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

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**Form 10-Q**

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

For the quarterly period ended March 31, 2011

Or

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

Commission File No.: 001-16753

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**AMN HEALTHCARE SERVICES, INC.**

(Exact Name of Registrant as Specified in Its Charter)

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**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**

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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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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 May 4, 2011, there were 39,584,122 shares of common stock, \$0.01 par value, outstanding.

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## PART I—FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements

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

	March 31, 2011	December 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,934	\$ 1,883
Accounts receivable, net of allowances of \$5,708 and \$5,597 at March 31, 2011 and December 31, 2010, respectively	137,634	127,464
Accounts receivable, subcontractor	15,824	17,082
Prepaid expenses	9,334	6,969
Income taxes receivable	3,271	3,760
Deferred income taxes, net	18,692	20,170
Other current assets	2,293	1,933
Total current assets	190,982	179,261
Restricted cash and cash equivalents	20,961	20,961
Fixed assets, net	20,797	21,777
Deposits and other assets	19,834	20,116
Deferred income taxes, net	243	243
Goodwill	154,485	154,176
Intangible assets, net	163,734	165,576
Total assets	<u>\$ 571,036</u>	<u>\$ 562,110</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Bank overdraft	\$ 3,550	\$ 4,463
Accounts payable and accrued expenses	46,682	45,867
Accrued compensation and benefits	45,760	38,060
Revolving credit facility	2,300	—
Current portion of notes payable	16,187	13,875
Deferred revenue	4,845	7,191
Other current liabilities	7,626	8,437
Total current liabilities	126,950	117,893
Notes payable, less current portion and discount	196,572	200,811
Other long-term liabilities	62,313	61,575
Total liabilities	385,835	380,279
Series A Conditional Convertible Preferred Stock, \$0.01 par value; 5,608 shares authorized; 5,567 and 5,608 shares issued at March 31, 2011 and December 31, 2010, respectively	28,168	28,376
Stockholders' equity:		
Preferred stock, \$0.01 par value; 4,392 shares authorized; none outstanding at March 31, 2011 and December 31, 2010	—	—
Common stock, \$0.01 par value; 200,000 shares authorized; 39,390 and 39,186 shares issued at March 31, 2011 and December 31, 2010, respectively	394	392
Additional paid-in capital	387,871	386,550
Accumulated deficit	(230,810)	(233,066)
Accumulated other comprehensive loss	(422)	(421)
Total stockholders' equity	157,033	153,455
Total liabilities and stockholders' equity	<u>\$ 571,036</u>	<u>\$ 562,110</u>

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended	
	March 31,	
	2011	2010
Revenue	\$ 229,402	\$ 143,294
Cost of revenue	161,524	103,250
Gross profit	<u>67,878</u>	<u>40,044</u>
Operating expenses:		
Selling, general and administrative	52,942	31,950
Depreciation and amortization	4,465	3,298
Total operating expenses	<u>57,407</u>	<u>35,248</u>
Income from operations	10,471	4,796
Interest expense, net	<u>5,511</u>	<u>2,637</u>
Income before income taxes	4,960	2,159
Income tax expense	2,704	1,379
Net income	<u>\$ 2,256</u>	<u>\$ 780</u>
Net income per common share:		
Basic	<u>\$ 0.05</u>	<u>\$ 0.02</u>
Diluted	<u>\$ 0.05</u>	<u>\$ 0.02</u>
Weighted average common shares outstanding:		
Basic	<u>39,240</u>	<u>32,631</u>
Diluted	<u>45,842</u>	<u>33,471</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**AMN HEALTHCARE SERVICES, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**AND COMPREHENSIVE INCOME**  
**Three Months Ended March 31, 2011**  
**(Unaudited and in thousands)**

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
Balance, December 31, 2010	39,186	\$ 392	\$ 386,550	\$ (233,066)	\$ (421)	\$ 153,455
Net settlement of employee equity awards	163	1	(735)	—	—	(734)
Preferred stock converted to common stock	41	1	207	—	—	208
Income tax shortfall from RSUs vested and issued	—	—	(140)	—	—	(140)
Stock-based compensation	—	—	1,989	—	—	1,989
Comprehensive income:						
Foreign currency translation adjustment	—	—	—	—	(1)	(1)
Net income	—	—	—	2,256	—	2,256
Total comprehensive income						2,255
Balance, March 31, 2011	<u>39,390</u>	<u>\$ 394</u>	<u>\$ 387,871</u>	<u>\$ (230,810)</u>	<u>\$ (422)</u>	<u>\$ 157,033</u>

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended	
	March 31,	
	2011	2010
<b>Cash flows from operating activities:</b>		
Net income	\$ 2,256	\$ 780
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,465	3,298
Non-cash interest expense	936	785
Increase in allowances for doubtful accounts and sales credits	1,084	439
Provision for deferred income taxes	1,338	(789)
Stock-based compensation	1,989	2,349
Excess tax benefits from stock options and SARs exercised and RSUs vested	(1)	—
Loss on disposal or sale of fixed assets	45	6
Changes in assets and liabilities:		
Accounts receivable	(11,254)	4,251
Accounts receivable, Subcontractor	1,258	(4,277)
Income taxes receivable	489	1,165
Prepaid expenses and other current assets	(2,725)	(4,739)
Deposits and other assets	(152)	(428)
Accounts payable and accrued expenses	505	6,436
Accrued compensation and benefits	7,700	4,124
Other liabilities	(2,369)	(1,685)
Net cash provided by operating activities	<u>5,564</u>	<u>11,715</u>
<b>Cash flows from investing activities:</b>		
Purchase and development of fixed assets	(1,687)	(671)
Change in restricted cash and cash equivalents balance	—	3
Net cash used in investing activities	<u>(1,687)</u>	<u>(668)</u>
<b>Cash flows from financing activities:</b>		
Capital lease repayments	(166)	(161)
Payments on notes payable	(2,313)	(1,375)
Proceeds from revolving credit facility	2,300	—
Net settlement of employee equity awards	(734)	—
Excess tax benefits from stock options and SARs exercised and RSUs vested	1	—
Change in bank overdraft	(913)	—
Net cash used in financing activities	<u>(1,825)</u>	<u>(1,536)</u>
Effect of exchange rate changes on cash	(1)	3
Net increase in cash and cash equivalents	2,051	9,514
Cash and cash equivalents at beginning of period	1,883	27,053
Cash and cash equivalents at end of period	<u>\$ 3,934</u>	<u>\$36,567</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest (net of \$29 and \$2 capitalized for the three months ended March 31, 2011 and 2010, respectively)	<u>\$ 4,626</u>	<u>\$ 1,825</u>
Cash paid for income taxes	<u>\$ 336</u>	<u>\$ 761</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**AMN HEALTHCARE SERVICES, INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands, except per share amounts)**

**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 consist only of normal recurring items. The results of operations for the interim period are not necessarily indicative of the results to be expected for any other interim period or for the entire fiscal year.

The condensed consolidated financial statements do not include all information and notes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States. Please refer to the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2010, contained in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. On an ongoing basis, the Company evaluates its estimates, including those related to asset impairments, accruals for self-insurance, compensation and related benefits, accounts receivable, contingencies and litigation, valuation and recognition of share-based payments and income taxes. Actual results could differ from those estimates under different assumptions or conditions.

Certain amounts in the condensed consolidated financial statements for the three months ended March 31, 2010 have been reclassified to conform to the three months ended March 31, 2011 presentation.

***Recently Adopted Accounting Pronouncements***

In October 2009, the Financial Accounting Standards Board ("FASB") updated guidance on revenue arrangements with multiple deliverables to require an entity to apply the relative selling price allocation method in order to estimate a selling price for all units of accounting, including delivered items, when vendor-specific objective evidence (VSOE) or acceptable third-party evidence (TPE) does not exist and expands the disclosure requirements to require an entity to provide both qualitative and quantitative information about the significant judgments made in applying the amended guidance and subsequent changes in those judgments that may significantly affect the timing or amount of revenue recognition. This guidance is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and shall be applied on a prospective basis. Earlier application is permitted. The Company adopted this pronouncement beginning January 1, 2011. The adoption of this new accounting guidance resulted in additional revenue of \$2,137 within the Company's physician permanent placement services segment during the first quarter of 2011, which was not material to the Company's consolidated revenue for the period. The adoption of this new accounting guidance is not expected to have a material impact on the Company's future consolidated revenue. Had the Company adopted this pronouncement beginning January 1, 2010, the impact on its consolidated financial statements would have been immaterial. See Note (3), "Revenue Recognition," for additional information.

In December 2010, the FASB updated guidance, which amends the criteria for performing Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts and requires performing Step 2 if qualitative factors indicate that it is more likely than not that a goodwill impairment exists. The amendments in the update are effective for fiscal years beginning on or after December 15, 2010. The Company adopted this guidance beginning January 1, 2011, and such adoption did not have a material effect on the Company's condensed consolidated financial statements.

