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

Form 10-Q

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

For the quarterly period ended June 30, 2008

Or

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

Commission File No.: 001-16753

AMN HEALTHCARE SERVICES, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**06-1500476** **(I.R.S. Employer Identification No.)**
12400 High Bluff Drive, Suite 100 **San Diego, California** **(Address of principal executive offices)**	**92130** **(Zip Code)**

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 6, 2008, there were 33,738,722 shares of common stock, $0.01 par value, outstanding.

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AMN HEALTHCARE SERVICES, INC.

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PART I—FINANCIAL INFORMATION

Item 1. ***Condensed Consolidated Financial Statements***

AMN HEALTHCARE SERVICES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited and in thousands, except par value)

	June 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,356	$ 18,495
Accounts receivable, net of allowance of $4,543 and $3,605 at June 30, 2008 and December 31, 2007, respectively	198,201	184,741
Prepaid expenses	12,787	9,583
Income taxes receivable	1,049	—
Deferred income taxes, net	28,081	28,084
Other current assets	2,797	2,048
Total current assets	251,271	242,951
Fixed assets, net	25,326	24,600
Deposits and other assets	12,048	11,274
Goodwill, net	252,823	241,266
Intangible assets, net	125,254	113,535
Total assets	$ 666,722	$ 633,626
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Bank overdraft	$ 2,786	$ —
Accounts payable and accrued expenses	28,987	22,231
Accrued compensation and benefits	48,855	43,446
Income taxes payable	—	2,925
Revolving credit facility	24,500	—
Current portion of notes payable	15,427	26,616
Deferred revenue	8,006	7,647
Other current liabilities	17,109	25,691
Total current liabilities	145,670	128,556
Notes payable, less current portion	113,771	120,352
Deferred income taxes, net	69,706	71,092
Other long-term liabilities	41,201	37,498
Total liabilities	370,348	357,498
Commitments and contingencies		
Subsequent event (Note 9)		
Stockholders' equity:		
Common stock, $0.01 par value; 200,000 shares authorized; 45,702 and 45,446 shares issued at June 30, 2008 and December 31, 2007, respectively	457	454
Additional paid-in capital	405,130	397,237
Treasury stock, at cost (11,983 and 11,615 shares at June 30, 2008 and December 31, 2007, respectively)	(208,140)	(201,692)
Retained earnings	99,919	81,036
Accumulated other comprehensive loss	(992)	(907)
Total stockholders' equity	296,374	276,128
Total liabilities and stockholders' equity	$ 666,722	$ 633,626

See accompanying notes to unaudited condensed consolidated financial statements.

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AMN HEALTHCARE SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in thousands, except per share amounts)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Revenue	$ 312,691	$ 293,912	$ 606,284	$ 577,856
Cost of revenue	230,153	218,953	446,291	430,392
Gross profit	82,538	74,959	159,993	147,464
Operating expenses:				
Selling, general and administrative	60,117	53,520	115,220	106,571
Depreciation and amortization	3,738	2,857	7,088	5,486
Total operating expenses	63,855	56,377	122,308	112,057
Income from operations	18,683	18,582	37,685	35,407
Interest expense, net	2,660	3,124	5,471	6,458
Income before income taxes	16,023	15,458	32,214	28,949
Income tax expense	6,656	6,212	13,331	11,509
Net income	$ 9,367	$ 9,246	$ 18,883	$ 17,440
Net income per common share:				
Basic	$ 0.28	$ 0.27	$ 0.56	$ 0.50
Diluted	$ 0.27	$ 0.26	$ 0.55	$ 0.49
Weighted average common shares outstanding:				
Basic	33,833	34,723	33,832	34,681
Diluted	34,308	35,273	34,244	35,278

See accompanying notes to unaudited condensed consolidated financial statements.

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AMN HEALTHCARE SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
Six Months Ended June 30, 2008
(Unaudited and in thousands)

	Common Stock		Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount					
Balance, December 31, 2007	45,446	$ 454	$397,237	$(201,692)	$81,036	$ (907)	$276,128
Repurchase of common stock into treasury	—	—	—	(6,448)	—	—	(6,448)
Stock options exercised and restricted stock units (RSUs) vested	256	3	3,413	—	—	—	3,416
Income tax shortfall from stock options exercised and RSUs vested	—	—	(25)	—	—	—	(25)
Stock-based compensation	—	—	4,505	—	—	—	4,505
Comprehensive income (loss):							
Foreign currency translation adjustment	—	—	—	—	—	(19)	(19)
Unrealized loss for derivative financial instruments, net of tax	—	—	—	—	—	(66)	(66)
Net income	—	—	—	—	18,883	—	18,883
Total comprehensive income							18,798
Balance, June 30, 2008	45,702	$ 457	$405,130	$(208,140)	$99,919	$ (992)	$296,374

See accompanying notes to unaudited condensed consolidated financial statements.

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AMN HEALTHCARE SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	Six Months Ended June 30, 2008	2007
Cash flows from operating activities:		
Net income	$ 18,883	$ 17,440
Adjustments to reconcile net income to net cash provided by operating activities, net of effects from acquisitions:		
Depreciation and amortization	7,088	5,486
Provision for bad debts	2,602	1,090
Non-cash interest expense	782	819
Provision for deferred income taxes	(1,382)	(817)
Stock-based compensation	4,505	3,954
Excess tax benefit from stock options and SARs exercised and RSUs vested	(68)	(3,274)
Loss on disposal or sale of fixed assets	73	29
Changes in assets and liabilities, net of effects from acquisition:		
Accounts receivable	(7,836)	(2,338)
Income taxes receivable	(1,049)	—
Prepaid expenses and other current assets	(3,738)	(865)
Deposits and other assets	(803)	(1,756)
Accounts payable and accrued expenses	6,342	1,123
Accrued compensation and benefits	4,742	107
Income taxes payable	(2,925)	11,330
Other liabilities	1,540	1,165
Net cash provided by operating activities	28,756	33,493
Cash flows from investing activities:		
Purchase and development of fixed assets	(5,139)	(4,632)
Purchase of intangible assets	(40)	—
Cash payment for holdback liability for 2005 acquisition	(8,500)	—
Cash paid for acquisition, net of cash received	(30,786)	(5,482)
Net cash used in investing activities	(44,465)	(10,114)
Cash flows from financing activities:		
Capital lease repayments	(326)	(314)
Payments on notes payable	(17,770)	(6,551)
Proceeds from revolving credit facility	54,500	—
Payments on revolving credit facility	(30,000)	—
Payment of financing costs	(618)	—
Repurchase of common stock	(6,448)	—
Proceeds from exercise of equity awards	3,416	2,016
Excess tax benefit from stock options and SARs exercised and RSUs vested	68	3,274
Change in bank overdraft	2,767	(8,713)
Net cash provided by (used in) financing activities	5,589	(10,288)
Effect of exchange rate changes on cash	(19)	14
Net increase (decrease) in cash and cash equivalents	(10,139)	13,105
Cash and cash equivalents at beginning of period	18,495	4,422
Cash and cash equivalents at end of period	$ 8,356	$ 17,527
Supplemental disclosures of cash flow information:		
Cash paid for interest (net of $47 and $111 capitalized during the six months ended June 30, 2008 and 2007, respectively)	$ 4,881	$ 6,019
Cash paid for income taxes (excluding $0 and $172 cash received during the six months ended June 30, 2008 and 2007, respectively)	$ 19,520	$ 1,166
Supplemental disclosures of non-cash investing and financing activities:		
Fixed assets acquired through capital leases	$ 64	$ 183
Fair value of assets acquired in acquisition, net of cash received	$ 8,778	$ 1,493
Goodwill	11,557	2,742
Intangible assets	13,960	4,909
Liabilities assumed	(1,007)	(1,421)
Excess of net working capital payable	(166)	—
Holdback provision	(2,336)	(2,241)
Net cash paid for acquisitions	$ 30,786	$ 5,482

See accompanying notes to unaudited condensed consolidated financial statements.

AMN HEALTHCARE SERVICES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

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

The condensed consolidated financial statements do not include all information and notes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with United States generally accepted accounting principles. Please refer to the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2007, contained in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission (the "SEC").

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

2. STOCK-BASED COMPENSATION

The Company adopted the provisions of Financial Accounting Standards Board (FASB) revised Statement of Financial Accounting Standards No. 123 (SFAS No. 123R), *Share-Based Payment*, on January 1, 2006. Under SFAS No. 123R, stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period.

On April 18, 2007, the Company amended the AMN Healthcare Equity Plan ("Equity Plan"), with stockholder approval, to increase the number of shares authorized under the plan by 3,000,000 (plus shares forfeited under the Company's Stock Option Plan). For the six months ended June 30, 2008, 587,000 stock appreciation rights ("SARs") and 361,000 restricted stock units ("RSUs") were granted to employees, officers and directors of the Company under the AMN Healthcare Equity Plan ("Equity Plan"). The Company did not issue stock options during the six months ended June 30, 2008 and 2007. The Equity Plan expires on the tenth anniversary of the plan effective date.

