AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 16, 2001

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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

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

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

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

COPIES TO:

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

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE
Common Stock, $0.01 par value per share.....	$172,500,000.00	$43,125.00

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

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

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

Prospectus (Not Complete)
Issued July 16, 2001

SHARES

[COMPANY LOGO]

AMN HEALTHCARE SERVICES, INC.

COMMON STOCK

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

Our common stock is expected to be approved for listing on the New York Stock Exchange under the symbol "AHS."

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

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

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

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

JOINT BOOK-RUNNING MANAGERS

BANC OF AMERICA SECURITIES LLC UBS WARBURG

JPMORGAN

, 2001

[ART WORK DESCRIPTION TO BE PROVIDED BY AMENDMENT]

TABLE OF CONTENTS

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

PROSPECTUS SUMMARY

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

THE COMPANY

We are a leading temporary healthcare staffing company and the largest nationwide provider of travel nurse staffing services, one of the fastest growing segments of the temporary healthcare staffing industry. We recruit nurses and allied health professionals, our "travelers," and place them on temporary assignments, typically for 13 weeks away from their permanent homes, at hospitals and healthcare facilities throughout the United States. Approximately 90% of our travelers are nurses, while the remainder are technicians, therapists and technologists. We are actively working with a pre-screened pool of over 25,000 prospective travelers, of whom over 5,800 were on assignment during June 2001. Additionally, as of June 2001, we had over 13,500 open orders from our network of over 2,500 hospital and healthcare facility clients.

In recent years our business has grown significantly, outpacing the growth of the temporary healthcare staffing market. From 1996 to 2000, our revenue and EBITDA increased at compound annual growth rates of 48% and 58%, respectively. Approximately one-third of this growth was generated through strategic acquisitions, while the remaining two-thirds was generated through the organic growth of our operations. On a combined basis, assuming all of our acquisitions had occurred on January 1, 1996, the compound annual growth rate of our revenues from 1996 to 2000 would have been 30%, as compared to the 13% compound annual growth rate experienced by the temporary healthcare staffing market during the same period. Additionally, since 1999, the pace of our organic growth has accelerated. On the same combined basis as described above, for the twelve months ended March 31, 2001, we would have generated revenues of $366.4 million and EBITDA of $44.4 million, representing organic compound annual growth rates of 45% and 88%, respectively, since 1999.

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

We have established a growing and diverse hospital and healthcare facility client base, ranging from national healthcare providers to premier teaching and regional hospitals. We currently hold contracts with approximately 42% of all acute-care hospitals in the United States, where we place the vast majority of our travelers. Hospital and healthcare facilities utilize our services to help cost-effectively manage staff shortages, new unit openings, seasonal variations, budgeted vacant positions, long-term leaves of absence and other flexible staffing needs.

MARKET OPPORTUNITY AND COMPETITIVE STRENGTHS

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

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

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

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

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

- CONSISTENT GROWTH OF REVENUE AND PROFITS. From 1996 to 2000, our revenue and EBITDA increased at compound annual growth rates of 48% and 58%, respectively. Approximately one-third of this growth was generated through strategic acquisitions, while the remaining two-thirds was generated through the organic growth of our operations. On a combined basis, assuming all of our acquisitions had occurred on January 1, 1996, the compound annual growth rate of our revenues from 1996 to 2000 would have been 30%.

- NATIONWIDE PRESENCE AND SCALE. We serve over 2,500 hospital and healthcare facility clients nationwide. Our broad client base helps us attract potential travelers, as we offer more employment opportunities than our smaller competitors. Within our industry, we have the largest number of working travelers, which generates a strong volume of word-of-mouth traveler referrals. This is an important competitive advantage, as word-of-mouth referrals are the most effective recruiting tool in our industry. In addition, our size provides us with economy of scale benefits in our administrative areas, information systems, benefits and housing programs.

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

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

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

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

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

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

THE OFFERING

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

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

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

- that the underwriters will not exercise their over-allotment option;
- the exercise of an outstanding warrant for shares immediately prior to this offering; and
- a -for-1 stock split of our common stock effected , 2001.

SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

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

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

	YEARS ENDED DECEMBER 31,				THREE MONTHS ENDED MARCH 31,			
	1998	1999	2000	2000 PRO FORMA	2000	2001	2000 PRO FORMA	2001 PRO FORMA
				(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
	(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)							
CONSOLIDATED STATEMENTS OF OPERATIONS:								
Revenue	$ 87,718	$146,514	$230,766	$326,355	$44,951	$103,055	$ 70,795	$110,830
Cost of revenue	67,244	111,784	170,608	241,984	33,570	77,929	52,241	83,362
Gross profit	20,474	34,730	60,158	84,371	11,381	25,126	18,554	27,468
Expenses:								
Selling, general and administrative (excluding non-cash stock-based compensation)	12,804	20,677	30,728	44,599	5,975	13,812	10,672	14,994
Non-cash stock-based compensation(1)	--	--	20,218		4,788	3,895		--
Amortization	1,163	1,721	2,387	5,735	432	1,306	1,435	1,432
Depreciation	171	325	916	1,207	129	413	136	431
Transaction costs(2)	--	12,404	1,500	1,500	--	--	--	--
Total expenses	14,138	35,127	55,749		11,324	19,426		16,857
Income (loss) from operations	6,336	(397)	4,409		57	5,700		10,611
Interest income (expense), net	(2,476)	(4,030)	(10,006)	31	(2,301)	(4,323)	(17)	(16)
Income (loss) before minority interest, income taxes and extraordinary item	3,860	(4,427)	(5,597)		(2,244)	1,377		10,595
Minority interest in earnings of subsidiary(3)	(657)	(1,325)	--	--	--	--	--	--
Income tax (expense) benefit	(1,571)	872	1,741		698	(722)		(5,557)
Income (loss) before extraordinary item	1,632	(4,880)	(3,856)		(1,546)	655		5,038
Extraordinary loss on early extinguishment of debt, net of income tax benefit	--	(730)	--	N/A	--	--	N/A	N/A
Net income (loss)	$ 1,632	$ (5,610)	$ (3,856)	$	$(1,546)	$ 655	$	$ 5,038
Net income (loss) per common share:								
Basic	$ 3.96	$ (11.13)	$ (7.39)	$	$ (3.27)	$ 0.98	$	$
Diluted	$ 3.96	$ (11.13)	$ (7.39)	$	$ (3.27)	$ 0.90	$	$
Weighted average common shares outstanding:								
Basic	412	504	522		473	669		
Diluted	412	504	522		473	727		
OTHER FINANCIAL AND OPERATING DATA:								
Revenue growth	28%	67%	58%	N/A	N/A	129%	N/A	57%
Average travelers on assignment	1,444	2,289	3,166	4,402	2,609	5,185	4,013	5,539
Growth in average travelers on assignment	25%	59%	38%	N/A	N/A	99%	N/A	38%
Capital expenditures	$ 690	$ 1,656	$ 2,358	$ 3,037	$ 402	$ 1,019	$ 682	$ 1,065
EBITDA(4)	$ 7,670	$ 14,053	$ 29,430	$ 39,772	$ 5,406	$ 11,314	$ 7,882	$ 12,474
EBITDA growth	62%	83%	109%	N/A	N/A	109%	N/A	58%

	AS OF MARCH 31, 2001	
	ACTUAL	AS ADJUSTED (5)
	(UNAUDITED) (IN THOUSANDS)	
CONSOLIDATED BALANCE SHEET DATA:		
Cash and cash equivalents	$ 1,531	$
Working capital	43,978	
Total assets	216,675	
Total long-term debt, including current portion	121,663	
Total stockholders' equity	70,249	

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(1) Non-cash stock-based compensation represents compensation expense related to our performance-based stock option plans to reflect the difference between the fair market value and the exercise price of previously issued stock options. See Note 8 of Notes to Consolidated Financial Statements for AMN Healthcare Services, Inc. Upon consummation of this offering, options to purchase shares of our common stock will vest that have an average exercise price $ below the assumed initial offering price of our common stock. As a result, we will record an additional non-cash stock-based compensation charge of $. Following the quarter in which this offering occurs, we do not expect to incur significant additional non-cash stock-based compensation charges going forward.

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

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

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

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

RISK FACTORS

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

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

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

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

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

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

We do not have long-term agreements or exclusive guaranteed order contracts with our hospital and healthcare facility clients. The success of our business is dependent upon our ability to continually secure new orders from hospitals and other healthcare facilities and to fill those orders with our travelers. Our hospital and healthcare facility clients are free to place orders with our competitors and choose

to use travelers that our competitors offer them. Therefore, we must maintain positive relationships with our hospital and healthcare facility clients. If we fail to maintain positive relationships with our hospital and healthcare facility clients, we may be unable to generate new traveler orders and our business may be adversely affected.

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

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

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

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

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

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

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

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

Although our business is generally not subject to the extensive and complex laws that generally apply to our hospital and healthcare facility clients, these laws and regulations could indirectly affect our business. If our hospital and healthcare facility clients fail to comply with the laws and regulations applicable to their businesses, they could suffer civil and/or criminal penalties and/or be excluded from participating in Medicare, Medicaid and other federal and state healthcare programs. In addition, a change in the rates or conditions set by governments, including policies relating to Medicare or Medicaid, could reduce the amounts reimbursed to our hospital and healthcare facility clients. This could adversely affect demand or the price paid for our services.

SIGNIFICANT LEGAL ACTIONS COULD SUBJECT US TO SUBSTANTIAL LIABILITIES.

In recent years, healthcare facility providers have become subject to an increasing number of legal actions alleging malpractice or related legal theories. Many of these actions involve large claims and significant defense costs. In some instances, we are required to indemnify clients against some or all of these risks. We may become subject to claims or actions brought both by and against travelers with whom we work. Also, because most of our travelers are our employees, we may be subject to various legal claims as their employer. Although we maintain professional malpractice liability insurance and general liability insurance coverage, our insurance coverage may not cover all claims against us or continue to be available to us at a reasonable cost. Also, we may be subject to increased insurance costs that we cannot pass on to our hospital and healthcare facility clients. If we are unable to maintain adequate insurance coverage or if any claims are not covered by insurance, we may be exposed to substantial liabilities.

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

During the last nine months, we acquired two companies in the temporary healthcare staffing industry: Preferred Healthcare Staffing and O'Grady-Peyton International. These acquisitions involve significant risks and uncertainties, and we may not be able to fully integrate the operations of the acquired businesses with our own in an efficient and cost-effective manner. In addition, through our most recent acquisition, O'Grady-Peyton International, we are now involved in new international traveler recruitment markets where we have limited or no experience. Our failure to effectively integrate any of these businesses could have an adverse effect on our financial condition and results of operations.

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

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

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

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

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

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

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

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

THE CALIFORNIA ENERGY CRISIS MAY ADVERSELY AFFECT OUR BUSINESS.

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

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

As of March 31, 2001, we had $117.2 million of unamortized goodwill on our balance sheet, which represents the excess of the total purchase price of our acquisitions over the fair value of the net assets acquired. At March 31, 2001, goodwill represented 54.1% of our total assets.

Currently, we amortize goodwill on a straight-line basis over the estimated period of future benefit of 25 years. In June 2001, the Financial Accounting Standards Board approved its exposure draft, Business Combinations and Intangible Assets -- Accounting for Goodwill, which requires that goodwill not be amortized but rather that it be reviewed annually for impairment. In the event impairment is identified, a charge to earnings would be recorded. This new standard is expected to be issued in July 2001 and would apply to us beginning January 1, 2002 for existing intangible assets and July 1, 2001 for business combinations completed after June 30, 2001. Although it does not affect our cash flow, amortization of goodwill or an impairment charge to earnings has the effect of decreasing our earnings or increasing our losses, as the case may be. If we are required to amortize a substantial amount of goodwill or take a charge to earnings, our stock price could be adversely affected.

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

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

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

Upon consummation of this offering, options to purchase shares of our common stock that we granted to members of our management will vest. Because these options have an average exercise price of $ below the initial offering price of our common stock being sold in this offering, we will record a non-cash charge against earnings of $ in the quarter in which this offering occurs. In addition, upon consummation of this offering, we will take a charge against earnings of approximately $ million,

net of income tax benefits related to the write-off of unamortized deferred financing costs from the early extinguishment of our existing indebtedness and the termination of our existing interest rate swap agreements.

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

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

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

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

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

The initial public offering price of our common stock is substantially greater than the pro forma book value per share of our common stock. As a result, purchasers of our common stock pursuant to this offering will experience immediate and substantial dilution of $ per share in the pro forma net tangible book value per share of common stock from the assumed initial public offering price of $ per share. The exercise of outstanding options with an exercise price less than the initial public offering price of this offering and the issuance of common stock with a purchase price less than the initial public offering price of this offering will each result in further dilution to you. See "Dilution."

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

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

After this offering, the holders of approximately 790,000 shares of our common stock (including shares issuable upon the exercise of outstanding options) will have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. By exercising their registration rights and selling a large number of shares, these holders could cause the price of our common stock to decline.

FORWARD-LOOKING STATEMENTS

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

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

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

USE OF PROCEEDS

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

As of June 30, 2001, we had an aggregate of $115.8 million outstanding under our existing credit facility. Our existing credit facility consists of a revolving loan and term loans. Because our working capital fluctuates, the borrowings under our revolving loan may vary. We currently estimate that the amount outstanding under our credit facility immediately prior to the closing of this offering will be approximately $ million.

Each of the facilities under our existing credit facility bears interest at a variable rate based upon LIBOR, federal funds or prime lending rates, at our option. At June 30, 2001, the weighted average interest rate on our borrowings under the credit facility was 7.6%. Our existing credit facility has a final maturity date of March 31, 2005. We used a portion of the proceeds from our borrowings under the credit facility to acquire Preferred Healthcare Staffing in November 2000 and O'Grady-Peyton International in May 2001.

We issued our senior subordinated notes on November 19, 1999 in connection with our recapitalization. The senior subordinated notes had an aggregate outstanding principal amount of $24.2 million at June 30, 2001. The senior subordinated notes have a maturity date of November 19, 2005 and bear interest at an annual rate of 12%. Interest is payable quarterly in cash or through the issuance of additional notes, at our option.

DIVIDEND POLICY

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

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2001, on an actual basis, on a pro forma basis to reflect our acquisition of O'Grady-Peyton International (USA), Inc. and the borrowings under our credit facility to finance that acquisition, and as further adjusted to reflect this offering at an assumed initial public offering price of $ per share and the application of the net proceeds of this offering, as described under "Use of Proceeds."

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

	AS OF MARCH 31, 2001		
	ACTUAL	PRO FORMA	PRO FORMA, AS ADJUSTED
		(UNAUDITED) (IN THOUSANDS)	
Long-term debt, including current portion	$106,772	$124,772	$
Existing revolving credit facility	14,891	14,891	
New revolving credit facility (1)	--	--	
Stockholders' equity:			
Common stock, $.01 par value; 2,000 shares authorized; 669 shares issued and outstanding on an actual and pro forma basis; shares issued and outstanding on a pro forma as adjusted basis (2)	7	7	
Additional paid-in capital	138,750	138,750	
Accumulated deficit	(67,956)	(67,956)	
Accumulated other comprehensive loss	(552)	(552)	
Total capitalization	$191,912	$209,912	$

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(1) We expect to enter into a new $ million revolving credit facility upon the consummation of this offering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

(2) Does not include the following shares:

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

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

DILUTION

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

On March 31, 2001, our pro forma net tangible book value, which reflects our acquisition of O'Grady-Peyton International but not this offering, was approximately $ million, or approximately $ per share, based on shares of common stock outstanding.

As of March 31, 2001, without taking into account any changes in our pro forma net tangible book value subsequent to that date other than the sale of the common stock in this offering at the assumed offering price of $ per share, less the estimated offering expenses, the pro forma net tangible book value of each of the outstanding shares of common stock would have been $ after this offering. Therefore, investors in the common stock would have paid $ for a share of common stock having a pro forma net tangible book value of approximately $ per share after this offering. That is, their investment would have been diluted by approximately $ per share. At the same time, existing stockholders would have realized an increase in pro forma net tangible book value of $ per share after this offering without further cost or risk to themselves. The following table illustrates this per share dilution:

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

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

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

The following table summarizes, on a pro forma basis as of March 31, 2001, the differences between existing stockholders and the new investors with respect to the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid before deducting the underwriting discounts and commissions and our estimated offering expenses.

	SHARES PURCHASED		TOTAL CONSIDERATION		
	NUMBER	PERCENT	AMOUNT	PERCENT	AVERAGE PRICE PER SHARE
			(IN THOUSANDS)		
Existing Stockholders					
New Investors					
Total					

The discussion and tables above assume no exercise of stock options outstanding as of March 31, 2001. As of the consummation of this offering, we expect to have options outstanding to purchase a total of shares of common stock, with a weighted average exercise price of $ per share. To the extent that any of these options are exercised, there will be further dilution to new investors. See "Description of Capital Stock" and Note 8 of Notes to Consolidated Financial Statements for AMN Healthcare Services, Inc.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

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

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

	YEARS ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1996(1)	1997(1)	1998	1999	2000	2000	2001
						(UNAUDITED)	
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
CONSOLIDATED STATEMENTS OF OPERATIONS:							
Revenue	$47,987	$68,779	$87,718	$146,514	$230,766	$44,951	$103,055
Cost of revenue	36,316	53,628	67,244	111,784	170,608	33,570	77,929
Gross profit	11,671	15,151	20,474	34,730	60,158	11,381	25,126
Expenses:							
Selling, general and administrative (excluding non-cash stock-based compensation)	6,972	10,405	12,804	20,677	30,728	5,975	13,812
Non-cash stock-based compensation(2)	--	--	--	--	20,218	4,788	3,895
Amortization	--	91	1,163	1,721	2,387	432	1,306
Depreciation	55	75	171	325	916	129	413
Transaction costs(3)	--	--	--	12,404	1,500	--	--
Total expenses	7,027	10,571	14,138	35,127	55,749	11,324	19,426
Income (loss) from operations	4,644	4,580	6,336	(397)	4,409	57	5,700
Interest income (expense), net	23	(357)	(2,476)	(4,030)	(10,006)	(2,301)	(4,323)
Income (loss) before minority interest, income taxes and extraordinary item	4,667	4,223	3,860	(4,427)	(5,597)	(2,244)	1,377
Minority interest in earnings of subsidiary(4)	--	(10)	(657)	(1,325)	--	--	--
Income tax (expense) benefit	(167)	(193)	(1,571)	872	1,741	698	(722)
Income (loss) before extraordinary item	4,500	4,020	1,632	(4,880)	(3,856)	(1,546)	655
Extraordinary loss on early extinguishment of debt, net of income tax benefit	--	--	--	(730)	--	--	--
Net income (loss)	$ 4,500	$ 4,020	$ 1,632	$ (5,610)	$ (3,856)	$(1,546)	$ 655
Net income (loss) per common share:							
Basic	$155.17	$ 10.05	$ 3.96	$ (11.13)	$ (7.39)	$ (3.27)	$ 0.98
Diluted	$155.17	$ 10.05	$ 3.96	$ (11.13)	$ (7.39)	$ (3.27)	$ 0.90
Weighted average common shares outstanding:							
Basic	29	400	412	504	522	473	669
Diluted	29	400	412	504	522	473	727

	YEARS ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1996(1)	1997(1)	1998	1999	2000	2000	2001
						(UNAUDITED)	
	(DOLLARS IN THOUSANDS)						
OTHER FINANCIAL AND OPERATING DATA:							
Revenue growth	N/A	43%	28%	67%	58%	N/A	129%
Average travelers on assignment	884	1,158	1,444	2,289	3,166	2,609	5,185
Growth in average travelers on assignment	N/A	31%	25%	59%	38%	N/A	99%
Capital expenditures	$ 115	$ 284	$ 690	$ 1,656	$ 2,358	$ 402	$ 1,019
EBITDA(5)	$ 4,699	$ 4,746	$ 7,670	$ 14,053	$ 29,430	$ 5,406	$ 11,314
EBITDA growth	N/A	1%	62%	83%	109%	N/A	109%

	AS OF DECEMBER 31,					AS OF MARCH 31,	
	1996	1997	1998	1999	2000	2000	2001
						(UNAUDITED)	
	(DOLLARS IN THOUSANDS)						
CONSOLIDATED BALANCE SHEET DATA:							
Cash and cash equivalents	$ 918	$ 1,124	$ 888	$ 503	$ 546	$ 63	$ 1,531
Working capital	8,044	9,054	13,159	21,655	44,149	22,312	43,978
Total assets	9,919	42,229	65,337	79,878	208,591	82,679	216,675
Total long-term debt, including current portion	--	25,151	37,596	74,006	122,889	72,738	121,663
Total stockholders' equity (deficit)	8,281	12,348	19,477	(2,111)	66,251	1,132	70,249

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(1) We were incorporated on November 10, 1997 and acquired AMN Healthcare, Inc. on December 4, 1997. Therefore, the statement of operations data, the per share information and the weighted average shares for the year ended December 31, 1996 reflects the activity of AMN Healthcare, Inc. only. The 1997 statement of operations reflects the activity of AMN Healthcare, Inc. only through November 9, 1997, and consolidated with us from November 10, 1997 to December 31, 1997.

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

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

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

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

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

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

OVERVIEW

We are a leading temporary healthcare staffing company and the largest nationwide provider of travel nurse staffing services, one of the fastest growing segments of the temporary healthcare staffing industry. We recruit nurses and allied health professionals, our "travelers," and place them on temporary assignments, typically for 13 weeks away from their permanent homes, at hospitals and healthcare facilities throughout the United States. Approximately 90% of our travelers are nurses, while the remainder are technicians, therapists and technologists. We are actively working with a pre-screened pool of over 25,000 prospective travelers, of whom over 5,800 were on assignment during June 2001. Additionally, as of June 2001, we had over 13,500 open orders from our network of over 2,500 hospital and healthcare facility clients.

In recent years our business has grown significantly, outpacing the growth of the temporary healthcare staffing market. From 1996 to 2000, our revenue and EBITDA increased at compound annual growth rates of 48% and 58%, respectively. Approximately one-third of this growth was generated through strategic acquisitions, while the remaining two-thirds was generated through the organic growth of our operations. On a combined basis, assuming all of our acquisitions had occurred on January 1, 1996, the compound annual growth rate of our revenues from 1996 to 2000 would have been 30%, as compared to the 13% compound annual growth rate experienced by the temporary healthcare staffing market during the same period. Additionally, since 1999, the pace of our organic growth has accelerated. On the same combined basis as described above, for the twelve months ended March 31, 2001, we would have generated revenues of $366.4 million and EBITDA of $44.4 million, representing organic compound annual growth rates of 45% and 88%, respectively, since 1999.

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

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

Upon consummation of this offering, options to purchase shares of our common stock that we granted to members of our management will vest. These options have an average exercise price $ below the assumed initial public offering price of our common stock. As a result, we will take a non-cash charge against earnings of $ million in the quarter in which this offering is consummated. In addition, upon consummation of this offering, we will take a charge against earnings of approximately $ million, net of income tax benefits related to the write-off of unamortized deferred financing costs from the early extinguishment of our existing indebtedness and the termination of our existing interest rate swap agreements.

RESULTS OF OPERATIONS

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

	YEARS ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1998	1999	2000	2000	2001
				(UNAUDITED)	
CONSOLIDATED STATEMENT OF OPERATIONS:					
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue	76.7	76.3	73.9	74.7	75.6
Gross profit	23.3	23.7	26.1	25.3	24.4
Selling, general and administrative (excluding non-cash stock-based compensation)	14.6	14.1	13.3	13.3	13.4
Non-cash stock-based compensation	--	--	8.8	10.7	3.8
Amortization and depreciation expense	1.5	1.4	1.4	1.2	1.7
Transaction costs	--	8.5	0.7	--	--
Income (loss) from operations	7.2	(0.3)	1.9	0.1	5.5
Interest expense, net	2.8	2.7	4.3	5.1	4.2
Income (loss) before minority interest, income taxes and extraordinary item	4.4	(3.0)	(2.4)	(5.0)	1.3
Minority interest in earnings of subsidiary	(0.7)	(0.9)	--	--	--
Income tax (expense) benefit	(1.8)	0.6	0.7	1.6	(0.7)
Extraordinary loss on early extinguishment of debt, net of income tax benefit	--	(0.5)	--	--	--
Net income (loss)	1.9%	(3.8)%	(1.7)%	(3.4)%	0.6%

Comparison of Results for the Three Months Ended March 31, 2000 to the Three Months Ended March 31, 2001

REVENUE. Revenue increased 129%, from $45.0 million for the first quarter of 2000 to $103.1 million for the first quarter of 2001. Of the $58.1 million increase, approximately $27.1 million was attributable to expansion of our existing brands through the growth in the number of travelers and enhancements in contract terms with our hospital and healthcare facility clients, representing an organic growth rate for our recurring operations of 60%. The total number of travelers on assignment in our existing brands grew 38% and contributed approximately $17.2 million of the increase. Enhancements in contract terms included increases in traveler hourly rates charged to hospital and healthcare facility clients that accounted for approximately $3.8 million of this increase, and a shift in the mix of payroll versus flat rate traveler contracts that accounted for approximately $6.1 million of this increase. The remainder of the increase, $31.0 million, was attributable to the acquisitions of NursesRx in June 2000 and Preferred Healthcare Staffing in November 2000.

COST OF REVENUE. Cost of revenue increased 132%, from $33.6 million for the first quarter of 2000 to $77.9 million for the first quarter of 2001. Of the $44.3 million increase, approximately $20.8 million was attributable to the organic growth of our existing brands and approximately $23.5 million was attributable to the acquisitions of NursesRx and Preferred Healthcare Staffing.

GROSS PROFIT. Gross profit increased 121%, from $11.4 million for the first quarter of 2000 to $25.1 million for the first quarter of 2001, representing gross margins of 25.3% and 24.4%, respectively. The decrease in the gross margin was primarily attributable to the shift in the mix of travelers from flat rate contracts to payroll contracts, which generate higher gross profits but lower gross margins due to the pass through nature of the travelers' compensation costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased 131%, from $6.0 million for the first quarter of 2000 to $13.8 million for the first quarter of 2001. Of the $7.8 million increase, approximately $4.3 million was attributable to the acquisitions of NursesRx and Preferred Healthcare Staffing. The remaining increase of $3.5 million was primarily attributable to increases in nurse professional development, information systems development, marketing, recruiting, and administrative and office expenses in support of the recent and anticipated growth in travelers under contract. As a percentage of revenue, selling, general and administrative expenses remained relatively flat, increasing slightly from 13.3% in the first quarter of 2000 to 13.4% in the first quarter of 2001.

NON-CASH STOCK-BASED COMPENSATION. We recorded non-cash compensation charges of $4.8 million in the first quarter of 2000 and $3.9 million in the first quarter of 2001 in connection with our stock option plans to reflect the difference between the fair market value and the exercise price of previously issued stock options. Following the quarter in which this offering occurs, we do not expect to incur significant additional non-cash stock-based compensation charges going forward.

AMORTIZATION AND DEPRECIATION EXPENSE. Amortization expense increased from $0.4 million for the first quarter of 2000 to $1.3 million for the first quarter of 2001. This increase was attributable to the additional goodwill associated with the acquisitions of NursesRx and Preferred Healthcare Staffing. Depreciation expense increased from $0.1 million for the first quarter of 2000 to $0.4 million for the first quarter of 2001. This increase was attributable to the acquisitions of NursesRx and Preferred Healthcare Staffing and the purchase of furniture and equipment to support our recent and anticipated growth.

INTEREST EXPENSE, NET. Interest expense, net increased from $2.3 million for the first quarter of 2000 to $4.3 million for the first quarter of 2001. Of the $2.0 million increase, approximately $1.0 million was attributable to additional borrowings incurred in conjunction with the acquisitions of NursesRx and Preferred Healthcare Staffing. The remaining increase was primarily due to the new accounting treatment for derivative instruments under SFAS No. 133. Beginning January 1, 2001, SFAS No. 133, as amended, requires us to recognize the unrealized gains and losses on our hedging instruments attributable to changes in interest rates.

INCOME TAX (EXPENSE) BENEFIT. The provision for income tax for the first quarter of 2000 was a benefit of $0.7 million as compared to income tax expense of $0.7 million for the first quarter of 2001, reflecting effective income tax rates of a 31.1% benefit and 52.4% expense for these periods, respectively. The differences between these effective tax rates and our expected effective tax rate of 41.0% are primarily attributable to the effect of various permanent tax difference items, the impact of which is magnified by the reduction in pre-tax income created by the non-cash stock-based compensation charge.

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

REVENUE. Revenue increased 58%, from $146.5 million in 1999 to $230.8 million for 2000. Of the $84.3 million increase, approximately $63.0 million was attributable to expansion of our existing brands through growth in the number of travelers and enhancements in contract terms with our hospital and healthcare facility clients, representing an organic growth rate for our recurring operation of 43%. The total number of travelers on assignment in our existing brands grew 27% and contributed approximately $39.1

million of the increase. Enhancements in contract terms included increases in traveler hourly rates charged to our hospital and healthcare facility clients that accounted for approximately $17.2 million of this increase, and a shift in the mix of payroll versus flat rate traveler contracts that accounted for approximately $6.7 million of this increase. The remainder of the increase in revenue, $21.3 million, was attributable to the acquisitions of NursesRx in June 2000 and Preferred Healthcare Staffing in November 2000.

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

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

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

NON-CASH STOCK-BASED COMPENSATION. We recorded non-cash compensation charges of $20.2 million in 2000 in connection with our stock option plans to reflect the difference between the fair market value and the exercise price of previously issued stock options. No charge was recorded in 1999.

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

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

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

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

INCOME TAX (EXPENSE) BENEFIT. The income tax benefit for 1999 was $1.3 million, including the tax benefit of the extraordinary loss on early extinguishment of debt, as compared to a benefit of $1.7 million for 2000, reflecting effective income tax benefit rates of 18.8% and 31.1% for these periods, respectively. The differences between these effective tax rates and our expected effective rate of 41.0% is primarily attributable to the effect of the minority interest in 1999 and the effect of various permanent tax difference items, the impact of which is magnified by the reduction in pre-tax income resulting from the non-cash stock-based compensation charge in 2000.

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

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

REVENUE. Revenue increased 67%, from $87.7 million for 1998 to $146.5 million for 1999. Of the $58.8 million increase, approximately $21.0 million was attributable to expansion of our existing brands through growth in number of travelers and enhancements in contract terms with our hospital and healthcare facility clients, representing an organic growth rate for recurring operations of 25%. The total number of travelers on assignment in our existing brands grew by 16% and contributed approximately $13.3 million of the increase. Enhancements in contract terms included increases in traveler hourly rates charged to our hospital and healthcare facility clients that accounted for approximately $5.6 million of this increase, and a shift in the mix of payroll versus flat rate traveler contracts that accounted for approximately $2.1 million of this increase. The remainder of the increase in revenue, $37.8 million, was attributable to the acquisition of Medical Express in November 1998.

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

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

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

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

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

Historically, our primary liquidity requirements have been for debt service under our existing credit facility, acquisitions and working capital requirements. We have funded these requirements through internally generated cash flow and funds borrowed under our existing credit facility. At June 30, 2001, total debt under our existing credit facility was approximately $115.8 million, consisting of $45.0 million in senior term loans, $31.3 million in tranche A acquisition loans, $7.5 million in tranche B acquisition loans, $18.0 million in tranche C acquisition loans and $14.0 million outstanding under our revolving credit facility. In addition, we had senior subordinated notes outstanding at June 30, 2001 with an aggregate outstanding principal balance of $24.2 million.

We intend to use the net proceeds from this offering to repay outstanding indebtedness under our existing credit facility and the senior subordinated notes. We will use the remaining net proceeds, if any, for working capital and general corporate purposes.

Upon the consummation of this offering, we intend to enter into a new revolving credit facility. Our new revolving credit facility will provide for up to $ million in borrowing capacity. Borrowings under this revolving credit facility will bear interest at floating rates based upon the interest rate option selected by us. Amounts available under our new revolving credit facility may be used for working capital and general corporate purposes, subject to certain limitations.

We have relatively low capital investment requirements. Capital expenditures were $0.7 million, $1.7 million and $2.4 million in 1998, 1999 and 2000, respectively. In 2000, our primary capital expenditures were $1.5 million for purchased and internally developed software and $0.9 million for computers, furniture and equipment and other expenditures. We estimate that for fiscal 2001, approximately $4.5 million of capital expenditures will be required, primarily for office furniture and computer equipment and software stemming from the growth in our operations. For the quarter ended March 31, 2001, our capital expenditures were $1.0 million.

