs, including attorneys' fees and costs, incurred by Landlord relating to disputes with ground lessors, lenders, brokers, tenants or prospective tenants;

(ix) Landlord's general corporate overhead, general and administrative expenses and costs of operation of the business of Landlord as contrasted with operation of the Project, including within this exclusion, costs related to the sale, financing or refinancing of the Project or any part thereof or interest therein and wages, salaries or other compensation paid to any executive employees of Landlord above the grade of Asset manager (but the Project engineer shall be considered below the grade of Asset manager);

(x) advertising and promotional expenditures;

(xi) interest and tax penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payments or file returns when due;

(xii) costs arising from Landlord's charitable or political contributions;

(xiii) costs for acquisition of sculpture, paintings or other objects of art;

(xiv) supervisory fees, overhead or profit to Landlord (1) for Landlord's repairs or maintenance services, except to the extent that (i) the percentage of the cost of such services resulting in such fees, overhead or profit is consistent with the percentage rate commonly charged by third party managers of service providers in the vicinity of the Project and (ii) the total cost of such fees, overhead or profit included in Operating Expenses is consistent with the total cost associated with such services commonly charged by comparable providers in the vicinity of the Project, or (2) relating to Tenant's alterations or repairs;

(xv) construction costs, development fees, permits and similar costs relating to Landlord's construction of the initial Landlord Work (as defined in the Tenant Work Letter), and any costs associated with correcting any defects in the construction of such Landlord Work;

(xvi) the cost of any after-hour utilities or other services provided to a tenant of the Project, which are available to Tenant without additional charge, or for which Landlord is entitled to receive direct payment from the requesting tenant;

(xvii) operating reserves or contingency amounts in excess of the percentage of Operating Expenses allocated thereto in the Base Year; and

(xviii) costs for which the Landlord is directly reimbursed by any tenant or occupant of the Project (including Tenant, if applicable, i.e., "Excess Parking Costs") or by insurance by its carrier or any tenant's carrier or by anyone else, and electric power costs for which any tenant directly contracts with the local public service company.

4.2.5 TAXES.

4.2.5.1 "TAX EXPENSES" shall mean all federal, state, county, or local governmental or municipal taxes, fees, charges or other impositions of every kind and nature, whether general, special, ordinary or extraordinary, (including, without limitation, real estate taxes, general and special assessments, transit taxes, leasehold taxes or taxes based upon the receipt of rent, including gross receipts or sales taxes applicable to the receipt of rent, unless required to be paid by Tenant, personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems and equipment, appurtenances, furniture and other personal property used in connection with the Project, or any portion thereof), excluding fines, default interest and penalties (unless due to Tenant's failure to pay Additional Rent when due), which shall be paid or accrued during any Expense Year (without regard to any different fiscal year used by such governmental or municipal authority) because of or in connection with the ownership, leasing and operation of the Project, or any portion thereof. All assessments shall be paid by Landlord in the maximum number of installments permitted by law and shall not be included as Tax Expenses except in the year in which the assessment installment is actually paid.

4.2.5.2 Tax Expenses shall include, without limitation: (i) Any tax on the rent; (ii) Any assessment, tax, fee, levy or charge in addition to, or in substitution, partially or totally, of any assessment, tax, fee, levy or charge previously included within the definition of real property tax, it being acknowledged by Tenant and Landlord that Proposition 13 was adopted by the voters of the State of California in the June 1978 election ("PROPOSITION 13") and that assessments, taxes, fees, levies and charges may be imposed by governmental agencies for such services as fire protection, street, sidewalk and road maintenance, refuse removal and for other governmental services formerly provided without charge to property owners or occupants, and, in further recognition of the decrease in the level and quality of governmental services and amenities as a result of Proposition 13, Tax Expenses shall also include any governmental or private assessments or the Project's contribution towards a governmental or private cost-sharing agreement for the purpose of augmenting or improving the quality of services and amenities normally provided by governmental agencies; (iii) Any assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the Rent payable hereunder; and (iv) Any assessment, tax, fee, levy or charge, upon this transaction or any document to which Tenant is a party, creating or transferring an interest or an estate in the Premises (provided that Tax Expenses shall not include any documentary transfer taxes associated with the conveyance of Landlord's interest in any portion of the Project).

4.2.5.3 Any costs and expenses (including, without limitation, reasonable attorneys' fees) incurred in attempting to protest, reduce or minimize Tax Expenses shall be included in Tax Expenses in the Expense Year such expenses are paid. Except as set forth in Section 4.2.5.4, below, refunds of Tax Expenses shall be credited against Tax Expenses and refunded to Tenant regardless of when received, based on the Expense Year to which the refund is applicable, provided that in no event shall the amount to be refunded to Tenant for any such Expense Year exceed the total amount paid by Tenant as Additional Rent under this Article 4 for such Expense Year. If Tax Expenses for any period during the Lease Term or any extension thereof are increased after payment thereof for any reason, including, without limitation, error or reassessment by applicable governmental or municipal authorities, Tenant shall pay Landlord upon demand Tenant's Share of any such increased Tax Expenses provided, however, Landlord shall diligently pursue an appeal thereof should Tenant reasonably conclude that such increase is not warranted. Notwithstanding anything to the contrary contained in this Section 4.2.5 (except as set forth in Section 4.2.5.1, above), there shall be excluded from Tax Expenses (i) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal and state income taxes, and other taxes to the extent applicable to Landlord's general or net income (as opposed to rents, receipts or income attributable to operations at the Project), (ii) any items included as Operating Expenses, and (iii) any items paid by Tenant under Section 4.5 of this Lease.

4.2.5.4 Notwithstanding anything to the contrary set forth in this Lease, the amount of Tax Expenses for the Base Year and any Expense Year shall be calculated without taking into account any decreases in real estate taxes obtained in connection with Proposition 8, and, therefore, the Tax Expenses in the Base Year and/or an Expense Year may be greater than those actually incurred by Landlord, but shall, nonetheless, be the Tax Expenses due under this Lease; provided that (i) any costs and expenses incurred by Landlord in securing any Proposition 8 reduction shall not be included in Direct Expenses for purposes of this Lease, and (ii) tax refunds under Proposition 8 shall not be deducted from Tax Expenses, but rather shall be the sole property of Landlord. Landlord and Tenant acknowledge that this Section 4.2.5.4 is not intended to in any way affect (A) the inclusion in Tax Expenses of the statutory two percent (2.0%) annual increase in Tax Expenses (as such statutory increase may be modified by subsequent legislation), or (B) the inclusion or exclusion of Tax Expenses pursuant to the terms of Proposition 13, which shall be governed pursuant to the terms of Sections 4.2.5.1 through 4.2.5.3, above.

4.2.5.5 Landlord shall not voluntarily issue any assessments or bonds for the Project which would increase Tenant's payment of Tax Expenses without Tenant's prior written consent.

4.2.6 "TENANT'S SHARE" shall mean the percentage set forth in Section 6 of the Summary (as the same may be adjusted pursuant to Section 1.2 above). Tenant's Share shall be calculated by dividing the rentable square footage of the Premises by the total rentable square footage of the Building.

4.2.7 "OPERATING EXPENSE BUDGET" shall mean the estimated Operating Expenses for the Base Year prepared by Landlord and attached hereto as EXHIBIT G. Tenant

acknowledges that the Operating Expense Budget is merely an estimate and that actual Operating Expenses may exceed or be less than the Operating Expense Budget for the Base Year.

4.3 INTENTIONALLY OMITTED.

4.4 CALCULATION AND PAYMENT OF ADDITIONAL RENT. If for any Expense Year ending or commencing within the Lease Term, Tenant's Share of Direct Expenses for such Expense Year exceeds Tenant's Share of Direct Expenses applicable to the Base Year, then Tenant shall pay to Landlord, in the manner set forth in Section 4.4.1, below, and as Additional Rent, an amount equal to the excess (the "EXCESS").

4.4.1 STATEMENT OF ACTUAL DIRECT EXPENSES AND PAYMENT BY TENANT. Landlord shall endeavor to give to Tenant following the end of each Expense Year, but in no event later than July 1, a statement (the "STATEMENT") which shall state the Direct Expenses incurred or accrued for such preceding Expense Year, and which shall indicate the amount of the Excess. Upon receipt of the Statement for each Expense Year commencing or ending during the Lease Term, if an Excess is present, Tenant shall pay, with its next installment of Base Rent due, the full amount of the Excess for such Expense Year, less the amounts, if any, paid during such Expense Year as "ESTIMATED EXCESS," as that term is defined in Section 4.4.2, below. The failure of Landlord to timely furnish the Statement for any Expense Year shall not prejudice Landlord from collecting the Excess for a period of one (1) year after the expiration of the Expense Year for which the Statement applies, except where the failure to timely furnish the Statement as to any particular item includable in the Statement is beyond Landlord's reasonable control (e.g. tax assessments that are late in arriving from the assessor), in which case such one (1) year limit shall not be applicable. Notwithstanding anything contained in this Section 4.4.1, except for estimated payments by Tenant pursuant to Section 4.4.2 below, Tenant shall not be obligated to pay the Excess unless and until Tenant is furnished with the Statement. Even though the Lease Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's Share of Direct Expenses for the Expense Year in which this Lease terminates, if an Excess if present, Tenant shall immediately pay to Landlord such amount. The provisions of this Section 4.4.1 shall survive the expiration or earlier termination of the Lease Term.

4.4.2 STATEMENT OF ESTIMATED DIRECT EXPENSES. In addition, Landlord shall endeavor to give Tenant a yearly expense estimate statement (the "ESTIMATE STATEMENT") which shall set forth Landlord's reasonable estimate (the "ESTIMATE") of what the total amount of Direct Expenses for the then-current Expense Year shall be and the estimated excess (the "ESTIMATED EXCESS") as calculated by comparing the Direct Expenses for such Expense Year, which shall be based upon the Estimate, to the amount of Direct Expenses for the Base Year. The failure of Landlord to timely furnish the Estimate Statement for any Expense Year shall not preclude Landlord from enforcing its rights to collect any Estimated Excess under this Article 4; provided, however, Tenant shall not be obligated to pay any Estimated Excess until the Estimate Statement is provided to Tenant. Until a new Estimate Statement is furnished, Tenant shall pay monthly, with the monthly Base Rent installments, an amount equal to one-twelfth (1/12) of the total Estimated Excess set forth in the previous Estimate Statement delivered by Landlord to Tenant. Thereafter, Tenant shall pay, with its next installment of Base Rent due, a fraction of the Estimated Excess for the then-current Expense Year (reduced by any amounts paid pursuant to

the next to last sentence of this Section 4.4.2). Such fraction shall have as its numerator the number of months which have elapsed in such current Expense Year, including the month of such payment, and twelve (12) as its denominator.

4.5 TAXES AND OTHER CHARGES FOR WHICH TENANT IS DIRECTLY RESPONSIBLE.

4.5.1 Tenant shall be liable for and shall pay ten (10) days before delinquency, taxes levied against Tenant's equipment, furniture, fixtures and any other personal property located in or about the Premises. If any such taxes on Tenant's equipment, furniture, fixtures and any other personal property are levied against Landlord or Landlord's property or if the assessed value of Landlord's property is increased by the inclusion therein of a value placed upon such equipment, furniture, fixtures or any other personal property and if Landlord pays the taxes based upon such increased assessment, which Landlord shall have the right to do regardless of the validity thereof but only under proper protest if requested by Tenant, Tenant shall upon demand repay to Landlord the taxes so levied against Landlord or the proportion of such taxes resulting from such increase in the assessment, as the case may be.

4.5.2 If the tenant improvements in the Premises, whether installed and/or paid for by Landlord or Tenant and whether or not affixed to the real property so as to become a part thereof, are assessed for real property tax purposes at a valuation higher than the valuation at which tenant improvements conforming to Landlord's "building standard" in other space in the Building are assessed, then the Tax Expenses levied against Landlord or the property by reason of such excess assessed valuation shall be deemed to be taxes levied against personal property of Tenant and shall be governed by the provisions of Section 4.5.1, above; provided, however, Landlord's "building standard" shall be reasonably established vis-a-vis the customary level of tenant improvements for a first-class office building campus in the Del Mar Heights/UTC area.

4.5.3 Notwithstanding any contrary provision herein, Tenant shall pay prior to delinquency any (i) rent tax or sales tax, service tax, transfer tax or value added tax, or any other applicable tax on the rent or services herein or otherwise respecting this Lease, (ii) taxes assessed upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion of the Project, including the Project parking facility; or (iii) taxes assessed upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises.

4.6 LANDLORD'S BOOKS AND RECORDS. Within ninety (90) days after receipt of a Statement by Tenant ("REVIEW PERIOD"), if Tenant disputes the amount set forth in the Statement, Tenant's employees or an independent certified public accountant (which accountant is a member of a regionally recognized accounting firm), designated by Tenant, may, after reasonable notice to Landlord and at reasonable times, inspect Landlord's records at Landlord's offices, provided that Tenant is not then in default after expiration of all applicable cure periods of any obligation under this Lease (including, but not limited to, the payment of the amount in dispute) and provided further that Tenant and such accountant or representative shall, and each of them shall use their commercially reasonable efforts to cause their respective agents and employees to, maintain all information contained in Landlord's records in strict confidence. Notwithstanding the foregoing, Tenant shall only have the right to review Landlord's records one (1) time during any twelve (12) month period. Tenant's failure to dispute the amounts set forth

in any Statement within the Review Period shall be deemed to be Tenant's approval of such Statement and Tenant, thereafter, waives the right or ability to dispute the amounts set forth in such Statement. If after such inspection, but within thirty (30) days after the Review Period, Tenant notifies Landlord in writing that Tenant still disputes such amounts, a certification as to the proper amount shall be made, at Tenant's expense, by an independent certified public accountant selected by Landlord and who is a member of a nationally or regionally recognized accounting firm, which certification shall be binding upon Landlord and Tenant. Landlord shall cooperate in good faith with Tenant and the accountant to show Tenant and the accountant the information upon which the certification is to be based. However, if such certification by the accountant proves that the Direct Expenses set forth in the Statement were overstated by more than five percent (5%), then the cost of the accountant and the cost of such certification shall be paid for by Landlord. Promptly following the parties receipt of such certification, the parties shall make such appropriate payments or reimbursements, as the case may be, to each other, as are determined to be owing pursuant to such certification, together with interest at the Interest Rate (as defined in Article 25 below). Tenant agrees that this section shall be the sole method to be used by Tenant to dispute the amount of any Direct Expenses payable by Tenant pursuant to the terms of this Lease, and Tenant hereby waives any other rights at law or in equity relating thereto.

ARTICLE 5

USE OF PREMISES

5.1 PERMITTED USE. Tenant shall use the Premises solely for the Permitted Use set forth in Section 7 of the Summary and Tenant shall not use or permit the Premises or the Project to be used for any other purpose or purposes whatsoever without the prior written consent of Landlord, which may be withheld in Landlord's sole discretion.

5.2 PROHIBITED USES. The uses prohibited under this Lease shall include, without limitation, use of the Premises or a portion thereof for (i) offices of any agency or bureau of the United States or any state or political subdivision thereof; (ii) offices or agencies of any foreign governmental or political subdivision thereof; (iii) operational offices of any health care professionals; (iv) schools or other training facilities which are not ancillary to corporate, executive or professional office use; (v) retail or restaurant uses; or (vi) communications firms such as radio and/or television stations. Tenant further covenants and agrees that Tenant shall not use, or suffer or permit any person or persons to use, the Premises or any part thereof for any use or purpose contrary to the provisions of the Rules and Regulations set forth in EXHIBIT D, attached hereto, or in violation of the laws of the United States of America, the State of California, or the ordinances, regulations or requirements of the local municipal or county governing body or other lawful authorities having jurisdiction over the Project) including, without limitation, any such laws, ordinances, regulations or requirements relating to hazardous materials or substances, as those terms are defined by applicable laws now or hereafter in effect. Tenant shall not do or permit anything to be done in or about the Premises which will in any way damage the reputation of the Project or obstruct or interfere with the rights of other tenants or occupants of the Building, or injure or unreasonably annoy them or use or allow the Premises to be used for any unlawful or reasonably objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises.

5.3 CC&RS. Tenant shall comply with all recorded covenants, conditions, and restrictions currently affecting the Project. Additionally, Tenant acknowledges that the Project may be subject to any future covenants, conditions, and restrictions (the "CC&RS") which Landlord, in Landlord's discretion, deems reasonably necessary or desirable, and Tenant agrees that this Lease shall be subject and subordinate to such CC&Rs; provided, however, such future CC&R's shall not materially adversely affect Tenant's use or occupancy of the Premises nor any of its rights hereunder. Landlord shall have the right to require Tenant to execute and acknowledge, within fifteen (15) business days of a request by Landlord, a "Recognition of Covenants, Conditions, and Restriction," in a form substantially similar to that attached hereto as EXHIBIT F, agreeing to and acknowledging the CC&Rs. Landlord represents and warrants that use of the Premises for general office use, including customer service, conforms with currently recorded CC&R's.

ARTICLE 6

SERVICES AND UTILITIES

6.1 STANDARD TENANT SERVICES. Landlord shall provide the following services on all days (unless otherwise stated below) during the Lease Term.

6.1.1 Subject to limitations imposed by all governmental rules, regulations and guidelines applicable thereto, Landlord shall provide heating and air conditioning ("HVAC") when necessary for normal comfort for normal office use in the Premises from 6:00 A.M. to 7:00 P.M. Monday through Friday, and on Saturdays from 8:00 A.M. to 1:00 P.M. (collectively, the "BUILDING HOURS"), except for the date of observation of New Year's Day, Presidents Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day and, at Landlord's reasonable discretion, other locally or nationally recognized holidays (collectively, the "HOLIDAYS"); provided, however, in no event shall Holidays include "Martin Luther King Day," "Columbus Day" and "Veterans Day".

6.1.2 Landlord shall provide adequate electrical wiring and facilities for connection to Tenant's lighting fixtures and incidental use equipment consistent with the "Base Building Plans and Specifications" set forth on Schedule 2 to the Tenant Work Letter. Tenant shall bear the cost of replacement of lamps, starters and ballasts for non-Building standard lighting fixtures within the Premises. All electrical usage for the Premises (including, without limitation, electrical usage associated with the operation of the HVAC equipment) shall be separately metered pursuant to a meter or meters to be installed pursuant to the Tenant Work Letter as a charge to the Tenant Improvement Allowance. Tenant shall contract directly with the utility provider selected by Tenant and reasonably approved by Landlord to provide such electrical services to the Premises and Tenant shall pay all such electrical charges directly to the provider as reflected by such meter.

6.1.3 Landlord shall provide city water for lifesafety systems in accordance with the Base Building Plans and Specifications, and from the regular Building outlets for drinking, lavatory and toilet purposes in the Building Common Areas. In the event Tenant wishes to use more water than the amount which Landlord is required to furnish pursuant to this Section 6.1.3 (for the use of Tenant's "cafeteria," "work-out" area, or excess lavatory use, to the extent the

same is in excess of the Base Building Plans and Specifications), Tenant shall pay all costs associated with providing such excess water to the Premises and for separately metering such excess water supplied to the Premises.

6.1.4 Landlord shall provide janitorial services to the Premises, except the date of observation of the Holidays, in and about the Premises and window washing services at a minimum of twice per year.

6.1.5 Landlord shall provide nonexclusive, non-attended automatic passenger elevator service during the Building Hours, shall have one elevator available at all other times, except on the Holidays, and shall provide nonexclusive, non-attended automatic passenger elevator service during Building Hours only.

6.1.6 Landlord shall provide nonexclusive freight elevator service subject to scheduling by Landlord.

6.1.7 Landlord shall provide security personnel and porter service during Business Hours, in and about the Premises.

6.1.8 Landlord will use its reasonable efforts to work with local exchange carriers to provide fiberoptic services to the Premises. Landlord agrees that it will not unreasonably exclude any qualified carrier from providing services to the Premises for the benefit of Tenant; however, Tenant acknowledges that Landlord reserves the right to negotiate the terms under which any such carrier shall have access to any multi-tenant building within the Project.

Tenant shall cooperate fully with Landlord at all times and abide by all regulations and requirements that Landlord may reasonably prescribe for the proper functioning and protection of the HVAC, electrical, mechanical and plumbing systems.

6.2 OVERSTANDARD TENANT USE. Tenant shall not, without Landlord's prior written consent, use heat-generating machines, machines other than normal fractional horsepower office machines, or equipment or lighting other than Building standard lights in the Premises, which may affect the temperature otherwise maintained by the air conditioning system or increase the water normally furnished for the Premises by Landlord pursuant to the terms of Section 6.1 of this Lease. If such consent is given, Landlord shall have the right to install supplementary air conditioning units or other facilities in the Premises, including supplementary or additional metering devices, and the cost thereof, including the cost of installation, operation and maintenance, increased wear and tear on existing equipment and other similar charges, shall be paid by Tenant to Landlord upon billing by Landlord. If Tenant uses water, electricity, heat or air conditioning in excess of that supplied by Landlord pursuant to Section 6.1 of this Lease, Tenant shall pay to Landlord, upon billing, the cost of such excess consumption, the cost of the installation, operation, and maintenance of equipment which is installed in order to supply such excess consumption, and the cost of the increased wear and tear on existing equipment caused by such excess consumption; and Landlord may install devices to separately meter any increased use and in such event Tenant shall pay the increased cost directly to Landlord, on demand, at the rates charged by the public utility company furnishing the same, including the cost of such

additional metering devices. Tenant's use of electricity shall never exceed the capacity of the feeders to the Project or the risers or wiring installation, and subject to the terms of Section 29.32, below, Tenant shall not install or use or permit the installation or use of any computer or electronic data processing equipment in the Premises, without the prior written consent of Landlord. If Tenant desires to use heat, ventilation or air conditioning during hours other than those for which Landlord is obligated to supply such utilities pursuant to the terms of Section 6.1 of this Lease, Tenant shall give Landlord such prior notice, if any, as Landlord shall from time to time establish as appropriate, of Tenant's desired use in order to supply such utilities, and Landlord shall supply such utilities to Tenant at a (which shall be treated as Additional Rent) reasonably determined by Landlord to be its actual cost of providing such service, including a reasonable administration expense.

6.3 INTERRUPTION OF USE. Except as otherwise expressly set forth in Section 6.4, below, Tenant agrees that Landlord shall not be liable for damages, by abatement of Rent or otherwise, for failure to furnish or delay in furnishing any service (including telephone and telecommunication services), or for any diminution in the quality or quantity thereof, when such failure or delay or diminution is occasioned, in whole or in part, by breakage, repairs, replacements, or improvements, by any strike, lockout or other labor trouble, by inability to secure electricity, gas, water, or other fuel at the Building or Project after reasonable effort to do so, by any riot or other dangerous condition, emergency, accident or casualty whatsoever, by act or default of Tenant or other parties, or by any other cause; and such failures or delays or diminution shall never be deemed to constitute an eviction or disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent or performing any of its obligations under this Lease. Furthermore, Landlord shall not be liable under any circumstances for a loss of, or injury to, property or for injury to, or interference with, Tenant's business, including, without limitation, loss of profits, however occurring, through or in connection with or incidental to a failure to furnish any of the services or utilities as set forth in this Article 6. Landlord may comply with voluntary controls or guidelines promulgated by any governmental entity relating to the use or conservation of energy, water, gas, light or electricity or the reduction of automobile or other emissions without creating any liability of Landlord to Tenant under this Lease, provided that the Premises are not thereby rendered untenantable.

6.4 RENT ABATEMENT. If Landlord fails to perform the obligations required of Landlord under the TCCs of this Lease and such failure causes all or a portion of the Premises to be untenantable and unusable by Tenant and such failure relates to the nonfunctioning of the heat, ventilation, and air conditioning system in the Premises, the electricity in the Premises, the nonfunctioning of the elevator service to the Premises, or a failure to provide access to the Premises, Tenant shall give Landlord notice (the "INITIAL NOTICE"), specifying such failure to perform by Landlord (the "LANDLORD DEFAULT"). If Landlord has not cured such Landlord Default within five (5) business days after the receipt of the Initial Notice (the "ELIGIBILITY PERIOD"), Tenant may deliver an additional notice to Landlord (the "ADDITIONAL NOTICE"), specifying such Landlord Default and Tenant's intention to abate the payment of Rent under this Lease. If Landlord does not cure such Landlord Default within five (5) business days of receipt of the Additional Notice, Tenant may, upon written notice to Landlord, immediately abate Rent payable under this Lease for that portion of the Premises rendered untenantable and not used by Tenant, for the period beginning on the date five (5) business days after the Initial Notice to the earlier of the date Landlord cures such Landlord Default or the date Tenant recommences the use

of such portion of the Premises. Notwithstanding anything contained in this Section 6.4, in the event such Landlord Default is shown by Tenant to be directly attributable to the negligence or intentional acts of Landlord, its agents or employees, and if Tenant is unable to utilize the Premises for a period of two hundred seventy (270) cumulative days within any twenty-four (24)-month period after Landlord's receipt of the Initial Notice, Tenant may terminate this Lease by written notice to Landlord at any time after the number of said two hundred seventy (270) days has been exceeded, until the date upon which such services or utilities are restored. Tenant's rights set forth in this Section 6.4 shall be Tenant's sole and exclusive remedy at law or in equity for a Landlord Default. Except as provided in this Section 6.4, nothing contained herein shall be interpreted to mean that Tenant is excused from paying Rent due hereunder.

ARTICLE 7

REPAIRS

7.1 LANDLORD'S RESPONSIBILITY. Landlord shall (as an Operating Expense, except as provided in Section 7.2 below or subject to exclusion from Operating Expenses in accordance with Section 4.2.4 above) repair and maintain the structural portions of the Building including the foundation, floor/ceiling slabs, roof, curtain walls, exterior glass and moldings, columns, beams, shafts (including elevator shafts), stairs, stairwells, elevator cabs and all Common Areas and shall also maintain and repair the basic mechanical, electrical, life-safety, plumbing and sprinkler systems and HVAC systems (except for any distribution of such systems exclusively to the Premises and for Tenant's twenty four (24) hour systems). Notwithstanding any provision set forth in this Article 7 to the contrary, if Tenant provides written notice to Landlord of an event or circumstance which requires the action of Landlord with respect to repair and/or maintenance of the Premises only (and not any other portion of the Project), and Landlord fails to provide such action within a reasonable period of time, given the circumstances, after the receipt of such notice, but in no event earlier than thirty (30) days after Landlord's receipt of such notice, then Tenant may proceed to take the required action upon delivery of an additional ten (10) business days notice to Landlord specifying that Tenant is taking such required action, and if such action was required under the terms of this Lease to be taken by Landlord and was not taken by Landlord within such ten (10) day period, then Tenant shall be entitled to prompt reimbursement by Landlord of Tenant's actual, reasonable costs in taking such action. In the event Tenant takes such action, and such work will affect the systems of the Building or the structural integrity of the Building, Tenant shall use only those contractors used by Landlord in the Project for work on such Building systems or structure unless such contractors are unwilling or unable to perform, or timely perform, such work, in which event Tenant may utilize the services of any other qualified contractor which normally and regularly performs similar work in first-class office buildings in the Del Mar Heights/UTC area.

7.2 STRUCTURAL REPAIRS. Capital repairs and replacements which Landlord is obligated to make pursuant to Section 7.1 above to the curtain walls, foundations, structural elements of the roofs (as opposed to roof membranes) and underground utilities may be referred to herein as "STRUCTURAL REPAIRS". Notwithstanding anything to the contrary contained in this Lease, but subject to Article 22 below, the cost of any Structural Repairs shall be excluded from Operating Expenses; provided, however, that to the extent any Structural Repairs are necessitated due to the negligence or willful misconduct of Tenant, its agents, employees or contractors,

Tenant shall be responsible for the cost of such repairs to the extent such repairs are not covered by insurance carried by Landlord.

7.3 TENANT'S RESPONSIBILITY. Tenant shall, at Tenant's own expense, pursuant to the terms of this Lease, including without limitation Article 8 hereof, keep the Premises, including all improvements, fixtures and furnishings therein, and the floor or floors of the Building on which the Premises are located, in good order, repair and condition at all times during the Lease Term. In addition, Tenant shall, at Tenant's own expense, but under the supervision and subject to the prior approval of Landlord, and within any reasonable period of time specified by Landlord, pursuant to the terms of this Lease, including without limitation Article 8 hereof, promptly and adequately repair all damage to the Premises and replace or repair all damaged, broken, or worn fixtures and appurtenances, except for damage caused by ordinary wear and tear or beyond the reasonable control of Tenant; provided however, that, at Landlord's option, or if Tenant fails to make such repairs, Landlord may, but need not, make such repairs and replacements, and Tenant shall pay Landlord the cost thereof, including a percentage of the cost thereof (to be uniformly established for the Building and/or the Project) sufficient to reimburse Landlord for all overhead, general conditions, fees and other costs or expenses arising from Landlord's involvement with such repairs and replacements forthwith upon being billed for same. Landlord may, but shall not be required to, enter the Premises at all reasonable times to make such repairs, alterations, improvements or additions to the Premises or to the Project or to any equipment located in the Project as Landlord shall desire or deem necessary or as Landlord may be required to do by governmental or quasi-governmental authority or court order or decree. Tenant hereby waives any and all rights under and benefits of subsection 1 of Section 1932 and Sections 1941 and 1942 of the California Civil Code or under any similar law, statute, or ordinance now or hereafter in effect.

ARTICLE 8

ADDITIONS AND ALTERATIONS

8.1 LANDLORD'S CONSENT TO ALTERATIONS. Tenant may not make any improvements, alterations, additions or changes to the Premises or any mechanical, plumbing or HVAC facilities or systems pertaining to the Premises (collectively, the "ALTERATIONS") without first procuring the prior written consent of Landlord to such Alterations, which consent shall be requested by Tenant not less than ten (10) business days prior to the commencement thereof, and which consent shall not be unreasonably withheld by Landlord, provided it shall be deemed reasonable for Landlord to withhold its consent to any Alteration which adversely affects the structural portions or the systems or equipment of the Building or is visible from the exterior of the Building. The construction of the initial improvements to the Premises shall be governed by the terms of the Tenant Work Letter and not the terms of this Article 8. Notwithstanding anything to the contrary contained herein, Tenant may make strictly cosmetic changes to the finish work in the Premises (the "COSMETIC ALTERATIONS"), without Landlord's consent, provided that the aggregate cost of any such alterations does not exceed $100,000 in any twelve (12) month period, and further provided that such alterations do not (i) require any structural or other substantial modifications to the Premises, (ii) require any changes to, nor adversely affect, the systems and equipment of the Building, or (iii) affect the exterior appearance of the Building. Tenant shall give Landlord at least fifteen (15) days prior notice of such Cosmetic Alterations,

which notice shall be accompanied by reasonably adequate evidence that such changes meet the criteria contained in this Section 8.1.

8.2 MANNER OF CONSTRUCTION. Landlord may impose, as a condition of its consent to any and all Alterations or repairs of the Premises or about the Premises, such requirements as Landlord in its reasonable discretion may deem desirable, including, but not limited to, the requirement that Tenant utilize for such purposes only contractors, subcontractors, materials, mechanics and materialmen selected by Tenant from a list provided and approved by Landlord, the requirement that upon Landlord's request, (which request must be made, if at all, at the time of Landlord's consent to the Alteration), Tenant shall, at Tenant's expense, remove such Alterations upon the expiration or any early termination of the Lease Term. If such Alterations will involve the use of or disturb hazardous materials or substances existing in the Premises, Tenant shall comply with Landlord's rules and regulations concerning such hazardous materials or substances. Tenant shall construct such Alterations and perform such repairs in a good and workmanlike manner, in conformance with any and all applicable federal, state, county or municipal laws, rules and regulations and pursuant to a valid building permit, issued by the City of San Diego, all in conformance with Landlord's construction rules and regulations. In the event Tenant performs any Alterations in the Premises which require or give rise to governmentally required changes to the "Base Building," as that term is defined below, then Landlord shall, at Tenant's expense, make such changes to the Base Building. The "BASE BUILDING" shall include the structural portions of the Building, and the public restrooms and the systems and equipment located in the internal core of the Building on the floor or floors on which the Premises are located. In performing the work of any such Alterations, Tenant shall have the work performed in such manner so as not to obstruct access to the Project or any portion thereof, by any other tenant of the Project, and so as not to obstruct the business of Landlord or other tenants in the Project. Tenant shall not use (and upon notice from Landlord shall cease using) contractors, services, workmen, labor, materials or equipment that, in Landlord's reasonable judgment, would disturb labor harmony with the workforce or trades engaged in performing other work, labor or services in or about the Building or the Common Areas. In addition to Tenant's obligations under Article 9 of this Lease, upon completion of any Alterations, Tenant agrees to cause a Notice of Completion to be recorded in the office of the Recorder of the County of San Diego in accordance with Section 3093 of the Civil Code of the State of California or any successor statute, and Tenant shall deliver to the Project management office a reproducible copy of the "as built" drawings of the Alterations as well as all permits, approvals and other documents issued by any governmental agency in connection with the Alterations, if such Alterations are of a type for which as-built plans are reasonably available.

8.3 PAYMENT FOR IMPROVEMENTS. If payment is made directly to contractors, Tenant shall comply with Landlord's requirements for final lien releases and waivers in connection with Tenant's payment for work to contractors. Whether or not Tenant orders any work directly from Landlord, Tenant shall pay to Landlord a percentage of the cost of such work sufficient to compensate Landlord for all overhead, general conditions, fees and other costs and expenses arising from Landlord's involvement with such work.

8.4 CONSTRUCTION INSURANCE. In addition to the requirements of Article 10 of this Lease, in the event that Tenant makes any Alterations, prior to the commencement of such Alterations, Tenant shall provide Landlord with evidence that Tenant carries "BUILDER'S ALL

RISK" insurance in an amount approved by Landlord covering the construction of such Alterations, and such other insurance as Landlord may require, it being understood and agreed that all of such Alterations shall be insured by Tenant pursuant to Article 10 of this Lease immediately upon completion thereof. In addition, if the cost of any Alteration exceeds One Hundred Thousand Dollars ($100,000.00), Landlord may, in its discretion, require Tenant to obtain a lien and completion bond or some alternate form of security satisfactory to Landlord in an amount sufficient to ensure the lien-free completion of such Alterations and naming Landlord as a co-obligee.

8.5 LANDLORD'S PROPERTY. All Alterations, improvements, fixtures, equipment and/or appurtenances which may be installed or placed in or about the Premises, from time to time, shall be at the sole cost of Tenant and shall be and become the property of Landlord, except that Tenant may remove any Alterations, improvements, fixtures and/or equipment which Tenant can substantiate to Landlord have not been paid for with any Tenant improvement allowance funds provided to Tenant by Landlord, provided Tenant repairs any damage to the Premises and Building caused by such removal and returns the affected portion of the Premises to a building standard tenant improved condition as determined by Landlord. Furthermore, Landlord may, by written notice to Tenant prior to the end of the Lease Term, or given following any earlier termination of this Lease, require Tenant, at Tenant's expense, to (i) remove any Alterations or improvements in the Premises, and/or (ii) remove any "Extraordinary Alterations," as that term is defined in Section 2.4 of the Tenant Work Letter, located within the Premises and replace the same with then existing "Building Standard Tenant Improvements," as that term is defined in Section 2.3 of the Tenant Work Letter, and to repair any damage to the Premises and Building caused by such removal and returns the affected portion of the Premises to a building standard tenant improved condition as determined by Landlord. If Tenant fails to complete such removal and/or to repair any damage caused by the removal of any Alterations or improvements in the Premises, and returns the affected portion of the Premises to a building standard tenant improved condition as determined by Landlord, then at Landlord's option, either (A) Tenant shall be deemed to be holding over in the Premises and Rent shall continue to accrue in accordance with the terms of Article 16, below, until such work shall be completed, or (B) Landlord may do so and may charge the cost thereof to Tenant. Tenant hereby protects, defends, indemnifies and holds Landlord harmless from any liability, cost, obligation, expense or claim of lien in any manner relating to the installation, placement, removal or financing of any such Alterations, improvements, fixtures and/or equipment in, on or about the Premises, which obligations of Tenant shall survive the expiration or earlier termination of this Lease.

ARTICLE 9

COVENANT AGAINST LIENS

Tenant shall keep the Project and Premises free from any liens or encumbrances arising out of the work performed, materials furnished or obligations incurred by or on behalf of Tenant, and shall protect, defend, indemnify and hold Landlord harmless from and against any claims, liabilities, judgments or costs (including, without limitation, reasonable attorneys' fees and costs) arising out of same or in connection therewith. Tenant shall give Landlord notice at least twenty (20) days prior to the commencement of any such work on the Premises (or such additional time as may be necessary under applicable laws) to afford Landlord the opportunity of posting and

recording appropriate notices of non-responsibility. Tenant shall remove any such lien or encumbrance by bond or otherwise within ten (10) business days after notice by Landlord, and if Tenant shall fail to do so, Landlord may pay the amount necessary to remove such lien or encumbrance, without being responsible for investigating the validity thereof. The amount so paid shall be deemed Additional Rent under this Lease payable upon demand, without limitation as to other remedies available to Landlord under this Lease. Nothing contained in this Lease shall authorize Tenant to do any act which shall subject Landlord's title to the Building or Premises to any liens or encumbrances whether claimed by operation of law or express or implied contract. Any claim to a lien or encumbrance upon the Building or Premises arising in connection with any such work or respecting the Premises not performed by or at the request of Landlord shall be null and void, or at Landlord's option shall attach only against Tenant's interest in the Premises and shall in all respects be subordinate to Landlord's title to the Project, Building and Premises.

ARTICLE 10

INSURANCE

10.1 INDEMNIFICATION AND WAIVER. To the extent not prohibited by law and except as otherwise expressly provided herein, Tenant hereby assumes all risk of damage to property or injury to persons in, upon or about the Premises from any cause whatsoever and agrees that Landlord, its partners, subpartners and their respective officers, agents, servants, employees, and independent contractors (collectively, "LANDLORD PARTIES") shall not be liable for, and are hereby released from any responsibility for, any damage either to person or property or resulting from the loss of use thereof, which damage is sustained by Tenant or by other persons claiming through Tenant. Tenant shall indemnify, defend, protect, and hold harmless the Landlord Parties from any and all loss, cost, damage, expense and liability (including without limitation court costs and reasonable attorneys' fees) incurred in connection with or arising from any cause in, on or about the Premises, any acts, omissions or negligence of Tenant or of any person claiming by, through or under Tenant, or of the contractors, agents, servants, employees, invitees, guests or licensees of Tenant or any such person, in, on or about the Project or any breach of the terms of this Lease, either prior to, during, or after the expiration of the Lease Term. However, notwithstanding the foregoing, Tenant shall not be required to indemnify and/or hold Landlord harmless from any loss, cost, liability, damage or expense, including, but not limited to, penalties, fines, attorneys' fees or costs (collectively, "CLAIMS"), to any person, property or entity to the extent resulting from the negligence or willful misconduct of Landlord or its agents, contractors, or employees (except for damage to the Tenant Improvements and Tenant's personal property, fixtures, furniture and equipment in the Premises in which case Tenant shall be responsible to the extent Tenant is required to obtain the requisite insurance coverage pursuant to this Lease); provided, however, Tenant hereby indemnifies and holds Landlord harmless from any Claims to the extent such Claim is covered by Tenant's insurance, even if such Claim is resulting from the negligent acts, omissions, or willful misconduct of Landlord or those of its agents, contractors, or employees. Subject to Section 10.5 below, Landlord hereby indemnifies Tenant and holds Tenant harmless from any Claims to the extent resulting from the negligence or willful misconduct of Landlord or its agents, contractors or employees and not covered by insurance required to be carried under this Lease by Tenant or actually carried by Tenant; provided, however, that (i) Landlord hereby indemnifies and holds Tenant harmless from any

Claims to any property outside of the Premises to the extent such Claim is covered by such insurance, even if resulting from the negligent acts, omissions, or willful misconduct of Tenant or those of its agents, contractors, or employees, and (ii) because Tenant must carry insurance pursuant to Section 10.3.2 to cover its personal property within the Premises and the Improvements, Tenant hereby indemnifies and holds Landlord harmless from any Claim to any property within the Premises, to the extent such Claim is covered by such insurance, even if resulting from the negligent acts, omissions or willful misconduct of Landlord or those of its agents, contractors, or employees. The provisions of this Section 10.1 shall survive the expiration or sooner termination of this Lease with respect to any claims or liability arising in connection with any event occurring prior to such expiration or termination.