Stock Options and SARs

Stock options entitle the holder to purchase, at the end of a vesting period, a specified number of shares of the Company's common stock at a price per share set at the date of grant. SARs entitle the holder to receive, at the end of a vesting period, shares of the Company's common stock equal to the difference between the exercise price of the SAR, which is set at the date of grant, and the fair market value, as defined in the Company's Equity Plan, of the Company's common stock on the date of exercise. The SARs typically vest ratably over a three year period, with about one third of the awards vesting annually.

Stock-based compensation cost of stock options and SARs is measured based on several criteria including, but not limited to, the valuation model used and associated input factors such as expected term of the award, stock price volatility, dividend rate, risk-free interest rate and award forfeiture rate. The input factors to be used in the valuation model are based on subjective future expectations combined with management judgment. The Company estimates the fair value of awards granted using the Black-Scholes valuation model. After consideration of both its implied volatility and historical volatility, the Company determined its historical volatility to be the most accurate estimate of future volatility and therefore utilizes this measure. The Company estimates the expected term based on historical exercise patterns, and based the dividend yield assumption on historical dividend payouts, which is zero. The risk-free interest rate assumption is based on observed interest rates appropriate for the expected term of the Company's equity awards. The Company uses historical data to estimate pre-vesting award forfeitures and records stock-based compensation expense only for those awards that are expected to vest. The fair value of awards granted is amortized on a straight-line basis over the requisite service periods of the awards, which are the vesting periods.

Stock-based compensation expense for the six months ended June 30, 2008 and June 30, 2007 for SARs granted was estimated at the date of grant using the Black-Scholes valuation model based on the following assumptions (annualized percentages):

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Expected term	3.9 years	3.8 years
Risk-free interest rate	2.5%	4.5%
Volatility	30%	31%
Dividend yield	0%	0%

The weighted average grant date fair value of the 587,000 SARs granted during the six months ended June 30, 2008 was $4.35 per SAR, and the weighted average grant date fair value of the 393,000 SARs granted during the six months ended June 30, 2007 was $7.56 per SAR. As of June 30, 2008, there was $5.9 million of pre-tax total unrecognized compensation cost related to non-vested stock options and SARs, which will be adjusted for future changes in forfeitures. The Company expects to recognize such cost over a weighted average period of 1.8 years.

The following table summarizes stock options and SARs activity for the six months ended June 30, 2008:

	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2008	3,080	$ 17.22		
Granted	587	$ 16.18		
Exercised	(253)	$ 13.52		
Cancelled/forfeited/expired	(55)	$ 20.39		
Outstanding at June 30, 2008	3,359	$ 17.27	6.9	$ 5,363
Exercisable at June 30, 2008	2,195	$ 17.04	5.9	$ 4,205

Restricted Stock Units

RSUs, granted under the Company's Equity Plan, entitle the holder to receive, at the end of a vesting period, a specified number of shares of the Company's common stock. Stock-based compensation cost of RSUs is measured by the market value of the Company's common stock on the date of grant. The RSUs typically vest at the end of a three year vesting period, however, 33% of the awards may vest on the thirteenth month anniversary of the grant date, and 34% on the second anniversary of the grant date, if certain performance targets are met. The Company uses historical data to estimate pre-vesting award forfeitures and records stock-based compensation expense only for those awards that are expected to vest. The grant date intrinsic value of awards granted is amortized on a straight-line basis over the requisite service periods of the awards, which are the vesting periods.

The following table summarizes RSUs activity for non-vested awards for the six months ended June 30, 2008:

	Number of Shares (in thousands)	Weighted Average Grant Date Intrinsic Value
Unvested at January 1, 2008	408	$ 21.94
Granted	361	$ 16.18
Vested	(14)	$ 22.08
Cancelled/forfeited/expired	(25)	$ 21.64
Unvested at June 30, 2008	730	$ 19.09

As of June 30, 2008, there was $9.9 million of pre-tax total unrecognized compensation cost related to non-vested RSUs, which will be adjusted for future changes in forfeitures. The Company expects to recognize such cost over a period of 2.2 years.

Stock-Based Compensation under SFAS No. 123R

The following table shows the total stock-based compensation expense, related to all of the Company's equity awards, recognized for the three and six month periods ended June 30, 2008 and 2007, in accordance with SFAS No. 123R (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Stock-based employee compensation before tax	$ 2,382	$ 2,159	$ 4,505	$ 3,954
Related income tax benefit	(990)	(868)	(1,865)	(1,573)
Stock-based employee compensation, net of tax	$ 1,392	$ 1,291	$ 2,640	$ 2,381

For the six months ended June 30, 2008 and 2007, SFAS No. 123R resulted in cash flows from financing activities of $68,000 and 3,274,000, respectively, for excess tax benefits related to equity awards exercised and vested during the period.

3. NET INCOME PER COMMON SHARE

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

Stock-based awards to purchase 1,761,000 and 2,966,000 shares for the three and six month periods ended June 30, 2008, respectively, and 630,000 and 632,000 shares for the three and six month periods ended June 30, 2007, respectively, were not included in the calculations of diluted net income per common share because the effect of these instruments was anti-dilutive.

The following table sets forth the computation of basic and diluted net income per common share for the three and six month periods ended June 30, 2008 and 2007 (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net income	$ 9,367	$ 9,246	$18,883	$17,440
Weighted average common shares outstanding—basic	33,833	34,723	33,832	34,681
Net income per common share—basic	$ 0.28	$ 0.27	$ 0.56	$ 0.50
Weighted average common shares outstanding—basic	33,833	34,723	33,832	34,681
Plus dilutive equity awards	475	550	412	597
Weighted average common shares outstanding—diluted	34,308	35,273	34,244	35,278
Net income per common share—diluted	$ 0.27	$ 0.26	$ 0.55	$ 0.49

4. GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

As of June 30, 2008 and December 31, 2007, the Company had the following intangible assets (in thousands):

	June 30, 2008			December 31, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Staffing databases	$ 2,430	$ (1,027)	$ 1,403	$ 1,890	$ (752)	$ 1,138
Customer relationships	36,400	(6,581)	29,819	34,100	(5,166)	28,934
Tradenames and trademarks	13,551	(930)	12,621	2,711	(565)	2,146
Noncompete agreements	1,430	(578)	852	1,110	(442)	668
Acquired technology	800	(178)	622	800	(98)	702
Online courses	59	(22)	37	59	(12)	47
	$ 54,670	$ (9,316)	$ 45,354	$ 40,670	$ (7,035)	$ 33,635
Intangible assets not subject to amortization:						
Goodwill (1)	$ 263,275	$ (10,452)	$ 252,823	$ 251,718	$ (10,452)	$ 241,266
Tradenames and trademarks	79,900	—	79,900	79,900	—	79,900
	$ 343,175	$ (10,452)	$ 332,723	$ 331,618	$ (10,452)	$ 321,166

(1) Goodwill accumulated amortization represents amortization expense recorded prior to the Company's adoption of SFAS No. 142, *Goodwill and Other Intangible Assets*, on January 1, 2002.

The increase in goodwill and intangible assets of $11,557,000 and $11,719,000, respectively, during the six month period ended June 30, 2008, was primarily due to the asset acquisition of Platinum Select, L.P. ("Platinum Select Staffing") in February 2008.

Aggregate amortization expense for the intangible assets presented in the above table was $1,204,000 and $833,000 for the three months ended June 30, 2008 and 2007, respectively, and $2,281,000 and $1,593,000 for the six months ended June 30, 2008 and 2007, respectively. Estimated future aggregate amortization expense of definite lived intangible assets as of June 30, 2008 is as follows (in thousands):

	Amount
Six months ending December 31, 2008	$ 2,409
Year ending December 31, 2009	4,809
Year ending December 31, 2010	4,613
Year ending December 31, 2011	3,788
Year ending December 31, 2012	3,441
Thereafter	26,294
	$ 45,354

5. 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 revenue and incur expenses, and for which discrete financial information is regularly evaluated by the chief operating decision maker in deciding how to allocate resources and assess performance.

The Company provides hospital and healthcare facilities with temporary staffing for physicians, nurses and allied healthcare professionals and physician permanent placement services through the use of several brand names, each having their own marketing and supply distinction. The Company's operating segments are identified in the same manner as they are reported internally and used by the Company's chief operating decision maker for the purposes of evaluating performance and allocating resources.

The Company's management relies on internal management reporting processes that provide revenue and segment operating income for making financial decisions and allocating resources. Segment operating income includes income from operations before depreciation, amortization of intangible assets and amortization of stock-based compensation expense. Management believes that segment operating income is an appropriate measure of evaluating the operational performance of the Company's segments. However, this measure should be considered in addition to, not as a substitute for, or superior to, income from operations or other measures of financial performance prepared in accordance with generally accepted accounting principles in the United States. The Company's management does not evaluate, manage or measure performance of segments using asset information; accordingly, asset information by segment is not prepared or disclosed. The information in the following table is derived from the segments' internal financial information as used for corporate management purposes.