Our business acquisition expenditures were $16.0 million in 1998, $91.8 million in 2000 and $12.8 million through June 30, 2001. We had no business acquisition expenditures during 1999. In 1998, we acquired Medical Express. During 2000, we completed the acquisitions of NursesRx and Preferred Healthcare Staffing and in May 2001 we acquired O'Grady-Peyton International. These acquisitions were financed through a combination of bank debt and equity investments. In connection with our acquisition of NursesRx, we are obligated to make a $3.0 million payment to the former shareholders, $1.0 million of which was paid on June 30, 2001 and the remainder of which is to be paid in two equal installments of $1.0 million on June 28, 2002 and June 30, 2003. In connection with our acquisition of O'Grady-Peyton International, we are obligated to pay to the former shareholders of O'Grady-Peyton International an aggregate amount of up to approximately $5.3 million if O'Grady-Peyton International meets certain revenue and earnings targets for the twelve months ended December 31, 2001. We expect to be able to finance any future acquisition either with cash provided from operations, borrowings under our revolving credit facility, bank loans, debt or equity offerings, or some combination of the foregoing.

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

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

POTENTIAL FLUCTUATIONS IN QUARTERLY RESULTS AND SEASONALITY

Due to the regional and seasonal fluctuations in the hospital patient census of our hospital and healthcare facility clients and due to the seasonal preferences for destinations by our travelers, the number of travelers

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

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

INFLATION

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

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

A 1% change in interest rates on variable rate debt would have resulted in interest expense fluctuating approximately $22,000 for 1998, $46,000 for 1999, $73,000 for 2000 and $29,000 for the three months ended March 31, 2001, respectively.

RECENT ACCOUNTING PRONOUNCEMENTS

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

In June 2001, the Financial Accounting Standards Board approved its exposure draft, Business Contributions and Intangible Assets -- Accounting for Goodwill, which requires that goodwill not be amortized, but rather that it be reviewed annually for impairment. In the event impairment is identified, a charge to earnings would be recorded. This new standard is expected to be issued in July 2001 and would apply to us beginning January 1, 2002 for existing intangible assets and July 1, 2001 for business combinations completed after June 30, 2001.

BUSINESS

OUR COMPANY

We are a leading temporary healthcare staffing company and the largest nationwide provider of travel nurse staffing services, one of the fastest growing segments of the temporary healthcare staffing industry. We recruit nurses and allied health professionals, our "travelers," and place them on temporary assignments, typically for 13 weeks away from their permanent homes, at hospitals and healthcare facilities throughout the United States. Approximately 90% of our travelers are nurses, while the remainder are technicians, therapists and technologists. We are actively working with a pre-screened pool of over 25,000 prospective travelers, of whom over 5,800 were on assignment during June 2001. Additionally, as of June 2001, we had over 13,500 open orders from our network of over 2,500 hospital and healthcare facility clients.

In recent years our business has grown significantly, outpacing the growth of the temporary healthcare staffing market. From 1996 to 2000, our revenue and EBITDA increased at compound annual growth rates of 48% and 58%, respectively. Approximately one-third of this growth was generated through strategic acquisitions, while the remaining two-thirds was generated through the organic growth of our operations. On a combined basis, assuming all of our acquisitions had occurred on January 1, 1996, the compound annual growth rate of our revenues from 1996 to 2000 would have been 30%, as compared to the 13% compound annual growth rate experienced by the temporary healthcare staffing market during the same period. Additionally, since 1999, the pace of our organic growth has accelerated. On the same combined basis as discussed above, for the twelve months ended March 31, 2001, we would have generated revenues of $366.4 million and EBITDA of $44.4 million, representing organic compound annual growth rates of 45% and 88%, respectively, since 1999.

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

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

INDUSTRY OVERVIEW

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

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

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

Demand and Supply Drivers

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

Demand Drivers

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

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

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

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

    -- NURSES LEAVING PATIENT CARE ENVIRONMENTS FOR LESS STRESSFUL AND DEMANDING CAREERS. Career opportunities for nurses have expanded beyond the traditional bedside role. Pharmaceutical companies, insurance companies, HMOs and hospital service and supply

companies increasingly offer nurses attractive positions which involve less demanding work schedules and physical requirements.

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

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

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

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

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

  -- ELIMINATION OF MANDATORY OVERTIME. Many healthcare facilities require their permanent staff to work overtime to cover staffing shortages. Maine recently passed legislation that limits mandatory overtime for nurses, and similar legislation has already been introduced in 13 other states.

Supply Drivers

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

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

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

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

GROWTH STRATEGY

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

- EXPANDING OUR NETWORK OF QUALIFIED TRAVELERS. Through our recruiting efforts both in the United States and internationally, we continue to expand our network of qualified travelers. Currently, our recruiters are actively working with over 25,000 prospective travelers, of whom over 5,800 were on assignment with our clients during June 2001. We have exhibited substantial growth in our traveler base over the past five years primarily through referrals from our current and former travelers, as well as through advertising and direct mailings. While we expect these methods to continue to gain momentum, we are implementing creative ways to attract additional qualified travelers. Two recent examples include our acquisition of O'Grady-Peyton International, the leading recruiter of registered nurses from English-speaking foreign countries for placement in the United States, and Internet recruitment tools such as our NurseZone.com website, which is a leading nurse community site on the Internet.

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

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

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

- CAPITALIZING ON STRATEGIC ACQUISITION OPPORTUNITIES. In order to enhance our competitive position, we will continue to selectively explore strategic acquisitions. In the past after we have made acquisitions, we have sought to leverage our hospital relationships and orders across our brands, integrate back-office functions and maintain brand differentiation for traveler recruitment purposes. We

also implement our proven business model in order to achieve greater productivity, operating efficiencies and financial results.

BUSINESS OVERVIEW

Services Provided

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

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

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

Multi-Brand Recruiting Strategy

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

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

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

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

SINGLE STAFFING PROVIDER MULTI-BRAND RECRUITING

National Presence and Diversified Hospital and Healthcare Facility Client Base

We offer our travelers nationwide placement opportunities and provide temporary staffing solutions to our hospital and healthcare facility clients that are located throughout the United States. We typically have open traveler requests, or orders, in all 50 states. The largest percentage of these open orders are typically concentrated in the most heavily populated states, including 16% in California, 9% in Texas, 9% in Florida and 7% in Arizona. As of June 2001, we had approximately 13,500 open orders nationwide.

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

OUR BUSINESS MODEL

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

The following graph illustrates the elements of our business model:

[ELEMENTS OF OUR BUSINESS MODEL FLOW CHART]

Marketing and Recruitment of New Travelers

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

We believe that our multi-brand recruiting strategy makes us more effective at reaching a larger number of professional travelers. Because it is common for travelers to register with more than one brand in the industry, we believe that by offering five distinct brands we increase our ability to recruit travelers. Each brand has its own distinct marketing identity to prospective travelers, and we utilize different strategies in presenting each of the brands as unique. We tailor the marketing of each of our brands through a combination of websites, journal advertising, conferences and conventions, direct mail, printed marketing material and, most importantly, through personal word-of-mouth referrals from current and former travelers. Year-to-date through April 2001, referrals from our current and former travelers represented approximately 49% of the travelers recommended to us. We also operate NurseZone.com, a leading nurse community website. This website caters to the professional and personal lives of nurses, and offers nursing news and updates, links to other Internet sites, discounted products and services, continuing education courses and career opportunities sponsored by our five recruitment brands, including an online traveler application process.

We have established an extensive network of traveling professionals to meet the growth in our hospital and healthcare facility clients' demand for travelers. Currently, our recruiters are actively working with a pre-screened pool of over 25,000 traveler candidates in an effort to place them with one of our hospital or healthcare facility clients. Year-to-date through April 2001, the new traveler applications received by each of our brands increased by at least 40% as compared to the similar period in 2000.

Screening/Quality Management

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

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

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

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

Sales and Marketing to Hospitals and Healthcare Facilities

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

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

Account Management

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

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

traveler applicants to place. As of June 2001, we had approximately 13,500 open customer orders nationwide. Our growth in open orders can be attributed to factors including:

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

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

Placement

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

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

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

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

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

Housing

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

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

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

Traveler Payroll

Approximately 90% of our working travelers are on our payroll, while the remaining 10% are paid directly by the hospital or healthcare facility client. Providing payroll services is a value-added and convenient service that hospitals and healthcare facilities increasingly expect from their supplemental staffing sources. To provide convenience and flexibility to our hospital and healthcare facility clients, we accommodate several different payroll cycles, and allow the client to choose the cycle that most closely matches that of their permanent staff. This enables our hospital and healthcare facility clients to integrate management of traveler scheduling and overtime with their permanent staff.

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

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

Traveler Benefits

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

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

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

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

- 401(k) PLAN AND DEPENDENT CARE REIMBURSEMENT. We offer our travelers immediate enrollment in our 401(k) plan, including matching employer contributions after 1,000 hours of continued service.

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

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

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

Hospital Billing

To accommodate the needs of our hospital clients, we offer two types of billing: payroll contracts and flat rate contracts. We currently bill approximately 90% of working travelers based on payroll contracts and approximately 10% based on flat rate contracts.

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

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

INFORMATION SYSTEMS

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

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

RISK MANAGEMENT

We have developed an integrated risk management program that focuses on loss analysis, education and assessment in an effort to reduce our operational costs and risk exposure. We continually analyze our losses on professional liability claims and workers compensation claims to identify trends. This allows us to focus our resources on those areas that may have the greatest impact on us. We also have developed educational

materials for distribution to our travelers that are targeted to address specific work-injury risks. In addition, we have compiled a universal safety manual that every traveler receives each year.

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

COMPETITION

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

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

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

GOVERNMENT REGULATION

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

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

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

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

With respect to our recruitment of international travelers through our O'Grady-Peyton International brand, we must comply with certain United States immigration law requirements, including the Illegal Immigration Reform and Immigrant Responsibility Act of 1996. We primarily bring travelers to the United States as immigrants, or lawful permanent residents (commonly referred to as "green card" holders). We screen foreign traveler candidates and assist them in preparing for the national nursing examination and

subsequently obtaining a U.S. nursing license. We file petitions with the Immigration and Naturalization Service for a traveler to become a permanent resident of the United States or obtain necessary work visas. Generally, such petitions are accompanied by proof that the traveler has either passed the Commission on Graduates of Foreign Nursing Schools Examination or holds a full and unrestricted state license to practice professional nursing as well as a contract between us and the traveler demonstrating that there is a bona fide job offer.

LEGAL PROCEEDINGS

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

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

EMPLOYEES

As of June 15, 2001, we had 685 full-time corporate employees. We believe that our employee relations are good. The following chart shows our number of full-time corporate employees by department:

Recruitment	179
Regional Directors and Hospital Account Managers	44
Housing and Quality Management	163
Customer Accounting and Payroll	176
MIS, Support Services, HR, Marketing and Facilities Staff	106
Corporate and Subsidiary Management	17
Total Corporate Employees:	685

During June 2001, we also employed an average of approximately 5,800 travelers working on assignments.

PROPERTIES

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

LOCATION	SQUARE FEET
San Diego, California (corporate headquarters)	69,884
Ft. Lauderdale, Florida	22,619
Louisville, Colorado	19,427
Huntersville, North Carolina	10,500
Savannah, Georgia	5,656
Birmingham (United Kingdom)	1,612
Cape Town (South Africa)	1,399
Canning Vale WA (Australia)	958
Phoenix, Arizona	767
Sacramento, California	674
Charleston, South Carolina	300
Total:	133,796

MANAGEMENT

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

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

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

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

Steven Francis co-founded our predecessor company, AMN Healthcare, Inc., in 1985. He has been an executive officer and director since 1985 and our President and Chief Executive Officer since June 1990. Prior to 1985, Mr. Francis served in several management positions in the hospitality industry. In addition, he served in the Nevada State Assembly from 1983 to 1987 and was elected as the Majority Leader from 1985 to 1987. Mr. Francis served on the Board of Directors of the San Diego Chapter of the American Red Cross from 1995 to 2000, serving as Chairman in 1997. Currently, he serves as a board member of Father Joe's Villages, one of the largest private homeless shelter organizations in the United States.

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

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

Susan Nowakowski joined us in 1990 and has been our Chief Operating Officer since December 2000. Ms. Nowakowski served as our Senior Vice President of Business Development from September 1998 to December 2000. Following our acquisition of Medical Express, she was additionally appointed President of Medical Express in April 1999. She also served as our Chief Financial Officer and Vice President of Business

Development from 1990 to 1993 and 1993 to 1998, respectively. Prior to joining us, Ms. Nowakowski worked as a financial analyst at a subsidiary of Eli Lilly & Co. and as the finance manager of BioVest Partners, a venture capital firm.

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

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

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

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

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

Stephen Wehn joined us in 1993 and has been our Senior Vice President of Client Services since December 2000, with responsibility for hospital and healthcare facility client marketing, contracting and service. Mr. Wehn served as our Vice President of Client Services from July 1997 until December 2000 and as our National Director of Client Services from October 1993 until July 1997. Prior to joining us, Mr. Wehn worked for Manpower, Inc., serving first as a manager for a healthcare staffing division and then as a district manager for two of Manpower's largest multi-office franchises.

TERM OF EXECUTIVE OFFICERS AND DIRECTORS

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

COMMITTEES OF OUR BOARD OF DIRECTORS

Our board has established, effective upon consummation of this offering, an audit committee, the members of which will be Mr. Miller and our two newly-elected independent directors, a compensation committee, the members of which will be Mr. Miller and one of our newly-elected independent directors, an executive committee, the members of which will be Messrs. Haas, Wheat and Francis, and a stock plan

committee, the members of which will be Mr. Miller and one of our newly-elected independent directors. Each of the decisions of our compensation and stock plan committees will also be subject to approval by our board. The audit committee will oversee actions taken by our independent auditors and review our internal controls and procedures. The compensation committee will review and approve the compensation of our officers and management personnel and administer our employee benefit plans. The executive committee will exercise the authority of our board in the interval between meetings of the board. The stock plan committee will administer our stock-based and certain other incentive compensation plans.

DIRECTORS' COMPENSATION

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

COMPENSATION OF EXECUTIVE OFFICERS

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

	ANNUAL COMPENSATION				LONG-TERM COMPENSATION AWARDS	
NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	ALL OTHER COMPENSATION(1)	RESTRICTED STOCK AWARDS	NUMBER OF SECURITIES UNDERLYING OPTIONS
Steven Francis, President and Chief Executive Officer.....	2000	$304,875	$200,000	$1,950	--	17,316.6
Susan Nowakowski, Chief Operating Officer.....	2000	181,496	67,412	1,950	--	7,456.8

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

OPTIONS GRANTS DURING 2000

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

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(2)	
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENTAGE OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 2000	EXERCISE PRICE (PER SHARE) (1)	EXPIRATION DATE	5%	10%
Steven Francis.....	17,316.6	48.294%	$287.84	December 31, 2009	$	$
Susan Nowakowski.....	4,686.0	13.069%	163.97	December 31, 2009		
	2,770.8	7.727%	287.84	December 31, 2009		

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

- the fact that option grants involved illiquid securities in a non-reporting company;

- the fact that the securities underlying the option grants represented a minority interest in our common stock;

- our performance and operating results at the time of grant; and

- our stage of development and business strategy.

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

AGGREGATED OPTION EXERCISES IN 2000 AND YEAR-END OPTION VALUES

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

			NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 2000		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 2000	
NAME	NUMBER OF SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Steven Francis.....	--	--	--	64,171.1	$	$
Susan Nowakowski.....	--	--	--	15,328.8		

MANAGEMENT COMPENSATION INCENTIVE PLANS

Our Senior Management Bonus Plan for 2001 provides incentives and rewards to some of our senior members of management for achievement of annual financial goals. The bonuses under our bonus plan are earned based upon a pre-established level of EBITDA (as defined in the bonus plan) achieved during the year, and are calculated for each participating member of senior management based upon a specific percentage of the individual's salary at targeted levels of EBITDA achievement.

STOCK OPTION PLANS

1999 Stock Option Plans

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

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

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

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

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

ADMINISTRATION. Upon consummation of this offering, a committee of our board will administer our 1999 stock option plans. The committee will consist of Mr. Miller and one of our newly-elected independent directors. Subject to board approval, the committee will have the authority to construe, interpret and implement our 1999 stock option plans and any agreements evidencing any options granted under our 1999 stock option plans, and to prescribe, amend and rescind rules and regulations relating to our 1999 stock option plans.

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

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

SHARES SUBJECT TO OUR 1999 STOCK OPTION PLANS. The number of shares of our common stock authorized for issuance under our 1999 Performance Stock Option Plan is 85,565.9, and under our 1999 Super-Performance Stock Option Plan is 42,782.9. If the shares subject to an option under our 1999 stock option plans expire, terminate, or are canceled for any reason without cash consideration paid, the shares will again be available for future award. If there is any recapitalization, or any acquisition, divestiture or any other corporate transaction of any kind involving us that the committee in its discretion deems of a kind appropriate to require an amendment or adjustment to our 1999 stock option plans or to the options issued under these plans, the committee will make appropriate adjustments to the type and number of shares covered by options then outstanding, the exercise price of outstanding options and the shares that remain available for award under our 1999 stock option plans.

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

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

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

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

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

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

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

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

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

2001 Stock Option Plan

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

ADMINISTRATION. The same committee of our board that administers the 1999 stock option plans will administer our 2001 stock option plan. Subject to board approval, the committee will have the authority to interpret, administer, reconcile any inconsistency and correct any default in our 2001 stock option plan and any agreements evidencing any options granted under our 2001 stock option plan, and to establish, amend, suspend or waive rules and regulations relating to our 2001 stock option plan.

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

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

SHARES SUBJECT TO OUR 2001 STOCK OPTION PLAN. The number of shares of our common stock that we expect to be authorized for issuance under our 2001 stock option plan is 50,524 shares. No participant may be granted in any one year in excess of 12,631 shares. If the shares subject to an option under our 2001 stock option plan expire, terminate, are surrendered or forfeited for any reason, the shares will again be available for new grants under our 2001 stock option plan. If there is any change in the outstanding stock or in the capital structure of our company by reason of stock or extraordinary cash dividends, stock splits, reverse stock splits, recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges, or other relevant changes in capitalization, or if there is any change in applicable laws or any change in circumstances that results in or would result in any substantial dilution or enlargement of the rights granted to, or available for, participants, the committee in its sole discretion will make appropriate adjustments to the number of shares covered by options then outstanding under our 2001 stock option plan, the exercise price of outstanding options and the maximum number of shares and the per-person maximum number of shares available for grant under our 2001 stock option plan.

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

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

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

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

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

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

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

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

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

Recent Stock Options Awarded

Prior to the consummation of this offering, we expect to grant options to some members of our management for shares of common stock at an exercise price equal to $ per share, including options to purchase shares to be granted to Donald Myll, effective as of the date of this offering. The first 25% of these options are expected to vest on the first anniversary of the date of their grant.

EMPLOYMENT AND SEVERANCE AGREEMENTS

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

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

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

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

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

RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH THE HWP STOCKHOLDERS

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

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

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

During 2000 and 2001, we paid an affiliate of the HWP stockholders a fee for management advisory services provided to us in the amounts of $150,000 and $112,500, respectively. At the completion of this offering, we will pay a fee to an affiliate of the HWP stockholders of up to $1.725 million and the agreement governing these fees will terminate. We will make this payment concurrently with the closing of this offering.

TRANSACTIONS WITH BANCAMERICA CAPITAL INVESTORS

BancAmerica Capital Investors SBIC I, L.P., currently beneficially owns 11% of our common stock and will beneficially own % of our common stock following this offering. BancAmerica Capital Investors also holds our senior subordinated notes, and affiliates of BancAmerica Capital Investors are acting as an underwriter of this offering and as a lender under our existing credit facility. For more information, see "Underwriting."

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

TRANSACTIONS WITH OLYMPUS PARTNERS

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

TRANSACTIONS WITH DIRECTORS

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

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

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

We have secured services in the past from certain advertising agencies in which Steven Francis currently holds a 30% interest. We incurred expenses of $701,676, $30,723, $39,713 and $8,662 in 1998, 1999, 2000 and the first quarter of 2001, respectively, related to the services provided by these advertising agencies.

REGISTRATION RIGHTS

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

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

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

PRINCIPAL STOCKHOLDERS

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

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

Beneficial ownership of shares is determined under the rules of the Securities and Exchange Commission and generally includes any shares over which a person exercises sole or shared voting or investment power. Except as indicated by footnote, each person identified in the table possesses sole voting and investment power with respect to all shares of common stock held by them. Shares of common stock subject to options currently exercisable or exercisable within 60 days are deemed outstanding for computing the percentage of the person holding these options, but are not deemed outstanding for computing the percentage of any other person. Applicable percentage ownership in the following table is based on 668,894.1 shares of common stock outstanding before this offering and shares of common stock outstanding after the completion of this offering. Unless otherwise indicated, the address of each of the named individuals is c/o AMN Healthcare Services, Inc., 12235 El Camino Real, Suite 200, San Diego, CA 92130.

NAME	OUTSTANDING SHARES OF COMMON STOCK	SHARES THAT CAN BE ACQUIRED WITHIN 60 DAYS	PERCENTAGE OF OUTSTANDING SHARES	
			BEFORE THE OFFERING	AFTER THE OFFERING
Robert Haas (1)	616,694.9	--	92.2%	
HWH Capital Partners, L.P.	288,677.1	--	43.2%	
HWH Nightingale Partners, L.P.	218,479.3	--	32.7%	
HWP Nightingale Partners II, L.P.	78,769.2	--	11.8%	
HWP Capital Partners II, L.P.	30,769.3	--	4.6%	
BancAmerica Capital Investors SBIC I, L.P. (2)	21,588.5	58,415.5	11.0%	
Steven Francis (3)	28,171.3	--	4.2%	
William Miller III (4)	2,439.4	3,659.1	*	
Douglas Wheat	--	--	--	
Susan Nowakowski	--	--	--	
Donald Myll	--	--	--	
All directors and executive officers as a group (5)	647,305.6	3,659.1	96.8%	

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* Less than 1%

(1) Represents shares held by the following entities:

- 288,677.1 shares held by HWH Capital Partners, L.P.
- 218,479.3 shares held by HWH Nightingale Partners, L.P.
- 78,769.2 shares held by HWP Nightingale Partners II, L.P.
- 30,769.3 shares held by HWP Capital Partners II, L.P.

The ultimate general partner of each of these limited partnerships is either a limited liability company or a corporation, in each case controlled by Mr. Haas. By virtue of his control over each such limited liability company and corporation, Mr. Haas has sole voting and dispositive power over these 616,694.9 shares. The address of each of the limited partnerships listed above is c/o Haas Wheat & Partners, L.P., 300 Crescent Court, Suite 1700, Dallas, Texas 75201.

(2) The percentage of outstanding shares owned includes 58,415.5 shares subject to a currently exercisable warrant held by BancAmerica Capital Investors. The warrant will be exercised for 58,415.5 shares prior to this offering and will expire at that time. The address of BancAmerica Capital Investors is NC1-007-25-01, 100 North Tyron Street, 25th Floor, Charlotte, North Carolina 28207.

(3) Includes 28,171.3 shares owned by the Francis Family Trust dated May 24, 1996. Mr. Francis and his wife Gayle Francis are each Trustees of such trust. As a result, he has investment power over these shares and is therefore deemed to have beneficial ownership of these shares.

(4) Mr. Miller's address is c/o Health Management Systems, Inc., 401 Park Avenue South, New York, New York 10016. The percentage of outstanding shares owned includes 3,659.1 shares that can be acquired from another stockholder.

(5) The percentage of outstanding shares owned includes 616,694.9 shares owned by the HWP stockholders, 28,171.3 shares owned by the Francis Family Trust dated May 24, 1996, and 6,098.5 shares beneficially owned by William Miller.

DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock currently consists of million shares of common stock and million shares of preferred stock. After consummation of this offering, we will have million shares of common stock and no shares of preferred stock outstanding.

COMMON STOCK

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

PREFERRED STOCK

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

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

CERTAIN CERTIFICATE OF INCORPORATION, BY-LAW AND STATUTORY PROVISIONS

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

Directors' Liability; Indemnification of Directors and Officers

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

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

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

Special Meetings of Stockholders

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

Advance Notice Requirements For Stockholder Proposals and Director Nominations

Our by-laws establish advance notice procedures for:

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

- stockholders to propose topics at stockholders' meetings.

Stockholders must notify our corporate secretary in writing prior to the meeting at which the matters are to be acted upon or the directors are to be elected. The notice must contain the information specified in our by-laws. To be timely, the notice must be received at our corporate headquarters not less than 45 days nor more than 90 days prior to the first anniversary of the date on which we mailed our proxy materials for the preceding year's annual meeting of stockholders. If the annual meeting is advanced by more than 30 days, or delayed by more than 30 days, from the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be received not earlier than the 90th day prior to the annual meeting and not later than the later of the 70th day prior to the annual meeting or the 10th day following the day on which we notify stockholders of the date of the annual meeting, either by mail or other public disclosure. In the case of a special meeting of stockholders called to elect directors, the stockholder notice must be received not earlier than 90 days prior to the special meeting and not later than the later of the 45th day prior to the special meeting or 10th day following the day on which we notify stockholders of the date of the special meeting, either by mail or other public disclosure. These provisions may preclude some stockholders from bringing matters before the stockholders at an annual or special meeting or from nominating candidates for director at an annual or special meeting.

Anti-Takeover Provisions of Delaware Law

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

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common stock is . Its telephone number is .

SHARES ELIGIBLE FOR FUTURE SALE

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

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

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

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

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

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

We have granted registration rights to certain of our stockholders who hold approximately 790,000 shares in the aggregate (including shares issuable upon the exercise of outstanding options). Beginning 180 days after the date of this offering, some of these stockholders can require us to file registration statements that permit them to re-sell their shares. For more information, see "Related Party Transactions -- Registration Rights Agreements."

UNDERWRITING

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

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

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

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

The underwriters have an option to buy up to additional shares of common stock from us to cover sales of shares by the underwriters which exceed the number of shares specified in the table above, and will be sold by us in the event that the option is not exercised in full. The underwriters have 30 days to exercise this option. If the underwriters exercise this option, they will each purchase additional shares approximately in proportion to the amounts specified in the table above. We will pay the expenses associated with the exercise of the over-allotment option.

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

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

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

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

In connection with this offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include:

- short sales;

- stabilizing transactions; and

- purchases to cover positions created by short sales.

Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in this offering. Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the common stock while this offering is in progress.

The underwriters may also impose a penalty bid. This means that if the representatives purchase shares in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

The underwriters may engage in activities that stabilize, maintain or otherwise affect the price of the common stock, including:

- over-allotment;

- stabilization;

- syndicate covering transactions; and

- imposition of penalty bids.

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

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

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

- the history of, and prospects for, our company and the industry in which we compete;

- the past and present financial performance of our company;

- an assessment of our management;

- the present state of our development;

- the prospects for our future earnings;

- the prevailing market conditions of the applicable United States securities market at the time of this offering;

- market valuations of publicly traded companies that we and the representatives believe to be comparable to our company; and

- other factors deemed relevant.

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

are not purchased, the underwriters will offer the remainder to the general public on the same terms as the other shares offered by this prospectus.

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

UBS AG, Stamford Branch, an affiliate of UBS Warburg LLC, is a lender under our existing credit facility. A portion of the net proceeds from this offering will be used to repay our existing credit facility.

LEGAL MATTERS

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

EXPERTS

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

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

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

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

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

WHERE YOU CAN FIND MORE INFORMATION

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

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

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

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

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

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

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

DELOITTE & TOUCHE LLP

San Diego, California
September 23, 1999

INDEPENDENT AUDITORS' REPORT

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

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

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

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

KPMG LLP

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

AMN HEALTHCARE SERVICES, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PAR VALUE)

	DECEMBER 31, 1999	DECEMBER 31, 2000	MARCH 31, 2001 (UNAUDITED)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 503	$ 546	$ 1,531
Accounts receivable, net	26,178	63,401	68,267
Income taxes receivable	3,036	--	--
Other current assets	2,379	4,812	5,913
Total current assets	32,096	68,759	75,711
Fixed assets, net	2,242	5,006	5,614
Deferred income taxes	838	9,746	11,903
Deposits	36	102	112
Goodwill, net	39,365	118,423	117,187
Other intangibles, net	5,301	6,555	6,148
Total assets	$ 79,878	$208,591	$216,675
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Book overdraft	$ 1,005	$ 556	$ 1,650
Accounts payable and accrued expenses	961	2,431	2,584
Accrued compensation and benefits	4,299	11,017	12,829
Income taxes payable	--	1,745	2,987
Due to former shareholder	1,676	342	--
Current portion of notes payable	2,500	7,500	9,375
Other current liabilities	--	1,019	2,308
Total current liabilities	10,441	24,610	31,733
Notes payable, less current portion	71,506	115,389	112,288
Other long-term liabilities	42	2,341	2,405
Total liabilities	81,989	142,340	146,426
Stockholders' equity:			
Common stock, $.01 par value; 2,000 shares authorized; 473, 669, and 669 shares issued and outstanding at December 31, 1999 and 2000, and March 31, 2001, respectively	5	7	7
Additional paid-in capital	62,639	134,855	138,750
Accumulated deficit	(64,755)	(68,611)	(67,956)
Accumulated other comprehensive loss	--	--	(552)
Total stockholders' equity (deficit)	(2,111)	66,251	70,249
Commitments and contingencies			
Total liabilities and stockholders' equity	$ 79,878	$208,591	$216,675

See accompanying notes to consolidated financial statements.

AMN HEALTHCARE SERVICES, INC.

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

	YEARS ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1998	1999	2000	2000	2001
				(UNAUDITED)	(UNAUDITED)
Revenue	$87,718	$146,514	$230,766	$44,951	$103,055
Cost of revenue	67,244	111,784	170,608	33,570	77,929
Gross profit	20,474	34,730	60,158	11,381	25,126
Expenses:					
Selling, general and administrative, excluding non-cash stock-based compensation	12,804	20,677	30,728	5,975	13,812
Non-cash stock-based compensation	--	--	20,218	4,788	3,895
Amortization	1,163	1,721	2,387	432	1,306
Depreciation	171	325	916	129	413
Transaction costs	--	12,404	1,500	--	--
Total expenses	14,138	35,127	55,749	11,324	19,426
Income (loss) from operations	6,336	(397)	4,409	57	5,700
Interest expense, net	2,476	4,030	10,006	2,301	4,323
Income (loss) before minority interest, income taxes, and extraordinary item	3,860	(4,427)	(5,597)	(2,244)	1,377
Minority interest in earnings of subsidiary	(657)	(1,325)	--	--	--
Income tax (expense) benefit	(1,571)	872	1,741	698	(722)
Income (loss) before extraordinary item	1,632	(4,880)	(3,856)	(1,546)	655
Extraordinary loss on early extinguishment of debt, net of income tax benefit of $427	--	(730)	--	--	--
Net income (loss)	$ 1,632	$ (5,610)	$ (3,856)	$(1,546)	$ 655
Basic net income (loss) per common share:					
Income (loss) before extraordinary item	$ 3.96	$ (9.68)	$ (7.39)	$ (3.27)	$ 0.98
Extraordinary loss	--	(1.45)	--	--	--
Basic net income (loss) per common share	$ 3.96	$ (11.13)	$ (7.39)	$ (3.27)	0.98
Diluted net income (loss) per common share:					
Income (loss) before extraordinary item	$ 3.96	$ (9.68)	$ (7.39)	$ (3.27)	$ 0.90
Extraordinary loss	--	(1.45)	--	--	--
Diluted net income (loss) per common share	$ 3.96	$ (11.13)	$ (7.39)	$ (3.27)	$ 0.90
Weighted average common shares outstanding:					
Basic	412	504	522	473	669
Diluted	412	504	522	473	727

See accompanying notes to consolidated financial statements.

AMN HEALTHCARE SERVICES, INC.

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

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (ACCUMULATED DEFICIT)	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
	SHARES	AMOUNT				
Balance, December 31, 1997	400	$ 4	$ 12,396	$ (53)	$ --	$ 12,347
Issuance of stock for cash	37	--	2,050	--	--	2,050
Issuance of common stock	61	1	3,447	--	--	3,448
Net income	--	--	--	1,632	--	1,632
Balance, December 31, 1998	498	5	17,893	1,579	--	19,477
Repurchase of common stock	(492)	(5)	(19,350)	(62,915)	--	(82,270)
Issuance of common stock in exchange for minority interest	104	1	1,581	2,191	--	3,773
Issuance of common stock	363	4	59,515	--	--	59,519
Issuance of warrants	--	--	3,000	--	--	3,000
Net loss	--	--	--	(5,610)	--	(5,610)
Balance, December 31, 1999	473	5	62,639	(64,755)	--	(2,111)
Issuance of common stock	196	2	51,998	--	--	52,000
Stock-based compensation	--	--	20,218	--	--	20,218
Net loss	--	--	--	(3,856)	--	(3,856)
Balance, December 31, 2000	669	7	134,855	(68,611)	--	66,251
Stock-based compensation (unaudited)	--	--	3,895	--	--	3,895
Net income (unaudited)	--	--	--	655	--	655
Comprehensive income (loss):						
SFAS No. 133 (derivatives) transition adjustment (unaudited)	--	--	--	--	(589)	(589)
Amortization of SFAS No. 133 transition adjustment (unaudited)	--	--	--	--	37	37
Total comprehensive loss (unaudited)	--	--	--	--	--	(552)
Balance, March 31, 2001 (unaudited)	669	$ 7	$138,750	$(67,956)	$(552)	$ 70,249

See accompanying notes to consolidated financial statements.