**2. BUSINESS COMBINATIONS**

On September 1, 2010, the Company acquired all of the outstanding equity of NF Investors, Inc. ("NFI"), one of the nation's leading providers of clinical workforce managed services programs. NFI also provided local (per diem) and travel nurse and allied staffing, locum tenens, physician search services, and home healthcare services. The strategic combination has broadened the managed services capabilities the Company offers as the nation's largest provider of comprehensive healthcare staffing and workforce solutions and provided for the Company's entry into home healthcare services.

The acquisition of NFI was accounted for using the acquisition method of accounting and, accordingly, the tangible and intangible assets acquired and liabilities assumed were recorded at their estimated fair values as of the date of the acquisition. Fair

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value measurements have been applied based on assumptions that market participants would use in the pricing of the respective assets and liabilities. As of the date of this Quarterly Report on Form 10-Q, the Company is still finalizing the allocation of the purchase price. The provisional item pending finalization is primarily related to tax related matters upon the completion of NFI's statutory tax return requirement, which is expected to be completed during 2011. The components of the preliminary purchase price allocation for NFI are as follows:

<b>Purchase Price:</b>	
6,300 shares of common stock issued	\$ 27,909
5,608 shares of preferred stock issued, net	28,376
Cash paid	3,231
<b>Total purchase price of acquisition</b>	<b>\$ 59,516</b>
<b>Allocation of Purchase Price:</b>	
Accounts receivable	\$ 31,205
Accounts receivable, subcontractor	12,451
Other current assets	5,266
Fixed assets	6,940
Other assets	2,735
Identifiable intangible assets	65,044
Goodwill	116,549
NFI then-existing debt assumed	(132,918)
Other liabilities assumed	(47,756)
<b>Total net assets acquired</b>	<b>\$ 59,516</b>

During the three months ended March 31, 2011, the preliminary purchase price allocation was adjusted by \$309, which was related to additional liabilities assumed as a result of NFI's statutory tax return requirement.

Of the total \$116,549 of the purchase price allocated to goodwill, \$71,542, \$31,236, \$10,412 and \$3,359 were allocated to the Company's nurse and allied healthcare staffing segment, home healthcare services segment, locum tenens staffing segment and physician permanent placement services segment, respectively. The goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. Of the \$116,549 goodwill acquired, approximately \$36,045 in net tax basis goodwill was related to NFI's prior acquisitions and will be amortized for tax purposes over the remaining lives. Goodwill will not be amortized for book purposes and will be tested for impairment at least annually.

The following summary presents unaudited pro forma consolidated results of operations for the three months ended March 31, 2010 as if the NFI acquisition described above had occurred on January 1, 2010. The following unaudited pro forma financial information gives effect to certain adjustments, including the reduction in compensation expense related to non-recurring executive salary expense and non-recurring acquisition related costs incurred by the Company, the amortization of acquired intangible assets and interest expense on acquisition related debt. The pro forma financial information is not necessarily indicative of the operating results that would have occurred had the acquisition been consummated as of the date indicated, nor are they necessarily indicative of future operating results.

	<b>Three Months Ended March 31, 2010</b>
Revenue	\$ 209,035
Net loss	\$ (3,025)

### **3. REVENUE RECOGNITION**

Revenue consists of fees earned from the permanent and temporary placement of healthcare professionals and from the delivery of healthcare services to patients in their home. Revenue is recognized when earned and realizable. The Company has entered into certain contracts with healthcare organizations to provide managed services programs. Under these contract arrangements, the Company uses its temporary healthcare professionals along with those of third party subcontractors to fulfill customer orders. If a subcontractor is used, revenue is recorded net of related subcontractor expense. The resulting net revenue represents the administrative fee charged by the Company for its vendor management services. The subcontractor is paid once the Company has received payment from the customer. Payables to the subcontractors of \$19,264 were included in accounts payable and accrued expenses in the condensed consolidated balance sheet as of March 31, 2011. Also, the Company has multiple elements agreements primarily in its physician permanent placement services segment. Beginning January 1, 2011, the Company adopted the new accounting guidance



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discussed in Note (1), “Basis of Presentation,” which requires the Company to allocate the consideration of the arrangement to each of the deliverables based on its best estimate of their standalone selling prices as there is no vendor-specific objective or third-party evidence of the selling prices. The adoption of this new accounting guidance resulted in additional revenue of \$2,137 within the physician permanent placement services segment during the first quarter of 2011.

### 4. ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Company records accounts receivable at the invoiced amount, and accounts receivable are non-interest bearing. The Company maintains an allowance for doubtful accounts for estimated credit losses resulting from collection risks and a sales allowance to reserve for potential credits issued to customers. The majority of the Company’s business activity is with hospitals located throughout the United States. Credit is extended based on the evaluation of an entity’s financial condition. Credit losses have been within management’s expectations. As of March 31, 2011, accounts receivable from the Company’s top five clients represented approximately 13% of the net accounts receivable balance, excluding amounts due to subcontractors.

### 5. STOCK-BASED COMPENSATION

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.

During the three months ended March 31, 2011, the Company granted 576 shares of restricted stock units (“RSUs”) to its employees. The weighted average grant date intrinsic value was \$7.38 per RSU. The following table shows the total stock-based compensation expense, related to all of the Company’s equity awards, recognized for the three month periods ended March 31, 2011 and 2010:

	Three Months Ended March 31,	
	2011	2010
Stock-based employee compensation, before tax	\$ 1,989	\$ 2,349
Related income tax benefit	(771)	(911)
Stock-based employee compensation, net of tax	<u>\$ 1,218</u>	<u>\$ 1,438</u>

There was \$1 of cash flow from financing activities for excess tax benefits related to equity awards vested and issued for the three months ended March 31, 2011. There was no cash impact for excess tax benefits related to equity awards exercised and vested during the three months ended March 31, 2010.

As of March 31, 2011, there was \$1,474 of pre-tax total unrecognized compensation cost related to non-vested stock options and stock appreciation rights, which will be adjusted for future changes in forfeitures. The Company expects to recognize such cost over a weighted average remaining period of 1.6 years. As of March 31, 2011, there was \$8,627 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 2.1 years.

### 6. NET INCOME PER COMMON SHARE

Securities that are entitled to participate in dividends with common stocks, such as the Company’s Series A Conditional Convertible Preferred Stock (the “Preferred Stock”), are considered to be participating securities and the two-class method is used for purposes of calculating basic net income per share. Under the two-class method, a portion of net income is allocated to these participating securities and therefore is excluded from the calculation of basic net income per common share. Diluted net income per common share reflects the effects of potentially dilutive stock-based equity instruments and common stock issuable upon conversion of the Preferred Stock. See Note (11), “Preferred Stock,” for additional information.

Stock-based awards to purchase 2,172 and 2,183 shares of common stock for the three month periods ended March 31, 2011 and 2010, 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 month periods ended March 31, 2011 and 2010:

	Three Months Ended March 31,	
	2011	2010
Net income	\$ 2,256	\$ 780
Less: allocation to participating securities	(279)	—
Net income attributable to common shareholders—basic	<u>1,977</u>	<u>780</u>
Net income per common share—basic	\$ 0.05	\$ 0.02
Net income per common share—diluted	<u>\$ 0.05</u>	<u>\$ 0.02</u>
Weighted average common shares outstanding—basic	39,240	32,631
Plus dilutive effect of potential common shares	6,602	840
Weighted average common shares outstanding—diluted	<u>45,842</u>	<u>33,471</u>

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As of March 31, 2011 and December 31, 2010, the Company had the following intangible assets:

	March 31, 2011			December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<b>Intangible assets subject to amortization:</b>						
Staffing databases	\$ 5,840	\$ (2,828)	\$ 3,012	\$ 5,840	\$ (2,635)	\$ 3,205
Customer relationships	65,360	(16,032)	49,328	65,360	(14,713)	50,647
Tradenames and trademarks	16,871	(3,445)	13,426	16,871	(3,189)	13,682
Noncompete agreements	1,484	(1,299)	185	1,484	(1,265)	219
Acquired technology	800	(617)	183	800	(577)	223
Online courses	59	(59)	—	59	(59)	—
	<u>\$90,414</u>	<u>\$ (24,280)</u>	<u>\$ 66,134</u>	<u>\$90,414</u>	<u>\$ (22,438)</u>	<u>\$ 67,976</u>
<b>Intangible assets not subject to amortization:</b>						
Goodwill			\$ 154,485			\$ 154,176
Tradenames and trademarks			97,600			97,600
			<u>\$252,085</u>			<u>\$251,776</u>
Accumulated goodwill impairment loss:			<u>\$ 214,939</u>			<u>\$ 214,939</u>

Aggregate amortization expense for the intangible assets presented in the above table was \$1,842 and \$1,201 for the three months ended March 31, 2011 and 2010, respectively. Estimated future aggregate amortization expense of intangible assets as of March 31, 2011 is as follows:

	Amount
Nine months ending December 31, 2011	\$ 5,349
Year ending December 31, 2012	6,777
Year ending December 31, 2013	6,461
Year ending December 31, 2014	6,361
Year ending December 31, 2015	6,122
Thereafter	35,064
	<u>\$66,134</u>

**8. SEGMENT INFORMATION**

The Company has four reportable segments: nurse and allied healthcare staffing, locum tenens staffing, physician permanent placement services and home healthcare services.