The following table provides a reconciliation of revenue and segment operating income by reportable segment to consolidated results (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenue				
Nurse and allied healthcare staffing	$ 215,342	$ 201,322	$ 419,327	$ 401,297
Locum tenens staffing	83,857	79,937	160,210	151,342
Physician permanent placement services	13,492	12,653	26,747	25,217
	$ 312,691	$ 293,912	$ 606,284	$ 577,856
Segment Operating Income				
Nurse and allied healthcare staffing	$ 16,692	$ 13,635	$ 32,173	$ 27,366
Locum tenens staffing	4,247	7,040	9,902	11,058
Physician permanent placement services	3,864	2,923	7,203	6,423
	24,803	23,598	49,278	44,847
Depreciation and amortization	3,738	2,857	7,088	5,486
Stock-based compensation	2,382	2,159	4,505	3,954
Interest expense, net	2,660	3,124	5,471	6,458
Income before income tax	$ 16,023	$ 15,458	$ 32,214	$ 28,949

6. ACQUISITIONS

On February 15, 2008, the Company acquired substantially all of the assets of Platinum Select Staffing, a national travel allied staffing firm. The strategic combination has further broadened the type of services the Company offers. The total initial purchase price was $33.3 million, which included $30.4 million cash consideration, $2.3 million cash holdback, $0.4 million of direct transaction costs and $0.2 million excess net working capital payable. The acquisition agreement also provides for an annual performance-based contingent earn-out payment up to $17 million to be paid in 2009. The allocation of the purchase price consisted of $7.8 million of net assets acquired, $11.5 million of goodwill and $14.0 million of identified intangible assets. The intangible assets included the fair value of trademarks, tradenames, customer relationships, non-compete agreements and staffing databases. The weighted average useful life of the acquired intangible assets subject to amortization is approximately 17 years. The goodwill was allocated to the Company’s nurse and allied healthcare staffing segment. The acquisition was recorded using the purchase method of accounting. The results of operations of Platinum Select Staffing are included in the nurse and allied healthcare staffing segment in the Company’s consolidated financial statements from the acquisition date.

In April 2008, in connection with the acquisition of The MHA Group, Inc. (“MHA”) in November 2005, the Company made a cash payment of $8.5 million to the selling shareholders representing a portion of the holdback of the initial purchase price. As of June 30, 2008, the Company’s remaining holdback liability in connection with MHA was $4.7 million, which is included in other current liabilities in the accompanying condensed consolidated balance sheet.

7. FAIR VALUE MEASUREMENT

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 introduces a framework for measuring fair value and expands required disclosure about fair value measurements of assets and liabilities. SFAS No. 157 for financial assets and liabilities is effective for fiscal years beginning after November 15, 2007. The Company has adopted the standard for those assets and liabilities as of January 1, 2008 and the impact of adoption was not significant. In November 2007, the FASB placed a one year deferral for the implementation of SFAS No. 157 for nonfinancial assets and liabilities. Accordingly, the Company will adopt the methods of fair value described in SFAS No. 157 for nonfinancial assets and liabilities on January 1, 2009.

SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. As of June 30, 2008, the Company held certain assets and liabilities that are required to be measured at fair value on a recurring basis. These included the Company's investments associated with the Company's Executive Nonqualified Excess Plan ("Excess Benefit Plan") and interest rate swaps. The Company's investments associated with its Excess Benefit Plan consist of mutual funds that are publicly traded and for which market prices are readily available. The Company's interest rate swaps are valued using commonly quoted intervals from observable market data. In addition, the Company discounts the derivative liabilities to reflect the potential credit risk to lenders by using current interest rates available to the Company which were obtained directly from the Company's third-party lender.

Financial assets and liabilities measured at fair value on a recurring basis are summarized below (in thousands):

	Fair Value Measurements as of June 30, 2008			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets: Trading securities investment	$1,904	$ 1,904	$ —	$ —
Financial Liabilities: Interest rate swaps	$1,168	$ —	$ 1,168	$ —

8. STOCK REPURCHASE

On May 7, 2008, the Company announced that the Board had authorized it to repurchase up to $38.0 million of its outstanding common stock in the open market through March 31, 2009. Under the repurchase program, share purchases may be made from time to time, beginning in the second quarter of 2008 depending on prevailing market conditions and other considerations. During June 2008, the Company repurchased 368,000 shares of its common stock at an average price of $17.49 per share, resulting in an aggregate purchase price of $6.4 million. As of June 30, 2008, the remaining approximate dollar value that may be purchased under the program is about $31.6 million.

In connection with the stock repurchase program, effective May 2, 2008, the Company entered into a Third Amendment (the "Third Amendment") to its Second Amended and Restated Credit Agreement (the "Credit Agreement") dated November 2, 2005. The Third Amendment provides that the Company may repurchase its common stock in an aggregate cash amount not to exceed $50.0 million, provided that no default or event of default exists either before or after giving effect to such repurchase payment and such repurchase occurs on or before March 31, 2009. The Third Amendment also adds a $15.0 million secured debt basket to the permitted indebtedness exceptions (subject to certain conditions) and increases the annual capital expenditure basket to $15.0 million. Additionally, the Company incurred an amendment fee of $0.6 million, which is deferred and will be amortized using the effective interest method over the remaining term of the credit facility.

9. SUBSEQUENT EVENT

In July 2008, the Company entered into five additional interest rate swap agreements for notional amounts of $10.0 million each, whereby the Company will pay fixed rates ranging from 3.20% to 4.33% under these agreements and receive a floating three-month LIBOR. Three of the agreements will become effective in September 2008, and the remaining two will become effective in December 2009. These agreements expire beginning June 2009 through September 2010. No initial investments were made to enter into these agreements.

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

The following discussion should be read in conjunction with, and is qualified in its entirety by, our consolidated financial statements and the notes thereto and other financial information included elsewhere herein and in our Annual Report on Form 10-K for the year ended December 31, 2007. Certain statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" are "forward-looking statements." See "Special Note Regarding Forward-Looking Statements." We undertake no obligation to update the forward-looking statements in this filing. References in this filing to "AMN Healthcare," the "Company," "we," "us" and "our" refer to AMN Healthcare Services, Inc. and its wholly owned subsidiaries.

Overview

We are the largest healthcare staffing company in the United States. As the largest nationwide provider of travel nurse and allied staffing services, locum tenens (temporary physician staffing) and physician permanent placement, we recruit physicians, nurses, and allied healthcare professionals, our "healthcare professionals", nationally and internationally and place them on assignments of variable lengths and in permanent positions with acute-care hospitals, physician practice groups and other healthcare settings, including rehabilitation centers, radiology imaging facilities, dialysis clinics and pharmacies throughout the United States.

For the three months ended June 30, 2008, we recorded revenue of $312.7 million, as compared to revenue of $293.9 million for the three months ended June 30, 2007. We recorded net income of $9.4 million for the three months ended June 30, 2008, as compared to net income of $9.2 million for the three months ended June 30, 2007. For the six months ended June 30, 2008, we recorded revenue of $606.3 million, as compared to revenue of $577.9 million for the six months ended June 30, 2007. We recorded net income of $18.9 million for the six months ended June 30, 2008, as compared to net income of $17.4 million for the six months ended June 30, 2007.

Our staffing services are marketed primarily to two distinct customer groups: (1) healthcare professionals and (2) hospitals, physician practice groups and other healthcare centers. We use distinct brands to market our differentiated services throughout the healthcare staffing spectrum.

We use a multi-brand recruiting strategy to enhance our ability to successfully attract healthcare professionals in the United States and internationally. We market our staffing opportunities to healthcare professionals under recruitment brands including American Mobile Healthcare®, Medical Express℠, NurseChoice®, NursesRx®, Preferred Healthcare Staffing®, Med Travelers℠, Platinum Select Staffing℠, Rx Pro Health®, RN Demand®, O'Grady Peyton International®, Staff Care® and Merritt, Hawkins & Associates®. Each brand has a distinct clinician focus, market strength and brand reputation.

At the end of June 30, 2008, we had healthcare professionals on assignment at approximately 2,500 different healthcare facility clients. We provide staffing services mainly to acute-care and sub-acute healthcare facilities, physician groups, dialysis centers, clinics, radiology imaging facilities and retail and mail-order pharmacies. We market our travel nursing services to hospitals and healthcare facilities generally under one brand, AMN Healthcare®, as a single staffing provider with access to healthcare professionals from several nurse recruitment brands. We market our locum tenens staffing and physician permanent placement services under the brand names Staff Care and Merritt, Hawkins & Associates, respectively, and market our allied healthcare staffing services to hospitals and healthcare facilities generally under the brand names Med Travelers, Platinum Select Staffing and Rx Pro Health. Rx Pro Health is a pharmacy staffing company that we acquired in May 2007, and Platinum Select Staffing is an allied healthcare staffing company, whose assets we acquired in February 2008.