10.2 TENANT'S COMPLIANCE WITH LANDLORD'S FIRE AND CASUALTY INSURANCE. To the extent Tenant has been provided notice thereof, Tenant shall, at Tenant's expense, comply with all insurance company requirements pertaining to the use of the Premises. If Tenant's conduct or use of the Premises causes any increase in the premium for such insurance policies then Tenant shall reimburse Landlord for any such increase. Tenant, at Tenant's expense, shall comply with all rules, orders, regulations or requirements of the American Insurance Association (formerly the National Board of Fire Underwriters) and with any similar body.

10.3 TENANT'S INSURANCE. Tenant shall maintain the following coverages in the following amounts.

10.3.1 Commercial General Liability Insurance covering the insured against claims of bodily injury, personal injury and property damage (including loss of use thereof) arising out of Tenant's operations, and contractual liabilities (covering the performance by Tenant of its indemnity agreements) including a Broad Form endorsement covering the insuring provisions of this Lease and the performance by Tenant of the indemnity agreements set forth in Section 10.1 of this Lease, for limits of liability not less than:

Bodily Injury and Property Damage Liability	$3,000,000 each occurrence $3,000,000 annual aggregate
Personal Injury Liability	$3,000,000 each occurrence $3,000,000 annual aggregate 0% Insured's participation

These limits may be satisfied by a general liability and an umbrella policy so long as all other requirements under this Section 10.3 are met. Notwithstanding the insurance provisions of this Lease to the contrary, Tenant shall have the right to self-insure with respect to any of the insurance required to be carried by Tenant under this Section 10.3.1, provided that (i) Tenant is a publicly traded United States corporation whose stock is traded on a nationally recognized exchange, (ii) Tenant has not assigned its interest in this Lease to an entity other than an Affiliate, (iii) Tenant maintains a minimum net worth of at least One Hundred Fifty Million Dollars ($150,000,000.00) according to its most recent audited financial statements; provided, however, for purposes of determining such net worth, Tenant shall be deemed to include its Affiliates on a consolidated basis, (iv) Tenant governs and manages (either internally or through a third-party administrator) its self-insurance program, and maintains sufficient reserves on its

balance sheet committed to its self-insurance program liabilities, in a manner consistent with comparable programs managed by prudent businesses whose stock is publicly traded on nationally recognized exchanges; and (v) applicable law(s) do not prohibit or render unenforceable Tenant's indemnification obligations under this Lease. Upon request, Tenant shall supply to Landlord from time to time with evidence reasonably satisfactory to Landlord of Tenant's net worth and the satisfaction of the conditions set forth above. If Tenant elects to self-insure and without limiting Tenant's responsibility or liability, Tenant shall itself be responsible for losses or liabilities which would have been assumed by insurance companies which would have issued the insurance required by Tenant under this Lease in conformance with Landlord's insurance requirements set forth in this Section 10.3.1 and Tenant shall accept Landlord's tender of defense for any claims within the scope of Tenant's indemnity obligations as if Landlord, Landlord's lender and any other party reasonably identified by Landlord (to the extent such third party has a vested economic interest in the Project), if any, were named as additional insureds on any liability policy maintained by Tenant meeting such requirements. Tenant will notify Landlord in advance of any period for which Tenant intends to self-insure and shall provide Landlord with satisfactory evidence that it complies with the requirements set forth herein in order to give Landlord an opportunity to confirm the satisfaction of the conditions set forth herein. For so long as Tenant self-insures, Tenant, for applicable periods, shall indemnify, defend and hold harmless Landlord, its partners, agents, employees and representatives from and against all costs, damages, or expenses (including reasonable attorneys' fees) incurred or paid by Landlord as a result of any claim which would have been covered by the insurance which would otherwise be required to be carried by Tenant pursuant to this Section 10.3.1 above. Notwithstanding the foregoing, if any of Landlord's lenders objects to Tenant's self-insurance rights under this Section 10.3.1, then during such portion of the Lease Term that such lender's loan is secured by the Premises and Tenant meets all of the conditions for maintaining a program of self-insurance provided above, then in lieu of the policy of Commercial General Liability Insurance required to be maintained by Tenant under this Section 10.3.1, Tenant shall be required to obtain and maintain a policy of Premises Liability Insurance with similar limits for the Building (excluding Products-Completed Operations Coverage), and any liabilities which are not covered by such insurance, and which would otherwise be covered by the Commercial General Liability Insurance required to be maintained by Tenant under Section 10.3.1 of this Lease shall be considered to be self-insured by Tenant in accordance with this Section 10.3.1. Furthermore, throughout the period that Tenant self-insures any of the insurance required to be carried by Tenant under this Section 10.3.1, Landlord shall have the right, at Landlord's sole cost and expense, to obtain forced-place insurance of all or any portion of such coverage and Tenant agrees to cooperate with Landlord's efforts to obtain any such coverage, at Landlord's sole cost and expense.

10.3.2 Physical Damage Insurance covering (i) all office furniture, business and trade fixtures, office equipment, free-standing cabinet work, movable partitions, merchandise and all other items of Tenant's property on the Premises installed by, for, or at the expense of Tenant, (ii) the "Tenant Improvements," as that term is defined in Section 2.1 of the Tenant Work Letter, and any other improvements which exist in the Premises as of the Lease Commencement Date (excluding the Base Building) (the "ORIGINAL IMPROVEMENTS"), and (iii) all other improvements, alterations and additions to the Premises. Such insurance shall be written on an "all risks" of physical loss or damage basis, for the full replacement cost value (subject to reasonable deductible amounts) new without deduction for depreciation of the

covered items and in amounts that meet any co-insurance clauses of the policies of insurance and shall include coverage for damage or other loss caused by fire or other peril including, but not limited to, vandalism and malicious mischief, theft, water damage of any type, including sprinkler leakage, bursting or stoppage of pipes, and explosion, and providing business interruption coverage for a period of one year. Notwithstanding anything to the contrary contained herein, the Original Tenant or any Affiliated Assignee (and not any other assignee, subtenant or other transferee) may, subject to the provisions of this Section 10.3.2, fulfill its insurance obligations under Section 10.3.2(i) above by self-insurance. Any self-insurance so maintained by Tenant shall be deemed to contain all of the terms and conditions applicable to such insurance as required in this Article 10, including, without limitation, a deemed waiver of subrogation; consequently, Landlord shall be treated, for all purposes, as if Tenant had actually purchased such insurance from a third party. If Tenant elects to so self-insure, then with respect to any claims which may result from incidents occurring during the Lease Term, such self-insurance obligation shall survive the expiration or earlier termination of this Lease to the same extent as the insurance required hereunder would survive.

10.3.3 Worker's Compensation and Employer's Liability or other similar insurance pursuant to all applicable state and local statutes and regulations.

10.3.4 Primary automobile liability insurance with limits of not less than $1,000,000 per occurrence covering owned, hired and non-owned vehicles used by Tenant.

10.4 FORM OF POLICIES. The minimum limits of policies of insurance required of Tenant under this Lease shall in no event limit the liability of Tenant under this Lease. Such insurance shall (i) name Landlord, Landlord's lender and any other party reasonably identified by Landlord (to the extent such third party has a vested economic interest in the Project), as an additional insured; (ii) specifically cover the liability assumed by Tenant under this Lease, including, but not limited to, Tenant's obligations under Section 10.1 of this Lease; (iii) be issued by an insurance company having a rating of not less than A-X in Best's Insurance Guide or which is otherwise acceptable to Landlord and licensed to do business in the State of California; (iv) be primary insurance as to all claims thereunder and provide that any insurance carried by Landlord is excess and is non-contributing with any insurance requirement of Tenant; (v) be in form and content reasonably acceptable to Landlord; and (vi) provide that said insurance shall not be canceled or coverage changed unless thirty (30) days' prior written notice shall have been given to Landlord and any mortgagee of Landlord. Tenant shall deliver said policy or policies or certificates and applicable endorsements thereof to Landlord on or before the Lease Commencement Date and at least thirty (30) days before the expiration dates thereof. In the event Tenant shall fail to procure such insurance, or to deliver such policies or certificate, Landlord may, at its option, upon notice to Tenant and the expiration of a fifteen (15) day cure period, procure such policies for the account of Tenant, and the cost thereof shall be paid to Landlord within five (5) days after delivery to Tenant of bills therefor.

10.5 SUBROGATION. Landlord and Tenant intend that their respective property loss risks shall be borne by reasonable insurance carriers to the extent above provided, and Landlord and Tenant hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property loss to the extent that such coverage is agreed to be provided hereunder. The parties each hereby waive all rights and claims against each other for such

losses, and waive all rights of subrogation of their respective insurers, provided such waiver of subrogation shall not affect the right to the insured to recover thereunder. The parties agree that their respective insurance policies are now, or shall be, endorsed such that the waiver of subrogation shall not affect the right of the insured to recover thereunder, so long as no material additional premium is charged therefor.

10.6 ADDITIONAL INSURANCE OBLIGATIONS. Tenant shall carry and maintain during the entire Lease Term, at Tenant's sole cost and expense, increased amounts of the insurance required to be carried by Tenant pursuant to this Article 10 and such other reasonable types of insurance coverage and in such reasonable amounts covering the Premises and Tenant's operations therein, as may be reasonably requested by Landlord.

10.7 LANDLORD'S INSURANCE. Landlord shall, as an Operating Expense, maintain the following coverages throughout the Lease Term: (i) Commercial General Liability Insurance covering claims of bodily injury, personal injury and property damage within the Common Areas for commercially reasonable limits of liability, and (ii) Physical Damage Insurance including building ordinance coverage for the Project written on a standard Causes of Loss -- Special Form basis covering risks of physical loss or damage, for the full replacement cost value new without deduction for depreciation of the covered items. Landlord's insurance shall contain commercially reasonable deductible amounts.

ARTICLE 11

DAMAGE AND DESTRUCTION

11.1 REPAIR OF DAMAGE TO PREMISES BY LANDLORD. Tenant shall promptly notify Landlord of any damage to the Premises resulting from fire or any other casualty. If the Premises or any Common Areas serving or providing access to the Premises shall be damaged by fire or other casualty, Landlord shall promptly and diligently, subject to reasonable delays for insurance adjustment or other matters beyond Landlord's reasonable control, and subject to all other terms of this Article 11, restore the Base Building and such Common Areas. Such restoration shall be to substantially the same condition of the Base Building and the Common Areas prior to the casualty, except for modifications required by zoning and building codes and other laws or by the holder of a mortgage on the Building or Project or any other modifications to the Common Areas deemed desirable by Landlord, provided that access to the Premises and any common restrooms serving the Premises shall not be materially impaired. Upon the occurrence of any damage to the Premises, upon notice (the "LANDLORD REPAIR NOTICE") to Tenant from Landlord, Tenant shall assign to Landlord (or to any party designated by Landlord) all insurance proceeds payable to Tenant under Tenant's insurance required under Section 10.3 of this Lease, and Landlord shall repair any injury or damage to the Tenant Improvements and the Original Improvements installed in the Premises and shall return such Tenant Improvements and Original Improvements to their original condition; provided that if the cost of such repair by Landlord exceeds the amount of insurance proceeds received by Landlord from Tenant's insurance carrier, as assigned by Tenant, the cost of such repairs shall be paid by Tenant to Landlord prior to Landlord's commencement of repair of the damage. In the event that Landlord does not deliver the Landlord Repair Notice within sixty (60) days following the date the casualty becomes known to Landlord, Tenant shall, at its sole cost and expense, repair any injury

or damage to the Tenant Improvements and the Original Improvements installed in the Premises and shall return such Tenant Improvements and Original Improvements to their original condition. Whether or not Landlord delivers a Landlord Repair Notice, prior to the commencement of construction, Tenant shall submit to Landlord, for Landlord's review and approval, all plans, specifications and working drawings relating thereto, and Landlord shall select the contractors to perform such improvement work. Landlord shall not be liable for any inconvenience or annoyance to Tenant or its visitors, or injury to Tenant's business resulting in any way from such damage or the repair thereof; provided however, that if such fire or other casualty shall have damaged the Premises or Common Areas necessary to Tenant's occupancy, Landlord shall allow Tenant a proportionate abatement of Rent, during the time and to the extent the Premises are unfit for occupancy for the purposes permitted under this Lease, and not occupied by Tenant as a result thereof; provided, further, however, that if the damage or destruction is due to the negligence or willful misconduct of Tenant or any of its agents, employees, contractors, invitees or guests, Tenant shall be responsible for any reasonable, applicable insurance deductible (which shall be payable to Landlord upon demand) and there shall be no rent abatement except to the extent Landlord is reimbursed from the proceeds of rental interruption insurance purchased by Landlord as part of the Operating Expenses. In the event that Landlord shall not deliver the Landlord Repair Notice, Tenant's right to rent abatement pursuant to the preceding sentence shall terminate as of the date which is reasonably determined by Landlord to be the date Tenant should have completed repairs to the Premises assuming Tenant used reasonable due diligence in connection therewith. In the event this Lease is terminated due to a damage or destruction of the Premises (in accordance with the terms of this Article 11 below), then the insurance proceeds received by Tenant attributable to Tenant Improvements and Alterations under the insurance required under Sections 10.3.2(ii) and (iii) above shall be split between Landlord and Tenant as follows: (i) Landlord shall first receive proceeds in an amount equal to the Tenant Improvement Allowance, and (ii) after Landlord has been reimbursed for the Tenant Improvement Allowance, Tenant shall be entitled to fractions of the excess proceeds with (A) each fraction to apply to each separate set of completed Tenant Improvements and Alterations and (B) the numerator of each such fraction equal to the number of months from the date of termination of this Lease until the Lease Expiration Date and the denominator of each such fraction equal to the number of months from the date such set of Tenant Improvements or Alterations was completed until the Lease Expiration Date, and Landlord shall be entitled to the remaining fraction of any such excess proceeds. By way of example only, and not as a limitation upon the foregoing, if the amount of insurance proceeds received by Tenant and attributable to Tenant Improvements are $43.00 per rentable square foot and the amount of insurance proceeds received by Tenant and attributable to Alterations are $5.00 per rentable square foot, and if the Alterations were completed upon the date of expiration of the fourth (4th) Lease Year, and if this Lease is terminated under this Article 11 below as of the last day of the ninth (9th) Lease Year, then Landlord shall first receive proceeds in an amount equal to $40.00 per rentable square foot (i.e., the Tenant Improvement Allowance) and the remaining $8.00 per rentable square foot would be split as follows: (a) the $3.00 per rentable square foot excess attributable to the Tenant Improvements would be split $1.20 per rentable square foot to Tenant (i.e., 72/180 times $3.00) and $1.80 per rentable square foot to Landlord, and (b) the $5.00 per rentable square foot excess attributable to the Alterations would be split $2.727 per rentable square foot to Tenant (i.e., 72/132 times $5.00) and $2.273 to Landlord.

11.2 LANDLORD'S OPTION TO REPAIR. Notwithstanding the terms of Section 11.1 of this Lease, Landlord may elect not to rebuild and/or restore the Premises, Building and/or Project, and instead terminate this Lease, by notifying Tenant in writing of such termination within sixty (60) days after the date of discovery of the damage, such notice to include a termination date giving Tenant ninety (90) days to vacate the Premises, but Landlord may so elect only if the Building or Project shall be damaged by fire or other casualty or cause, whether or not the Premises are affected, and one or more of the following conditions is present: (i) in Landlord's reasonable judgment, repairs cannot reasonably be completed within two hundred seventy (270) days after the date of discovery of the damage (when such repairs are made without the payment of overtime or other premiums); (ii) the holder of any mortgage on the Building or Project or ground lessor with respect to the Building or Project shall require that the insurance proceeds or any portion thereof be used to retire the mortgage debt, or shall terminate the ground lease, as the case may be; (iii) the damage is not fully covered by Landlord's insurance policies; or (iv) Landlord decides to rebuild the Building or Common Areas so that they will be substantially different structurally or architecturally; (v) the damage occurs during the last twelve (12) months of the Lease Term. Notwithstanding the foregoing, Tenant may negate Landlord's termination right by paying any overtime costs or other premiums required in order to cause the repairs to be completed within the two hundred seventy (270) day period set forth above. If Landlord does not elect to terminate this Lease pursuant to Landlord's termination right as provided above, and the required repairs cannot be completed within two hundred seventy (270) days after being commenced, Tenant may elect, not later than thirty (30) days after Tenant's receipt of notice of the damage or destruction and the time required to effectuate such repairs, to terminate this Lease by written notice to Landlord effective as of the date specified in Tenant's notice.

11.3 WAIVER OF STATUTORY PROVISIONS. The provisions of this Lease, including this Article 11, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, the Building or the Project, and any statute or regulation of the State of California, including, without limitation, Sections 1932(2) and 1933(4) of the California Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises, the Building or the Project.

11.4 DAMAGE NEAR END OF TERM. In the event that the Premises is destroyed or damaged to any substantial extent during the last twelve (12) months of the Lease Term (as such Lease Term may be extended in accordance with Section 2.2 above), then notwithstanding anything contained in this Article 11, Landlord shall have the option to terminate this Lease by giving written notice to Tenant of the exercise of such option within thirty (30) days after Landlord learns of the necessity for repairs as the result of such damage or destruction, in which event this Lease shall cease and terminate as of the date of such notice, Tenant shall pay the Base Rent and Additional Rent, properly apportioned up to such date of damage, and both parties hereto shall thereafter be freed and discharged of all further obligations hereunder, except as provided for in provisions of this Lease which by their terms survive the expiration or earlier termination of the Lease Term.

ARTICLE 12

NONWAIVER

No provision of this Lease shall be deemed waived by either party hereto unless expressly waived in a writing signed thereby. The waiver by either party hereto of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular Rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Rent. No acceptance of a lesser amount than the Rent herein stipulated shall be deemed a waiver of Landlord's right to receive the full amount due, nor shall any endorsement or statement on any check or payment or any letter accompanying such check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the full amount due. No receipt of monies by Landlord from Tenant after the termination of this Lease shall in any way alter the length of the Lease Term or of Tenant's right of possession hereunder, or after the giving of any notice shall reinstate, continue or extend the Lease Term or affect any notice given Tenant prior to the receipt of such monies, it being agreed that after the service of notice or the commencement of a suit, or after final judgment for possession of the Premises, Landlord may receive and collect any Rent due, and the payment of said Rent shall not waive or affect said notice, suit or judgment.

ARTICLE 13

CONDEMNATION

If the whole or any part of the Premises, Building or Project shall be taken by power of eminent domain or condemned by any competent authority for any public or quasi-public use or purpose, or if any adjacent property or street shall be so taken or condemned, or reconfigured or vacated by such authority in such manner as to require the use, reconstruction or remodeling of any part of the Premises, Building or Project, or if Landlord shall grant a deed or other instrument in lieu of such taking by eminent domain or condemnation, Landlord shall have the option to terminate this Lease effective as of the date possession is required to be surrendered to the authority. If more than twenty percent (20%) of the rentable square feet of the Premises is taken or more than twenty-five percent (25%) of Tenant's parking spaces are taken (and Landlord does not provide Tenant with substitute parking spaces within thirty (30) days after such taking sufficient to cause the total number of parking spaces available to Tenant to be at least seventy-five percent (75%) of Tenant's total allocated parking spaces), or if access to the Premises is substantially impaired, in each case for a period in excess of one hundred eighty (180) days, Tenant shall have the option to terminate this Lease effective as of the date possession is required to be surrendered to the authority. Tenant shall not because of such taking assert any claim against Landlord or the authority for any compensation because of such taking and Landlord shall be entitled to the entire award or payment in connection therewith, except that Tenant shall have the right to file any separate claim available to Tenant for any taking of Tenant's personal property and fixtures belonging to Tenant and removable by Tenant upon expiration of the Lease

Term pursuant to the terms of this Lease, and for moving expenses, so long as such claims do not diminish the award available to Landlord, its ground lessor with respect to the Building or Project or its mortgagee, and such claim is payable separately to Tenant. All Rent shall be apportioned as of the date of such termination. If any part of the Premises shall be taken, and this Lease shall not be so terminated, the Rent shall be proportionately abated. Tenant hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of The California Code of Civil Procedure. Notwithstanding anything to the contrary contained in this Article 13, in the event of a temporary taking of all or any portion of the Premises for a period of one hundred and eighty (180) days or less, then this Lease shall not terminate but the Base Rent and the Additional Rent shall be abated for the period of such taking in proportion to the ratio that the amount of rentable square feet of the Premises taken bears to the total rentable square feet of the Premises. Landlord shall be entitled to receive the entire award made in connection with any such temporary taking.

ARTICLE 14

ASSIGNMENT AND SUBLETTING

14.1 TRANSFERS. Tenant shall not, without the prior written consent of Landlord, assign, mortgage, pledge, hypothecate, encumber, or permit any lien to attach to, or otherwise transfer, this Lease or any interest hereunder, permit any assignment, or other transfer of this Lease or any interest hereunder by operation of law, sublet the Premises or any part thereof, or enter into any license or concession agreements or otherwise permit the occupancy or use of the Premises or any part thereof by any persons other than Tenant and its employees and contractors (all of the foregoing are hereinafter sometimes referred to collectively as "TRANSFERS" and any person to whom any Transfer is made or sought to be made is hereinafter sometimes referred to as a "TRANSFEREE"). If Tenant desires Landlord's consent to any Transfer, Tenant shall notify Landlord in writing, which notice (the "TRANSFER NOTICE") shall include (i) the proposed effective date of the Transfer, which shall not be less than fifteen (15) days nor more than one hundred eighty (180) days after the date of delivery of the Transfer Notice, (ii) a description of the portion of the Premises to be transferred (the "SUBJECT SPACE"), (iii) all of the terms of the proposed Transfer and the consideration therefor, including calculation of the "TRANSFER PREMIUM", as that term is defined in Section 14.3 below, in connection with such Transfer, the name and address of the proposed Transferee, and a copy of all existing executed and/or proposed documentation pertaining to the proposed Transfer, including all existing operative documents to be executed to evidence such Transfer or the agreements incidental or related to such Transfer, provided that Landlord shall have the right to require Tenant to utilize Landlord's standard Transfer documents in connection with the documentation of such Transfer, (iv) current financial statements of the proposed Transferee certified by an officer, partner or owner thereof, business credit and personal references and history of the proposed Transferee and any other information required by Landlord which will enable Landlord to determine the financial responsibility, character, and reputation of the proposed Transferee, nature of such Transferee's business and proposed use of the Subject Space and (v) an executed estoppel certificate from Tenant in the form attached hereto as EXHIBIT E. Any Transfer made without Landlord's prior written consent shall, at Landlord's option, be null, void and of no effect, and shall, at Landlord's option, constitute a default by Tenant under this Lease. Whether or not Landlord consents to any proposed Transfer, Tenant shall pay Landlord's reasonable review and processing fees, as well as

any reasonable professional fees (including, without limitation, attorneys', accountants', architects', engineers' and consultants' fees) incurred by Landlord in connection with any proposed Transfer, not to exceed One Thousand Dollars ($1,000.00) per proposed Transfer, within thirty (30) days after written request by Landlord.

14.2 LANDLORD'S CONSENT. Landlord shall not unreasonably withhold its consent to any proposed Transfer of the Subject Space to the Transferee on the terms specified in the Transfer Notice. Without limitation as to other reasonable grounds for withholding consent, the parties hereby agree that it shall be reasonable under this Lease and under any applicable law for Landlord to withhold consent to any proposed Transfer where one or more of the following apply:

14.2.1 The Transferee is of a character or reputation or engaged in a business which is not consistent with the quality of the Building or the Project, or would be a significantly less prestigious occupant of the Building than Tenant;

14.2.2 The Transferee intends to use the Subject Space for purposes which are not permitted under this Lease;

14.2.3 The Transferee is either a governmental agency or instrumentality thereof which is inconsistent with the character of the Project as a first-class office project;

14.2.4 The Transferee is not a party of reasonable financial worth and/or financial stability in light of the responsibilities to be undertaken in connection with the Transfer on the date consent is requested;

14.2.5 The proposed Transfer would cause a violation of another lease for space in the Project, or would give an occupant of the Project a right to cancel its lease;

14.2.6 The terms of the proposed Transfer will allow the Transferee to exercise a right of renewal, right of expansion, right of first offer, or other similar right held by Tenant (or will allow the Transferee to occupy space leased by Tenant pursuant to any such right); or

14.2.7 Either the proposed Transferee, or any person or entity which directly or indirectly, controls, is controlled by, or is under common control with, the proposed Transferee is negotiating with Landlord to lease space in the Project; or

14.2.8 The Transferee does not intend to occupy at lease sixty percent (60%) of the Subject Space and conduct its business therefrom for a substantial portion of the term of the Transfer.

If Landlord consents to any Transfer pursuant to the terms of this Section 14.2 (and does not exercise any recapture rights Landlord may have under Section 14.4 of this Lease), Tenant may within six (6) months after Landlord's consent, but not later than the expiration of said six-month period, enter into such Transfer of the Premises or portion thereof, upon substantially the same terms and conditions as are set forth in the Transfer Notice furnished by Tenant to Landlord pursuant to Section 14.1 of this Lease, provided that if there are any changes in the terms and conditions from those specified in the Transfer Notice (i) such that Landlord would

initially have been entitled to refuse its consent to such Transfer under this Section 14.2, or (ii) which would cause the proposed Transfer to be more favorable to the Transferee than the terms set forth in Tenant's original Transfer Notice, Tenant shall again submit the Transfer to Landlord for its approval and other action under this Article 14 (including Landlord's right of recapture, if any, under Section 14.4 of this Lease). Notwithstanding anything to the contrary in this Lease, if Tenant or any proposed Transferee claims that Landlord has unreasonably withheld or delayed its consent under Section 14.2 or otherwise has breached or acted unreasonably under this Article 14, their sole remedies shall be a declaratory judgment and an injunction for the relief sought without any monetary damages, and Tenant hereby waives all other remedies, including, without limitation, any right at law or equity to terminate this Lease, on its own behalf and, to the extent permitted under all applicable laws, on behalf of the proposed Transferee. Tenant shall indemnify, defend and hold harmless Landlord from any and all liability, losses, claims, damages, costs, expenses, causes of action and proceedings involving any third party or parties (including without limitation Tenant's proposed subtenant or assignee) who claim they were damaged by Landlord's wrongful withholding or conditioning of Landlord's consent.

14.3 TRANSFER PREMIUM. If Landlord consents to a Transfer, as a condition thereto which the parties hereby agree is reasonable, Tenant shall pay to Landlord fifty percent (50%) of any "Transfer Premium," as that term is defined in this Section 14.3, received by Tenant from such Transferee. "TRANSFER PREMIUM" shall mean all rent, additional rent or other consideration payable by such Transferee in connection with the Transfer in excess of the Rent and Additional Rent payable by Tenant under this Lease during the term of the Transfer on a per rentable square foot basis if less than all of the Premises is transferred, after deducting the reasonable expenses incurred by Tenant for (i) any changes, alterations and improvements to the Premises in connection with the Transfer, (ii) any free base rent reasonably provided to the Transferee, and (iii) any brokerage commissions in connection with the Transfer. "Transfer Premium" shall also include, but not be limited to, key money, bonus money or other cash consideration paid by Transferee to Tenant in connection with such Transfer, and any payment in excess of fair market value for services rendered by Tenant to Transferee or for assets, fixtures, inventory, equipment, or furniture transferred by Tenant to Transferee in connection with such Transfer. In the calculations of the Rent (as it relates to the Transfer Premium calculated under this Section 14.3), and the Transferee's Rent and Quoted Rent under Section 14.2 of this Lease, the Rent paid during each annual period for the Subject Space, and the Transferee's Rent and the Quoted Rent, shall be computed after adjusting such rent to the actual effective rent to be paid, taking into consideration any and all leasehold concessions granted in connection therewith, including, but not limited to, any rent credit and tenant improvement allowance. For purposes of calculating any such effective rent all such concessions shall be amortized on a straight-line basis over the relevant term.

14.4 LANDLORD'S OPTION AS TO SUBJECT SPACE. Notwithstanding anything to the contrary contained in this Article 14, in the case of a sublease which, when added to all then existing subleases applicable to the Premises, would result in fifty percent (50%) or more of the rentable square footage of the Premises being subject to subleases (in the aggregate), Landlord shall have the option, by giving written notice to Tenant (the "RECAPTURE NOTICE") within thirty (30) days after receipt of any Transfer Notice, to recapture the Subject Space. Such Recapture Notice shall cancel and terminate this Lease with respect to the Subject Space as of the date stated in the Transfer Notice as the effective date of the proposed Transfer until the last day of

the term of the Transfer as set forth in the Transfer Notice (or at Landlord's option, shall cause the Transfer to be made to Landlord or its agent, in which case the parties shall execute the Transfer documentation promptly thereafter). However, if Landlord delivers a Recapture Notice to Tenant, Tenant may, within ten (10) days after Tenant's receipt of the Recapture Notice, deliver written notice to Landlord indicating that Tenant is rescinding its request for consent to the proposed Transfer, in which case such Transfer shall not be consummated and this Lease shall remain in full force and effect as to the portion of the Premises that was the subject of the Transfer. Tenant's failure to so notify Landlord in writing within said ten (10) day period shall be deemed to constitute Tenant's election to allow the Recapture Notice to be effective. In the event of a recapture by Landlord, if this Lease shall be canceled with respect to less than the entire Premises, the Rent reserved herein shall be prorated on the basis of the number of rentable square feet retained by Tenant in proportion to the number of rentable square feet contained in the Premises, and this Lease as so amended shall continue thereafter in full force and effect, and upon request of either party, the parties shall execute written confirmation of the same. If Landlord declines, or fails to elect in a timely manner to recapture the Subject Space under this Section 14.4, then, provided Landlord has consented to the proposed Transfer, Tenant shall be entitled to proceed to transfer the Subject Space to the proposed Transferee, subject to provisions of this Article 14.

14.5 EFFECT OF TRANSFER. If Landlord consents to a Transfer, (i) the terms and conditions of this Lease shall in no way be deemed to have been waived or modified, (ii) such consent shall not be deemed consent to any further Transfer by either Tenant or a Transferee, (iii) Tenant shall deliver to Landlord, promptly after execution, an original executed copy of all documentation pertaining to the Transfer in form reasonably acceptable to Landlord, (iv) Tenant shall furnish upon Landlord's request a complete statement, certified by an independent certified public accountant, or Tenant's chief financial officer, setting forth in detail the computation of any Transfer Premium Tenant has derived and shall derive from such Transfer, and (v) no Transfer relating to this Lease or agreement entered into with respect thereto, whether with or without Landlord's consent, shall relieve Tenant or any guarantor of the Lease from any liability under this Lease, including, without limitation, in connection with the Subject Space. Landlord or its authorized representatives shall have the right at all reasonable times to audit the books, records and papers of Tenant relating to any Transfer, and shall have the right to make copies thereof. If the Transfer Premium respecting any Transfer shall be found understated, Tenant shall, within thirty (30) days after demand, pay the deficiency, and if understated by more than five percent (5%), Tenant shall pay Landlord's costs of such audit.

14.6 ADDITIONAL TRANSFERS. For purposes of this Lease, the term "TRANSFER" shall also include (i) if Tenant is a partnership, the withdrawal or change, voluntary, involuntary or by operation of law, of fifty percent (50%) or more of the partners, or transfer of fifty percent (50%) or more of partnership interests, within a twelve (12)-month period, or the dissolution of the partnership without immediate reconstitution thereof, and (ii) if Tenant is a closely held corporation (i.e., whose stock is not publicly held and not traded through an exchange or over the counter), (A) the dissolution, merger, consolidation or other reorganization of Tenant or (B) the sale or other transfer of an aggregate of fifty percent (50%) or more of the voting shares of Tenant (other than to immediate family members by reason of gift or death), within a twelve (12)-month period, or (C) the sale, mortgage, hypothecation or pledge of an aggregate of fifty

percent (50%) or more of the value of the unencumbered assets of Tenant within a twelve (12)-month period.

14.7 OCCURRENCE OF DEFAULT. Any Transfer hereunder shall be subordinate and subject to the provisions of this Lease, and if this Lease shall be terminated during the term of any Transfer, Landlord shall have the right to: (i) treat such Transfer as cancelled and repossess the Subject Space by any lawful means, or (ii) require that such Transferee attorn to and recognize Landlord as its landlord under any such Transfer. If Tenant shall be in default under this Lease, Landlord is hereby irrevocably authorized, as Tenant's agent and attorney-in-fact, to direct any Transferee to make all payments under or in connection with the Transfer directly to Landlord (which Landlord shall apply towards Tenant's obligations under this Lease) until such default is cured. Such Transferee shall rely on any representation by Landlord that Tenant is in default hereunder, without any need for confirmation thereof by Tenant. Upon any assignment, the assignee shall assume in writing all obligations and covenants of Tenant thereafter to be performed or observed under this Lease. No collection or acceptance of rent by Landlord from any Transferee shall be deemed a waiver of any provision of this Article 14 or the approval of any Transferee or a release of Tenant from any obligation under this Lease, whether theretofore or thereafter accruing. In no event shall Landlord's enforcement of any provision of this Lease against any Transferee be deemed a waiver of Landlord's right to enforce any term of this Lease against Tenant or any other person. If Tenant's obligations hereunder have been guaranteed, Landlord's consent to any Transfer shall not be effective unless the guarantor also consents to such Transfer.

14.8 AFFILIATE TRANSFERS. The term "AFFILIATE" shall mean (i) any entity that is controlled by, controls or is under common control with, Tenant or (ii) any entity that merges with, is acquired by, or acquires Tenant through the purchase of stock or assets and where the net worth of the surviving entity as of the date such transaction is completed is not less than that of Tenant immediately prior to the transaction calculated under generally accepted accounting principles. Notwithstanding anything to the contrary contained in this Article 14, an assignment or subletting of all or a portion of the Premises to an Affiliate of Tenant shall not be deemed a Transfer under this Article 14, provided that (a) Tenant notifies Landlord of any such assignment or sublease and promptly supplies Landlord with any documents or information requested by Landlord regarding such assignment or sublease or such affiliate, (b) Tenant shall not be released from its obligations under this Lease and (c) such assignment or sublease is not a subterfuge by Tenant to avoid its obligations under this Lease. An assignee of Tenant's entire interest in this Lease pursuant to the immediately preceding sentence may be referred to herein as an "AFFILIATED ASSIGNEE." "CONTROL," as used in this Article 14, shall mean the possession of the power to direct or cause the direction of the management or policies of an entity, whether through ownership or voting securities, or by contract or otherwise.

ARTICLE 15

SURRENDER OF PREMISES; OWNERSHIP AND REMOVAL OF TRADE FIXTURES

15.1 SURRENDER OF PREMISES. No act or thing done by Landlord or any agent or employee of Landlord during the Lease Term shall be deemed to constitute an acceptance by

Landlord of a surrender of the Premises unless such intent is specifically acknowledged in writing by Landlord. The delivery of keys to the Premises to Landlord or any agent or employee of Landlord shall not constitute a surrender of the Premises or effect a termination of this Lease, whether or not the keys are thereafter retained by Landlord, and notwithstanding such delivery Tenant shall be entitled to the return of such keys at any reasonable time upon request until this Lease shall have been properly terminated. The voluntary or other surrender of this Lease by Tenant, whether accepted by Landlord or not, or a mutual termination hereof, shall not work a merger, and at the option of Landlord shall operate as an assignment to Landlord of all subleases or subtenancies affecting the Premises or terminate any or all such sublessees or subtenancies.

15.2 REMOVAL OF TENANT PROPERTY BY TENANT. Upon the expiration of the Lease Term, or upon any earlier termination of this Lease, Tenant shall, subject to the provisions of this Article 15, quit and surrender possession of the Premises to Landlord in as good order and condition as when Tenant took possession and as thereafter improved by Landlord and/or Tenant, reasonable wear and tear and repairs which are specifically made the responsibility of Landlord hereunder excepted. Upon such expiration or termination, Tenant shall, without expense to Landlord, remove or cause to be removed from the Premises all debris and rubbish, and such items of furniture, equipment, business and trade fixtures, free-standing cabinet work, movable partitions and other articles of personal property owned by Tenant or installed or placed by Tenant at its expense in the Premises, and such similar articles of any other persons claiming under Tenant, as Landlord may, in its sole discretion, require to be removed, and Tenant shall repair at its own expense all damage to the Premises and Building resulting from such removal.

ARTICLE 16

HOLDING OVER

If Tenant holds over after the expiration of the Lease Term or earlier termination thereof, with or without the express or implied consent of Landlord, such tenancy shall be from month-to-month only, and shall not constitute a renewal hereof or an extension for any further term, and in such case Rent shall be payable on a per diem basis for the first thirty (30) days after the expiration of the Lease Term at a rate equal to one hundred twenty-five percent (125%) of the Base Rent payable during the last month of the Lease Term and, thereafter, at a monthly rate equal to one hundred fifty percent (150%) of the Base Rent applicable during the last rental period of the Lease Term under this Lease. Such month-to-month tenancy shall be subject to every other applicable term, covenant and agreement contained herein. For purposes of this Article 16, a holding over shall include Tenant's remaining in the Premises after the expiration or earlier termination of the Lease Term, as required pursuant to the terms of Section 8.5, above, to remove any Alterations or Above Building Standard Tenant Improvements located within the Premises and replace the same with Building Standard Tenant Improvements. Nothing contained in this Article 16 shall be construed as consent by Landlord to any holding over by Tenant, and Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Article 16 shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law. If Tenant fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold

Landlord harmless from all loss, costs (including reasonable attorneys' fees) and liability resulting from such failure, including, without limiting the generality of the foregoing, any claims made by any succeeding tenant founded upon such failure to surrender and any lost profits to Landlord resulting therefrom.