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, stock-based compensation expense and other unallocated corporate overhead. 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.

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The following table provides a reconciliation of revenue and segment operating income by reportable segment to consolidated results and was derived from the segment's internal financial information as used for corporate management purposes:

	Three Months Ended	
	March 31,	
	2011	2010
<b>Revenue:</b>		
Nurse and allied healthcare staffing	\$ 134,774	\$ 75,191
Locum tenens staffing	70,189	60,388
Physician permanent placement services	10,842	7,715
Home healthcare services	13,597	—
	<u>\$ 229,402</u>	<u>\$ 143,294</u>
<b>Segment operating income:</b>		
Nurse and allied healthcare staffing	\$ 15,119	\$ 8,734
Locum tenens staffing	6,011	5,471
Physician permanent placement services	3,817	1,966
Home healthcare services	963	—
	<u>25,910</u>	<u>16,171</u>
Unallocated corporate overhead	8,985	5,728
Depreciation and amortization	4,465	3,298
Stock-based compensation	1,989	2,349
Interest expense, net	5,511	2,637
Income before income taxes	<u>\$ 4,960</u>	<u>\$ 2,159</u>

**9. FAIR VALUE MEASUREMENT**

The authoritative guidance 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. It 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*—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

*Level 2*—Include other inputs that are directly or indirectly observable in the marketplace.

*Level 3*—Unobservable inputs that are supported by little or no market activities.

***Financial assets and 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 March 31, 2011 and December 31, 2010, the Company held certain assets that are required to be measured at fair value on a recurring basis. These included the restricted cash and cash equivalents and the Company's investments associated with the Company's deferred compensation plan. The Company's restricted cash and cash equivalents typically consist of cash and U.S. Treasury securities, and the fair value is based on quoted prices in active markets for identical assets. The Company's investments in trading securities associated with its deferred compensation plan typically consist of money market funds and mutual funds that are publicly traded and for which market prices are readily available.

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

	Fair Value Measurements as of March 31, 2011			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S Treasury securities	\$20,787	\$ 20,787	\$ —	\$ —
Trading securities investment	1	1	—	—
Total financial assets measured at fair value	\$20,788	\$ 20,788	\$ —	\$ —

	Fair Value Measurements as of December 31, 2010			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S Treasury securities	\$20,961	\$ 20,961	\$ —	\$ —
Trading securities investment	2,831	2,831	—	—
Total financial assets measured at fair value	\$23,792	\$ 23,792	\$ —	\$ —

***Non-financial assets and liabilities***

The Company applies fair value techniques on a non-recurring basis associated with valuing potential impairment losses related to goodwill and indefinite-lived intangible assets.

The Company evaluates goodwill and indefinite-lived intangible assets annually for impairment at the reporting unit level and whenever circumstances occur indicating that goodwill might be impaired. The Company determines the fair value of its reporting units based on a combination of inputs including the market capitalization of the Company as well as Level 3 inputs such as discounted cash flows which are not observable from the market, directly or indirectly. The Company determined the fair value of its indefinite-lived intangible assets using the income approach (relief-from-royalty method), based on level 3 inputs. There were no fair value measurements of non-financial assets and liabilities during the three months ended March 31, 2011.

Non-financial assets and liabilities measured at fair value on a non-recurring basis as of December 31, 2010 are summarized below:

	Fair Value Measurements as of December 31, 2010				Total Losses for Year Ended December 31, 2010
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable inputs (Level 3)	
Goodwill	\$ 154,176	\$ —	\$ —	\$ 154,176	\$ 41,932
Indefinite-lived intangible assets	\$ 97,600	\$ —	\$ —	\$ 97,600	\$ 8,900
					\$ 50,832

## 10. INCOME TAXES

The Company recorded an income tax expense of \$2,704 for the three months ended March 31, 2011 as compared to \$1,379 for the same period in 2010, reflecting effective income tax rates of 54.5% and 63.9% for these periods, respectively. The Company currently estimates its annual effective income tax rate to be approximately 52.3% for 2011, as compared to 16.5% effective income tax rate in 2010. The difference in effective tax rates for 2010 and the forecasted rate for 2011 is primarily due to the relationship of pre-tax income to permanent differences.

The estimated annual effective income tax rate of 52.3% for 2011 is expected to be greater than the federal statutory rate of 35% due to a state tax rate, net of federal benefit, of 7.0%, a rate impact from provisions for uncertain tax positions of 8.9%, and an additional rate impact from other items of 1.4%.

Management believes it is more likely than not that the results of operations will generate sufficient taxable income to realize the deferred tax assets, and accordingly, has not provided a valuation allowance for these assets. The determination of the amount of any deferred tax asset valuation allowance is based in part on the amount and nature (ordinary versus capital) of estimated future taxable income. The amount of the deferred tax asset considered realizable could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

## 11. PREFERRED STOCK

On September 1, 2010, in connection with the NFI acquisition, the Company issued 5,660 shares of Preferred Stock, including shares deposited in escrow. On December 20, 2010, 52 shares of Preferred Stock were released from escrow to the Company, and 221 shares of Preferred Stock were released from escrow to the former NFI stockholders, under the terms of the acquisition of NFI.

The Preferred Stock is entitled to receive dividends consistent with dividends payable on the Company's common stock. In addition, each share of the Preferred Stock (i) is convertible into one share of the Company's common stock (subject to customary adjustments for accrued and unpaid dividends, if any, and changes in the Company's capital structure) at the option of the holder and (ii) will automatically convert into one share of common stock (subject to customary adjustments for accrued and unpaid dividends, if any, and changes in the Company's capital structure) upon the earlier of (A) the closing price of the common stock being equal to or greater than \$10.00 per share (as adjusted from time to time to fully reflect changes in the Company's capital structure) for a period of 30 consecutive trading days after December 15, 2010 or (B) September 1, 2020. During the three months ended March 31, 2011, approximately 41 shares of Preferred Stock had been converted into the Company's common stock.

Certain of the Preferred Stock holders were granted registration rights and are subject to certain transfer restrictions with respect to their Preferred Stock (and shares of common stock issued upon conversion of such shares of Preferred Stock) (the "Registration Rights holders"). Subject to certain exceptions, the Registration Rights holders are prohibited from transferring shares of Preferred Stock (or shares of common stock issued upon conversion of such shares of Preferred Stock) to a competitor of AMN without the Company's prior consent or otherwise transferring such shares in an amount constituting 5% or more of the voting capital stock of AMN then outstanding to a third party or any such shares to a third party who, immediately following such transfer, would beneficially own more than 15% of the voting capital stock of AMN then outstanding. Additionally, there are limits on the timing and amount of the common stock issued upon conversion of such shares of Preferred Stock that the Registration Rights holders may publicly sell.

The Preferred Stock is classified outside of permanent equity as share settlement under the redemption provision described above is not solely within the control of the Company.

**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, 2010. 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 nation's largest provider of comprehensive healthcare staffing and workforce solutions. As the leading provider of travel nurse, local (per diem) nurse, allied and locum tenens (temporary physician) staffing services, we recruit and place healthcare professionals on assignments of variable lengths with clients throughout the United States. We also provide healthcare clients with permanent placement services for clinicians. The 2010 acquisition of NFI Investors, Inc. ("NFI"), which broadened our managed service capabilities, makes us the nation's largest provider of clinical workforce managed services programs and recruitment process outsourcing solutions. Through our managed services program, healthcare organizations are able to increase their efficiency by managing all of their clinical supplemental staffing needs through one company. The acquisition also provided for our entry into home healthcare services. Settings we staff include acute-care hospitals, government facilities, community health centers and clinics, physician practice groups, and several other healthcare-related settings. We also provide healthcare clients with permanent placement services for clinicians.

We conduct business through four reportable segments: nurse and allied healthcare staffing, locum tenens staffing, physician permanent placement services and home healthcare services.

For the three months ended March 31, 2011, we recorded revenue of \$229.4 million, as compared to \$143.3 million for the same period last year. We recorded net income of \$2.3 million for the three months ended March 31, 2011, as compared to \$0.8 million for the same period last year.

Nurse and allied healthcare staffing segment revenues comprised 59% and 53% of total consolidated revenues in the first quarter of 2011 and 2010, respectively. Through our nurse and allied healthcare staffing segment, we provide hospital and other healthcare facilities with a range of clinical staffing and workforce solutions, including a comprehensive managed services solution in which we can manage all of the temporary nursing and allied needs for a client; a recruitment process outsourcing program that leverages our expertise and support systems to replace or complement our client's existing internal recruitment function for permanent staffing needs; and more traditional staffing service solutions of local, short and long-term assignment lengths.