Physicians, nurses and allied healthcare professionals join us on temporary assignments for a wide variety of reasons that include: seeking flexible work opportunities, exploring different areas of the country and diverse practice settings, building clinical skills and experience by working at prestigious healthcare facilities, avoiding the demands and political environment of working as permanent staff, working through life and career transitions, and as a means of access into a permanent staff position with our clients.

Our large number of hospital, healthcare facility and other clients provides us with the opportunity to offer temporary positions typically in all 50 states and in a variety of work environments and clinical settings. In addition, we provide our temporary healthcare professionals with an attractive benefit package that may include free or subsidized housing, free or reimbursed travel, competitive wages, professional development opportunities, professional liability insurance, and, for employed professionals, 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 word-of-mouth referrals from our thousands of current and former healthcare professionals.

Our clients include hospitals and healthcare systems such as Georgetown University Hospital, HCA, NYU Medical Center, Stanford Health Care, UCLA Medical Center, The University of Chicago Hospitals, and Mayo Health System. We also provide services to government facilities, sub-acute healthcare facilities, physician practice groups, dialysis centers, clinics, imaging facilities and pharmacies.

Our hospital and healthcare facility clients utilize our staffing services to cost-effectively manage both short and long-term shortages in their staff due to a variety of circumstances such as a lack of qualified, specialized local healthcare professionals, attrition, leave schedules, new unit openings, seasonal patient census variations and to identify candidates for permanent positions. In addition to providing continuity of care and quality patient care, we believe hospitals, healthcare facilities and other clients contract with us due to our access to a large national network of quality temporary and permanent healthcare professionals, our ability to meet their specific staffing needs, our flexible staffing assignment lengths and our reliable and superior customer service.

The physician permanent placement market has strong growth potential due to client demand for physicians that enable our clients to generate revenue. Physicians are significant drivers of revenue, influencing many hospitals, healthcare facilities and physician practice groups to devote the resources necessary to recruit them. While this demand creates significant competition for a limited supply of physicians, our national reach and brand recognition positions us well in this environment.

This demand and overlap of clients seeking physicians for both temporary and permanent placement assignments provide us an opportunity to cross-sell these complementary physician staffing services.

Recent Trends

The U. S. temporary healthcare staffing industry revenues are expected to grow by 5% in 2008 to $11.9 billion according to growth estimates supplied by Staffing Industry Analysts (SIA) in June 2008. Industry revenue estimates for the markets in which we provide temporary healthcare staffing services were estimated to be $2.5 billion for travel nursing, $1.9 billion for locum tenens and $3.4 billion for allied healthcare. The remainder of the industry revenue estimate was attributable to per diem nurse staffing, which is a market in which we do not participate.

Our nurse and allied healthcare staffing segment, our largest reporting segment, experienced a strong demand and tight supply environment during 2005 and early 2006. During 2007 and continuing into 2008, this segment experienced lower demand mainly in certain key states, which was partially offset by increased demand in other parts of the country. The lower demand in certain states was driven by several factors, such as hospital admission levels, the aggressive hiring of new graduates, some improvement in hospitals’ ability to retain permanent labor and budget concerns given the soft economic environment.

We recruit a small percentage of nurses from international channels through our O’Grady Peyton International (OGP) brand to meet our facility clients’ long-term staffing needs. Revenue from OGP comprises less than 5% of our consolidated revenue. Since late 2006, the number of permanent immigrant visas available for nurses overseas has been limited as a result of these quotas, which has constricted our ability to place new international nurses on assignment. Federal legislation has been introduced that, if passed, would have the effect of increasing the permanent visas available for nurses.

Locum tenens physicians are used by hospitals, healthcare facilities and physician practice groups to fill temporary vacancies created by vacations and leave schedules, and increasingly, to bridge the gap while these clients seek permanent candidates. SIA estimated that the locum tenens market will continue to be the fastest-growing segment of the healthcare staffing industry in 2008. We believe that the overall demand environment for locum tenens services continues to be strong. However, we have experienced a weakening in demand for radiologists due to changes in Medicare reimbursement.

Critical Accounting Principles and Estimates

We have identified the following critical accounting policies that affect the more significant judgments and estimates used in the preparation of our unaudited condensed consolidated financial statements. The preparation of our financial statements in conformity with United States generally accepted accounting principles requires us to make estimates and judgments that affect our reported amounts of assets and liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to asset impairment, accruals for self-insurance and compensation and related benefits, accounts receivable, contingencies and litigation, and valuation and recognition of share-based payments. We state these accounting policies in the notes to the audited financial statements for the year ended December 31, 2007, contained in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission, and in relevant sections in this discussion and analysis. These estimates are based on the information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could vary from these estimates under different assumptions or conditions.

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

Goodwill and Intangible Assets

We have recorded goodwill and other indefinite lived intangible assets resulting from our past acquisitions. Commencing with the adoption of SFAS No. 142, *Goodwill and Other Intangible Assets*, on January 1, 2002, we ceased amortizing goodwill and have performed annual impairment analyses each year to assess the recoverability of the goodwill and other indefinite lived intangible assets, in accordance with the provisions of SFAS No. 142. We performed the most recent annual impairment test on October 31, 2007 and determined there was no impairment. No events have occurred subsequent to October 31, 2007 that indicate impairment may have occurred.

SFAS No. 142 also requires that intangible assets with estimable useful lives continue to be amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. In accordance with the provisions of SFAS No. 144, we analyze our amortizable intangible assets for impairment annually as well as whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If we are required to record an impairment charge in the future, it could have an adverse impact on our results of operations.

Professional Liability Reserve

We maintain an accrual for professional liability self-insured retention limits, which is included in accounts payable and accrued expenses and other long term liabilities in our consolidated balance sheets. We determine the adequacy of this accrual by evaluating our historical experience and trends, loss reserves established by our insurance carriers, management and third party administrators, as well as through the use of independent actuarial studies. We obtain updated actuarial studies on a regular basis that use our historical claims data and industry data to determine the appropriate reserves for incurred, but not reported, professional liability claims for each year. For the nurse and allied healthcare staffing segment, reserves for reported claims are based upon loss reserves established by management and our third party administrators. For the locum tenens staffing segment, reserves for reported claims are based upon the actual studies of historical claims data and industry data.

Self-Insured Health Insurance Claims Reserve

We maintain an accrual for self-insured health benefits we provide to our corporate employees and temporary nurse and allied healthcare professionals, which is included in accrued compensation and benefits in our consolidated balance sheets. We determine the adequacy of this accrual by evaluating our historical experience and trends related to both health insurance claims and payments, information provided to us by our insurance broker and third party administrator and industry experience and trends. If such information indicates that our accruals are overstated or understated, we reduce or provide for additional accruals. Our accrual is based on (i) a monthly average of our actual historical health insurance claim amounts and (ii) the average period of time from the date the claim is incurred to the date that it is reported to us and paid. We believe this is the best estimate of the amount of incurred, but not reported, self-insured health benefit claims. Historically, our accrual for health insurance has been adequate to provide for incurred claims and has fluctuated with increases or decreases in the average number of plan participants, changes in our claims experience and changes in the reporting and payment processing time for claims.

Workers Compensation Reserve

We maintain an accrual for workers compensation self-insured retention limits, which is included in accrued compensation and benefits and other long term liabilities in our consolidated balance sheets. We determine the adequacy of these accruals by evaluating our historical experience and trends, loss reserves established by our insurance carriers and third party administrators, as well as through the use of independent actuarial studies. We obtain updated actuarial studies on a semi-annual basis that use our payroll and actual claims data, as well as industry data, to determine the appropriate reserve both for reported claims and incurred, but not reported, claims for each policy year. The actuarial study for workers compensation provides us with the estimated losses for prior policy years and an estimated percentage of payroll compensation to be accrued for the current year. We record our accruals based on the amounts provided in the actuarial study, and we believe this is the best estimate of our liability for reported claims and incurred, but not reported, claims.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and are non-interest bearing. We maintain an allowance for doubtful accounts for estimated credit losses resulting from collection risks, including the inability of our customers to make required payments under their contractual agreements. This results in a provision for bad debt expense. The allowance for doubtful accounts is reported as a reduction of accounts receivable in our consolidated balance sheets. We determine the adequacy of this allowance by evaluating historical delinquency and write-off trends, the financial condition and credit risk and histories of each customer, historical payment trends and current economic conditions. If the financial condition of our customers deteriorates, resulting in an impairment of their ability to make payments, additional allowances would be provided.

Contingent Liabilities

We are subject to various claims and legal actions in the ordinary course of our business. Some of these matters include tax, payroll and employee-related matters and investigations by governmental agencies regarding our employment practices. We are the subject of an assessment by the California Employment Development Department (EDD) with respect to the payment of certain payroll related taxes, in connection with our locum tenens and allied providers, for the period between April 1, 2001 and March 31, 2004. We have appealed the EDD’s assessment. We recently received notice of a similar assessment for the period April 1, 2004 to June 30, 2007, which we plan to contest. As we become aware of such claims and legal actions, we provide accruals if the exposures are probable and estimable. If an adverse outcome of such claims and legal actions is reasonably possible, we assess materiality and provide disclosure, as appropriate. We may also become subject to claims, governmental inquiries and investigations, and legal actions relating to services provided by our temporary healthcare professionals, and we maintain accruals for these matters if the amounts are probable and estimable. We are not currently aware of any such pending or threatened litigation that would be considered reasonably likely to have a material adverse effect on our consolidated financial position, results of operations or liquidity.