AMN HEALTHCARE SERVICES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1998	1999	2000	2000	2001
				(UNAUDITED)	(UNAUDITED)
Cash flows from operating activities:					
Net income (loss)	$ 1,632	$ (5,610)	$ (3,856)	$(1,546)	$ 655
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,334	2,046	3,303	561	1,719
Minority interest in earnings of subsidiary	657	1,325	--	--	--
Debt extinguishment before income tax benefit	--	1,157	--	--	--
Provision for bad debts	30	260	435	15	520
Noncash interest expense	163	633	4,188	980	648
Deferred income taxes	350	(1,196)	(8,908)	(1,733)	(2,157)
Stock-based compensation	--	--	20,218	4,788	3,895
Loss on disposal of fixed assets	31	1	17	--	--
Changes in assets and liabilities, net of effects from acquisitions:					--
Accounts receivable	(2,420)	(7,847)	(23,572)	(2,777)	(5,386)
Income taxes receivable and other current assets	(411)	(2,976)	1,921	884	(1,101)
Deposits	107	(36)	(63)	--	(10)
Accounts payable and accrued expenses	(301)	(232)	68	(170)	1,442
Accrued compensation and benefits	(161)	1,195	3,772	986	1,812
Income taxes payable	--	--	1,745	--	1,242
Due to former shareholder	--	1,676	(1,334)	--	(342)
Other liabilities	--	42	480	13	15
Net cash provided by (used in) operating activities	1,011	(9,562)	(1,586)	2,001	2,952
Cash flows from investing activities:					
Purchase of fixed assets	(690)	(1,656)	(2,358)	(402)	(1,019)
Proceeds from disposal of fixed assets	3	--	8	--	--
Acquisitions, including acquisition costs	(15,995)	--	(91,793)	--	--
Net cash used in investing activities	(16,682)	(1,656)	(94,143)	(402)	(1,019)
Cash flows from financing activities:					
Capital lease repayments	--	--	(18)	(1)	(13)
Proceeds from issuance of notes payable	71,426	76,675	48,180	--	--
Payment of financing costs	(423)	(5,338)	(1,405)	--	--
Payments on notes payable	(58,980)	(37,596)	(2,500)	(1,992)	(2,029)
Repurchase of common stock	--	(82,270)	--	--	--
Proceeds from issuance of common stock	2,050	59,519	52,000	--	--
Proceeds from issuance of stock by AMN	200	--	--	--	--
Change in book overdraft, net of effects of acquisitions	1,162	(157)	(485)	(46)	1,094
Net cash provided by (used in) financing activities	15,435	10,833	95,772	(2,039)	(948)
Net increase (decrease) in cash and cash equivalents	(236)	(385)	43	(440)	985
Cash and cash equivalents at beginning of period	1,124	888	503	503	546
Cash and cash equivalents at end of period	$ 888	$ 503	$ 546	$ 63	$ 1,531
Supplemental disclosures of cash flow information:					
Cash paid for interest (net of $0, $36, $58, $0 (unaudited) and $22 (unaudited) capitalized in 1998, 1999 and 2000, and during the three months ended March 31, 2000 and 2001, respectively)	$ 2,298	$ 3,269	$ 5,853	$ 1,306	$ 2,462
Cash paid for income taxes	$ 2,357	$ 2,723	$ 4,640	$ 10	$ 1,638
Supplemental disclosures of noncash investing and financing activities:					
Common stock issued in exchange for minority interest	$ --	$ 3,773	$ --	$ --	$ --
Accrued interest on notes payable converted to notes payable	$ --	$ 273	$ 2,544	$ 608	$ 685
Fixed assets obtained through capital leases	$ --	$ --	$ 109	$ 45	$ --
Fair value of assets acquired in acquisitions, net of cash received	$ 5,732	$ --	$ 16,644	$ --	$ --
Goodwill	15,332	--	81,315	--	--
Noncompete covenants	--	--	1,036	--	--
Liabilities assumed	(1,622)	--	(4,693)	--	--
Present value of deferred purchase payments	--	--	(2,509)	--	--
Common stock issued in connection with acquisition	(3,447)	--	--	--	--
Net cash paid for acquisitions	$ 15,995	$ --	$ 91,793	$ --	$ --

See accompanying notes to consolidated financial statements.

AMN HEALTHCARE SERVICES, INC.

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

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

(b) Principles of Consolidation

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

(c) Interim Financial Information (unaudited)

The interim financial statements of the Company as of March 31, 2001 and for the three months ended March 31, 2000 and March 31, 2001, included herein, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The unaudited interim financial statements include all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the results for the interim periods presented. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations relating to interim financial statements. In the opinion of management, the accompanying unaudited statements reflect all adjustments necessary to present fairly the results of its operations and its cash flows for the three months ended March 31, 2000 and March 31, 2001.

(d) Minority Interest

On October 18, 1999, the minority stockholder of AMN exchanged his shares of AMN for shares of Services. Following this exchange, AMN became a wholly owned subsidiary. The assets, liabilities and earnings of AMN and its subsidiary, MedEx, are consolidated in the accompanying financial statements, and the ownership interests of the minority stockholder of AMN is reported as minority interest.

(e) Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include currency on hand and deposits with financial institutions. At December 31, 1999 and 2000, and at March 31, 2001, the Company had $174,000, $434,000, and $868,000 (unaudited) respectively, in deposits with major financial institutions that exceeded the federally insured limit of $100,000.

(f) Fixed Assets

Furniture, equipment, leasehold improvements and software are stated at cost. Equipment acquired under capital leases are stated at the present value of the future minimum lease payments. Additions and improvements are capitalized, maintenance and repairs are expensed when incurred. Depreciation on furniture

and equipment is calculated using the straight-line method based on the estimated useful lives of the related assets (generally five years). Leasehold improvements and equipment obtained under capital leases are amortized over the shorter of the term of the lease or the useful life. Amortization of equipment obtained under capital leases is included in depreciation in the accompanying consolidated financial statements. Software is amortized over the estimated useful life (generally three years).

(g) Goodwill

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

(h) Debt Issuance Costs

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

(i) Concentration of Credit Risk

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

(j) Revenue Recognition

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

(k) Advertising Expenses

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

(l) Income Taxes

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

(m) Impairment of Long-Lived Assets

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

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

(n) Common Stock Split

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

(o) Stock-Based Compensation

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

(p) Net Income (Loss) per Common Share

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

	YEARS ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1998	1999	2000	2000	2001
				(UNAUDITED)	(UNAUDITED)
Net income (loss)	$1,632	$(5,610)	$(3,856)	$(1,546)	$ 655
Weighted average shares, basic	412	504	522	473	669
Dilutive effect of stock options	--	--	--	--	16
Dilutive effect of warrants	--	--	--	--	42
Weighted average shares, dilutive	412	504	522	473	727
Basic net income (loss) per share	$ 3.96	$(11.13)	$ (7.39)	$ (3.27)	$0.98
Diluted net income (loss) per share	$ 3.96	$(11.13)	$ (7.39)	$ (3.27)	$0.90

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

(q) Other Comprehensive Income

SFAS No. 130, Reporting Comprehensive Income, establishes rules for the reporting of comprehensive income and its components. The Company's net income (loss) is the same as comprehensive income (loss) for the years ended December 31, 1998, 1999, and 2000 and for the three month period ended March 31, 2000. Comprehensive (loss) for the three months ended March 31, 2001 includes a $552,000 (unaudited) unrealized loss on derivative instruments.

(r) New Accounting Pronouncements

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

The impact of SFAS No. 133, which was adopted by the Company on January 1, 2001, resulted in a transition adjustment to other comprehensive loss as of January 1, 2001 in the amount of $589,000 (unaudited), and a charge to net income for the three month period ended March 31, 2001 in the amount of $740,000 (unaudited).

(s) Segment Information

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

(t) Use of Estimates

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

(u) Reclassifications

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

(2) LEVERAGED RECAPITALIZATION

On November 19, 1999, Services consummated a leveraged recapitalization (the 1999 Recapitalization) pursuant to which the Company's outstanding debt and capital stock were restructured. As a part of the 1999 Recapitalization, AMN Acquisition Corp. (Acquisition) acquired 442,142 shares of Services,

representing a 93.5% ownership interest, for cash consideration of $72.5 million. Shares acquired by Acquisition were comprised of 79,166 shares acquired directly from an existing stockholder and 362,976 of newly issued shares. Existing stockholders retained shares representing the remaining 6.5% ownership of Services. In accordance with accounting principles generally accepted in the United States of America, the accompanying consolidated financial statements do not reflect "push-down" accounting and, accordingly, no adjustments were made to record assets and liabilities at fair value. The Company obtained $70 million in new senior debt financing and $20 million in new debt financing through the issuance of senior subordinated notes. Proceeds from the equity and debt financing were used to retire existing debt, repurchase stock of existing stockholders and pay fees and expenses incurred in connection with the recapitalization. On March 29, 2001 AMN Acquisition Corp. was merged into AMN Healthcare Services, Inc.

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

(3) ACQUISITIONS

(a) AMN

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

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

(b) MedEx

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

(c) NRx

On June 28, 2000, AMN acquired 100% of the issued and outstanding stock of NRx. The acquisition was recorded using the purchase method of accounting. Thus, the results of operations from the acquired assets are included in the Company's consolidated financial statements from the acquisition date. The purchase price to the former shareholders of NRx included a payment of $16,181,000 in cash and $3,000,000

to be paid in three equal installments of $1,000,000 each on June 29, 2001, June 28, 2002, and June 30, 2003 provided that the terms of the agreement are met. Since the deferred payment in the amount of $3,000,000 is not interest bearing, AMN recorded the present value of the future payments on the date of the acquisition utilizing an interest rate of 9.5%. As of December 31, 2000, the present value of the amount due on June 29, 2001 is $954,000 and is included in other current liabilities. As of December 31, 2000, the present value of the amounts due on June 28, 2002 and June 30, 2003 is $1,676,000 and is included in other long-term liabilities.

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

(d) PHS

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

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

(e) Pro Forma Consolidated Results of Operations

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

	PRO FORMA		
	YEARS ENDED DECEMBER 31,		
	1998	1999	2000
Revenue	$121,062	$215,323	$301,807
Income from operations	$ 9,791	$ 1,036	$ 7,653
Income (loss) before extraordinary loss	$ 3,077	$ (6,134)	$ (3,776)
Net income (loss)	$ 3,077	$ (6,865)	$ (3,776)
Earnings per share -- basic and diluted	$ 7.47	$ (13.62)	$ (7.23)
Weighted average shares -- basic and diluted	412	504	522

(4) BALANCE SHEET DETAILS

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

	DECEMBER 31,	
	1999	2000
Accounts receivable, net:		
Accounts receivable	$26,434	$ 64,331
Allowance for doubtful accounts	(256)	(930)
Accounts receivable, net	$26,178	$ 63,401
Fixed assets, net:		
Furniture and equipment	$ 2,126	$ 3,538
Software	863	2,798
Leasehold improvements	174	432
	3,163	6,768
Accumulated depreciation and amortization	(921)	(1,762)
Fixed assets, net	$ 2,242	$ 5,006
Goodwill, net:		
Goodwill	$42,307	$123,622
Accumulated amortization	(2,942)	(5,199)
Goodwill, net	$39,365	$118,423
Other intangibles, net:		
Debt issuance costs	$ 5,338	$ 6,742
Non-compete covenants	100	1,136
	5,438	7,878
Accumulated amortization	(137)	(1,323)
Other intangibles, net	$ 5,301	$ 6,555

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

(5) INCOME TAXES

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

	DECEMBER 31,		
	1998	1999	2000
Current income taxes:			
Federal	$ 970	$ (103)	$ 5,954
State	251	--	1,213
Total	1,221	(103)	7,167
Deferred income taxes:			
Federal	254	(925)	(7,823)
State	96	(271)	(1,085)
Total	350	(1,196)	(8,908)
Provision (benefit) for income taxes, including tax benefit of $427 on extraordinary loss in 1999	$1,571	$(1,299)	$(1,741)

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

	DECEMBER 31,		
	1998	1999	2000
Tax expense (benefit) at federal statutory rate	$1,121	$(2,418)	$(1,959)
State taxes, net of federal benefit	228	(210)	82
Nondeductible transaction costs	--	730	--
Minority interest	192	464	--
Interest	--	--	171
Other, net	30	135	(35)
Income tax expense (benefit)	$1,571	$(1,299)	$(1,741)

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

	DECEMBER 31,	
	1999	2000
Deferred tax assets:		
Stock compensation	$ --	$ 7,634
Debt issuance costs	1,084	1,454
Interest and warrants	--	1,026
Accrued bonuses	270	461
State taxes	--	425
Allowance for doubtful accounts	105	314
Other	314	506
Total deferred tax assets	1,773	11,820
Deferred tax liabilities:		
Intangibles	(711)	(1,232)
Capitalized software	--	(633)
Other	(224)	(209)
Total deferred tax liabilities	(935)	(2,074)
Net deferred tax assets	$ 838	$ 9,746

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

(6) NOTES PAYABLE

	DECEMBER 31,	
	1999	2000
	(IN THOUSANDS)	
12% Senior subordinated notes issued with attached warrants (see Note 8(b)) due November 19, 2005. Interest payable in cash or through issuance of additional notes.....	$20,000	$ 20,000
12% Senior subordinated notes issued for conversion of accrued interest to notes payable due November 19, 2005...	273	2,818
$20,000,000 Revolver due November 19, 2004 with variable interest rates based on LIBOR, federal funds or the prime lending rate ranging from 8.5% to 11.25% (weighted average of 9.8% at December 31, 2000). An unused fee of .5% per annum is due quarterly on the unused Revolver commitment.....	6,675	15,045
$50,000,000 Term Loan due in 18 consecutive quarterly installments beginning with a principal payment of $1,250,000 on September 30, 2000. The quarterly principal payment escalates to $2,500,000 on March 31, 2002 and to $3,750,000 and $4,375,000 on March 31 in the succeeding years, maturing on November 19, 2004. Interest is paid quarterly and varies based on LIBOR plus 2.5% to 3.25% (9.5% at December 31, 2000).....	50,000	47,500
$32,500,000 Tranche A Acquisition Loan due March 31, 2005, with interest at LIBOR plus 3% (9.44% at December 31, 2000). Principal is due in 17 consecutive quarterly installments beginning with a payment of $625,000 on March 31, 2001. The quarterly payment escalates to $1,250,000 on March 31, 2002 until December 31, 2004, with a full payment of $15,000,000 at the maturity date. Interest is paid quarterly.....	--	32,500
$7,500,000 Tranche B Acquisition Loan due March 31, 2005, with interest at LIBOR plus 2.5% (8.94% at December 31, 2000). Principal is due at maturity and interest is paid quarterly.....	--	7,500
Total notes payable.....	76,948	125,363
Unamortized discount on senior subordinated notes (See Note 8(b)).....	(2,942)	(2,474)
	74,006	122,889
Less current portion of notes payable.....	(2,500)	(7,500)
Long-term portion of notes payable.....	$71,506	$115,389

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

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

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

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

During 2000, the Company entered into interest rate swap agreements as a means to hedge its interest rate exposure on debt instruments. In addition, the Company's credit agreement requires that the Company maintain protection against fluctuations in interest rates providing coverage in an aggregate notional amount equal to $25,000,000. As a result of adopting SFAS No. 133 on January 1, 2001, net settlement amounts to be received or paid under the swap agreements are reflected as adjustments to interest expense. The Company recorded a transition adjustment to other comprehensive income in the amount of $589,000 (unaudited), which will be amortized into interest expense over the remaining life of the debt agreements being hedged. Additionally, included in interest expense for the three month period ended March 31, 2001 is $740,000 (unaudited) related to additional unrealized losses related to these swap agreements that were incurred during the period.

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

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

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

(7) RETIREMENT PLAN

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(8) STOCKHOLDERS' EQUITY

(a) Stock Option Plans

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

During 2000, options for an additional 34,634 shares were reserved under the 1999 Plans. In November 2000, additional options totaling 4,686 were granted at an exercise price of $163.97. In December 2000, 31,171 options were granted at an exercise price of $287.84 per share. At December 31, 2000, 8,149 shares of common stock were reserved for future issuance related to the 1999 Plans.

In accordance with the provisions of SFAS No. 123, the Company applies APB Opinion No. 25, and related interpretations in accounting for its 1999 Plan. Accordingly, the Company recorded compensation expense of $20,218,000 in 2000 and $4,788,000 (unaudited) and $3,895,000 (unaudited) for the three month periods ended March 31, 2000 and 2001, respectively, in connection with the 1999 Plans.

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

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

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

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

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

Under SFAS No. 123, the weighted average per share fair value of the options granted during 1998, 1999 and 2000 was $241.84, $495.78 and $494.45, respectively on the date of grant. Fair value under SFAS No. 123 is determined using the Black-Scholes option-pricing model with the following assumptions:

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

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

	1998	1999	2000
Pro forma net income (loss)	$1,589	$(5,610)	$(3,862)
Pro forma income per common share:			
Basic	$ 3.86	$(11.13)	$ (7.40)
Diluted	$ 3.86	$(11.13)	$ (7.40)

(b) Common Stock Warrants

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

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

(c) Stockholders' Agreement

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

(9) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(a) Cash and Cash Equivalents

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

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

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

(c) Notes Payable

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

(d) Other Long-Term Liabilities

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

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

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

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

(10) OTHER RELATED PARTY TRANSACTIONS

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

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

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

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

(11) COMMITMENTS AND CONTINGENCIES

(a) Legal

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

(b) Leases

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

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

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

(12) SUBSEQUENT EVENTS

On April 19, 2001, AMN Holdings, Inc. changed its name to AMN Healthcare Services, Inc.

On May 1, 2001, the Company acquired 100% of the issued and outstanding stock of O'Grady-Peyton International (USA), Inc. (OGP), a healthcare staffing company specializing in the recruitment of nurses

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

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

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

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Nurses RX, Inc.

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

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

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

DDK & Company LLP

New York, New York
March 31, 2001

NURSES RX, INC.

BALANCE SHEETS
DECEMBER 31, 1998 AND 1999

	1998	1999
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 121,473	$ 20,843
Accounts receivable, less allowance for doubtful accounts of $141,138 in 1998 and $211,788 in 1999	2,583,929	2,921,756
Unbilled income	466,680	543,179
Prepaid expenses and other current assets	283,232	315,027
Total current assets	3,455,314	3,800,805
Property and equipment, at cost, less accumulated depreciation and amortization of $217,336 in 1998 and $215,620 in 1999	278,014	333,188
Other assets -- security deposit	2,627	3,829
Total assets	$3,735,955	$4,137,822

	1998	1999
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Bank debt	$ 522,111	$ 586,530
Accounts payable and accrued expenses	640,722	546,691
Due to officer	270,000	98,000
Income taxes payable	16,972	36,000
Total current liabilities	1,449,805	1,267,221
Other liabilities -- due to officer	98,000	--
Total liabilities	1,547,805	1,267,221
Commitment and Contingencies		
Shareholders' equity:		
Common stock, no par value; 100 shares authorized, issued and outstanding	500	500
Retained earnings	2,187,650	2,870,101
Total shareholders' equity	2,188,150	2,870,601
Total liabilities and shareholders' equity	$3,735,955	$4,137,822

See accompanying notes to financial statements.

NURSES RX, INC.

STATEMENTS OF INCOME AND RETAINED EARNINGS
YEARS ENDED DECEMBER 31, 1998 AND 1999

	1998	1999
Revenue	$21,438,179	$22,451,359
Cost of revenue	15,343,056	15,424,600
Gross profit	6,095,123	7,026,759
Operating expenses:		
Selling and marketing	2,017,191	2,284,234
General and administrative (including interest of $81,339 in 1998 and $26,340 in 1999)	2,832,872	3,128,291
	4,850,063	5,412,525
Income before other income and income taxes	1,245,060	1,614,234
Other income:		
Interest income	7,305	11,630
Management fee	203,078	--
	210,383	11,630
Income before income taxes	1,455,443	1,625,864
Income taxes	41,117	57,460
Net income	1,414,326	1,568,404
Retained earnings -- beginning	1,459,969	2,187,650
Distributions to shareholders	(686,645)	(885,953)
Retained earnings -- ending	$ 2,187,650	$ 2,870,101

See accompanying notes to financial statements.

NURSES RX, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998 AND 1999

	1998	1999
Operating Activities:		
Net income	$ 1,414,326	$ 1,568,404
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	70,129	85,007
Bad debts	74,686	70,650
Changes in operating assets and liabilities		
Accounts receivable	(416,344)	(408,477)
Unbilled income	(106,726)	(76,499)
Prepaid expenses and other current assets	(41,280)	(32,997)
Accounts payable and accrued expenses	115,918	(94,031)
Income taxes payable	9,775	19,028
Net cash provided by operating activities	1,120,484	1,131,085
Investing Activities -- purchase of property and equipment	(77,474)	(140,181)
Net cash used in investing activities	(77,474)	(140,181)
Financing Activities:		
Principal payments on officer loans	(1,247,857)	(270,000)
Proceeds of bank debt, net	522,111	64,419
Distributions to shareholders	(686,645)	(885,953)
Net cash used in financing activities	(1,412,391)	(1,091,534)
Net decrease in cash and cash equivalents	(369,381)	(100,630)
Cash and cash equivalents -- beginning	490,854	121,473
Cash and cash equivalents -- ending	$ 121,473	$ 20,843
Supplemental Information:		
Interest paid	$ 81,349	$ 25,542
Income taxes paid	$ 31,342	$ 38,432
Noncash Transactions -- retirement of property and equipment	--	$ 86,723

See accompanying notes to financial statements.

NURSES RX, INC.

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Business

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

(b) Revenue Recognition

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

(c) Cash and Cash Equivalents

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

(d) Property, Equipment and Depreciation

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

(e) Income Taxes

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

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

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

(f) Use of Estimates

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

(g) Advertising

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

2. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

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

Depreciation and amortization expense for the years ended December 31, 1998 and 1999 was $70,129 and $85,007, respectively.

3. DUE TO OFFICER

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

4. BANK DEBT

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

5. RELATED PARTY TRANSACTIONS

For the year ended December 31, 1998, the Company charged management fees of $203,078 to an affiliated company for services and expenses incurred on behalf of the affiliate. The affiliate and the Company have common stockholders. At December 31, 1998 and 1999, included in other current assets is $70,227 due from this affiliate.

6. COMMITMENT AND CONTINGENCIES

Lease

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

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

Total rent expense charged to operations was approximately $94,000 in 1998 and $116,000 in 1999.

Cash and Cash Equivalents

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

Claims

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

7. PROFIT-SHARING PLAN

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

8. CAFETERIA PLAN

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

9. SUBSEQUENT EVENT

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Preferred Healthcare Staffing, Inc.:

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

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

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

KPMG LLP

Miami, Florida
April 4, 2001

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

BALANCE SHEETS
DECEMBER 31, 1999 AND NOVEMBER 30, 2000

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

See accompanying notes to financial statements.

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

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

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

See accompanying notes to financial statements.

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

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

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

See accompanying notes to financial statements.

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

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

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

See accompanying notes to financial statements.

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

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

(a) Description of Business

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

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

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

(b) Basis of Presentation

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

(c) Revenue Recognition

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

(d) Property and Equipment

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

(e) Goodwill

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

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

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

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

(g) Income Taxes

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

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

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

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

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

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

(h) Use of Estimates

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

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

(i) Concentration of Credit Risk

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

(j) Reclassifications

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

(k) Pro Forma Net Income

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

(2) ACCOUNTS RECEIVABLE

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

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

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

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(3) PROPERTY AND EQUIPMENT

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

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

(4) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

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

(5) LINE OF CREDIT

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

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

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(6) INCOME TAXES

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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

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

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

(7) LEASES

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

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

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

(8) COMMITMENTS AND CONTINGENCIES

Self-Insurance

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

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

Legal Proceedings

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

(9) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

INDEPENDENT AUDITORS' REPORT

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

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

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

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

KPMG LLP

Atlanta, Georgia
May 11, 2001

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

CONSOLIDATED BALANCE SHEETS

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

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF INCOME

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

See accompanying notes to consolidated financial statements.

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

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

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

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

See accompanying notes to consolidated financial statements.

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

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

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

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

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

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

(a) Consolidation

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

(b) Revenue Recognition

The Company recognizes revenue when services are performed.

(c) Cash Equivalents

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

(d) Equipment and Furniture

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

Equipment	3 - 5 years
Furniture	5 years

(e) Self-Insurance

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

(f) Income Taxes

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

(g) Estimates

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

(h) Fair Value of Financial Instruments

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

(2) PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

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

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

(3) LINE OF CREDIT

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

(4) LONG-TERM DEBT

Long-term debt consists of the following:

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

(5) RETIREMENT PLAN

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

(6) INCOME TAX

Income tax (benefit) expense consists of:

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

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

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

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

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

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

(7) COMMITMENTS

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

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

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

(8) RELATED PARTY TRANSACTIONS

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

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

(9) SUBSEQUENT EVENT

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

AMN HEALTHCARE SERVICES, INC.

INDEX TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

AMN HEALTHCARE SERVICES, INC.

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

	HISTORICAL(1)					
	AMN	NURSESRX	PREFERRED HEALTHCARE	O'GRADY-PEYTON	PRO FORMA ADJUSTMENTS	PRO FORMA
Revenue	$230,766	$13,879	$57,162	$24,548	$ --	$326,355
Cost of revenue	170,608	9,580	44,568	17,228	--	241,984
Gross profit	60,158	4,299	12,594	7,320	--	84,371
Expenses:						
Selling, general, and administrative (excluding non-cash stock-based compensation)	30,728	3,580	6,637	4,672	(1,018)(2)	44,599
Non-cash stock-based compensation	20,218	--	--	--	(3)	
Amortization	2,387	--	218	--	3,130(4)	5,735
Depreciation	916	55	199	37	--	1,207
Transaction costs	1,500	--	--	--	--	1,500
Total expenses	55,749	3,635	7,054	4,709		
Income (loss) from operations	4,409	664	5,540	2,611		
Interest income (expense), net	(10,006)	(18)	44	(162)	10,173(5)	31
Income (loss) before income tax benefit (expense) and extraordinary item	(5,597)	646	5,584	2,449		
Income tax benefit (expense)	1,741	(189)	(807)	(940)	(6)	
Income (loss) before extraordinary item(7)	$ (3,856)	$ 457	$ 4,777	$ 1,509	$	$
Net loss per common share -- basic and diluted						$
Weighted average common shares -- basic and diluted						(8)

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

AMN HEALTHCARE SERVICES, INC.

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

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

(2) The pro forma selling, general and administrative expense gives effect to certain payments made to the former owners of Preferred Healthcare and NursesRx that would not have been made had the acquisitions of those companies been made as of January 1, 2000.

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

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

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

(6) The pro forma adjustment represents the additional tax expense, calculated at our effective tax rate of approximately 31.1% related to the pro forma adjustments described above and pre-tax income of NursesRx, Preferred Healthcare and O'Grady-Peyton.

(7) Pro forma income (loss) does not include $5,624,000 in extraordinary loss, net of income tax benefit of $2,540,000, resulting from the write-off of the unamortized deferred financing costs and the unamortized discount on notes payable as this is a nonrecurring charge which will be included in our income (loss) following this initial public offering.

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

AMN HEALTHCARE SERVICES, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED
STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2001
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	HISTORICAL(1)			
	AMN	O'GRADY-PEYTON	PRO FORMA ADJUSTMENTS	PRO FORMA
Revenue	$103,055	$7,775	$ --	$110,830
Cost of revenue	77,929	5,433	--	83,362
Gross profit	25,126	2,342	--	27,468
Expenses:				
Selling, general, and administrative (excluding non-cash stock-based compensation)	13,812	1,182	--	14,994
Non-cash stock-based compensation	3,895	--	(3,895)(2)	--
Amortization	1,306	--	126(3)	1,432
Depreciation	413	18	--	431
Total expenses	19,426	1,200	(3,769)	16,857
Income from operations	5,700	1,142	3,769	10,611
Interest income (expense), net	(4,323)	(25)	4,332(4)	(16)
Income before income tax expense	1,377	1,117	8,101	10,595
Income tax expense	(722)	(425)	(4,410)(5)	(5,557)
Net income	$ 655	$ 692	$ 3,691	$ 5,038
Net income per common share				
Basic				$
Diluted				$
Weighted average common shares				
Basic				(6)
Diluted				(7)

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

AMN HEALTHCARE SERVICES, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED
BALANCE SHEET
AS OF MARCH 31, 2001
(IN THOUSANDS)

	HISTORICAL			
	AMN	O'GRADY-PEYTON	PRO FORMA ADJUSTMENTS	PRO FORMA
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,531	$1,122	$ 353(8)	$ 3,006
Accounts receivable, net	68,267	5,856	--	74,123
Income taxes receivable	--	--	2,480(9)	2,480
Other current assets	5,913	208	--	6,121
Total current assets	75,711	7,186	2,833	85,730
Fixed assets, net	5,614	179	--	5,793
Deferred income taxes	11,903	152	6,757(10)	18,812
Deposits	112	--	--	112
Goodwill, net	117,187	--	11,835(11)	129,022
Other intangibles, net	6,148	--	(5,035)(12)	1,113
Total assets	$216,675	$7,517	$ 16,390	$240,582
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Book overdraft	$ 1,650	$ --	$ --	$ 1,650
Accounts payable and accrued expenses	2,584	724		3,308
Accrued compensation and benefits	12,829	1,110	--	13,939
Income taxes payable	2,987	1,058	(4,270)(13)	(225)
Current portion of notes payable	9,375	2,000	(11,375)(14)	--
Other current liabilities	2,308	300	(1,292)(15)	1,316
Total current liabilities	31,733	5,192	(16,937)	19,988
Notes payable, less current portion	112,288	--	(112,288)(14)	--
Other long-term liabilities	2,405	--	--	2,405
Total liabilities	146,426	5,192	(129,225)	22,393
Stockholders' equity:				
Common stock	7	4	--	11
Additional paid-in capital	138,750	--	166,453(16)	305,203
Retained earnings (accumulated deficit)	(67,956)	2,321	(21,390)(16)	(87,025)
Accumulated other comprehensive income (loss)	(552)	--	552(15)	--
Total stockholders' equity	70,249	2,325	145,615	218,189
Commitments and contingencies	--	--	--	--
Total liabilities and stockholders' equity	$216,675	$7,517	$ 16,390	$240,582

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

AMN HEALTHCARE SERVICES, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET AND
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2001

(1) Reflects the historical results of operations of each of AMN and O'Grady-Peyton for the three months ended March 31, 2001.

(2) The pro forma stock-based compensation adjustment gives effect to the vesting of all outstanding stock options under the 1999 stock option plans as if the consummation of this initial public offering had occurred on January 1, 2000. Therefore, there would be no charge during the three months ended March 31, 2001 related to these options.

(3) The pro forma amortization expense gives effect to additional goodwill amortization of $113,000 and additional non compete amortization of $13,000 in connection with the O'Grady-Peyton acquisition.

(4) The pro forma interest expense, net gives effect to the reduction of interest expense in the amount of $3,040,000 and the settlement of the derivative instrument agreements in the amount of $1,292,000 in connection with the payment of all outstanding debt with the proceeds of this initial public offering.

(5) The pro forma tax adjustment represents the additional tax expense, calculated at AMN's effective tax rate of approximately 52.45%, for the pro forma adjustments described above and the pre-tax income of O'Grady-Peyton.

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

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

(8) The pro forma adjustment gives effect to $1,015,000 of excess cash received related to the financing of the O'Grady-Peyton acquisition, $631,000 of deferred financing costs incurred in connection with financing the O'Grady-Peyton acquisition that would not have been incurred had we used proceeds from this initial public offering, and $1,292,000 that would have been paid to settle derivative instruments as of March 31, 2001.

(9) The pro forma adjustment gives effect to the realization of deferred tax assets related to debt issuance costs, interest and warrants.

(10) The pro forma adjustment gives effect to $9,237,000 in additional deferred tax benefit at a rate of 37.8% related to the stock based compensation charge related to the vesting of all outstanding stock options under the 1999 stock option plans as if the consummation of this initial public offering had occurred on January 1, 2000 and a realization in deferred income tax assets of $2,480,000 related to the write-off of the deferred financing costs, payment of interest and exercise of warrants.

(11) The pro forma adjustment gives effect to goodwill recorded in connection with the acquisition of O'Grady-Peyton.

(12) The pro forma adjustment gives effect to the write-off of the remaining unamortized deferred financing costs of $5,235,000 and the capitalization of the non-compete agreement in connection with the O'Grady-Peyton acquisition in the amount of $200,000.