Locum tenens staffing segment revenues comprised 31% and 42% of total consolidated revenues in the first quarter of 2011 and 2010, respectively. Through our locum tenens staffing segment, we place physicians of all specialties, as well as dentists, certified registered nurse anesthetists and nurse practitioners, with clients on a temporary basis as independent contractors. These locum tenens physicians and other professionals are used by our healthcare facility and physician practice group clients to fill temporary vacancies created by vacation and leave schedules and to bridge the gap while these clients seek permanent candidates or explore expansion. Our clients represent a diverse group of healthcare organizations throughout the United States, including hospitals, medical groups, occupational medical clinics, individual practitioners, networks, psychiatric facilities, government institutions and managed care entities. The professionals we place are recruited nationwide and are typically placed on multi-week contracts with assignment lengths ranging from a few days up to one year.

Physician permanent placement services segment revenues comprised 5% of total consolidated revenues for both the first quarter of 2011 and 2010. Through our physician permanent placement services segment, we assist hospitals, healthcare facilities and physician practice groups throughout the United States in identifying and recruiting physicians for permanent placement. We primarily perform our services on retained basis, which we are generally paid for our services through a blend of retained search fees and variable fees tied to our performance. We also perform our services on a contingent basis; thus, fees are only earned if the physician candidates are ultimately hired by our clients. Our broad specialty offerings include over 70 specialist and sub-specialist opportunities such as internal medicine, family practice and orthopedic surgery.

With the acquisition of NFI, we added the home healthcare services segment in the third quarter of 2010. Home healthcare services revenue comprised 6% of total consolidated revenue in the first quarter of 2011. We provide home healthcare services to individuals with acute-care illnesses, long-term chronic health conditions, permanent disabilities, terminal illnesses, and post-procedural needs.

## Management Initiatives

Our growth strategy focuses on providing an innovative and differentiated value and experience to our clients and healthcare professionals. To accomplish this, we have extended our service offerings beyond the transactional traditional travel nurse and allied temporary staffing, locum tenens staffing, and physician permanent placement services, to more recurring revenue sources such as clinical workforce management offerings that include innovative solutions such as managed services programs and recruitment process outsourcing. Through these differentiated services, we have built strategic relationships with our clients that assist them in improving their financial and operational results through productivity and candidate quality enhancements. We have continually sought and evaluated strategic opportunities, through both acquisitions and internal product development, to expand into complementary service offerings that leverage our core capabilities of recruiting and credentialing clinical professionals, while providing a more recurring stream of revenues that reduces our exposure to economic cycle risk.

In furtherance of this strategy, on September 1, 2010, we completed the acquisition of NFI, one of the nation's leading providers of clinical workforce managed services programs. With the addition of NFI, we also expanded into home healthcare services and local nurse and allied staffing, largely in support of our managed services programs. We also supplemented our travel nurse and allied staffing, locum tenens and permanent placement divisions with this acquisition. We are seeing that the expansion of our service lines resulting from this combination has and will continue to substantially improve our ability to deliver an innovative, total workforce management and staffing solution to our broad and growing client base. We are also seeing that this strategic opportunity has and will continue to allow us to achieve additional sales and operating efficiencies. The success of the acquisition and our execution on the integration can be seen in the resulting revenue and cost synergies. See additional information in "Item 1, Condensed Consolidated Financial Statements—Notes to Unaudited Condensed Consolidated Financial Statements—Note 2, Business Combinations."

## Recent Trends

During periods of higher unemployment rates, more healthcare professionals remain in their current employment, which causes a reduction in facilities' employee attrition. This lower attrition results in decreased demand for temporary or new permanent healthcare professionals and, to a lesser extent, affects the supply of candidates available for travel assignments. Toward the end of 2008, and in the first half of 2009, demand decreased considerably in the nurse and allied healthcare staffing segment, due to widespread and unprecedented economic conditions. For our clients, the economic conditions severely constricted budgets and access to operating capital, lowered permanent staff attrition rates, improved internal permanent hiring rates, and increased uncertainty regarding future patient admission levels and the collectability of receivables. These factors, in turn, reduced demand for our services as hospitals placed an increased reliance on permanent labor to meet staffing needs.

After reaching a low point in 2009, travel nurse orders have steadily improved, and although in the first quarter of 2011 they were nearly 80% higher over prior year, they remain at levels below what we experienced in 2008. We continue to see our hospital clients migrate to preferred vendor and managed services program relationships, and during the past year, we substantially increased the number of preferred relationships in our nursing business and extended these relationships to our allied business line. The travel nurse demand improvement we have experienced has been broad-based, across both managed services program clients and traditional contact clients, as well as across specialties and geographies. Our managed services program orders represent approximately 25% of our overall travel nurse demand.

Within the allied staffing business, in response to the strength in demand for several supply-constrained therapy disciplines and continued weakness in demand for imaging technicians due in large part to lower government reimbursement levels and a strong supply of available technicians, our mix of business had shifted to favor therapy staffing. This trend was tempered however, by the addition of the NFI allied business, which increased our imaging and lab volumes and decreased our therapy ratio.

In our locum tenens staffing segment, we have seen improved order levels across most specialties, though demand in radiology remains below levels in years prior to 2009. In 2010, revenue associated with our federal government clients declined from the prior year, but we have seen moderate improvement in the second half of 2010 and continuing into 2011.

Early in 2010, our physician permanent placement services segment saw a slight improvement in demand, but continues to feel demand pressure as clients respond to weak economic conditions and budget pressure by pursuing only critical searches and reducing their overall recruiting efforts.

The home healthcare services segment we entered with the acquisition of NFI is subject to extensive federal and state regulation and control. Increasingly, governments are responding to fiscal challenges by trying to reduce their spending on Medicare, Medicaid and other state-funded programs through reducing utilization rates, increasing eligibility criteria and reducing reimbursement rates, which all negatively impact a portion of our revenue opportunities in government funded reimbursement. Our home healthcare services segment has a variety of payor sources, including private pay, but a significant portion of the business is through federal or state funded programs. Therefore like many of our competitors, we experienced small declines in revenue subsequent to the

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acquisition of NFI as we continue to try to replace these reduced revenue sources and adjust our operations accordingly. Moreover, in 2011, home health agencies must contend with both additional Medicare reimbursement rate cuts and needing to invest in resources to prepare for new regulatory requirements, including “face-to-face” encounter and implementation of new therapy documentation requirements.

In 2010, Congress passed the Affordable Care Act, providing for extensive healthcare reform. The measure is being legally challenged and, if sustained, many of its reforms are scheduled to be phased in over a number of years. Accordingly, many questions remain concerning the impact of this legislation, including to what extent it will cause the government to assume a larger role in the healthcare system, expand healthcare coverage of Americans, and/or impose new and potentially significant restrictions on reimbursement. Given these open questions, we cannot predict the impact of the legislation on our clients or the direct or indirect impact on us. The implementation of such healthcare reforms in their current form would impact our clients and may affect certain aspects of our business, including through: changes to provider reimbursement methods and payment rates which could impact demand for and pricing of our services; the manner in which we contract with physicians and other healthcare professionals or with hospitals and/or other healthcare clients; the imposition of additional medical, administrative, technology or other costs on us and/or clients; and the regulation of the collection, use, disclosure, maintenance and disposal of individually identifiable health information.

### **Critical Accounting Principles and Estimates**

Our critical accounting principles and estimates, except for a supplement to our revenue recognition policy as described in Note (3) of our Notes to the accompanying unaudited condensed consolidated financial statements, remain consistent with those reported in our Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the Securities and Exchange Commission.

### **Results of Operations**

The following table sets forth, for the periods indicated, selected condensed consolidated statements of operations data as a percentage of revenue:

	Three Months Ended March 31,	
	2011	2010
Revenue	100.0%	100.0%
Cost of revenue	70.4	72.1
Gross profit	29.6	27.9
Selling, general and administrative	23.1	22.3
Depreciation and amortization	1.9	2.3
Income from operations	4.6	3.3
Interest expense, net	2.4	1.8
Income before income taxes	2.2	1.5
Income tax expense	1.2	1.0
Net income	1.0%	0.5%

### **Comparison of Results for the Three Months Ended March 31, 2011 to the Three Months Ended March 31, 2010**

**Revenue.** Revenue increased 60% to \$229.4 million for the three months ended March 31, 2011 from \$143.3 million for the same period in 2010, primarily due to the additional revenue in connection with the acquisition of NFI in September 2010 and an increase in the average number of temporary healthcare professionals on assignment.