Share-Based Payments

Effective January 1, 2006, we adopted the provisions of revised SFAS No. 123 (SFAS No. 123R), *Share-Based Payment*, which established accounting for share-based awards exchanged for employee services and requires companies to expense the estimated fair value of these awards over the requisite employee service period. Accordingly, stock-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the employee's requisite service period. The measurement of stock based compensation cost is based on several criteria including, but not limited to, the valuation model used and associated input factors such as expected term of the award, our stock price volatility, dividend rate, risk free interest rate and award forfeiture rate. The input factors to be used in the valuation model are based on subjective future expectations combined with management judgment. We estimate the fair value of stock options and stock appreciation rights granted using the Black-Scholes valuation model and the assumptions shown in Note 2 to the accompanying condensed consolidated financial statements. We use historical data to estimate pre-vesting equity award forfeitures and record stock-based compensation expense only for those awards that are expected to vest. We estimate the expected term, dividend yield and risk-free interest rate assumptions consistent with the methodologies used prior to January 1, 2006. After consideration of both our implied volatility and historical volatility, we determined our historical volatility to be the most accurate estimate of future volatility and therefore utilize this measure. The fair value of equity awards granted is amortized on a straight-line basis over the requisite service periods of the awards, which are the vesting periods. If factors change, we may decide to use different assumptions under the Black-Scholes valuation model, or a different valuation model, in the future, which could materially affect our net income and earnings per share.

Results of Operations

The following table sets forth, for the periods indicated, certain condensed consolidated statements of operations data as a percentage of our revenue. Our results of operations include three reportable segments: (1) nurse and allied healthcare staffing; (2) locum tenens staffing; and (3) physician permanent placement services. Our historical results are not necessarily indicative of our results of operations to be expected in the future.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Consolidated Statements of Operations:				
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of revenue	73.6	74.5	73.6	74.5
Gross profit	26.4	25.5	26.4	25.5
Selling, general and administrative	19.2	18.2	19.0	18.4
Depreciation and amortization	1.2	1.0	1.2	1.0
Income from operations	6.0	6.3	6.2	6.1
Interest expense, net	0.9	1.1	0.9	1.1
Income before income taxes	5.1	5.2	5.3	5.0
Income tax expense	2.1	2.1	2.2	2.0
Net income	3.0%	3.1%	3.1%	3.0%

Comparison of Results for the Three Months Ended June 30, 2008 to the Three Months Ended June 30, 2007

Revenue. Revenue increased 6%, to $312.7 million for the three months ended June 30, 2008 from $293.9 million for the same period in 2007, primarily due to pricing increases in the locum tenens staffing segment and the acquisitions of Platinum Select Staffing in February 2008 and Rx Pro Health in May 2007 in the nurse and allied healthcare staffing segment.

Nurse and allied healthcare staffing segment revenue increased 7%, to $215.3 million for the three months ended June 30, 2008 from $201.3 million for the same period in 2007. Of the $14.0 million increase, $5.6 million was attributable to the increase in revenue generated per temporary healthcare professional due primarily to an increase in the average bill rates charged to hospital and healthcare facility clients, $0.3 million was attributable to a shift in the mix of temporary healthcare professionals working on flat rate contracts to hours and days worked contracts, $14.7 million was attributable to the acquisition of Platinum Select Staffing in February 2008 and $2.2 million was attributable to the acquisition of Rx Pro Health in May 2007. These increases were partially offset by an $8.8 million decrease due to a reduced average number of temporary healthcare professionals on assignment, excluding the impact from the acquisitions.

Locum tenens staffing segment revenue increased 5%, to $83.9 million for the three months ended June 30, 2008 from $79.9 million for the same period in 2007. Of the $4.0 million increase, $4.6 million was attributable to increases in the average daily rate billed to clients and $0.4 million was attributable to an increase in the number of days filled by healthcare professionals during the three months ended June 30, 2008. These increases were partially offset by a $1.0 million decrease due to a shift in the mix of specialties worked.

Physician permanent placement services segment revenue increased 6%, to $13.5 million for the three months ended June 30, 2008 from $12.7 million for the same period in 2007.

Cost of Revenue. Cost of revenue increased 5%, to $230.2 million for the three months ended June 30, 2008 from $219.0 million for the same period in 2007, primarily due to an increase in the compensation and housing costs provided to the healthcare professionals and the acquisitions of Platinum Select Staffing in February 2008 and Rx Pro Health in May 2007.

Nurse and allied healthcare staffing segment cost of revenue increased 5%, to $162.5 million for the three months ended June 30, 2008 from $154.4 million for the same period in 2007. Of the $8.1 million increase, $2.4 million was attributable to net increases in the average compensation package, primarily related to wages and housing costs provided to our temporary healthcare professionals, $0.2 million was attributable to a shift in the mix of temporary healthcare professionals working on flat rate contracts to hours and days worked contracts, $11.1 million was attributable to the acquisition of Platinum Select Staffing in February 2008 and $1.2 million was attributable to the acquisition of Rx Pro Health in May 2007. These increases were partially offset by a $6.8 million decrease attributable to a reduced average number of temporary healthcare professionals on assignment, excluding the impact from the acquisitions.

Locum tenens staffing segment cost of revenue increased 5%, to $62.2 million for the three months ended June 30, 2008 from $59.5 million for the same period in 2007. Of the $2.7 million increase, $2.4 million was attributable to an increase in compensation provided to our healthcare professionals and $0.3 million was attributable to an increase in the number of days filled by healthcare professionals.

Physician permanent placement services segment cost of revenue increased 8%, to $5.5 million for the three months ended June 30, 2008 from $5.1 million for the same period in 2007.

Gross Profit. Gross profit increased 10%, to $82.5 million for the three months ended June 30, 2008 from $75.0 million for the same period in 2007, representing gross margins of 26.4% and 25.5%, respectively. Gross margin by reportable segment for the three months ended June 30, 2008 and 2007 was 24.5% and 23.3% for nurse and allied healthcare staffing, 25.8% and 25.6% for locum tenens staffing and 59.7% and 60.0% for physician permanent placement services, respectively. The increase in the nurse and allied healthcare staffing segment gross margin was primarily attributable to a widening of the pay-to-bill spread and a decrease in health insurance claims, and the slight increase in the locum tenens staffing segment gross margin was primarily attributable to widening of the pay-to-bill spread.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 12%, to $60.1 million for the three months ended June 30, 2008 from $53.5 million for the same period in 2007. Of the $6.6 million increase, $2.3 million was attributable to the acquisition of Platinum Select Staffing in February 2008, $1.7 million was attributable to the acquisition of Rx Pro Health in May 2007 and the remaining increase was primarily attributable to an increase in professional liability insurance costs and bad debt expense. Selling, general and administrative expenses by reportable segment for the three months ended June 30, 2008 and 2007, respectively, were $38.2 million and $35.2 million for nurse and allied healthcare staffing, $17.5 million and $13.5 million for locum tenens staffing, and $4.4 million and $4.8 million for physician permanent placement services.

Depreciation and Amortization Expenses. Amortization expense increased 50%, to $1.2 million for the three months ended June 30, 2008 from $0.8 million for the same period in 2007. The increase was attributable to amortization of intangibles acquired from the Rx Pro Health acquisition in May 2007 and the Platinum Select Staffing acquisition in February 2008. Depreciation expense increased to $2.5 million for the three months ended June 30, 2008 from $2.1 million for the same period in 2007, with the increase primarily attributable to additional internally developed software.

Interest Expense, Net. Interest expense, net, was $2.7 million for the three months ended June 30, 2008 as compared to $3.1 million for the same period in 2007. The $0.4 million decrease was primarily attributable to a lower average debt outstanding balance for the three months ended June 30, 2008 as compared to the same period in 2007.

Income Tax Expense. Income tax expense increased to $6.7 million for the three months ended June 30, 2008 from $6.2 million for the same period in 2007, reflecting effective income tax rates of 41.5% and 40.2% for these periods, respectively. The increase in the effective income tax rate was primarily attributable to an increase in the uncertain tax position liabilities.

Comparison of Results for the Six Months Ended June 30, 2008 to the Six Months Ended June 30, 2007

Revenue. Revenue increased 5%, to $606.3 million for the six months ended June 30, 2008 from $577.9 million for the same period in 2007, primarily due to pricing increases in the locum tenens staffing segment and the acquisitions of Platinum Select Staffing in February 2008 and Rx Pro Health in May 2007 in the nurse and allied healthcare staffing segment.