ARTICLE 17

ESTOPPEL CERTIFICATES

Within ten (10) business days following a request in writing by Landlord, Tenant shall execute, acknowledge and deliver to Landlord an estoppel certificate, which, as submitted by Landlord, shall be substantially in the form of EXHIBIT E, attached hereto (or such other form as may be required by any prospective mortgagee or purchaser of the Project, or any portion thereof), indicating therein any exceptions thereto that may exist at that time, and shall also contain any other factual information reasonably requested by Landlord or Landlord's mortgagee or prospective mortgagee. Any such certificate may be relied upon by any prospective mortgagee or purchaser of all or any portion of the Project. At any time during the Lease Term, Landlord may require Tenant to provide Landlord with a current financial statement and financial statements of the two (2) years prior to the current financial statement year. Such statements shall be prepared in accordance with generally accepted accounting principles and, if such is the normal practice of Tenant, shall be audited by an independent certified public accountant. Failure of Tenant to timely execute, acknowledge and deliver such estoppel certificate or other instruments shall constitute an acceptance of the Premises and an acknowledgment by Tenant that statements included in the estoppel certificate are true and correct, without exception.

ARTICLE 18

SUBORDINATION

This Lease shall be subject and subordinate to all present and future ground or underlying leases of the Building or Project and to the lien of any mortgage, trust deed or other encumbrances now or hereafter in force against Landlord's interest in the Building or Project or any part thereof, if any, and to all renewals, extensions, modifications, consolidations and replacements thereof, and to all advances made or hereafter to be made upon the security of such mortgages or trust deeds, unless the holders of such mortgages, trust deeds or other encumbrances, or the lessors under such ground lease or underlying leases, require in writing that this Lease be superior thereto. Tenant covenants and agrees in the event any proceedings are brought for the foreclosure of any such mortgage or deed in lieu thereof (or if any ground lease is terminated), to attorn, without any deductions or set-offs whatsoever, to the lienholder or purchaser or any successors thereto upon any such foreclosure sale or deed in lieu thereof (or to the ground lessor), if so requested to do so by such purchaser or lienholder or ground lessor, and to recognize such purchaser or lienholder or ground lessor as the lessor under this Lease, provided such lienholder or purchaser or ground lessor shall agree to accept this Lease and not disturb Tenant's occupancy, so long as Tenant timely pays the rent and observes and performs the terms, covenants and conditions of this Lease to be observed and performed by Tenant. Landlord's interest herein may be assigned as security at any time to any lienholder. Tenant

shall, within ten (10) business days of request by Landlord, execute such further instruments or assurances as Landlord may reasonably deem necessary (or as may be customarily required generally by lienholders or lessors) to evidence or confirm the subordination or superiority of this Lease to any such mortgages, trust deeds, ground leases or underlying leases. Tenant waives the provisions of any current or future statute, rule or law which may give or purport to give Tenant any right or election to terminate or otherwise adversely affect this Lease and the obligations of the Tenant hereunder in the event of any foreclosure proceeding or sale. Landlord agrees to provide Tenant with commercially reasonable non-disturbance agreement(s) relating to all of Tenant's interest in the Project, this Lease and its rights hereunder in favor of Tenant from any ground lessors, mortgage holders and deed of trust beneficiaries of Landlord who come into existence at any time after execution of this Lease and prior to expiration of the Lease Term, in consideration of, and as a condition precedent to, Tenant's agreement to subordinate its interest in this Lease.

ARTICLE 19

DEFAULTS; REMEDIES

19.1 EVENTS OF DEFAULT. The occurrence of any of the following shall constitute a default of this Lease by Tenant:

19.1.1 Any failure by Tenant to pay any Rent or any other charge required to be paid under this Lease, or any part thereof, when due unless such failure is cured within five (5) business days after notice; or

19.1.2 Except where a specific time period is otherwise set forth for Tenant's performance in this Lease, in which event the failure to perform by Tenant within such time period shall be a default by Tenant under this Section 19.1.2, any failure by Tenant to observe or perform any other provision, covenant or condition of this Lease to be observed or performed by Tenant where such failure continues for thirty (30) days after written notice thereof from Landlord to Tenant; provided that if the nature of such default is such that the same cannot reasonably be cured within a thirty (30) day period, Tenant shall not be deemed to be in default if it diligently commences such cure within such period and thereafter diligently proceeds to rectify and cure such default, but in no event exceeding a period of time in excess of ninety (90) days after written notice thereof from Landlord to Tenant; or

19.1.3 To the extent permitted by law, a general assignment by Tenant or any guarantor of this Lease for the benefit of creditors, or the taking of any corporate action in furtherance of bankruptcy or dissolution whether or not there exists any proceeding under an insolvency or bankruptcy law, or the filing by or against Tenant or any guarantor of any proceeding under an insolvency or bankruptcy law, unless in the case of a proceeding filed against Tenant or any guarantor the same is dismissed within sixty (60) days, or the appointment of a trustee or receiver to take possession of all or substantially all of the assets of Tenant or any guarantor, unless possession is restored to Tenant or such guarantor within thirty (30) days, or any execution or other judicially authorized seizure of all or substantially all of Tenant's assets located upon the Premises or of Tenant's interest in this Lease, unless such seizure is discharged within thirty (30) days; or

19.1.4 The failure by Tenant to observe or perform according to the provisions of Articles 5, 14, 17 or 18 of this Lease where such failure continues for more than five (5) business days after notice from Landlord; or

The notice periods provided herein are in lieu of, and not in addition to, any notice periods provided by law.

19.2 REMEDIES UPON DEFAULT. Upon the occurrence of any event of default by Tenant, Landlord shall have, in addition to any other remedies available to Landlord at law or in equity (all of which remedies shall be distinct, separate and cumulative), the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever.

19.2.1 Terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim or damages therefor; and Landlord may recover from Tenant the following:

(i) The worth at the time of any unpaid rent which has been earned at the time of such termination; plus

(ii) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iv) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, specifically including but not limited to, brokerage commissions and advertising expenses incurred, expenses of remodeling the Premises or any portion thereof for a new tenant, and any special concessions made to obtain a new tenant; and

(v) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The term "RENT" as used in this Section 19.2 shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in Paragraphs 19.2.1(i) and (ii), above, the "worth at the time of award" shall be computed by allowing interest at the rate set forth in Article 25 of this Lease, but in no case greater than the maximum amount of such interest permitted by law. As used in Paragraph 19.2.1(iii) above, the "worth at the time of award" shall be computed by discounting

such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

19.2.2 Landlord shall have the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease on account of any default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies under this Lease, including the right to recover all rent as it becomes due.

19.2.3 Landlord shall at all times have the rights and remedies (which shall be cumulative with each other and cumulative and in addition to those rights and remedies available under Sections 19.2.1 and 19.2.2, above, or any law or other provision of this Lease), without prior demand or notice except as required by applicable law, to seek any declaratory, injunctive or other equitable relief, and specifically enforce this Lease, or restrain or enjoin a violation or breach of any provision hereof.

19.3 SUBLEASES OF TENANT. Whether or not Landlord elects to terminate this Lease on account of any default by Tenant, as set forth in this Article 19, Landlord shall have the right to terminate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Tenant and affecting the Premises or may, in Landlord's sole discretion, succeed to Tenant's interest in such subleases, licenses, concessions or arrangements. In the event of Landlord's election to succeed to Tenant's interest in any such subleases, licenses, concessions or arrangements, Tenant shall, as of the date of notice by Landlord of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

19.4 FORM OF PAYMENT AFTER DEFAULT. Following the occurrence of three (3) monetary defaults by Tenant within any eighteen (18) month time period, Landlord shall have the right to require that any or all subsequent amounts paid by Tenant to Landlord hereunder, whether to cure the default in question or otherwise, be paid in the form of cash, money order, cashier's or certified check drawn on an institution acceptable to Landlord, or by other means approved by Landlord, notwithstanding any prior practice of accepting payments in any different form.

19.5 EFFORTS TO RELET. No re-entry or repossession, repairs, maintenance, changes, alterations and additions, reletting, appointment of a receiver to protect Landlord's interests hereunder, or any other action or omission by Landlord shall be construed as an election by Landlord to terminate this Lease or Tenant's right to possession, or to accept a surrender of the Premises, nor shall same operate to release Tenant in whole or in part from any of Tenant's obligations hereunder, unless express written notice of such intention is sent by Landlord to Tenant. Tenant hereby irrevocably waives any right otherwise available under any law to redeem or reinstate this Lease.

ARTICLE 20

COVENANT OF QUIET ENJOYMENT

Landlord covenants that Tenant shall, during the Lease Term, peaceably and quietly have, hold and enjoy the Premises subject to the terms, covenants, conditions, provisions and agreements hereof without interference by any persons lawfully claiming by or through Landlord. The foregoing covenant is in lieu of any other covenant express or implied.

ARTICLE 21

SECURITY DEPOSIT; LETTER OF CREDIT

21.1 SECURITY DEPOSIT. Concurrent with Tenant's execution of this Lease, Tenant shall deposit with Landlord a security deposit (the "SECURITY DEPOSIT") in the amount set forth in Section 8 of the Summary, as security for the faithful performance by Tenant of all of its obligations under this Lease. If Tenant defaults with respect to any provisions of this Lease, including, but not limited to, the provisions relating to the payment of Rent, the removal of property and the repair of resultant damage, Landlord may, without notice to Tenant, but shall not be required to apply all or any part of the Security Deposit for the payment of any Rent or any other sum in default and Tenant shall, upon demand therefor, restore the Security Deposit to its original amount. Any unapplied portion of the Security Deposit shall be returned to Tenant, or, at Landlord's option, to the last assignee of Tenant's interest hereunder, within forty-five (45) days following the expiration of the Lease Term. Tenant shall not be entitled to any interest on the Security Deposit. Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code, or any successor statute.

21.2 LETTER OF CREDIT.

21.2.1 DELIVERY OF LETTER OF CREDIT. Unless the conditions of Section 21.2.2.2 below are then being satisfied, Tenant shall deliver to Landlord, concurrently with the mutual execution of this Lease, an unconditional, clean, irrevocable letter of credit (the "L-C") in an amount as set forth in Section 21.2.2, below (the "L-C AMOUNT"), which L-C shall be issued by a money-center bank (a bank which accepts deposits, maintains accounts, has a local San Diego office which will negotiate a letter of credit, and whose deposits are insured by the FDIC) reasonably acceptable to Landlord, and which L-C shall be in the form of EXHIBIT H, attached hereto. Tenant shall pay all expenses, points and/or fees incurred by Tenant in obtaining the L-C. Landlord acknowledges that the conditions of Section 21.2.2.2 are, as of the date of this Lease, initially being satisfied and, accordingly, Tenant is not initially obligated to deliver the L-C concurrently with the mutual execution of this Lease.

21.2.2 L-C AMOUNT.

21.2.2.1 CALCULATION OF L-C AMOUNT. For purposes of this Lease, the "L-C Amount" shall be, at any and all times during the Lease Term, an amount equal to twelve (12) months of the then-current Monthly Installment of Base Rent.

21.2.2.2 CONDITIONAL INCREASE/REDUCTION OF L-C AMOUNT. Landlord and Tenant hereby acknowledge and agree that the L-C Amount is subject to increase and reduction throughout the Lease Term at the end of each financial quarter as set forth in this Section 21.2.2.2. The starting L-C Amount shall be determined pursuant to the calculation set forth in Section 21.2.2.1, above, as of the close of the financial quarter ended December 31, 2001; provided, however, Tenant shall not be required to initially deliver such L-C to the extent (A) Tenant has "Working Capital" in excess of Sixty-Five Million Dollars ($65,000,000.00), and (B) Tenant has "Market Capitalization" in excess of Three Hundred Fifty Million Dollars ($350,000,000.00) (such thresholds to be, collectively, the "REQUIRED THRESHOLDS"); provided, however, for purposes of determining whether Tenant is maintaining such Required Thresholds, Tenant shall be deemed to include its Affiliates on a consolidated basis. "WORKING CAPITAL" means then-current assets of Tenant less then-current liabilities from Tenant's previous quarterly financial statements, which Working Capital shall include then-current receivables (zero (0) to sixty (60) days only). "MARKET CAPITALIZATION" means the product of (1) the number of outstanding shares of Tenant on the last day of the applicable financial quarter (i.e., the most recently completed quarter), and (2) the average closing share price during the last thirty (30) calendar days of the applicable financial quarter. Thereafter, (i) to the extent that Tenant continues to maintain the Required Thresholds for four (4) consecutive financial quarters, the then-determined L-C Amount shall be reduced by fifty percent (50%), (ii) to the extent that Tenant continues to maintain the Required Thresholds for eight (8) consecutive financial quarters, the then-determined L-C Amount shall be reduced to $0.00, and (iii) to the extent that Tenant is no longer maintaining the Required Thresholds, the L-C Amount shall be recalculated pursuant to Section 21.2.2.1 based on the Market Capitalization and Cash as of the completion of such quarter and the L-C shall immediately be reissued in the "Required L-C Amount". In the event that such recalculated L-C Amount (at any given time during the Lease Term, the "REQUIRED L-C AMOUNT"), is less than the then-current L-C Amount, Tenant shall have the right to cause the L-C Amount to be reduced to the Required L-C Amount, and Landlord shall timely execute and deliver such commercially reasonable documents to the issuer(s) of the L-C as are presented to Landlord by such issuer(s) and as may be reasonably necessary to effectuate the change to the Required L-C Amount. Likewise, following the completion of each financial quarter throughout the Lease Term, in the event that the Required L-C Amount is greater than the then-current L-C Amount, Tenant shall upon its receipt of written notice from Landlord (the "REESTABLISHMENT NOTICE"), cause the L-C Amount to be increased to equal the Required L-C Amount; provided, however, to facilitate Landlord's quarterly determination, Tenant shall submit to Landlord, within forty-five (45) days following the end of each calendar quarter, Tenant's financial statements (which shall be prepared in accordance with generally accepted accounting principals); provided further, however, that if Tenant fails to provide such statements within ten (10) business days following its receipt of notification from Landlord that the same was not received within such forty-five (45) day period, then the Required Thresholds shall be deemed not to have been maintained, in which event the Reestablishment Notice shall be deemed to have been delivered by landlord to Tenant as of the expiration of such ten (10) business day period.

21.2.2.3 FAILURE TO REINSTATE; LIQUIDATED DAMAGES. IN THE EVENT THAT TENANT FAILS, WITHIN THIRTY (30) DAYS FOLLOWING TENANT'S RECEIPT OF A REESTABLISHMENT NOTICE WITH REGARD TO THIS LEASE, THEN TENANT'S MONTHLY INSTALLMENT OF BASE RENT SHALL BE INCREASED BY ONE HUNDRED TWENTY-FIVE (125%) OF ITS THEN EXISTING

LEVEL DURING THE PERIOD COMMENCING ON THE DATE WHICH IS THIRTY (30) DAYS AFTER SUCH REESTABLISHMENT NOTICE AND ENDING ON THE EARLIER TO OCCUR OF (I) THE DATE SUCH L-C IS REESTABLISHED PURSUANT TO THE TERMS OF THIS SECTION 21.2, OR (II) THE DATE WHICH IS NINETY (90) DAYS AFTER THE DATE OF SUCH REESTABLISHMENT NOTICE. IN THE EVENT THAT TENANT FAILS, DURING SUCH NINETY (90) DAY PERIOD FOLLOWING THE DATE OF THE REESTABLISHMENT NOTICE, TO CAUSE THE L-C TO BE REESTABLISHED, THEN TENANT'S MONTHLY INSTALLMENT OF BASE RENT SHALL BE INCREASED BY ONE HUNDRED FIFTY PERCENT (150%) OF ITS THEN EXISTING LEVEL DURING THE PERIOD COMMENCING ON THE DATE WHICH IS NINETY (90) DAYS AFTER THE DATE OF SUCH REESTABLISHMENT NOTICE AND ENDING ON THE DATE SUCH L-C IS RE-ISSUED/REESTABLISHED PURSUANT TO THE TERMS OF THIS SECTION 21.2. THE PARTIES AGREE THAT IT WOULD BE IMPRACTICABLE AND EXTREMELY DIFFICULT TO ASCERTAIN THE ACTUAL DAMAGES SUFFERED BY LANDLORD AS A RESULT OF TENANT'S FAILURE TO TIMELY REESTABLISH THE L-C FOLLOWING THE REESTABLISHMENT NOTICE AS REQUIRED IN THIS SECTION 21.2, AND THAT UNDER THE CIRCUMSTANCES EXISTING AS OF THE DATE OF THIS LEASE, THE LIQUIDATED DAMAGES PROVIDED FOR IN THIS SECTION 21.2.2.3 REPRESENT A REASONABLE ESTIMATE OF THE DAMAGES WHICH LANDLORD WILL INCUR AS A RESULT OF SUCH FAILURE, PROVIDED, HOWEVER, THAT THIS PROVISION SHALL NOT WAIVE OR AFFECT LANDLORD'S RIGHTS AND TENANT'S INDEMNITY OBLIGATIONS UNDER OTHER SECTIONS OF THIS LEASE (EXCEPT THAT THE PARTIES SPECIFICALLY AGREE THAT THE FOREGOING PROVISION WAS AGREED TO IN LIEU OF MAKING FAILURE TO RE-ESTABLISH THE L-C A DEFAULT UNDER THE LEASE). THE PARTIES ACKNOWLEDGE THAT THE PAYMENT OF SUCH LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTION 3275 OR 3369, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO LANDLORD PURSUANT TO CALIFORNIA CIVIL CODE SECTION 1671. THE PARTIES HAVE SET FORTH THEIR INITIALS BELOW TO INDICATE THEIR AGREEMENT WITH THE LIQUIDATED DAMAGES PROVISION CONTAINED IN THIS SECTION 21.2.2.3.

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LANDLORD'S INITIALS	TENANT'S INITIALS

21.2.3 APPLICATION OF LETTER OF CREDIT. The L-C shall be held by Landlord as security for the faithful performance by Tenant of all the TCC's of this Lease to be kept and performed by Tenant during the Lease Term. The L-C shall not be mortgaged, assigned or encumbered in any manner whatsoever by Tenant without the prior written consent of Landlord. If Tenant defaults with respect to any provisions of this Lease, including, but not limited to, the provisions relating to the payment of Rent, or if Tenant fails to renew the L-C at least thirty (30) days before its expiration, Landlord may, but shall not be required to, draw upon all or any portion of the L-C for payment of any Rent or any other sum in default, or for the payment of any amount that Landlord may reasonably spend or may become obligated to spend by reason of Tenant's default, or to compensate Landlord for any other loss or damage that Landlord may

suffer by reason of Tenant's default. The use, application or retention of the L-C, or any portion thereof, by Landlord shall not prevent Landlord from exercising any other right or remedy provided by this Lease or by law, it being intended that Landlord shall not first be required to proceed against the L-C and shall not operate as a limitation on any recovery to which Landlord may otherwise be entitled. Any amount of the L-C which is drawn upon by Landlord, but is not used or applied by Landlord, shall be held by Landlord and deemed a security deposit (the "L-C SECURITY DEPOSIT"), and, in connection with any such L-C Security Deposit, Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code, or any successor statute. If any portion of the L-C is drawn upon, Tenant shall, within ten (10) days after written demand therefor, either (i) deposit cash with Landlord (which cash shall be applied by Landlord to the L-C Security Deposit) in an amount sufficient to cause the sum of the L-C Security Deposit and the amount of the remaining L-C to be equivalent to the amount of the L-C then required under this Lease or (ii) reinstate the L-C to the amount then required under this Lease, and if any portion of the L-C Security Deposit is used or applied, Tenant shall, within ten (10) days after written demand therefor, deposit cash with Landlord (which cash shall be applied by Landlord to the L-C Security Deposit) in an amount sufficient to restore the L-C Security Deposit to the amount then required under this Lease, and Tenant's failure to do so shall be a default under this Lease; provided, however, that upon Tenant's satisfaction of its economic obligations and restoration of the L-C Security Deposit pursuant to this sentence, any unused portion of the drawn upon funds shall be returned to Tenant. Tenant acknowledges that Landlord has the right to transfer or mortgage its interest in the Real Property and the Center and in this Lease and Tenant agrees that in the event of any such transfer or mortgage, Landlord shall have the right to transfer or assign the L-C Security Deposit and/or the L-C to the transferee or mortgagee, and in the event of such transfer, Tenant shall look solely to such transferee or mortgagee for the return of the L-C Security Deposit and/or the L-C. Landlord shall pay all costs associated with the transfer or re-issuance of the L-C due to Landlord's transfer or assignment. Tenant shall, within five (5) days of request by Landlord, execute such further instruments or assurances as Landlord may reasonably deem necessary to evidence or confirm Landlord's transfer or assignment of the L-C Security Deposit and/or the L-C to such transferee or mortgagee. If Tenant is not then in default under this Lease, the L-C Security Deposit and/or the L-C, or any balance thereof, shall be returned to Tenant within thirty (30) days following the expiration of the Lease Term.

ARTICLE 22

COMMUNICATION EQUIPMENT

Subject to all Laws and CC&R's, Tenant and Tenant's contractors (which shall first be reasonably approved by Landlord) shall have the non-exclusive right and access to install, repair, replace, remove, operate and maintain so-called "satellite dish(es)" or other similar device(s), such as antennae (collectively, "COMMUNICATION EQUIPMENT"), together with all cable, wiring, conduits and related equipment, for the purpose of receiving and sending radio, television, computer, data or other communication signals, at a location(s) on the roof of the Building(s) mutually agreeable to Landlord and Tenant, in good faith. Tenant shall retain Landlord's designated roofing contractor to make any necessary penetrations and associated repairs to the roof in order to preserve Landlord's roof warranty; provided, however, that if such penetrations and associated repairs to the roof cannot be made in such a manner so as to preserve Landlord's roof warranty, then notwithstanding Article 7 of this Lease, any costs Landlord incurs in

connection with maintenance and repair of the roof that would otherwise have been covered by the roof warranty but for Tenant's installation, repair, replacement, removal, operation or maintenance of the Communication Equipment, shall be included in Operating Expenses. Landlord shall not charge Tenant any rental for Tenant's use of the Communication Equipment. Tenant's right to use and operate the Communication Equipment may not be assigned or otherwise transferred to any third party except in connection with an assignment of Tenant's interest in this Lease or a sublease of all or a portion of the Premises, where such assignment or sublease has been reasonably approved by Landlord pursuant to Article 14 above and where such assignee's or subtenant's use of the Communication Equipment is ancillary to its normal business office use of the applicable portion of the Premises. Tenant shall not be entitled to license its Communication Equipment to any unrelated third party, nor shall Tenant be permitted to receive any revenues, fees or any other consideration for the use of such Communication Equipment by an unrelated third party. Tenant's installation and operation of the Communication Equipment shall be governed by the following terms and conditions:

(i) All plans and specifications for the Communication Equipment shall be subject to Landlord's reasonable approval.

(ii) All costs of installation, operation and maintenance of the Communication Equipment and any necessary related equipment (including, without limitation, costs of obtaining any necessary permits and connections to the Project's electrical system) shall be borne by Tenant, except for any damage caused by Landlord Parties.

(iii) Tenant shall use the Communication Equipment so as not to cause any interference to other occupants in the Project or interfere with the normal operation of the Project.

(iv) Landlord makes no representation that the Communication Equipment will be able to receive or transmit communication signals without interference or disturbance and Tenant agrees that Landlord shall not be liable to Tenant therefor.

(v) Tenant shall (a) be solely responsible for any damage caused as a result of the Communication Equipment, except for any damage caused by Landlord Parties, (b) promptly pay any tax, license or permit fees charged pursuant to any Laws in connection with the installation, maintenance or use of the Communication Equipment and comply with all precautions and safeguards recommended by all governmental authorities, and (c) repair, replace and maintain the Communication Equipment in good condition.

(vi) The Communication Equipment shall remain the sole property of Tenant. Tenant shall remove the Communication Equipment and related equipment at Tenant's sole cost and expense upon the expiration or sooner termination of this Lease or upon the imposition of any Law which may require removal, and shall repair the Building upon such removal to the extent required by such work of removal. If Tenant fails to remove the Communication Equipment and repair the Building within fifteen (15) days after the expiration or earlier termination of this Lease, Landlord may do so at Tenant's expense. The provisions of this Section 22(vi) shall survive the expiration or earlier termination of this Lease.

(vii) The Communication Equipment shall be deemed to constitute a portion of the Premises for purposes of Article 10 of this Lease.

(viii) Landlord reserves the concurrent right to use the roof for its own use and for third-party use for installation of satellite dish and antenna devices similar to the Communications Equipment (collectively, the "LANDLORD CE"), provided such Landlord CE shall not interfere with Tenant's operations on the roof of the Building, and provided Landlord maintains, restores and repairs the Building rooftop space associated with such Landlord CE. To the extent Landlord elects to install Landlord CE on the Building rooftop, Landlord shall be responsible for the maintenance, repair and restoration of such Landlord CE. Landlord shall be responsible for (and shall make all necessary repairs and replacements for) any damage to the Communications Equipment due to the actions or omissions of Landlord or Landlord Parties (or any third party to whom Landlord has granted roof access rights). Tenant shall be responsible for (and shall make all necessary repairs and replacements for) any damage to the Landlord CE due to the negligence or willful misconduct of Tenant.

ARTICLE 23

SIGNS

23.1 FULL FLOORS. Subject to Landlord's prior written approval, in its sole discretion, and provided all signs are in keeping with the quality, design and style of the Building and Project, Tenant, if the Premises comprise an entire floor of the Building, at its sole cost and expense, may install identification signage anywhere in the Premises including in the elevator lobby of the Premises, provided that such signs must not be visible from the exterior of the Building.

23.2 MULTI-TENANT FLOORS. If other tenants occupy space on the floor on which the Premises is located, Tenant's identifying signage shall be provided by Landlord, at Tenant's cost, and such signage shall be comparable to that used by Landlord for other similar floors in the Building and shall comply with Landlord's Building standard signage program.

23.3 PROHIBITED SIGNAGE AND OTHER ITEMS. Any signs, notices, logos, pictures, names or advertisements which are installed and that have not been separately approved by Landlord may be removed without notice by Landlord at the sole expense of Tenant. Tenant may not install any signs on the exterior or roof of the Project or the Common Areas. Any signs, window coverings, or blinds (even if the same are located behind the Landlord-approved window coverings for the Building), or other items visible from the exterior of the Premises or Building, shall be subject to the prior approval of Landlord, in its sole discretion.

23.4 TENANT'S SIGNAGE. Tenant shall be entitled to install the following signage in connection with Tenant's lease of the Premises (collectively, the "TENANT'S SIGNAGE"):

(i) One (1) building-top sign identifying Tenant's name and logo located at the top of the Building; and

(ii) Exclusive signage on (x) a monument to be located on the Project at the main entrance point to the Project, and (y) to the extent any requisite

permits/approvals from applicable governmental entities is secured by Tenant, a monument to be located adjacent to the entrance of the Building, both locations to be mutually and reasonably agreed to between the parties; provided, however, Landlord may, subject to Tenant's reasonable approval and at Landlord's sole cost and expense, place a standard "owned and managed" sign at a location on the Project reasonably approved by Tenant. In no event shall such Landlord identification sign be more than fifty percent (50%) of the size of, or more prominent than, any of Tenant's Signage. Landlord may also, subject to Tenant's reasonable approval and at Landlord's sole cost and expense, install a small sign indicating its ownership and management of the Building in the interior of the Building lobby in a location and of a size reasonably approved by Tenant.

23.4.1 SPECIFICATIONS AND PERMITS. Tenant's Signage shall set forth Tenant's name and logo as determined by Tenant in its sole discretion; provided, however, in no event shall Tenant's Signage include an "Objectionable Name," as that term is defined in Section 23.4.2, of this Lease. The graphics, materials, color, design, lettering, lighting, size, illumination, specifications and exact location of Tenant's Signage (collectively, the "SIGN SPECIFICATIONS") shall be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, and shall be consistent and compatible with the quality and nature of the San Diego Corporate Center Lot #7 Project. For purposes of this Section 23.4.1, the reference to "name" shall mean name and/or logo. In addition, Tenant's Signage shall be subject to Tenant's receipt of all required governmental permits and approvals and shall be subject to all Applicable Law and to any covenants, conditions and restrictions affecting the Project. Landlord shall use commercially reasonable efforts to assist Tenant in obtaining all necessary governmental permits and approvals for Tenant's Signage. Tenant hereby acknowledges that, notwithstanding Landlord's approval of Tenant's Signage, Landlord has made no representation or warranty to Tenant with respect to the probability of obtaining all necessary governmental approvals and permits for Tenant's Signage. In the event Tenant does not receive the necessary governmental approvals and permits for Tenant's Signage, Tenant's and Landlord's rights and obligations under the remaining TCCs of this Lease shall be unaffected.

23.4.2 OBJECTIONABLE NAME. To the extent Original Tenant and/or its Affiliates desires to change the name and/or logo set forth on Tenant's Signage, such name and/or logo shall not have a name which relates to an entity which is of a character or reputation, or is associated with a political faction or orientation, which is inconsistent with the quality of the Project, or which would otherwise reasonably offend a landlord of the Comparable Buildings (an "OBJECTIONABLE NAME"). The parties hereby agree that the name "AMN Healthcare Services, Inc.," or any reasonable derivation thereof, shall not be deemed an Objectionable Name.

23.4.3 TERMINATION OF RIGHT TO TENANT'S SIGNAGE. The rights contained in this Section 23.4 shall be personal to the Original Tenant, and may only be exercised by the Original Tenant and/or its Affiliates (and not any other assignee, sublessee or other transferee of the Original Tenant's interest in this Lease).

23.4.4 COST AND MAINTENANCE. The costs of the actual signs comprising Tenant's Signage and the installation, design, construction, and any and all other costs associated

with Tenant's Signage, including, without limitation, utility charges and hook-up fees, permits, and maintenance and repairs, shall be the sole responsibility of Tenant; provided, however, the actual costs of such initial installation, design and construction shall be subject to reimbursement from the Tenant Improvement Allowance pursuant to Section 2.2.1 of the Tenant Work Letter. Should Tenant's Signage require repairs and/or maintenance, as determined in Landlord's reasonable judgment, Landlord shall have the right to provide Notice thereof to Tenant and Tenant shall cause such repairs and/or maintenance to be performed within thirty (30) days after receipt of such Notice from Landlord, at Tenant's sole cost and expense; provided, however, if such repairs and/or maintenance are reasonably expected to require longer than thirty (30) days to perform, Tenant shall commence such repairs and/or maintenance within such thirty (30) day period and shall diligently prosecute such repairs and maintenance to completion. Should Tenant fail to perform such repairs and/or maintenance within the periods described in the immediately preceding sentence, Landlord shall, upon the delivery of an additional ten (10) business days' prior written notice, have the right to cause such work to be performed and to charge Tenant as Additional Rent for the Actual Cost of such work. Upon the expiration or earlier termination of this Lease, Tenant shall, at Tenant's sole cost and expense, cause Tenant's Signage to be removed and shall cause the areas in which such Tenant's Signage was located to be restored to the condition existing immediately prior to the placement of such Tenant's Signage except for ordinary wear and tear. If Tenant fails to timely remove such Tenant's Signage or to restore the areas in which such Tenant's Signage was located, as provided in the immediately preceding sentence, then Landlord may perform such work, and all Actual Costs incurred by Landlord in so performing shall be reimbursed by Tenant to Landlord within thirty (30) days after Tenant's receipt of an invoice therefor. The TCCs of this Section 23.4.4 shall survive the expiration or earlier termination of this Lease.

ARTICLE 24

COMPLIANCE WITH LAW

Tenant shall not do anything or suffer anything to be done in or about the Premises or the Project which will in any way conflict with any law, statute, ordinance or other governmental rule, regulation or requirement now in force or which may hereafter be enacted or promulgated including any "Environmental Laws," as that term is set forth in Section 29.33 of this Lease (collectively, "APPLICABLE LAWS"). At its sole cost and expense, Tenant shall promptly comply with all such Applicable Laws which relate to (i) Tenant's use of the Premises for non-general office use, (ii) the Alterations or Tenant Improvements in the Premises, or (iii) the Base Building, but, as to the Base Building, only to the extent such obligations are triggered by Tenant's Alterations, the Tenant Improvements, or use of the Premises for other than normal and customary implementation of the Permitted Use. Should any standard or regulation now or hereafter be imposed on Landlord or Tenant by a state, federal or local governmental body charged with the establishment, regulation and enforcement of occupational, health or safety standards for employers, employees, landlords or tenants, then Tenant agrees, at its sole cost and expense, to comply promptly with such standards or regulations to the extent such standards or regulations relate to Tenant's particular manner of use of the Premises for other than general office purposes, the Tenant Improvements located in the Premises, or any Alterations thereof; provided that Landlord shall comply with any standards or regulations which relate to (A) the Base Building (but excluding the Tenant Improvements constructed by Tenant pursuant to the

Tenant Work Letter), or (B) the Common Areas, unless such compliance obligations are triggered by the Tenant Improvements or the Alterations in the Premises, in which event such compliance obligations shall be at Tenant's sole cost and expense; provided further, and notwithstanding the foregoing, that Tenant shall not be required to make any repair to, modification of, or addition to the Base Building (but excluding the Tenant Improvements constructed by Tenant pursuant to the Tenant Work Letter) except and to the extent required because of Tenant's use of the Premises for other than the Permitted Use. The judgment of any court of competent jurisdiction or the admission of Tenant in any judicial action, regardless of whether Landlord is a party thereto, that Tenant has violated any of said governmental measures, shall be conclusive of that fact as between Landlord and Tenant.

ARTICLE 25

LATE CHARGES

If any installment of Rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) business days after Tenant's receipt of notice that said amount was not paid when due, then Tenant shall pay to Landlord a late charge equal to three and one-half percent (3 1/2%) of the overdue amount plus any attorneys' fees incurred by Landlord by reason of Tenant's failure to pay Rent and/or other charges when due hereunder. The late charge shall be deemed Additional Rent and the right to require it shall be in addition to all of Landlord's other rights and remedies hereunder or at law and shall not be construed as liquidated damages or as limiting Landlord's remedies in any manner. In addition to the late charge described above, any Rent or other amounts owing hereunder which are not paid when due shall bear interest from the date when due until paid at a rate per annum (the "INTEREST RATE") equal to the lesser of (i) the annual "BANK PRIME LOAN" rate cited in the Federal Reserve Statistical Release Publication G.13(415), published on the first Tuesday of each calendar month (or such other comparable index as Landlord and Tenant shall reasonably agree upon if such rate ceases to be published) plus four (4) percentage points, and (ii) the highest rate permitted by applicable law.

ARTICLE 26

LANDLORD'S RIGHT TO CURE DEFAULT; PAYMENTS BY TENANT

26.1 LANDLORD'S CURE. All covenants and agreements to be kept or performed by Tenant under this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any reduction of Rent, except to the extent, if any, otherwise expressly provided herein. If Tenant shall fail to perform any obligation under this Lease, and such failure shall continue in excess of the time allowed under Section 19.1.2, above, unless a specific time period is otherwise stated in this Lease, Landlord may, but shall not be obligated to, make any such payment or perform any such act on Tenant's part without waiving its rights based upon any default of Tenant and without releasing Tenant from any obligations hereunder.

26.2 TENANT'S REIMBURSEMENT. Except as may be specifically provided to the contrary in this Lease, Tenant shall pay to Landlord, upon delivery by Landlord to Tenant of statements therefor: (i) sums equal to expenditures reasonably made and obligations incurred by

Landlord in connection with the remedying by Landlord of Tenant's defaults pursuant to the provisions of Section 26.1; (ii) sums equal to all losses, costs, liabilities, damages and expenses referred to in Article 10 of this Lease; and (iii) sums equal to all expenditures made and obligations incurred by Landlord in collecting or attempting to collect the Rent or in enforcing or attempting to enforce any rights of Landlord under this Lease or pursuant to law, including, without limitation, all legal fees and other amounts so expended. Tenant's obligations under this Section 26.2 shall survive the expiration or sooner termination of the Lease Term.

ARTICLE 27

ENTRY BY LANDLORD

Landlord reserves the right at all reasonable times, subject to Tenant's reasonable security requirements and upon reasonable notice to Tenant (except in the case of an emergency or regularly scheduled service) to enter the Premises to (i) inspect them; (ii) show the Premises to prospective purchasers, mortgagees or tenants, or to current or prospective mortgagees, ground or underlying lessors or insurers; (iii) post notices of nonresponsibility; or (iv) alter, improve or repair the Premises or the Building, or for structural alterations, repairs or improvements to the Building or the Building's systems and equipment. Notwithstanding anything to the contrary contained in this Article 27, Landlord may enter the Premises at any time upon reasonable prior written notice to Tenant (except that no notice shall be required in an emergency or to perform regularly scheduled service, such as janitorial service) to (A) perform services required of Landlord, including janitorial service; (B) take possession due to any breach of this Lease in the manner provided herein; and (C) perform any covenants of Tenant which Tenant fails to perform. Landlord may make any such entries without the abatement of Rent and may take such reasonable steps as required to accomplish the stated purposes. For each of the above purposes, Landlord shall at all times have a key with which to unlock all the doors in the Premises, excluding Tenant's vaults, safes and special security areas designated in advance by Tenant. In an emergency, Landlord shall have the right to use any means that Landlord may deem proper to open the doors in and to the Premises. Any entry into the Premises by Landlord in the manner hereinbefore described shall not be deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an actual or constructive eviction of Tenant from any portion of the Premises. No provision of this Lease shall be construed as obligating Landlord to perform any repairs, alterations or decorations except as otherwise expressly agreed to be performed by Landlord herein.

ARTICLE 28

TENANT PARKING

28.1 GENERALLY. Tenant shall have the right to use, commencing on the Lease Commencement Date, the amount of parking spaces set forth in Section 9 of the Summary, on a monthly basis throughout the Lease Term, which parking spaces shall pertain to the Project parking facility. Tenant's continued right to use the parking spaces is conditioned upon Tenant abiding by all rules and regulations which are prescribed from time to time for the orderly operation and use of the parking facility where the parking spaces are located, including any sticker or other identification system established by Landlord, Tenant's cooperation in seeing that

Tenant's employees and visitors also comply with such rules and regulations and Tenant not being in default under this Lease. Landlord specifically reserves the right to (i) change the size, configuration, design, layout and all other aspects of the Project parking facility at any time as long as the changes do not materially and adversely affect Tenant (provided that such restriction shall not apply to changes required by Laws) and/or (ii) perform repairs to the Parking Facilities, and Tenant acknowledges and agrees that Landlord may, without incurring any liability to Tenant and without any abatement of Rent under this Lease, from time to time, close-off or restrict access to the Project parking facility (for a period not to exceed thirty (30) days, as such thirty (30) day period may be extended by a Force Majeure), or relocate Tenant's parking spaces to other parking structures and/or surface parking areas within a reasonable distance of the Premises, for purposes of permitting or facilitating any such construction, alteration, improvements or repairs with respect to the Parking Facilities or to accommodate or facilitate renovation, alteration, construction or other modification of other improvements or structures located on the Real Property, provided that Landlord shall use reasonable efforts to minimize any inconvenience to Tenant. Tenant hereby acknowledges that Landlord shall have the right to designate up to twenty-five (25) parking spaces within the Parking Facility (excluding the Extra Parking Level) as reserved spaces for use by the other Project tenants. Landlord may delegate its responsibilities hereunder to a parking operator in which case such parking operator shall have all the rights of control attributed hereby to the Landlord. The parking spaces provided to Tenant pursuant to this Article 28 are provided to Tenant solely for use by Tenant's own personnel and such spaces may not be transferred, assigned, subleased or otherwise alienated by Tenant without Landlord's prior approval. Tenant may validate visitor parking by such method or methods as the Landlord may establish, at the validation rate from time to time generally applicable to visitor parking.