Nurse and allied healthcare staffing segment revenue increased 79% to \$134.8 million for the three months ended March 31, 2011 from \$75.2 million for the same period in 2010. Of the \$59.6 million increase, approximately \$41.6 million was attributable to the acquisition of NFI in September 2010, with the rest primarily attributable to an increase in the average number of temporary healthcare professionals on assignment during the three months ended March 31, 2011.

Locum tenens staffing segment revenue increased 16% to \$70.2 million for the three months ended March 31, 2011 from \$60.4 million for the same period in 2010. Of the \$9.8 million increase, \$6.4 million was attributable to additional revenue in connection with the acquisition of NFI in September 2010 and \$3.4 million was primarily attributable to an increase in the number of days filled by healthcare professionals during the three months ended March 31, 2011.

Physician permanent placement services segment revenue increased 41% to \$10.8 million for the three months ended March 31, 2011 from \$7.7 million for the same period in 2010. The increase was primarily attributable to the adoption of the new accounting guidance on revenue arrangements with multiple deliverables effective on January 1, 2011, combined with \$0.9 million additional revenue in connection with the acquisition of NFI in September 2010.



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Home healthcare services segment revenue was \$13.6 million for the three months ended March 31, 2011. The home healthcare services segment was acquired with the NFI acquisition in the third quarter of 2010, and therefore had no revenue during the three months ended March 31, 2010.

**Cost of Revenue.** Cost of revenue of \$161.5 million represented 70.4% of revenue for the three months ended March 31, 2011, as compared to \$103.3 million or 72.1% of revenue for the same period in 2010. The increase was primarily due to additional cost of revenue from the acquisition of NFI in September 2010 and an increase in the average number of temporary healthcare professionals on assignment.

Nurse and allied healthcare staffing segment cost of revenue increased 76% to \$97.7 million for the three months ended March 31, 2011 from \$55.4 million for the same period in 2010. Of the \$42.3 million increase, approximately \$28.1 million was attributable to additional cost of revenue from the acquisition of NFI in September 2010, with the rest primarily attributable to the increase in the average number of temporary healthcare professionals on assignment.

Locum tenens staffing segment cost of revenue increased 16% to \$51.8 million for the three months ended March 31, 2011 from \$44.6 million for the same period in 2010. Of the \$7.2 million increase, \$4.1 million was attributable to additional cost of revenue in connection with the acquisition of NFI in September 2010, \$2.5 million was attributable to the increase in the number of days filled by healthcare professionals during the three months ended March 31, 2011, and \$0.6 million was attributable to the net effect of an increase in the average daily rate paid to the healthcare professionals partially offset by an increasing percentage of our days filled being attributable to the lower pay rate specialties.

Physician permanent placement services segment cost of revenue increased 9% to \$3.6 million for the three months ended March 31, 2011 from \$3.3 million for the same period in 2010 due to increases in recruiter compensation partially offset by a decrease in direct marketing cost.

Home healthcare services segment cost of revenue was \$8.4 million for the three months ended March 31, 2011. The home healthcare services segment is a new segment acquired in connection with the NFI acquisition in September 2010.

**Gross Profit.** Gross profit increased 70% to \$67.9 million for the three months ended March 31, 2011 from \$40.0 million for the same period in 2010, representing gross margins of 29.6% and 27.9%, respectively. The increase in gross margin was due to a \$1.9 million actuarial-based workers compensation benefit within the nurse and allied healthcare staffing segment, a \$2.1 million additional revenue in physician permanent placement services segment as a result from the adoption of the new accounting guidance on revenue arrangements with multiple deliverables effective on January 1, 2011, as well as the addition of the higher margin NFI business. Gross margin by reportable segment for the three months ended March 31, 2011 and 2010 was 27.5% and 26.3% for nurse and allied healthcare staffing, 26.2% and 26.2% for locum tenens staffing and 66.7% and 57.9% for physician permanent placement services, respectively. Gross margin for the newly acquired home healthcare services was 38.1% for the three months ended March 31, 2011.

**Selling, General and Administrative.** Selling, general and administrative expenses increased 66% to \$52.9 million for the three months ended March 31, 2011 from \$32.0 million for the same period in 2010. The increase was mainly due to the addition of selling, general and administrative expenses in connection with the acquisition of NFI in September 2010, which totaled approximately \$14.8 million, along with a \$1.3 million of integration related costs incurred during the first quarter of 2011, and additional operating expenses supporting the growth in business. Selling, general and administrative expenses broken down between the reportable segments, unallocated corporate overhead and stock-based compensation are as follows (\$ amount in thousands):

	Three Months Ended March 31,	
	2011	2010
Nurse and allied healthcare staffing	\$21,953	\$11,033
Locum tenens staffing	12,390	10,337
Physician permanent placement services	3,410	2,503
Home healthcare services	4,215	—
Unallocated corporate overhead	8,985	5,728
Stock-based compensation	1,989	2,349
	<u>\$52,942</u>	<u>\$31,950</u>

**Depreciation and Amortization.** Amortization expense increased 50% to \$1.8 million for the three months ended March 31, 2011 from \$1.2 million for the same period in 2010, with the increase primarily attributable to the amortization of newly acquired intangible assets from the NFI acquisition in September 2010. Depreciation expense increased 29% to \$2.7 million for the three months

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ended March 31, 2011 from \$2.1 million for the same period in 2010, with the increase primarily attributable to the additional depreciation on the newly acquired fixed assets from the NFI acquisition in September 2010, partially offset by certain fixed assets becoming fully depreciated during the three months ended March 31, 2011.

**Interest Expense, Net.** Interest expense, net, was \$5.5 million for the three months ended March 31, 2011 as compared to \$2.6 million for the same period in 2010. The increase was primarily attributable to an increase in our debt balance as we entered into a new credit agreement associated with the acquisition of NFI in September 2010, along with the higher interest rate on the new credit agreement.

**Income Tax Expense.** The Company recorded an income tax expense of \$2.7 million for the three months ended March 31, 2011 as compared to \$1.4 million for the same period in 2010, reflecting effective income tax rates of 54.5% and 63.9% for these periods, respectively. The decrease in the effective income tax rate was primarily attributable to the relationship of pre-tax income to permanent differences and the impact of provisions for uncertain tax positions. See additional information in Note (10) of our Notes to the accompanying unaudited condensed consolidated financial statements.

### Liquidity and Capital Resources

In summary, our cash flows were:

	Three Months Ended	
	March 31,	
	2011	2010
	(in thousands)	
Net cash provided by operating activities	\$ 5,564	\$ 11,715
Net cash used in investing activities	(1,687)	(668)
Net cash used in financing activities	(1,825)	(1,536)

Historically, our primary liquidity requirements have been for acquisitions, working capital requirements and debt service under our credit facility. We have funded these requirements through internally generated cash flow and funds borrowed under our credit facilities. At March 31, 2011, \$215.1 million, net of discount, was outstanding under our credit facilities with \$26.4 million of available credit under the secured revolver portion of our credit facilities.

We believe that cash generated from operations and available borrowings under our revolving credit facility will be sufficient to fund our operations for the next 12 months. We intend to finance potential future acquisitions either with cash provided from operations, borrowings under our revolving credit facility, bank loans, debt or equity offerings, or some combination of the foregoing. The following discussion provides further details of our liquidity and capital resources.

#### Operating Activities:

Net cash provided by operations during the three months ended March 31, 2011 was \$5.6 million, compared to \$11.7 million for the same period in 2010. The decrease in net cash provided by operations was primarily driven by increases in accounts receivable and prepaid expenses during the three months ended March 31, 2011. The number of days sales outstanding (“DSO”) was 54 days at March 31, 2011. DSO was 53 days and 56 days at December 31, 2010 and March 31, 2010, respectively.

#### Investing Activities:

Net cash used in investing activities during the three months ended March 31, 2011 was \$1.7 million, compared to \$0.7 million for the same period in 2010. The increase was related to increased capital expenditures during the three months ended March 31, 2011. Our capital expenditure requirements may increase in the future as a result of our acquisition of NFI in September 2010.

#### Financing Activities:

Net cash used in financing activities during the three months ended March 31, 2011 was \$1.8 million primarily due to paying down our outstanding term loan balance during the quarter. During the three months ended March 31, 2010, cash used in financing activities was \$1.5 million primarily due to paying down our outstanding term loan balance during the quarter.

During the three months ended March 31, 2011, we made a \$2.3 million quarterly principal amortization payment. Borrowings under the Tranche B term loan portion of the Credit Agreement dated December 23, 2009 (the “First Lien Credit Agreement”) bear interest at floating rates based upon either a LIBOR (with a LIBOR floor of 1.75%) or a prime interest rate option selected by us, plus a spread of 5.50% and 4.50%, respectively. Borrowings under the second lien secured term loan facility (the “Second Lien Credit Facility”) bear interest at floating rates based upon either a LIBOR (with a LIBOR floor of 1.75%) or a prime interest rate option selected by us, plus a spread of 10.00% and 9.00%, respectively. As of March 31, 2011, the total term loans outstanding (including both the current and long-term portions), net of discount, was \$212.8 million.