(13) The pro forma adjustment gives effect to the tax benefit related to the write-off of the unamortized discount on notes payable in the amount of $2,355,000, the write-off of the unamortized debt issuance costs in the amount of $5,235,000 and the settlement of the derivative instruments agreements in the amount of $1,292,000.

(14) The pro forma adjustment gives effect to the payment of all outstanding debt as of March 31, 2001 totaling $124,018,000. The pro forma adjustment also includes the write-off of the unamortized discount on notes payable of $2,355,000. Additionally, the adjustment includes the pay down of the O'Grady-Peyton debt in the amount of $2,000,000.

(15) The pro forma adjustments give effect to the impact on other current liabilities and other comprehensive loss, respectively, relating to the settlement of derivative instruments agreements in connection with the pay-off of all outstanding debt.

(16) The pro forma adjustments give effect to certain adjustments as noted above.

Shares

[Company logo]

Prospectus
, 2001

BANC OF AMERICA SECURITIES LLC

UBS WARBURG

JPMORGAN

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

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

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

SEC registration fee	$43,125.00
NASD fee	*
Printing and engraving expenses	*
Accounting fees and expenses	*
Legal fees and expenses	*
Blue Sky fees and expenses	*
NYSE listing application fee	*
Transfer agent fees and expenses	*
Miscellaneous	*
TOTAL	*

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* To be provided by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

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

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

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

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

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

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

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

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

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

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

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

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

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

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

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

(e) On November 19, 1999, we issued 30,492.6 shares of common stock upon the split of 152.4629 outstanding shares, on the basis of 200 shares for each outstanding share to our then existing stockholders.

(f) On November 19, 1999, we issued 442,142.3 shares of common stock at a price of $167.9743 per share upon our recapitalization to some of our existing stockholders.

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

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

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

(j) On November 28, 2000, we issued an aggregate of 123,077 shares at a price of $352.00 per share for capital contributions in connection with our acquisition of Preferred Healthcare Staffing, Inc. to some of our existing stockholders.

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

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

(m) On , 2001, we issued options to purchase an aggregate of shares of stock to members of management, each at an exercise price of $ per share.

(n) On , 2001, we issued shares of common stock upon the split of outstanding shares, on the basis of shares for each outstanding share to our existing stockholders.

(o) On , 2001, we issued shares of common stock to BancAmerica Capital Investors SBIC I, L.P. in connection with the exercise of a warrant.

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

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

a. Exhibits

1.1	Form of Underwriting Agreement.*
2.1	Acquisition Agreement, dated as of October 1, 1999, among the Registrant, AMN Healthcare, Inc., AMN Acquisition Corp., Olympus Growth Fund II, L.P., Olympus Growth Executive Fund, L.P., Steven Francis, as Trustee of the Francis Family Trust dated May 24, 1996, Gayle Francis, as Trustee of the Francis Family Trust dated May 24, 1996, Todd Johnson and Deborah Johnson.
2.2	Stock Purchase Agreement, dated as of June 23, 2000, by and between AMN Healthcare, Inc., Suzanne Confoy and George Robert Kraus, Jr.
2.3	Stock Purchase Agreement, dated as of October 12, 2000, by and between AMN Healthcare, Inc. and Preferred Employers Holdings, Inc.
2.4	Stock Purchase Agreement, dated as of April 3, 2001, by and between AMN Healthcare, Inc., Joseph O'Grady and Teresa O'Grady-Peyton.
3.1	Form of Amended and Restated Certificate of Incorporation of AMN Healthcare Services, Inc.*
3.2	By-laws of AMN Healthcare Services, Inc.*
4.1	Form of Specimen Stock Certificate.*
4.2	Form of Registration Rights Agreement among the Registrant, HWH Capital Partners, L.P., HWH Nightingale Partners, L.P., HWP Nightingale Partners II, L.P., HWP Capital Partners II, L.P., BancAmerica Capital Investors SBIC I, L.P., the Francis Family Trust dated May 24, 1996 and Steven Francis.*
5.1	Opinion of Paul, Weiss, Rifkind, Wharton & Garrison regarding the legality of the shares.*
10.1	Note and Warrant Purchase Agreement, dated as of November 19, 1999, between the Registrant and BancAmerica Capital Investors SBIC I, L.P.
10.2	First Amendment to Note and Warrant Purchase Agreement, dated as of November 21, 2000, by and among the Registrant and BancAmerica Capital Investors SBIC I, L.P.
10.3	Subscription Agreement, dated as of November 28, 2000, between the Registrant and BancAmerica Capital Investors SBIC I, L.P.
10.4	Warrant Agreement, dated as of November 19, 1999, among the Registrant, BancAmerica Capital Investors SBIC I, L.P. and each of the warrantholders who are or may become a party thereto.
10.5	AMN Holdings, Inc. 1999 Performance Stock Option Plan.*
10.6	AMN Holdings, Inc. 1999 Super-Performance Stock Option Plan.*

10.7	AMN Healthcare Services, Inc. 2001 Stock Option Plan.*
10.8	Employment and Non-Competition Agreement, dated as of November 19, 1999, between AMN Healthcare, Inc. and Steven Francis.*
10.9	Executive Severance Agreement, dated as of November 19, 1999, between AMN Healthcare, Inc. and Susan Nowakowski.*
10.10	Executive Severance Agreement, dated as of May 21, 2001, between AMN Healthcare, Inc. and Donald Myll.*
10.11	1999 Performance Stock Option Plan Stock Option Agreement, dated as of November 19, 1999, between the Registrant and Steven Francis.*
10.12	Amendment, dated as of December 13, 2000, to the 1999 Performance Stock Option Plan Stock Option Agreement, dated as of November 19, 1999, between the Registrant and Steven Francis.*
10.13	1999 Super-Performance Stock Option Plan Stock Option Agreement, dated as of November 19, 1999, between the Registrant and Steven Francis.*
10.14	Amendment, dated as of December 13, 2000, to the Super-Performance Stock Option Plan Stock Option Agreement, dated as of December 13, 2000, between the Registrant and Steven Francis.*
10.15	1999 Performance Stock Option Plan Stock Option Agreement, dated as of November 19, 1999, between the Registrant and Susan Nowakowski.*
10.16	Amendment, dated as of December 13, 2000, to the 1999 Performance Stock Option Plan Stock Option Agreement, dated as of November 19, 1999, between the Registrant and Susan Nowakowski*
10.17	1999 Super-Performance Stock Option Plan Stock Option Agreement, dated as of November 19, 1999, between the Registrant and Susan Nowakowski.*
10.18	Amendment, dated as of December 13, 2000, to the Super-Performance Stock Option Plan Stock Option Agreement, dated as of November 19, 1999, between the Registrant and Susan Nowakowski.*
10.19	1999 Performance Stock Option Plan Stock Option Agreement, dated as of November 20, 2000, between the Registrant and Susan Nowakowski.*
10.20	1999 Super-Performance Stock Option Plan Stock Option Agreement, dated as of November 20, 2000, between the Registrant and Susan Nowakowski.*
10.21	1999 Performance Stock Option Plan Stock Option Agreement, dated as of December 13, 2000, between the Registrant and Steven Francis.*
10.22	1999 Super-Performance Stock Option Plan Stock Option Agreement, dated as of December 13, 2000, between the Registrant and Steven Francis.*
10.23	1999 Performance Stock Option Plan Stock Option Agreement, dated as of December 13, 2000, between the Registrant and Susan Nowakowski.*
10.24	1999 Super-Performance Stock Option Plan Stock Option Agreement, dated as of December 13, 2000, between the Registrant and Susan Nowakowski.*
10.25	2001 Stock Option Plan Stock Option Agreement between the Registrant and Donald Myll.*
10.26	Amended and Restated Financial Advisory Agreement between the Registrant and Haas Wheat & Partners, L.P.*
10.27	Form of Credit Agreement.*
21.1	Subsidiaries of the Registrant.
23.1	Consent of Paul, Weiss, Rifkind, Wharton & Garrison (included in Exhibit 5.1).*
23.2	Independent Auditors' Report on Schedule and Consent of KPMG LLP with respect to the Registrant.
23.3	Consent of KPMG LLP with respect to Preferred Healthcare Staffing, Inc.
23.4	Consent of KPMG LLP with respect to O'Grady-Peyton International (USA), Inc.

23.5 Consent of Deloitte & Touche LLP with respect to the Registrant.
23.6 Independent Auditors' Report on Schedule of Deloitte & Touche LLP with respect to the Registrant.
23.7 Consent of DDK & Company LLP with respect to Nurses RX, Inc.
24.1 Power of Attorney (included on page II-6).

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* To be provided by amendment.

b. Financial Statement Schedules

The following financial statement schedules are included herein:

Schedule II -- Valuation and qualifying accounts

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

ITEM 17. UNDERTAKINGS

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

The undersigned registrant hereby undertakes that:

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

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

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California, on July 16, 2001.

AMN Healthcare Services, Inc.

By: /s/ STEVEN FRANCIS

Name: Steven Francis
Title: President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoint Steven Francis, Susan Nowakowski and Donald Myll, or any of them, as his true and lawful attorney-in-fact with full power of substitution and resubstitution, in any and all capacities, to sign this registration statement or amendments (including post-effective amendments and including, without limitation, registration statements filed pursuant to Rule 462 under the Securities Act of 1933) thereto and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each of said attorney-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes and he might or could do in person, hereby ratifying and conforming all that said attorney-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, the registration statement has been signed below by the following persons in the following capacities on the 16th day of July, 2001.

/s/ ROBERT HAAS

Name: Robert Haas
Title: Chairman of the Board and Director

/s/ STEVEN FRANCIS

Name: Steven Francis
Title: President, Chief Executive Officer and Director

/s/ WILLIAM MILLER

Name: William Miller
Title: Director

/s/ DOUGLAS WHEAT

Name: Douglas Wheat
Title: Director

/s/ DONALD MYLL

Name: Donald Myll
Title: Chief Accounting Officer and
Chief Financial Officer

INDEX TO FINANCIAL
STATEMENT SCHEDULES

SCHEDULE II
AMN HEALTHCARE SERVICES, INC.

VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1999 AND 2000
(IN THOUSANDS)

ALLOWANCE FOR DOUBTFUL ACCOUNTS	BALANCE AT BEGINNING OF PERIOD	PROVISION	PROVISION DUE TO ACQUISITIONS	DEDUCTIONS(*)	BALANCE AT END OF PERIOD
Year ended December 31, 1998....	$ 70	$ 30	$ 35	$ --	$135
Year ended December 31, 1999....	$135	$260	--	$(139)	$256
Year ended December 31, 2000....	$256	$435	$276	$ (37)	$930

(*) Accounts written off

See accompanying notes to consolidated financial statements

EXHIBIT INDEX

EXHIBIT NUMBER	EXHIBIT TITLE
1.1	Form of Underwriting Agreement.*
2.1	Acquisition Agreement, dated as of October 1, 1999, among the Registrant, AMN Healthcare, Inc., AMN Acquisition Corp., Olympus Growth Fund II, L.P., Olympus Growth Executive Fund, L.P., Steven Francis, as Trustee of the Francis Family Trust dated May 24, 1996, Gayle Francis, as Trustee of the Francis Family Trust dated May 24, 1996, Todd Johnson and Deborah Johnson.
2.2	Stock Purchase Agreement, dated as of June 23, 2000, by and between AMN Healthcare, Inc., Suzanne Confoy and George Robert Kraus, Jr.
2.3	Stock Purchase Agreement, dated as of October 12, 2000, by and between AMN Healthcare, Inc. and Preferred Employers Holdings, Inc.
2.4	Stock Purchase Agreement, dated as of April 3, 2001, by and between AMN Healthcare, Inc., Joseph O'Grady and Teresa O'Grady-Peyton.
3.1	Form of Amended and Restated Certificate of Incorporation of AMN Healthcare Services, Inc.*
3.2	By-laws of AMN Healthcare Services, Inc.*
4.1	Form of Specimen Stock Certificate.*
4.2	Form of Registration Rights Agreement among the Registrant, HWH Capital Partners, L.P., HWH Nightingale Partners, L.P., HWP Nightingale Partners II, L.P., HWP Capital Partners II, L.P., BancAmerica Capital Investors SBIC I, L.P., the Francis Family Trust dated May 24, 1996 and Steven Francis.*
5.1	Opinion of Paul, Weiss, Rifkind, Wharton & Garrison regarding the legality of the shares.*
10.1	Note and Warrant Purchase Agreement, dated as of November 19, 1999, between the Registrant and BancAmerica Capital Investors SBIC I, L.P.
10.2	First Amendment to Note and Warrant Purchase Agreement, dated as of November 21, 2000, by and among the Registrant and BancAmerica Capital Investors SBIC I, L.P.
10.3	Subscription Agreement, dated as of November 28, 2000, between the Registrant and BancAmerica Capital Investors SBIC I, L.P.
10.4	Warrant Agreement, dated as of November 19, 1999, among the Registrant, BancAmerica Capital Investors SBIC I, L.P. and each of the warrantholders who are or may become a party thereto.
10.5	AMN Holdings, Inc. 1999 Performance Stock Option Plan.*
10.6	AMN Holdings, Inc. 1999 Super-Performance Stock Option Plan.*
10.7	AMN Healthcare Services, Inc. 2001 Stock Option Plan.*
10.8	Employment and Non-Competition Agreement, dated as of November 19, 1999, between AMN Healthcare, Inc. and Steven Francis.*
10.9	Executive Severance Agreement, dated as of November 19, 1999, between AMN Healthcare, Inc. and Susan Nowakowski.*
10.10	Executive Severance Agreement, dated as of May 21, 2001, between AMN Healthcare, Inc. and Donald Myll.*
10.11	1999 Performance Stock Option Plan Stock Option Agreement, dated as of November 19, 1999, between the Registrant and Steven Francis.*
10.12	Amendment, dated as of December 13, 2000, to the 1999 Performance Stock Option Plan Stock Option Agreement, dated as of November 19, 1999, between the Registrant and Steven Francis.*
10.13	1999 Super-Performance Stock Option Plan Stock Option Agreement, dated as of November 19, 1999, between the Registrant and Steven Francis.*

EXHIBIT NUMBER	EXHIBIT TITLE
10.14	Amendment, dated as of December 13, 2000, to the Super-Performance Stock Option Plan Stock Option Agreement, dated as of December 13, 2000, between the Registrant and Steven Francis.*
10.15	1999 Performance Stock Option Plan Stock Option Agreement, dated as of November 19, 1999, between the Registrant and Susan Nowakowski.*
10.16	Amendment, dated as of December 13, 2000, to the 1999 Performance Stock Option Plan Stock Option Agreement, dated as of November 19, 1999, between the Registrant and Susan Nowakowski*
10.17	1999 Super-Performance Stock Option Plan Stock Option Agreement, dated as of November 19, 1999, between the Registrant and Susan Nowakowski.*
10.18	Amendment, dated as of December 13, 2000, to the Super-Performance Stock Option Plan Stock Option Agreement, dated as of November 19, 1999, between the Registrant and Susan Nowakowski.*
10.19	1999 Performance Stock Option Plan Stock Option Agreement, dated as of November 20, 2000, between the Registrant and Susan Nowakowski.*
10.20	1999 Super-Performance Stock Option Plan Stock Option Agreement, dated as of November 20, 2000, between the Registrant and Susan Nowakowski.*
10.21	1999 Performance Stock Option Plan Stock Option Agreement, dated as of December 13, 2000, between the Registrant and Steven Francis.*
10.22	1999 Super-Performance Stock Option Plan Stock Option Agreement, dated as of December 13, 2000, between the Registrant and Steven Francis.*
10.23	1999 Performance Stock Option Plan Stock Option Agreement, dated as of December 13, 2000, between the Registrant and Susan Nowakowski.*
10.24	1999 Super-Performance Stock Option Plan Stock Option Agreement, dated as of December 13, 2000, between the Registrant and Susan Nowakowski.*
10.25	2001 Stock Option Plan Stock Option Agreement between the Registrant and Donald Myll.*
10.26	Amended and Restated Financial Advisory Agreement between the Registrant and Haas Wheat & Partners, L.P.*
10.27	Form of Credit Agreement.*
21.1	Subsidiaries of the Registrant.
23.2	Independent Auditors' Report on Schedule and Consent of KPMG LLP with respect to the Registrant.
23.3	Consent of KPMG LLP with respect to Preferred Healthcare Staffing, Inc.
23.4	Consent of KPMG LLP with respect to O'Grady-Peyton International (USA), Inc.
23.5	Consent of Deloitte & Touche LLP with respect to the Registrant.
23.6	Independent Auditors' Report on Schedule of Deloitte & Touche LLP with respect to the Registrant.
23.7	Consent of DDK & Company LLP with respect to Nurses RX, Inc.

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* To be provided by amendment.

EXHIBIT 2.1

EXECUTION COPY

ACQUISITION AGREEMENT

by and among

AMN HOLDINGS, INC.,

AMN HEALTHCARE, INC.,

THE SELLERS NAMED THEREIN,

and

THE BUYER NAMED THEREIN

Dated as of October 1, 1999

TABLE OF CONTENTS

LIST OF EXHIBITS AND SCHEDULES

EXHIBIT NO.

SCHEDULE NO.

ACQUISITION AGREEMENT

AGREEMENT entered into as of October 1, 1999 by and among AMN Acquisition Corp., a Delaware corporation ("Buyer"), AMN Holdings, Inc., a Delaware corporation ("Holdings"), AMN Healthcare, Inc., a Nevada corporation and majority-owned subsidiary of Holdings ("Healthcare" and, together with Holdings, the "Companies" and, each individually, a "Company"), and each of the persons listed as Sellers on the signature pages hereto (each of said persons being referred to individually herein as a "Seller" and collectively as "Sellers"), who constitute all of the holders of all of the issued and outstanding capital stock of Holdings and Healthcare. The term "Seller" shall include the Redeeming Shareholders (as hereinafter defined).

W I T N E S S E T H

WHEREAS, subject to the terms and conditions hereof, the Francis Family Trust (as defined below) desires to exchange all of its shares of capital stock of Healthcare for shares of capital stock of Holdings (the "Share Exchange"); and

WHEREAS, upon consummation of the Share Exchange, Healthcare will be a wholly-owned Subsidiary of Holdings; and

WHEREAS, the Francis Family Trust desires to sell all of its shares of capital stock of Holdings (other than the Excluded Shares (as defined below) owned by it) and Buyer desires to purchase said capital stock of Holdings for the consideration specified herein; and

WHEREAS, subject to the terms and conditions hereof, Buyer will purchase newly issued shares of capital stock of Holdings directly from Holdings; and

WHEREAS, subject to the terms and conditions hereof, Holdings will redeem all of the issued and outstanding capital stock of Holdings (other than the Excluded Shares) owned by Olympus Growth Fund II, L.P., Olympus Executive Fund, L.P., Todd Johnson and Deborah Johnson (the "Redeeming Shareholders");

NOW, THEREFORE, in order to consummate said purchase and sale and in consideration of the mutual agreements set forth herein, the parties hereto agree as follows:

SECTION 1. PURCHASE AND SALE OF CAPITAL STOCK: SHARE EXCHANGE.

1.1. Share Exchange. Promptly following the execution of this Agreement, Steven C. Francis and Gayle A. Francis, as trustees of the Francis Family Trust dated May 24, 1996 (the "Francis Family Trust") shall exchange all of its issued and outstanding shares of common stock of Healthcare as set forth on Schedule 1.1 for shares of common stock of Holdings as set forth on Schedule 1.1 and Holdings will issue shares of common stock of Holdings as set forth on Schedule 1.1 pursuant to an Exchange Agreement in substantially the form previously provided by Holdings to

counsel for the Francis Family Trust. Prior to the Share Exchange, Holdings may, at its option, split its capital stock on a 20 for 1 basis (the "Stock Split"). The outstanding shares of capital stock of Holdings owned by the Sellers are referred to herein as the "Holdings Shares."

1.2. Purchase of Certain Holdings Shares. Subject to the provisions of this Agreement, Holdings agrees to sell and Buyer agrees to purchase for the Per Share Price (as defined in Section 1.4 hereof), at the Closing (as defined in Section 1.5 hereof), from Holdings a number of newly issued shares of common stock of Holdings equal to the New Issue Purchase Price (as hereinafter defined) divided by the Per Share Price. The New Issue Purchase Price equals (a) $77,500,000 minus (b) the product of (x) the Per Share Price and (y) the number of Excluded Shares minus (c) the amount paid to the Francis Family Trust pursuant the next sentence of this Section 1.2. Subject to the provisions of this Agreement, the Francis Family Trust agrees to sell and Buyer agrees to purchase, at the Closing, from the Francis Family Trust each of its shares of common stock of Holdings as set forth on Schedule 2.4, other than the shares of common stock of Holdings listed opposite its name on Schedule 1.2 as Excluded Shares, which will continue to be held by the Francis Family Trust on the Closing Date (the "Francis Excluded Shares") for the Per Share Price.

1.3. Redemption of Certain Holdings Shares. Subject to the provisions of this Agreement, each of the Redeeming Shareholders agrees to the redemption of and Holdings agrees to redeem, at the Closing, from such Redeeming Shareholders each of their issued and outstanding shares of common stock of Holdings, as listed on Schedule 2.4 hereto, other than the shares of common stock of Holdings listed opposite their names on Schedule 1.2 as Excluded Shares, which will Continue to be held by such Sellers on the Closing Date (the "Olympus Excluded Shares" and together with the Francis Excluded Shares, the "Excluded Shares"), for the Per Share Price.

1.4. Per Share Price; Payment Terms. The "Per Share Price") is equal to (x) the aggregate amount of One Hundred Forty-Seven Million Five Hundred Thousand Dollars (S147,500,000) (as (i) adjusted by the amount set forth on Schedule 1.4(a) for the date on which the Closing Occurs, (ii) reduced by the amount of Existing Indebtedness (as defined in Section 3.23) as of the close of business on the day prior to the Closing Date and interest and penalties with respect thereto payable on the Closing Date and (iii) increased by the amount of cash (but not Including short term deposits) held by Holdings, Healthcare and Medical Express, Inc. ("Medical Express") as of the close of business on the day prior to the Closing Date, provided, that the amount of cash shall be reduced by the amount of any checks written by Holdings, Healthcare and Medical Express that have not yet cleared and provided, further, that such reduction may produce a negative cash amount which shall reduce the amount set forth in this clause (x)) divided by (y) the number of outstanding Holdings Shares owned by the Sellers at Closing. All payments required to be made pursuant to Section 1.2 and 1.3 shall be by wire transfer in immediately available funds. All payments pursuant to Section 1.2 to the Francis Family Trust shall be made from equity provided by Buyer and not from the proceeds of any borrowing.

1.5. Time and Place of Closing. The closing of the purchase and sale provided for in this Agreement (herein called the "Closing") shall be held at the offices of Dewey Ballantine LLP, 1301 Avenue of the Americas, New York, New York 10019 on November 19, 1999 (the "Closing Date") or at such other place or earlier or later date or time as may be fixed by mutual agreement of the parties hereto, but in no event later than December 17, 1999.

1.6. Redemption or Transfer of Holding Shares and Delivery of Agreements. At the Closing, (i) the Francis Family Trust shall deliver or cause to be delivered to Buyer certificates for the Holdings Shares (other than the Francis Excluded Shares) owned by it duly endorsed in blank or with stock powers duly endorsed in blank, (ii) each of the Redeeming Shareholders shall deliver or cause to be delivered to Holdings for redemption and cancellation the certificates for the Holdings Shares (other than the Olympus Excluded Shares) owned by each of them (or an affidavit of lost certificate with respect thereto) and (iii) the Sellers shall deliver or cause to be delivered such other documents as Buyer may reasonably request to evidence the transfer to Buyer or Holdings, as the case may be, of good and marketable title in and to such Holdings Shares.

1.7. Further Assurances. The Francis Family Trust, from time to time after the Closing at the request of Buyer and without further consideration shall execute and take such other action as Buyer may reasonably require to more effectively transfer and assign to, and vest in, Buyer its Holdings Shares.

Section 2. REPRESENTATIONS AND WARRANTIES OF HOLDINGS.

2.1. Making of Representations and Warranties. As a material inducement to Buyer to enter into this Agreement and consummate the transactions contemplated hereby, Holdings hereby makes to Buyer the representations and warranties contained in this Section 2. For purposes of the representations and warranties made hereunder, material disclosed on any Schedule hereto shall be treated as disclosed on all Schedules to the extent the content of the disclosure makes it clear such disclosure should be included on such other Schedules.

2.2. Organization and Qualification. Holdings is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Holdings has full corporate power and authority to own or lease its properties and to conduct its business in the manner and in the places where such properties are owned or leased and where such business is currently conducted or proposed to be conducted. The copies of Holdings' certificate of incorporation and by-laws, each as amended to date and each heretofore delivered to Buyer's counsel, are complete and correct, and no amendments thereto are pending except as contemplated in connection with the Share Exchange or as may be required in connection with the Stock Split, if any. Holdings is duly licensed and qualified to do business and in good standing in each jurisdiction in which the properties owned or leased by it or the operation of its business makes such licensing or qualification to do business necessary, except where the failure to be so

licensed or qualified would not have a material adverse effect on Holdings and its respective subsidiaries taken as a whole.

2.3. Subsidiaries; Securities Owned. Holdings has no subsidiaries except Healthcare nor does Holdings own any securities issued by any other business organization or governmental authority except U.S. Government securities, bank certificates of deposit and money market accounts acquired as short-term investments in the ordinary course of business, except as set forth on Schedule 2.3 hereto.

2.4. Capitalization.

(a) As of the date hereof, the total authorized capital stock of Holdings consists of 3,000 shares of common stock, $0.01 par value per share, of which 2,488 shares are issued and outstanding, all of which are duly and validly issued and outstanding, and are fully paid and non-assessable. Schedule 2.4 contains a true, correct and complete listing of the stockholders of Holdings at the date hereof, together with the number of shares of common stock of Holdings owned by each such stockholder. Except for the transactions contemplated by the Share Exchange, there are no outstanding subscriptions, options, warrants, commitments, preemptive rights, agreements, arrangements or commitments of any kind for or relating to the issuance, sale, registration or voting of, or outstanding securities convertible into or exchangeable for, any shares of capital stock of any class, or other equity interests of Holdings other than those listed on Schedule 2.4.

(b) Immediately after consummation of the Share Exchange contemplated by Section 1.2, the total authorized capital stock of Holdings will consist of (i) 100,000 shares of common stock, $0.01 par value per share, of which 60,116 shares will be issued and outstanding if, prior to such Share Exchange the Stock Split, if any, occurs or (ii) 5,000 shares of common stock, $0.01 par value per share, of which 3,005.80 shares will be issued and outstanding if, prior to such Share Exchange the Stock Split does not occur, all of which will be duly and validly issued and outstanding, and will be fully paid and non-assessable and each Seller shall own beneficially and of record the number of shares of common stock of Holdings set forth opposite such Seller's name on Schedule 2. hereto, free and clear of all pledges, liens, encumbrances or other claims or charges.

2.5. Authority of Holdings.

(a) Holdings has full right, power and authority to enter into this Agreement and each agreement, document and instrument to be executed and delivered by it pursuant to or as contemplated by this Agreement and to carry out the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the performance of Holdings' obligations hereunder have been duly authorized by all necessary action of Holdings and its stockholders and board of directors. This Agreement and each agreement, document and instrument to be executed and delivered by Holdings pursuant to this Agreement constitute, or will when executed and delivered constitute, valid and binding obligations of Holdings, enforceable in

accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). The execution, delivery, and performance by Holdings of this Agreement and each such agreement, document and instrument contemplated by this Agreement to which it is a party:

(i) do not and will not violate any provision of the certificate of incorporation or by-laws of Holdings;

(ii) do not and will not violate any laws of the United States, or any state or other jurisdiction applicable to Holdings or require Holdings to obtain any approval, consent or waiver of, or make any filing with, any person or entity (governmental or otherwise) that has not been obtained or made, which violation would have a material adverse effect on the business or operations of Holdings taken as a whole, except for any actions required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "Hart-Scott-Rodino Act"); and

(iii) do not and will not result in a breach of, constitute a default under, accelerate any obligation under, or give rise to a right of termination of any indenture or loan or credit agreement or any other agreement, contract, instrument, mortgage, deed of trust, lien, lease, permit, authorization, order, writ, judgment, injunction, decree, determination or arbitration award, whether written or oral, to which Holdings is a party or by which the property of Holdings is bound or affected, which would have a material adverse effect on the business or operations of Holdings taken as a whole, except for any consents or other actions that might be required as set forth on Schedule 2.5. attached hereto.

(b) This Agreement and the consummation of all transactions contemplated hereby have been approved by the Board of Directors (or other a governing body) of Holdings at duly called and properly held meetings or by unanimous written consents in lieu of such meetings. No other corporate action or approval of Holdings or the holders of any class of Holdings' capital stock or securities, including options, convertible into or exercisable for such capital stock, is required to consummate the transactions contemplated hereby.

2.6. Compliance with Laws. Except as set forth on Schedule 2.6 hereto, Holdings is in compliance with all applicable statutes, ordinances, orders, rules and regulations promulgated by any federal, state, municipal or other governmental authority which apply to the conduct of its business except where failure to so comply would not have a material adverse effect on the business or operations of Holdings, and Holdings has not received written notice of a material violation or an alleged material violation of any such statute, ordinance, order, rule or regulation.

2.7. Advisory and Other Fees. Holdings has neither incurred nor shall become liable for any advisory fee, broker's commission or finder's fee relating to or in

connection with the transactions contemplated by this Agreement, other than (i) an advisory fee payable to Credit Suisse First Boston, and (ii) any advisory fee payable to Olympus Advisory Partners, Inc.

2.8. Taxes. Except as set forth on Schedule 2.8:

(a) (i) All United States federal income Tax Returns of or with respect to Holdings (including, without limitation, all United States federal income Tax Returns with respect to any consolidated group of which Holdings is or has been a member) required by law to be filed have been timely filed and all other Tax Returns of or with respect to Holdings (including without limitation, all other Tax Returns with respect to any consolidated, combined or unitary group of which Holdings is or has been a member) required by applicable federal, foreign, state, local or other law to be filed have been filed (and all such Tax Returns required by any such law to be filed on or before the Closing Date will be filed on or before the Closing Date), and all such Tax Returns are (and, as to Tax Returns not filed as of the date hereof but filed on or before the Closing Date, will be) true and complete;

(ii) Holdings has timely paid or caused to be paid as of the date hereof (and will timely pay or cause to be paid through the Closing Date) all federal, state, local and foreign income taxes, estimated taxes, alternative minimum taxes, excise taxes, sales taxes, use taxes, value-added taxes, gross receipts taxes, franchise taxes, capital stock taxes, employment and payroll related taxes, withholding taxes, stamp taxes, transfer taxes, windfall profit taxes, environmental taxes, property taxes, profits taxes, ad valorem taxes, occupation taxes and all other taxes, and all deficiencies, interest, fines and penalties with respect thereto, or other additions to tax, whether disputed or not (collectively, "Taxes") shown as due on the Tax Returns referred to in Section 2.8(a)(i) and all other Taxes due, or claimed to be due, from Holdings, including by proposed assessment or otherwise by any taxing authority, except for Taxes which are being contested in good faith by proper proceedings with adequate reserves having been taken in accordance with GAAP;

(iii) The charges, accruals and reserves on the books of Holdings in respect of any liability for Taxes based on or measured by net income for any years not finally determined or with respect to which the applicable statute of limitations has not expired are believed to be adequate to satisfy any assessment for such Taxes for such Years; and

(iv) There has not been any audit of any Tax Return filed by or with respect to Holdings, no audit of any Tax Return of or including Holdings is in progress, and Holdings has not been notified in writing by any taxing authority that any audit is contemplated or pending. No extension of time with respect to any date on which a Tax Return was or is to be filed by or with respect to Holdings is in force, and no waiver or agreement by or with respect to

Holdings is in force for the extension of time for the assessment, payment or collection of any Taxes.

(b) Holdings is not a party to, is not bound by and does not have any obligation under, any agreement relating to allocating or sharing the payment of, or liability for, Taxes, except for the Tax Sharing Agreement dated as of December 5, 1997 and amended and restated as of November 18, 1998, by and among Holdings, Healthcare and Medical Express.

(c) With respect to any period for which Tax Returns have not yet been filed, or with respect to which Taxes are not yet due or owing, Holdings has made due and sufficient current accruals for such Taxes in accordance with GAAP. Holdings has made all required estimated Tax payments sufficient to avoid any underpayment penalties. No closing agreement pursuant to section 7121 of the Internal Revenue Code of 1986, as amended (the "Code") or any predecessor provision or any similar provision of any state, local or foreign law has been entered into by or with respect to Holdings. No assessment of Tax is proposed in writing against Holdings or any of its properties or assets. No consent to the application of section 341(f)(2) of the Code or any predecessor provision has been made or filed by or with respect to Holdings or with respect to any of its properties or assets. Holdings has not agreed to and is not required to make any adjustment for any period after the Closing Date pursuant to section 481(a) of the Code or any predecessor provision by reason of any change in any accounting method, there is no application pending with any taxing authority requesting permission for any such change in any accounting method of Holdings and the Internal Revenue Service has not proposed any such adjustment or change in accounting method. Holdings has not been and is not in violation (or with notice or lapse of time or both, would not be in violation) of any applicable law relating to the payment or withholding of Taxes, the result of which violation has or may reasonably be expected to have a material adverse effect on the business or operations of Holdings taken as a whole. Holdings has duly and timely withheld from employee salaries, wages and other compensation and paid over to the appropriate taxing authorities all material amounts required to be so withheld and paid over for all periods under all applicable laws. There is no contract, agreement, plan or arrangement covering any person that, individually or collectively, to the knowledge of Holdings gives rise to the payment of any amount that would not be deductible by Holdings by reason of section 280G of the Code.