28.2 EXCESS PARKING COSTS. Landlord and Tenant hereby acknowledge that, at the request of Tenant, Landlord is designing/constructing an extra subterranean level into the Parking Facility (the "EXTRA PARKING LEVEL"), the initial design/permitting/construction costs of such Extra Parking Level is anticipated to total approximately $2,400,000.00. As a result of landlord's design/construction of such Extra Parking Level, additional recurring charges (as opposed to initial design/construction costs) shall be incurred (the "EXCESS PARKING COSTS"), consisting of, but not limited to, the following: (i) increased real estate taxes attributable to such Extra Parking Level improvements, (ii) insurance, (iii) exhaust system operation and maintenance, (iv) fire protection system operation and maintenance, (v) security system operation and maintenance, and (vi) other recurring expenses related directly to such Extra Parking Level. Tenant shall pay directly to Landlord, within thirty (30) days of its receipt of an invoice therefor, such Excess Parking Costs; provided, however, such Excess Parking Costs shall be excluded from Operating Expenses; provided further, however, in no event shall Tenant be obligated to reimburse Landlord for more than $50,000.00 of such Excess Parking Costs per Lease Year.

28.3 ACCESS CONTROL. Notwithstanding anything to the contrary set forth in this Article 28, Tenant shall be entitled, at is sole cost and expense, and subject to the reasonable approval of Landlord, to cause an access control system (card key activated or otherwise) to be installed at the point of entry into the Extra Parking Level (the "ACCESS CONTROL SYSTEM"); provided, however, that to the extent the Premises is expanded (pursuant to the TCCs of Section 1.3 or 1.4 of this Lease, or otherwise) to consist of one hundred percent (100%) of the

Building, then Tenant may elect to have such Access Control System installed at the main entry point to the Parking Facility. Such Access Control System shall be constructed pursuant to the TCCs of Article 8 of this Lease.

ARTICLE 29

MISCELLANEOUS PROVISIONS

29.1 TERMS; CAPTIONS. The words "Landlord" and "Tenant" as used herein shall include the plural as well as the singular. The necessary grammatical changes required to make the provisions hereof apply either to corporations or partnerships or individuals, men or women, as the case may require, shall in all cases be assumed as though in each case fully expressed. The captions of Articles and Sections are for convenience only and shall not be deemed to limit, construe, affect or alter the meaning of such Articles and Sections.

29.2 BINDING EFFECT. Subject to all other provisions of this Lease, each of the covenants, conditions and provisions of this Lease shall extend to and shall, as the case may require, bind or inure to the benefit not only of Landlord and of Tenant, but also of their respective heirs, personal representatives, successors or assigns, provided this clause shall not permit any assignment by Tenant contrary to the provisions of Article 14 of this Lease.

29.3 NO AIR RIGHTS. No rights to any view or to light or air over any property, whether belonging to Landlord or any other person, are granted to Tenant by this Lease. If at any time any windows of the Premises are temporarily darkened or the light or view therefrom is obstructed by reason of any repairs, improvements, maintenance or cleaning in or about the Project, the same shall be without liability to Landlord and without any reduction or diminution of Tenant's obligations under this Lease.

29.4 MODIFICATION OF LEASE. Should any current or prospective mortgagee or ground lessor for the Building or Project require a modification of this Lease, which modification will not cause an increased cost or expense to Tenant or in any other way materially and adversely change the rights and obligations of Tenant hereunder, then and in such event, Tenant agrees that this Lease may be so modified and agrees to execute whatever documents are reasonably required therefor and to deliver the same to Landlord within ten (10) days following a request therefor. At the request of Landlord or any mortgagee or ground lessor, Tenant agrees to execute a short form of Lease and deliver the same to Landlord within ten (10) days following the request therefor.

29.5 TRANSFER OF LANDLORD'S INTEREST. Tenant acknowledges that Landlord has the right to transfer all or any portion of its interest in the Project or Building and in this Lease, and Tenant agrees that in the event of any such transfer, Landlord shall automatically be released from all liability under this Lease which accrues from and after the date of such transfer provided such transferee assumes such liability in writing (and further provided that such release shall include any liability which accrues prior to the transfer in the event the transferee assumes such liability in writing) and Tenant agrees to look solely to such transferee for the performance of Landlord's obligations hereunder after the date of transfer. Tenant further acknowledges that Landlord may assign its interest in this Lease to a mortgage lender as additional security and

agrees that such an assignment shall not release Landlord from its obligations hereunder and that Tenant shall continue to look to Landlord for the performance of its obligations hereunder.

29.6 RECORDING. A "Memorandum of Lease," substantially in the form attached hereto as EXHIBIT I, shall be executed and acknowledged by Landlord and Tenant concurrently with the execution of this Lease and either Landlord or Tenant may, at such party's sole cost and expense, record such Memorandum of Lease.

29.7 LANDLORD'S TITLE. Landlord's title is and always shall be paramount to the title of Tenant. Nothing herein contained shall empower Tenant to do any act which can, shall or may encumber the title of Landlord.

29.8 RELATIONSHIP OF PARTIES. Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, partnership, joint venturer or any association between Landlord and Tenant.

29.9 APPLICATION OF PAYMENTS. Landlord shall have the right to apply payments received from Tenant pursuant to this Lease, regardless of Tenant's designation of such payments, to satisfy any obligations of Tenant hereunder, in such order and amounts as Landlord, in its sole discretion, may elect.

29.10 TIME OF ESSENCE. Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor.

29.11 PARTIAL INVALIDITY. If any term, provision or condition contained in this Lease shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, provision or condition to persons or circumstances other than those with respect to which it is invalid or unenforceable, shall not be affected thereby, and each and every other term, provision and condition of this Lease shall be valid and enforceable to the fullest extent possible permitted by law.

29.12 NO WARRANTY. In executing and delivering this Lease, Tenant has not relied on any representations, including, but not limited to, any representation as to the amount of any item comprising Additional Rent or the amount of the Additional Rent in the aggregate or that Landlord is furnishing the same services to other tenants, at all, on the same level or on the same basis, or any warranty or any statement of Landlord which is not set forth herein or in one or more of the exhibits attached hereto.

29.13 LANDLORD EXCULPATION. The liability of Landlord or the Landlord Parties to Tenant for any default by Landlord under this Lease or arising in connection herewith or with Landlord's operation, management, leasing, repair, renovation, alteration or any other matter relating to the Project or the Premises shall be limited solely and exclusively to an amount which is equal to the the equity interest of Landlord in the Building, provided that in no event shall such liability extend to any sales or insurance proceeds received by Landlord or the Landlord Parties in connection with the Project, Building or Premises. Neither Landlord, nor any of the Landlord Parties shall have any personal liability therefor, and Tenant hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under Tenant. The limitations of liability contained in this Section 29.13 shall inure to the benefit of

Landlord's and the Landlord Parties' present and future partners, beneficiaries, officers, directors, trustees, shareholders, agents and employees, and their respective partners, heirs, successors and assigns. Under no circumstances shall any present or future partner of Landlord (if Landlord is a partnership), or trustee or beneficiary (if Landlord or any partner of Landlord is a trust), have any liability for the performance of Landlord's obligations under this Lease. Notwithstanding any contrary provision herein, neither Landlord nor the Landlord Parties shall be liable under any circumstances for injury or damage to, or interference with, Tenant's business, including but not limited to, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring.

29.14 ENTIRE AGREEMENT. It is understood and acknowledged that there are no oral agreements between the parties hereto affecting this Lease and this Lease constitutes the parties' entire agreement with respect to the leasing of the Premises and supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Lease. None of the terms, covenants, conditions or provisions of this Lease can be modified, deleted or added to except in writing signed by the parties hereto.

29.15 RIGHT TO LEASE. Landlord reserves the absolute right to effect such other tenancies in the Project as Landlord in the exercise of its sole business judgment shall determine to best promote the interests of the Building or Project. Tenant does not rely on the fact, nor does Landlord represent, that any specific tenant or type or number of tenants shall, during the Lease Term, occupy any space in the Building or Project.

29.16 FORCE MAJEURE. Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, acts of war, terrorist acts, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions, civil commotions, fire or other casualty, and other causes beyond the reasonable control of the party obligated to perform, except with respect to the obligations imposed with regard to Rent and other charges to be paid by Tenant pursuant to this Lease and except as to Tenant's obligations under Articles 5 and 24 of this Lease (collectively, a "FORCE MAJEURE"), notwithstanding anything to the contrary contained in this Lease, shall excuse the performance of such party for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party's performance caused by a Force Majeure.

29.17 WAIVER OF REDEMPTION BY TENANT. Tenant hereby waives, for Tenant and for all those claiming under Tenant, any and all rights now or hereafter existing to redeem by order or judgment of any court or by any legal process or writ, Tenant's right of occupancy of the Premises after any termination of this Lease.

29.18 NOTICES. All notices, demands, statements, designations, approvals or other communications (collectively, "NOTICES") given or required to be given by either party to the other hereunder or by law shall be in writing, shall be (A) sent by United States certified or registered mail, postage prepaid, return receipt requested ("MAIL"), (B) transmitted by telecopy, if such telecopy is promptly followed by a Notice sent by Mail, (C) delivered by a nationally

recognized overnight courier, or (D) delivered personally. Any Notice shall be sent, transmitted, or delivered, as the case may be, to Tenant at the appropriate address set forth in Section 10 of the Summary, or to such other place as Tenant may from time to time designate in a Notice to Landlord, or to Landlord at the addresses set forth below, or to such other places as Landlord may from time to time designate in a Notice to Tenant. Any Notice will be deemed given (i) three (3) days after the date it is posted if sent by Mail, (ii) the date the telecopy is transmitted, (iii) the date the overnight courier delivery is made, or (iv) the date personal delivery is made or attempted to be made. If Tenant is notified of the identity and address of Landlord's mortgagee or ground or underlying lessor, Tenant shall give to such mortgagee or ground or underlying lessor written notice of any default by Landlord under the terms of this Lease by registered or certified mail, and such mortgagee or ground or underlying lessor shall be given a reasonable opportunity to cure such default prior to Tenant's exercising any remedy available to Tenant. As of the date of this Lease, any Notices to Landlord must be sent, transmitted, or delivered, as the case may be, to the following addresses:

Kilroy Realty Corporation
2250 East Imperial Highway
Suite 1200
El Segundo, California 90245
Attention: Legal Department

with copies to:

Kilroy Realty Corporation
3811 Valley Centre Drive, Suite 300
San Diego, California 92130
Attention: Mr. Roger Simsiman

and

Allen Matkins Leck Gamble & Mallory
1901 Avenue of the Stars, Suite 1800
Los Angeles, California 90067
Attention: Anton N. Natsis, Esq.

29.19 JOINT AND SEVERAL. If there is more than one Tenant, the obligations imposed upon Tenant under this Lease shall be joint and several.

29.20 AUTHORITY. If Tenant is a corporation, trust or partnership, each individual executing this Lease on behalf of Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in California and that Tenant has full right and authority to execute and deliver this Lease and that each person signing on behalf of Tenant is authorized to do so. In such event, Tenant shall, within ten (10) days after execution of this Lease, deliver to Landlord satisfactory evidence of such authority and, if a corporation, upon demand by Landlord, also deliver to Landlord satisfactory evidence of (i) good standing in Tenant's state of incorporation and (ii) qualification to do business in California.

29.21 ATTORNEYS' FEES. In the event that either Landlord or Tenant should bring suit for the possession of the Premises, for the recovery of any sum due under this Lease, or because of the breach of any provision of this Lease or for any other relief against the other, then all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party therein shall be paid by the other party, which obligation on the part of the other party shall be deemed to have accrued on the date of the commencement of such action and shall be enforceable whether or not the action is prosecuted to judgment.

29.22 GOVERNING LAW; WAIVER OF TRIAL BY JURY. This Lease shall be construed and enforced in accordance with the laws of the State of California. IN ANY ACTION OR PROCEEDING ARISING HEREFROM, LANDLORD AND TENANT HEREBY CONSENT TO (I) THE JURISDICTION OF ANY COMPETENT COURT WITHIN THE STATE OF CALIFORNIA, (II) SERVICE OF PROCESS BY ANY MEANS AUTHORIZED BY CALIFORNIA LAW, AND (III) IN THE INTEREST OF SAVING TIME AND EXPENSE, TRIAL WITHOUT A JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER OR THEIR SUCCESSORS IN RESPECT OF ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES, AND/OR ANY CLAIM FOR INJURY OR DAMAGE, OR ANY EMERGENCY OR STATUTORY REMEDY. IN THE EVENT LANDLORD COMMENCES ANY SUMMARY PROCEEDINGS OR ACTION FOR NONPAYMENT OF BASE RENT OR ADDITIONAL RENT, TENANT SHALL NOT INTERPOSE ANY COUNTERCLAIM OF ANY NATURE OR DESCRIPTION (UNLESS SUCH COUNTERCLAIM SHALL BE MANDATORY) IN ANY SUCH PROCEEDING OR ACTION, BUT SHALL BE RELEGATED TO AN INDEPENDENT ACTION AT LAW.

29.23 SUBMISSION OF LEASE. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of, option for or option to lease, and it is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant.

29.24 BROKERS. Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, excepting only the real estate brokers or agents specified in Section 12 of the Summary (the "BROKERS"), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Lease. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses (including without limitation reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of any dealings with any real estate broker or agent, other than the Brokers, occurring by, through, or under the indemnifying party.

29.25 INDEPENDENT COVENANTS. This Lease shall be construed as though the covenants herein between Landlord and Tenant are independent and not dependent and Tenant hereby expressly waives the benefit of any statute to the contrary and agrees that if Landlord fails to perform its obligations set forth herein, Tenant shall not be entitled to make any repairs or perform any acts hereunder at Landlord's expense or to any setoff of the Rent or other amounts owing hereunder against Landlord.

29.26 PROJECT OR BUILDING NAME AND SIGNAGE. Landlord shall have the right at any time to change the name of the Project or Building and to install, affix and maintain any and all signs on the exterior and on the interior of the Project or Building as Landlord may, in Landlord's sole discretion, desire; provided, however, Landlord shall provide Tenant with notice of the change. Tenant shall not use the name of the Project or Building or use pictures or illustrations of the Project or Building in advertising or other publicity or for any purpose other than as the address of the business to be conducted by Tenant in the Premises, without the prior written consent of Landlord.

29.27 COUNTERPARTS. This Lease may be executed in counterparts with the same effect as if both parties hereto had executed the same document. Both counterparts shall be construed together and shall constitute a single lease.

29.28 CONFIDENTIALITY. Tenant acknowledges that the content of this Lease and any related documents are confidential information. Tenant shall keep such confidential information strictly confidential and shall not disclose such confidential information to any person or entity other than Tenant's financial, legal, and space planning consultants.

29.29 TRANSPORTATION MANAGEMENT. Tenant shall fully comply with all present or future governmentally required programs intended to manage parking, transportation or traffic in and around the Building, and in connection therewith, Tenant shall take responsible action for the transportation planning and management of all employees located at the Premises by working directly with Landlord, any governmental transportation management organization or any other transportation-related committees or entities.

29.30 BUILDING RENOVATIONS. It is specifically understood and agreed that Landlord has made no representation or warranty to Tenant and has no obligation and has made no promises to alter, remodel, improve, renovate, repair or decorate the Premises, Building, or any part thereof and that no representations respecting the condition of the Premises or the Building have been made by Landlord to Tenant except as specifically set forth herein or in the Tenant Work Letter. However, Tenant hereby acknowledges that Landlord is currently renovating or may during the Lease Term renovate, improve, alter, or modify (collectively, the "RENOVATIONS") the Project, the Building and/or the Premises including without limitation the parking structure, common areas, systems and equipment, roof, and structural portions of the same, which Renovations may include, without limitation, (i) installing sprinklers in the Building common areas and tenant spaces, (ii) modifying the common areas and tenant spaces to comply with applicable laws and regulations, including regulations relating to the physically disabled, seismic conditions, and building safety and security, and (iii) installing new floor covering, lighting, and wall coverings in the Building common areas, and in connection with any Renovations, Landlord may, among other things, erect scaffolding or other necessary structures in the Building, limit or eliminate access to portions of the Project, including portions of the common areas, or perform work in the Building, which work may create noise, dust or leave debris in the Building. Tenant hereby agrees that such Renovations and Landlord's actions in connection with such Renovations shall in no way constitute a constructive eviction of Tenant nor entitle Tenant to any abatement of Rent. Landlord shall have no responsibility or for any reason be liable to Tenant for any direct or indirect injury to or interference with Tenant's business arising from the Renovations, nor shall Tenant be entitled to any compensation or damages from Landlord for loss of the use of the

whole or any part of the Premises or of Tenant's personal property or improvements resulting from the Renovations or Landlord's actions in connection with such Renovations, or for any inconvenience or annoyance occasioned by such Renovations or Landlord's actions.

29.31 NO VIOLATION. Tenant hereby warrants and represents that neither its execution of nor performance under this Lease shall cause Tenant to be in violation of any agreement, instrument, contract, law, rule or regulation by which Tenant is bound, and Tenant shall protect, defend, indemnify and hold Landlord harmless against any claims, demands, losses, damages, liabilities, costs and expenses, including, without limitation, reasonable attorneys' fees and costs, arising from Tenant's breach of this warranty and representation.

29.32 COMMUNICATIONS AND COMPUTER LINES. Tenant may install, maintain, replace, remove or use any communications or computer wires and cables (collectively, the "LINES") at the Project in or serving the Premises, provided that (i) Tenant shall use an experienced and qualified contractor and comply with all of the other provisions of Articles 7 and 8 of this Lease, (ii) an acceptable number of spare Lines and space for additional Lines shall be maintained for existing and future occupants of the Project, as determined in Landlord's reasonable opinion, (iii) the Lines therefor (including riser cables) shall be appropriately insulated to prevent excessive electromagnetic fields or radiation, and shall be surrounded by a protective conduit reasonably acceptable to Landlord, (iv) any new or existing Lines servicing the Premises shall comply with all applicable governmental laws and regulations, (v) as a condition to permitting the installation of new Lines, Landlord may require that Tenant remove existing Lines located in or serving the Premises and repair any damage in connection with such removal, and (vi) Tenant shall pay all costs in connection therewith. Landlord reserves the right to require that Tenant remove any Lines located in or serving the Premises which are installed in violation of these provisions, or which are at any time in violation of any laws or represent a dangerous or potentially dangerous condition.

29.33 HAZARDOUS SUBSTANCES.

29.33.1 DEFINITIONS. For purposes of this Lease, the following definitions shall apply: "HAZARDOUS MATERIAL(s)" shall mean any substance or material that is described as a toxic or hazardous substance, waste, material, pollutant, contaminant or infectious waste, or any matter that in certain specified quantities would be injurious to the public health or welfare, or words of similar import, in any of the "Environmental Laws," as that term is defined below in this Section 29.33.1, or any other words which are intended to define, list or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity or reproductive toxicity and includes, without limitation, asbestos, petroleum (including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel, or any mixture thereof), petroleum products, polychlorinated biphenyls, urea formaldehyde, radon gas, radioactive matter, medical waste, and chemicals which may cause cancer or reproductive toxicity. "ENVIRONMENTAL LAWS" shall mean all federal, state, local and quasi-governmental laws (whether under common law, statute or otherwise), ordinances, decrees, codes, rulings, awards, rules, regulations and guidance documents now or hereafter be enacted or promulgated as amended from time to time, in any way relating to or regulating Hazardous Materials.

29.33.2 COMPLIANCE WITH ENVIRONMENTAL LAWS. Landlord covenants that during the Lease Term, Landlord shall comply with all Environmental Laws in accordance with, and as required by, the TCCs of Article 24 of this Lease. Tenant shall not allow the storage or use of Hazardous Materials nor allow to be brought into the Project any such materials or substances, except that Tenant may maintain reasonable amounts of products in the Premises which are incidental to the operation of its offices, such as photocopy supplies, secretarial supplies, limited janitorial supplies which products contain chemicals which are categorized as Hazardous Materials, and, in connection with the "Back-Up Generator" identified in Section 29.35 of this Lease, fuel and lubricants; provided, however, that the use of such products in the Premises by Tenant shall be in compliance with applicable laws and shall be in the manner in which such products are designed to be used . If any lender or governmental agency shall ever require testing to ascertain whether or not there has been any release of Hazardous Materials, then the reasonable cost thereof shall be reimbursed by Tenant to Landlord upon demand as Additional Rent if such requirement applies to the Premises and there is reasonable cause to believe that a release has occurred on the Premises. In addition, Tenant shall execute affidavits, representations and the like from time to time at Landlord's request concerning Tenant's best knowledge and belief regarding the presence of Hazardous Materials on the Premises.

29.33.3 INDEMNIFICATIONS. Landlord agrees to indemnify, defend, protect and hold harmless the Tenant Parties from any and all Claims arising from any Hazardous Materials to the extent placed in, on, under or about the Project by Landlord or a Landlord Party. Tenant agrees to indemnify, defend, protect and hold harmless the Landlord Parties from any and all Claims arising from any Hazardous Materials to the extent placed in, on, under or about the Premises or the Project by Tenant or Tenant Parties.

29.34 NO DISCRIMINATION. Tenant covenants by and for itself, its heirs, executors, administrators and assigns, and all persons claiming under or through Tenant, and this Lease is made and accepted upon and subject to the following conditions: that there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, sex, religion, marital status, ancestry or national origin in the leasing, subleasing, transferring, use, or enjoyment of the Premises, nor shall Tenant itself, or any person claiming under or through Tenant, establish or permit such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy, of tenants, lessees, sublessees, subtenants or vendees in the Premises.

29.35 BACKUP GENERATOR. Subject to Landlord's prior approval of all plans and specifications, which approval shall not be unreasonably withheld, and Tenant's receipt of any required permits, Landlord shall permit Tenant to install and maintain, at Tenant's sole cost and expense, a backup generator at a location designated by Landlord. Such backup generator shall, subject to compliance with all laws, be used by Tenant only during (i) testing and regular maintenance, and (ii) any period of electrical power outage in the Project. Tenant shall be entitled to operate the generator for testing and regular maintenance only upon notice to Landlord and at times reasonably approved by Landlord. Tenant shall submit the specifications for design, operation, installation and maintenance of the backup generator for Landlord's consent, which consent shall not be unreasonably withheld or delayed and may be conditioned on Tenant complying with such reasonable requirements imposed by Landlord, based on the advice of Landlord's structural and mechanical engineers, so that the Project's systems and

equipment are not adversely affected. In addition, Tenant shall ensure that the backup generator does not result in any Hazardous Materials being introduced to the Project (other than lubricants and fuel to the extent required for the operation of such generator), and Section 29.33 will apply to Tenant's use of the backup generator. Further, Tenant shall be responsible for ensuring that the backup generator does not interfere with the use of the Project by other tenants. In the event another tenant of the Project or of a neighboring project complains of problems caused by the generator, Tenant shall take whatever steps are reasonably necessary to remedy the problem complained of, including removal of the backup generator if another solution is not available. Tenant shall ensure that the design and installation of the backup generator is performed in a manner so as to minimize or eliminate any noise or vibration cause by such generator. Any repairs and maintenance of such generator shall be the sole responsibility of Tenant and Landlord makes no representation or warranty with respect to such generator. Upon the expiration or earlier termination of this Lease, Tenant shall remove the generator and repair any damage to the Project caused by such removal. Such generator shall be deemed to be a part of the Premises for purposes of Article 10 of this Lease.

ARTICLE 30

RIGHT OF FIRST OFFER TO PURCHASE

30.1 RIGHT OF FIRST OFFER. Subject to the TCCs of Section 30.5, below, Landlord hereby grants to the Original Tenant and its Affiliates, a one-time right of first offer contained herein with respect to the entire Project. Tenant's right of first offer shall be on the TCCs set forth in this Article 30. Tenant hereby acknowledges that the rights contained in this Article 30 shall terminate to the extent Landlord sells the Project to a subsequent owner as part of a multi-property (or portfolio) sales transaction (which shall be deemed to include, but not limited to, a transaction, whether by foreclosure, a deed-in-lieu of foreclosure, or otherwise, where Landlord's lender takes ownership).

30.2 PROCEDURE FOR OFFER. Landlord shall notify Tenant (the "FIRST OFFER NOTICE") in the event (and to the extent) Landlord intends to market (as available for sale to third parties) the Project for sale on a single-asset basis. Pursuant to such First Offer Notice, Landlord shall identify the "Offering Price" and the other fundamental (economic and non-economic) terms upon which Landlord is willing to sell the Project.

30.3 PROCEDURE FOR ACCEPTANCE. If Tenant wishes to exercise Tenant's right of first offer, then within seven (7) business days following Tenant's receipt of such First Offer Notice, Tenant shall deliver written notice to Landlord ("TENANT'S ELECTION NOTICE"), pursuant to which Tenant shall elect either to (i) purchase the Project at the Offering Price and upon the other fundamental terms contained in Landlord's First Offer Notice, or (ii) not purchase the Project, in which event Landlord shall be free to sell the Project, on a single-asset basis, to anyone to whom Landlord desires on fundamental economic terms which total no less than ninety-seven percent (97%) of the fundamental economic terms set forth in the First Offer Notice, during the six (6) month period following the date of Landlord's receipt of Tenant's Election Notice (the "FIRST OFFER WAIVER PERIOD"). If Tenant does not notify Landlord of its election of any of the options in clauses (i) or (ii) hereinabove, Tenant shall be deemed to have elected the option in clause (ii). If Landlord does not sell the Project to a third party during the First Offer Waiver Period (or

if a purchase and sale agreement for the sale of the Project is executed by Landlord and such third-party buyer within such First Offer Waiver Period), then when, and if, Landlord determines it wants to re-market the Project for sale on a single-asset basis, Tenant shall continue to have a right of first offer to purchase the Project pursuant to the provisions of this Article 30, as if the initial First Offer Notice was never delivered.

30.4 CLOSING DATE. The "CLOSING DATE" shall occur on the date which is one hundred twenty (120) days following the date of Landlord's receipt of the Exercise Notice in accordance with the terms of Section 30.2, above.

30.5 PERMITTED PURCHASER. Notwithstanding anything to the contrary set forth in this Article 30, Tenant may, only in connection with Tenant's structuring of a synthetic lease or a similar financing vehicle, designate another entity, whether or not affiliated with Tenant, to take title to the Project at the Closing Date. In no event shall Tenant be permitted to assign the right of first offer set forth in this Article 30 to any person or entity other than a party facilitating a synthetic lease (or similar financing vehicle) for Tenant ("PERMITTED PURCHASER").

30.6 TERMINATION OF RIGHT OF FIRST OFFER. The rights contained in this Article 30 shall be personal to the Original Tenant, and may only be exercised by the Original Tenant or its Affiliates (and not any other assignee, sublessee or other transferee of the Original Tenant's interest in this Lease). The right of first offer granted herein shall terminate upon a subsequent non-Affiliate owner taking ownership of the Project as part of a multi-property (or portfolio) sales transaction (which shall be deemed to include, but not limited to, a transaction, whether by foreclosure, a deed-in-lieu of foreclosure, or otherwise, where Landlord's lender takes ownership). Tenant shall not have the right to purchase the Project, as provided in this Article 30, if, as of the date of the attempted exercise of the right of first offer by Tenant, or as of the scheduled Closing Date, (i) Tenant is in default under this Lease (beyond any applicable notice and cure periods); provided, however, Tenant may retain its right to purchase the Project if Tenant cures any such default within three (3) business days of (A) Landlord's receipt of Tenant's Election Notice, or (B) the originally scheduled Closing Date, as the case may be, or (ii) Tenant has previously been in economic default under this Lease (beyond any applicable notice and cure periods) more than twice during the previous nine (9) month period.

[continued on following page]

30.7 NO BROKERS OR COMMISSIONS. Each party represents to the other that there are no brokers which are owed any real estate brokerage commission or finder's fee in connection with the Purchase Option. Landlord and Tenant each agree to indemnify and hold the other harmless from and against all liability, claims, demands, damages, or costs of any kind arising from or connected with any broker's or finder's fee or commission or charge claimed to be due from any person arising from the indemnifying party's conduct with respect to the contemplated purchase and sale.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be executed the day and date first above written.

"LANDLORD":

KILROY REALTY, L.P.,
a Delaware limited partnership

By: Kilroy Realty Corporation,
a Maryland corporation,
General Partner

By: /s/ Steve Scott

Its: Senior Vice President

By: /s/ Jeffrey C. Hawken

Its: Executive Vice President, Chief Operating Officer

"TENANT":

AMN HEALTHCARE, INC.,
a Nevada corporation

By: /s/ Steven Francis

Its: President

By: /s/ Donald Myll

Its: Chief Financial Officer

EXHIBIT A

SAN DIEGO CORPORATE CENTER, LOT #7 PROJECT

OUTLINE OF PREMISES

EXHIBIT A-1

SAN DIEGO CORPORATE CENTER, LOT #7 PROJECT

LEGAL DESCRIPTION

EXHIBIT B

SAN DIEGO CORPORATE CENTER, LOT #7 PROJECT

TENANT WORK LETTER

EXHIBIT C

SAN DIEGO CORPORATE CENTER, LOT #7 PROJECT

NOTICE OF LEASE TERM DATES

EXHIBIT D

SAN DIEGO CORPORATE CENTER, LOT #7 PROJECT

RULES AND REGULATIONS

EXHIBIT E

SAN DIEGO CORPORATE CENTER, LOT #7 PROJECT

FORM OF TENANT'S ESTOPPEL CERTIFICATE

EXHIBIT F

SAN DIEGO CORPORATE CENTER, LOT #7 PROJECT

EXHIBIT G

SAN DIEGO CORPORATE CENTER, LOT #7 PROJECT

OPERATING EXPENSE BUDGET

EXHIBIT H

SAN DIEGO CORPORATE CENTER, LOT #7 PROJECT

FORM OF LETTER OF CREDIT

EXHIBIT I

SAN DIEGO CORPORATE CENTER LOT 7 PROJECT

SHORT FORM OF MEMORANDUM OF LEASE

EXHIBIT 10.46

STOCK PURCHASE AGREEMENT

by and between

AMN HEALTHCARE, INC.

SANDRA GILBERT

ROBERT GILBERT, JR.

SUZETTE MAREK

ROBERT GILBERT, III

and

BENJAMIN GILBERT

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for all of the outstanding stock of

HEALTHCARE RESOURCE MANAGEMENT CORPORATION

April 17, 2002

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Schedules

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STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of April 17, 2002 by and among AMN HEALTHCARE, INC., a Nevada corporation (the "Buyer"), SANDRA GILBERT, ROBERT GILBERT, JR., SUZETTE MAREK, ROBERT GILBERT, III and BENJAMIN GILBERT (each a "Seller" and collectively the "Sellers") for the purchase and sale of all of the issued and outstanding shares of capital stock of HEALTHCARE RESOURCE MANAGEMENT CORPORATION, a North Carolina "S" corporation ("HRMC" or the "Company").

The Sellers are the beneficial and record owners of all of the issued and outstanding shares of Common Stock (the "Shares") of HRMC. The Sellers wish to sell to the Buyer, and the Buyer wishes to purchase from the Sellers, all of the Shares upon the terms and subject to the conditions of this Agreement.

Certain terms used in this Agreement are defined in Section 13.1.

Accordingly, the parties agree as follows:

1. Sale and Purchase of Shares.

1.1 Sale and Purchase of Shares. At the closing provided for in Article 2 (the "Closing") and upon the terms and subject to the conditions of this Agreement, and in reliance upon the representations, warranties and agreements of the Sellers, the Buyer shall purchase all of the Shares for the Purchase Price, payable as provided in Section 1.2.

1.2 Payment of Purchase Price.

(a) At the Closing, the Buyer shall deliver to an account designated in writing by Sandra Gilbert, Robert Gilbert, Jr., Robert Gilbert, III and Benjamin Gilbert, cash by wire transfer of immediately available funds, the following amount: (i)$9,067,764, decreased by an amount equal to 97.92% of Existing Indebtedness (as defined in Section 3.29) of the Company and an amount equal to 97.92% of any Cash Shortfall (as defined in Section 6.1(a)), and increased by an amount equal to 97.92% of any Cash Excess (as defined in Section 6.1(a)), in each case as of the close of business on the day immediately prior to the Closing Date, if any, (ii) increased by 97.92% of the amount by which Net Working Capital Assets exceeds $1,600,000 as of the Closing and (iii) decreased by 97.92% of the amount by which $1,600,000 exceeds Net Working Capital Assets as of the Closing, less (iv) an amount equal to 97.92% of the amount paid by Buyer into the Escrow Account pursuant to Section 1.2(c).

(b) At the Closing, the Buyer shall deliver to an account designated in writing by Suzette Marek, cash by wire transfer of immediately available funds, the following amount: (i) $192,236, decreased by an amount equal to 2.08% of Existing Indebtedness of the Company and an amount equal to 2.08% of any Cash Shortfall, and increased by an amount equal to 2.08% of any Cash Excess, in each case as

of the close of business on the day immediately prior to the Closing Date, if any, (ii) increased by 2.08% of the amount by which Net Working Capital Assets exceeds $1,600,000 as of the Closing and (iii) decreased by 2.08% of the amount by which $1,600,000 exceeds Net Working Capital Assets as of the Closing, less (iv) an amount equal to 2.08% of the amount paid by the Buyer into the Escrow Account pursuant to Section 1.2(c).

(c) At the Closing, the Buyer shall deliver to Wells Fargo Bank, N.A. (the "Escrow Agent") cash by wire transfer of immediately available funds in the amount of $400,000, such amount to be held in an Escrow Account (the "Escrow Account") in accordance with the terms of the Escrow Agreement in the form of Exhibit A among the Buyer, the Escrow Agent and the Sellers (the "Escrow Agreement").

(d) Preliminary Balance Sheet. Three business days prior to the Closing, the Sellers shall prepare and deliver to the Buyer an estimated balance sheet of the Company as of the Closing Date (the "Preliminary Balance Sheet"). The Preliminary Balance Sheet shall be prepared by the Sellers in good faith and in accordance with GAAP applied on a consistent basis, and shall be accompanied by all information reasonably necessary to determine the amount of Existing Indebtedness, Net Working Capital Assets and the balance of cash as of the Closing, to the extent such amounts can be determined or estimated as of the date of the Preliminary Balance Sheet, and such other information as may be reasonably requested by the Buyer.

(e) Post-Closing Payment of Purchase Price Adjustments.

(i) Within 45 days after the Closing Date, the Buyer shall prepare and deliver to the Sellers an unaudited balance sheet of the Company as of the Closing Date (the "Closing Balance Sheet"). The Closing Balance Sheet shall be prepared by the Buyer in good faith and in accordance with GAAP applied on a consistent basis, and shall be accompanied by all information reasonably necessary to determine the amount of Existing Indebtedness, Net Working Capital Assets and the balance of cash as of the Closing. The Sellers shall cooperate with the Buyer in the preparation of the Closing Balance Sheet. In the event that the Buyer fails to deliver the Closing Balance Sheet within 45 days after the Closing Date, the Preliminary Balance Sheet shall be deemed to be the Closing Balance Sheet and shall be deemed to be delivered to the Sellers, by the Buyer on the 45th day following the Closing Date.

(ii) The Buyer shall allow the Sellers and their agents access at all reasonable times after the Closing Date to the books, records and accounts of the Company to allow the Sellers to examine the accuracy of the Closing Balance Sheet. Within 30 days after the date that the Closing Balance Sheet is delivered by the Buyer to the Sellers, the Sellers shall complete their examination thereof and may deliver to the Buyer a written report setting forth any proposed adjustments to the Closing Balance Sheet (the "Sellers' Dispute Report"). If the Sellers notify the Buyer of their acceptance of the amount of Existing Indebtedness, Net Working Capital Assets and the

balance of cash as of the Closing shown on the Closing Balance Sheet, or if the Sellers fail to deliver a report of proposed adjustments to the Closing Balance Sheet within the 30 day period specified in the preceding sentence, the amount of Existing Indebtedness, Net Working Capital Assets and the balance of cash as of the Closing shown on the Closing Balance Sheet shall be conclusive and binding on the parties as of the last day of such 30 day period.

(iii) The Buyer and the Sellers shall use good faith efforts to resolve within 15 days of the delivery of the Sellers' Dispute Report any dispute involving the amount of Existing Indebtedness, Net Working Capital Assets and the balance of cash as of the Closing, and any resolution between them as to any disputed amounts shall be final, binding and conclusive on the parties hereto; provided, however, that, in the absence of any such resolution within 15 days of the delivery of the Sellers' Dispute Report, such dispute shall be settled by the determination of Deloitte & Touche LLP, or such other method as to which the Sellers and Buyer may then agree, which determination shall be binding. Each party will use its best efforts to expedite such process, and the costs of such accountant firm shall be borne by the non-prevailing party.

(iv) If the Purchase Price payable to the Sellers as finally determined in accordance with this Section 1.2(e) is less than the amount actually paid by the Buyer to the Sellers at the Closing, then the Sellers shall pay (pro rata in accordance with the amount of Purchase Price paid to each of the Sellers) to the Buyer the amount of such difference by wire transfer of immediately available funds, within three (3) business days after the date on which the Purchase Price adjustments are finally determined in accordance with this Section 1.2(e). If the Purchase Price payable to the Sellers as finally determined in accordance with this Section 1.2(e) is greater than the amount actually paid by the Buyer to the Sellers at the Closing, then the Buyer shall pay to each of the Sellers (pro rata in accordance with the amount of Purchase Price paid to each of the Sellers) the amount of such difference, by wire transfer of immediately available funds to accounts designated in writing by the Sellers, within three (3) business days after the date on which the Purchase Price adjustments are finally determined in accordance with this Section 1.2(e).

(f) The Sellers acknowledge that the amount of the Purchase Price payable to each Seller is not in the same proportion to which the Shares are owned by the Sellers, and the Sellers agree that the allocation of the Purchase Price among the Sellers as described in this Section 1.2 accurately reflects the agreement among the parties hereto.

1.3 Right to Offset. Any amounts that the Buyer is otherwise required to remit to the Sellers under this Article 1 may be offset and reduced by any amounts owing from the Sellers to the Buyer or its affiliates, including, without limitation, any amounts owing with respect to Claims for indemnification under Sections 11.1 and 11.2.

1.4 Delivery of Shares. At the Closing, the Sellers shall deliver to the Buyer stock certificates representing the Shares, duly endorsed in blank or

accompanied by stock powers duly executed in blank, in proper form for transfer, and with all appropriate stock transfer tax stamps affixed.

2. Closing; Closing Date. The Closing of the sale and purchase of the Shares contemplated hereby shall take place at the offices of Paul, Weiss, Rifkind, Wharton & Garrison, 1285 Avenue of Americas, New York, New York 10019, at 10:00 a.m. on April 23, 2002, or such other time or date as the parties may mutually agree in writing, provided that all of the conditions to the Closing set forth in Articles 7 and 8 have been satisfied or waived by the party entitled to waive the same. The time and date upon which the Closing occurs is herein called the "Closing Date."