Nurse and allied healthcare staffing segment revenue increased 5%, to $419.3 million for the six months ended June 30, 2008 from $401.3 million for the same period in 2007. Of the $18.0 million increase, $9.3 million was attributable to the increase in revenue generated per temporary healthcare professional due primarily to an increase in the average bill rates charged to hospital and healthcare facility clients, $2.1 million was attributable to one extra day in the six months ended June 30, 2008, $0.7 million was attributable to a shift in the mix of temporary healthcare professionals working on flat rate contracts to hours and days worked contracts, $21.8 million was attributable to the acquisition of Platinum Select Staffing in February 2008 and $4.6 million was attributable to the acquisition of Rx Pro Health in May 2007. These increases were partially offset by a $20.5 million decrease due to a reduced average number of temporary healthcare professionals on assignment, excluding the impact from the acquisitions.

Locum tenens staffing segment revenue increased 6%, to $160.2 million for the six months ended June 30, 2008 from $151.3 million for the same period in 2007. Of the $8.9 million increase, $9.1 million was attributable to increases in the average daily rate billed to clients and $0.9 million was attributable to an increase in the number of days filled by healthcare professionals during the six months ended June 30, 2008. These increases were partially offset by a $1.1 million decrease due to a shift in the mix of specialties worked.

Physician permanent placement services segment revenue increased 6%, to $26.8 million for the six months ended June 30, 2008 from $25.2 million for the same period in 2007.

Cost of Revenue. Cost of revenue increased 4%, to $446.3 million for the six months ended June 30, 2008 from $430.4 million for the same period in 2007, primarily due to an increase in the compensation and housing costs provided to the healthcare professionals and the acquisitions of Platinum Select Staffing in February 2008 and Rx Pro Health in May 2007, which were partially offset by lower workers compensation and medical insurance costs.

Nurse and allied healthcare staffing segment cost of revenue increased 3%, to $317.6 million for the six months ended June 30, 2008 from $307.8 million for the same period in 2007. Of the $9.8 million increase, $4.2 million was attributable to net increases in compensation, primarily related to wages and housing costs provided to our temporary healthcare professionals partially offset by favorable insurance claims, $1.6 million was attributable to one extra billing day during the six months ended June 30, 2008, $0.6 million was attributable to a shift in the mix of temporary healthcare professionals working on flat rate contracts to hours and days worked contracts, $16.7 million was attributable to the acquisition of Platinum Select Staffing in February 2008 and $2.5 million was attributable to the acquisition of Rx Pro Health in May 2007. These increases were partially offset by a $15.8 million decrease attributable to a reduced average number of temporary healthcare professionals on assignment, excluding the impact from the acquisitions.

Locum tenens staffing segment cost of revenue increased 5%, to $118.2 million for the six months ended June 30, 2008 from $112.9 million for the same period in 2007. Of the $5.3 million increase, $4.6 million was attributable to an increase in compensation provided to our healthcare professionals and $0.7 million was attributable to an increase in the number of days filled by healthcare professionals.

Physician permanent placement services segment cost of revenue increased 9%, to $10.5 million for the six months ended June 30, 2008 from $9.7 million for the same period in 2007.

Gross Profit. Gross profit increased 8%, to $160.0 million for the six months ended June 30, 2008 from $147.5 million for the same period in 2007, representing gross margins of 26.4% and 25.5%, respectively. Gross margin by reportable segment for the six months ended June 30, 2008 and 2007 was 24.3% and 23.3% for nurse and allied healthcare staffing, 26.3% and 25.4% for locum tenens staffing and 60.6% and 61.6% for physician permanent placement services, respectively. The increase in the nurse and allied healthcare staffing segment gross margin was primarily attributable to a decrease in health insurance claims and the widening of the pay-to-bill spread, and the increase in the locum tenens staffing segment gross margin was primarily attributable to widening of the pay-to-bill spread.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 8%, to $115.2 million for the six months ended June 30, 2008 from $106.6 million for the same period in 2007. Of the $8.6 million increase, $3.3 million was attributable to the acquisition of Platinum Select Staffing in February 2008, $3.7 million was attributable to the acquisition of Rx Pro Health in May 2007 and the remaining increase was primarily attributable to an increase in professional liability insurance costs and bad debt expense. Selling, general and administrative expenses by reportable segment for the six months ended June 30, 2008 and 2007, respectively, were $73.5 million and $69.8 million for nurse and allied healthcare staffing, $32.3 million and $27.5 million for locum tenens staffing and $9.4 million and $9.3 million for physician permanent placement services.

Depreciation and Amortization Expenses. Amortization expense increased to $2.3 million for the six months ended June 30, 2008 from $1.6 million for the same period in 2007. The increase was primarily attributable to the amortization of identifiable amortizable intangible assets recorded as a result of the acquisition of Rx Pro Health in May 2007 and the Platinum Select Staffing acquisition in February 2008. Depreciation expense increased to $4.8 million for the six months ended June 30, 2008 from $3.9 million for the same period in 2007, with the increase primary attributable to additional internally developed software.

Interest Expense, Net. Interest expense, net, was $5.5 million for the six months ended June 30, 2008 as compared to $6.5 million for the same period in 2007. The $1.0 million decrease was primarily attributable to lower average debt outstanding balance for the six months ended June 30, 2008 as compared to the same period in 2007.

Income Tax Expense. Income tax expense increased to $13.3 million for the six months ended June 30, 2008 from $11.5 million for the same period in 2007, reflecting effective income tax rates of 41.4% and 39.8% for these periods, respectively. The increase in the effective income tax rate was primarily attributable to an increase in the uncertain tax position liabilities.

Liquidity and Capital Resources

Historically, our primary liquidity requirements have been for acquisitions, working capital requirements, common stock repurchases and debt service under our credit facility. We have funded these requirements through internally generated cash flow and funds borrowed under our credit facility. At June 30, 2008, $153.7 million was outstanding under our credit facility. We believe that cash generated from operations and available borrowings under our revolving credit facility will be sufficient to fund our operations for at least the next 12 months. We expect to be able to finance future acquisitions or stock repurchases either with cash provided from operations, borrowings under our revolving credit facility, bank loans, debt or equity offerings, or some combination of the foregoing. The following discussion provides further details of our liquidity and capital resources.

Operating Activities:

Historically, our principal working capital need has been for accounts receivable. At June 30, 2008, our days sales outstanding (“DSO”) was 58 days. At June 30, 2007, our DSO was 60 days and at December 31, 2007, our DSO was 59 days. The decrease in DSO compared to December 31, 2007 and June 30, 2007 was due primarily to an improvement in collection efforts during the six months ended June 30, 2008. Our principal sources of cash to fund our working capital needs are cash generated from operating activities and borrowings under our revolving credit facility. Net cash provided by operations decreased $4.7 million from $33.5 million in the six months ended June 30, 2007 to $28.8 million in the six months ended June 30, 2008. This decrease in net cash provided by operations was primarily driven by income tax payments and increase in accounts receivables and prepaid expenses during the six months ended June 30, 2008. These increases were partially offset by increases in accounts payable, accrued compensation and benefits and other accrued expenses during the six months ended June 30, 2008.

Investing Activities:

We continue to have relatively low capital investment requirements. Capital expenditures were $5.1 million and $4.6 million for the six months ended June 30, 2008 and 2007, respectively. For the first six months of 2008, our capital expenditures were $3.5 million for purchased and internally developed software and $1.6 million for computers, furniture and equipment and other expenditures. We expect our future capital expenditure requirements to be similar to those during the six months ended June 30, 2008.

Our business acquisition expenditures were $39.3 million during the six months ended June 30, 2008, compared to $5.5 million during the six months ended June 30, 2007, which was related to the acquisition of Rx Pro Health in May 2007. Of the $39.3 million expenditure during the six months ended June 30, 2008, $30.8 million was the cash consideration for the acquisition of Platinum Select Staffing in February 2008 and $8.5 million was a portion of the cash holdback paid to the selling shareholders in our acquisition of The MHA Group, Inc. (“MHA”) in 2005. We financed the Platinum Select Staffing acquisition using $18.0 million of cash on hand at the purchase date and the balance from our revolving credit facility. We will continue to evaluate and look for acquisition opportunities that may require additional funding.

Financing Activities:

Our credit facility, the Second Amended and Restated Credit Agreement (“Credit Agreement”), provides for, among other things, a $75.0 million secured revolving credit facility for short-term borrowings, a $30.0 million letter of credit sub-facility, a $15.0 million swing-line sub-facility, all maturing in November 2010, and a $235.0 million secured term loan facility maturing in November 2011. The secured term loan facility was used primarily to fund our acquisition of MHA in November 2005, pay off then-existing borrowings, and repurchase shares of our common stock in May 2006.