(d) Holdings and all of the shareholders of Healthcare properly prepared and executed and timely filed a valid election under section 338(h)(10) of the Code (and all comparable elections under all applicable state, local and foreign laws, or where such election was unavailable under such applicable laws, all elections comparable to section 338(g) of the Code under all applicable state, local and foreign laws) (the "Section 338 Elections") with respect to the acquisition of certain of the shares of capital stock of Healthcare by Holdings. The Companies and all of the shareholders of Medical Express properly prepared and executed and timely filed the Section 338 Elections with respect to the acquisition of all of the shares of capital stock of Medical Express by the Companies. The allocation of the "modified aggregate deemed sale price" (or the "aggregate deemed sale price," if applicable, or any deemed sale price comparable to the

"modified aggregate deemed sale price" or the "aggregate deemed sale price" required to be allocated under state, local or foreign laws) (the "Price Allocation") with respect to the acquisition of each of Healthcare and Medical Express by the Companies was made in accordance with section 338 of the Code, the Treasury regulations promulgated thereunder and analogous provisions of state, local and foreign tax laws and all Tax Returns filed by or with respect to Holdings and Healthcare for all taxable periods to which the Price Allocation applies have been prepared and filed in conformity with such Price Allocation.

(e) For purposes of this Agreement, "Tax Returns" means any return, report, information return or other document (including schedules or any related or supporting information) filed or required to be filed with any governmental entity or other authority in connection with the determination, assessment or collection of any Tax or the administration of any laws, regulations or administrative requirements relating to any Tax.

2.9. Corporate Records. The corporate record books of Holdings completely and accurately record all material corporate action taken by their respective stockholders and boards of directors and committees thereof. The copies of the corporate records of Holdings, as delivered or furnished by Holdings to Buyer, are true and complete copies of the originals of such documents.

2.10. Business of Holdings; Litigation. Holdings has no business other than its ownership of the capital shares of Healthcare. There is no material litigation or governmental or administrative proceeding or investigation pending or, to the knowledge of Holdings, overtly threatened against Holdings.

2.11. Financial Statements.

(a) Holdings has delivered to Buyer the following financial statements, attached as Schedule 2.11 hereto:

(i) Audited consolidated balance sheets of Holdings with respect to the fiscal year ended December 31, 1998 and the period November 10, 1997 (date of incorporation) to December 31, 1997 and audited consolidated statements of income, retained earnings and cash flows for the periods then ended, with all required footnotes (the "Holdings Audited Financial Statements"); and

(ii) An unaudited consolidated balance sheet of Holdings as of June 30, 1999 and statements of income, retained earnings and cash flows for the six (6) months then ended, certified by Holdings' chief financial officer or an officer serving in a similar capacity, as the case may be, (collectively, the "Holdings Unaudited Financial Statements").

(b) The Holdings Audited Financial Statements have been prepared in accordance with GAAP applied consistently during the periods covered thereby, are complete and correct in all material

respects and present fairly in all material respects the financial condition of Holdings at the dates of said statements and the results of its operations and cash flows for the periods covered thereby. The Holdings Unaudited Financial Statements have been prepared in accordance with GAAP applied consistently during the periods covered thereby with the exception of changes required by changes in GAAP as set forth on Schedule 2.11, present fairly in all material respects the financial condition of Holdings at the dates of said statements and the results of its operations and cash flows for the periods covered thereby except that they do not contain the materials and disclosures to be found in notes to financial statements prepared in accordance with GAAP nor do they reflect year-end adjustments.

2.12. Transactions with Affiliates. Except as set forth on Schedule 2.12 or as disclosed in the Holdings Audited Financial Statements, there have been no transactions, contracts, understanding or agreements of any kind between Holdings and any person who is an affiliate of Holdings. All transactions of Holdings with any current or past affiliates were made on an arm's-length basis and on commercially reasonable terms.

Section 3. REPRESENTATIONS AND WARRANTIES OF HEALTHCARE.

3.1. Making of Representations and Warranties. As a material inducement to Buyer to enter into this Agreement and consummate the transactions contemplated hereby, Healthcare hereby makes to Buyer the representations and warranties contained in this Section 3. For purposes of this Section 3, except Sections 3.2 through 3.5 and Section 3.7(a), Healthcare shall include its subsidiary Medical Express, Inc., a Colorado corporation ("Medical Express"). For purposes of the representations and warranties made hereunder, material disclosed on any Schedule hereto shall be treated as disclosed on all Schedules to the extent the content of the disclosure makes it clear such disclosure should be included on such other Schedules.

3.2. Organization and Qualification. Healthcare is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. Medical Express is a corporation duly organized, validly existing and in good standing under the laws of the State of Colorado. Each of Healthcare and Medical Express has full corporate power and authority to own or lease its properties and to conduct its business in the manner and in the places where such properties are owned or leased and where such business is currently conducted or proposed to be conducted. The copies of each of Healthcare's and Medical Express's certificate of incorporation and by-laws, each as amended to date and each heretofore delivered to Buyer's counsel, are complete and correct, and no amendments thereto are pending. Each of Healthcare and Medical Express is duly licensed and qualified to do business and in good standing in each jurisdiction in which the properties owned or leased by it or the operation of its business makes such licensing or qualification to do business necessary, except where the failure to be so licensed or qualified would not have a material adverse effect on Healthcare and its subsidiaries taken as a whole.

3.3. Subsidiaries; Securities Owned. Healthcare has no subsidiaries except Medical Express and Healthcare and Medical Express do not own any securities

issued by any other business organization or governmental authority except U.S. Government securities, bank certificates of deposit and money market accounts acquired as short-term investments in the ordinary course of business, except as set forth on Schedule 3.3 hereto. Medical Express is a wholly owned subsidiary of Healthcare. Medical Express has no subsidiaries.

3.4. Capitalization.

(a) Oil the date hereof, the total authorized capital stock of Healthcare consists of 2,500,000 shares of common stock, $0.01 par value per share, of which 34,714 shares are issued and outstanding, all of which are fully paid and non-assessable. Schedule 3.4 contains a true, correct and complete listing of the stockholders of Healthcare at the date hereof, together with the number of shares of common stock of Healthcare owned by each such stockholder. Except for the transactions contemplated by the Share Exchange, there are no outstanding subscriptions, options, warrants, commitments, preemptive rights, agreements, arrangements or commitments of any kind for or relating to the issuance, sale, registration or voting of, or outstanding securities convertible into or exchangeable for, any shares of capital stock of any class, or other equity interests of Healthcare or Medical Express other than those listed on Schedule 3.4.

(b) Prior to the consummation of the Share Exchange, each Seller owns beneficially and of record the number of shares of common stock of Healthcare set forth opposite such Seller's name on Schedule 3.4 hereto, free and clear of all pledges, liens, encumbrances or other claims or char es. Following the Share Exchange, the total authorized capital stock of Healthcare will consist of 2,500,000 shares of common stock, $0.01 par value per share, of which 34,714 shares will be issued and outstanding, all of which will be fully paid and non-assessable and Healthcare will be a wholly owned subsidiary of Holdings.

3.5. Authority of Healthcare.

(a) Healthcare has full right, power and authority to enter into this Agreement and each agreement, document and instrument to be executed and delivered by it pursuant to or as contemplated by this Agreement and to carry out the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the performance of Healthcare's obligations hereunder have been duly authorized by all necessary action of Healthcare and its stockholders and board of directors. This Agreement and each agreement, document and instrument to be executed and delivered by Healthcare pursuant to this Agreement constitute, or will when executed and delivered constitute, valid and binding obligations of Healthcare, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding, at law or in equity). The execution, delivery, and performance by Healthcare of this Agreement and each such agreement, document and instrument contemplated by this Agreement to which it is a party:

(i) do not and will not violate any provision of the certificate of incorporation or by-laws of Healthcare;

(ii) do not and will not violate any laws of the United States, or any state or other jurisdiction applicable to Healthcare or Medical Express or require Healthcare or Medical Express to obtain any approval, consent or waiver of, or make any filing with, any person or entity (governmental or otherwise) that has not been obtained or made, which violation would have a material adverse effect on the business or operations of Healthcare taken as a whole, except for any actions required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "Hart-Scott-Rodino Act"); and

(iii) do not and will not result in a breach of, constitute a default under, accelerate any obligation under, or give rise to a right of termination of any indenture or loan or credit agreement or any other agreement, contract, instrument, mortgage, deed of trust, lien, lease, permit, authorization, order, writ, judgment, injunction, decree, determination or arbitration award, whether written or oral, to which Healthcare or Medical Express is a party or by which the property of Healthcare or Medical Express is bound or affected, which would have material adverse effect on the business or operations of Healthcare taken as a whole, except for any consents or other actions that might be required as set forth on Schedule 3.5 attached hereto.

(b) This Agreement and the consummation of all transactions contemplated hereby have been approved by the Board of Directors (or other governing body) of Healthcare at duly called and properly held meetings or by unanimous written consents in lieu of such meetings. No other corporate action or approval of Healthcare or the holders of any class of Healthcare's capital stock or securities, including options, convertible into or exercisable for such capital stock, is required to consummate the transactions contemplated hereby.

3.6. Real Properties.

(a) Schedule 3.6 hereto describes all material real properties owned of record or beneficially by Healthcare (individually, a "Real Property" and collectively, the "Real Properties"). Except as set forth in Schedule 3.6, Healthcare has good and marketable title to its Real Properties, free and clear of all liens, leases, encumbrances, claims under bailment and storage agreements, equities, conditional sales contracts, encroachments, conditions, limitations, security interests, charges and restrictions (collectively, "Liens"), except for (i) Liens, if any, for real property taxes not yet due and payable, (ii) Liens identified in Schedule 3.6 attached hereto and (iii) Liens which do not materially detract from the value, or interfere with the present or intended use, of the property subject thereto.

(b) Schedule 3.6 hereto sets forth each lease or other agreement under which Healthcare leases or has rights in any real property (the "Real Property Leases" and, each individually, a "Real Property Lease"). True and complete copies of

the Real Property Leases have been delivered to Buyer by Healthcare. Except as set forth in Schedule 3.6, there are no amendments or modifications to any of the Real Property Leases. Except as set forth in Schedule 3.6 attached hereto, Healthcare has a valid and subsisting leasehold interest in all the real property which is the subject of each of the respective Real Property Leases set forth below Healthcare's name in Schedule 3.6 attached hereto (individually a "Leased Property" and collectively, the "Leased Properties"), free and clear of all Liens, except for (i) Liens, if any, for real property taxes not yet due and payable, (ii) Liens identified in Schedule 3.6 attached hereto and (iii) Liens which do not materially detract from the value, or interfere with the present or intended use of the property subject thereto.

(c) None of such Real Properties or Leased Properties are subject to any pending condemnation or similar proceeding by any governmental authority, and to the knowledge of Healthcare, no such condemnation is threatened. To the knowledge of Healthcare, no material permit, license or certificate of occupancy pertaining to the ownership or operation of any of such Real Properties or pertaining to the leasing or operation of such Leased Properties, other than those which are transferable with such properties, is required by any governmental body or agency.

3.7. Financial Statements.

(a) Healthcare has delivered to Buyer the following financial statements, attached as Schedule 3.7 hereto:

(i) Audited consolidated balance sheets of Healthcare and its subsidiary with respect to the fiscal years ended December 31, 1997 and 1998 and audited statements of income, retained earnings and cash flows for the periods then ended, with all required footnotes (the "Healthcare Audited Financial Statements"); and

(ii) An unaudited consolidated balance sheet of Healthcare and its subsidiary as of June 30, 1999 (the "Healthcare Base Balance Sheet") and statement of income, retained earnings and cash flows for the six (6) months then ended, certified by Healthcare's chief financial officer or an officer serving in a similar capacity, as the case may be (collectively, the "Healthcare Unaudited Financial Statements").

The Healthcare Audited Financial Statements have been prepared in accordance with GAAP applied consistently during the periods covered thereby, are complete and correct in all material respects and present fairly in all material respects the financial condition of Healthcare and its subsidiary at the dates of said statements and the results of its operations and cash flows for the periods covered thereby. The Healthcare Unaudited Financial Statements have been prepared in accordance with GAAP applied consistently during the periods covered thereby with the exception of changes required by changes in GAAP as set forth on Schedule 3.7, present fairly in all material respects the financial condition of Healthcare and its subsidiary at the dates of said statements and the results of its operations and cash flows for the periods covered thereby except that they do not

contain the materials and disclosures to be found in notes to financial statements prepared in accordance with GAAP nor do they reflect year-end adjustments.

(b) As of the date of the Healthcare Base Balance Sheet, except as set forth on Schedule 3.7(b) attached hereto, Healthcare has not had any material liabilities of any nature, whether accrued, absolute, contingent or otherwise, except liabilities stated or adequately reserved against on the Healthcare Base Balance Sheet or reflected in Schedules (including the Healthcare Audited Financial Statements) furnished to Buyer hereunder as of the date hereof and except for any liabilities not required under GAAP, applied consistently with the past practice, to be disclosed as a liability on a balance sheet of Healthcare or in the footnotes thereto.

3.8. Absence of Certain Changes.

(a) Except as disclosed on Schedule 3.8 hereto or any other Schedule attached hereto or as contemplated by this Agreement, since June 30, 1999:

(i) There has not been any material change in the properties, assets, liabilities, business, operations, condition (financial or other) or prospects of Healthcare which change by itself or in conjunction with all other such changes, whether or not arising in the ordinary Course of business, has been materially adverse with respect to Healthcare; and

(ii) Healthcare has complied with the covenants and restrictions set forth in Section 5.2 to the same extent as if this Agreement had been executed on, and had been in effect since, June 30, 1999.

3.9. Ordinary Course. Since the date of the Base Balance Sheet, except as set forth in Schedule 3.9 hereto, Healthcare has conducted its business only in the ordinary course and consistently with its prior practices.

3.10. Tangible Personal Property. Except as set forth in Schedule 3.10 hereto, (a) Healthcare has good title to all of the items of tangible personal property used in its operations; (b) all such tangible personal property is reflected on the Unaudited Financial Statements, except as sold or disposed of subsequent to the date thereof in the ordinary course of business consistent with past practices; and (c) all such tangible personal property is owned free and clear of all Liens, except for (i) Liens identified in Schedule 3.10 hereto, (ii) Liens which, in the aggregate, do not materially detract from the value, or interfere with the present or intended use, of Healthcare's aggregate tangible personal property and (iii) Liens for taxes not yet due and payable. The tangible personal property of Healthcare is in good repair and working order, reasonable wear and tear excepted.

3.11. Intellectual Property. Schedule 3.11 sets forth all patents, patent licenses, trademarks, service marks, trade names, copyrights, franchises, all applications for any of the foregoing, and all permits, grants and licenses or other rights running to or from Healthcare relating to any of the foregoing which are owned by Healthcare or used in the business of Healthcare. Healthcare owns, possesses or licenses adequate patents,

patent licenses, trademarks, service marks, copyrights, franchises and trade names necessary to carry on its business as presently conducted. Except as set forth on Schedule 3.11, Healthcare has not received any written notice of infringement of or conflict with asserted rights of others with respect to any inventions, processes, know-how, formulas, trade secrets, patents, trademarks, trade names, brand names and copyrights that are owned or used by, or licensed to, Healthcare. To the knowledge of Healthcare, except as set forth on Schedule 3.11, Healthcare is not infringing nor has infringed any patent, trademark, service mark, trade name, copyright or franchise rights of any third person or is using or has used without authorization any trade secret process or confidential information of any third party.

3.12. Trade Secrets and Customer Lists. Healthcare has the right to use in the ordinary course of its business as presently conducted all trade secrets, inventions, customer lists and manufacturing and secret processes required for or incident to the manufacture or marketing of all products presently sold, manufactured, licensed, under development or produced by Healthcare, including products licensed from others. Any payments required to be made by Healthcare for the use of such trade secrets, inventions, customer lists and manufacturing and secret processes are described on Schedule 3.12 hereto.

3.13. Contract. Except for contracts, commitments, plans, agreements and licenses listed on Schedule 3.13 hereto (true and complete copies of which have been made available to Buyer), Healthcare is not a party to or subject to:

(a) except for bonuses paid to recruiters and travelers in the ordinary course of business, any plan or contract providing for bonuses, pensions, options, stock purchases, deferred compensation, retirement payments, profit sharing, collective bargaining, or the like or any contract or agreement with any labor union;

(b) any employment contract or contract for services which requires the payment of more than $75,000 annually in total compensation or which is not terminable 30 days by Healthcare without liability for any penalty or severance payment;

(c) any contract or agreement for the purchase of any commodity, material or equipment in excess of $100,000 except purchase orders in the ordinary course of business;

(d) any other contracts or agreements creating any obligation of Healthcare of $100,000 or more with respect to any such contract;

(e) any contract or agreement providing, for the purchase of all or substantially all of its requirements of a particular product from a supplier;

(f) any contract or agreement which by its terms does not terminate or is not terminable by Healthcare or any successor or assign within twelve months after the date hereof without payment of a penalty of $25,000 or more;

(g) any material contract or agreement for the sale or lease of its products not made in the ordinary course of business;

(h) any contract containing covenants materially limiting the freedom of Healthcare to compete in any line of business or with any person or entity;

(i) any contract or agreement for the purchase of any fixed asset for a price in excess of $150,000 whether or not such purchase is in the ordinary course of business;

(j) any material license agreement (as licensor or licensee);

(k) any contract or agreement with any officer, director, partner or stockholder of Holdings or Healthcare or with any persons or organizations controlled by or affiliated with any of them which will survive the Closing; or

(l) any partnership, joint venture or other similar contract, arrangement or agreement.

All material contracts, agreements, leases and instruments to which Healthcare is a party or by which Healthcare is obligated, including all those listed on Schedule 3.13, are valid and are in full force and effect and constitute legal, valid and binding obligations of Healthcare and, to the Healthcare's knowledge, the other parties thereto, and are enforceable against Healthcare in accordance with their respective terms. Healthcare is not in default in complying with any material provisions thereof, and no condition or event or facts exist which, with notice, lapse of time or both would constitute a default thereof on the part of Healthcare which default would have a material adverse effect on the business or operations of Healthcare. To the knowledge of Healthcare, no oilier party is in default in complying with any material provisions thereof, and no condition or event or facts exist which, with notice, lapse of time or both, constitute a default thereof on the part of such party, which default would have a material adverse effect on the business or operations of Healthcare. Since January 1, 1999, none of the twenty (20) largest customers of Healthcare (by sales) in 1999 have terminated or discontinued their business with Healthcare nor to the knowledge of Healthcare advised Healthcare of any intent to terminate or discontinue such business.

3.14. Litigation. Schedule 3.14 hereto lists all currently pending material litigation and governmental or administrative proceedings or investigations to which Healthcare is a party, including the forum, names of parties and type and amount of relief sought. Except for matters described on Schedule 3.14 hereto, there is no material litigation or governmental or administrative proceeding or investigation pending or, to the knowledge of Healthcare, overtly threatened against Healthcare.

3.15. Compliance with Laws. Except as set forth on Schedule 3.15 hereto, Healthcare is in compliance with all applicable statutes, ordinances, orders, rules and regulations promulgated by any federal, state, municipal or oilier governmental authority which apply to the conduct of its business except where failure to so comply

would not have a material adverse effect on the business or operations of Healthcare, and Healthcare has not received written notice of a material violation or an alleged material violation of any such statute, ordinance, order, rule or regulation.

3.16. Insurance. Schedule 3.16 hereto is a complete and correct list (including the name of the carrier, summary description of coverage, premium, deductible and expiration date) of all policies of insurance or fidelity bonds maintained by Healthcare. Such policies are in full force and effect, and to Healthcare's knowledge, Healthcare is not in material default with respect to its obligations under any such policies.

3.17. Advisory and Other Fees. Healthcare has neither incurred nor shall become liable for any advisory fee, broker's commission or finder's fee relating to or in connection with the transactions contemplated by this Agreement, other than (i) an advisory fee payable to Credit Suisse First Boston, and (ii) any advisory fee payable to Olympus Advisory Partners, Inc.

3.18. Permits. Healthcare has obtained all material permits, registrations, licenses, franchises, certifications and other approvals (collectively, the "Approvals") from federal, state or local authorities necessary for the conduct of its business as presently conducted, and all such Approvals are valid and in full force and effect, except as disclosed on Schedule 3.18 hereto, and none of such Approvals is subject to termination by its terms as a result of the execution of this Agreement by Healthcare, and no further material Approvals will be required in order to continue to conduct the business currently conducted by Healthcare subsequent to the Closing. Except as disclosed on Schedule 3.18 hereto or in any other Schedule hereto, Healthcare is not subject to or bound by any agreement, judgment, decree or order which may materially and adversely affect its properties, assets, prospects, financial condition or business.

3.19. Corporate Records. The corporate record books of Healthcare completely and accurately record all material corporate action taken by their respective stockholders and boards of directors and committees thereof. The copies of the corporate records of Healthcare, as delivered or furnished by Healthcare to Buyer, are true and complete copies of the originals of such documents.

3.20. Employee Benefit Plans. All "employee benefit plans," as defined by Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), including any employment or consulting agreements, stock option plans, nonqualified deferred compensation or retirement plans (the "Plans") maintained by Healthcare, or to which Healthcare is obligated or could be obligated to contribute, are listed in Schedule 3.20 hereto and are payable on the terms described in such Plans. Except as set forth in Schedule 3.20: (a) all such Plans have been made available to Buyer; (b) all such Plans have been maintained, funded and administered in compliance in all material respects with all applicable laws, including without limitation, ERISA and the Code; (c) no such Plan, or any trustee or administrator thereof nor any employee or any "fiduciary" has, to the knowledge of Healthcare, engaged in any material breach of

fiduciary responsibility or any "prohibited transaction" (as such term is defined in Section 406 of ERISA or Section 4975 of the Code) to which Section 406 of ERISA or Section 4975 of the Code applies and which could subject any such Plan or trustee or administration thereof, or any party dealing with any such Plan, to the tax or penalty on prohibited transactions imposed by Section 4975 of the Code; (d) no Plan is or has within the last six years been subject to the minimum funding requirements of Section 412 of the Code or Title IV of ERISA; (e) Healthcare has no obligation to contribute to any "multiemployer plan" within the meaning of Section 3(37) of ERISA; no suit, action, or other litigation has been brought against or with respect to any Plan listed on Schedule 3.20; (g) each Plan intended to qualify under Section 401 of the Code has received a favorable determination letter from the Internal Revenue Service that such Plan is a "qualified plan" under Section 401(a) of the Code, the related trusts are exempt from tax under Section 501 (a) of the Code, and Healthcare is not aware of any facts or circumstances that would jeopardize the qualification of such Plan; (h) with respect to the Plans, all required contributions have been made or properly accrued on Healthcare's financial statements; (i) Healthcare has no liability under any Plan, or otherwise, to provide medical or death benefits with respect to current or former employees of Healthcare beyond their termination of employment (other than coverage mandated by law), and there are no reserve assets, surplus or prepaid premiums under any such Plan; (j) except as set forth on Schedule 3.20, the consummation of the transactions contemplated by this Agreement will not (x) except as contemplated by Section 5.9, accelerate the time of the payment or vesting of, or increase the amount of, compensation due to any employee or former employee, (y) reasonably be expected to result in any "excess parachute payment" under Section 280G of the Code or (z) other than pursuant to the Plans listed on Schedule 3.20 or pursuant to actions taken by Buyer, result in any liability to any present or former employee, including, but not limited to, as a result of the Worker Adjustment Retraining and Notification Act; and (k) Healthcare has no liability, whether absolute or contingent, direct or indirect, including any obligations under any Plan, with respect to any misclassification of any nurse as an independent contractor or leased employee rather than as an employee.

3.21. Employees; Labor Matters. Healthcare is not delinquent in any material payments to any of its employees for any wages, salaries, commissions, bonuses, severance, termination pay or other direct compensation for any services performed for it to the date hereof or amounts required to be reimbursed to Such employees. Except as set forth on Schedule 3.21 hereto, Healthcare has no policy, practice, plan or program of paying severance pay or any form of severance compensation in connection with the termination of employment. Healthcare is in compliance with all material applicable laws and regulations respecting labor, employment, fair employment practices, terms and conditions of employment, and wages and hours. Except as set forth on Schedule 3.21, no material charges of employment discrimination or unfair labor practices have been brought against Healthcare, nor are there any strikes, slowdowns, stoppages of work, or any other concerted interference with normal operations existing, pending, or, to Healthcare's knowledge, threatened against or involving, Healthcare, which would have a material adverse effect on the business or operations of Healthcare taken as a whole. Except as set forth on Schedule 3.21 attached hereto, Healthcare has not received notice of any impending, strikes, slowdowns, concerted interference with normal operations or

union organization activities. Except as set forth on Schedule 3.21 hereto, there are no grievances, complaints or charges that have been filed against Healthcare under any dispute resolution procedure (including, but not limited to, any proceedings under any dispute resolution procedure under any collective bargaining agreement) that have not been dismissed. Except as set forth on Schedule 3.21 hereto, no collective bargaining, agreements are in effect or are currently being or are about to be negotiated by Healthcare. Healthcare has not received notice of pending or threatened changes with respect to (including, without limitation, resignation of) the senior management or key supervisory personnel of Healthcare.

3.22. Environmental Matters.

(a) For the purposes of this Section 3.22, the following terms shall have the following meanings:

"Environmental Law" shall mean any environmental or public health and safety-related law, regulation, rule, ordinance, or by-law at the federal, state, or local level, whether existing as of the date hereof, previously enforced, or subsequently enacted.

"Hazardous Material" shall mean any hazardous waste or hazardous substance, as defined in or pursuant to the Resource Conservation and Recovery Act, as amended, or the Comprehensive Environmental Response, Compensation, and Liability Act, as amended.

(b) To the knowledge of Healthcare, Healthcare is presently in material compliance with all Environmental Laws applicable to its Real Properties and Leased Properties or to any facilities or improvements or any operations or activities thereon including the disposal of any Hazardous Material stored or used by Healthcare.

3.23. Existing Indebtedness. As of the date of this Agreement and as of the close of business on the day prior to the Closing Date, (i) all indebtedness of or any obligation of Healthcare or Holdings for borrowed money, whether current, short-term, or long-term, secured or unsecured, (ii) all indebtedness of Healthcare or Holdings for the deferred purchase price for purchases of property outside the ordinary course which is not evidenced by trade payables, (iii) all lease obligations of Healthcare under leases which are capital leases in accordance with GAAP, (iv) all off-balance sheet financings of Healthcare or Holdings including, without limitation, synthetic leases and project financing, (v) any payment obligations of Healthcare or Holdings in respect of banker's acceptances or letters of credit (other than stand credit in support of ordinary course trade payables), (vi) any liability of Healthcare or Holdings with respect to interest rate swaps, collars, caps and similar hedging obligations, (vii) any present, future or contingent obligations of Healthcare or Holdings under (A) any phantom stock or equity appreciation rights, plan or agreement, (B) any consulting, deferred pay-out or earn-out arrangements in connection with the purchase of an), business or entity, (C) any non-competition agreement, (viii) an amount equal to the Sellers' Expenses, if any, paid by Healthcare or Holdings at or after the Closing, (ix) the obligations listed Schedule 3.23,

and (x) any accrued and unpaid interest or any contractual prepayment premiums, penalties or similar contractual charges resulting from the transactions contemplated hereby or the discharge of such obligations with respect to any of the foregoing, is listed on Schedule 3.23 hereto (collectively, but without duplication, the "Existing Indebtedness"). Healthcare shall supplement Schedule 3.23 to the extent necessary to set forth amounts which are to be included in Existing Indebtedness as of the close of business on the day prior to the Closing Date, and, as supplemented, Schedule 3.23 will, as of the close of business on the day prior to the Closing Date, list all Existing Indebtedness and the amounts thereof as of the close of business on the day prior to the Closing Date.

3.24. Taxes. Except as set forth on Schedule 3.24:

(a) (i) All United States federal income Tax Returns of or with respect to Healthcare (including, without limitation, all United States federal income Tax Returns with respect to any consolidated group of which Healthcare is or has been a member) required by law to be filed have been timely filed and all other Tax Returns of or with respect to Healthcare (including, without limitation, all other Tax Returns with respect to any consolidated, combined or unitary group of which Healthcare is or has been a member) required by applicable federal, foreign, state, local or other law to be filed have been filed (and all such Tax Returns required by any such law to be filed on or before the Closing Date will be filed on or before the Closing Date), and all such Tax Returns are (and, as to Tax Returns not filed as of the date hereof but filed on or before the Closing Date, will be) true and complete;

(ii) Healthcare has timely paid or caused to be paid as of the date hereof (and will timely pay or cause to be paid through the Closing Date) all Taxes shown as due on the Tax Returns referred to in Section 3.24(a)(i) and all other Taxes due, or claimed to be due, from Healthcare, including by proposed assessment or otherwise by any taxing authority, except for Taxes which are being contested in good faith by proper proceedings with adequate reserves having been taken in accordance with GAAP;

(iii) The charges, accruals and reserves on the books of Healthcare in respect of any liability for Taxes based on or measured by net income for any years not finally determined or with respect to which the applicable statute of limitations has not expired are believed to be adequate to satisfy any assessment for such Taxes for such years; and

(iv) There has not been any audit of any Tax Return filed by or with respect to Healthcare, no audit of any Tax Return of or including Healthcare is in progress, and Healthcare has not been notified in writing by any taxing authority that any audit is contemplated or pending. No extension of time with respect to any date on which a Tax Return was or is to be filed by or with respect to Healthcare, is in force, and no waiver or agreement by or with respect

to Healthcare is in force for the extension of time for the assessment, payment or collection of any Taxes.

(b) Healthcare is not a party to, is not bound by and does not have any obligation under, any agreement relating to allocating or sharing the payment of, or liability for, Taxes, except for the Tax Sharing Agreement dated as of December 5, 1997 and amended and restated as of November 18, 1998, by and among Holdings, Healthcare and Medical Express.

(c) With respect to any period for which Tax Returns have not yet been filed, or with respect to which Taxes are not yet due or owing, Healthcare has made due and sufficient current accruals for such Taxes in accordance with GAAP. Healthcare has made all required estimated Tax payments sufficient to avoid any underpayment penalties. No closing agreement pursuant to section 7121 of the Code or any predecessor provision or any similar provision of any state, local or foreign law has been entered into by or with respect to Healthcare. No assessment of Tax is proposed in writing against Healthcare or any of its properties or assets. No consent to the application of section 341(f)(2) of the Code or any predecessor provision has been made or filed by or with respect to Healthcare or with respect to any of its properties or assets. Healthcare has not agreed to and is not required to make any adjustment for any period after the Closing Date pursuant to section 481(a) of the Code or any predecessor provision by reason of any change in any accounting method, there is no application pending with any taxing authority requesting permission for any such change in any accounting method of Healthcare and the Internal Revenue Service has not proposed any such adjustment or change in accounting method. Healthcare has not been and is not in violation (or with notice or lapse of time or both, would not be in violation) of any applicable law relating to the payment or withholding of Taxes, the result of which violation has or may reasonably be expected to have a material adverse effect on the business or operations of Healthcare taken as a whole. Healthcare has duly and timely withheld from employee salaries, wages and other compensation and paid over to the appropriate taxing authorities all material amounts required to be so withheld and paid over for all periods under all applicable laws. There is no contract, agreement, plan or arrangement covering any person that, individually or collectively, to the knowledge of Healthcare gives rise to the payment of any amount that would not be deductible by Healthcare by reason of section 280G of the Code.

(d) Holdings and all of the shareholders of Healthcare properly prepared and executed and timely filed the Section 338 Elections with respect to the acquisition of certain of the shares of capital stock of Healthcare by Holdings. The Companies and all of the shareholders of Medical Express properly prepared and executed and timely filed the Section 338 Elections with respect to the acquisition of all of the shares of capital stock of Medical Express by the Companies. Each of Healthcare and Medical Express was properly treated as a subchapter S corporation for federal and applicable state and local tax purposes for all taxable periods through the date of acquisition of certain or all, as the case may be, of the shares of capital stock of each such corporation by the Companies. The Price Allocation with respect to the acquisition of each of Healthcare and Medical Express by the Companies was made in accordance with

section 338 of the Code, the Treasury regulations promulgated thereunder and analogous provisions of state, local and foreign tax laws and all Tax Returns filed by or with respect to Holdings and Healthcare for all taxable periods to which the Price Allocation applies have been prepared and filed in conformity with such Price Allocation.