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The revolver portion of the First Lien Credit Agreement, which can be drawn up to an amount of \$40.0 million less letters of credit and swingline loans outstanding, carries an unused fee of 0.75% per annum. Borrowings under the revolver portion of the First Lien Credit Agreement bear interest at floating rates based upon either a LIBOR or a prime interest rate option selected by us, plus a spread of 5.50% and 4.50%, respectively. The revolver portion of the First Lien Credit Agreement matures on August 31, 2014. As of March 31, 2011, there were \$2.3 million outstanding under the revolving credit facility. At December 31, 2010, there were no amounts outstanding under the revolving credit facility.

The Tranche B term loan portion of the First Lien Credit Agreement is subject to quarterly amortization of principal (in equal installments), with an amount equal to 5% of the initial aggregate principal amount of the Tranche B term loan in the first year, 10% of the initial aggregate principal amount of the Tranche B term loan in the second year and 15% of the Tranche B term loan in the third and fourth years with any remaining amounts payable quarterly thereafter until the maturity date on June 23, 2015. The maturity date of the Second Lien Credit Facility is September 1, 2016. The full principal amount of the Second Lien Credit Facility is payable on the maturity date.

We are required to make customary mandatory prepayments of the Second Lien Credit Facility with the proceeds of certain asset dispositions, extraordinary receipts, debt issuances and equity issuances. We are also required to make excess cash flow mandatory prepayments of the Second Lien Credit Facility within ninety days after the end of each fiscal year, commencing with the fiscal year ended December 31, 2011, in an amount to be determined based on our Consolidated Leverage Ratio (as defined in the Second Lien Credit Agreement), less any voluntary prepayments of the Second Lien Credit Facility or any loans under the First Lien Credit Agreement made during the fiscal year. All such mandatory prepayments are only required to the extent all obligations under the First Lien Credit Agreement have been paid in full and the commitments to make additional credit extensions thereunder have been terminated.

Our credit agreements contain various financial ratio covenants, including a minimum fixed charge coverage ratio and maximum leverage ratio, as well as restrictions on assumption of additional indebtedness, declaration of dividends, dispositions of assets, consolidation into another entity, capital expenditures in excess of specified amounts and allowable investments. We were in compliance with these requirements as of March 31, 2011.

### **Potential Fluctuations in Quarterly Results and Seasonality**

Due to the regional and seasonal fluctuations in the hospital patient census and staffing needs of our healthcare facility and other 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.

### **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. Forward-looking statements are identified by words such as “believe,” “anticipate,” “expect,” “intend,” “plan,” “will,” “may” and other similar expressions, including, without limitation, statements under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. We based these forward-looking statements on our current expectations and projections about future events. All forward looking statements involve risks and uncertainties. Our actual results could differ materially from those discussed in, or implied by, these forward-looking statements. Factors that could cause actual results to differ materially 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, 2010 and include but are not limited to:

- our ability to sustain and grow our staffing services in a continued significant economic downturn and slow industry recovery;
- our ability to continue to recruit and retain qualified temporary and permanent healthcare professionals at reasonable costs, in the face of future growth in employment rates and resulting constriction of supply;
- our ability to attract and retain sales and operational personnel;
- our ability to secure new and profitable orders and searches from our hospital, healthcare facility, affiliated healthcare network and physician practice group clients, which may be impacted by the role of intermediary organizations, such as vendor management companies;
- consolidation and concentration of buyers of healthcare staffing services, including our own increasingly significant managed services customers, which could impact demand and pricing for our services and our ability to mitigate credit risk;

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- the overall level of demand for services offered by temporary and permanent healthcare providers, including home health providers, which may be affected by adoption of alternative modes of healthcare delivery, the changing preferences of our clients and federal and state healthcare reform legislation;
- the ability of our clients to retain and increase the productivity of their permanent staff;
- our ability to successfully design our strategic growth, acquisition and integration strategies and to implement those strategies, in particular, in our acquisition of NFI, and to integrate acquired companies' accounting, management information, human resource and other administrative systems, and implement or remediate controls, procedures and policies at acquired companies;
- our ability to innovate and to anticipate, interpret and adjust to actions by new and existing competition sources and technological changes;
- 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 client and provider-facing self-service web sites operational and without service interruptions;
- our ability to grow and operate our business in compliance with legislation and regulations, including regulations that may directly or indirectly impact us, such as Medicare certification and reimbursement, state licensure and the Affordable Care Act and state healthcare reform legislation;
- 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 for which we carry significant self-insured retentions;
- our ability to carry out our business strategy and maintain sufficient cash flow and capital structure to support our business;
- our ability to meet our financial covenants, which if not met, could adversely affect our liquidity;
- the loss of key officers and management personnel that could adversely affect our ability to remain competitive;
- our ability to maintain our valuable brands and the effect of recognition by us of an impairment to goodwill; and
- the effect of adjustments by us to accruals for self-insured retention.

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, 2010.

### **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 the first quarter of 2011, our primary exposure to market risk was interest rate risk associated with our debt instruments. We entered into a new credit agreement and an amendment to our existing credit agreement in September 2010. Borrowings under the secured term loan facility portion of the credit agreement bear interest at floating rates based upon either a LIBOR (with a LIBOR floor of 1.75%) or a prime interest rate option selected by us, plus a spread of 5.50% and 4.50%, respectively. Borrowings under the Second Lien Credit Facility bear interest at floating rates based upon either a LIBOR (with a LIBOR floor of 1.75%) or a prime interest rate option selected by us, plus a spread of 10.00% and 9.00%, respectively. A 1% change in interest rates in excess of the minimum floor on our variable rate debt would have resulted in interest expense fluctuating approximately \$0.6 million for the three months ended March 31, 2011.

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 March 31, 2011 were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II—OTHER INFORMATION**

**Item 6. Exhibits**

<u>Exhibit No.</u>	<u>Description of Document</u>
10.1	Form of AMN Healthcare Equity Plan Performance Restricted Stock Unit Agreement—Officer (three-year cliff vesting, in amount based on shareholder return performance)*
10.2	Executive Severance Agreement between AMN Healthcare, Inc. and Brian M. Scott dated January 24, 2011 (incorporated by reference to the exhibit filed with the Registrant’s Current Report on Form 8-K dated January 3, 2011).
10.3	Form of Indemnification Agreement—Officer and Director (incorporated by reference to the exhibits filed with the Registrant’s Annual Report on Form 10-K, filed on March 5, 2010).
31.1	Certification by Susan R. Salka pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934*
31.2	Certification by Brian M. Scott pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934*
32.1	Certification by Susan R. Salka 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 Brian M. Scott pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

\* Filed herewith.

**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: May 6, 2011

**AMN HEALTHCARE SERVICES, INC.**

/s/ SUSAN R. SALKA

Name: \_\_\_\_\_  
Title: Susan R. Salka  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: May 6, 2011

/s/ BRIAN M. SCOTT

Name: \_\_\_\_\_  
Title: Brian M. Scott  
Chief Accounting Officer,  
Chief Financial Officer and Treasurer  
(Principal Accounting and Financial Officer)

**AMN HEALTHCARE  
EQUITY PLAN  
PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT**

THIS RESTRICTED STOCK UNIT AGREEMENT (the "Agreement"), made this [DATE] by and between AMN Healthcare Services, Inc. (the "Company"), a Delaware corporation, and [EMPLOYEE'S NAME] (the "Grantee").

W I T N E S S E T H:

WHEREAS, the Company sponsors the AMN Healthcare Equity Plan (the "Plan"), and desires to afford the Grantee the opportunity to share in the appreciation of the Company's common stock, par value \$.01 per share ("Stock") thereunder, thereby strengthening the Grantee's commitment to the welfare of the Company and Affiliates and promoting an identity of interest between stockholders and the Grantee.

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

**1. Definitions.**

The following definitions shall be applicable throughout the Agreement. Where defined terms are not defined herein, their meaning shall be that set forth in the Plan.

(a) "Accelerated End Date" means the date five (5) calendar days (or such shorter period as may be established by the Committee in its sole discretion) prior to the Change in Control.

(b) "Accumulated Shares" means, for a given day, the sum of (i) one (1) share and (ii) a cumulative number of shares of the company's common stock purchased with dividends declared on a company's stock, assuming same day reinvestment of the dividends into shares of the common stock of a company at the closing price on the ex-dividend date, for ex-dividend dates during the Opening Average Period or for the period between December 31, 2010 and the last day of the Closing Average Period, as the case may be.