Effective May 2, 2008, we entered into a Third Amendment (the “Third Amendment”) to our Credit Agreement. The Third Amendment provides that we may repurchase our common stock in an aggregate cash amount not to exceed $50.0 million, provided that no default or event of default exists either before or after giving effect to such repurchase payment and such repurchase occurs on or before March 31, 2009. The Third Amendment also adds a $15.0 million secured debt basket to the permitted indebtedness exceptions (subject to certain conditions) and increases the annual capital expenditure basket to $15.0 million. Additionally, we incurred an amendment fee of $0.6 million, which is deferred and will be amortized using the effective interest method over the remaining term of the credit facility. On May 7, 2008, we announced that our Board had authorized us to repurchase up to $38.0 million of our outstanding common stock in the open market through March 31, 2009. Under the repurchase program, share purchases may be made from time to time beginning in the second quarter of 2008 depending on prevailing market conditions and other considerations. During June 2008, we repurchased 368,000 shares of our common stock at an average price of $17.49 per share, resulting in an aggregate purchase price of $6.4 million.

The revolving credit facility portion of our Credit Agreement carries an unused fee of between 0.375% and 0.5% per annum based on our then current leverage ratio, and there are no mandatory reductions in the revolving commitment under the revolving credit facility. Borrowings under this revolving credit facility bear interest at floating rates based upon either a LIBOR or a prime interest rate option selected by us, plus a spread of 1.50% to 2.25% and 0.50% to 1.25%, respectively, to be determined based on our then current leverage ratio. Amounts available under our revolving credit facility may be used for working capital, capital expenditures, permitted acquisitions and general corporate purposes, subject to various limitations. At June 30, 2008, there was $24.5 million outstanding under our revolving credit facility.

The term loan portion of our Credit Agreement is subject to quarterly amortization of principal (in equal installments), with an amount equal to 1.25% of the initial aggregate principal amount of the facility payable quarterly through September 30, 2007 (except in the case of the initial quarterly payment on June 30, 2006 of 2.5%) and 2.5% of the initial aggregate principal amount of the facility payable quarterly from December 31, 2007 through September 30, 2010 with any remaining amounts payable through 2011. The term loan portion of our credit facility bears interest, at our option, at either LIBOR plus 1.75% or the Base Rate plus 0.75%. Voluntary prepayments of the term loan portion of the credit facility are applied as we may elect, including ratably to the remaining quarterly principal amortization payments.

We are required to make additional mandatory prepayments on the term loan with the proceeds of asset dispositions, extraordinary receipts, debt issuances and certain equity issuances. We also are required to make mandatory prepayments on the term loan within ninety days after the end of each fiscal year, which commenced in the fiscal year ended December 31, 2006, in an amount equal to 50% of our excess cash flow (as defined in the Credit Agreement), less any voluntary prepayments made during the fiscal year. These mandatory prepayment amounts, if any, are applied ratably to the remaining quarterly amortization payments. On February 5, 2008, we made a total payment of $14.0 million, among which $10.1 million was used for the 2007 excess cash flow requirement, $3.8 million was applied to the quarterly principal amortization payments for three months ended March 31, 2008, and the remaining $0.1 million to be applied to a future quarterly principal amortization payment. The voluntary prepayments made during 2007 and the $10.1 million payment made in February 2008 satisfied the excess cash flow prepayment requirement for 2007. In connection with the voluntary payment, we wrote off $0.1 million of deferred financing costs, which was recorded in the interest expense. In June 2008, we made quarterly principal amortization payments of $3.8 million. At June 30, 2008, total term loan outstanding (including both the current and long term portions) was $129.2 million.

We are required to maintain a maximum leverage ratio, based on EBITDA and funded indebtedness as defined in the Credit Agreement, as of the end of each fiscal quarter of not more than 3.00 to 1.00 for the fiscal quarter ending June 30, 2008, decreasing throughout the term of the agreement to ultimately arrive at a ratio of 2.00 to 1.00 for the fiscal quarter ending March 31, 2009 and thereafter. We are also required to maintain a minimum fixed charge coverage ratio, based on EBITDA and debt and interest payments as defined in the Credit Agreement, as of the end of each fiscal quarter of not less than 1.50 to 1.00 for the fiscal quarter ending June 30, 2008, decreasing throughout the term of the agreement to ultimately arrive at a ratio of 1.25 to 1.00 for the fiscal quarter ending September 30, 2008 and thereafter. We are also subject to limitations on the amount of our annual capital expenditures and on the amount of consolidated total assets and consolidated EBITDA that may be owned or attributable to our foreign subsidiaries. We were in compliance with these requirements at June 30, 2008.

Under our Credit Agreement, our subsidiaries are not permitted to pay dividends or distributions to us, except for certain permitted dividends and distributions, including those related to taxes, certain reporting obligations under federal and state law and certain other ordinary course operating expenses, subject to the limitations contained in our Credit Agreement.

We are also required to maintain interest rate protection on at least 50% of the term loan portion of our Credit Agreement beginning November 2006 until May 2009. As of June 30, 2008, we maintained two interest rate swap agreements with notional amounts totaling $65.0 million. We pay fixed rates ranging from 4.87% to 4.94% under these agreements and receive a floating three-month LIBOR. The agreements expire beginning December 2008 through December 2009, and no initial investments were made to enter into these agreements.

At June 30, 2008 and December 31, 2007, the interest rate swap agreements had a fair value of $(1.2) million and $(1.1) million, respectively, which is included in other liabilities in the accompanying condensed consolidated balance sheets. Our interest rate swaps are valued using commonly quoted intervals from observable markets. In addition, we discount our derivative liabilities to reflect the potential credit risk to lenders. We have formally documented the hedging relationships and account for these arrangements as cash flow hedges.

In July 2008, we entered into five additional interest rate swap agreements for notional amounts of $10.0 million each, whereby we will pay fixed rates ranging from 3.20% to 4.33% under these agreements and receive a floating three-month LIBOR. Three of the agreements will become effective in September 2008, and the remaining two will become effective in December 2009. These agreements expire beginning June 2009 through September 2010. No initial investments were made to enter into these agreements.

As of June 30, 2008 and December 31, 2007, our credit facility also served to collateralize certain letters of credit aggregating $18.4 million and $20.0 million, respectively, issued by us in the normal course of business.

Potential Fluctuations in Quarterly Results and Seasonality

Due to the regional and seasonal fluctuations in the hospital patient census and healthcare staffing needs of our hospital and healthcare facility clients and due to the seasonal preferences for destinations of our temporary healthcare professionals, revenue, earnings and the number of temporary healthcare professionals on assignment are subject to moderate seasonal fluctuations. Many of our hospital and healthcare facility clients are located in areas that experience seasonal fluctuations in population during the winter and summer months. These facilities adjust their staffing levels to accommodate the change in this seasonal demand and many of these facilities utilize temporary healthcare professionals to satisfy these seasonal staffing needs. This historical seasonality of revenue and earnings may vary due to a variety of factors and the results of any one quarter are not necessarily indicative of the results to be expected for any other quarter or for any year.

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (SFAS No. 157), *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures related to fair value measurements. SFAS No. 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. SFAS No. 157 was effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FASB Staff Position (FSP) SFAS No. 157-2 (FSP SFAS No. 157-2), *Effective Date of FASB Statement No. 157*, which permits the deferral of the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. We adopted SFAS No. 157 beginning January 1, 2008 except as it applies to those nonfinancial assets and nonfinancial liabilities, and the adoption did not have a material effect on our consolidated financial statements. We are currently evaluating the impact of the adoption of FSP SFAS No. 157-2 will have on our consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R (SFAS No. 141R), *Business Combinations*. This statement establishes principles and requirements for the reporting entity in a business combination, including recognition and measurement in the financial statements of the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. This statement also establishes disclosure requirements to enable financial statement users to evaluate the nature and financial effects of the business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, and interim periods within those fiscal years. We are required to adopt SFAS No. 141R beginning January 1, 2009.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 (SFAS No. 161), *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*. This statement requires entities that utilize derivative instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit-risk-related contingent features contained within derivatives. SFAS No. 161 also requires entities to disclose additional information about the amounts and location of derivatives located within the financial statements, how the provisions of SFAS 133 have been applied, and the impact that hedges have on an entity’s financial position, financial performance, and cash flows. Statement 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. We are required to adopt SFAS No. 161 beginning January 1, 2009, and we do not expect the adoption will have a material effect on our consolidated financial statements.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162 (SFAS No. 162), *The Hierarchy of Generally Accepted Accounting Principles*. This statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States, or GAAP (the GAAP hierarchy). The FASB does not expect SFAS No. 162 to result in a change in current practice, as the intent of SFAS No. 162 is to direct the GAAP hierarchy to the reporting entity (rather than its auditor) and to place the GAAP hierarchy within the accounting literature established by the FASB. This statement is effective 60 days following the Securities and Exchange Commission, or SEC, approval of the Public Company Accounting Oversight Board Amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*.