3.25. Transactions with Affiliates. Except as set forth on Schedule 3.25 or as disclosed in the Audited Financial Statements, there have been no transactions, contracts, understanding or agreements of any kind between Healthcare and any person who is an affiliate of Healthcare. All transactions of Healthcare with any Current or past affiliates were made on an arm's-length basis and on commercially reasonable terms.

3.26. Year 2000 Compliance. Healthcare (i) has initiated a review and assessment of all areas within the business and operations of Healthcare and its subsidiaries that it reasonably believes could be materially adversely affected by the risk that computer applications used by Healthcare may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999 (the "Year 2000 Problem"), (ii) has implemented steps for addressing the Year 2000 Problem on a timely basis, (iii) reasonably believes that all computer applications used by Healthcare that are material to its business and operations will on a timely basis be able to perform properly date-sensitive functions for all dates before and after January 1, 2000 (that is, be "Year 2000 Compliant"), and (iv) is undertaking actions necessary, in accordance in all material respects with all applicable laws and regulations, towards the resolution of the Year 2000 Problem and to be Year 2000 Compliant; provided that, no representation is made with respect to such computer applications used by Healthcare, the failure of which to be Year 2000 Compliant, would not, individually or in the aggregate, result in a material adverse effect on the operations or condition of Healthcare.

Section 4. REPRESENTATIONS AND WARRANTIES OF THE SELLERS.

Each of the Sellers represents and warrants (severally and not jointly and severally) to Buyer as follows:

4.1. Authority of Seller.

(a) Such Seller has, as the case may be, (a) the legal capacity or (b) the full right, power and authority to enter into this Agreement and each agreement, document and instrument to be executed and delivered by it pursuant to or as contemplated by this Agreement and to carry out the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the performance of such Seller's obligations hereunder have, if applicable, been duly authorized by all necessary action of such Seller and its stockholders and board of directors (or trustees) or similar governing body. This Agreement and each agreement, document and instrument to be executed and delivered by such Seller pursuant to this Agreement constitute, or will when executed and delivered constitute, valid and binding obligations of such Seller, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights

generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). The execution, delivery, and performance by such Seller of this Agreement and each such agreement, document and instrument contemplated by this Agreement to which it is a party:

(i) do not and will not, if applicable, violate any provision of the certificate of incorporation or by-laws or trust agreement of, or similar instrument of organization of such Seller;

(ii) do not and will not violate any laws of the United States, or any state or other jurisdiction applicable to such Seller or require such Seller to obtain any approval, consent or waiver of, or make any filing with, any person or entity (governmental or otherwise) that has not been obtained or made, which violation would have a material adverse effect on the ability of such Seller to perform his obligations under this Agreement or any other agreement, document or instrument to be executed and delivered by Such Seller pursuant to or as contemplated by this Agreement, except for any actions required under the Hart-Scott-Rodino Act; and

(iii) do not and will not result in a breach of, constitute a default under, accelerate any obligation under, or give rise to a right of termination of any indenture or loan or credit agreement or any other agreement, contract, instrument, mortgage, deed of trust, lien, lease, permit, authorization, order, writ, judgment, injunction, decree, determination or arbitration award, whether written or oral, to which such Seller is a party or by which the property of such Seller is bound or affected, which would have a material adverse effect on the ability of such Seller to perform his obligations under this Agreement or any other agreement, document or instrument to be executed and delivered by such Seller pursuant to or as contemplated by this Agreement, except for any consents or other actions that might be required as set forth on Schedule 4.1(a)(iii) attached hereto.

(b) This Agreement and the consummation of all transactions contemplated hereby have, if applicable, been approved by the Board of Directors or the trustees (or other governing body) of such Seller at duly called and properly held meetings or by unanimous written consents in lieu of such meetings.

4.2. Title to Holdings Shares. Such Seller owns beneficially and of record the Holdings Shares and has good and valid title to the Holdings Shares listed next to such Seller's name on Schedule 2.4, free and clear of all pledges, liens, encumbrances or other claims or charges; provided, however, that the Francis Family Trust makes such representation on the Closing Date only and not on the date hereof. As of the date hereof, the Francis Family Trust owns beneficially and of record, 5,980 shares of Common Stock of Healthcare and has good and valid title to such shares, free and clear of all pledges, liens, encumbrances or other claims or charges other than the pledge pursuant to the terms of the Loan Obligations (as defined in Section 9.1(f)). Such Seller has the unrestricted power and authority to transfer the Holdings Shares to Buyer; provided,

however, that the Francis Family Trust makes such representation on the Closing Date only and not on the date hereof. Upon delivery to Buyer of the stock certificates representing such Seller's Shares and payment therefor, Buyer shall acquire good and valid title to such Holdings Shares, free and clear of all pledges, liens, encumbrances or other claims or charges, other than those created by Buyer.

4.3. Litigation. There is no material litigation or governmental or administrative proceeding or investigation pending or, to the knowledge of such Seller, overtly threatened against such Seller that would, if adversely determined, have a material adverse effect on the ability of such Seller to perform his, her or its obligations under this Agreement or any other agreement, document or instrument to be executed and delivered by such Seller pursuant to or as contemplated by this Agreement.

4.4. Compliance with Laws. Such Seller is in compliance with all requirements of law in all respects, except to the extent that the failure to comply with such requirements of law would not have a material adverse effect on the ability of such Seller to perform his, her or its obligations under this Agreement or any other agreement, document or instrument to be executed and delivered by him pursuant to or as contemplated by this Agreement.

Section 5. COVENANTS OF THE COMPANIES AND THE SELLERS.

5.1. Making of Covenants and Agreements. Each Company and the Sellers covenant and agree as set forth in this Section 5.

5.2. Conduct of Business. Except as expressly contemplated by this Agreement, between the date of this Agreement and the Closing Date, the Sellers will cause each Company and Medical Express to do and each Company will, and will cause Medical Express to, do the following, unless Buyer shall otherwise consent in writing:

(a) conduct its business only in the ordinary course consistent with past practice and refrain from changing or introducing any method of management or operations except in the ordinary course of business and on a basis consistent with past practices; provided, that the Companies may purchase directors and officers liability "tail" insurance;

(b) refrain from making any sale or disposition of any material asset or property other than in the ordinary course of business, and from selling any capital asset costing more than $150,000 except as set forth on Schedule 5.2(b) hereto;

(c) refrain from incurring, or modifying any material contingent liability as a guarantor or otherwise with respect to the obligations of others, and from incurring or modifying any other material contingent or fixed obligations or material liabilities, except in the ordinary course of business on a basis consistent with past practices;

(d) except for the Share Exchange and the Stock Split, refrain from making, any change or obligating itself to make any change in (i) its certificate of

incorporation or by-laws, or (ii) its authorized or issued capital stock, or from acquiring any securities issued by any other business organization other than short-term investments in the ordinary course of business, except as set forth on Schedule 5.2(d) hereto;

(e) except for the Share Exchange and the Stock Split, refrain from issuing, granting, awarding, selling, pledging, disposing of or encumbering or authorizing, the issuance, grant, award, sale, pledge, disposition or encumbrance of any shares of, or securities convertible or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of capital stock of any class of Holdings, Healthcare or Medical Express or entering into any agreement or commitment with respect to any of the foregoing, and refrain from declaring or paying any dividends other than in cash or making any distributions other than in cash on the Holdings', Healthcare's or Medical Express' capital stock or other equity securities or redeeming or purchasing any shares of the Holdings', Healthcare's or Medical Express' capital stock or other equity securities other than for cash and except for the cancellation of the options as set forth in Section 5.9 and the termination of the warrants exercisable for common stock of Healthcare held by The Chase Manhattan Bank and the payment of employee bonuses contemplated by Section 11.2(c);

(f) refrain from (i) making any material change in the compensation payable or to become payable to any of its officers, employees or agents, except for scheduled increases in salary or wages in the ordinary course of business consistent with past practices, (ii) granting any material severance or termination pay to, or entering into or materially amending any employment, severance or other agreement or arrangement with, any director, officer or other employee of either Company or Medical Express, or (iii) establishing, adopting or entering into or materially amending any collective bargaining, bonus, incentive, deferred compensation, profit sharing, stock option or purchase, insurance, pension, retirement or other employee benefit plan;

(g) use reasonable commercial efforts to prevent any change with respect to its management and supervisory personnel or banking arrangements;

(h) use reasonable commercial efforts to keep intact its business organization and to preserve the goodwill of and business relationships with all material suppliers, customers and others having business relations with it;

(i) other than using cash to prepay Existing Indebtedness, not undertake any actions outside of the ordinary course of business which would affect its respective cash position, including (i) fail to make capital expenditures substantially in accordance with its ordinary course and customary practice; (ii) fail to pay trade payables or other liabilities in the ordinary course unless they are being disputed in good faith; or (iii) discount or take other actions designed to accelerate the payment of accounts receivable;

(j) use reasonable commercial efforts to have in effect and maintain at all times all insurance of the kind, in the amount and with the insurers set forth on Schedule 3.16 hereto or equivalent insurance;

(k) refrain from changing accounting policies or procedures (including, without limitation, procedures with respect to the payment of accounts payable and collection of accounts receivable);

(l) refrain from entering into any executory agreement, commitment or undertaking to do any of the activities prohibited by the foregoing provisions, unless the effectiveness of such agreement, commitment or undertaking is expressly conditioned on the termination of this Agreement pursuant to its terms;

(m) permit Buyer and its authorized representatives (including, without limitation, Buyer's attorneys, accountants, investment bankers, and pension and environmental consultants) to have full access during normal business hours upon reasonable notice to the Companies to all of its properties, assets, books, records, business files, executive personnel, tax returns, contracts and documents and furnish to Buyer and its authorized representatives such financial and other information with respect to its business or properties as Buyer may from time to time reasonably request, subject to Section 6.3; and

(n) provide monthly financial statements for months ending after June 30, 1999 and provide such financial and other information and documents regarding such Company and Medical Express as Buyer may reasonably request.

5.3. Consents and Approvals. Each Company and each of the Sellers shall use, and shall cause Medical Express to use, reasonable efforts to perform and fulfill all conditions and obligations on their parts to be performed and fulfilled hereunder and to obtain or cause to be obtained prior to the Closing Date all necessary consents and approvals to the performance of their obligations under this Agreement, except where the failure to so obtain would not have a material adverse effect upon the business or operations of such Company or Medical Express, and to obtain or cause to be obtained such other authorizations, waivers, consents and permits as may be necessary to transfer to Buyer and/or to retain in full force and effect subsequent to the Closing Date all permits, licenses, contracts, agreements, insurance policies and franchises applicable to the business of each Company, except where the failure to so obtain or retain (as the case may be) would not have a material adverse effect upon the business or operations of such Company or Medical Express.

5.4. Breach of Representations and Warranties. Promptly upon the occurrence of, or promptly upon either Company or any Seller becoming aware of the impending or threatened occurrence of any event which would constitute a material breach, or would have caused or constituted a material breach had such event occurred or been known prior to the date hereof, of any of the representations and warranties or covenants of such Company or the Sellers contained in or referred to in this Agreement

or in any Schedule hereto, the Company or such Seller shall give detailed written notice thereof to Buyer.

5.5. Acquisition Proposals. Unless and until this Agreement shall have been terminated pursuant to Section 10, neither Company, nor Medical Express or any Seller, director, officer, employee or agent of either Company or Medical Express shall solicit, initiate, or encourage the submission of any proposal or offer from any person relating to any acquisition or purchase of all or substantially all of the assets of, or any equity interest in, either Company or Medical Express, or any recapitalization, business combination, or similar transaction with either Company or Medical Express (any communication with respect to the foregoing being an "Acquisition Proposal"), or participate in any negotiations regarding, or furnish to any other person any information with respect to, or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other person to do or seek any of the foregoing. Each Company and Medical Express will immediately cease all existing activities, discussions and negotiations with any parties conducted heretofore with respect to any Acquisition Proposal. From and after the execution of this Agreement, each Company and Medical Express shall as promptly as practicable, advise Buyer in writing of the receipt, directly or indirectly, of any inquiries, discussions, negotiations, or proposals relating to any Acquisition Proposal (including the specific terms thereof and the identity of the other party or parties involved) and, as promptly as practicable, provide Buyer with a reasonably detailed description of all material terms of any such written proposal.

5.6. No Sales of Capital Stock. Between the date of this Agreement and the Closing and except for the Share Exchange, none of the Sellers nor Holdings or Healthcare, shall sell, exchange, deliver, assign, pledge, encumber, bequeath, gift or otherwise transfer or dispose of any shares of capital stock of Holdings, Healthcare or Medical Express owned beneficially or of record by Such Seller, Holdings or Medical Express, except for any transfer or other disposition by operation of law, nor grant any right of any kind to acquire, dispose of, vote or otherwise control in any manner such shares of capital stock of Holdings, Healthcare or Medical Express; provided, however, that anything herein to the contrary notwithstanding, any transferee, executor, administrator, heir, legal representative, successor or assign of any Seller shall be bound by this Agreement.

5.7. Consummation of Agreement; Cooperation. Each Company and the Sellers shall use their reasonable commercial efforts, in addition to the material performance and fulfillment of all covenants, agreements, conditions and obligations on their parts to be performed and fulfilled under this Agreement, to the end that the transactions contemplated by this Agreement shall be fully carried out as soon as practicable after the date hereof. Whenever in this Agreement the Company or the Sellers are required to use their reasonable commercial efforts, such obligation shall not require them to spend any significant sum of money or to waive any of their rights under this Agreement.

5.8. Hart- Scott-Rodino Act. As soon as practicable after the date of this Agreement, each Company and each Seller agree to make any filings required under the Hart-Scott-Rodino Act. Each Company and each Seller will furnish to the Buyer such necessary information and reasonable assistance as the Buyer may reasonably request in connection with its preparation of any additional necessary filings or submissions to any governmental agency, including, without limitation, any additional filings necessary under the Hart-Scott-Rodino Act. Each Company and each Seller will keep the Buyer informed of the status of any inquiries made of such party by the Federal Trade Commission, the Antitrust Division of the U.S. Department of Justice or any other governmental agency or authority or members of their respective staffs with respect to this Agreement or the transactions contemplated hereby.

5.9. Termination of Healthcare Stock Options. Prior to the Closing Date, Healthcare shall use its reasonable commercial efforts, take such actions as are necessary to terminate all of the options to purchase the capital stock of Healthcare, whether or not exercisable and whether or not vested under the Company's stock option plan. Immediately following the Closing, Healthcare shall pay to the holders of such options as consideration for the termination thereof all aggregate amount of not more than $5,000,000.

5.10. Stockholder Approval of Payments. Each of the Companies and Medical Express shall satisfy the shareholder approval requirements of Section 280G(b)(5)(B) of the Code with respect to all payments to be made to disqualified individuals (within the meaning of Section 280G(c) of the Code) in connection with the transactions contemplated hereby.

5.11. Certain Additional Existing Indebtedness. The Companies and Medical Express shall not incur any additional Existing Indebtedness between the close of business on the day prior to the Closing Date and the Closing other than interest and penalties with respect to Existing Indebtedness that is paid on the Closing Date.

Section 6. REPRESENTATIONS AND WARRANTIES OF BUYER.

Buyer hereby represents and warrants to the Sellers and each Company as follows:

6.1. Organization of Buyer. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with full corporate power and authority to own or lease its properties and to conduct its respective business in the manner and in the places where such properties are owned or leased or such business is conducted.

6.2. Authority. All necessary corporate action has been taken by Buyer to authorize the execution, delivery and performance of this Agreement and each agreement, document and instrument to be executed and delivered by Buyer pursuant to this Agreement. This Agreement and each agreement, document and instrument to be executed and delivered by Buyer pursuant to this Agreement (to the extent it contains

obligations to be performed by Buyer) constitutes, or when executed and delivered will constitute, valid and binding obligations of Buyer enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). The execution, delivery and performance by Buyer of this Agreement and each such agreement, document and instrument:

(a) do not and will not violate any provisions of the certificate of incorporation, or other organizational document, or the by-laws of Buyer;

(b) do not and will not violate any United States laws or laws of the jurisdiction of incorporation of Buyer or of any other jurisdiction, or require Buyer to obtain any approval, consent or waiver of, or to make any filing with, any person or entity that has not been obtained or made, which violation would have a material adverse effect on the business or operations of Buyer, except as contemplated by Section 6.2 and the Hart-Scott-Rodino Act; and

(c) do not and will not result in a breach of, constitute a default under, accelerate any obligation under or give rise to a right of termination of any indenture or loan or credit agreement or any other agreement, contract, instrument, mortgage, lien, order, writ, judgment, injunction, decree, determination or arbitration award to which Buyer is a party or by which the property of Buyer is bound or affected, which would have a material adverse effect on the business or operations of Buyer.

6.3. Litigation. There is no material litigation or governmental or administrative proceeding or investigation pending or, to the knowledge of Buyer, overtly threatened against Buyer.

6.4. Financial Resources; Other Matters. Buyer has delivered to the Sellers true and complete copies of written commitments of third parties and Buyer's affiliates to provide Buyer with financing (whether debt or equity financing) in all amount sufficient to consummate the transactions contemplated by this Agreement. Buyer is not aware of any matter which would prevent it from fulfilling its obligations hereunder and consummating the transactions contemplated by this Agreement.

6.5. Finder's Fees. Except as set forth on Schedule 6.5, Buyer has not incurred or become liable for any broker's commission or lender's fee relating to or in connection with this Agreement or the transactions contemplated hereby.

6.6. Investor Qualification. Buyer (i) is an "accredited investor" as defined in Rule 501 of Regulation D adopted under the Securities Act, (ii) is purchasing the Holdings Shares for its own account and has no intent to sell or distribute such shares, (iii) has adequate means of providing. for its current needs, (iv) has no need for liquidity in its investment in the Holdings Shares, and (v) is able to bear the economic risk of losing its entire investment in the Holdings Shares. Buyer has its principal office or residence, as applicable, in the state set forth in Section 13.2.

6.7. Compliance with Laws. Except as set forth on Schedule 6.7 hereto, Buyer is in compliance with all applicable statutes, ordinances, orders, rules and regulations promulgated by any federal, state, municipal or other governmental authority which apply to the conduct of its business except where failure to so comply would not have a material adverse effect on the business or operations of Buyer, and Buyer has not received written notice of a material violation or an alleged material violation of any such statute, ordinance, order, rule or regulation.

Section 7. COVENANTS OF BUYER.

7.1. Making of Covenants and Agreements. Buyer makes the covenants and agreements set forth in this Section 7.

7.2. Consents and Approvals. Buyer will use its reasonable commercial efforts to cause all conditions to the obligations of the Sellers and the Companies hereunder to be satisfied and to use its reasonable commercial efforts to obtain all necessary consents and approvals to the performance of its obligations under this Agreement and the transactions contemplated hereby and will cooperate with Sellers and the Companies to consummate the transactions contemplated by this Agreement. Buyer shall promptly inform each Company and the Sellers of any inquiries or communications from any governmental agencies and provide copies of any written communication relating thereto.

7.3. Hart-Scott-Rodino Act. As soon as practicable after the date of this Agreement, the Buyer will make any filings required under the Hart-Scott-Rodino Act. The Buyer will furnish to the Companies and the Sellers such necessary information and reasonable assistance as the Companies and the Sellers may reasonably request in connection with its preparation of any additional necessary filings or submissions to any governmental agency, including, without limitation, any additional filings necessary under the Hart-Scott-Rodino Act. The Buyer will keep the Companies and the Sellers informed of the status of any inquiries made of such party by the Federal Trade Commission, the Antitrust Division of the U.S. Department of Justice or any other governmental agency or authority or members of their respective staffs with respect to this Agreement or the transactions contemplated hereby.

7.4. Indemnification of Former Directors and Officers. For a period of six years after the Closing, Buyer shall not, and shall not permit either Company to amend, repeal or modify any provision in its certificate or articles of incorporate or bylaws relating to the exculpation or indemnification of former officers and directors (unless required by law), it being the intent of the parties that the officers and directors of the Companies prior to the Closing shall continue to be entitled to such exculpation and indemnification to the fullest extent permitted under applicable law.

Section 8. TAX COVENANTS.

8.1. Making of Covenants and Agreements. Each Company, the Sellers and the Buyer make the covenants and agreements set forth in this Section 8.

8.2. Transfer Taxes. All transfer, documentary, sales, use, registration and other such Taxes (including, without limitation, all applicable real estate transfer or gains Taxes and stock transfer Taxes), any penalties, interest and additions to Tax and fees incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Sellers. Each party to this Agreement shall cooperate in the timely making of all filings, returns, reports and forms as may be required in connection therewith.

8.3. Tax Refunds. If, at any time on or after the Closing Date, Holdings or any affiliate thereof receives any income Tax refund, rebate, return or other similar payment (including as such a refund, rebate, return or other similar payment any amount which Holdings or such affiliate applies in reduction of its future income Tax liability in lieu of receiving the applicable refund, rebate, return or other similar payment) or credit of Taxes from the taxing authority of any jurisdiction relating to or arising out of any taxable period (or portion thereof) ending on or prior to the Closing Date, Holdings or such affiliate shall remit the full amount of such payment or credit to the Sellers in the percentage set forth next to such Seller's name on Schedule 1.4(b) within five business days of the receipt of such payment, utilization of such credit or reduction of such Tax liability, less the amount (if any) required to be paid by the Sellers to Holdings or any affiliate thereof with respect to any Pre-Closing Taxes (as defined in Section 8.5), as finally determined pursuant to Section 8.5. For purposes of the foregoing, a credit shall be deemed utilized at such time as the actual liability of Holdings or any subsidiary thereof for Taxes (including, without limitation, estimated Taxes) is less than it would have been had such credit not been available. In the event that the liability of Holdings or any subsidiary for Taxes for any tax period (or portion thereof) beginning after the Closing Date (in each case, a "Post-Closing Period") is reduced as a result of taking into account in any such Post-Closing Period any item of loss or deduction for (i) any payment or expenditure relating to any exercise, termination or cashing out of any warrants or options for stock of the Companies (or any actual exercise of the foregoing) that constitute Sellers' Expenses or Existing Indebtedness, (ii) payments in the nature of prepayment penalties with respect to the Existing Indebtedness (including the costs of termination of swaps), (iii) any payment of employee bonuses as shown on Schedule 3.23 that constitute Sellers' Expenses or Existing Indebtedness, or (iv) any acceleration of any amortization or similar deduction with respect to the Existing Indebtedness (in each case, a "Tax Reduction Item"), Holdings or such subsidiary shall, within fifteen business days of the close of such Post-Closing Period, pay to the Sellers the amount of such reduction; provided that only 50% of the amount of such reduction for items included in clause (iv) shall be paid to the Sellers. To the maximum extent permitted by applicable law, Buyer shall, and shall cause the Companies and Medical Express to, claim the Tax Reduction Items as items of deduction or loss on the final consolidated federal income tax return with respect to which Holdings is the common parent, which tax return shall be for the tax period ending on the Closing Date (or, if such Tax Reduction Items are not permitted to be deducted on such final return, and to the extent permitted by applicable law, on the first consolidated federal income tax return of Buyer, the Companies and Medical Express filed after the Closing Date). For purposes of the foregoing, the amount of any reduction in Taxes attributable to a Tax Reduction Item to be taken into account for any Post-Closing Period shall be an amount equal to the excess if any of (x) the

liability of Holdings or such subsidiary for Taxes for such Post-Closing Period determined without regard to any Tax Reduction Items over (y) the liability of Holdings or such subsidiary for Taxes for such Post-Closing Period determined by taking into account any Tax Reduction Items properly taken into account (including through a carryback) for such Post-Closing Period and all prior Post-Closing Periods. In the event of any dispute as to whether applicable law permits the Tax Reduction Items to be claimed as items of deduction or loss and/or the amount of any reduction in Taxes for a Post-Closing Period attributable to a Tax Reduction Item, the Sellers and the Companies shall diligently attempt to resolve such dispute, but if the Sellers and the Companies are unable to resolve such dispute within 30 business days after the close of such Post-Closing Period, such dispute shall be resolved in a manner consistent with the procedures contained in Section 8.5 for the resolution of disagreements regarding Pre-Closing Taxes. To the extent that taking any Tax Reduction Item into account for any Post-Closing, Period results in a reduction in Taxes in accordance with the preceding sentence, such Tax Reduction Item shall not be taken into account in any subsequent Post-Closing Period. In the event of any adjustment to the taxable income of Holdings or such subsidiary for any Post-Closing Period as a result of an audit or otherwise, the amount of any reduction in Taxes for all Post-Closing Periods shall be recalculated and Holdings or such subsidiary shall pay to the Sellers or the Sellers shall pay to Holdings the amount of any adjustment in such reduction in Taxes. For purposes of this Agreement, the liability for Pre-Closing Taxes and for Taxes for the Post-Closing Period beginning after the Closing Date shall be determined (i) in any case where the taxable period of the Companies and Medical Express does not close on the Closing Date by closing the books of the Companies and Medical Express as of the close of business on the Closing Date and (ii) whether or not the taxable period of the Companies and/or Medical Express closes on the Closing Date, allocating all items through such time to the Pre-Closing Period (as defined below) ending on the Closing Date and allocating all items arising thereafter to the Post-Closing Period beginning on the day after the Closing Date. Any payments by or to the Sellers required by this Section 8.3 or Section 8.5 shall be paid by or to each Seller in the percentage set forth next to such Seller's name on Schedule 1.4(b). For purposes of this Agreement, "Pre-Closing Period" means any tax period (or portion thereof) ending on or before the Closing Date.

8.4. Amended Tax Returns. Except as required by applicable Tax law, neither Holdings nor any affiliate thereof shall file or cause to be filed any amended tax return or claim for a refund of Taxes for any taxable period (or portion thereof) ending on or prior to the Closing Date if the filing of such tax return or tax refund claim would increase the Pre-Closing Taxes of any of the Companies or Medical Express or would increase the income tax liability of the shareholders of Healthcare or Medical Express during a Pre-Closing Period in which Healthcare or Medical Express, as applicable, filed federal income tax returns as a subchapter S corporation. Holdings or the applicable affiliate shall give written notice to the Sellers within 15 days of any written notice received by it or any determination made by it with respect to the filing of any amended tax return or tax refund claim due to the requirements of applicable Tax law. Sellers shall notify Holdings or the applicable affiliate within 15 days of their receipt of such notice of their concurrence or lack thereof with the content of such notice. In the event of any dispute involving the determination of whether applicable law requires the filing of an

amended tax return or claim for a refund of Taxes for any taxable period (or portion thereof) ending on or prior to the Closing Date, the Sellers and the Companies shall diligently attempt to resolve such dispute, but if the Sellers and the Companies are unable to resolve such dispute within 30 business days after such dispute arises, such dispute shall be resolved in a manner consistent with the procedures contained in Section 8.5 for the resolution of disagreements regarding Pre-Closing Taxes. Within 5 days of (i) agreement or (ii) final determination of the accounting firm making such final determination that the filing of such amended tax return or tax refund claim is required by applicable Tax law, Holdings or the applicable affiliate shall be permitted to file such amended tax return or tax refund claim. In the event that none of clause (i) or (ii) shall occur, Holdings or the applicable affiliate shall not be permitted to file such amended tax return or tax refund claim. If the due date for filing such amended tax return or tax refund claim would not accommodate the time periods set forth in this Section 8.4, the parties shall agree to reasonably adjust such time periods. After receipt of a written request from any Seller requesting the filing of an amended tax return or claim for refund of Taxes for a Pre-Closing Period of any of the Companies or Medical Express, such Company or Medical Express, as applicable, shall file such amended tax return or tax refund claim unless, in the reasonable judgment of Buyer, the filing of such amended tax return or tax refund claim could reasonably be expected to have a material adverse effect on the business or operations of Buyer or its affiliates.

8.5. Certain Tax Returns and Taxes. The Companies shall prepare or cause to be prepared all Tax Returns for or that include any of the Companies or Medical Express which are required to be filed (with extensions) after the Closing Date with respect to Pre-Closing Periods (the "Pre-Closing Tax Returns"). Subject to the requirements of applicable law, each such Pre-Closing Tax Return shall be prepared in a manner consistent with past practices of the Companies and Medical Express. Each such Pre-Closing Tax Return and all supporting documentation relating thereto shall be submitted to the Sellers at least fifteen days prior to the due date (including any extension thereof) for filing such Pre-Closing Tax Return. In addition, a statement and all supporting documentation relating thereto setting forth the portion of the liability for Taxes shown on such Pre-Closing Tax Return that is attributable to any tax period (or portion thereof) ending on or before the Closing Date (and a detailed calculation thereof) shall be submitted to the Sellers at least 15 days prior to the due date (including any extension thereof) for filing such Pre-Closing Tax Return. The Companies shall make or cause to be made any changes in such proposed Pre-Closing Tax Return or the statement described in the immediately preceding sentence as are reasonably requested by any Seller no less than five days prior to the due date (including extensions) for filing such Pre-Closing Tax Return. The Companies shall file timely or cause to be filed timely such Pre-Closing Tax Return, as so modified. In the event any of the Companies or Medical Express are required to make any payment of an amount for Taxes relating or attributable to any Pre-Closing Period (the "Pre-Closing Taxes"), the Sellers hereby covenant and agree with Buyer and the Companies to pay the amount as finally determined pursuant to Section 8.5. The Sellers shall, within the later of (i) five days of receipt of written notice from either Company of any Pre-Closing Taxes (which notice shall reflect the amount of such Pre-Closing Taxes and the method by which such Pre-Closing Taxes were calculated) or (ii) in the event of any dispute concerning the amount of such Pre-Closing

Taxes, within five days after the resolution of such dispute through a final determination by an independent certified public accountant pursuant to the method described in the immediately succeeding sentence, pay to such Company or Medical Express, by check or wire transfer as directed by such Company in such notice, their percentage (determined in accordance with the penultimate sentence of Section 8.3) of the amount of the Pre-Closing Taxes as finally determined pursuant to Section 8.5 less their percentage (determined in accordance with the penultimate sentence of Section 8.3) of any amount due and payable by such Company or Medical Express to the Sellers on account of any refund or credit of Taxes to be paid by the Company to the Sellers pursuant to Section 8.3 to the extent that such refund amount has not already been paid to the Sellers. In the event of a disagreement as to the amount of any Pre-Closing Taxes, the Sellers and the Companies shall discuss the Pre-Closing Taxes computation in a good faith effort to resolve their differences and, in the event that the Sellers and the Companies cannot resolve such differences within 30 days after such notice is given to the Sellers, the Sellers and the Companies shall submit such difference to PricewaterhouseCoopers LLP or another firm of independent certified public accountants mutually acceptable to the Sellers and the Companies from among PricewaterhouseCoopers LLP, KPMG Peat Marwick LLP, Deloitte & Touche LLP, Ernst & Young LLP and Arthur Andersen LLP for a final determination of such Pre-Closing Taxes. The conclusions of such accounting firm shall be binding on the Sellers, Buyer and the Companies. The fees and expenses of such accounting firm shall be borne by (i) the Sellers, if and to the extent that, in the reasonable judgment of the accounting firm making such final determination, the dispute with respect to such Pre-Closing Taxes was resolved in favor of the Buyer or (ii) the Buyer, if and to the extent that, in the reasonable judgment of the accounting firm making such final determination, such dispute was resolved in favor of the Sellers. In the case of fees and expenses borne by the Sellers, each of the Sellers shall pay its percentage interest as set forth on Schedule 1.4(b) of this Agreement.

8.6. Post-Closing Notices. If either Holdings or any affiliate thereof receives any written notice from any taxing authority proposing any adjustment to any Tax of Holdings or any of its subsidiaries for any taxable period (or portion thereof) ending on or prior to the Closing Date, either Holdings or such affiliate shall give prompt written notice thereof to each of the Sellers along with a copy of each such notice.

8.7. Assistance and Cooperation. After the Closing, each of the Sellers, Buyer and the Companies shall cooperate fully, as and to the extent reasonably requested by the other party, in connection with the filing of Tax Returns pursuant to Section 8.3 and Section 8.5 hereof and any audit, claim, litigation, other procedure, or other matter with respect to Taxes of Holdings, Healthcare or Medical Express. Such cooperation shall include, without limitation, the retention and (upon the other party's request) the provision of records and infuriation which are reasonably relevant to any such audit, claim, litigation, other proceeding or other matter and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Companies shall retain all books and records with respect to Tax matters pertinent to the Companies and Medical Express relating to any tax periods and shall abide by all record retention agreements entered into with any taxing authority, and shall give each of the Sellers reasonable written notice prior to

transferring, destroying or discarding any such books and records prior to the expiration of the applicable statute of limitations for that tax period, and if any Seller so requests, the Companies shall allow Olympus Growth Fund II, L.P. ("Olympus") to take possession of such books and records. Olympus will make such books and records available to the other Sellers during normal business hours upon prior written request.