(c) "Affiliate" means (i) any entity that directly or indirectly is controlled by, or is under common control with the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

(d) "Cause" means the Company or an Affiliate having "cause" to terminate a Grantee's employment or service, as defined in any existing employment, consulting or any other agreement between the Grantee and the Company or a Subsidiary or Affiliate, or, in the absence of such an employment, consulting or other agreement, upon (i) the determination by the Committee that the Grantee has ceased to perform



his/her duties to the Company or an Affiliate (other than as a result of his/her incapacity due to physical or mental illness or injury), which failure amounts to an intentional and extended neglect of his/her duties to such party, (ii) the Committee's determination that the Grantee has engaged or is about to engage in conduct injurious to the Company or an Affiliate, (iii) the Grantee having been convicted of, or pleaded guilty or no contest to, a felony or a crime involving moral turpitude or (iv) the failure of the Grantee to follow the lawful instructions of the Board or Grantee's direct superiors; provided, however, that in the instances of clauses (i), (ii) and (iv), the Company or Affiliate, as applicable, must give the Grantee twenty (20) days' prior written notice of the defaults constituting "cause" hereunder.

(e) "Change in Control" shall, unless in the case of a particular RSU, the applicable Restricted Stock Unit Agreement states otherwise or contains a different definition of "Change in Control," be deemed to occur upon:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a majority of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors;

(ii) the sale of all or substantially all of the business or assets of the Company; or

(iii) the consummation of a merger, consolidation or similar form of corporate transaction involving the Company that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), if immediately following such Business Combination: (x) a Person is or becomes the beneficial owner, directly or indirectly, of a majority of the combined voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), or (y) the Company's stockholders prior to the Business Combination thereafter cease to beneficially own, directly or indirectly, a majority of the combined voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), counting for this purpose only voting securities of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) received by such stockholders in connection with the Business Combination. "Surviving Corporation" shall mean the corporation resulting from a Business Combination, and "Parent Corporation" shall mean the ultimate parent corporation that directly or indirectly has beneficial ownership of a majority of the combined voting power of the then outstanding voting securities of the Surviving Corporation entitled to vote generally in the election of directors.

(f) “Closing Average Period” means (i) in the absence of a Change in Control, the ninety (90) -day period ending on the last day of the Performance Period; or (ii) in the case of a Change in Control, the ninety (90) day period ending on the Accelerated End Date.

(g) “Closing Average Share Value” means the average, over the days in the Closing Average Period, of the closing price of the company’s stock multiplied by the Accumulated Shares for each day during the Closing Average Period.

(h) “Committee” means the compensation committee of the Board or a similar committee performing the functions of the compensation committee and which is comprised of not less than two Non-Employee Directors who are independent.

(i) “Credited Service” shall mean the performance of Service on a substantially full time basis for a continuous twelve-month period. For this purpose, substantially full time basis shall mean that the employee or consultant provides regular and recurring services to the Company of at least 32 hours each week. The taking of approved Paid Time Off or legally mandated leave, such as FMLA, does not interrupt this period of Credited Service.

(j) “Grant Date” means [DATE] which is the date specified in the authorization of this RSU grant.

(k) “Grantee” means an individual who has been selected by the Committee to participate in the Plan and to receive a RSU grant pursuant to Section 2.

(l) “Opening Average Period” means the ninety (90) day period ending on December 31, 2010.

(m) “Opening Average Share Value” means the average during the Opening Average Period of the closing price of a company’s stock multiplied by the Accumulated Shares for each trading day during the Opening Average Period.

(n) “Peer Companies” means the companies included in the Russell 2000 on December 31, 2010. (i) In the event of a merger, acquisition or business combination transaction of a Peer Company with or by another Peer Company, the surviving entity shall remain a Peer Company. (ii) In the event of a merger of a Peer Company with an entity that is not a Peer Company, or the acquisition or business combination transaction by or with a Peer Company, or with an entity that is not a Peer Company, in each case where the Peer Company is the surviving entity and remains publicly traded, the surviving entity shall remain a Peer Company. (iii) In the event of a merger or acquisition or business combination transaction of a Peer Company by or with an entity that is not a Peer Company, a “going private” transaction involving a Peer Company or the liquidation of a Peer Company, where the Peer Company is not the surviving entity or is otherwise no longer publicly traded, the company shall no longer be a Peer Company. (iv) In the event of a bankruptcy of a Peer Company, such company shall remain a Peer Company.

(o) "Performance Period" is December 31, 2010 through the earlier of (i) the Accelerated End Date and (ii) December 31, 2013.

(p) "Relative Total Shareholder Return" or "Relative TSR" means the Company's TSR relative to the TSR of the Peer Companies. Relative TSR will be determined by ranking the Company and the Peer Companies from highest to lowest according to their respective TSRs. After this ranking, the percentile performance of the Company relative to the Peer Companies will be determined as follows:

$$P = 1 - \frac{R - 1}{N - 1}$$

where: "P" represents the percentile performance which will be rounded, if necessary, to the nearest whole percentile by application of regular rounding.

"N" represents the remaining number of Peer Companies, plus the Company.

"R" represents Company's ranking among the Peer Companies.

**Example:** If there are 1000 remaining Peer Companies, and the Company ranked 500<sup>th</sup>, the performance would be at the 50<sup>th</sup> percentile:  $.50 = 1 - ((500-1)/(1001-1))$ .

(q) "Restricted Stock Unit" or "RSU" means an award granted under Section 2.

(r) "Service" shall mean the performance of services for the Company (or any Affiliate) by a person in the capacity of an officer or other employee or key person (including consultants).

(s) "Total Shareholder Return" or "TSR" means for each of the Company and the Peer Companies, the company's total shareholder return, which will be calculated by dividing (i) the Closing Average Share Value by (ii) the Opening Average Share Value, and then subtracting one (1).

(t) "Vesting Date" means the date on which the Committee determines the TSR or Relative TSR.

**2. Grant of Performance Restricted Stock Units.** Subject to the terms and conditions set forth herein, the Company hereby grants to the Grantee [XXX] Performance Restricted Stock Units ("RSUs"), which shall be the target number. The actual number of RSUs that vest may be more or less than the target number.

**3. Vesting Schedule.** No RSUs may be settled until they shall have vested. Except as otherwise set forth in this Agreement or in the Plan, the RSUs will vest in accordance with the vesting table (the "Vesting Table") set forth on Schedule I, based on the Company's achievement of Total Shareholder Return and Relative Total Shareholder Return for the Performance Period. Any fractional share resulting from the

application of the percentages in the Vesting Table shall be rounded to the nearest whole number of shares. The Committee shall determine the Total Shareholder Return and Relative TSR, if any, within 30 days after the earlier of the (i) Accelerated End Date or the (ii) Performance Period. On the Vesting Date, all RSUs that do not vest shall be automatically forfeited to the Company and the right to receive any RSUs that do not vest shall be automatically forfeited.

#### **4. Settlement and Deferral of RSUs.**

(a) Each vested RSU entitles the Grantee to receive one share of Stock on the "Settlement Date" which shall be the later of (i) the Vesting Date for such RSU or (ii) the end of the deferral period specified by the Grantee. The deferral period shall be no less than three (3) years and five (5) days from the Grant Date. Such deferral election shall be made within 30 days of the Grant Date. This deferral period will apply only to the deferral election made on the specific deferral election form. In addition, any such deferral must apply to receipt of all shares of Stock earned with respect to the entire Grant. (If no deferral period is specified on the deferral election form, Stock will be issued as soon as practicable upon vesting of the RSUs). If the Grantee wishes to elect to delay his original Settlement Date, such election must be made at least twelve (12) months in advance of the Settlement Date and the new Settlement Date must be at least five (5) years after the original Settlement Date.

(b) Shares of Stock underlying the RSUs shall be issued and delivered to the Grantee in accordance with paragraph (a) and upon compliance to the satisfaction of the Committee with all requirements under applicable laws or regulations in connection with such issuance and with the requirements hereof and of the Plan. The determination of the Committee as to such compliance shall be final and binding on the Grantee. The shares of Stock delivered to the Grantee pursuant to this Section 4 shall be free and clear of all liens, fully paid and non-assessable.

(c) Until such time as shares of Stock have been issued to the Grantee pursuant to paragraph (b) above, and except as set forth in Section 5 below regarding dividend equivalents, the Grantee shall not have any rights as a holder of the shares of Stock underlying this Grant including but not limited to voting rights.

(d) The Grantee may be required to pay to the Company or any Affiliate, and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any shares of Stock or other property deliverable under the RSU or from any compensation or other amounts owing to the Grantee the amount (in cash, Stock or other property) of any required tax withholding and payroll taxes in respect of an RSU vesting or settlement and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(e) Without limiting the generality of clause (d) above, in the Committee's sole discretion the Grantee may satisfy, in whole or in part, the foregoing withholding liability (but no more than the minimum required withholding liability) by having the Company withhold from the number of shares of Stock otherwise issuable pursuant to the settlement of the RSU a number of shares with a Fair Market Value equal to such withholding liability.