3. Representations And Warranties of The Sellers As To The COMPANY. The Sellers (other than Suzette Marek) jointly and severally among such Sellers and Suzette Marek severally (and not jointly) represent and warrant to the Buyer as follows:

3.1 Due Incorporation and Authority. HRMC is a corporation duly organized and validly existing under the laws of the State of North Carolina and has all requisite corporate power and lawful authority to own, lease and operate its properties and to carry on its business as now being and heretofore conducted.

3.2 Subsidiaries and Other Affiliates. Schedule 3.2 sets forth the name and jurisdiction of organization of each corporation or other entity in which HRMC directly or indirectly owns or has the power to vote shares of any capital stock or other ownership interests having voting power to elect a majority of the directors of such corporation, or other persons performing similar functions for such entity, as the case may be. Except as set forth on Schedule 3.2, HRMC does not directly or indirectly own any interest in any other person and no affiliate of HRMC is engaged in the Company Business.

3.3 Qualification. The Company is duly qualified or otherwise authorized as a foreign corporation to transact business and is in good standing in each jurisdiction set forth on Schedule 3.3, which are the only jurisdictions in which such qualification or authorization is required by Law or in which the failure to so qualify or be authorized could have a material adverse effect on the properties, business, results of operations or financial condition of the Company (the "Condition of the Company"). The Company does not own or lease real property in any jurisdiction other than its jurisdiction of organization and the jurisdictions set forth on Schedule 3.3.

3.4 Outstanding Capital Stock. HRMC is authorized to issue 100,000 shares of common stock, $1.00 par value per share (the "Common Stock"), of which 1,610 shares are issued and 1,610 shares are outstanding. No other class of capital stock or other ownership interests of HRMC is authorized or outstanding. The Shares have been duly authorized and issued by HRMC, are fully paid and are non--assessable.

3.5 Options or Other Rights. There is no outstanding right, subscription, warrant, call, unsatisfied preemptive right, option or other agreement of any

kind to purchase or otherwise to receive from the Company or the Sellers any of the outstanding, authorized but unissued, unauthorized or treasury shares of the capital stock or any other security of the Company, and there is no outstanding security of any kind of the Company convertible into any such capital stock.

3.6 Charter Documents and Corporate Records. The Sellers have heretofore delivered to the Buyer true and complete copies of the Articles of Incorporation (certified by the Secretary of State or other appropriate official of its jurisdiction of incorporation) and By-laws (certified by HRMC's secretary or an assistant secretary), or comparable instruments, of HRMC as in effect on the date hereof. The minute books, or comparable records, of HRMC heretofore have been made available to the Buyer for its inspection and contain true and complete records of all meetings and consents in lieu of meeting of the Board of Directors (and any committee thereof) and shareholders of HRMC since the time of HRMC's organization and accurately reflect all transactions referred to in such minutes and consents in lieu of meeting. The stock books, or comparable records, of HRMC heretofore have been made available to the Buyer for its inspection and are true and complete.

3.7 Financial Statements.

(a) The balance sheets of the Company as of December 31, 2000 and December 31, 2001 and the related statements of income, shareholders' equity and changes in financial position for the years then ended, including the footnotes thereto, audited by KPMG LLP, independent certified public accountants, and the balance sheet of the Company as of March 31, 2002 and the related statements of income, shareholders' equity and changes in financial position for the period then ended, which have been delivered to the Buyer, fairly present the financial position of the Company as at such dates and the results of operations of the Company for such respective periods in accordance with GAAP applied on a consistent basis for the periods covered thereby. (The financial statements of the Company as of December 31, 2001 and for the year then ended are sometimes herein called the "Financial Statements." The balance sheet included in the Financial Statements is sometimes herein called the "Balance Sheet" and December 31, 2001 is sometimes herein called the "Balance Sheet Date.") The financial statements referred to above are attached hereto as Schedule 3.7(a).

(b) All accounts and notes receivable reflected on the Balance Sheet, and all accounts and notes receivable arising subsequent to the Balance Sheet Date, (i) have arisen in the ordinary course of business of the Company and (ii) subject only to a reserve for bad debts computed in a manner consistent with past practice and reasonably estimated to reflect the probable results of collection, have been collected or are, except as set forth on Schedule 3.7(b), collectible in the ordinary course of business of the Company in the aggregate recorded amounts thereof in accordance with their terms, except for accounts and notes receivable reflected on the Balance Sheet or arising subsequent to the Balance Sheet Date that have been written-off.

3.8 No Material Adverse Change. Since the Balance Sheet Date, there has been no material adverse change in the Condition of the Company, and

the Company knows of no such change which is threatened, nor to the knowledge of the Company has there been any damage, destruction or loss which is reasonably anticipated to have or has had a material adverse effect on the Condition of the Company, whether or not covered by insurance.

3.9 Taxes.

(a) All Federal, state, county, local, foreign and other taxes (including, without limitation, income, profits, premium, estimated, excise, sales, use, occupancy, gross receipts, franchise, ad valorem, severance, capital levy, production, transfer, withholding, employment, unemployment compensation, payroll related, value added, inventory, social security, stamp and property taxes, import duties and other governmental charges, assessments, and charges of any kind whatsoever), whether or not measured in whole or in part by net income, and including deficiencies, interest, additions to tax or interest, and penalties with respect thereto, and including expenses associated with contesting any proposed adjustment related to any of the foregoing (collectively, "Taxes") due or claimed to be due from or with respect to the Company on or before the date hereof have been timely paid, other than Taxes the payment of which is being contested in good faith by appropriate proceedings.

(b) Except as set forth on Schedule 3.9(b), the Company (i) has timely elected to be treated as a subchapter S corporation for federal tax purposes and for tax purposes in each state in which the Company is subject to tax, and such an election is available, effective on the dates set forth on Schedule 3.9(b), and (ii) where applicable has properly maintained its status as a subchapter S corporation for all taxable periods since the date such elections were effective, and, accordingly, the Sellers have paid, or will pay when due, federal income taxes or state income taxes with respect to any taxable period beginning with the date such elections were effective and through its taxable year (or portion thereof) ending on the Closing Date, including as a result of the Section 338(h)(10) Election (as defined in Section 6.10(b) below). Schedule 3.9(b) sets forth each state with respect to which the Company has made an election to be treated as a subchapter S corporation. To the knowledge of the Company, there is no event that exists or has existed that presents any risk that the status of the Company as a subchapter S corporation is or has been at any time subject to termination or revocation.

(c) All returns, reports, declarations, statements and other information required to be filed by or with respect to the Company with respect to any Tax (all such returns and other reports, "Tax Returns") on or before the date hereof have been timely filed, other than any such Tax Return as to which the Company has duly obtained an extension of time to file, which extension has not expired, and all such Tax Returns are correct and complete in all material respects, except as provided in Schedule 3.10. The charges, accruals and reserves on the books of the Company in respect of any liability for Taxes based on or measured by net income for any years not finally determined or with respect to which the applicable statute of limitations has not expired are adequate to satisfy any assessment for such Taxes for such years. No taxing authority has asserted any Tax deficiency, lien, or other assessment against the Company which has not been paid.

(d) No penalties or other charges are or will become due with respect to the late filing of any Tax Return of the Company or payment of any Tax of the Company required to be filed or paid on or before the Closing Date, except as provided in Schedule 3.10.

(e) With respect to all Tax Returns of the Company and except as set forth on Schedule 3.9(e), (i) the statute of limitations for the assessment of Taxes has expired with respect to all periods ending on or before December 31, 1997; (ii) no audit or other proceeding by any court, governmental or regulatory authority or similar authority is pending and no extension of time is in force with respect to any date on which any Tax Return was or is to be filed and no waiver or agreement is in force for the extension of time for the assessment or payment of any Tax; and (iii) there is no unassessed deficiency proposed or threatened against the Company, except as provided in Schedule 3.10.

(f) Schedule 3.9(f) sets forth the status of Federal Tax audits of the Tax Returns of the Company for each fiscal year for which the statute of limitations has not expired, including the amounts of any deficiencies and additions to Tax, interest and penalties indicated on any notices of proposed deficiency or statutory notices of deficiency, and the amounts of any payments made by the Company with respect thereto. Each Tax Return filed by or with respect to the Company for which the Federal Tax audit has not been completed accurately reflects the amount of liability for Taxes thereunder and makes all disclosures required by the Internal Revenue Code of 1986, as amended (the "Code") and regulations thereunder and other applicable provisions of Law.

(g) Schedule 3.9(g) sets forth the status of state, county, local and foreign Tax audits of the Tax Returns of the Company for each fiscal year for which the statute of limitations has not expired, including the amounts of any deficiencies or additions to Tax, interest and penalties that have been made or proposed, and the amounts of any payments made by the Company with respect thereto. Each state, county, local and foreign Tax Return filed by or with respect to the Company for which the state, county, local or foreign Tax audit has not been completed accurately reflects the amount of its liability for Taxes thereunder and makes all disclosures required by applicable provisions of Law.

(h) Except as set forth on Schedule 3.9(h), the Company has not agreed to and is not required to make any adjustments under section 481(a) of the Code by reason of a change in accounting method or otherwise.

(i) The Company has not at any time consented under Section 341(f)(1) of the Code to have the provisions of Section 341(f)(2) of the Code apply to any sale of its capital stock.

(j) Reserves and provisions for Taxes accrued but not due on or before the Closing Date reflected in the Financial Statements will be adequate as of the Closing Date, in accordance with GAAP.

(k) The liability for Taxes of the Company as of the Balance Sheet Date will not exceed the accrual for Taxes on the Balance Sheet and, other than in the ordinary course of business, the liability of the Company for Taxes has not increased since the Balance Sheet Date except as a result of those Taxes that have occurred as a result of the transactions contemplated hereby.

(l) The Company is not a party to, is not bound by, and has no obligation under any Tax sharing or similar agreement.

(m) There are no Liens for Taxes on the assets of the Company except for Liens for current Taxes not yet due.

(n) The Company has not been, and is not in violation (or with notice would not be in violation) of any applicable Law relating to the payment or withholding of Taxes and the Company has duly and timely withheld from employee salaries, wages and other compensation and paid over to the appropriate taxing authorities all material amounts required to be so withheld and paid over for all periods under all applicable Laws.

(o) No closing agreement that could affect the Taxes of the Company has been entered into by or with respect to the Company.

(p) No stamp, transfer, documentary, sales, use, registration and other such Taxes and fees (including, without limitation, any penalties and interest) incurred in connection with this Agreement and the transactions contemplated by this Agreement (the "Contemplated Transactions") will be due and payable in connection with this Agreement and the Contemplated Transactions.

(q) Schedule 3.9(q) sets forth each of the Company's Subsidiaries that is a "qualified subchapter S subsidiary" within the meaning of Section 1361(b)(3)(B) and each such Subsidiary has been (or will be) a qualified subchapter S subsidiary at all times up to and including the Closing Date.

3.10 Compliance with Laws. Except as set forth on Schedule 3.10, the Company is not in violation of any applicable order, judgment, injunction, award, decree or writ (collectively, "Orders"), or any applicable law, statute, code, ordinance, regulation or other requirement, including, without limitation, the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, as amended, and the regulations promulgated thereunder (collectively, "Laws") of any government or political subdivision thereof, whether Federal, state, local or foreign, or any agency or instrumentality of any such government or political subdivision, or any insurance company or fire rating and any other similar board or organization or other non-governmental regulating body (to the extent that the rules, regulations or orders of such body have the force of law) or any court or arbitrator (collectively, "Governmental Bodies") (but not including, however, Safety and Environmental Laws, which are addressed in Section 3.13), and neither the Company nor the Sellers have received written notice that any such violation is being or may be alleged. The Company has not

made any illegal payment to officers or employees of any Governmental Body, or made any illegal payment to customers for the sharing of fees or to customers or suppliers for rebating of charges, or engaged in any other illegal reciprocal practice, or made any illegal payment or given any other illegal consideration to purchasing agents or other representatives of customers in respect of sales made or to be made by the Company.

3.11 Permits. The Company has all licenses, permits, exemptions, consents, waivers, authorizations, rights, certificates of occupancy, franchises, orders or approvals of, and has made all required registrations with, any Governmental Body that are material to the conduct of the business of, or the current use of any properties of, the Company (collectively, "Permits"), not including, however, Permits relating to compliance with Safety and Environmental Laws, which are addressed in Section 3.13. Each Employee has all Permits required for the conduct of the business conducted by such Employee for the Company. All Permits (with the exception of Permits required pursuant to Safety and Environmental Laws, which are addressed in Section 3.13) are listed on Schedule 3.11 and are in full force and effect; no material violations are or have been recorded in respect of any Permit; and no proceeding is pending or, to the knowledge of the Company, threatened to revoke or limit any Permit. The Sellers will take such action as is necessary to cause the Permits listed on Schedule 3.11 to remain in full force and effect immediately following the consummation of the Contemplated Transactions.

3.12 No Breach. The execution and delivery by the Sellers of this Agreement and each and every other agreement and instrument contemplated hereby (including, without limitation, the Escrow Agreement and the Employment Agreements by Sandra Gilbert and Robert Gilbert, Jr.), the consummation of the transactions contemplated hereby and thereby and the performance by the Sellers of this Agreement and each such other agreement and instrument in accordance with their respective terms and conditions will not (a) violate any provision of the Articles of Incorporation or By-laws (or comparable instruments) of the Company; (b) require the Company to obtain any consent, approval, authorization or action of, or make any filing with or give any notice to, any Governmental Body or any other person, except as set forth on Schedule 3.12 and other than with respect to the Company's customers that do not constitute Material Customers (collectively, the "Required Consents"); (c) if the Required Consents are obtained, violate, conflict with or result in the breach of any of the terms and conditions of, result in a material modification of the effect of, otherwise cause the termination of or give any other contracting party the right to terminate, or constitute (or with notice or lapse of time or both constitute) a default under, any contract, agreement, indenture, note, bond, loan, instrument, lease, conditional sale contract, mortgage, license, franchise, commitment or other binding arrangement (collectively, the "Contracts") to which the Company is a party or by or to which the Company or any of its properties is or may be bound or subject, or result in the creation of any Lien upon any of the properties of the Company pursuant to the terms of any such Contract other than Contracts with the Company's customers that do not constitute Material Customers; (d) if the Required Consents are obtained, violate any Law of any Governmental Body applicable to the Shares, the Company or to its securities, properties or business; (e) if the Required Consents are obtained, violate any Order of any Governmental Body applicable to the

Company or to its securities, properties or business; or (f) if the Required Consents are obtained, violate or result in the revocation or suspension of any Permit.

3.13 Environmental Matters. Except as disclosed on Schedule 3.13, (i) the property, assets and operations of Company comply and have been in compliance in all material respects with all applicable Safety and Environmental Laws; (ii) to the knowledge of the Company, there is no Environmental Claim pending or threatened against the Company and there is no civil, criminal or administrative judgment or notice of violation against the Company pursuant to Safety and Environmental Laws or principles of common law relating to pollution, protection of the Environment or health and safety; and (iii) to the knowledge of the Company, there are no past or present events, conditions, circumstances, activities, practices, incidents, agreements, actions or plans which may prevent compliance in all material respects with Safety and Environmental Laws, or which have given rise to or will give rise to an Environmental Claim or to Environmental Compliance Costs.

3.14 Claims and Proceedings. Except as set forth on Schedule 3.14, there are no outstanding Orders of any Governmental Body against or involving the Company. Except as set forth on Schedule 3.14, there are no actions, causes of action, suits, claims, complaints, demands, litigations or legal, administrative or arbitral proceedings or investigations (collectively, "Claims") (whether or not the defense thereof or liabilities in respect thereof are covered by insurance) pending or, to the knowledge of the Company, threatened, against or involving the Company or any of its properties, owned or leased. To the knowledge of the Company, except as set forth on Schedule 3.14, there is no fact, event or circumstance that may give rise to any Claim that would be required to be set forth on Schedule 3.14 if currently pending or threatened. All notices required to have been given to any insurance company listed as insuring against any Claim set forth on Schedule 3.14 have been timely and duly given and, except as set forth on Schedule 3.14, no insurance company has asserted, orally or in writing, that such Claim is not covered by the applicable policy relating to such Claim. There are no Claims pending or, to the knowledge of the Company, threatened that would give rise to any right of indemnification on the part of any director or officer of the Company or the heirs, executors or administrators of such director or officer, against the Company or any successor to the business of the Company.

3.15 Contracts.

(a) Schedule 3.15(a) sets forth a true and complete list of all of the Contracts to which the Company is a party or by or to which the Company or any of its properties may be bound or subject which involve annual expenditures of over $30,000 per year per Contract, other than Contracts with travel healthcare employees, facilities or hospitals.

(b) Schedule 3.15(b) sets forth a true and complete list of each of the facilities, hospitals and travel healthcare employees with which the Company has a Contract. There have been delivered to the Buyer true and complete copies of all Contracts entered into with the Company's top ten (10) customers, a subset

of those Contracts set forth on Schedule 3.15(b) or set forth on any other Schedule. The Buyer has been given access to all Contracts listed on Schedules 3.15(a) and 3.15(b). All of the Contracts listed on Schedules 3.15(a) and 3.15(b) are valid and binding and enforceable upon the Company, in accordance with their terms. The Company is not in breach or default in any material respect under any of such Contracts, nor to the knowledge of the Company does any condition exist that with notice or lapse of time or both would constitute such a material default thereunder. To the knowledge of the Company, no other party to any such Contract is in default thereunder in any material respect nor does any condition exist that with notice or lapse of time or both would constitute such a material default thereunder.

3.16 Real Estate.

(a) No Ownership of Real Property. The Company does not own any real property and has not owned any real property during the past twelve months.

(b) Leased Properties. Schedule 3.16(b) is a true, correct and complete schedule of all leases and other agreements other than apartment leases for housing for travel healthcare employees on temporary assignment which apartment leases number less than 300 and which, in the aggregate, do not require monthly rental payments in excess of $200,000 (collectively, the "Real Property Leases") under which the Company uses or occupies or has the right to use or occupy, now or in the future, any real property (the land, buildings and other improvements covered by the Real Property Leases being herein called the "Leased Real Property"), which Schedule sets forth the date of and parties to each Real Property Lease, the date of and parties to each amendment, modification and supplement thereto, the term and renewal terms (whether or not exercised) thereof, the annual base rent payable thereunder and a brief description of the Leased Real Property covered thereby. The Sellers have heretofore delivered to, or caused the Company to have heretofore delivered to, the Buyer true, correct and complete copies of all Real Property Leases (including all modifications, amendments and supplements). Each Real Property Lease is valid, binding and in full force and effect, all rent and other sums and charges payable by the Company as tenant thereunder are current, no written notice of default under any Real Property Lease has been received by the Company which remains uncured, no written termination notice under any Real Property Lease has been received by the Company, and to the knowledge of the Company, no uncured material default on the part of the Company or, to the knowledge of the Company, the landlord, exists under any Real Property Lease.

(c) Entire Premises. All of the land, buildings, structures and other improvements used by the Company in the conduct of its business are included in the Leased Real Property.

(d) Space Leases. Except as set forth on Schedule 3.16(d), no person or entity has been granted by the Company pursuant to a written agreement or, to the knowledge of the Company, pursuant to any other agreement, oral or

otherwise, any right to the possession, use, occupancy or enjoyment of the Leased Real Property or any portion thereof.

(e) No Options. Neither the Sellers nor the Company owns or holds, or is obligated under or a party to, any option, right of first refusal or other contractual right to purchase, acquire, sell, dispose of or lease the Leased Real Property or any portion thereof or interest therein.

(f) Condemnation. The Company has not received written notice, or, to the knowledge of the Company, any other notice, oral or otherwise, of any sale or other disposition of the Leased Real Property or any part thereof.

3.17 Tangible Property. The facilities, machinery, equipment, furniture, buildings and other improvements, fixtures, vehicles, structures, any related capitalized items and other tangible property material to the business of the Company (collectively, the "Tangible Property") are in all material respects in adequate operating condition, subject to continued repair and replacement in accordance with past practice, and are suitable for their intended use in accordance with past practice. During the past three years, there has not been any material interruption of the operations of the Company due to inadequate maintenance of the Tangible Property.

3.18 Intellectual Property. "Intellectual Property" is hereinafter defined as all of the following as they are used in connection with the Company Business as presently conducted or as currently proposed to be conducted by the Company and as they exist in all jurisdictions throughout the world, in each case, to the extent owned by, licensed to, or otherwise used by Sellers: (i) trademarks, service marks, trade dress, trade names, brand names, designs, logos, or corporate names, whether registered or unregistered; (ii) copyrights and mask works, including all renewals and extensions thereof, copyright registrations and applications for registration thereof, and non-registered copyrights; (iii) patents, patent applications and inventions, designs and improvements described and claimed therein, patentable inventions and other patent rights; (iv) Trade Secrets, know-how, inventions, processes, procedures, databases, confidential business information and other proprietary information and rights (whether or not patentable or subject to trade secret protection); (v) computer software programs, including, without limitation, all source code, object code, and documentation related thereto ("Software"); (vi) Internet addresses, domain names, web sites, web pages and similar rights and items; (vii) all licenses, sublicenses and other agreements or permissions including the right to receive royalties, or any other consideration related to the property described in (i)-(vi); and (viii) all rights to sue at law or in equity for any infringement or any other impairment of any of the property or rights described in (i) to (vii), including the right to collect damages and proceeds therefrom. Schedule 3.18 sets forth a list of all of the Intellectual Property of the Company as well as all material licenses, sublicenses, and other agreements or permissions under which the Company is a licensor or licensee or otherwise is authorized to use any Intellectual Property. The Company owns or otherwise possesses legally enforceable rights to use, sell, and license, free and clear of any and all Liens or material restrictions, any and all Intellectual Property used in the business of the Company as presently conducted or as currently

proposed by the Company to be conducted. The Company has not infringed upon or otherwise violated the intellectual property rights of any third party or received any claim alleging any such infringement or other violation. The Company has not been, during the three years preceding the date hereof, a party to any claim, nor, to the knowledge of the Company, is any claim threatened or is there any valid ground for a claim, that challenges the validity, enforceability, ownership or right to use, sell or license any Intellectual Property owned by the Company. To the knowledge of the Company, no third party is infringing upon any Intellectual Property owned by the Company. Except as set forth on Schedule 3.18, the Company has taken all necessary and reasonable action to maintain and protect each item of Intellectual Property owned by the Company. All material Software is held by the Company legitimately, is free from any significant software defect, performs in all material respects in conformance with its documentation, and, to the knowledge of the Company, does not contain any bugs or viruses or any code or mechanism that could be used to interfere with the operation of the Software.

3.19 Title to Properties. The Company owns outright and has good title to all of its properties, including all of the assets reflected on the Balance Sheet and the properties described in Sections 3.17 and 3.18 or, with regard to the properties described in Section 3.18, possesses legally enforceable rights to use such properties, in each case free and clear of any Lien, except for (a) Liens specifically described in the notes to the Financial Statements; (b) properties disposed of, or subject to purchase or sales orders, in the ordinary course of business since the Balance Sheet Date; (c) Liens securing Taxes, assessments, governmental charges or levies, or the claims of materialmen, carriers, landlords and like persons, all of which are not yet due and payable or are being contested in good faith, so long as such contest does not involve any substantial danger of the sale, forfeiture or loss of any assets; and (d) Liens set forth on Schedule 3.19.

3.20 Liabilities. As at the Balance Sheet Date, the Company did not have any material direct or indirect indebtedness, liability, Claim, loss, damage, deficiency, obligation or responsibility, known or unknown, fixed or unfixed, choate or inchoate, liquidated or unliquidated, secured or unsecured, accrued, absolute, contingent or otherwise, whether or not of a kind required by GAAP to be set forth on a financial statement or in the notes thereto ("Liabilities") that were not fully and adequately reflected or reserved against on the Balance Sheet or described on any Schedule or in the notes to the Financial Statements. Except as set forth on Schedule 3.20, the Company has not, except in the ordinary course of business, incurred any material Liabilities since the Balance Sheet Date. Neither the Company nor the Sellers have any knowledge of any circumstance, condition, event or arrangement that may hereafter give rise to any Liabilities of the Company or any successor to its business except in the ordinary course of business or as otherwise set forth on Schedule 3.20.

3.21 Customers.

(a) Schedule 3.21(a) lists, by dollar volume paid for the twelve months ended on the Balance Sheet Date, the twenty largest customers of the Company (the "Material Customers").

(b) The relationships of the Company with its customers are good commercial working relationships and, except as set forth on Schedule 3.21(b), (i) within the last twelve months, no Material Customer has threatened to cancel or otherwise terminate, or to the knowledge of the Company intends to cancel or otherwise terminate, its relationship with the Company, (ii) no Material Customer has during the last twelve months decreased materially or to the knowledge of the Company, threatened to decrease or limit materially, or to the knowledge of the Company intends to modify materially its relationship with the Company or, to the knowledge of the Company, intends to decrease or limit materially its services to the Company or its usage or purchase of the services or products of the Company, (iii) to the knowledge of the Company, the acquisition of the Shares by the Buyer and the consummation of the Contemplated Transactions will not have a material adverse effect on the relationship of the Company with any of its Material Customers, (iv) to the knowledge of the Company, within the last twelve months, no customers have threatened to cancel or otherwise terminate, or intend to cancel or otherwise terminate, their relationships with the Company, the loss of which would have an adverse effect on the Condition of the Company, (v) within the last twelve months, no customers have decreased or to the knowledge of the Company, threatened to decrease or limit, or to the knowledge of the Company intend to modify their relationships with the Company to the extent of having an adverse effect on the Condition of the Company and (vi) to the knowledge of the Company, the acquisition of the Shares by the Buyer and the consummation of the Contemplated Transactions will not affect the relationships of the Company with any customers to the extent of having an adverse effect on the Condition of the Company.

3.22 Employee Benefit Plans.

(a) Schedule 3.22(a) lists all Benefit Plans. With respect to each such plan, Sellers heretofore have delivered, or have caused the Company heretofore to have delivered, to Buyer, or has made available to the Buyer or its representatives, true, correct and complete copies of, to the extent applicable (i) all plan texts and agreements and related trust agreements or annuity contracts; (ii) all summary plan descriptions and material employee communications; (iii) the most recent annual report (including all schedules thereto); (iv) the most recent actuarial valuation; (v) the most recent annual audited financial statement and opinion; (vi) if the plan is intended to qualify under Code section 401(a) or 403(a), the most recent determination or notification letter received from the IRS; and (viii) all material communications with any Governmental Body (including the DOL, IRS and PBGC).

(b) Except as disclosed in Schedule 3.22(b):

(i) With respect to each Benefit Plan, no event has occurred, and there exists no condition or set of circumstances in connection with which the Company reasonably could, directly or indirectly (through a Commonly Controlled Entity or otherwise), be subject to any material liability under ERISA, the Code or any other applicable Law, except liability for benefits claims and funding obligations payable in the ordinary course.

(ii) Each Benefit Plan conforms in all material respects to, and its administration is in compliance with, its terms and all applicable Laws. Each Benefit Plan intended to comply with section 401(a) of the Code is the subject of a favorable notification letter from the IRS as to the plan's qualification and the qualification of the trust of each such plan under Section 501 of the Code and, to the knowledge of the Company, no events, circumstances or conditions exist which would jeopardize such plans' and trusts' qualified status.

(iii) The Company and each Commonly Controlled Entity have made all payments due from such respective entity to date with respect to each Benefit Plan.

(iv) With respect to each Benefit Plan, there are no funded benefit obligations for which contributions have not been made or properly accrued and there are no unfunded benefit obligations that have not been accounted for by reserves, or otherwise properly footnoted in accordance with GAAP, on the Financial Statements.

(v) No Benefit Plan is subject to Code section 412 or ERISA section 302.

(vi) No Benefit Plan is or was subject to Title IV of ERISA.

(vii) No Benefit Plan is a "multiemployer plan" as defined in Code Section 414(f) or ERISA sections 3(37) or 4001(a)(31). No Benefit Plan is a multiple employer plan within the meaning of the Code section 413(c) or ERISA sections 4063, 4064 or 4066. No Welfare Plan is a "multiple employer welfare arrangement" as defined in ERISA section 3(40).

(viii) There are no Claims or Liens pending or, to the knowledge of the Company, threatened (other than routine claims for benefits) with respect to any Benefit Plan or against the assets of any Benefit Plan.

(ix) Each Pension Plan that is not qualified under Code section 401(a) or 403(a) is exempt from Part 2, 3 and 4 of Title I of ERISA as an unfunded plan that is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, pursuant to ERISA sections 201(2), 301(a)(3) and 401(a)(1).

(x) No assets of the Company are allocated to or held in a "rabbi trust" or similar funding vehicle.

(xi) Each Benefit Plan that is a "group health plan" (as defined in ERISA section 607(1) or Code section 5001(b)(1)) has been operated at all times in compliance with the provisions of COBRA and any applicable similar state Law.

(xii) There are no reserves, assets, surpluses or prepaid premiums with respect to any Welfare Plan.

(xiii) The Company is not obligated to provide benefits under any Retiree Welfare Plan.

(xiv) The consummation of the Contemplated Transactions will not under any Benefit Plan or other Company agreement, policy or commitment (A) entitle any current or former Employee to severance pay, unemployment compensation or any similar payment; (B) accelerate the time of payment or vesting, or increase the amount of any compensation due to, or in respect of, any current or former Employee; (C) result in or satisfy a condition to the payment of compensation that would, in combination with any other payment, result in an "excess parachute payment" within the meaning of Code section 280G(b); or (D) constitute or involve a prohibited transaction (as defined in ERISA section 406 or Code section 4975), constitute or involve a breach of fiduciary responsibility within the meaning of ERISA section 502(l) or otherwise violate Part 4 of Subtitle B of Title I of ERISA.

(xv) As of the Closing Date, the Company and any Commonly Controlled Entity, have not incurred any liability or obligation under the Worker Adjustment and Retraining Notification Act, as it may be amended from time to time, and within the 90-day period immediately following the Closing Date, will not incur any such liability or obligation if, during such 90-day period, only terminations of employment in the normal course of operations occur.

(xvi) The Company has not had and is not reasonably expected to have any Liability, either direct or indirect, absolute or contingent, as a result of any misclassification of a person (A) as an independent contractor rather than as an Employee, or (B) or as an exempt or non-exempt employee.

3.23 Employee Relations.

(a) Schedule 3.23(a) lists as of the date hereof the number of Employees in the aggregate, the number of full-time personnel and, as of April 13, 2002, the number of contract workers of the Company. Except as disclosed in Schedule 3.23(a), none of the Employees is represented by a union, and, to the knowledge of the Company, no union organizing efforts have been conducted within the last five years or are now being conducted. Except as disclosed in Schedule 3.23(a), the Company has not at any time during the last five years had, nor to the knowledge of the Company, is there now threatened, a strike, picket, work stoppage, work slowdown or other labor dispute. All persons employed by the Company are properly classified by the Company as an employee for payroll, Tax and accounting purposes.

(b) Except as set forth on Schedule 3.23(b), the Company has not violated any provision of any Law or Order of any Governmental Body regarding the terms and conditions of employment of Employees, former Employees or prospective Employees or other labor-related matters, including, without limitation, laws, rules, regulations, orders, rulings, decrees, judgments and awards relating to immigration, discrimination, fair labor standards and occupational health and safety, wrongful discharge or violation of the personal rights of Employees, former Employees or prospective Employees. The Company is not party to nor has ever been party to any collective bargaining agreements, and the Company has no knowledge of any organizing activities currently occurring or being planned. There is no dispute, Claim or proceeding pending with, or to the knowledge of the Company, threatened by, the Immigration and Naturalization Service with respect to the Company or any Employee.

3.24 Insurance. Schedule 3.24 sets forth a list (specifying the insurer, describing each pending claim thereunder and at the Closing Date will set forth the aggregate amounts paid out under each such policy from January 1, 1999 through the dates set forth on Schedule 3.24 and the aggregate limit, if any, of the insurer's liability thereunder) of all policies or binders of fire, liability, product liability, worker's compensation, vehicular and other insurance held by or on behalf of the Company. Such policies and binders are valid and binding in accordance with their terms, are in full force and effect, and insure against risks and liabilities with respect to events occurring at any time prior to the Closing Date to an extent and in a manner customary in the industries in which the Company operates. The Company is not in default with respect to any provision contained in any such policy or binder or has failed to give any required notice or present any claim under any such policy or binder in due and timely fashion. Except for claims set forth at the Closing Date on Schedule 3.24, there are no outstanding unpaid claims that have been reported to the Company under any such policy or binder, and the Company has not received any notice of cancellation or non-renewal of any such policy or binder. Except as set forth on Schedule 3.24, the Company has not received any notice from any of its insurance carriers or any Governmental Body that any insurance premiums will or may be materially increased in the future or that any insurance coverage listed on Schedule 3.24 will or may not be available in the future on substantially the same terms as now in effect, and to the knowledge of the Company, there is no basis for the issuance of any such notice or for any such action.

3.25 Officers, Directors and Employees. Schedule 3.25 sets forth (a) the name, title and total compensation of each officer and director of the Company; (b) the name, title and total compensation of each other Employee, consultant, agent or other representative of the Company for 2001 and anticipated for 2002 other than healthcare professionals and technicians working on travel assignments; (c) all wage and salary increases, bonuses and increases in any other direct or indirect compensation received by such persons since the Balance Sheet Date; (d) any payments or commitments to pay any severance or termination pay to any current or former officer, director or employee of the Company; and (e) any accrual for, or any commitment or agreement by the Company to pay, such increases, bonuses or pay. Except as set forth on Schedule 3.25, the Company has not received any notice from any such person whether

orally or in writing that he or she will cancel or otherwise terminate such person's relationship with the Company.

3.26 Operations of the Company. Except as set forth on Schedule 3.26, since the Balance Sheet Date the Company has not:

(a) declared or paid any dividends or declared or made any other distributions of any kind to its shareholders, or made any direct or indirect redemption, retirement, purchase or other acquisition of any shares of its capital stock;

(b) except for short-term bank borrowings in the ordinary course of business, incurred any indebtedness for borrowed money;

(c) reduced its cash or short-term investments or their equivalent, other than to meet cash needs arising in the ordinary course of business, consistent with past practices;

(d) waived any material right under any Contract or other agreement of the type required to be set forth on any Schedule;

(e) made any change in its accounting methods or practices or made any change in depreciation or amortization policies or rates adopted by it;

(f) materially changed any of its business policies, including advertising, investment, marketing, pricing, purchasing, production, personnel, sales, returns, budget or product acquisition policies;

(g) made any loan or advance to any of its shareholders, officers, directors, Employees, consultants, agents or other representatives (other than travel advances made in the ordinary course of business), or made any other loan or advance otherwise than in the ordinary course of business;

(h) except for inventory or equipment in the ordinary course of business, sold, abandoned or made any other disposition of any of its properties or assets or made any acquisition of all or any part of the properties, assets, capital stock or business of any other person;

(i) paid, directly or indirectly, any of its material Liabilities before the same became due in accordance with its terms or otherwise than in the ordinary course of business;

(j) terminated or failed to renew, or received any written threat (that was not subsequently withdrawn) to terminate or fail to renew, any Contract or other agreement that is or was material to the Condition of the Company;

(k) amended its Articles of Incorporation or By-laws (or comparable instruments) or merged with or into or consolidated with any other

person, subdivided or in any way reclassified any shares of its capital stock or changed or agreed to change in any manner the rights of its outstanding capital stock or the character of its business; or

(l) engaged in any other material transaction other than in the ordinary course of business or in any activity or transaction which has had a material adverse effect on the Condition of the Company.

3.27 Potential Conflicts of Interest. Except as set forth on Schedule 3.27, (a) no Seller, (b) no officer, director or affiliate of the Company or of the Sellers, (c) to the knowledge of the Company, no relative or spouse (or relative of such spouse) of any such officer, director or affiliate or of the Sellers and (d) no entity controlled by one or more of the foregoing:

(a) own(s), directly or indirectly, any interest in (excepting less than 1% stock holdings for investment purposes in securities of publicly held and traded companies), or is an officer, director, employee or consultant of, any person which is, or is engaged in business as, a competitor, lessor, lessee, supplier, distributor, sales agent or customer of the Company;

(b) own(s), directly or indirectly, in whole or in part, or use(s) (other than the Sellers and officers and directors of the Company) any property that the Company uses in the conduct of its business; or

(c) has/have any Claim whatsoever against, or owes any amount to, the Company, except for claims in the ordinary course of business such as for accrued vacation pay, accrued benefits under Benefit Plans, and similar matters and agreements existing on the date hereof.

3.28 Full Disclosure. No representation or warranty of the Sellers contained in this Agreement, and no other agreement or certificate furnished at the Closing by or on behalf of the Company to the Buyer pursuant to this Agreement contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made, in the context in which made, not materially false or misleading.

3.29 Existing Indebtedness. As of the date of this Agreement and as of the close of business on the day prior to the Closing Date, (i) all indebtedness of or any obligation of the Company (whether as obligor or as guarantor) for borrowed money, whether current, short-term, or long-term, secured or unsecured, (ii) all indebtedness of the Company (whether as obligor or as guarantor) for the deferred purchase price for purchases of property outside the ordinary course which is not evidenced by trade payables, (iii) all lease obligations of the Company (whether as obligor or as guarantor) under leases which are capital leases in accordance with GAAP, (iv) all off-balance sheet financings of the Company (whether as obligor or as guarantor) including, without limitation, synthetic leases and project financing, (v) any payment obligations of the Company (whether as obligor or as guarantor) in respect of banker's

acceptances or letters of credit (other than stand-by letters of credit in support of ordinary course trade payables), (vi) any liability of the Company (whether as obligor or as guarantor) with respect to interest rate swaps, collars, caps and similar hedging obligations, (vii) any present, future or contingent obligations of the Company under (A) any phantom stock or equity appreciation rights, plan or agreement, (B) any consulting, deferred pay-out or earn-out arrangements in connection with the purchase of any business or entity, (C) any non-competition agreement, (viii) any accrued bonuses other than periodic bonuses payable to travel healthcare employees, (ix) any accrued Taxes other than payroll Taxes accrued in the ordinary course of business, (x) any accrued and unpaid interest or any contractual prepayment premiums, penalties or similar contractual charges resulting from the Contemplated Transactions or the discharge of such obligations with respect to any of the foregoing, (xi) all indebtedness of or any obligation of the Company owed to the Sellers or to any affiliate of the Sellers not canceled pursuant to Section 6.6 hereof and (xii) all indebtedness of or any obligation of the Company incurred for the personal benefit of the Sellers or any affiliate of the Sellers, including without limitation, any family members of the Sellers, is listed on Schedule 3.29 hereto (collectively, but without duplication, the "Existing Indebtedness"). Notwithstanding the foregoing, in no event will any item actually included in the computation in the Net Working Capital Assets be included as Existing Indebtedness. The Company shall supplement Schedule 3.29 to the extent necessary to set forth amounts which are to be included in Existing Indebtedness as of the close of business on the day prior to the Closing Date, and, as supplemented, Schedule 3.29 will, as of the close of business on the day prior to the Closing Date, list all Existing Indebtedness and the amounts thereof as of the close of business on the day prior to the Closing Date.