8.8. No Section 338 Election. Buyer covenants and agrees that it shall not make, or permit to be made, any election under Section 338 of the Code (or any comparable election under state, local or foreign law) with respect to its acquisition of shares of capital stock of Holdings. Buyer further covenants and agrees, notwithstanding any other provision of this Agreement, that the Sellers shall have no liability for any Taxes attributable to any such election.

8.9. Post-Closing Consolidated Tax Return. Buyer agrees that it shall file a consolidated return for U.S. federal income tax purposes that includes Buyer, Holdings, Healthcare and Medical Express with respect to the first Post-Closing Period subsequent to the Closing Date. Buyer further agrees that it shall file or cause to be filed a combined, consolidated, unitary or group income or franchise tax return that includes Holdings, Healthcare and/or Medical Express with respect to the first Post-Closing Period subsequent to the Closing Date for each state in which such return was filed by Holdings, Healthcare and/or Medical Express for the Pre-Closing Period ending on the Closing Date and in which more than one of Holdings, Healthcare and Medical Express is required to file an income or franchise tax return for such first Post-Closing Period.

8.10. Certain Transfers. Any transfer of funds from Healthcare to Holdings in connection with the transactions contemplated hereunder shall take the form of a loan.

8.11. Determination of Certain Tax Liabilities. For purposes of determining the liability of Holdings or any subsidiary for Pre-Closing Taxes, to the extent that such liability is otherwise computed by taking into account items described in clause (iv) of the third sentence of Section 8.3, as between the Companies, Medical Express and the Buyer on the one hand and the Sellers on the other hand, only 50% of the amount of such items shall be treated as a deduction. To give effect to the foregoing, both the liability for and the amount of (i) any payment by Holdings or its affiliates to the Sellers under the first sentence of Section 8.3, (ii) any payment by the Sellers to the Companies or Medical Express under Section 8.5 and (iii) any payment by the Sellers to the Buyer under Section 12.1 shall be determined by computing Pre-Closing Taxes by taking into account such limitation. It is understood that the intent of the parties is for the Sellers to be entitled to certain tax benefits attributable to a deduction described in clause (iv) of the third sentence of Section 8.3. This Section 8.11 shall not be interpreted to duplicate the limitation described by the proviso to the third sentence of Section 8.3.

SECTION 9. CONDITIONS.

9.1. Conditions to the Obligations of Buyer. The obligation of Buyer to consummate this Agreement and the transactions contemplated hereby are subject to the

fulfillment, prior to or at the Closing, of the following conditions (any one or more of which may be waived in whole or in part in writing by Buyer):

(a) Representations: Warranties; Covenants. Each of the representations and warranties of Holdings, Healthcare and Sellers contained in Sections 2, 3 and 4, respectively, shall be true and correct in all material respects (except to the extent qualified as to materiality, in which case such representations and warranties shall be true and correct in all respects, after giving effect to such materiality) on and as of the Closing Date, with the same effect as though made on and as of the Closing Date (it being understood that representations and warranties made as of a particular date shall be deemed to have been made only as of such date); each Company and the Sellers shall, on or before the Closing Date, have performed and satisfied in all material respects all agreements and conditions hereunder which by the terms hereof are to be performed and satisfied by such Company or the Sellers on or before the Closing Date; each Company shall have delivered to Buyer a certificate dated the Closing Date signed on its behalf by its President and by its Chief Financial Officer to the foregoing effect and certifying as to Such Company's capitalization after giving effect to the Share Exchange. Each Seller shall also have delivered to Buyer a certificate dated the Closing Date certifying that all of such Seller's agreements and conditions hereunder which by the terms hereof are to be performed by such Seller on or before the Closing Date have been performed and satisfied in all material respects.

(b) Opinions of Counsel and Other Documents. On the Closing Date, Buyer shall have received (i) opinions of Dewey Ballantine LLP, special counsel to the Companies and certain Sellers, Latham & Watkins, special counsel to the Francis Family Trust, Hutchinson Black & Cook LLC, special counsel to Todd and Deborah Johnson and Lionel Sawyer & Collins, Nevada counsel to Healthcare and addressed to Buyer, in a form reasonably acceptable to the Buyer, (ii) evidence satisfactory to Buyer of the due authorization, execution and delivery of this Agreement and all related agreements by each of the Sellers, and (iii) such other certificates and documents as counsel for Buyer and special counsel to the Companies shall have mutually agreed to.

(c) Approvals and Consents. Each Company shall have made all filings with and notifications of governmental authorities, regulatory agencies and other entities required to be made by such Company in connection with the execution and delivery of this Agreement, the performance of the transactions contemplated hereby and the continued operation of the business of such Company subsequent to the Closing, and each Company and Buyer shall have received all required authorizations, waivers, consents and permits to permit the consummation of the transactions contemplated by this Agreement, in form and substance reasonably satisfactory to Buyer, from all third parties except where the failure to so obtain will not have a material adverse effect on the business, operations, results of operations, assets or condition (financial or otherwise) of the Companies taken as a whole. Healthcare shall have received any necessary consent of the landlord under the Office Lease dated December 8, 1997 and listed on Schedule 3.5.

(d) No Injunction. No injunction, stay or restraining order shall be in effect prohibiting the consummation of the transactions contemplated by this Agreement.

(e) Hart-Scott-Rodino Act. All filings required to be made under the Hart-Scott-Rodino Act shall have been made, and any applicable waiting period thereunder shall have expired.

(f) Existing Indebtedness. The Buyer shall have received evidence that the principal of and interest on, and all other amounts owing in respect of, the Credit Agreement dated as of December 5, 1997, as amended among Healthcare and the Guarantors and the Lenders named therein and Chase Manhattan Bank, as agent (the "Loan Obligations") shall have been, or simultaneously be, repaid in full, that the commitments thereunder shall have been terminated and that all guarantees in respect of, and all Liens securing, any such obligations shall have been released (or arrangements satisfactory to Buyer shall have been made), except for the Loan Obligations set forth on Schedule 9.1(f).

(g) Termination of Existing Stockholders Agreements. The Stockholders Agreement, dated November 18, 1998, by and among Holdings, Olympus, Olympus Executive Fund, L.P., Todd Johnson and Deborah Johnson as amended in connection with the Share Exchange and the Stockholders Agreement, dated December 5, 1997, by and among Healthcare, Holdings, Steven Francis, Gayle Francis and The Chase Manhattan Bank shall, upon the Closing of the transactions contemplated hereby, have been terminated and shall be of no further force and effect.

(h) Certification of Non-Foreign Status. Each Seller shall have delivered to the Buyer, pursuant to Section 1445(b)(2) of the Code and Treas. Reg.Section1.1445-2(b)(2), a duly executed certification of non-foreign status. Such certification shall conform to the model certification provided in Treas. Reg.Section1.1445-2(b)(2)(iii)(A) or (B), as appropriate.

(i) Cancellation of Healthcare Options and Warrants. All outstanding options and warrants to purchase shares of Healthcare shall have been cancelled.

9.2. Conditions to the Obligations of the Companies and the Sellers. The obligations of each Company and the Sellers to consummate this Agreement and the transactions contemplated hereby are subject to the fulfillment, prior to or at the Closing Date, of the following conditions (any one or more of which may be waived in whole or in part only by the written consent of each Company and each Seller):

(a) Representations; Warranties; Covenants. Each of the representations and warranties of Buyer contained in Section 6 shall be true and correct in all material respects (except to the extent qualified as to materiality, in which case such representations and warranties shall be true and correct in all respects, after giving effect to such materiality) on and as of the Closing Date, with the same effect as though made

on and as of the Closing Date (it being understood that representations and warranties made as of a particular date shall be deemed to have been made as of such date); Buyer shall, on or before the Closing Date, have performed and satisfied in all material respects all agreements and conditions hereunder which by the terms hereof are to be performed and satisfied by Buyer on or before the Closing Date; and Buyer shall have delivered to the Sellers a certificate signed on its behalf by its President and Chief Financial Officer and dated as of the Closing Date certifying to the foregoing effect.

(b) Opinion of Counsel and other Documents. At the Closing Date, the Sellers shall have received (i) an opinion of Paul Weiss Rifkind Wharton & Garrison, Counsel to Buyer, dated as of the Closing Date and addressed to the Sellers, in a form reasonably acceptable to the Sellers hereto and (ii) such other certificates and documents as special counsel to the Companies and counsel to the Buyer shall have mutually agreed to.

(c) No Injunction. No injunction, stay or restraining order shall be in effect prohibiting the consummation of the transactions contemplated by this Agreement.

(d) Hart-Scott-Rodino Act. All filings required to be made under the Hart-Scott-Rodino Act shall have been made, and any applicable waiting period thereunder shall have expired.

(e) Approvals and Consents. Buyer shall have made all filings with and notifications of governmental authorities, regulatory agencies and other entities required to be made by Buyer in connection with the execution and delivery of this Agreement and the performance of the transactions contemplated hereby.

(f) Shareholders' Agreement. Olympus shall have received a Shareholders' Agreement, executed and delivered by Buyer, in substantially the form attached hereto as Exhibit 9.2(f) (the "Shareholders Agreement").

SECTION 10. TERMINATION OF AGREEMENT.

10.1. Termination. This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time, but not later than the Closing Date:

(a) by mutual consent of all of the Sellers and Buyer;

(b) by the Companies or all the Sellers if, through no material fault of the Sellers or the Companies, the Closing shall not have occurred on or prior to December 17, 1999;

(c) by Buyer if, through no material fault of Buyer, the Closing shall not have occurred on or prior to December 17, 1999;

(d) by all of the Sellers, upon written notice to Buyer, upon a material breach of any representation, warranty or covenant of Buyer contained in this Agreement, provided that such breach is not capable of being cured or has not been cured within thirty (30) days after the giving of notice thereof by the Sellers to Buyer; or

(e) by Buyer, upon written notice to the Sellers upon a material breach or any representation, warranty or covenant of the Companies or the Sellers contained in this Agreement, provided that such breach is not capable of being cured or has not been cured within thirty (30) days after the giving of notice thereof by Buyer to the Companies; or

(f) by all of the Sellers or Buyer; provided, however, that the party or parties terminating the Agreement is not then in breach of its obligations under this Agreement, if any court of competent jurisdiction in the United States or other United States governmental body shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated hereby and such order, decree, ruling or other action shall have become final and nonappealable;

In the event that a condition precedent to any party's obligation hereunder is not met, nothing contained herein shall be deemed to require such party to terminate this Agreement, rather than to waive such condition precedent and proceed with the Closing.

10.2. Effect of Termination. All obligations of the parties hereunder shall cease upon any termination pursuant to Section 10.1; provided, however, that (i) the provisions of this Section 10 and Sections 11.2, 13.1, 13.5 and 13.10 hereof shall survive any termination of this Agreement in any event, and (ii) any party may proceed as further set forth in Section 10.3 below.

10.3. Right to Proceed; No Actual Knowledge.

(a) Anything in this Agreement to the contrary notwithstanding, if any of the conditions specified in Section 9.1 hereof has not been satisfied, Buyer shall have the right to waive the satisfaction of any such condition as provided in Section 9.1 and to proceed with the transactions contemplated hereby, however, if such waiver is in writing, it shall be deemed to have waived any claim for indemnification arising out of any condition which has been so waived, and if any of the conditions specified in Section 9.2 hereof has not been satisfied, the Companies and the Sellers shall have the right to waive the satisfaction of any such condition as provided in Section 9.2 and to proceed with the transactions contemplated hereby, however, if such waiver is in writing, they shall be deemed to have waived any claim for indemnification arising out of any condition which has been so waived. If the Companies and the Sellers notify the Buyer in writing in the certificate required by Section 9.1(a) of any breach of this Agreement and the Buyer proceeds with the transactions contemplated hereby, it shall be deemed to have waived any claim for indemnification arising out of such breach.

(b) Other than with respect to representations and warranties contained in Sections 2.4, 3.4, 3.23 and 3.24 and the covenants contained in Sections 5.2(e) and (i), Buyer has no actual knowledge which it has deliberately concealed from the Sellers to the effect that the representations and warranties of the Companies in this Agreement and the Schedules hereto contain any material misrepresentations.

10.4. Liquidated Damages.

(a) If this Agreement is terminated (other than pursuant to Section 10.1(a) or as a result of a breach of a covenant, representation or warranty contained herein by any Seller, Holdings or Healthcare or by reason of the failure of any of the conditions precedent to the obligations of Buyer contained in Section 9.1), Buyer shall pay to Holdings five million dollars ($5,000,000) in immediately available funds within five business days of such termination which the parties hereto agree is a genuine estimate of the costs incurred by the Sellers and the Companies as a result of Buyer's failure to close the transactions contemplated hereby and is not a penalty for the failure to close such transactions.

(b) The right accorded to the Sellers under Section 10.4(a) shall be the exclusive remedy of the Sellers and the Companies for the termination of this Agreement pursuant to Section 10.1 (other than pursuant to Section 10.1(a) or as a result of a breach of a covenant, representation or warranty contained herein by any Seller, Holdings or Healthcare or by reason of the failure of any of the conditions precedent to the obligations of Buyer contained in Section 9.1). In furtherance of the foregoing, the Sellers and the Companies waive, to the fullest extent permitted under applicable law, and will not to assert in any action or proceeding of any kind, any and all rights, claims and causes of action any of such parties may now or hereafter have against Buyer, HWH Capital Partners, L.P. or Haas Wheat & Partners, L.P. (or any of their respective directors, officers, partners, shareholders or affiliates) by reason of such termination (including, without limitation, any such rights, claims or causes of action arising under or based upon common law) other than claims for payment of the amount set forth in Section 10.4(a).

SECTION 11. CERTAIN RIGHTS ANTI) OBLIGATIONS SUBSEQUENT TO CLOSING.

11.1. Survival of Representations, Warranties and Covenants. The representations, warranties and covenants (except those post-Closing covenants set forth in Sections 7.4, 8, 10.3, 12 and 13) contained herein shall not survive the Closing; provided, however, that the representations, warranties and covenants of the parties hereto set forth in Sections (a) 2.10, 3.14, 3.22 and 4.3 shall expire and be of no further force and effect on or after the date that is six months after the Closing Date (except to the extent notice of a claim has been given pursuant to Section 12) and (b) 2.2, 2.3, 2.4, 2.8, 3.2, 3.3, 3.4, 3.8(a)(ii) (with respect to Section 5.2(e) and (i)), 3.23, 3.24, 4.2, 5.2(e), 5.2(i), 5.11, 8, 10.3 and 11.2 shall expire and be of no further force and effect on or after

the date that is three years after the Closing Date (except to the extent notice of a claim has been given pursuant to Section 12).

11.2. Fees and Expenses. Except as otherwise expressly provided herein, the Sellers shall pay all of their own expenses and those incurred by the Companies and Medical Express (other than amounts (if any) incurred by Holdings or Healthcare in relation to the financing referenced in Section 6.4) (including, without duplication, (a) payments made in consideration of the cancellation of any outstanding options or warrants, (b) if any options or warrants to purchase common stock of Healthcare remain outstanding at Closing, an amount equal to the amount that would have been paid to cancel such options and warrants pursuant to Section 5.9 hereof, (c) employee bonuses earned or granted prior to the Closing and payable at or after the Closing other than (i) ordinary course bonuses and (ii) bonuses payable in accordance with existing agreements identified with an asterisk on Schedule 3.13, (d) any advisory fees, including those referred to in Section 2.7, 2.12 and 3.17, (e) attorneys' and accountants' fees and expenses) and (f) premiums for directors and officers "tail" insurance payable at or after the Closing covering periods prior to the Closing ((a) through (f) collectively, the "Sellers' Expenses"), and Buyer shall pay all of its own expenses (including attorneys' and accountants' fees and expenses), incurred in connection with the negotiation of this Agreement, the performance of its obligations hereunder and the consummation of the transactions contemplated by this Agreement (whether consummated or not) and Buyer shall pay all filing fees required under the Hart-Scott-Rodino Act; and provided, that the Sellers may elect to have Holdings or Healthcare pay the Sellers' Expenses at or after the Closing, in which case, the amount of such Seller's Expenses so paid shall be included in Existing Indebtedness as set forth therein; and provided, further, that if the Closing occurs Buyer shall cause the Companies to pay expenses.

11.3. Collection of Assets. Subsequent to the Closing, Buyer shall have the right and authority to collect all receivables and other items owned by each Company or Medical Express hereunder and to endorse with the name of each Company or Medical Express any checks received on account of such receivables or other items, and each Seller agrees that he/she will promptly transfer or deliver to Buyer from time to time, any cash or other property that such Seller may receive on behalf of either Company or Medical Express with respect to any claims, contracts, licenses, leases, commitments, sales orders, purchase orders, receivables of any character or any other assets of such company.

SECTION 12. INDEMNIFICATION.

12.1. Indemnification by the Sellers.

(a) Sellers shall, severally and not jointly and severally, indemnify, defend and hold harmless Buyer, from and against, and shall reimburse Buyer for all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses, including, without limitation, interest, penalties, court costs and reasonable attorneys' fees and expenses, asserted against, resulting to, imposed

upon or incurred by Buyer, directly or indirectly (a "Loss" or "Losses") with respect to (i) any misrepresentation or breach of warranty or covenant, in each case, contained in the Agreement, by the Sellers, Holdings or Healthcare; (ii) the failure of the Sellers, Holdings or Healthcare to perform any of their obligations under this Agreement or (iii) any claim against Holdings pursuant to the Exchange Agreement; provided, however, that the Sellers shall have no obligation to indemnify the Buyer pursuant to this Section 12.1 or otherwise with respect to any Taxes that are attributable to a transaction or event initiated by Buyer that (A) is not in the ordinary course of business and (B) occurs on the Closing Date but after the Closing.

(b) Promptly after receipt by Buyer of notice of any claim or communication of any action or proceeding that may entitle Buyer to indemnification under this Section 12.1, Buyer shall give the Sellers written notice of any claim or the commencement of any action or proceeding for which Buyer seeks indemnification, and Buyer shall permit the Sellers to assume the defense of any such claim or any litigation resulting from such claim; provided, that the Sellers acknowledge in writing within thirty (30) days of receipt of notice of such claim, action or proceeding that it is obligated hereunder to indemnify Buyer with respect to such claim, action or proceeding; provided, further, that Sellers' counsel shall be reasonably acceptable to Buyer and Buyer can retain separate counsel at its expense and participate in such defense. Buyer, Holdings, Healthcare, and Medical Express shall cooperate to the extent necessary to facilitate the defense, resolution or settlement of any claim with respect to which the Sellers have agreed to indemnify the Buyer under this Section 12.1. The failure by Buyer to give the Sellers timely notice shall not preclude Buyer from seeking indemnification from the Sellers except to the extent that Buyer's failure has materially prejudiced the Sellers' ability to defend the claim or litigation.

(c) Sellers shall not settle any claim for which Buyer seeks indemnification or consent to entry of any judgment in litigation arising from such a claim without obtaining a release of Buyer, each Company and Medical Express from all liability in respect of such claim or litigation. If the Sellers affirmatively do not assume the defense of any such claim or litigation resulting therefrom within thirty (30) days of receipt of notice of such claim, action or proceeding, or if injunctive relief is sought against Buyer, or if the Sellers do not acknowledge in writing within thirty (30) days of receipt of notice of such claim, action or proceeding that they are obligated hereunder to indemnify Buyer with respect to such claim, action or proceeding Buyer may defend against or settle such claim or litigation in such manner as is reasonably appropriate. The Sellers shall promptly reimburse Buyer for the amount of all expenses, legal or otherwise, incurred by Buyer in connection with the defense against or settlement of such claim or litigation. If no settlement of the claim or litigation is made, the Sellers shall promptly reimburse Buyer for the amount of any judgment rendered with respect to such claim or in such litigation and for all expenses legal or otherwise, incurred by Buyer in the defense against such claim or litigation.

(d) Notwithstanding anything in this Section 12.1 to the contrary, the Sellers shall have no liability or obligation to indemnify Buyer for claims with respect to the representation and warranties listed in Section 11.1(a) unless and until

the aggregate potential liability of the Sellers for all such claims exceed $500,000 (the "Deductible"), after which time the Sellers shall be fully liable to Buyer for all such claims in excess of the Deductible. Further, the Sellers' aggregate liability for such claims shall in no event exceed $2,000,000. The maximum liability of any Seller under this Section 12.1 shall be in an amount equal to the aggregate liability of all the Sellers with respect to such liability multiplied by the percentage interest set forth opposite such Seller's name on Schedule 1.4(b) hereto and shall in no event exceed such Seller's portion of the Purchase Price received by such Seller as set forth on Schedule 1.4(b) hereto; provided, however, that with respect to a breach of the representations and warranties contained in Sections 2.4(b), 3.4(b) and 4 hereto with respect to any Seller such Seller shall be liable with respect to losses arising from the breach thereof with respect to himself, herself or itself. The remedy provided Buyer pursuant to Section 12.1 shall be the exclusive remedy to which Buyer is entitled after the Closing for any breach or noncompliance with the provisions of this Agreement, or any agreement, instrument or document delivered in connection herewith.

(e) Notwithstanding anything in this Section 12.1 to the contrary, with respect to any claim for which Buyer seeks indemnification hereunder, if available, Buyer must first seek indemnification pursuant to (a) the Acquisition Agreement, dated as of November 14, 1998, by and among AMN Healthcare, Inc., AMNI Holdings, Inc., Medical Express, Inc. and Todd Johnson and Deborah Johnson, and/or (b) the Agreement and Plan of Merger, dated as of November 17, 1997, by and among AMN Holdings, Inc., AMN Merger Sub, Inc., AMN Healthcare, Inc. and Steven C. Francis and Gayle A. Francis (collectively, the "Existing Indemnification Agreements"). Buyer shall pursue any claim to the fullest extent possible under the Existing Indemnification Agreements and shall exhaust all remedies available under such Existing Indemnification Agreements before asserting any such claims against Sellers pursuant to this Section 12.1. If Sellers make any payment to Buyer with respect to any claim available under the Existing Indemnification Agreements, the Sellers shall have the right to exercise all rights of Buyer under the Existing Indemnification Agreements. Buyer shall give notice of any claim made pursuant to either Existing Indemnification Agreement promptly upon discovery of such claim and shall give a copy of any such notice to the other Sellers. If Buyer fails to give timely notice of any claim and as a result the time period for such claim has expired under the Existing Indemnification Agreements, Buyer shall be barred from making such claim against the Sellers under this Section 12.1. Upon the giving of the notice of a claim pursuant to the second preceding sentence, the running of the survival period set forth in Section 11.1 shall be tolled and shall cease to run with respect to such claim.

12.2. Indemnification by Buyer and Holdings and its Subsidiaries.

(a) Buyer and Holdings and its subsidiaries, jointly and severally, shall indemnify, defend and hold harmless the Sellers from and against, and shall reimburse the Sellers for, all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses, including, without limitation, interest, penalties, court costs and reasonable attorneys' fees and expenses, asserted against, resulting to, imposed upon or incurred by the Sellers, directly or

indirectly, with respect to (i) any misrepresentation or breach of warrant or covenant, in each case, contained in the Agreement, by Buyer; and (ii) the failure of Buyer to perform any of its obligations under this Agreement, in all cases, subject to Section 10.4.

(b) Promptly after receipt by the Sellers of notice of any claim or communication of any action or proceeding that may entitle the Sellers to indemnification under this Section 12.2, the Sellers shall give Buyer written notice of any claim or the commencement of any action or proceeding for which the Sellers seek indemnification, and the Sellers shall permit Buyer to assume the defense of any such claim or any litigation resulting from such claim, provided Buyer acknowledges in writing within thirty (30) days of receipt of notice of such claim, action or proceeding that it is obligated hereunder to indemnify Buyer with respect to such claim, action or proceeding. The failure by the Sellers to give Buyer timely notice shall not preclude the Sellers from seeking indemnification from Buyer except to the extent that the Sellers' failure has materially prejudiced Buyer's ability to defend the claim or litigation.

(c) Buyer shall not settle any claim for which the Sellers seeks indemnification or consent to entry of any judgment in litigation arising from such a claim without obtaining a release of the Sellers from all liability in respect of such claim or litigation. If Buyer does not assume the defense of any such claim or litigation resulting therefrom, or if injunctive relief is sought against the Sellers, or if Buyer does not acknowledge in writing within thirty (30) days of receipt of notice of such claim, action or proceeding that it is obligated hereunder to indemnify the Sellers with respect to such claim, action or proceeding, the Sellers may defend against or settle such claim or litigation in such manner as is reasonably appropriate. Buyer shall promptly reimburse the Sellers for the amount of all expenses, legal or otherwise, incurred by the Sellers in connection with the defense against or settlement of such claim or litigation. If no settlement of the claim or litigation is made, Buyer shall promptly reimburse the Sellers for the amount of any judgment rendered with respect to such claim or in such litigation and for all expenses, legal or otherwise, incurred by the Sellers in the defense against such claim or litigation.

(d) The remedy provided the Sellers pursuant to this Section 12.2 shall be exclusive remedy to which the Sellers are entitled after the Closing for any breach or noncompliance with the provisions of this Agreement, or any agreement, instrument or document delivered in connection herewith.

SECTION 13. MISCELLANEOUS.

13.1. Law Governing. This Agreement shall be construed under and governed by the internal laws of the State of New York without regard to its conflict of laws provisions.

13.2. Notices. Any notice, request, demand other communication required or permitted hereunder shall be in writing and shall be deemed to have been given if delivered or sent by facsimile transmission, upon receipt, or if sent by registered or certified mail upon the sooner of the expiration of three days after deposit in United

States post office facilities properly addressed with postage prepaid or acknowledgment of receipt. All notices and payments to a party will be sent to the addresses set forth below or on or to such other address or person as such party may designate by notice to each other party hereunder:

TO BUYER:

c/o Haas Wheat & Partners, L.P.
300 Crescent Court
Suite 1700
Dallas, Texas 75201
Attention: Robert B. Haas
Facsimile: (214) 871-8364

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison
1285 Avenue of the Americas
New York, New York 10019
Attention: Robert M. Hirsh, Esq.
Facsimile: (212) 757-3990

TO THE COMPANIES:

If to Holdings, to:

Olympus Growth Fund II, L.P.
Metro Center, One Station Place
Stamford, Connecticut 06902
Attention: James A. Conroy
Facsimile: (203) 353-5910

with a copy to Healthcare:

If to Healthcare, to:

AMN Healthcare, Inc.
12235 El Camino Real
Suite 200
San Diego, California 92130
Attention: Steven C. Francis
Facsimile: (858) 792-0299

with a copy to:

Olympus Growth Fund II, L.P.
Metro Center, One Station Place
Stamford, Connecticut 06902
Attention: James A. Conroy
Facsimile: (203) 353-5910

in each case with a copy to:

Dewey Ballantine LLP
1301 Avenue of the Americas
New York, New York 10019
Attention: E. Ann Gill, Esq.
Facsimile: (212) 259-6333

TO THE SELLERS:

If to Olympus Growth Fund II, L.P. to:

Olympus Growth Fund II, L.P.
Metro Center, One Station Place
Stamford, Connecticut 06902
Attention: James A. Conroy
Facsimile: (203) 353-5910

If to Olympus Executive Fund, L.P. to:

Olympus Executive Fund, L.P.
Metro Center, One Station Place
Stamford, Connecticut 06902
Attention: James A. Conroy
Facsimile: (203)353-5910

in each case with a copy to:

Dewey Ballantine LLP
1301 Avenue of the Americas
New York, New York 10019
Attention: E. Ann Gill, Esq.
Facsimile: (212) 259-6333

If to other Sellers, to:

Steven C. Francis and
Gayle A. Francis, as Trustees
of the Francis Family Trust
AMN Healthcare, Inc.
12235 El Camino Real
Suite 200
San Diego, California 92130
Facsimile: (858) 792-0299

with a copy to:

Latham & Watkins
633 West Fifth Street
Suite 4000
Los Angeles, California 90071-2005
Attention: John M. Newell, Esq.
Facsimile: (213) 891-7923

Todd Johnson
Deborah Johnson
Medical Express, Inc.
1215 Spruce
P.O. Box 1170
Boulder, Colorado 80306
Facsimile: (303) 442-6593

Any notice given hereunder may be given on behalf of any party by its counsel or other authorized representative.

13.3. Entire Agreement. This Agreement, including the Schedules and Exhibits referred to herein and the other writings specifically identified herein or contemplated hereby or delivered in connection with the transactions contemplated hereby, is complete, reflects the entire agreement of the parties with respect to its subject matter, and supersedes all previous written or oral negotiations, commitments and writings.

13.4. Assignability. This Agreement (including, without limitation, the provisions of Section 11) shall be binding upon and enforceable by, and shall inure to the benefit of, the parties hereto and their respective successors, heirs, executors, administrators and assigns, and no others, except that neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned or delegated (other than the granting of a security interest to lenders) by Buyer without the prior written consent of the Sellers.

13.5. Publicity and Disclosures. To the extent required, a joint initial press release shall be made at the time of execution of this Agreement announcing that this Agreement has been signed; such press release shall be in form and substance reasonably acceptable to Buyer and each Company. Thereafter, until the Closing Date, so long as this Agreement is in effect, none of the Sellers, neither Company, nor Buyer nor any of their respective subsidiaries or affiliates shall issue or cause the publication of any press release or other announcement with respect to this Agreement or the other transactions contemplated hereby without the prior written consent of the other party, which consent shall not be unreasonably withheld, and subject to Section 7.3, except to the extent disclosure by Buyer, either Company or any Seller is required by any applicable law or regulation or by any authorized administrative or governmental agency.

13.6. Captions and Gender. The captions in this Agreement are for convenience only and shall not affect the construction or interpretation of any term or provision hereof. The use in this Agreement of the masculine pronoun in reference to a party hereto shall be deemed to include the feminine or neuter pronoun, as the context may require.

13.7. Certain Definitions. For purposes of this Agreement, the term:

(a) "affiliate" of a person shall mean a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the first mentioned person;

(b) "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly or as trustee or executor, of the power to direct or cause the direction of the management policies of a person, whether through the ownership of stock, as trustee or executor, by contract or credit arrangement or otherwise;

(c) "person" means an individual, corporation, partnership, association, trust or any unincorporated organization; and

(d) "subsidiary" of a person means any corporation more than 50 percent of whose outstanding voting securities, or any partnership, joint venture or other entity more than 50 percent of whose total equity interest, is directly or indirectly owned by such person.

13.8. Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

13.9. Amendments; Waivers. This Agreement may not be amended or modified, nor may compliance with any condition or covenant set forth herein be waived, except by a writing duly and validly executed by the parties hereto, or, in the case of a waiver, the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, or any single or

partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

13.10. Consent to Jurisdiction. Each party hereby (a) irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of the State of New York and of the United States of America located in the State of New York with respect to all actions and proceedings arising out of or relating to this Agreement and the transaction contemplated hereby (b) agrees that all claims with respect to any such action or proceeding shall be heard and determined in such New York State or Federal court and agrees not to commence an action or proceeding relating to this Agreement or the transactions contemplated hereby except in such courts, (c) irrevocably and unconditionally waives any objection to the laying of venue of any action or proceeding arising out of this Agreement or the transactions contemplated hereby and irrevocably and unconditionally waives the defense of an inconvenient forum, (d) consents to service of process upon him, her or it by mailing or delivering such service to the address set forth in Section 13.2 hereof, and (e) agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

13.11. Restrictive Legends. (a) Each certificate representing the Holdings Shares delivered to Buyer pursuant to this Agreement, shall (unless otherwise permitted by the provisions of this Section 13.11) be stamped or otherwise imprinted with legends in substantially the following form to the extent applicable (in addition to any legend(s) required under any applicable stockholders or other agreement or applicable state securities laws):

> THE SALE AND ISSUANCE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE SECURITIES LAW OF ANY STATE OR OTHER JURISDICTION. THESE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE DISTRIBUTION THEREOF. THESE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED, OR TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT AS TO THESE SECURITIES AND SUCH OFFER, SALE, PLEDGE, OR TRANSFER IS IN COMPLIANCE WITH APPLICABLE SECURITIES LAW OF ANY STATE OR OTHER JURISDICTION OR (II) THERE IS AN OPINION OF COUNSEL OR OTHER EVIDENCE, IN EITHER CASE, SATISFACTORY TO THE CORPORATION, THAT AN EXEMPTION THEREFROM IS AVAILABLE AND THAT SUCH OFFER, SALE, PLEDGE, OR TRANSFER IS IN COMPLIANCE WITH APPLICABLE SECURITIES LAW OF ANY STATE OR OTHER JURISDICTION. THE SECURITIES EVIDENCED BY THIS CERTIFICATE ARE ENTITLED TO CERTAIN RIGHTS AND SUBJECT TO CERTAIN RESTRICTIONS SET FORTH IN A STOCKHOLDERS AGREEMENT,

DATED AS OF THE DATE THAT THIS CERTIFICATE WAS ORIGINALLY ISSUED. HOLDINGS SHALL FURNISH WITHOUT CHARGE TO EACH SECURITY HOLDER WHO SO REQUESTS A COPY OF SUCH STOCKHOLDERS AGREEMENT.