**5. Dividend Equivalents.** If on any date the Company shall pay any cash dividend on shares of Stock of the Company, the number of RSUs credited to the Grantee pursuant to the Vesting Table shall, as of such date, be increased by an amount determined by the following formula:

W = (X multiplied by Y) divided by Z, where:

W = the number of additional RSUs to be credited to the Grantee on such dividend payment date;

X = the aggregate number of RSUs (whether vested or unvested) credited to the Grantee as of the record date of the dividend;

Y = the cash dividend per share amount; and

Z = the Fair Market Value per share of Stock (as determined under the Plan) on the dividend payment date.

**6. Termination of Employment.**

(a) If, prior to the Settlement Date, the Grantee shall undergo: a termination of full-time employment if an employee (and also termination of Service if a director); or cessation of providing Credited Service if a consultant, each other than for Cause, the RSUs which are not vested at the date of such termination shall expire on such date. In the event of such termination, if there are any deferred vested RSUs, regardless of the Grantee's deferral election, the Company, as soon as practicable following the effective date of termination shall issue shares of Stock to Grantee (or Grantee's designated beneficiary or estate executor in the event of Grantee's death) with respect to any such deferred vested RSUs for which shares of Stock had not yet been issued to Grantee. Notwithstanding the foregoing, if the Grantee is a specified employee (as defined in Section 409A of the Code), any distribution on account of termination of employment shall be delayed six months and a day after the Grantee's separation from service (within the meaning of Section 409A of the Code and the regulations promulgated thereunder) after such termination of employment.

(b) If, prior to the Settlement Date, the Grantee is terminated from the employment or service with the Company for Cause, all RSUs then held by such Grantee (whether or not vested) shall expire immediately upon such cessation of employment or service.

**7. Company; Grantee.**

(a) The term “Company” as used in this Agreement with reference to employment shall include the Company, its Subsidiaries and its Affiliates, as appropriate.

(b) Whenever the word “Grantee” is used in any provision of this Agreement under circumstances where the provision should logically be construed to apply to the beneficiaries, the executors, the administrators, or the person or persons to whom the RSUs may be transferred by will or by the laws of descent and distribution, the word “Grantee” shall be deemed to include such person or persons.

**8. Non-Transferability.** The RSUs are not transferable by the Grantee other than to a designated beneficiary upon death, by will or the laws of descent and distribution or to a trust solely for the benefit of the Grantee or his/her immediate family.

**9. Forfeiture for Non-Compete Violation.**

(a) Non-Compete. The Grantee agrees that during the term of Grantee’s employment and for a period of two years thereafter (the “Coverage Period”) the Grantee will not engage in, consult with, participate in, hold a position as shareholder, director, officer, consultant, employee, partner or investor, or otherwise assist any business entity (i) in any State of the United States of America or (ii) in any other country in which the Company has business activities, in either case, that is engaged in any activities which are competitive with the business of providing healthcare or other personnel on a temporary or permanent placement basis to hospitals, healthcare facilities, healthcare provider practice groups or other entities, clinical workforce management services, home healthcare services and any and all business activities reasonably related thereto in which the Company or any of its divisions, affiliates or subsidiaries are then engaged.

(b) Non-Solicit. The Grantee agrees that during the Coverage Period, Grantee shall not solicit, attempt to solicit or endeavor to entice away from the Company any person who, at any time during the term of Grantee’s employment was a nurse, physician, allied healthcare professional or other healthcare professional, employee, customer, client or supplier of the Company.

(c) Confidential and Proprietary Information. The Grantee agrees that Grantee will not, at any time make use of or divulge to any other person, firm or corporation any confidential or proprietary information concerning the business or policies of the Company or any of its divisions, affiliates or subsidiaries. For purposes of this Agreement, any confidential information shall constitute any information designated as confidential or proprietary by the Company or otherwise known by the Grantee to be confidential or proprietary information including, without limitation, customer information. Grantee acknowledges and agrees that for purposes of this Agreement, “customer information” includes without limitation, customer lists, all lists of

professional personnel, names, addresses, phone numbers, contact persons, preferences, pricing arrangements, requirements and practices. Grantee's obligation under this Section 9(c) shall not apply to any information which (i) is known publicly; (ii) is in the public domain or hereafter enters the public domain without the fault of Grantee; or (iii) is hereafter disclosed to Grantee by a third party not under an obligation of confidence to the Company. Grantee agrees not to remove from the premises of the Company, except as an employee of the Company in pursuit of the business of the Company or except as specifically permitted in writing by the Company, any document or other object containing or reflecting any such confidential or proprietary information. Grantee recognizes that all such information, whether developed by the Grantee or by someone else, will be the sole exclusive property of the Company. Upon termination of employment, Grantee shall forthwith deliver to the Company all such confidential or proprietary information, including without limitation all lists of customers, pricing methods, financial structures, correspondence, accounts, records and any other documents, computer disks, computer programs, software, laptops, modems or property made or held by Grantee or under Grantee's control in relation to the business or affairs of the Company or any of its divisions, subsidiaries or affiliates, and no copy of any such confidential or proprietary information shall be retained by Grantee.

(d) Forfeiture for Violations. If the Grantee shall at any time violate the provisions of Section 9(a), (b), or (c), the Grantee shall immediately forfeit his/her RSUs (whether vested or unvested) and any issuance of shares of Stock which occurs after (or within 6 months before) any such violation shall be void ab initio.

**10. Rights as Stockholder.** The Grantee or a transferee of the RSUs shall have no rights as a stockholder with respect to any share of Stock covered by the RSUs until the Grantee shall have become the holder of record of such share and no adjustment shall be made for dividends or distributions or other rights in respect of such share of Stock for which the record date is prior to the date upon which Grantee shall become the holder of record thereof.

**11. Effect of Change in Control.**

(a) In the event of a Change in Control, the RSUs shall vest in accordance with Section 3. The Company shall issue shares of Stock to the Grantee to settle the vested RSUs, if any, on the Settlement Date of such RSU.

(b) The obligations of the Company under this Agreement shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. The Company agrees that it will make appropriate provisions for the preservation of the Grantee's rights under this Agreement in any agreement or plan which it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

**12. Notice.** Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom

it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided, provided that, unless and until some other address be so designated, all notices or communications by the Grantee to the Company shall be mailed or delivered to the Company at its principal executive office, and all notices or communications by the Company to the Grantee may be given to the Grantee personally or may be mailed to Grantee at Grantee's address as recorded in the records of the Company.

**13. No Right to Continued Employment.** This Agreement shall not be construed as giving the Grantee the right to be retained in the employ or service of the Company, a Subsidiary or an Affiliate. Further, the Company or an Affiliate may at any time dismiss the Grantee or discontinue any consulting relationship, free from any liability or any claim under this Agreement, except as otherwise expressly provided herein.

**14. Binding Effect.** Subject to Section 7 hereof, this Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

**15. Amendment of Agreement.** The Committee may, to the extent consistent with the terms of this Agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any portion of the RSUs heretofore granted, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would impair the rights of the Grantee in respect of any RSUs already granted shall not to that extent be effective without the consent of the Grantee.

**16. RSUs Subject to Plan and 2005 Amended and Restated Executive Nonqualified Excess Plan, as amended.** By entering into this Agreement, the Grantee agrees and acknowledges that the Grantee has received and read a copy of the Plan and a copy of the Company's 2005 Amended and Restated Executive Nonqualified Excess Plan. The RSUs are subject to the terms of both plans. The terms and provisions of the plans as they may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of either the Plan or the Company's 2005 Amended and Restated Executive Nonqualified Excess Plan, the applicable terms and provisions of the applicable plan will govern and prevail.

**17. Governing Law.** This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Delaware without regard to the principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction which could cause the application of the laws of any jurisdiction other than the State of Delaware.



**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the day and year first above written.

AMN HEALTHCARE SERVICES, INC.

By: \_\_\_\_\_  
Name: Susan R. Salka  
Title: President and CEO

GRANTEE

By: \_\_\_\_\_  
Name: [EMPLOYEE'S NAME]

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

I, Susan R. Salka, certify that:

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

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

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

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

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: May 6, 2011

/s/ SUSAN R. SALKA

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Name: Susan R. Salka  
Title: President and Chief Executive Officer  
(Principal Executive Officer)

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

I, Brian M. Scott, certify that:

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

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

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

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

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: May 6, 2011

/s/ BRIAN M. SCOTT

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Name: **Brian M. Scott**  
Title: **Chief Accounting Officer,  
Chief Financial Officer and Treasurer  
(Principal Accounting and Financial Officer)**

## AMN Healthcare Services, Inc.

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

In connection with the Quarterly Report of AMN Healthcare Services, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Susan R. Salka, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 6, 2011

/s/ SUSAN R. SALKA

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

## AMN Healthcare Services, Inc.

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

In connection with the Quarterly Report of AMN Healthcare Services, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian M. Scott, Chief Accounting Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 6, 2011

/s/ BRIAN M. SCOTT

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**Brian M. Scott**  
Chief Accounting Officer,  
Chief Financial Officer and Treasurer  
(Principal Accounting and Financial Officer)