4. Representations and Warranties of The Sellers. The Sellers (other than Suzette Marek) jointly and severally among such Sellers with respect to such Sellers and Suzette Marek severally (and not jointly) with respect to herself represent and warrant to the Buyer as follows:

4.1 Title to the Shares. As of the Closing Date, each of the Sellers shall own beneficially and of record, free and clear of any Lien, or shall own of record and have full power and authority to convey free and clear of any Lien, the Shares set forth next to such Seller's name on Schedule 4.1, and, upon delivery of and payment for such Shares at the Closing as herein provided, each of the Sellers will convey to the Buyer good and valid title thereto, free and clear of any Lien.

4.2 Authority to Execute and Perform Agreement. Each of the Sellers has full legal right and power and all authority and approvals required to enter into, execute and deliver this Agreement and each and every agreement and instrument contemplated hereby (including, without limitation, the Escrow Agreement and the Employment Agreement to which such Seller is or will be a party) to which such Seller is or will be a party and to perform fully such Seller's obligations hereunder and thereunder. This Agreement has been duly executed and delivered by each of the Sellers, and on the Closing Date, each and every agreement and instrument contemplated hereby (including, without limitation, the Escrow Agreement and the Employment Agreement to which such Seller is or will be a party) to which each Seller is a party will be duly executed and

delivered by such Seller and (assuming due execution and delivery hereof and thereof by the other parties hereto and thereto) this Agreement and each such other agreement and instrument (including, without limitation, the Escrow Agreement and the Employment Agreement to which such Seller is or will be a party) will be valid and binding obligations of each Seller enforceable against each Seller in accordance with their respective terms. The execution and delivery by each Seller of this Agreement and each and every agreement and instrument contemplated hereby (including, without limitation, the Escrow Agreement and the Employment Agreement to which such Seller is or will be a party) to which such Seller is a party, the consummation of the transactions contemplated hereby and thereby and the performance by each Seller of this Agreement and each such other agreement and instrument (including, without limitation, the Escrow Agreement and the Employment Agreement to which such Seller is or will be a party) in accordance with their respective terms and conditions will not (a) require such Seller to obtain any consent, approval, authorization or action of, or make any filing with or give any notice to, any Governmental Body or any other person, except for the Required Consents; (b) if the Required Consents are obtained, violate, conflict with or result in the breach of any of the terms and conditions of, result in a material modification of the effect of, otherwise cause the termination of or give any other contracting party the right to terminate, or constitute (or with notice or lapse of time or both constitute) a default under, any Contract to which such Seller is a party or by or to which such Seller is or the Shares are or may be bound or subject; (c) if the Required Consents are obtained, violate any Law or Order of any Governmental Body applicable to such Seller or to the Shares; or (d) result in the creation of any Lien on the Shares.

4.3 Claims and Proceedings. There are no Claims pending, or to the knowledge of the Sellers threatened, involving, affecting or relating to the Contemplated Transactions or which would prohibit the Sellers from consummating the Contemplated Transactions nor is any basis known to the Sellers for any such actions, suit, proceeding or investigation.

4.4 Full Disclosure. To the knowledge of the Company, there is no fact that such Seller has not disclosed to the Buyer in writing that materially adversely affects the ability of such Seller to perform this Agreement.

5. Representations and Warranties of The Buyer. The Buyer represents and warrants to the Sellers as follows:

5.1 Due Incorporation and Authority. The Buyer is a corporation duly organized, validly existing and in good standing under the Laws of the State of Nevada and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being and as heretofore conducted.

5.2 Authority to Execute and Perform Agreement. The Buyer has the full legal right and power and all authority and approvals required to enter into, execute and deliver this Agreement and each and every agreement and instrument (including, without limitation, the Escrow Agreement and the Employment Agreements)

contemplated hereby to which the Buyer is or will be a party and to perform fully its obligations hereunder and thereunder. This Agreement has been duly executed and delivered by the Buyer, and on the Closing Date, each and every agreement and instrument (including, without limitation, the Escrow Agreement and the Employment Agreements) contemplated hereby to which the Buyer is a party will be duly executed and delivered by the Buyer and (assuming due execution and delivery hereof and thereof by the other parties hereto and thereto) this Agreement and each such other agreement and instrument (including, without limitation, the Escrow Agreement and the Employment Agreements) will be valid and binding obligations of the Buyer enforceable against the Buyer in accordance with their respective terms. The execution and delivery by the Buyer of this Agreement and each and every other agreement and instrument (including, without limitation, the Escrow Agreement and the Employment Agreements) contemplated hereby to which the Buyer is a party, the consummation of the transactions contemplated hereby and thereby and the performance by the Buyer of this Agreement and each such other agreement and instrument (including, without limitation, the Escrow Agreement and the Employment Agreements) in accordance with their respective terms and conditions will not (a) violate any provision of the Articles of Incorporation or By-laws (or comparable instruments) of the Buyer; (b) require the Buyer to obtain any consent, approval, authorization or action of, or make any filing with or give any notice to, any Governmental Body or any other person; (c) violate, conflict with or result in the breach of any of the terms and conditions of, result in a material modification of the effect of, otherwise cause the termination of or give any other contracting party the right to terminate, or constitute (or with notice or lapse of time or both constitute) a default under, any Contract to which the Buyer is a party or by or to which the Buyer or any of its properties is or may be bound or subject; or (d) violate any Law or Order of any Governmental Body applicable to the Buyer.

5.3 Purchase for Investment. The Buyer is purchasing the Shares for its own account for investment and not for resale or distribution.

5.4 Claims and Proceedings. There are no Claims pending, or to the knowledge of the Buyer threatened, involving, affecting or relating to the transactions contemplated in this Agreement or which would prohibit the Buyer from consummating the transactions contemplated in this Agreement nor is any basis known to the Buyer for any such actions, suit, proceeding or investigation.

6. Covenants and Agreements.

6.1 Conduct of Business; Notices.

(a) From the date hereof through the Closing Date, other than as set forth on Schedule 6.1(a), the Sellers agree that they (i) shall cause the Company to conduct its business in the ordinary course and, without the prior written consent of the Buyer, not to undertake any of the actions specified in Section 3.26; (ii) shall cause the Company to conduct its business in a manner such that the representations and warranties contained in Article 3 shall continue to be true and correct on and as of the Closing Date as if made on and as of the Closing Date; (iii) shall conduct

their affairs in a manner such that the representations and warranties contained in Article 4 shall continue to be true and correct on and as of the Closing Date as if made on and as of the Closing Date; and (iv) shall cause the Company to manage its cash balance only in the ordinary course of business including causing the payment of accounts payable and other liabilities and the collection of accounts receivable and other amounts due to the Company to be only in the ordinary course, consistent with past practice. Any deficiency in the cash balance as of the Closing Date below $75,000 shall be deemed the "Cash Shortfall" and any excess in the cash balance as of the Closing Date above $75,000 shall be deemed the "Cash Excess."

(b) The Sellers shall give the Buyer, or the Buyer shall give the Sellers, prompt notice of any event, condition or circumstance occurring from the date hereof through the Closing Date that would constitute a violation or breach of (i) any representation or warranty of any party, whether made as of the date hereof or as of the Closing Date, or (ii) any covenant of any party contained in this Agreement. The Sellers will update the Schedules to this Agreement on or prior to the Closing Date to reflect any events, conditions or circumstances occurring after the date hereof and required to be reflected on such Schedules; provided that all such updates shall be deemed not to have been made for purposes of determining whether the condition of the Buyer to complete the Closing as set forth in Section 7.1 has been satisfied.

6.2 Corporate Examinations and Investigations. Until the Closing Date, the Sellers shall permit employees and representatives of the Buyer to visit and inspect the Company and any of its foreign or domestic properties, to examine its corporate, financial and operating records and make copies thereof or abstracts therefrom, and to discuss its affairs, finances, and accounts with its directors, officers, and independent public accountants, all at such reasonable times during normal business hours and as often as may be reasonably requested upon reasonable advance notice to the Sellers, and the Sellers shall cooperate fully therewith. No investigation by the Buyer shall diminish or obviate any of the representations, warranties, covenants or agreements of the Sellers contained in this Agreement.

6.3 Publicity. The parties agree that no publicity release or announcement concerning this Agreement or the Contemplated Transactions shall be made without advance approval thereof by the Sellers and the Buyer. Nothing contained herein shall be construed to prohibit the Buyer, after the Closing, from making any publicity release or announcement concerning this Agreement or the Contemplated Transactions.

6.4 Expenses. The Buyer, on the one hand, and the Sellers, on the other, shall, except as otherwise specifically provided herein, bear their respective expenses incurred in connection with the preparation, execution and performance of this Agreement and the Contemplated Transactions, including all fees and expenses of agents, representatives, counsel and accountants; provided, however, that the fees of KPMG LLP for the audit of the Financial Statements shall be borne one-half by the Buyer and one-half by the Sellers.

6.5 Indemnification of Brokerage. Each of the Sellers represents and warrants to the Buyer that no broker, finder, agent or similar intermediary (a "Broker") has acted on behalf of the Company or the Sellers in connection with this Agreement or the Contemplated Transactions, and that there are no brokerage commissions, finder's fees or similar fees or commissions payable in connection therewith based on any agreement, arrangement or understanding with the Company or the Sellers, or any action taken by the Company or the Sellers. Each of the Sellers agrees to indemnify and hold harmless the Buyer from any Claim or demand for commission or other compensation by any Broker claiming to have been employed by or on behalf of the Company or a Seller, and to bear the cost of legal expenses incurred in defending against any such claim. The Buyer represents and warrants to the Sellers that no Broker has acted on behalf of the Buyer in connection with this Agreement or the Contemplated Transactions, and that there are no brokerage commissions, finders' fees or similar fees or commissions payable in connection therewith based on any agreement, arrangement or understanding with the Buyer, or any action taken by the Buyer. The Buyer agrees to indemnify and hold harmless the Sellers from any Claim or demand for commission or other compensation by any Broker claiming to have been employed by or on behalf of the Buyer, and to bear the cost of legal expenses incurred in defending against any such claim.

6.6 Related Parties. The Sellers shall, prior to the Closing, pay or cause to be paid to the Company, as the case may be, all amounts owed to the Company by the Sellers or any affiliate of the Sellers. At and as of the Closing, any debts of the Company owed to each of the Sellers or to any affiliate of the Sellers shall be canceled.

6.7 Required Consents. The Sellers shall, prior to the Closing, obtain or make, at their sole expense, all Required Consents and undertake all actions, incur all expenses, costs and obligations, required pursuant to the Required Consents; provided, however, that the Sellers shall not be required to provide any bonds, guarantees or other financial instruments in connection therewith or to obtain consents from the Company's customers that do not constitute Material Customers. Each of the Sellers agrees to indemnify and hold harmless the Buyer from any costs, expenses, obligations or liabilities arising in connection with or pursuant to any of the Required Consents.

6.8 Permit Transfers. The Sellers shall, at their sole expense, cause the transfer, reissuance or modification of any Permits to the extent that such is required to cause the Permits to remain in full force and effect in the possession of the Company, after the Closing. The Buyer shall cooperate with the Sellers in their efforts to cause such transfer, reissuance or modification of any Permits. Each of the Sellers agrees to bear the entire financial burden and hold harmless the Buyer for any costs, expenses, obligations or liabilities arising in connection with or pursuant to any of the above described Permit Transfers, reissuances or modifications, except as otherwise noted on Schedule 3.11.

6.9 Further Assurances. Each of the parties shall execute such documents and take such further actions as may be reasonably required to carry out the

provisions hereof and the Contemplated Transactions. Each such party shall use its or her commercially reasonable efforts to fulfill or obtain the fulfillment of the conditions to the Closing set forth in Articles 7 and 8.

6.10 Taxes; Section 338(h)(10) Election.

(a) As the only shareholders of an S corporation, the Sellers will pay and discharge and be responsible for any and all Taxes due or payable by the Sellers and by the Company for any taxable year or taxable period (or portion thereof) ending on or before the Closing Date including, without limitation, any liability that the Sellers may owe as individuals in any jurisdiction in which the Company is treated as an S corporation but excluding (i) any Tax liability included as Existing Indebtedness or in the computation of Net Working Capital Assets and (ii) any Tax liability of the Company or the Sellers attributable to any extraordinary transactions of the Company occurring after the Closing. Any income, excise and franchise taxes due or payable as a result of the Section 338(h)(10) Election (as hereinafter defined) shall be included on the Company's Tax Returns and paid by the Sellers. Sellers will also be responsible for any and all Taxes payable by the Company for any taxable period ending after the Closing Date that is attributable to the use by the Company of the cash method of accounting for any taxable period ending on or before the Closing Date, including but not limited to any remaining adjustment under Section 481(a) of the Code arising from the Company changing its method of accounting from a cash method of accounting. For purposes of this Section 6.10, and as required in connection with the Section 338(h)(10) Election, the current fiscal year of the Company will be treated as two separate tax years, one beginning on January 1, 2002 and ending on the Closing Date and the other beginning on the date after the Closing Date and ending at the end of the 2002 fiscal year of the Company. The books and records of the Company will be closed at the close of business on the Closing Date.

(b) The Buyer, the Sellers, and the Company agree to make a timely election (but in no event later than six months from the Closing Date) under Section 338(h)(10) of the Code, and also under provisions of state and local law similar to the provisions of Section 338 of the Code (including, but not limited to, Sections 338(h)(10) and 338(g) of the Code), where allowable (whether such election is made jointly by the Buyer and Sellers, or by the Company), in respect of the Contemplated Transactions (the "Section 338(h)(10) Election"), thereby causing such Contemplated Transactions to be treated as a purchase or sale of assets of the Company for federal purposes and to the extent allowed by state, local and foreign tax laws. On all returns relating to Taxes based on or measured by net income, the Sellers and the Buyer will report the transfers under this Agreement consistent with the Section 338(h)(10) Election. None of the Sellers, the Buyer or the Company will take a position on any Tax Return contrary to the Section 338(h)(10) Election unless required to do so by applicable state, local or foreign tax laws or pursuant to a determination as defined in Section 1313(a) of the Code. Each of the parties shall take any action required to effect state, local and foreign tax law conformity with application of the Section 338(h)(10) Election to the extent allowed by law.

(c) The Buyer shall determine and allocate the "aggregate deemed sales price" ("ADSP") with respect to the assets of the Company in accordance with Section 338 of the Code and the applicable Treasury Regulations promulgated thereunder or comparable provisions for state, local and foreign law (the "ADSP Allocation"). The Buyer shall forward a draft of the ADSP Allocation to the Sellers for the Sellers' consent, which consent shall not be unreasonably withheld or delayed. The Buyer and Sellers shall be bound by the ADSP Allocation for purposes of determining any Taxes; provided, that nothing contained in this Section 6.10 shall require the Buyer or the Sellers to contest or litigate in any forum any proposed deficiency or adjustment by any taxing authority or agency which may challenge any of the actions or positions taken hereunder.

6.11 Tax Return Filing.

(a) The Sellers shall prepare or cause the Company to prepare, in a manner consistent with past practices, and timely file (including extensions of time to file) all Tax Returns required to be filed by the Company, the due date of which (without extensions) occurs on or before the Closing Date and pay (i) all Taxes due with respect to any such Tax Returns (excluding (i) any Tax liability included as Existing Indebtedness or in the computation of Net Working Capital Assets and (ii) any Tax liability of the Company or the Sellers attributable to any extraordinary transactions of the Company occurring after the Closing), and (ii) all other Taxes due or claimed to be due from or with respect to the Company on or before the Closing Date.

(b) The Sellers will prepare and file, in a timely manner, any Tax Returns due to be filed by the Company after the Closing Date but relating to periods of time prior to the Closing Date, which returns shall be prepared on a basis consistent with past practices with the understanding that such Tax Returns will be subject to the consent of the Buyer prior to filing, which consent shall not be unreasonably withheld. The parties agree that it shall be reasonable for the buyer to withhold such consent with respect to any return that complies with this paragraph only if (i) such Tax Return is inconsistent with the requirements of law or (ii) any position taken on such Tax Return could have an adverse effect on the Company or the Buyer for periods ending after the Closing Date.

(c) The Sellers will take whatever action is necessary to maintain the S status of the Company for federal purposes and for the purposes of each state listed in Schedule 3.9(b) as a state in which the Company is treated as an S corporation, through the Closing Date, including as a result of the Section 338(h)(10) Election.

(d) Except in connection with the Section 338(h)(10) Election, the Sellers will not cause the Company to make any additional federal tax elections under the Code with respect to the Company for any tax period ending after the Closing Date.

6.12 Financial Statements and Other Information. Between the date hereof and the Closing, the Company shall deliver to the Buyer, in form and substance satisfactory to the Buyer, as soon as available, but in any event not later than fifteen (15) days after the end of each calendar month, the unaudited balance sheet of the Company, and the related statements of operations and cash flows for such month and for the period commencing on the first day of the fiscal year and ending on the last day of such month, all certified by an appropriate officer of the Company as presenting fairly the financial condition as of such date and results of operations and cash flows for the periods indicated in conformity with GAAP applied on a consistent basis, subject to normal year-end adjustments and the absence of footnotes required by GAAP.

6.13 Tax Audits and Other Proceedings. The Buyer, the Company and each of the Sellers shall cooperate fully, as and to the extent reasonably requested by any other party, in connection with any Tax audit, litigation or other Tax proceedings relating to the business of the Company. Such cooperation shall include the retention and, upon any other party's request, the provision of records and information reasonably relevant to any such audit, litigation or proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any records and information provided hereunder. The Buyer, the Company and each of the Sellers further agree to furnish or cause to be furnished to each other, as promptly as practicable, such information and assistance relating to the Company as is reasonably necessary to the preparation and filing of any Tax Return, claim for refund or other required or optional filings relating to Tax matters, for the preparation for and proof of facts during any Tax audit, for the preparation for any Tax protest, for the prosecution or defense of any suit or other proceeding relating to Tax matters and for the answer to any inquiry relating to Tax matters by any Governmental Body.

6.14 Access to Company Records. As may reasonably be necessary to enable the Sellers to: (i) comply with reporting, filing or other requirements imposed by any Governmental Body; (ii) assert or defend any claims or allegations in any litigation or arbitration or in any administrative or legal proceeding other than claims or allegations that the Sellers have asserted against the Buyer; or (iii) subject to clause (ii) above, perform the Sellers' obligations under this Agreement, after the Closing Date, the Buyer will provide to the Sellers and to their respective counsel and other representatives, upon request (subject to any limitations that are reasonably required to preserve any applicable attorney-client privilege or confidentiality obligation), access for inspection and copying to all relevant files and records, Permits, Contracts and any other information existing as of the Closing Date and relating to the business of the Company at any time prior to the Closing Date and will make its personnel reasonably available to provide any such necessary information. The Sellers, when requesting such information or assistance, shall reimburse the Buyer for all out-of-pocket costs and expenses incurred by the Buyer in providing such information and in rendering such assistance. The access to files, books and records contemplated by this Section 6.14 shall be during normal business hours and upon not less than five (5) business days' prior written request and shall be subject to such reasonable limitations as the Buyer may impose to preserve any confidentiality of information contained therein.

6.15 Existing Indebtedness. As of the close of business on the day prior to the Closing Date, the Buyer shall have received from the Sellers (i) a letter from the Sellers dated that same day detailing each item of Existing Indebtedness and (ii) a letter from each bank or other lending institution from whom the Company has, at that date, Existing Indebtedness of the type referred to in Section 3.29(i), stating that once such Existing Indebtedness is paid in the amounts indicated, such Existing Indebtedness and the commitments thereunder shall terminate and that any guarantees in respect of, and all Liens securing, any such Existing Indebtedness shall be released.

6.16 No Solicitation. Sellers agree that from the date hereof until termination of this Agreement, neither Sellers, the Company nor any of their respective affiliates, officers, directors, advisors or representatives shall: (i) solicit or entertain, directly or indirectly, any interest by any other party in any transaction which would involve the Company in any manner inconsistent with the purchase of the Shares by the Buyer; (ii) engage in any discussions with or provide any information to any other party related, directly or indirectly, to any possible transaction which would involve the Company in any manner inconsistent with the purchase of the Shares by the Buyer; or (iii) enter into any transaction or arrangements with any party inconsistent with the purchase of the Shares by the Buyer.

6.17 Confidentiality and Exclusivity. Buyer and Sellers agree that from the date hereof until the Closing Date, they will continue to be bound by the terms of the Mutual Nondisclosure Agreement, dated January 17, 2002, as amended on March 13, 2002, between the Buyer and the Company.

7. Conditions Precedent to the Obligation of the Buyer to Close. The obligation of the Buyer to enter into and complete the Closing is subject, at the option of the Buyer acting in accordance with the provisions of Article 12 with respect to termination of this Agreement prior to the Closing, to the fulfillment on or prior to the Closing Date of the following conditions, any one or more of which may be waived by the Buyer:

7.1 Representations and Covenants. The representations and warranties of the Sellers contained in this Agreement shall be true in all material respects on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date. The Sellers shall have performed and complied with all covenants and agreements required by this Agreement to be performed or complied with by the Sellers on or prior to the Closing Date. The Sellers shall have delivered to the Buyer a certificate, dated the date of the Closing and signed by the Sellers, to the foregoing effect.

7.2 Consents and Approvals. All Required Consents shall have been obtained and be in full force and effect, and the Buyer shall have been furnished with evidence reasonably satisfactory to it that such Required Consents have been granted and obtained.

7.3 Opinion of Counsel to the Sellers. The Buyer shall have received an opinion of Kennedy Covington Lobdell & Hickman, LLP, counsel to the

Sellers, dated the date of the Closing, addressed to the Buyer, in the form of Exhibit B hereto.

7.4 Resignations. All resignations of directors and officers of the Company shall have been delivered to the Buyer.

7.5 No Claims. No Claims shall be pending or, to the knowledge of the Buyer or the Company, threatened, before any Governmental Body to restrain or prohibit, or to obtain damages or a discovery order in respect of, this Agreement or the consummation of the Contemplated Transactions or which has had or may have, in the reasonable judgment of the Buyer, a materially adverse effect on the Condition of the Company.

7.6 Termination of Agreements. The Buyer shall have received evidence satisfactory to it of the termination of all Contracts required to be terminated pursuant to Section 6.6, or as required by Section 6.15, and of the release of any obligations under such Contracts of the Company, including, but not limited to, that certain Receivables Purchase Agreement, dated January 5, 1999, as amended, between Brentwood Service Group, Inc. doing business as Staffing Professionals Funding Group and HRMC.

7.7 Escrow Agreement. The Sellers and the Escrow Agent shall have executed and delivered the Escrow Agreement prior to the Closing.

7.8 Employment Agreements. Sandra Gilbert and Robert Gilbert, Jr. shall have each executed and delivered prior to the Closing an Employment Agreement in the form of Exhibit C hereto with the Buyer (an "Employment Agreement").

8. Conditions Precedent to the Obligation of the Sellers to Close. The obligation of the Sellers to enter into and complete the Closing is subject, at the option of the Sellers acting in accordance with the provisions of Article 12 with respect to termination of this Agreement prior to the Closing, to the fulfillment on or prior to the Closing Date of the following conditions, any one or more of which may be waived by the Sellers:

8.1 Representations and Covenants. The representations and warranties of the Buyer contained in this Agreement shall be true in all material respects on and as of the Closing with the same force and effect as though made on and as of the Closing. The Buyer shall have performed and complied with all covenants and agreements required by this Agreement to be performed or complied with by it on or prior to the Closing (including, without limitation, payment of the sums due pursuant to Section 1.2). The Buyer shall have delivered to the Sellers a certificate, dated the date of the Closing and signed by an officer of the Buyer, to the foregoing effect.

8.2 No Claims. No Claims shall be pending or, to the knowledge of the Sellers or the Company threatened, before any Governmental Body to

restrain or prohibit, or to obtain damages or a discovery order in respect of, this Agreement or the consummation of the Contemplated Transactions.

8.3 Opinion of Counsel to the Buyer. The Sellers shall have received the opinion of Paul, Weiss, Rifkind, Wharton & Garrison, counsel to the Buyer, dated the date of the Closing, addressed to the Sellers, in the form of Exhibit D hereto.

8.4 Escrow Agreement. The Buyer and the Escrow Agent shall have executed and delivered the Escrow Agreement prior to the Closing.

8.5 Employment Agreements. The Buyer shall have executed and delivered prior to the Closing an Employment Agreement with respect to each of Sandra Gilbert and Robert Gilbert, Jr.

8.6 Termination of Agreement. The Sellers shall have received evidence satisfactory to them of the termination of that certain Receivables Purchase Agreement, dated January 5, 1999, as amended, between Brentwood Service Group, Inc. doing business as Staffing Professionals Funding Group and HRMC.

9. Non-Competition.

9.1 Covenants Against Competition. Each of the Sellers acknowledges that (i) the Company is engaged in the business of recruiting and/or placing temporary and permanent nurses, allied healthcare professionals, other medical professionals and medical technicians in the United States (the "Company Business"); (ii) each of such person's relationship with the Company has given them and will continue to give them Trade Secrets of and Confidential Information concerning the Company; (iii) the agreements and covenants contained in this Article 9 are essential to protect the business and goodwill of the Company, all of the outstanding Shares of which are being purchased by the Buyer; and (iv) the Buyer would not purchase the Shares but for such agreements and covenants. Accordingly, each of the Sellers and the Buyer covenants and agrees as follows:

(a) Non-Compete.

(i) For a period of four years (with respect to the Sellers other than Suzette Marek) and two years (with respect to Suzette Marek) following the Closing (the "Restricted Period"), no Seller shall through any means, including through the so-called World-Wide-Web, Internet or any so-called "on-line" service or other electronic media, directly or indirectly, (x) engage in the Company Business for their own account; (y) except as agreed to in writing by the Buyer or as provided by an Employment Agreement, render any services to any person engaged in such activities; or (z) become interested in any such person in any capacity, including as a partner, shareholder, principal, agent, trustee or consultant; provided, however, each of the Sellers may own, directly or indirectly, solely as an investment, securities of any person traded on any national securities exchange or listed on a national quotation system if a Seller is not a controlling person of, or a member of a group which controls, such

person and does not, directly or indirectly, own 1% or more of any class of securities of such person.

(ii) As used herein, "Internet" shall mean the computer-generated, computer-mediated, or computer-assisted transmission, reception, recordation or display arising from any network or other connection of instruments or devices now known or hereafter invented capable of transmission, reception, recordation and/or display (such instruments or devices to include, without limitation, computers, laptops, cellular or PCS telephones, pagers, PDAs, wireless transmitters or receivers, modems, radios, televisions, satellite receivers, cable networks, smart cards, and set-top boxes).

(b) Confidential Information; Personal Relationships. Each of the Sellers promises and agrees that, either during the Restricted Period or at any time thereafter, such Seller will not disclose to any person not employed by the Company or not engaged to render services to the Company, and that such Seller will not use for the benefit of such Seller or others, any Confidential Information or Trade Secrets of the Company and other affiliates obtained by such Seller; provided, however, that this provision shall not preclude any Seller from using or disclosing information if (i) use or disclosure of such information shall be required by applicable Law or Order of any Governmental Body or (ii) such information is readily ascertainable, now or hereafter, from public or published information or trade sources or otherwise known generally to the public (other than information known generally to the public as a result of a violation of this Section 9.1 by such Seller).

(c) Property of the Company. All memoranda, notes, lists, records and other documents (and all copies thereof), including such items stored in computer memories, on microfiche or by any other means, made or compiled by or on behalf of the Sellers, or made available to the Sellers relating to the Company, are and shall be the property of the Company, and shall be delivered to the Company promptly after the Closing or at any other time on request.

(d) Employees of the Company. Except as agreed to in writing by the Buyer and the Sellers, during the Restricted Period, the Sellers shall not, directly or indirectly, hire or solicit any Employee or encourage any such Employee to leave such employment.

9.2 Rights and Remedies Upon Breach. If any Seller breaches, or threatens to commit a breach of, any of the provisions of Section 9.1 (the "Restrictive Covenants"), the Buyer and the Company shall have the following rights and remedies, each of which rights and remedies shall be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to the Buyer and the Company under Law or in equity:

(a) Specific Performance. The right and remedy to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive

Covenants would cause irreparable injury to the Buyer and the Company and that money damages would not provide an adequate remedy to the Buyer and the Company.

(b) Accounting. The right and remedy to require the breaching Seller to account for and pay over to the Buyer or the Company, all compensation, profits, monies, accruals, increments or other benefits derived or received by the Seller as the result of any transactions by the Seller constituting a breach of the Restrictive Covenants.

9.3 Severability of Covenants. Each of the Sellers acknowledges and agrees that, as to such Seller, the Restrictive Covenants are reasonable and valid in geographical and temporal scope and in all other respects. If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable as to any Seller, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect as to that Seller, without regard to the invalid portions.

9.4 Blue-Pencilling. If any court determines that any of the Restrictive Covenants, or any part thereof, is unenforceable as to any Seller because of the duration or geographic scope of such provision, such court shall have the power to reduce the duration or scope of such provision, as the case may be, as to such Seller, and, in its reduced form, such provision shall then be enforceable.

9.5 Enforceability in Jurisdictions. The Buyer and the Sellers intend to and hereby confer jurisdiction to enforce the Restrictive Covenants upon the courts of any jurisdiction within the geographical scope of the Restrictive Covenants. If the courts of any one or more of such jurisdictions hold the Restrictive Covenants unenforceable by reason of the breadth of such scope or otherwise, it is the intention of the Buyer and the Sellers that such determination not bar or in any way affect the Buyer's or the Company's right to the relief provided above in the courts of any other jurisdiction within the geographical scope of the Restrictive Covenants, as to breaches of the Restrictive Covenants in such other respective jurisdictions, the Restrictive Covenants as they relate to each jurisdiction being, for this purpose, severable into diverse and independent covenants.

10. Survival of Representations and Warranties of the Sellers After Closing. Notwithstanding any right of the Buyer to investigate fully the affairs of the Company and notwithstanding any knowledge of facts determined or determinable by the Buyer pursuant to such investigation or right of investigation, the Buyer has the right to rely fully upon the representations, warranties, covenants and agreements of the Sellers contained in this Agreement or in any other agreements or certificates delivered at the Closing pursuant to this Agreement. All such representations, warranties, covenants and agreements shall survive the execution and delivery of this Agreement and the Closing hereunder. Except for those representations and warranties in Sections 3.4, 3.5, 3.9, 3.29, 4.1, 6.5, 6.10 and 6.11 (all of which representations and warranties shall survive without limitation), all representations and warranties of each Seller contained in this Agreement shall terminate and expire (a) eighteen (18) months after the Closing Date, with respect to

any General Claim or Safety and Environmental Claim based upon, arising out of or otherwise in respect of any fact, circumstance or Claim of which the Buyer prior to that date shall not have given written notice to the Sellers as provided in Section 11.4 below; (b) with respect to any Tax Claim, on the later of (i) the date upon which the liability to which any such Tax Claim may relate is barred by all applicable statutes of limitations and (ii) the date upon which any claim for refund or credit related to such Tax Claim is barred by all applicable statutes of limitations; and (c) with respect to any ERISA Claim, on the date upon which the liability to which any such ERISA Claim may relate is barred by all applicable statutes of limitations. With respect to the representations and warranties contained in Article 4 being made by the Sellers, other than Suzette Marek, such representations shall be deemed made only with respect to such Sellers, and not Suzette Marek, and with respect to those representations and warranties being made by Suzette Marek, such representations and warranties shall be deemed made only with respect to Suzette Marek, and not the other Sellers.

11. General Indemnification.

11.1 Obligation of the Sellers to Indemnify. Subject to the limitations contained in Article 10 and Section 11.5, the Sellers (other than Suzette Marek) agree, jointly and severally among such Sellers, and Suzette Marek agrees, severally (but not jointly), to indemnify, defend and hold harmless the Buyer (and its directors, officers, employees, affiliates, successors and assigns) from and against all Claims, losses, liabilities, damages, deficiencies, judgments, assessments, fines, settlements, costs or expenses (including interest, penalties and fees, reasonable expenses and disbursements of attorneys, experts, personnel and consultants incurred by the indemnified party in any action or proceeding between the Indemnifying Party and the indemnified party or between the indemnified party and any third party, or otherwise) ("Losses") based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of any representation, warranty, covenant or agreement of the Sellers contained in this Agreement or in any other agreements or certificates delivered at the Closing by the Sellers pursuant to this Agreement.

11.2 Supplemental Tax Indemnification. The Sellers agree, jointly and severally, to indemnify the Buyer (i) for all Taxes which the Sellers are responsible to pay pursuant to Section 6.10 and Section 6.11 hereof and (ii) for any liability (regardless of when such liability is payable) for any Taxes imposed on the Company pursuant to federal, state, local or foreign law attributable to any periods ending on or before the Closing Date (or for the portion of any period up through the Closing Date to the extent a period does not close on such date), excluding (i) any Tax liability included as Existing Indebtedness or in the computation of Net Working Capital Assets or (ii) any Tax liability of the Company or the Sellers attributable to any extraordinary transactions of the Company occurring after the Closing. Any indemnity payments to or from the Sellers or to or from the Buyer pursuant to this Agreement, whether under this Section 11.2 or otherwise, shall be treated by the Buyer and the Sellers as purchase price adjustments for all tax purposes. All indemnification obligations set forth in this Section 11.2 shall be treated as Tax Claims for purposes of the survival provisions of Section 10.

11.3 Obligation of the Buyer to Indemnify. The Buyer agrees to indemnify, defend and hold harmless the Sellers from and against all Losses based upon, arising out of or otherwise in respect of (i) any inaccuracy in or any breach of any representation, warranty, covenant or agreement of the Buyer contained in this Agreement or in any documents delivered by the Buyer pursuant to this Agreement, (ii) claims arising from the operation of the business of the Company after the Closing Date that are not based upon, related to or arise from any breach of any representation, warranty or covenant of the Sellers in this Agreement and (iii) any claims asserted against any Seller, as guarantor, with respect to any period from and after the Closing Date by The Lake Norman Company, Inc. under its Office Lease, dated June 6, 2001, with the Company.

11.4 Notice and Opportunity to Defend.

(a) Notice of Asserted Liability. The party making a claim under this Article 11 is referred to as the "Indemnitee," and the party against whom such claims are asserted under this Article 11 is referred to as the "Indemnifying Party." All claims by any Indemnitee under this Article 11 shall be asserted and resolved as follows: Promptly after receipt by the Indemnitee of notice of any Claim or circumstances which, with the lapse of time, would or might give rise to a Claim or the commencement (or threatened commencement) of a Claim including any action, proceeding or investigation (an "Asserted Liability") that may result in a Loss, the Indemnitee shall give notice thereof (the "Claims Notice") to the Indemnifying Party. The Claims Notice shall describe the Asserted Liability in reasonable detail, and shall indicate the amount (estimated, if necessary and to the extent feasible) of the Loss that has been or may be suffered by the Indemnitee. The omission of any Indemnitee to so notify the Indemnifying Party of any such Claims Notice shall not relieve the Indemnifying Party from any liability which it may have to such Indemnitee unless, and only to the extent that, such omission results in the Indemnifying Party's forfeiture of substantive rights or defenses or otherwise materially prejudices the Indemnifying Party's defense of the Claim.

(b) Opportunity to Defend.

(i) The Indemnifying Party may elect to compromise or defend, at such party's own expense and by such party's own counsel, any Asserted Liability, except any Asserted Liability by any customer of the Company with respect to the business conducted by the Company prior to the Closing, which shall be subject to Section 11.4(b)(ii). If the Indemnifying Party elects to compromise or defend such Asserted Liability, it shall within 30 days (or sooner, if the nature of the Asserted Liability so requires) notify the Indemnitee of such party's intent to do so, and the Indemnitee shall cooperate, at the expense of the Indemnifying Party, in the compromise of, or defense against, such Asserted Liability. If the Indemnifying Party elects not to compromise or defend the Asserted Liability, fails to notify the Indemnitee of such party's election as herein provided or contests such party's obligation to indemnify under this Agreement, the Indemnitee may pay, compromise or defend such

Asserted Liability. Notwithstanding the foregoing, neither the Indemnifying Party nor the Indemnitee may settle or compromise any Asserted Liability over the objection of the other; provided, however, consent to settlement or compromise shall not be unreasonably withheld. In any event, the Indemnitee and the Indemnifying Party may participate, at their own expense, in the defense of such Asserted Liability. If the Indemnifying Party chooses to defend any Asserted Liability, the Indemnitee shall make available to the Indemnifying Party any books, records or other documents within such party's control that are necessary or appropriate for such defense.

(ii) Notwithstanding anything to the contrary in Section 11.4(b)(i), in the case of any Asserted Liability by any customer of the Company with respect to the business conducted by the Company prior to the Closing in connection with which the Buyer may make a claim against the Sellers for indemnification pursuant to Section 11.1, the Buyer shall have the exclusive right at its option to defend any such Asserted Liability, subject to the duty of the Buyer to consult with the Indemnifying Party and such party's attorneys in connection with such defense and provided that no such Asserted Liability shall be compromised or settled by the Buyer without the prior consent of the Indemnifying Party, which consent shall not be unreasonably withheld. The Indemnifying Party shall have the right to recommend in good faith to the Buyer proposals to compromise or settle Asserted Liabilities brought by a supplier, distributor, sales agent or customer, and the Buyer agrees to present such proposed compromises or settlements to such supplier, distributor or customer. All amounts required to be paid in connection with any such Asserted Liability pursuant to the determination of any Governmental Body, and all amounts required to be paid in connection with any such compromise or settlement consented to by the Indemnifying Party, shall be borne and paid by the Indemnifying Party. The parties agree to cooperate fully with one another in the defense, compromise or settlement of any such Asserted Liability.

11.5 Scope of Indemnification. The indemnification provided for in Section 11.1 shall be subject to the following limitations:

(a) The Sellers shall not be obligated to pay any amounts for indemnification under Section 11.1 until the aggregate amounts claimed for indemnification for breaches of representations and warranties under Section 11.1, equal or exceed $75,000 (the "Basket Amount"), whereupon the Sellers shall be obligated to pay in full all such amounts for such indemnification in excess of the Basket Amount. The Sellers' liability for Losses referred to in Section 11.1 or 11.2 shall first be satisfied from the Escrow Account and any remaining, or unsatisfied, Losses referred to in Section 11.1 or 11.2 shall be the obligation of the Sellers.

(b) Notwithstanding anything to the contrary stated herein, in no event shall (i) the Sellers (other than Suzette Marek) be collectively obligated to pay for indemnification under Section 11.1 an aggregate amount in excess of the aggregate amounts paid to the Sellers (other than Suzette Marek) pursuant to

Section 1.2(a) of this Agreement and (ii) Suzette Marek be obligated to pay for indemnification under Section 11.1 in an aggregate amount exceeding the Purchase Price paid to her pursuant to Section 1.2(b).

(c) Notwithstanding anything to the contrary stated herein, the limitation of the Sellers' liability under this Agreement set out above at Sections 11.5(a) and (b) shall not limit the obligation of the Sellers to make payments for indemnification under this Article 11 if the losses giving rise to claims for indemnification (A) arise from any representations and warranties which are incorrect or breached due to fraud by the Sellers or (B) arise from inaccuracies or breaches of the representations and warranties of the Sellers contained in Sections 3.1, 3.2, 3.4, 3.5, 3.9, 3.22, 3.29, 4.1, 4.2, 6.5, 6.10 and 6.11.

(d) Any amounts that the Buyer is otherwise required to remit to the Sellers under Section 11.4 may be offset and reduced by any amounts owing from the Sellers to the Buyer with respect to Claims for indemnification under Sections 11.1 or 11.2.