In April 2008, the FASB issued FSP FAS No. 142-3 (FSP FAS No. 142-3), *Determination of the Useful Life of Intangible Assets*. FSP FAS No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FAS 142, *Goodwill and Other Intangible Assets*, to include an entity’s historical experience in renewing or extending similar arrangements, adjusted for entity-specific factors, even when there is likely to be “substantial cost or material modifications." FSP FAS No. 142-3 states that in the absence of historical experience an entity should use assumptions that market participants would make regarding renewals or extensions, adjusted for entity-specific factors. The guidance for determining the useful life of intangible assets included in this FSP will be applied prospectively to intangible assets acquired after the effective date of January 1, 2009. We are required to adopt FSP No. FAS 142-3 beginning January 1, 2009, and we do not expect the adoption will have a material effect on our consolidated financial statements.

Other new pronouncements issued but not effective until after June 30, 2008, are not expected to have a significant effect on the company's consolidated financial statements.

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We based these forward-looking statements on our current expectations and projections about future events. Our actual results could differ materially from those discussed in, or implied by, these forward-looking statements. Forward-looking statements are identified by words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. The following factors could cause our actual results to differ materially from those implied by the forward-looking statements in this Quarterly Report:

- our ability to continue to recruit qualified temporary and permanent healthcare professionals at reasonable costs;
- our ability to retain qualified temporary healthcare professionals for multiple assignments at reasonable costs;
- our ability to attract and retain sales and operational personnel;
- our ability to enter into contracts with hospitals, healthcare facility clients, affiliated healthcare networks and physician practice groups on terms attractive to us and to secure orders related to those contracts;
- our ability to demonstrate the value of our services to our healthcare and facility clients;
- our ability to maintain and enhance the brand identities we have developed, at reasonable costs;
- changes in the timing of hospital, healthcare facility and physician practice group clients' orders for temporary healthcare professionals;
- the general level of patient occupancy and utilization of services at our hospital and healthcare facility clients' facilities, including the potential impact on such utilization caused by adoption of alternative modes of healthcare delivery, which utilization may influence demand for our services;
- the overall level of demand for services offered by temporary and permanent healthcare staffing providers;
- the ability of our hospital, healthcare facility and physician practice group clients to retain and increase the productivity of their permanent staff;
- the variation in pricing of the healthcare facility contracts under which we place temporary healthcare professionals;
- our ability to successfully design our strategic growth, acquisition and integration strategies and to implement those strategies, including integration of acquired companies' accounting, management information, human resource and other administrative systems, and implementation or remediation of controls, procedures and policies at acquired companies;

- our ability to leverage our cost structure;
- access to and undisrupted performance of our management information and communication systems, including use of the Internet, and our candidate and client databases and payroll and billing software systems;
- our ability to keep our web sites operational at a reasonable cost and without service interruptions;
- the effect of existing or future government legislation and regulation;
- our ability to grow and operate our business in compliance with legislation and regulations, including regulations that may affect our clients and, in turn, affect demand for our services;
- the challenge to the classification of certain of our healthcare professionals as independent contractors;
- the impact of medical malpractice and other claims asserted against us;
- the disruption or adverse impact to our business as a result of a terrorist attack or breach of security of our data systems;
- our ability to carry out our business strategy and maintain sufficient cash flow and capital structure to support our business;
- the loss of key officers and management personnel that could adversely affect our ability to remain competitive;
- the effect of recognition by us of an impairment to goodwill; and
- the effect of adjustments by us to accruals for self-insured retentions.

Other factors that could cause actual results to differ from those implied by the forward-looking statements in this Quarterly Report on Form 10-Q are set forth in our Annual Report on Form 10-K for the year ended December 31, 2007.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. We do not believe that we have any material market risk exposure with respect to derivative or other financial instruments.

During 2008 and 2007, our primary exposure to market risk was interest rate risk associated with our debt instruments. See “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further description of our debt instruments. Excluding the effect of our interest rate swap arrangements, a 1% change in interest rates on our variable rate debt would have resulted in interest expense fluctuating approximately $0.8 million and $1.0 million during the six months ended June 30, 2008 and 2007, respectively. Considering the effect of our interest rate swap arrangements, a 1% change in interest rates on our variable rate debt would have resulted in interest expense fluctuating approximately $0.5 million and $0.4 million during the six months ended June 30, 2008 and 2007, respectively.

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

Item 4. *Controls and Procedures*

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures as of June 30, 2008 were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC's rules and forms.

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1 – 30, 2008	—	—	—	—
May 1 – 31, 2008	—	—	—	—
June 1 – 30, 2008	368,000	$ 17.49	368,000(1)	$ 31,600,000(1)
Total	368,000	$ 17.49	368,000	$ 31,600,000

(1) On May 7, 2008, we announced that our Board had authorized us to repurchase up to $38.0 million of our outstanding common stock in the open market through March 31, 2009. Under the repurchase program, share purchases may be made from time to time beginning in the second quarter of 2008 depending on prevailing market conditions and other considerations. During June 2008, we repurchased 368,000 shares of our common stock at an average price of $17.49 per share, resulting in an aggregate purchase price of $6.4 million.

Item 4. ***Submission of Matters to a Vote of Security Holders***

We held our Annual Meeting of Stockholders on April 9, 2008. The matters submitted to a vote of our stockholders were (i) the election of seven directors to our Board of Directors, (ii) reapproval of the AMN Healthcare Services, Inc. Senior Management Incentive Bonus Plan as amended, and (iii) ratification of the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008.

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

Name	Votes For	Votes Withheld
Susan R. Nowakowski	31,964,926	543,722
R. Jeffrey Harris	31,961,251	547,397
William F. Miller III	31,960,991	547,657
Hala Moddelmog	31,958,553	550,095
Andrew M. Stern	31,961,186	547,462
Paul E. Weaver	31,961,221	547,427
Douglas D. Wheat	31,960,566	548,082

Our stockholders reapproved the AMN Healthcare Services, Inc. Senior Management Incentive Bonus Plan, as amended. The results of the voting were as follows:

Votes For	Votes Against	Abstained
30,351,121	2,135,310	22,213

Our stockholders also ratified the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008. The results of the voting were as follows:

Votes For	Votes Against	Abstained
31,862,527	636,136	9,982

Item 6. *Exhibits*

Exhibit No.	Description of Document
4.1	Third Amendment to the Second Amended And Restated Credit Agreement, dated as of May 5, 2008, by and among AMN Healthcare, Inc., as borrower, AMN Healthcare Services, Inc., AMN Services, Inc., O'Grady-Peyton International (USA), Inc., International Healthcare Recruiters, Inc., AMN Staffing Services, Inc., The MHA Group Inc., Merritt, Hawkins & Associates, Med Travelers, Inc., RN Demand, Inc., Staff Care, Inc., MHA Allied Consulting, Inc., Med Travelers, LLC, Lifework, Inc., Pharmacy Choice, Inc., and Rx Pro Health, Inc., Platinum Select Healthcare Staffing, Inc. as guarantors, the lenders identified on the signature pages thereto and Bank of America, N.A., as administrative agent (incorporated by reference to the exhibits filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008)
10.1	AMN Healthcare Equity Plan (incorporated by reference to Exhibit 1 of AMN Healthcare Services, Inc.'s Definitive Proxy Statement on Schedule 14A filed on March 14, 2007)
31.1	Certification by Susan R. Nowakowski pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934*
31.2	Certification by David C. Dreyer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934*
32.1	Certification by Susan R. Nowakowski pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification by David C. Dreyer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

* Filed herewith.

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SIGNATURES

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

Date: August 8, 2008

AMN HEALTHCARE SERVICES, INC.

	/s/ SUSAN R. NOWAKOWSKI
Name:	**Susan R. Nowakowski**
Title:	**President and Chief Executive Officer** **(Principal Executive Officer)**

Date: August 8, 2008

	/s/ DAVID C. DREYER
Name:	**David C. Dreyer**
Title:	**Chief Accounting Officer,** **Chief Financial Officer and Treasurer** **(Principal Accounting and Financial Officer)**

Exhibit 31.1

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

I, Susan R. Nowakowski, certify that:

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

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

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

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

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

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: August 8, 2008

	/s/ SUSAN R. NOWAKOWSKI
Name:	**Susan R. Nowakowski**
Title:	**President and Chief Executive Officer (Principal Executive Officer)**

Exhibit 31.2

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

I, David C. Dreyer, certify that:

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

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

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

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

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

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: August 8, 2008

	/s/ DAVID C. DREYER
Name:	**David C. Dreyer**
Title:	**Chief Accounting Officer,** **Chief Financial Officer and Treasurer** **(Principal Accounting and Financial Officer)**

Exhibit 32.1

AMN Healthcare Services, Inc.

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

In connection with the Quarterly Report of AMN Healthcare Services, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Susan R. Nowakowski, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2008

/s/ SUSAN R. NOWAKOWSKI

Susan R. Nowakowski
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

AMN Healthcare Services, Inc.

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

In connection with the Quarterly Report of AMN Healthcare Services, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David C. Dreyer, Chief Accounting Officer, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2008

/s/ DAVID C. DREYER

David C. Dreyer
Chief Accounting Officer,
Chief Financial Officer and Treasurer
(Principal Accounting and Financial Officer)