11.6 Exercise of Right to Offset. The parties may exercise any right to offset available to them in this Agreement only after the delivery to the other party of prompt written notice of the intent to exercise such right, which written notice shall be accompanied by reasonable supporting documentation of any amounts to be offset.

11.7 Indemnification Obligation is Net of Insurance. With respect to each claim of indemnification under this Article 11, the amount of indemnification shall be net of any recovery by the indemnified party with respect to such claim under any insurance policy; provided that, if such indemnification is reasonably expected to have an adverse effect on the Buyer's premiums, indemnification shall include the present value of any increase reasonably determined by the Buyer to result from such claim.

11.8 Indemnification Sole Remedy. After the Closing Date, except as provided in Section 1.2(e), indemnification pursuant to this Article 11 shall be the sole and exclusive remedy of any party for breach of any representation, warranty or covenant in this Agreement (other than those found in Article 9), except with regard to any fraudulent misrepresentations or other fraudulent acts of the other party or parties.

12. Termination of Agreement.

12.1 Termination. This Agreement may be terminated prior to the Closing as follows:

(a) at the election of the Sellers, acting jointly, if any one or more of the conditions to the obligation of the Sellers to close set forth in Article 8 has not been fulfilled as of the scheduled Closing Date;

(b) at the election of the Buyer, if any one or more of the conditions to the obligation of the Buyer to close set forth in Article 7 has not been fulfilled as of the scheduled Closing Date;

(c) at the election of the Sellers, acting jointly, if the Buyer has breached any material representation, warranty, covenant or agreement contained in this Agreement, which breach cannot be or is not cured by the Closing Date; provided; however, that with respect to breaches which are capable of being cured, the Sellers may not terminate this Agreement as a result of any such breach unless prior to the Closing Date the Sellers notify the Buyer of such breach and such breach remains uncured for a period of 5 days following such notice;

(d) at the election of the Buyer, if any of the Sellers has breached any material representation, warranty, covenant or agreement contained in this Agreement, which breach cannot be or is not cured by the Closing Date; provided, however, that with respect to breaches which are capable of being cured, the Buyer may not terminate this Agreement as a result of any such breach unless prior to the Closing Date the Buyer notifies the Sellers of such breach and such breach remains uncured for a period of 5 days following such notice;

(e) at any time on or prior to the Closing Date, by mutual written consent of the Sellers, acting jointly, and the Buyer; or

(f) at the election of the Sellers, or the Buyer, if the Closing has not occurred on or before May 15, 2002; provided, however, that the right to terminate this Agreement under this Section 12.1(f) shall not be available to any party whose intentional or willful action or inaction after the date hereof or whose intentional or willful failure after the date hereof to fulfill any obligation or condition under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before such date.

If this Agreement so terminates, it shall become null and void and have no further force or effect, except as provided in Section 12.2.

12.2 Survival After Termination. If this Agreement terminates pursuant to Section 12.1 and the Contemplated Transactions are not consummated, this Agreement shall become null and void and have no further force or effect, except that any such termination shall be without prejudice to the rights of any party on account of the nonsatisfaction of the conditions set forth in Articles 7 and 8 resulting from the intentional or willful breach or violation of the representations, warranties, covenants or agreements of another party under this Agreement. Notwithstanding anything in this Agreement to the contrary, the provisions of Sections 6.3, 6.4, 6.5 and 6.17, this Section 12.2 and Article 13 shall survive any termination of this Agreement.

13. Miscellaneous.

13.1 Certain Definitions.

(a) As used in this Agreement, the following terms have the following meanings:

"affiliate" means, with respect to any person, any other person controlling, controlled by or under common control with, or the parents, spouse, lineal descendants or beneficiaries of, such person.

"Benefit Plan" means any employee benefit plan, arrangement, policy or commitment (whether or not an employee benefit plan within the meaning of section 3(3) of ERISA), including any employment or individual consulting agreements for personal services, or deferred compensation agreement, executive compensation, bonus, incentive, pension, profit-sharing, savings, retirement, stock option, stock purchase or severance pay plan, any life, health, disability or accident insurance plan or any holiday or vacation practice, as to which the Company, or any Commonly Controlled Entity has or in the future is likely to have any direct or indirect, actual or contingent material liability.

"COBRA" means the provisions of Code section 4980B and Part 6 of Subtitle B of Title I of ERISA.

"Commonly Controlled Entity" means any entity which is under common control with the Company within the meaning of Code section 414(b), (c), (m), (o) or (t).

"Confidential Information" means any information other than Trade Secrets that is not generally available to the public and that is treated as confidential or proprietary by the Company.

"DOL" means the United States Department of Labor.

"Employee" means any individual employed by the Company.

"Environment" means navigable waters, waters of the contiguous zone, ocean waters, natural resources, surface waters, ground water, drinking water supply, land surface, subsurface strata, ambient air, both inside and outside of buildings and structures, man-made buildings and structures, and plant and animal life on earth.

"Environmental Claim" means any notification, whether direct or indirect, formal or informal, written or oral, pursuant to Safety and Environmental Laws or principles of common law relating to pollution, protection of the Environment or health and safety, that any of the current or past operations of the Company, or any by-product thereof, or any of the property currently or formerly owned, leased or operated by the Company, or the operations or property of any predecessor of the Company, is or may be implicated in or subject to any Claim, Order, hearing, notice, agreement or evaluation by any Governmental Body or any other person.

"Environmental Compliance Costs" means any expenditures, costs, assessments or expenses (including any expenditures, costs, assessments or expenses in connection with the conduct of any Remedial Action, as well as reasonable fees, disbursements and expenses of attorneys, experts, personnel and consultants), whether direct or indirect, necessary to cause the operations, real property, assets, equipment or facilities owned, leased, operated or used by the Company to be in material compliance with any and all requirements, as in effect at the Closing Date, of Safety and Environmental Laws, principles of common law concerning pollution, protection of the Environment or health and safety, or Permits issued pursuant to Safety and Environmental Laws; provided, however, that Environmental Compliance Costs do not include expenditures, costs, assessments or expenses necessary in connection with normal maintenance of such real property, assets, equipment or facilities or the replacement of equipment in the normal course of events due to ordinary wear and tear.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Claim" means any claim based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of representation or warranty of the Sellers contained in Section 3.22.

"GAAP" means generally accepted accounting principles in the United States.

"General Claim" means any claim (other than a Tax Claim, a Safety and Environmental Claim or an ERISA Claim) based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of any representation or warranty of the Sellers contained in this Agreement.

"Hazardous Substance" means any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or waste, petroleum or petroleum-derived substance or waste, radioactive substance or waste, or any constituent of any such substance or waste, or any other substance regulated under or defined by any Safety and Environmental Law.

"IRS" means the Internal Revenue Service.

"knowledge of the Company" or any variant thereof means the knowledge of any of the Sellers or Kevin Hindsman, Robert Loe or Kelly Moser.

"Lien" means any lien, pledge, mortgage, deed of trust, security interest, claim, lease, license, charge, option, right of first refusal, easement, servitude, or similar encumbrance to title.

"Net Working Capital Assets" means, at any date, the difference between (A) all assets of the Company that are classified as current assets (other than deferred taxes), less all non-operating and non-recurring assets of the Company (including,

without limitation, cash, intercompany accounts, and accounts receivables from shareholders) minus (B) all liabilities of the Company that are classified as current liabilities, less all non-operating and non-recurring liabilities of the Company (including, without limitation, Taxes (other than payroll Taxes), deferred Taxes, bonus accruals, loans and lines of credit payable, intercompany accounts, notes payable to shareholders and accruals for management fees), all as calculated in accordance with GAAP. Any item included as a component of Indebtedness pursuant to Section 3.29 shall not be included in the computation of Net Working Capital Assets.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Pension Plan" means any Benefit Plan which is a pension plan within the meaning of ERISA section 3(2) (regardless of whether the plan is covered by ERISA).

"person" means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Body or other entity.

"property" or "properties" means real, personal or mixed property, tangible or intangible.

"Purchase Price" means the aggregate amount paid by the Buyer to the Sellers for the Shares, as calculated in accordance with Sections 1.2(a) and (b).

"Release" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into or through the indoor or outdoor Environment or into, through or out of any property, including the movement of Hazardous Substances through or in the air, soil, surface water, ground water or property.

"Remedial Action" means all actions, whether voluntary or involuntary, reasonably necessary to materially comply with, or discharge any obligation under, Safety and Environmental Laws to (i) clean up, remove, treat, cover or in any other way adjust Hazardous Substances in the indoor or outdoor Environment; (ii) prevent or control the Release of Hazardous Substances so that they do not migrate or endanger or threaten to endanger public health or welfare or the Environment; or (iii) perform remedial studies, investigations, restoration and post-remedial studies, investigations and monitoring on, about or in any real property.

"Retiree Welfare Plan" means any Welfare Plan that provides benefits to current or former Employees beyond their retirement or other termination of service (other than coverage mandated by COBRA, the cost of which is fully paid by the current or former Employee or his or her dependents) or any applicable state law.

"Safety and Environmental Claim" means any claim based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of any representation or warranty of the Sellers contained in this Agreement related to Safety and Environmental Laws.

"Safety and Environmental Laws" means all Laws and Orders relating to pollution, protection of the Environment, public or worker health and safety, or the emission, discharge, Release or threatened Release of Hazardous Substances into the Environment or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances including the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., the Federal Water Pollution Control Act, 33 U.S.C. Section 1251 et seq., the Clean Air Act, 42 U.S.C. Section 7401 et seq., the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. Section 121 et seq., the Occupational Safety and Health Act, 29 U.S.C. Section 651 et seq., the Asbestos Hazard Emergency Response Act, 15 U.S.C. Section 2601 et seq., the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq., the Oil Pollution Act of 1990, 33 U.S.C. Section 2701 et seq., and analogous state acts.

"Tax Claim" means any claim based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of any representation or warranty of the Sellers contained in this Agreement related to Taxes.

"Trade Secrets" means any trade secrets, research records, processes, procedures, manufacturing formulae, technical know-how, technology, blue prints, designs, plans, inventions (whether patentable and whether reduced to practice), invention disclosures and improvements thereto.

"Welfare Plan" means any Benefit Plan which is a welfare plan within the meaning of ERISA section 3(1) (regardless of whether the plan is covered by ERISA).

The following capitalized terms are defined in the following Sections of this Agreement:

Term	Section
ADSP	6.10(c)
ADSP Allocation	6.10(c)
Agreement	Preamble
Asserted Liability	11.4(a)
Balance Sheet	3.7(a)
Balance Sheet Date	3.7(a)
Basket Amount	11.5(a)
Broker	6.5
Buyer	Preamble
Cash Excess	6.1(a)
Cash Shortfall	6.1(a)
Claims	3.14
Claims Notice	11.4(a)
Closing	1.1

Term	Section
Closing Balance Sheet	1.2(e)
Closing Date	2
Code	3.9(f)
Common Stock	3.4
Company	Preamble
Company Business	9.1
Condition of the Company	3.3
Contemplated Transactions	3.9(p)
Contracts	3.12
Employment Agreements	7.8
Escrow Account	1.2(c)
Escrow Agent	1.2(c)
Escrow Agreement	1.2(c)
Existing Indebtedness	3.29
Financial Statements	3.7(a)
Governmental Bodies	3.10
HRMC	Preamble
Indemnifying Party	11.4(a)
Indemnitee	11.4(a)
Intellectual Property	3.18
Internet	9.1(a)
Laws	3.10
Leased Real Property	3.16(b)
Liabilities	3.20
Losses	11.1
Material Customers	3.21(a)
Orders	3.10
Permits	3.11
Preliminary Balance Sheet	1.2(d)
Real Property Leases	3.16(b)
Required Consents	3.12
Restricted Period	9.1(a)
Restrictive Covenants	9.2
Section 338(h)(10) Election	6.10(b)
Seller	Preamble
Sellers	Preamble
Sellers' Dispute Report	1.2(e)
Shares	Preamble
Software	3.18
Subsidiaries	3.2
Tangible Property	3.17
Tax Returns	3.9(c)
Taxes	3.9(a)

13.2 Consent to Jurisdiction and Service of Process. Any Claim arising out of or relating to this Agreement or the Contemplated Transactions shall be instituted exclusively in any Federal court of the Southern District of New York or any state court located in New York County, State of New York, and each party agrees not to assert, by way of motion, as a defense or otherwise, in any such Claim, any Claim that it is not subject personally to the jurisdiction of such court, that the Claim is brought in an inconvenient forum, that the venue of the Claim is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court. Each party further irrevocably submits to the jurisdiction of such court in any such Claim. Any and all service of process and any other notice in any such Claim shall be effective against any party if given personally or by registered or certified mail, return receipt requested, or by any other means of mail that requires a signed receipt, postage prepaid, mailed to such party as herein provided. Nothing herein contained shall be deemed to affect the right of any party to serve process in any manner permitted by law or to commence legal proceedings or otherwise proceed against any other party in any other jurisdiction.

13.3 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, sent by overnight courier service for next day delivery, if a facsimile number is provided below, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally, or, if sent by overnight courier service, one business day after delivery of such notice into the custody and control of an overnight courier service or, if permitted hereunder, sent by facsimile transmission or, if mailed, five days after the date of deposit in the United States mails, as follows:

(i) if to the Buyer, to:

AMN Healthcare, Inc.
12235 El Camino Real, Suite 200
San Diego, California 92130
Attention: Steven C. Francis, President and
Chief Executive Officer
Facsimile: (858) 792-0299

with copies to:

AMN Healthcare, Inc.
12235 El Camino Real, Suite 200
San Diego, California 92130
Attention: Denise Jackson, General Counsel
Facsimile: (866) 893-0682

and

Paul, Weiss, Rifkind, Wharton & Garrison
1285 Avenue of the Americas
New York, New York 10019-6064
Attention: John C. Kennedy, Esq.
Facsimile: (212) 757-3990

(ii) if to the Sellers, to:
Ms. Sandra Gilbert
1926 Marsh Oak Lane
Johns Island, South Carolina 29455

Mr. Robert Gilbert, Jr.
1926 Marsh Oak Lane
Johns Island, South Carolina 29455

Ms. Suzette Marek
3635 Foxboro Lane, NE
Hickory, North Carolina 28601

Mr. Robert Gilbert, III
6 Exchange Street
Charleston, South Carolina 29401

Mr. Benjamin Gilbert
181 St. Botolph Street, #3
Boston, Massachusetts 02115

with a copy to:

Kennedy Covington Lobdell & Hickman, LLP
Bank of America Corporate Center
42nd Floor
100 North Tryon Street
Charlotte, North Carolina 28202
Attention: Stephen K. Rhyne, Esq.

Any party may by notice given in accordance with this Section to the other parties designate another address or person for receipt of notices hereunder.

13.4 Entire Agreement. This Agreement (including the Exhibits and Schedules and the Non-Disclosure Agreement referred to in Section 6.17) and any

collateral agreements executed in connection with the consummation of the Contemplated Transactions contain the entire agreement among the parties with respect to the purchase of the Shares and supersede all prior agreements, written or oral, with respect thereto.

13.5 Waivers and Amendments; Non-Contractual Remedies; Preservation of Remedies. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by the Buyer and each of the Sellers or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies that any party may otherwise have at law or in equity. The rights and remedies of any party based upon, arising out of or otherwise in respect of any inaccuracy in or breach of any representation, warranty, covenant or agreement contained in this Agreement or any documents delivered pursuant to this Agreement shall in no way be limited by the fact that the act, omission, occurrence or other state of facts upon which any claim of any such inaccuracy or breach is based may also be the subject matter of any other representation, warranty, covenant or agreement contained in this Agreement or any documents delivered pursuant to this Agreement (or in any other agreement between the parties) as to which there is no inaccuracy or breach.

13.6 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely within such State.

13.7 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and legal representatives. This Agreement is not assignable except by operation of law, except that the Buyer may assign its rights hereunder to any of its affiliates, to any successor to all or substantially all of its business or assets, or to any bank or other financial institution that may provide financing for the Contemplated Transactions.

13.8 Usage. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require. All terms defined in this Agreement in their singular or plural forms have correlative meanings when used herein in their plural or singular forms, respectively. Unless otherwise expressly provided, the words "include," "includes" and "including" do not limit the preceding words or terms and shall be deemed to be followed by the words "without limitation."

13.9 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same

instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all of the parties hereto.

13.10 Exhibits and Schedules. The Exhibits and Schedules are a part of this Agreement as if fully set forth herein and all references to this Agreement shall be deemed to include the Exhibits and Schedules. All references herein to Sections, Exhibits and Schedules shall be deemed references to such parts of this Agreement, unless the context shall otherwise require.

13.11 Headings. The headings in this Agreement are for reference only, and shall not affect the interpretation of this Agreement.

13.12 Severability of Provisions.

(a) If any provision or any portion of any provision of this Agreement shall be held invalid or unenforceable, the remaining portion of such provision and the remaining provisions of this Agreement shall not be affected thereby.

(b) If the application of any provision or any portion of any provision of this Agreement to any person or circumstance shall be held invalid or unenforceable, the application of such provision or portion of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby.

13.13 No Third Party Beneficiaries. No provision of this Agreement is intended to, or shall, confer any third-party beneficiary or other rights or remedies upon any person other than the parties hereto.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Stock Purchase Agreement as of the date first above written.

AMN HEALTHCARE, INC.

By /s/ Steven Francis

Name: Steven Francis
Title: President and Chief Executive Officer

/s/ Sandra Gilbert

Sandra Gilbert

/s/ Robert Gilbert, Jr.

Robert Gilbert, Jr.

/s/ Suzette Marek

Suzette Marek

/s/ Robert Gilbert, III

Robert Gilbert, III

/s/ Benjamin Gilbert

Benjamin Gilbert

EBS
- --------------
EXECUTIVE
- --------------
BENEFIT
- --------------
SERVICES
- --------------

THE EXECUTIVE NONQUALIFIED EXCESS PLAN
PLAN DOCUMENT

434 FAYETTEVILLE STREET, SUITE 1160
RALEIGH, NC 27601

TABLE OF CONTENTS

THE EXECUTIVE NONQUALIFIED EXCESS PLAN

THE EXECUTIVE NONQUALIFIED EXCESS PLAN

SECTION 1. PURPOSE:

By execution of the Adoption Agreement, the Employer has adopted the Plan set forth herein to provide a means by which certain management Employees and Independent Contractors of the Employer may elect to defer receipt of current Compensation from the Employer in order to provide Retirement and other benefits on behalf of such Employees and Independent Contractors. The Plan is not intended to be a tax-qualified retirement plan under Section 401(a) of the Internal Revenue Code (the "Code"). The Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation benefits for a select group of management or highly compensated Employees under Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974.

SECTION 2. DEFINITIONS:

As used in the Plan, including this Section 2, references to one gender shall include the other and, unless otherwise indicated by the context:

2.1 "ACCRUED BENEFIT" shall mean, with respect to each Participant, the balance credited to his Deferred Compensation Account.

2.2 "ACTIVE PARTICIPANT" shall mean, with respect to any day or date, a Participant who is in Service on such day or date; provided, that a Participant who is in Service shall cease to be an Active Participant immediately upon a determination by the Committee that the Participant has ceased to be an Employee or Independent Contractor.

2.3 "ADOPTION AGREEMENT" shall mean the written agreement pursuant to which the Employer adopts the Plan. The Adoption Agreement is a part of the Plan as applied to the Employer.

2.4 "ADJUSTMENT DATE" shall mean the date designated in the Adoption Agreement for crediting the amount of any Salary Deferral Credits, Employer Matching Credits and Employer Performance Incentive Credits to each Deferred Compensation Account.

2.5 "BENEFICIARY" shall mean the person, persons, entity or entities designated or determined pursuant to the provisions of Section 13 of the Plan.

2.6 "BOARD" shall mean the Board of Directors of the Employer, if the Employer is a corporation. If the Employer is not a corporation, "Board" shall mean the Employer.

2.7 "COLLEGE EDUCATION ACCOUNT" shall mean the separate account to be kept for each Participant and to be divided into one or more Dependent Subaccounts, as described in Section 5.4.

2.8 "COMMITTEE" shall mean the administrative committee provided for in Section 9.

2.9 "COMPENSATION" shall have the meaning designated in the Adoption Agreement.

2.10 "DEFERRED COMPENSATION ACCOUNT" shall mean the separate account to be kept for each Participant, as described in Sections 3 and 8. To the extent applicable, the Deferred Compensation Account may be credited with Salary Deferral Credits, Employer Matching Credits and Employer Performance Incentive Credits.

2.11 "DEPENDENT SUBACCOUNT" shall mean each separate subaccount to be kept for each Participant as part of his College Education Account, as described in Section 5.4. To the extent applicable, each Dependent Subaccount may be credited with Salary Deferral Credits, Employer Matching Credits, and Employer Performance Incentive Credits.

2.12 "DISABILITY" shall mean the inability of a Participant to perform his regular duties with the Employer or any other duties which the Employer is willing to assign to him by reason of any medically determinable physical or mental impairment that can be expected to result in death or to be of long continued or indefinite duration. The determination of the existence or nonexistence of Disability shall be made by the Committee in a nondiscriminatory manner pursuant to an examination by a medical doctor selected or approved by the Committee.

2.13 "EFFECTIVE DATE" shall be the date designated in the Adoption Agreement as of which the Plan first becomes effective.

2.14 "ELIGIBLE DEPENDENT" shall mean any child (including any legally adopted child) of a Participant who has not attained age 18 and who the Participant designates as an Eligible Dependent in his Salary Deferral Agreement; provided, however, that the Committee in its discretion may approve the designation of an individual other than the child of a Participant as an Eligible Dependent.

2.15 "EMPLOYEE" shall mean an individual in the Service of the Employer if the relationship between the individual and the Employer is the legal relationship of employer and employee and if the individual is a highly compensated or management employee of the Employer. An individual shall cease to be an Employee

upon the first to occur of the following: (i) the Employee's termination of Service; or (ii) a determination by the Committee that the Employee no longer meets the eligibility requirements for participation in the Plan.

2.16 "EMPLOYER" shall mean the Employer identified in the Adoption Agreement, and any Participating Employer which adopts this Plan. The Employer may be a corporation, a partnership or sole proprietorship. All references herein to the Employer shall be applied separately to each such Employer as if the Plan were solely the Plan of that Employer.

2.17 "EMPLOYER MATCHING CREDITS" shall mean the amounts credited to the Participant's Deferred Compensation Account by the Employer pursuant to the provisions of Section 3.2.

2.18 "EMPLOYER PERFORMANCE INCENTIVE CREDITS" shall mean the amounts credited to the Participant's Deferred Compensation Account by the Employer pursuant to the provisions of Section 3.3.

2.19 "INDEPENDENT CONTRACTOR" shall mean an individual in the Service of the Employer if the relationship between the individual and the Employer is not the legal relationship of employer and employee. An individual shall cease to be an Independent Contractor upon the termination of the Independent Contractor's Service. An Independent Contractor shall include a director of the Employer who is not an Employee.

2.20 "NORMAL RETIREMENT AGE" of a Participant shall mean the age designated in the Adoption Agreement. The "Normal Retirement Date" of a Participant shall mean the date the Participant attains his Normal Retirement Age.

2.21 "PARTICIPANT" shall mean with respect to any Plan Year an Employee or Independent Contractor who has been designated by the Committee as a Participant and who has entered the Plan or who has an Accrued Benefit under the Plan. An Employee or Independent Contractor designated by the Committee as a Participant who has not otherwise entered the Plan shall enter the Plan and become a Participant as of the date determined by the Committee. A Participant who separates from Service with the Employer and who later returns to Service will not be eligible to defer Compensation under the Plan except upon satisfaction of such terms and conditions as the Committee shall establish upon the Participant's return to Service, whether or not the Participant shall have an Accrued Benefit remaining under the Plan on the date of his return to Service.

2.22 "PARTICIPATING EMPLOYER" shall mean any trade or business (whether or not incorporated) which adopts this Plan with the consent of the Employer identified in the Adoption Agreement.

2.23 "PLAN" shall mean The Executive Nonqualified Excess Plan, as herein set out or as duly amended. The name of the Plan as applied to the Employer shall be designated in the Adoption Agreement.

2.24 "PLAN ADMINISTRATOR" shall mean the person designated in the Adoption Agreement. If the Plan Administrator designated in the Adoption Agreement is unable to serve, the Employer shall be the Plan Administrator.

2.25 "PLAN YEAR" shall mean the twelve-month period ending on the last day of the month designated in the Adoption Agreement.

2.26 "QUALIFYING DISTRIBUTION EVENT" shall mean the Participant's Retirement or the termination of Participant's Service with the Employer for any reason, including as a result of his death or Disability.

2.27 "REGULAR IN-SERVICE WITHDRAWALS ACCOUNT" shall mean the separate account to be kept for each Participant, as described in Section 5.1. To the extent applicable, the Regular In-Service Withdrawals Account may be credited with Salary Deferral Credits.

2.28 "RETIRE" OR "RETIREMENT" shall mean Retirement within the meaning of Section 4.4.

2.29 "SALARY DEFERRAL AGREEMENT" shall mean a written agreement entered into between a Participant and the Employer pursuant to the provisions of Section 3.

2.30 "SALARY DEFERRAL CREDITS" shall mean the amounts credited to the Participant's Deferred Compensation Account by the Employer pursuant to the provisions of Section 3.

2.31 "SERVICE" shall mean employment by the Employer as an Employee. If the Participant is an Independent Contractor, "Service" shall mean the period during which the contractual relationship exists between the Employer and the Participant.

2.32 "SPONSOR" shall mean Executive Benefit Services, Inc.

2.33 "SPOUSE" or "SURVIVING SPOUSE" shall mean, except as otherwise provided in the Plan, the legally married spouse or surviving spouse of a Participant.

2.34 "TRUST" shall mean the trust fund established pursuant to Section 10.2, if designated by the Employer in the Adoption Agreement.

2.35 "TRUSTEE" shall mean the trustee, if any, named in the agreement establishing the Trust and such successor or additional trustee as may be named pursuant to the terms of the agreement establishing the Trust.

2.36 "YEARS OF SERVICE" shall mean each Plan Year of Service completed by the Participant. For vesting purposes, Years of Service shall be calculated from the date designated in the Adoption Agreement.

SECTION 3. CREDITS TO DEFERRED COMPENSATION ACCOUNT:

3.1 SALARY DEFERRAL CREDITS: To the extent provided in the Adoption Agreement, each Active Participant may elect, by entering into a Salary Deferral Agreement with the Employer, to reduce his Compensation from the Employer by a dollar amount or percentage specified in the Salary Deferral Agreement. The amount of the Participant's Salary Reduction Credit shall be credited by the Employer to the Deferred Compensation Account maintained for the Participant pursuant to Section 8. The following special provisions shall apply with respect to the Salary Deferral Credits of a Participant:

3.1.1 The Employer shall credit to the Participant's Deferred Compensation Account on each Adjustment Date an amount equal to the total Salary Reduction Credit for the period ending on such Adjustment Date.

3.1.2 An election pursuant to Section 3.1 shall be made by the Participant by executing and delivering a Salary Deferral Agreement to the Committee. The Salary Deferral Agreement shall become effective with respect to such Participant as of the first full payroll period commencing on or immediately following the January 1 which occurs after the date such Salary Deferral Agreement is received by the Committee; provided, that a Participant who first becomes a Participant in the Plan during a Plan Year may enter into a Salary Deferral Agreement to be effective as of the first payroll period next following the date he enters the Plan. A Participant's election shall continue in

effect, unless earlier modified by the Participant, until the Service of the Participant is terminated, or, if earlier, until the Participant ceases to be an Active Participant under the Plan.

3.1.3 A Participant may unilaterally modify a Salary Deferral Agreement (either to increase or decrease the portion of his future Compensation which is subject to salary deferral within the percentage limits set forth in Section 3.1) by providing a written modification of the Salary Deferral Agreement to the Employer. The modification shall become effective as of the first full payroll period commencing on or immediately following the January 1 which occurs after the date such written modification is received by the Committee. The Participant may terminate the Salary Deferral Agreement effective as of the date designated in the Adoption Agreement.

3.1.4 The Committee may from time to time establish policies or rules governing the manner in which Salary Deferral Credits may be made.

3.2 EMPLOYER MATCHING CREDITS: If designated by the Employer in the Adoption Agreement, as of each Adjustment Date, the Employer shall cause the Committee to credit to the Deferred Compensation Account of each Participant an Employer matching credit in accordance with the Adoption Agreement.

3.3 EMPLOYER PERFORMANCE INCENTIVE CREDITS: If designated by the Employer in the Adoption Agreement, the Employer may credit to the Plan for such Plan Year any amount as the Board in its discretion shall determine. The Committee shall have the discretion to credit to the Deferred Compensation Account of each Active Participant an amount of the Employer Performance Incentive Credit for the Plan Year as directed by the Employer.

SECTION 4. QUALIFYING DISTRIBUTION EVENTS:

4.1 DEATH OF A PARTICIPANT: If a Participant dies while in Service, the Employer shall pay a benefit to the Participant's Beneficiary in the amount designated in the Adoption Agreement. Payment of such benefit shall be made by the Employer pursuant to Section 6. If a Participant dies following his Retirement or termination of

Service for any reason, including Disability, and before all payments to him under the Plan have been made, the balance of the Participant's vested Accrued Benefit shall be paid by the Employer to the Participant's Beneficiary pursuant to Section 6, and such balance shall be determined as of the commencement date of the payments.

4.2 DISABILITY: If a Participant suffers a Disability while in Service prior to his Normal Retirement Date, he shall terminate Service with the Employer as of the date of the establishment of his Disability, whereupon he shall commence receiving payment of his vested Accrued Benefit, determined as of the commencement date of the payments. Such benefit shall be paid by the Employer as provided in Section 6.

4.3 TERMINATION OF SERVICE: If the Service of a Participant with the Employer shall be terminated for any reason other than Retirement, Disability or death, his vested Accrued Benefit shall be paid to him by the Employer as provided in Section 6, and such Accrued Benefit shall be determined as of the commencement date of the payments. If a Participant's Accrued Benefit is not fully vested at his termination of employment, he shall forfeit that portion of his Accrued Benefit that is not fully vested. If he subsequently returns to Service with the Employer, he shall be treated as a new Participant for purposes of determining the vested portion of his Accrued Benefit.

4.4 RETIREMENT:

4.4.1 NORMAL RETIREMENT: A Participant who is in Service shall be eligible to Retire from Service at his Normal Retirement Date and commence receiving payment of his Accrued Benefit, determined as of the commencement date of the payments. Payment of such benefit shall be made by the Employer pursuant to Section 6.

4.4.2 EARLY RETIREMENT: If so designated by the Employer in the Adoption Agreement, and subject to the requirements for early retirement set forth therein, a Participant may elect early retirement effective on any date prior to his Normal Retirement Date by filing 30 days' written notice with the Committee before such date. The Participant shall commence receiving payment

of his Accrued Benefit determined as of the commencement date of the payments. Such benefit shall be paid by the Employer as provided in Section 6.

4.4.3 DELAYED RETIREMENT: If a Participant shall remain in Service following his Normal Retirement Date, his Retirement date shall be the date he actually terminates Service for reasons other than death or Disability, whereupon he shall commence receiving payment of his Accrued Benefit, determined as of the commencement date of the payments. Payment of such benefit shall be made by the Employer pursuant to Section 6. During the period that such Participant remains in Service pursuant to this Section 4.4.3, he shall continue to be a Participant for each Plan Year in which he meets the requirements therefor. If an Employee or Independent Contractor not otherwise a Participant becomes eligible to enter the Plan following his Normal Retirement Date, the provisions of this Section 4.4.3 shall apply in determining his Retirement date.

SECTION 5. IN-SERVICE WITHDRAWALS:

5.1 REGULAR IN-SERVICE WITHDRAWALS: If the Employer designates in the Adoption Agreement that regular in-service withdrawals shall be permitted under the Plan, a Participant may make an irrevocable election in the Salary Deferral Agreement to withdraw a designated amount from his Deferred Compensation Account at the specified time or times designated by the Participant in the Salary Deferral Agreement, and the Participant's Regular In-Service Withdrawals Account shall be credited in an amount equal to the amount so designated for regular in-service withdrawals. The following special provisions shall apply with respect to the regular in-service withdrawals:

5.1.1 The Regular In-Service Withdrawals Account shall be established, adjusted for payments, credited with Salary Deferral Credits, Employer Matching Credits, and Employer Performance Incentive Credits, and credited or debited for deemed investment gains or losses in the same manner and at the same time as such adjustments are made to the Deferred Compensation Account under Section 8 and in accordance with the rules and elections in effect under Section 8.

5.1.2 Notwithstanding any provision in this Section 5 to the contrary, if Participant incurs a Qualifying Distribution Event prior to the date on which the entire balance of his Regular In-Service Withdrawals Account has been distributed to him, then the balance in the Regular In-Service Withdrawals Account on the date of the Qualifying Distribution Event shall be combined with the Participant's Deferred Compensation Account and distributed to him in the same manner and at the same time as his Deferred Compensation Account is

distributed to him under Section 6 and in accordance with the rules and elections in effect under Section 6.

5.2 FINANCIAL HARDSHIP WITHDRAWALS: A distribution of the Deferred Compensation Account may be made to a Participant on account of financial hardship, subject to the following provisions:

5.2.1 A Participant may, at any time prior to his Retirement or termination of Service for any reason, including Disability, make application to the Committee to receive a distribution in a lump sum of all or a portion of the total vested amount credited to his Deferred Compensation Account (determined as of the date the distribution, if any, is made under this Section 5.2) because of an unforeseeable emergency that results in severe financial hardship to the Participant. A distribution because of an unforeseeable emergency shall not exceed the amount required to meet the immediate financial need created by the unforeseeable emergency and not otherwise reasonably available from other resources of the Participant. Examples of an unforeseeable emergency shall include but shall not be limited to those financial needs arising on account of a sudden or unexpected illness or accident of the Participant or of a dependent of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

5.2.2 The Participant's request for a distribution on account of financial hardship must be made in writing to the Committee. The request must specify the nature of the financial hardship, the total amount requested to be distributed from the Deferred Compensation Account, and the total amount of the actual expense incurred or to be incurred on account of financial hardship.

5.2.3 If a distribution under this Section 5.2 is approved by the Committee, such distribution will be made as soon as practicable following the date it is approved. The processing of the request shall be completed as soon as practicable from the date on which the Committee receives the properly completed written request for a distribution on account of a financial hardship. If a Participant's termination of Service occurs after a request is approved in accordance with this Section 5.2.3, but prior to distribution of the full amount approved, the approval of the request shall be automatically null and void and the benefits which the Participant is entitled to receive under the Plan shall be distributed in accordance with the applicable distribution provisions of the Plan. Only one financial hardship distribution shall be made within any Plan Year.

5.2.4 The Committee may from time to time adopt additional policies or rules governing the manner in which such distributions may be made so that the Plan may be conveniently administered.

5.3 "HAIRCUT" WITHDRAWALS: If the Employer designates in the Adoption Agreement that "haircut" withdrawals shall be permitted under the Plan, a Participant in Service may at his option make one or more withdrawals from his Deferred Compensation Account by written request to the Committee; provided, however, that a Participant who requests a withdrawal under this Section 5.3 shall incur a penalty (the "haircut") equal to a percentage (not less than 10%), as designated by the Employer in the Adoption Agreement, of the amount withdrawn, and this penalty shall be forfeited from the Deferred Compensation Account of the Participant notwithstanding the provisions of Section 7.

5.4 COLLEGE EDUCATION WITHDRAWALS: If the Employer designates in the Adoption Agreement that college education withdrawals shall be permitted under the Plan, a Participant may elect in the Salary Deferral Agreement for a designated percentage or dollar amount of the Salary Deferral Credits to be credited to a College Education Account to be used to fund the college education of the Participant's Eligible Dependent or Eligible Dependents. The College Education Account shall be divided into Dependent Subaccounts for each of the Participant's Eligible Dependents, and the Participant may designate in the Salary Deferral Agreement the percentage or dollar amount of each Salary Deferral Credit to be credited to each Dependent Subaccount; provided, however, that the minimum credit that a Participant may elect to make to any Dependent Subaccount is $1,000. In the absence of a clear designation, all credits made to the College Education Subaccount shall be equally allocated to each Dependent Subaccount. As soon as practicable after an Eligible Dependent of the Participant attains age 18, the Employer shall pay to the Participant the balance in the Dependent

Subaccount with respect to such Eligible Dependent in annual installments over a period of four, five or six years, as designated by the Participant in the Salary Deferral Agreement. The following special provisions shall apply with respect to the Dependent Subaccounts:

5.4.1 The Dependent Subaccounts shall be established, adjusted for payments, credited with Salary Deferral Credits, Employer Matching Credits, and Employer Performance Incentive Credits, and credited or debited for deemed investment gains or losses in the same manner and at the same time as such adjustments are made to the Deferred Compensation Account under Section 8 and in accordance with the rules and elections in effect under Section 8.

5.4.2 Notwithstanding any provision in this Section 5 to the contrary, if Participant incurs a Qualifying Distribution Event prior to the date on which the entire balance of his College Education Account has been distributed to him, then the balance in the College Education Account on the date of the Qualifying Distribution Event shall be combined with the Participant's Deferred Compensation Account and distributed to him in the same manner and at the same time as his Deferred Compensation Account is distributed to him under Section 6 and in accordance with the rules and elections in effect under Section 6.

SECTION 6. QUALIFYING DISTRIBUTION EVENTS PAYMENT OPTIONS:

6.1 PAYMENT OPTIONS: The Employer shall designate in the Adoption Agreement the payment options available upon a Qualifying Distribution Event. Upon a Participant's entry into the Plan, the Participant shall elect among these designated payment options the method under which his vested Accrued Benefit or, in the event of his death, any benefit payable as a result, will be distributed; provided, however, that the Participant may change the method of payment with the consent of the Committee by filing a written election with the Committee at least one year prior to the commencement date of the payments.

6.2 PREPAYMENT: Notwithstanding any other provisions of this Plan, if a Participant or any other person (a "recipient") is entitled to receive payments under the Plan, the Committee in its sole discretion may direct the Employer to prepay all or any

part of the payments remaining to be made to or on behalf of the recipient, or to shorten the payment period. The amount of such prepayment shall be in full satisfaction of the Employer's obligations hereunder to the recipient and to all persons claiming under or through the recipient with respect to the payments being prepaid. In the event of a partial prepayment, the Committee shall designate which installments are being prepaid and, if applicable, the accounts of the Participant from which such prepayments shall be debited. The Committee's determinations under this Section 6.2 shall be final and conclusive upon all parties claiming benefits under this Plan.

6.3 BENEFIT EXCHANGE: Notwithstanding any other provisions of this Plan, the Employer and the Participant may enter into an agreement under which, in lieu of the payment of the Participant's vested Accrued Benefit upon a Qualifying Distribution Event, the Participant's vested Accrued Benefit will be exchanged for another nonqualified benefit in accordance with rules established by the Committee.

SECTION 7. VESTING:

A Participant shall be fully vested (that is, nonforfeitable) in the portion of his Deferred Compensation Account attributable to Salary Deferral Credits, and all income, gains and losses attributable thereto. A Participant shall become fully vested in the portion of his Deferred Compensation Account attributable to Employer Matching Credits, Employer Performance Incentive Credits, and income, gains and losses attributable thereto, on the first to occur of: (i) normal Retirement; (ii) Early Retirement; (iii) death while in Service; or (iv) in accordance with the vesting schedule and provisions designated by the Employer in the Adoption Agreement.

SECTION 8. ACCOUNT; DEEMED INVESTMENT; ADJUSTMENT OF ACCOUNTS:

8.1 ACCOUNT: The Committee shall establish a book reserve account, entitled the "Deferred Compensation Account," on behalf of each Participant. Such account shall be adjusted pursuant to the provisions of Section 8.3.

8.2 DEEMED INVESTMENTS: The Deferred Compensation Account of a Participant shall be credited with an investment return determined as if the account were invested in one or more investment funds made available by the Committee. The Participant shall elect the investment funds in which his Deferred Compensation Account shall be deemed to be invested. Such election shall be made in the manner prescribed by the Committee and shall take effect upon the entry of the Participant into the Plan. The investment election of the Participant shall remain in effect until a new election is made by the Participant. In the event the Participant fails for any reason to make an effective election of the investment return to be credited to his account, the investment return shall be determined by the Committee.

8.3 ADJUSTMENTS TO DEFERRED COMPENSATION ACCOUNTS: With respect to each Participant who has a Deferred Compensation Account under the Plan, the amount credited to such account shall be adjusted by the following debits and credits, at the times and in the order stated:

8.3.1 The Deferred Compensation Account shall be debited each business day with the total amount of any payments made from such account since the last preceding business day to him or for his benefit.

8.3.2 The Deferred Compensation Account shall be credited on each Adjustment Date with the total amount of any Salary Deferral Credits, Employer Matching Credits and Employer Performance Incentive Credits to such account since the last preceding Adjustment Date.

8.3.3 The Deferred Compensation Account shall be credited or debited on each day securities are traded on a national stock exchange with the amount of

deemed investment gain or loss resulting from the performance of the investment funds elected by the Participant in accordance with Section 8.2. The amount of such deemed investment gain or loss shall be determined by the Committee and such determination shall be final and conclusive upon all concerned.

SECTION 9. ADMINISTRATION BY COMMITTEE:

9.1 MEMBERSHIP OF COMMITTEE: The Committee shall consist of at least three individuals who shall be appointed by the Board to serve at the pleasure of the Board. Any member of the Committee may resign, and his successor, if any, shall be appointed by the Board. The Committee shall be responsible for the general administration and interpretation of the Plan and for carrying out its provisions, except to the extent all or any of such obligations are specifically imposed on the Board.

9.2 COMMITTEE OFFICERS; SUBCOMMITTEE: The members of the Committee shall elect a Chairman and may elect an acting Chairman. They shall also elect a Secretary and may elect an acting Secretary, either of whom may be but need not be a member of the Committee. The Committee may appoint from its membership such subcommittees with such powers as the Committee shall determine, and may authorize one or more of its members or any agent to execute or deliver any instruments or to make any payment on behalf of the Committee.

9.3 COMMITTEE MEETINGS: The Committee shall hold such meetings upon such notice, at such places and at such intervals as it may from time to time determine. Notice of meetings shall not be required if notice is waived in writing by all the members of the Committee at the time in office, or if all such members are present at the meeting.

9.4 TRANSACTION OF BUSINESS: A majority of the members of the Committee at the time in office shall constitute a quorum for the transaction of business.

All resolutions or other actions taken by the Committee at any meeting shall be by vote of a majority of those present at any such meeting and entitled to vote. Resolutions may be adopted or other action taken without a meeting upon written consent thereto signed by all of the members of the Committee.

9.5 COMMITTEE RECORDS: The Committee shall maintain full and complete records of its deliberations and decisions. The minutes of its proceedings shall be conclusive proof of the facts of the operation of the Plan.

9.6 ESTABLISHMENT OF RULES: Subject to the limitations of the Plan, the Committee may from time to time establish rules or by-laws for the administration of the Plan and the transaction of its business.

9.7 CONFLICTS OF INTEREST: No individual member of the Committee shall have any right to vote or decide upon any matter relating solely to himself or to any of his rights or benefits under the Plan (except that such member may sign unanimous written consent to resolutions adopted or other action taken without a meeting), except relating to the terms of his Salary Deferral Agreement.

9.8 CORRECTION OF ERRORS: The Committee may correct errors and, so far as practicable, may adjust any benefit or credit or payment accordingly. The Committee may in its discretion waive any notice requirements in the Plan; provided, that a waiver of notice in one or more cases shall not be deemed to constitute a waiver of notice in any other case. With respect to any power or authority which the Committee has discretion to exercise under the Plan, such discretion shall be exercised in a nondiscriminatory manner.

9.9 AUTHORITY TO INTERPRET PLAN: Subject to the claims procedure set forth in Section 16, the Plan Administrator and the Committee shall have the duty and discretionary authority to interpret and construe the provisions of the Plan and to decide any dispute which may arise regarding the rights of Participants hereunder, including the discretionary authority to construe the Plan and to make determinations as to eligibility and benefits under the Plan. Determinations by the Plan Administrator and the Committee shall apply uniformly to all persons similarly situated and shall be binding and conclusive upon all interested persons.

9.10 THIRD PARTY ADVISORS: The Committee may engage an attorney, accountant, actuary or any other technical advisor on matters regarding the operation of the Plan and to perform such other duties as shall be required in connection therewith, and may employ such clerical and related personnel as the Committee shall deem requisite or desirable in carrying out the provisions of the Plan. The Committee shall from time to time, but no less frequently than annually, review the financial condition of the Plan and determine the financial and liquidity needs of the Plan. The Committee shall communicate such needs to the Employer so that its policies may be appropriately coordinated to meet such needs.

9.11 COMPENSATION OF MEMBERS: No fee or compensation shall be paid to any member of the Committee for his Service as such.

9.12 EXPENSE REIMBURSEMENT: The Committee shall be entitled to reimbursement by the Employer for its reasonable expenses properly and actually incurred in the performance of its duties in the administration of the Plan.

9.13 INDEMNIFICATION: No member of the Committee shall be personally liable by reason of any contract or other instrument executed by him or on his behalf as a member of the Committee nor for any mistake of judgment made in good faith, and the Employer shall indemnify and hold harmless, directly from its own assets (including the proceeds of any insurance policy the premiums for which are paid from the Employer's own assets), each member of the Committee and each other officer, employee, or director of the Employer to whom any duty or power relating to the administration or interpretation of the Plan may be delegated or allocated, against any unreimbursed or uninsured cost or expense (including any sum paid in settlement of a claim with the prior written approval of the Board) arising out of any act or omission to act in connection with the Plan unless arising out of such person's own fraud, bad faith, willful misconduct or gross negligence.

SECTION 10. CONTRACTUAL LIABILITY; TRUST:

10.1 CONTRACTUAL LIABILITY: The obligation of the Employer to make payments hereunder shall constitute a contractual liability of the Employer to the Participant. Such payments shall be made from the general funds of the Employer, and the Employer shall not be required to establish or maintain any special or separate fund, or otherwise to segregate assets to assure that such payments shall be made, and the Participant shall not have any interest in any particular assets of the Employer by reason of its obligations hereunder. To the extent that any person acquires a right to receive payment from the Employer, such right shall be no greater than the right of an unsecured creditor of the Employer.

10.2 TRUST: If so designated in Section 2.34 of the Adoption Agreement, the Employer may establish a Trust with the Trustee, pursuant to such terms

and conditions as are set forth in the Trust Agreement. The Trust, if and when established, is intended to be treated as a grantor trust for purposes of the Code. The establishment of the Trust is not intended to cause Participants to realize current income on amounts contributed thereto, and the Trust shall be so interpreted and administered.

SECTION 11. ALLOCATION OF RESPONSIBILITIES:

The persons responsible for the Plan and the duties and responsibilities allocated to each are as follows:

11.1 BOARD: (i) To amend the Plan;

(ii) To appoint and remove members of the Committee;

and

(iii) To terminate the Plan.

11.2 COMMITTEE:

(i) To designate Participants;

(ii) To interpret the provisions of the Plan and to determine the rights of the Participants under the Plan, except to the extent otherwise provided in Section 16 relating to claims procedure;

(iii) To administer the Plan in accordance with its terms, except to the extent powers to administer the Plan are specifically delegated to another person or persons as provided in the Plan;

(iv) To account for the Accrued Benefits of Participants; and

(v) To direct the Employer in the payment of benefits.

11.3 PLAN ADMINISTRATOR:

(i) To file such reports as may be required with the United States Department of Labor, the Internal Revenue Service and any other government agency to which reports may be required to be submitted from time to time; and

(ii) To administer the claims procedure to the extent provided in Section 16.

SECTION 12. BENEFITS NOT ASSIGNABLE; FACILITY OF PAYMENTS:

12.1 BENEFITS NOT ASSIGNABLE: No portion of any benefit credited or paid under the Plan with respect to any Participant shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void, nor shall any portion of such benefit be in any manner payable to any assignee, receiver or any one trustee, or be liable for his debts, contracts, liabilities, engagements or torts.

12.2 PAYMENTS TO MINORS AND OTHERS: If any individual entitled to receive a payment under the Plan shall be physically, mentally or legally incapable of receiving or acknowledging receipt of such payment, the Committee, upon the receipt of satisfactory evidence of his incapacity and satisfactory evidence that another person or institution is maintaining him and that no guardian or committee has been appointed for him, may cause any payment otherwise payable to him to be made to such person or institution so maintaining him. Payment to such person or institution shall be in full satisfaction of all claims by or through the Participant to the extent of the amount thereof.

SECTION 13. BENEFICIARY:

The Participant's beneficiary shall be the person or persons designated by the Participant on the beneficiary designation form provided by and filed with the Committee or its designee. If the Participant does not designate a beneficiary, the beneficiary shall be his Surviving Spouse. If the Participant does not designate a beneficiary and has no Surviving Spouse, the beneficiary shall be the Participant's estate.

The designation of a beneficiary may be changed or revoked only by filing a new beneficiary designation form with the Committee or its designee. If a beneficiary (the "primary beneficiary") is receiving or is entitled to receive payments under the Plan and dies before receiving all of the payments due him, the balance to which he is entitled shall be paid to the contingent beneficiary, if any, named in the Participant's current beneficiary designation form. If there is no contingent beneficiary, the balance shall be paid to the estate of the primary beneficiary. Any beneficiary may disclaim all or any part of any benefit to which such beneficiary shall be entitled hereunder by filing a written disclaimer with the Committee before payment of such benefit is to be made. Such a disclaimer shall be made in a form satisfactory to the Committee and shall be irrevocable when filed. Any benefit disclaimed shall be payable from the Plan in the same manner as if the beneficiary who filed the disclaimer had died on the date of such filing.

SECTION 14. AMENDMENT AND TERMINATION OF PLAN:

The Board may amend any provision of the Plan or terminate the Plan at any time; provided, that in no event shall such amendment or termination reduce any Participant's Accrued Benefit as of the date of such amendment or termination, nor shall any such amendment affect the terms of the Plan relating to the payment of such Accrued Benefit.

Notwithstanding the foregoing, the Plan shall be terminated upon the occurrence of one or more of the events designated in the Adoption Agreement. Upon the occurrence of a termination event, the Accrued Benefit of each Participant shall become fully vested and payable to the Participant in a lump sum.

SECTION 15. COMMUNICATION TO PARTICIPANTS:

The Employer shall make a copy of the Plan available for inspection by Participants and their beneficiaries during reasonable hours at the principal office of the Employer.

SECTION 16. CLAIMS PROCEDURE:

The following claims procedure shall apply with respect to the Plan:

16.1 FILING OF A CLAIM FOR BENEFITS: If a Participant or beneficiary (the "claimant") believes that he is entitled to benefits under the Plan which are not being paid to him or which are not being accrued for his benefit, he shall file a written claim therefor with the Plan Administrator. In the event the Plan Administrator shall be the claimant, all actions which are required to be taken by the Plan Administrator pursuant to this Section 16 shall be taken instead by another member of the Committee designated by the Committee.

16.2 NOTIFICATION TO CLAIMANT OF DECISION: Within 90 days after receipt of a claim by the Plan Administrator (or within 180 days if special circumstances require an extension of time), the Plan Administrator shall notify the claimant of his decision with regard to the claim. In the event of such special circumstances requiring an extension of time, there shall be furnished to the claimant prior to expiration of the initial 90-day period written notice of the extension, which notice shall set forth the special circumstances and the date by which the decision shall be furnished. If such claim shall be wholly or partially denied, notice thereof shall be in writing and worded in a manner calculated to be understood by the claimant, and shall set forth: (i) the specific reason or reasons for the denial; (ii) specific reference to pertinent provisions of the Plan on which the denial is based; (iii) a description of any additional material or information necessary

for the claimant to perfect the claim and an explanation of why such material or information is necessary; and (iv) an explanation of the procedure for review of the denial. If the Plan Administrator fails to notify the claimant of the decision in timely manner, the claim shall be deemed denied as of the close of the initial 90-day period (or the close of the extension period, if applicable).

16.3 PROCEDURE FOR REVIEW: Within 60 days following receipt by the claimant of notice denying his claim, in whole or in part, or, if such notice shall not be given, within 60 days following the latest date on which such notice could have been timely given, the claimant shall appeal denial of the claim by filing a written application for review with the Committee. Following such request for review, the Committee shall fully and fairly review the decision denying the claim. Prior to the decision of the Committee, the claimant shall be given an opportunity to review pertinent documents and to submit issues and comments in writing.

16.4 DECISION ON REVIEW: The decision on review of a claim denied in whole or in part by the Plan Administrator shall be made in the following manner:

16.4.1 Within 60 days following receipt by the Committee of the request for review (or within 120 days if special circumstances require an extension of time), the Committee shall notify the claimant in writing of its decision with regard to the claim. In the event of such special circumstances requiring an extension of time, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension. If the decision on review is not furnished in a timely manner, the claim shall be deemed denied as of the close of the initial 60-day period (or the close of the extension period, if applicable).

16.4.2 With respect to a claim that is denied in whole or in part, the decision on review shall set forth specific reasons for the decision, shall be written in a manner calculated to be understood by the claimant, and shall cite specific references to the pertinent Plan provisions on which the decision is based.

16.4.3 The decision of the Committee shall be final and conclusive.

16.5 ACTION BY AUTHORIZED REPRESENTATIVE OF CLAIMANT: All actions set forth in this Section 16 to be taken by the claimant may likewise be taken by a representative of the claimant duly authorized by him to act in his behalf on such matters. The Plan Administrator and the Committee may require such evidence as either may reasonably deem necessary or advisable of the authority to act of any such representative.

SECTION 17. MISCELLANEOUS PROVISIONS:

17.1 SET OFF: Notwithstanding any other provision of this Plan, the Employer may reduce the amount of any payment otherwise payable to or on behalf of a Participant hereunder by the amount of any loan, cash advance, extension of credit or other obligation of the Participant to the Employer that is then due and payable, and the Participant shall be deemed to have consented to such reduction.

17.2 NOTICES: Each Participant who is not in Service and each beneficiary shall be responsible for furnishing the Committee or its designee with his current address for the mailing of notices and benefit payments. Any notice required or permitted to be given to such Participant or beneficiary shall be deemed given if directed to such address and mailed by regular United States mail, first class, postage prepaid. If any check mailed to such address is returned as undeliverable to the addressee, mailing of checks will be suspended until the Participant or beneficiary furnishes the proper address. This provision shall not be construed as requiring the mailing of any notice or notification otherwise permitted to be given by posting or by other publication.

17.3 LOST DISTRIBUTEES: A benefit shall be deemed forfeited if the Plan Administrator is unable to locate the Participant or beneficiary to whom payment is due on or before the fifth anniversary of the date payment is to be made or commence; provided, that the deemed investment rate of return pursuant to Section 8.2 shall cease to

be applied to the Participant's account following the first anniversary of such date; provided further, however, that such benefit shall be reinstated if a valid claim is made by or on behalf of the Participant or beneficiary for all or part of the forfeited benefit.

17.4 RELIANCE ON DATA: The Employer, the Committee and the Plan Administrator shall have the right to rely on any data provided by the Participant or by any beneficiary. Representations of such data shall be binding upon any party seeking to claim a benefit through a Participant, and the Employer, the Committee and the Plan Administrator shall have no obligation to inquire into the accuracy of any representation made at any time by a Participant or beneficiary.

17.5 RECEIPT AND RELEASE FOR PAYMENTS: Subject to the provisions of Section 17.1, any payment made from the Plan to or with respect to any Participant or beneficiary, or pursuant to a disclaimer by a beneficiary, shall, to the extent thereof, be in full satisfaction of all claims hereunder against the Plan and the Employer with respect to the Plan. The recipient of any payment from the Plan may be required by the Committee, as a condition precedent to such payment, to execute a receipt and release with respect thereto in such form as shall be acceptable to the Committee.

17.6 HEADINGS: The headings and subheadings of the Plan have been inserted for convenience of reference and are to be ignored in any construction of the provisions hereof.

17.7 CONTINUATION OF EMPLOYMENT: The establishment of the Plan shall not be construed as conferring any legal or other rights upon any Employee or any persons for continuation of employment, nor shall it interfere with the right of the

Employer to discharge any Employee or to deal with him without regard to the effect thereof under the Plan.

17.8 MERGER OR CONSOLIDATION: No employer-party to the Plan shall consolidate or merge into or with another corporation or entity, or transfer all or substantially all of its assets to another corporation, partnership, trust or other entity (a "Successor Entity") unless such Successor Entity shall assume the rights, obligations and liabilities of the employer-party under the Plan and upon such assumption, the Successor Entity shall become obligated to perform the terms and conditions of the Plan.

17.9 CONSTRUCTION: The Employer shall designate in the Adoption Agreement the state according to whose laws the provisions of the Plan shall be construed and enforced, except to the extent that such laws are superseded by ERISA.

THE EXECUTIVE NONQUALIFIED EXCESS PLAN
ADOPTION AGREEMENT

THIS AGREEMENT is made the 1st day of January, 2002 by AMN HEALTHCARE, INC. (the "Employer"), having its principal office at 12235 EL CAMINO REAL, SUITE 200, SAN DIEGO, CA 92130 and EXECUTIVE BENEFIT SERVICES, INC. (the "Sponsor"), having its principal office at 434 Fayetteville Street, Suite 1160, Raleigh, North Carolina 27601.

WITNESSETH:

WHEREAS, the Sponsor has established The Executive Nonqualified Excess Plan (the "Plan"); and

WHEREAS, the Employer desires to adopt the Plan as an unfunded, nonqualified deferred compensation plan, for the benefit of the Employer's [X] Employees and/or [ ] Independent Contractors;

NOW, THEREFORE, the Employer hereby adopts the Plan in accordance with the terms and conditions set forth in this Adoption Agreement:

ARTICLE I

Terms used in this Adoption Agreement shall have the same meaning as in the Plan, unless some other meaning is expressly herein set forth. The Employer hereby represents and warrants that the Plan has been adopted by the Employer upon proper authorization and the Employer hereby elects to adopt the Plan for the benefit of its Participants as referred to in the Plan. By the execution of this Adoption Agreement, the Employer hereby agrees to be bound by the terms of the Plan.

This Adoption Agreement may only be used in connection with The Executive Nonqualified Excess Plan. The Sponsor will inform the Employer of any amendments to the Plan or of the discontinuance or abandonment of the Plan. For questions concerning the Plan, the Employer may call the Sponsor at (919) 833-1042.

ARTICLE II

The Employer hereby makes the following designations or elections for the purpose of the Plan [Section references below correspond to Section references in the Plan]:

2.4 ADJUSTMENT DATE: The Deferred Compensation Account of Participants shall be adjusted for the amount of any Salary Deferral Credits, Employer Matching Credits and Employer Performance Incentive Credits to such account on the last business day of each Plan Year and such other times as may be designated below [check any additional desired Adjustment Dates]:

___ (i) The last business day of each calendar quarter during the Plan Year.

___ (ii) The last business day of each month during the Plan Year.

XX (iii) The last business day of each payroll period during the Plan Year.

___ (iv) Each day securities are traded on a national stock exchange.

___ (v) Other [specify] _____ _____.

2.9 COMPENSATION: The "Compensation" of a Participant shall mean all of each Participant's [check desired option(s)]:

XX (i) compensation received as an Employee reportable in box 1, Wages, Tips and other Compensation, on Form W-2.

___ (ii) annual base salary.

___ (iii) annual bonus.

___ (iv) long term incentive plan compensation.

___ (v) compensation received as an Independent Contractor reportable on Form 1099.

___ (v) Other [specify] _____ _____.

Notwithstanding the foregoing, Compensation [ ] SHALL [X] SHALL NOT include Salary Deferral Credits under this Plan and amounts contributed by the Participant pursuant to a Salary Deferral Agreement to another employee benefit plan of the Employer which are not includible in the gross income of the Employee under Section 125, 402(e)(3), 402(h) or 403(b) of the Code.

2.13 EFFECTIVE DATE: [check desired option]:

XX (i) This is a newly-established Plan, and the Effective Date of the Plan is December 1, 2001.

___ (ii) This is an amendment and restatement of a Plan with an effective date of _____, and the Effective Date of this amended and restated Plan is _____. This is amendment number _____.

2.20 NORMAL RETIREMENT AGE: The Normal Retirement Age of a Participant shall be [check desired option]:

XX (i) Age 55.

___ (ii) The later of age ____ or the _____ anniversary of the participation commencement date. The participation commencement date is the first day of the first Plan Year in which the Participant commenced participation in the Plan.

2.22 PARTICIPATING EMPLOYER(s): As of the Effective Date, the following Participating Employer(s) are parties to the Plan [list all employer-parties, including the Employer]:

Name of Employer	Address	Telephone No.	EIN
AMN HEALTHCARE, INC.	12235 EL CAMINO REAL, SUITE 200 SAN DIEGO, CA 92130	858-792-0711	88-0208006

2.23 PLAN: The name of the Plan as applied to the Employer is: THE EXECUTIVE NONQUALIFIED EXCESS PLAN OF AMN HEALTHCARE, INC.

2.24 PLAN ADMINISTRATOR: The Plan Administrator shall be [check desired option]:

XX (i) Committee.

___ (ii) Employer.

___ (iii) Other (specify): _____.

2.25 PLAN YEAR: The Plan Year shall be the 12 consecutive calendar month period ending on the last day of the month of December, and each anniversary thereof.

2.33 TRUST: [check desired option]:

XX (i) The Employer DOES desire to establish a "rabbi" trust for the purpose of setting aside assets of the Employer contributed thereto for the payment of benefits under the Plan.

___ (ii) The Employer DOES NOT desire to establish a "rabbi" trust for the purpose of setting aside assets of the Employer contributed thereto for the payment of benefits under the Plan.

2.35 YEARS OF SERVICE: For vesting purposes, Years of Service of a Participant shall be calculated from the date designated below [check desired option]:

XX (i) First Day of Service.

___ (ii) Effective Date of the Plan.

___ (iii) Each Contribution Date. Under this option (iii), each Employer Matching Credit or Performance Incentive Credit shall vest in accordance with the applicable schedule selected in Section 7 of this Adoption Agreement based on the Years of Service of a Participant from the Adjustment Date on which each Employer Matching Credit or Performance Incentive Credit is credited to his or her Deferred Compensation Account.

3.1 SALARY DEFERRAL CREDITS: A Participant may elect to have his Compensation (as selected in Section 2.9 of this Adoption Agreement) reduced by the following percentage or amount per pay period, or for a specified pay period or periods, as designated in writing to the Committee [check the applicable options]:

XX (i) annual base salary:

[complete the following blanks only if a minimum or maximum deferral is desired]:

minimum deferral: $_____ or 4%
maximum deferral: $_____ or 50%

XX (ii) annual bonus:

[complete the following blanks only if a minimum or maximum deferral is desired]:

minimum deferral: $_____ or _____%
maximum deferral: $_____ or _____%

___ (iii) other [please specify type, as selected in Section 2.9 of this Adoption Agreement]: _____:

[complete the following blanks only if a minimum or maximum deferral is desired]:

minimum deferral: $_____ or _____%
maximum deferral: $_____ or _____%

___ (iv) no salary deferral provision.

3.1.3 TERMINATION OF SALARY DEFERRALS: A Participant may terminate his Salary Deferral Agreement effective as of [check desired option]:

XX (i) the first full payroll period commencing after the date written notice of the termination is received by the Committee.

___ (ii) the January 1 occurring after the date written notice of the termination is received by the Committee.

3.2 EMPLOYER MATCHING CREDITS: The Employer may make matching credits to the Deferred Compensation Account of each Participant in an amount determined as follows [check desired option(s)]:

___ (i) _____% of the Participant's Salary Deferral Credits.

___ (ii) _____% of the first _____% of the Participant's Compensation which is elected as a Salary Deferral Credit.

___ (iii) An amount determined each Plan Year by the Employer.

XX (iv) The Employer shall decide from year to year whether matching credits will be made and shall notify Participants annually of the manner in which matching credits will be calculated for the subsequent year.

___ (v) The Employer shall not match amounts provided above in excess of $_____, or in excess of ___% of the Participant's Compensation per Plan Year.

___ (vi) No Employer matching credits provision.

3.3 EMPLOYER PERFORMANCE INCENTIVE CREDITS: The Employer may make performance incentive credits to the Deferred Compensation Account of each Active Participant in an amount determined as follows:

___ (i) Such amount out of the current or accumulated net profit of the Employer for such year as the Employer in its sole discretion shall determine.

XX (ii) Such amount as the Employer in its sole discretion shall determine without regard to current or accumulated net profit.

___ (iii) The Employer shall not make Performance Incentive Credits in excess of $_____, or in excess of ___% of the Participant's Compensation per Plan Year.

___ (iv) No Employer performance incentive credits provision.

4.1 DEATH OF A PARTICIPANT: If the Participant dies while in Service, the Employer shall pay a benefit to the Beneficiary in an amount equal to the Accrued Benefit of the Participant determined as of the date payments to the Beneficiary commence, plus [check if desired]:

___ (i) An amount to be determined by the Committee.

___ (ii) A lump sum of $_____.

___ (iii) _____ times the annual base salary of the Participant at his date of death.

___ (iv) Other [specify]: _____.

XX (v) No additional benefits.

4.4.2 EARLY RETIREMENT: The Employer may elect to provide for Early Retirement. If Early Retirement is permitted, it shall be subject to the following eligibility requirements [check desired option and fill in appropriate blanks]:

___ (i) Completion of _____ Years of Service.

___ (ii) Attainment of age _____.

XX (iii) Completion of 10 Years of Service and attainment of age 50.

___ (iv) No Early Retirement provisions.

5.1 REGULAR IN-SERVICE WITHDRAWALS: [check desired option]:

___ (i) The Employer DOES elect to permit regular in-service withdrawals by a Participant from his Deferred Compensation Account.

XX (ii) The Employer DOES NOT elect to permit regular in-service withdrawals by a Participant from his Deferred Compensation Account.

5.3 "HAIRCUT" WITHDRAWALS: [check desired option]:

XX (i) The Employer DOES elect to permit "haircut" withdrawals by a Participant from his Deferred Compensation Account.

Specify percentage (not less than 10%) of amount withdrawn that shall be forfeited: 10%

___ (ii) The Employer DOES NOT elect to permit "haircut" withdrawals by a Participant from his Deferred Compensation Account.

5.4 COLLEGE EDUCATION WITHDRAWALS: [check desired option]:

XX (i) The Employer DOES elect to permit college education withdrawals by a Participant from his Deferred Compensation Account.

___ (ii) The Employer DOES NOT elect to permit college education withdrawals by a Participant from his Deferred Compensation Account.

6.1 PAYMENT OPTIONS: Any benefit payable under the Plan may be made to the Participant or his Beneficiary (as applicable) in any of the following payment forms, as selected by the Participant upon his entry into the Plan [check desired option(s)]:

XX (i) A lump sum in cash as soon as feasible following the date Participant's service with the Employer terminates for any reason (including Retirement, Disability or death).

___ (ii) Approximately equal annual installments over a term no longer than 10 years as elected by the Participant upon his entry into the Plan.

Payment of the benefit shall commence as of the following date [select desired option]:

XX The first business day of the calendar year following the date Participant's service with the Employer terminates for any reason (including Retirement, Disability or death).

___ The first business day of the calendar quarter following the date Participant's service with the Employer terminates for any reason (including Retirement, Disability or death).

___ The first business day of the calendar month following the date Participant's service with the Employer terminates for any reason (including Retirement, Disability or death).

The payment of each annual installment shall be made on the anniversary of the date selected for the commencement of the installment payments in this subsection (ii). The amount of the annual installment shall be adjusted on each anniversary date of the commencement of the installment payments for credits or debits to the Participant's account pursuant to Section 8 of the Plan. Such adjustment shall be made by dividing the balance in the Deferred Compensation Account on each such date (following adjustment on such date) by the number of annual installments remaining to be paid hereunder; provided that the last annual installment due under the Plan shall be the entire amount credited to the Participant's account on the date of payment.

___ (iii) Other [specify]: _____.

7. VESTING:

(i) VESTING OF EMPLOYER MATCHING CREDITS: The nonforfeitable percentage of each Participant in his Accrued Benefit attributable to any applicable Employer Matching Credits shall be as follows [check (a), (b), (c), (d), (e), (f) or (g)]:

___ (a) Immediate 100% vesting.

___ (b) 100% vesting after ___ Years of Service.

___ (c) 100% vesting at age ____.

___ (d)

Number of Years of Service		Vested Percentage
Less than	1	0%
1		20%
2		40%
3		60%
4		80%
5 or more		100%

___ (e)

Number of Years of Service		Vested Percentage
Less than	3	0%
3		20%
4		40%
5		60%
6		80%
7 or more		100%

XX (f)

Number of Years of Service		Vested Percentage
Less than	1	0%
1		10%
2		30%
3		60%
4		80%
5		100%
6		___%
7		___%
8		___%
9		___%
10 or more		___%

___ (g) Not applicable.

In addition, the nonforfeitable percentage of each Participant in his Accrued Benefit attributable to any applicable Employer Matching Credits [X] SHALL [ ] SHALL NOT become 100% vested at the Death or Disability of the Participant.

(ii) VESTING OF EMPLOYER INCENTIVE CREDITS: The nonforfeitable percentage of each Participant in his Accrued Benefit attributable to any applicable Employer Performance Incentive Credits shall be as follows [check (a), (b), (c), (d), (e), (f) or (g)]:

XX (a) Immediate 100% vesting.

___ (b) 100% vesting after ___ Years of Service.

___ (c) 100% vesting at age ____.

___ (d)

Number of Years of Service		Vested Percentage
Less than	1	0%
1		20%
2		40%
3		60%
4		80%
5 or more		100%

___ (e)

Number of Years of Service		Vested Percentage
Less than	3	0%
3		20%
4		40%
5		60%
6		80%
7 or more		100%

___ (f) Number of Years of Service | Vested Percentage

Number of Years of Service		Vested Percentage
Less than	1	___%
	1	___%
	2	___%
	3	___%
	4	___%
	5	___%
	6	___%
	7	___%
	8	___%
	9	___%
	10 or more	___%

___ (g) Not applicable.

In addition, the nonforfeitable percentage of each Participant in his Accrued Benefit attributable to any applicable Employer Performance Incentive Credits [X] SHALL [ ] SHALL NOT become 100% vested at the Death or Disability of the Participant.

14. AMENDMENT OR TERMINATION OF PLAN: [check or complete all that apply]:

XX (i) Notwithstanding any provision in this Adoption Agreement or the Plan to the contrary, Section 13 of the Plan shall be amended to read as follows:

See attached Exhibit A.

XX (ii) The Plan shall be terminated upon the occurrence of one or more of the following events [check if desired]:

___ (a) The amount of shareholders equity shown on the financial statements of the Employer for each of the two most recent fiscal years is less than $_____.

___ (b) The aggregate net loss (after tax) as reported on the financial statements of the Employer for the two most recent fiscal years is greater than $_____.

XX (c) There is a change of control of the Employer. For this purpose, a "change of control" shall be deemed to have occurred if: (A) any person other than an officer who is an employee of the Employer for at least one year preceding the change of control, acquires or becomes the beneficial owner, directly or indirectly, of securities of the Employer representing 50 % or more of the combined voting power of the Employer's then outstanding securities and thereafter, the membership of the Board becomes such that a majority are persons who were not members of the Board at the time of the acquisition of securities; or (B) the Employer, or its assets, are acquired by or combined with another entity and less than a majority of the outstanding voting shares of such entity after the acquisition or combination are owned, immediately after the acquisition or combination, by the owners of voting shares of the Employer immediately prior to the acquisition or combination.

___ (d) Other [specify]:
_____
_____
_____

17.9 CONSTRUCTION: The provisions of the Plan and Trust (if any) shall be construed and enforced according to the laws of the State of CALIFORNIA, except to the extent that such laws are superseded by ERISA.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year first above stated.

AMN HEALTHCARE, INC.
Name of Employer

By: /s/ Steven C. Francis

Authorized Person

NOTE: EXECUTION OF THIS ADOPTION AGREEMENT CREATES A LEGAL LIABILITY OF THE EMPLOYER WITH SIGNIFICANT TAX CONSEQUENCES TO THE EMPLOYER AND PARTICIPANTS. THE EMPLOYER SHOULD OBTAIN LEGAL AND TAX ADVICE FROM ITS PROFESSIONAL ADVISORS BEFORE ADOPTING THE PLAN. THE SPONSOR DISCLAIMS ALL LIABILITY FOR THE LEGAL AND TAX CONSEQUENCES WHICH RESULT FROM THE ELECTIONS MADE BY THE EMPLOYER IN THIS ADOPTION AGREEMENT.

EXHIBIT 10.48

AMENDMENT TO THE EXECUTIVE NONQUALIFIED EXCESS PLAN
OF
AMN HEALTHCARE, INC.

AMN Healthcare, Inc., a Nevada corporation, hereby amends section 13 of the Executive Nonqualified Excess Plan, dated as of January 1, 2002, as follows:

1. Section 2.6 shall be deleted in its entirety and amended and restated to read as follows:

"Compensation Committee" shall mean the Compensation Committee of AMN Healthcare Services, Inc., the parent corporation of the Employer.

2. Section 4.4.2 is amended by deleting the first sentence thereof in its entirety and substituting the following therefor:

If so designated by the Employer in the Adoption Agreement, and subject to the requirements for early retirement set forth therein, a Participant may elect early retirement effective on any date prior to his Normal Retirement Date and on or after the Early Retirement Date specified in the Adoption Agreement.

3. Section 5.4 is amended by deleting the period at the end of the next-to-last sentence (beginning "As soon as practicable") and substituting instead a semi-colon, and by adding the following new sentence to immediately follow the said next-to-last sentence and to immediately precede the last sentence (beginning "The following special provisions") before subsection 5.4.1, to read in its entirety as follows:

provided, however, that a Participant may elect, in writing on a form prescribed by the Plan Administrator for that purpose, not to take any distribution from the College Education Subaccount for a Dependent so long as the Participant files such written election with the Plan Administrator not later than the last day of the calendar year which immediately precedes the calendar year in which such Dependent shall attain age 18. If a Participant so elects, 90 percent of the balance in the College Education Subaccount for the specified Dependent shall be transferred back to the Deferred Compensation Account of the Participant, and the remaining 10 percent of the College Education Subaccount for the specified Dependent shall be forfeited as of the date of the transfer. Notwithstanding the foregoing, 100 percent of the balance of a College Educational Subaccount for a specified Dependent shall be transferred back to the Participant's Deferred Compensation Account if the specified Dependent dies or becomes disabled (as defined below) before reaching the age of 23. For purposes of this Section, a Participant's Dependent shall be deemed to be "disabled" if the Plan Administrator, in its sole discretion, determines that an illness or injury has rendered the Dependent physically or mentally incapable of the full-time pursuit of the course of study for which the College Educational Subaccount was established for the Dependent. The Plan Administrator may request such evidence of the Dependent's

illness or injury as it deems necessary or appropriate to establish the existence of a disability, including but not limited to examination of the Dependent by a physician selected by the Plan Administrator.

4. Section 8.2 is amended by adding at the end thereof a new sentence to read in its entirety as follows:

The Committee may (but is not required to) consider the Participant's investment preferences when investing the assets attributable to a Participant's Accounts.

5. Section 9.1 shall be amended by amending and restating in its entirety the first sentence of such section to read as follows:

The Committee shall consist of at least three individuals who shall be appointed by the Compensation Committee

6. Section 9.13 shall be amending by replacing the term "Board" with "Compensation Committee".

7. Section 11.1 shall be amended as follows: "Board" shall be replaced with "Compensation Committee".

8. Section 13 is amended by amending and restating in its entirety the third sentence of such section to read as follows:

"If the Participant does not designate a beneficiary and has no Surviving Spouse, then the beneficiary shall be the person or entity specified below, in the following order of priority:

First: The then living child or children of the Participant, to be divided among them in equal shares if more than one is then living.

Second: The then living parent or parents of the Participants, to be divided among them in equal shares if more than one is then living.

Third: The legal representative of the Participant's probate estate."

9. Except as so amended, the Plan is ratified, confirmed and approved.

AMN Healthcare, Inc.

By: /s/ Steven C. Francis Dated as of: January 1, 2002

Steven C. Francis
Chief Executive Officer and President

EXHIBIT 21.1

Subsidiaries of the Registrant

Subsidiary	Jurisdiction of Organization
AMN Healthcare, Inc.	Nevada
Worldview Healthcare, Inc.	North Carolina
O'Grady-Peyton International (USA), Inc.	Massachusetts
Preferred International Healthcare Staffing Limited	United Kingdom
O'Grady-Peyton International (Australia) (Pty) Ltd.	Australia
O'Grady-Peyton International Recruitment U.K. Limited	United Kingdom
O'Grady-Peyton International (SA) (Proprietary) Limited	South Africa
International Healthcare Recruiters, Inc.	Delaware
Healthcare Resource Management Corporation	North Carolina

EXHIBIT 23.2

Independent Auditors' Report on Schedule and Consent

The Board of Directors
AMN Healthcare Services, Inc. :

The audits referred to in our report dated February 12, 2002, except as to Note 13 which is as of April 23, 2002, included the related financial statement schedule as of December 31, 2001, and for each of the years in the three-year period ended December 31, 2001, included in the registration statement. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the use of our report included herein and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP
San Diego, California
April 25, 2002

EXHIBIT 23.3

Independent Auditors' Consent

The Board of Directors
Preferred Healthcare Staffing, Inc. :

We consent to the use of our report dated April 4, 2001, included herein on the financial statements of Preferred Healthcare Staffing, Inc. as of December 31, 1999 and November 30, 2000 and for the years ended December 31, 1998 and 1999 and the eleven months ended November 30, 2000, and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP
Miami, Florida
April 25, 2002

EXHIBIT 23.4

Independent Auditors' Consent

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

We consent to the use of our report dated May 11, 2001, included herein and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP
Atlanta, Georgia
April 25, 2002

EXHIBIT 23.5

Independent Auditors' Consent

The Board of Directors
Health Resource Management Corporation:

We consent to the use of our report dated April 5, 2002, except as to Note 7, which is as of April 23, 2002, included herein and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP
Charlotte, North Carolina
April 25, 2002