Buyer consents to Holdings' making a notation on its records and giving instructions to any transfer agent of the Holdings Shares in order to implement the restrictions on transfer described in this Section 13.11.

13.12. Knowledge Defined. For purposes of this Agreement, (i) the term "the Companies' knowledge" and any similar terms used herein shall mean the actual current knowledge of Steven C. Francis, Diane K. Stumph, Marcia R. Faller, Beth L. Machado, Susan R. Nowakowski and Stephen M. Wehn, without duty to investigate and (ii) the term "the Buyer's knowledge" and any similar term used herein shall mean the actual current knowledge of Robert B. Haas and Douglas D. Wheat, without any duty to investigate.

13.13. Sellers' Pro Rata Obligations. The Sellers each agree with each other that, to the extent that this Agreement provides that any obligation of the Sellers shall be pro rata in accordance with their percentage interests listed on Schedule 1.3, or language to similar effect, such obligations shall be as stated, and no effect shall be given to any investigation by or actual or implied knowledge of any of the Sellers, and no effect shall be given to the fact that any of the Sellers have executed this Agreement on behalf of Holdings or Healthcare or have or will execute any other certificates, documents or agreements in connection herewith on behalf of Holdings or Healthcare as an officer or director of Holdings or Healthcare.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed or caused this Agreement to be executed as of the date set forth above.

BUYER: AMN ACQUISITION CORP.

By: /s/ Robert B. Haas

Name: Robert B. Haas
Title: President and Treasurer

COMPANIES: AMN HOLDINGS, INC.

By: /s/ James A. Conroy

Name: James A. Conroy
Title: President

AMN HEALTHCARE, INC.

By: /s/ Steven C. Francis

Name: Steven C. Francis
Title: President and Chief Executive Officer

SELLERS:

OLYMPUS GROWTH FUND II, L.P.

By: OGP II, L.P., its General Partner

By: Conroy Corporation, its General Partner

By: /s/ James A. Conroy

Name: James A. Conroy
Title: President

OLYMPUS EXECUTIVE FUND, L.P.

By: OEP, L.P., its General Partner

By: Conroy Corporation, its General Partner

By: /s/ James A. Conroy

Name: James A. Conroy
Title: President

/s/ Steven C. Francis

Steven C. Francis, as Trustee of the Francis Family Trust dated May 24, 1996

/s/ Gayle A. Francis

Gayle A. Francis, as Trustee of the Francis Family Trust dated May 24, 1996

/s/ Todd Johnson

Todd Johnson

/s/ Deborah Johnson

Deborah Johnson

The undersigned hereby guarantees the obligation of Buyer under Section 10.4(a) and executes this Agreement as an acknowledgment of such guarantee and for no other purpose.

HWH CAPITAL PARTNERS, L.P.

By: HWH, L.P., general partner

By: HWH Incorporated, general partner

By: /s/ Robert B. Haas

Name: Robert B. Haas
Title: Chairman

Exhibit 2.2

STOCK PURCHASE AGREEMENT

by and between

AMN HEALTHCARE, INC.

SUZANNE CONFOY

and

GEORGE ROBERT KRAUS, JR.

---

for all of the outstanding stock of

NURSES RX, INC.

June 23, 2000

TABLE OF CONTENTS

SCHEDULES

Page

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of June 23, 2000 by and among AMN HEALTHCARE, INC., a Nevada corporation (the "Buyer"), SUZANNE CONFOY and GEORGE ROBERT KRAUS, JR. (each a "Seller" and collectively the "Sellers") for the purchase and sale of all of the issued and outstanding shares of capital stock of NURSES RX, INC., a North Carolina corporation (the "Company").

The Sellers are the beneficial and record owner of all of the issued and outstanding shares of common stock, no par value (the "Shares"), of the Company. The Sellers wish to sell to the Buyer, and the Buyer wishes to purchase from the Sellers, all of the Shares upon the terms and subject to the conditions of this Agreement.

Certain terms used in this Agreement are defined in Section 13.1.

Accordingly, the parties agree as follows:

1. SALE AND PURCHASE OF SHARES.

1.1. SALE AND PURCHASE OF SHARES. At the closing provided for in Article 2 (the "Closing") and upon the terms and subject to the conditions of this Agreement, and in reliance upon the representations, warranties and agreements of the Sellers, the Buyer shall purchase all of the Shares for the Purchase Price (as defined in Section 1.2), payable as provided in Section 1.2.

1.2. PAYMENT OF PURCHASE PRICE.

(a) At the Closing and subject to the terms of Section 1.3, the Buyer shall deliver to an account designated in writing by the Sellers, cash by wire transfer of immediately available funds in the following amount (the "Purchase Price"): (i) $17,000,000, (ii) decreased by the amount of Existing Indebtedness (as defined in Section 3.29) of the Company as of the close of business on the business day prior to the Closing Date, if any, (iii) increased by the extent that Net Working Capital Assets exceed $3,132,500 as of the Closing, and (iv) decreased to the extent that $3,132,500 exceeds Net Working Capital Assets as of the Closing.

(b) The Buyer shall deliver to an account designated in writing by the Sellers $2,000,000, provided that the Sellers have not violated any of the terms or conditions of this Agreement, to be payable by wire transfer of immediately available funds on the following dates as follows (the "Deferred Purchase Price Payments"):

June 29, 2001	$666,666
June 28, 2002	$666,667

June 30, 2003	$666,667

(c) The Buyer shall deliver to an account designated in writing by the Sellers $1,000,000, provided that the Sellers have not violated any of the terms or conditions contained in Article 9 hereof, to be payable by wire transfer of immediately available funds on the following dates as follows (the "Noncompete Payments"):

June 29, 2001	$333,333
June 28, 2002	$333,333
June 30, 2003	$333,334

1.3. PURCHASE PRICE ADJUSTMENT.

(a) Payment at Closing. Two days prior to the Closing, the Sellers shall prepare and deliver to the Buyer an estimated balance sheet of the Company as of the Closing Date (the "Preliminary Balance Sheet"). The Preliminary Balance Sheet shall be prepared by the Sellers in good faith and in accordance with GAAP applied on a consistent basis, but consistent with the stipulations in Schedule 1.3, and shall be accompanied by all information reasonably necessary to determine the amount of Existing Indebtedness and Net Working Capital Assets (including a line item for cash) as of the Closing, to the extent such amounts can be determined or estimated as of the date of the Preliminary Balance Sheet, and such other information as may be reasonably requested by the Buyer. At the Closing, the Buyer shall pay to the Sellers an amount equal to 97.5% of the Purchase Price as calculated in accordance with Section 1.2, on the basis of the Preliminary Balance Sheet.

(b) Post-Closing Payment of Purchase Price Adjustments.

(i) Within 45 days after the Closing Date, the Buyer shall prepare and deliver to the Sellers an unaudited balance sheet of the Company as of the Closing Date (the "Closing Balance Sheet"). The Closing Balance Sheet shall be prepared by the Buyer in good faith and in accordance with GAAP applied on a consistent basis, but consistent with the stipulations in Schedule 1.3, and shall be accompanied by all information reasonably necessary to determine the amount of Existing Indebtedness and Net Working Capital Assets (including a line item for cash) as of the Closing. The Sellers shall cooperate with the Buyer in the preparation of the Closing Balance Sheet. In the event that the Buyer fails to deliver the Closing Balance Sheet within 45 days after the Closing Date, the Preliminary Balance Sheet shall be deemed to be the Closing Balance Sheet and shall be deemed to be delivered to the Sellers by the Buyer on the 45th day following the Closing Date.

(ii) The Buyer shall allow the Sellers and their agents access at all reasonable times after the Closing Date to the books, records and accounts of the Company to allow the Sellers to examine the accuracy of the Closing Balance Sheet. Within 30 days after the date that the Closing Balance Sheet is delivered by the Buyer to the Sellers, the Sellers shall complete their examination thereof and may deliver to the Buyer a written report setting forth any proposed adjustments to the Closing Balance Sheet (the "Sellers' Dispute Report"). If the Sellers notify the Buyer of their acceptance of the amount of Existing Indebtedness and Net Working Capital Assets as of the Closing shown on the Closing Balance Sheet, or if the Sellers fail to deliver a report of proposed adjustments to the Closing Balance Sheet within the 30 day period specified in the preceding sentence, the amount of Existing Indebtedness and Net Working Capital Assets as of the Closing shown on the Closing Balance Sheet shall be conclusive and binding on the parties as of the last day of such 30 day period.

(iii) The Buyer and the Sellers shall use good faith efforts to resolve within 15 days of the delivery of the Sellers' Dispute Report any dispute involving the amount of Existing Indebtedness and Net Working Capital Assets as of the Closing, and any resolution between them as to any disputed amounts shall be final, binding and conclusive on the parties hereto; provided, however, that, in the absence of any such resolution within 15 days of the delivery of the Sellers' Dispute Report, such dispute shall be settled by the determination of a mutually agreed upon independent accountant, or such other method as to which the Sellers and Buyers may then agree, which determination shall be binding. Each party will use its best efforts to expedite such process, and the costs of such independent accountant shall be paid 50% by the Buyer and 50% by the Sellers.

(iv) If the Purchase Price as finally determined in accordance with this Section 1.3 is less than the amount paid by the Buyer to the Sellers at the Closing, then the Sellers shall pay to the Buyer the amount of such difference by wire transfer of immediately available funds, within three (3) days after the date on which the Purchase Price adjustments are finally determined in accordance with this Section 1.3. If the Purchase Price as finally determined in accordance with this Section 1.3 is greater than the amount paid by the Buyer to the Sellers at the Closing, then the Buyer shall pay to the Sellers the amount of such difference, by wire transfer of immediately available funds to accounts designated in writing by the Sellers, within three (3) days after the date on which Purchase Price adjustments are finally determined in accordance with this Section 1.3.

1.4. RIGHT TO OFFSET. Any amounts that the Buyer is otherwise required to remit to the Sellers under this Article 1 may be offset and reduced by any amounts owing from the Sellers to the Buyer or its affiliates.

1.5. DELIVERY OF SHARES. At the Closing, the Sellers shall deliver to the Buyer stock certificates representing the Shares, duly endorsed in blank or accompanied by stock powers duly executed in blank, in proper form for transfer, and with all appropriate stock transfer tax stamps affixed.

2. CLOSING; CLOSING DATE. The Closing of the sale and purchase of the Shares contemplated hereby shall take place at the offices of Parker, Poe, Adams & Bernstein L.L.P., 2500 Charlotte Plaza, Charlotte, North Carolina 28244 at 10:00 A.M. on June 28, 2000, or such other time or date as the parties may mutually agree in writing, provided that all of the conditions to the Closing set forth in Articles 7 and 8 have been satisfied or waived by the party entitled to waive the same. The time and date upon which the Closing occurs is herein called the "Closing Date."

3. REPRESENTATIONS AND WARRANTIES OF THE SELLERS AS TO THE COMPANY. Each of the Sellers represents and warrants to the Buyer as follows:

3.1. DUE INCORPORATION AND AUTHORITY. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of North Carolina and has all requisite corporate power and lawful authority to own, lease and operate its properties and to carry on its business as now being and heretofore conducted.

3.2. SUBSIDIARIES AND OTHER AFFILIATES. Except as otherwise set forth in Schedule 3.2, the Company does not directly or indirectly own any interest in any other person.

3.3. QUALIFICATION. The Company is duly qualified or otherwise authorized as a foreign corporation to transact business and is in good standing in each jurisdiction set forth on Schedule 3.3, which are the only jurisdictions in which such qualification or authorization is required by Law or in which the failure to so qualify or be authorized could have a material adverse effect on the properties, business, results of operations or financial condition of the Company (the "Condition of the Company"). The Company does not own or lease real property in any jurisdiction other than its jurisdiction of organization and the jurisdictions set forth on Schedule 3.3.

3.4. OUTSTANDING CAPITAL STOCK. The Company is authorized to issue one hundred (100) shares of common stock, no par value (the "Common Stock"), of which one hundred (100) shares are issued and one hundred (100) shares are outstanding. The ownership of the Common Stock is set forth on Schedule 3.4. All of the outstanding shares of Common Stock owned by each of the Sellers are owned free and clear of any Lien. No other class of capital stock or other ownership interests of the Company is authorized or outstanding.

3.5. OPTIONS OR OTHER RIGHTS. There is no outstanding right, subscription, warrant, call, unsatisfied preemptive right, option or other agreement of any kind to purchase or otherwise to receive from the Company or the Sellers any of the outstanding, authorized but unissued, unauthorized or treasury shares of the capital stock or any other security of the Company, and there is no outstanding security of any kind of the Company convertible into any such capital stock.

3.6. CHARTER DOCUMENTS AND CORPORATE RECORDS. The Sellers have heretofore delivered to the Buyer true and complete copies of the Articles of Incorporation (certified by the Secretary of State or other appropriate official of its jurisdiction of incorporation) and By-laws (certified by the Company's secretary or an assistant secretary), or comparable instruments, of the Company as in effect on the date hereof. The minute books, or comparable records, of the Company heretofore have been made available to the Buyer for its inspection and contain true and complete records of all meetings and consents in lieu of meeting of the Board of Directors (and any committee thereof) and shareholders of the Company since the time of the Company's organization and accurately reflect all transactions referred to in such minutes and consents in lieu of meeting. The stock books, or comparable records, of the Company heretofore have been made available to the Buyer for its inspection and are true and complete.

3.7. FINANCIAL STATEMENTS.

(a) The balance sheets of the Company as of (i) December 31, 1998 and (ii) December 31, 1999, and the related statements of income, shareholders' equity and changes in financial position for the years then ended, including the footnotes thereto, (x) compiled, in the case of 3.7(a)(i) above, and (y) audited, in the case of 3.7(a)(ii) above, by DDK & Company LLP, independent certified public accountants, which have been delivered to the Buyer, fairly present the financial position of the Company as at such dates and the results of operations of the Company for such respective periods in accordance with GAAP applied on a consistent basis for the periods covered thereby. (The financial statements of the Company as of December 31, 1999 and for the year then ended are sometimes herein called the "Financial Statements." The balance sheet included in the Financial Statements is sometimes herein called the "Balance Sheet" and December 31, 1999 is sometimes herein called the "Balance Sheet Date.") The Sellers have also delivered to the Buyer the balance sheet of the Company as of April 30, 2000 and the related statements of income, shareholders' equity and changes in financial position for the four months ended April 30, 2000 (the "Interim Financial Statements".) The Financial Statements and the Interim Financial Statements are attached hereto as Schedule 3.7(a).

(b) All accounts and notes receivable reflected on the Balance Sheet, and all accounts and notes receivable arising subsequent to the Balance Sheet Date, (i) have arisen in the ordinary course of business of the Company and (ii) subject only to a reserve for bad debts computed in a manner consistent with past practice and reasonably estimated to reflect the probable results of collection, have been collected or are collectible in the ordinary course of business of the Company in the aggregate recorded amounts thereof in accordance with their terms.

3.8. NO MATERIAL ADVERSE CHANGE. Since the Balance Sheet Date, there has been no material adverse change in the Condition of the Company, and the Company knows of no such change which is threatened, nor to the knowledge of the Company has there been any damage, destruction or loss which is reasonably possible to

have or has had a material adverse effect on the Condition of the Company, whether or not covered by insurance.

3.9. TAXES.

(a) All Federal, state, county, local, foreign and other taxes (including, without limitation, income, profits, premium, estimated, excise, sales, use, occupancy, gross receipts, franchise, ad valorem, severance, capital levy, production, transfer, withholding, employment, unemployment compensation, payroll related, value added, inventory, social security, stamp and property taxes, import duties and other governmental charges, assessments, and charges of any kind whatsoever), whether or not measured in whole or in part by net income, and including deficiencies, interest, additions to tax or interest, and penalties with respect thereto, and including expenses associated with contesting any proposed adjustment related to any of the foregoing (collectively, "Taxes") due or claimed to be due from or with respect to the Company on or before the date hereof have been timely paid.

(b) The Company (i) timely elected to be treated as a subchapter S corporation for federal tax purposes and, except as set forth on Schedule 3.9(b), for the tax purposes of each state in which the Company is subject to tax, effective on the first day of its first taxable year, and (ii) where applicable has properly maintained its status as a subchapter S corporation for all taxable periods since the first day of its first taxable year and, accordingly, the Sellers will pay when due federal income taxes or state income taxes with respect to any taxable period beginning with its first taxable year and through its taxable year (or portion thereof) ending on the Closing Date, including as a result of the Section 338(h)(10) Election (as defined in Section 6.10(b) below). Schedule 3.9(b) sets forth each state with respect to which the Company has made an election to be treated as a subchapter S corporation. Neither the Sellers nor the Company is aware of any event that exists or has existed that presents any risk that the status of the Company as a subchapter S corporation is or has been at any time subject to termination or revocation.

(c) All returns, reports, declarations, statements and other information required to be filed by or with respect to the Company with respect to any Tax (all such returns and other reports, "Tax Returns") on or before the date hereof have been timely filed and all such Tax Returns are correct and complete in all material respects, except as provided in the first sentence of Schedule 3.10. The charges, accruals and reserves on the books of the Company in respect of any liability for Taxes based on or measured by net income for any years not finally determined or with respect to which the applicable statute of limitations has not expired are adequate to satisfy any assessment for such Taxes for such years. No taxing authority has asserted any Tax deficiency, lien, or other assessment against the Company which has not been paid.

(d) No penalties or other charges are or will become due with respect to the late filing of any Tax Return of the Company or payment of any Tax

of the Company required to be filed or paid on or before the Closing Date, except as provided in the first sentence of Schedule 3.10.

(e) With respect to all Tax Returns of the Company and except as set forth on Schedule 3.9(e), (i) the statute of limitations for the assessment of Taxes has expired with respect to all periods ending on or before December 31, 1995 (provided, the foregoing representation assumes a statute of limitations of 3 years from the date of filing for each non-federal return for which an extension has not been granted); (ii) no audit or other proceeding by any court, governmental or regulatory authority or similar authority is pending and no extension of time is in force with respect to any date on which any Tax Return was or is to be filed and no waiver or agreement is in force for the extension of time for the assessment or payment of any Tax; and (iii) there is no unassessed deficiency proposed or threatened against the Company, except as provided in the first sentence of Schedule 3.10.

(f) Schedule 3.9(f) sets forth the status of Federal Tax audits of the Tax Returns of the Company for each fiscal year for which the statute of limitations has not expired, including the amounts of any deficiencies and additions to Tax, interest and penalties indicated on any notices of proposed deficiency or statutory notices of deficiency, and the amounts of any payments made by the Company with respect thereto. Each Tax Return filed by or with respect to the Company for which the Federal Tax audit has not been completed accurately reflects the amount of liability for Taxes thereunder and makes all disclosures required by the Internal Revenue Code of 1986, as amended (the "Code") and regulations thereunder and other applicable provisions of Law.

(g) Schedule 3.9(g) sets forth the status of state, county, local and foreign Tax audits of the Tax Returns of the Company for each fiscal year for which the statute of limitations has not expired, including the amounts of any deficiencies or additions to Tax, interest and penalties that have been made or proposed, and the amounts of any payments made by the Company with respect thereto. Each state, county, local and foreign Tax Return filed by or with respect to the Company for which the state, county, local or foreign Tax audit has not been completed accurately reflects the amount of its liability for Taxes thereunder and makes all disclosures required by applicable provisions of Law.

(h) Except as set forth on Schedule 3.9(h), the Company has not agreed to and is not required to make any adjustments under section 481(a) of the Code by reason of a change in accounting method or otherwise.

(i) The Company has not at any time consented under Section 341(f)(1) of the Code to have the provisions of Section 341(f)(2) of the Code apply to any sale of its capital stock.

(j) Reserves and provisions for Taxes accrued but not due on or before the Closing Date reflected in the Financial Statements will be adequate as of the Closing Date, in accordance with GAAP.

(k) The liability for Taxes of the Company as of the Balance Sheet Date will not exceed the accrual for Taxes on the Balance Sheet and, other than in the ordinary course of business, the liability of the Company for Taxes (i) has not increased since the Balance Sheet Date and (ii) will not increase at any time through the Closing Date.

(l) The Company is not a party to, is not bound by, and has no obligation under any Tax sharing or similar agreement.

(m) There are no Liens for Taxes on the assets of the Company except for Liens for current Taxes not yet due.

(n) The Company has not been, and is not in violation (or with notice be in violation) of any applicable law relating to the payment or withholding of Taxes and the Company has duly and timely withheld from employee salaries, wages and other compensation and paid over to the appropriate taxing authorities all material amounts required to be so withheld and paid over for all periods under all applicable laws.

(o) No closing agreement that could affect the Taxes of the Company has been entered into by or with respect to the Company.

(p) No stamp, transfer, documentary, sales, use, registration and other such Taxes and fees (including, without limitation, any penalties and interest) incurred in connection with this Agreement and the transactions contemplated by this Agreement (the "Contemplated Transactions") will be due and payable in connection with this Agreement and the Contemplated Transactions.

3.10. COMPLIANCE WITH LAWS. Except as set forth on Schedule 3.10, the Company is not in violation of any applicable order, judgment, injunction, award, decree or writ (collectively, "Orders"), or any applicable law, statute, code, ordinance, regulation or other requirement (collectively, "Laws") of any government or political subdivision thereof, whether Federal, state, local or foreign, or any agency or instrumentality of any such government or political subdivision, or any insurance company or fire rating and any other similar board or organization or other non-governmental regulating body (to the extent that the rules, regulations or orders of such body have the force of law) or any court or arbitrator (collectively, "Governmental Bodies") (but not including, however, Safety and Environmental Laws, which are addressed in Section 3.13), and neither the Company nor the Sellers have received notice that any such violation is being or may be alleged. The Company has not made any illegal payment to officers or employees of any Governmental Body, or made any illegal payment to customers for the sharing of fees or to customers or suppliers for rebating of

charges, or engaged in any other illegal reciprocal practice, or made any illegal payment or given any other illegal consideration to purchasing agents or other representatives of customers in respect of sales made or to be made by the Company.

3.11. PERMITS. The Company has all licenses, permits, exemptions, consents, waivers, authorizations, rights, certificates of occupancy, franchises, orders or approvals of, and has made all required registrations with, any Governmental Body that are material to the conduct of the business of, or the intended use of any properties of, the Company (collectively, "Permits"), not including, however, Permits relating to compliance with Safety and Environmental Laws, which are addressed in Section 3.13. All Permits (with the exception of Permits required pursuant to Safety and Environmental Laws, which are addressed in Section 3.13) are listed on Schedule 3.11 and are in full force and effect; no material violations are or have been recorded in respect of any Permit; and no proceeding is pending or, to the knowledge of the Company, threatened to revoke or limit any Permit. The Sellers will take such action as is necessary to cause the Permits listed on Schedule 3.11 to remain in full force and effect following the consummation of the Contemplated Transactions.

3.12. NO BREACH. The execution and delivery by the Sellers of this Agreement and each and every other agreement and instrument contemplated hereby, the consummation of the transactions contemplated hereby and thereby and the performance by the Sellers of this Agreement and each such other agreement and instrument in accordance with their respective terms and conditions will not (a) violate any provision of the Articles of Incorporation or By-laws (or comparable instruments) of the Company; (b) require the Company to obtain any consent, approval, authorization or action of, or make any filing with or give any notice to, any Governmental Body or any other person, except as set forth on Schedule 3.12 (collectively, the "Required Consents"); (c) if the Required Consents are obtained, violate, conflict with or result in the breach of any of the terms and conditions of, result in a material modification of the effect of, otherwise cause the termination of or give any other contracting party the right to terminate, or constitute (or with notice or lapse of time or both constitute) a default under, any contract, agreement, indenture, note, bond, loan, instrument, lease, conditional sale contract, mortgage, license, franchise, commitment or other binding arrangement (collectively, the "Contracts") to which the Company is a party or by or to which the Company or any of its properties is or may be bound or subject, or result in the creation of any Lien upon any of the properties of the Company pursuant to the terms of any such Contract; (d) if the Required Consents are obtained, violate any Law of any Governmental Body; (e) if the Required Consents are obtained, violate any Order of any Governmental Body applicable to the Company or to its securities, properties or business; or (f) if the Required Consents are obtained, violate or result in the revocation or suspension of any Permit.

3.13. ENVIRONMENTAL MATTERS. To the knowledge of the Sellers, except as disclosed on Schedule 3.13, (i) the property, assets and operations of Company comply and have been in compliance in all material respects with all applicable Safety and Environmental Laws; (ii) there is no Environmental Claim pending or

threatened against the Company and there is no civil, criminal or administrative judgment or notice of violation against the Company pursuant to Safety and Environmental Laws or principles of common law relating to pollution, protection of the Environment or health and safety; and (iii) there are no past or present events, conditions, circumstances, activities, practices, incidents, agreements, actions or plans which may prevent compliance in all material respects with Safety and Environmental Laws, or which have given rise to or will give rise to an Environmental Claim or to Environmental Compliance Costs.

3.14. CLAIMS AND PROCEEDINGS. There are no outstanding Orders of any Governmental Body against or involving the Company. Except as set forth on Schedule 3.14, there are no actions, causes of action, suits, claims, complaints, demands, litigations or legal, administrative or arbitral proceedings or investigations (collectively, "Claims") (whether or not the defense thereof or liabilities in respect thereof are covered by insurance) pending or, to the knowledge of the Company, threatened, against or involving the Company or any of its properties, owned or leased. To the knowledge of the Company, except as set forth on Schedule 3.14, there is no fact, event or circumstance that may give rise to any Claim that would be required to be set forth on Schedule 3.14 if currently pending or threatened. All notices required to have been given to any insurance company listed as insuring against any Claim set forth on Schedule 3.14 have been timely and duly given and, except as set forth on Schedule 3.14, no insurance company has asserted, orally or in writing, that such Claim is not covered by the applicable policy relating to such Claim. There are no Claims pending or threatened that would give rise to any right of indemnification on the part of any director or officer of the Company or the heirs, executors or administrators of such director or officer, against the Company or any successor to the business of the Company.

3.15. CONTRACTS. (a) Schedule 3.15(a) sets forth a true and complete list of all of the Contracts to which the Company is a party or by or to which the Company or any of its properties may be bound or subject which involve annual expenditures of over $30,000 per year per Contract, other than Contracts with travel healthcare employees, facilities or hospitals. Schedule 3.15(b) sets forth a true and complete list of each of the facilities, hospitals and travel healthcare employees (identified solely by their employee identification numbers) with which the Company has a Contract. The Sellers will provide the Buyer with an updated Schedule 3.15(b) at Closing providing the full names of such healthcare employees previously only identified by employee identification numbers.

(b) There have been delivered to the Buyer true and complete copies of all Contracts entered into with the Company's top twenty (20) customers, a subset of those Contracts set forth on Schedule 3.15(b) or set forth on any other Schedule. The Buyer has been given access to all Contracts listed on Schedules 3.15(a) and 3.15(b) other than those Contracts with travel healthcare employees. All of the Contracts listed on Schedules 3.15(a) and 3.15(b) are valid and binding and enforceable upon the Company, in accordance with their terms. The Company is not in breach or default in any material respect under any of such Contracts,

nor to the knowledge of the Company does any condition exist that with notice or lapse of time or both would constitute such a material default thereunder. To the knowledge of the Company, no other party to any such Contract is in default thereunder in any material respect nor does any condition exist that with notice or lapse of time or both would constitute such a material default thereunder.

3.16. REAL ESTATE. (a) No Ownership of Real Property. The Company does not own any real property and has not owned any real property during the past twelve months.

(b) Leased Properties. Schedule 3.16(b) is a true, correct and complete schedule of all leases and other agreements other than apartment leases for housing for travel healthcare employees on temporary assignment which apartment leases number less than 400 and which, in the aggregate, do not require monthly rental payments in excess of $300,000 (collectively, the "Real Property Leases") under which the Company uses or occupies or has the right to use or occupy, now or in the future, any real property (the land, buildings and other improvements covered by the Real Property Leases being herein called the "Leased Real Property"), which Schedule sets forth the date of and parties to each Real Property Lease, the date of and parties to each amendment, modification and supplement thereto, the term and renewal terms (whether or not exercised) thereof, the annual base rent payable thereunder and a brief description of the Leased Real Property covered thereby. The Sellers have heretofore delivered to, or caused the Company to have heretofore delivered to, the Buyer true, correct and complete copies of all Real Property Leases (including all modifications, amendments and supplements). Each Real Property Lease is valid, binding and in full force and effect, all rent and other sums and charges payable by the Company as tenant thereunder are current, no notice of default under any Real Property Lease has been received by the Company which remains uncured, no termination notice under any Real Property Lease has been received by the Company, and to the knowledge of the Company no uncured default on the part of the Company or, to the knowledge of the Company, the landlord, exists under any Real Property Lease.

(c) Entire Premises. All of the land, buildings, structures and other improvements used by the Company in the conduct of its business are included in the Leased Real Property.

(d) Space Leases. Except as set forth in the Real Property Leases, no person or entity has been granted by the Company pursuant to a written agreement or, to the knowledge of the Company, pursuant to any other agreement, oral or otherwise, any right to the possession, use, occupancy or enjoyment of the Leased Real Property or any portion thereof.

(e) No Options. Neither the Sellers nor the Company owns or holds, or is obligated under or a party to, any option, right of first refusal or other contractual right to purchase, acquire, sell, dispose of or lease the Leased Real Property or any portion thereof or interest therein.

(f) Condemnation. The Company have not received written notice, or, to the knowledge of the Company, any other notice, oral or otherwise, of any sale or other disposition of the Leased Real Property or any part thereof.

3.17. TANGIBLE PROPERTY. The facilities, machinery, equipment, furniture, buildings and other improvements, fixtures, vehicles, structures, any related capitalized items and other tangible property material to the business of the Company (collectively, the "Tangible Property") are in all material respects in adequate operating condition, subject to continued repair and replacement in accordance with past practice, and are suitable for their intended use in accordance with past practice. During the past three years there has not been any significant interruption of the operations of the Company due to inadequate maintenance of the Tangible Property.

3.18. INTELLECTUAL PROPERTY. "Intellectual Property" is hereinafter defined as all of the intangible assets, interests and rights used in or related to the conduct of the business of the Company or the Subsidiary, including, without limitation, all corporate names, trade names, trademarks and service marks (including all applications for registration thereof and all goodwill associated therewith), patents and patent applications, copyrights, trade secrets, rights to software and related source code used by the Company or the Subsidiary (such software and related source code alone shall hereinafter collectively be referred to as the "Software"). Schedule 3.18 sets forth a list of all of the Intellectual Property of the Company as well as all material licenses, sublicenses, and other agreements or permissions under which the Company is a licensor or licensee or otherwise is authorized to use or practice any Intellectual Property. The Company owns or otherwise possesses legally enforceable rights to use, sell, and license, free and clear of any and all Liens or material restrictions, any and all Intellectual Property used in the business of the Company as currently conducted or as proposed to be conducted. The Company has not infringed upon or otherwise violated the intellectual property rights of any third party or received any claim alleging any such infringement or other violation. The Company has not been, during the three years preceding the date hereof, a party to any claim, nor, to the knowledge of the Company, is any claim threatened or is there any valid ground for a claim, that challenges the validity, enforceability, ownership or right to use, sell or license any Intellectual Property owned by the Company. To the knowledge of the Company, no third party is infringing upon any Intellectual Property owned by the Company. The Company has taken all necessary and desirable action to maintain and protect each item of Intellectual Property owned by the Company. All material Software is held by the Company legitimately, is free from any significant software defect, performs in conformance with its documentation, and does not contain any bugs or viruses or any code or mechanism that could be used to interfere with the operation of the Software.

3.19. TITLE TO PROPERTIES. The Company owns outright and has good title to all of its properties, including all of the assets reflected on the Balance Sheet and the properties described in Sections 3.17 and 3.18, in each case free and clear of any Lien, except for (a) Liens specifically described in the notes to the Financial Statements; (b) properties disposed of, or subject to purchase or sales orders, in the ordinary course of

business since the Balance Sheet Date; (c) Liens securing Taxes, assessments, governmental charges or levies, or the claims of materialmen, carriers, landlords and like persons, all of which are not yet due and payable or are being contested in good faith, so long as such contest does not involve any substantial danger of the sale, forfeiture or loss of any assets; and (d) Liens set forth on Schedule 3.19.

3.20. LIABILITIES. As at the Balance Sheet Date, the Company did not have any material direct or indirect indebtedness, liability, Claim, loss, damage, deficiency, obligation or responsibility, known or unknown, fixed or unfixed, choate or inchoate, liquidated or unliquidated, secured or unsecured, accrued, absolute, contingent or otherwise, whether or not of a kind required by GAAP to be set forth on a financial statement or in the notes thereto ("Liabilities") that were not fully and adequately reflected or reserved against on the Balance Sheet or described on any Schedule or in the notes to the Financial Statements. Except as set forth on Schedule 3.20, the Company has not, except in the ordinary course of business, incurred any material Liabilities since the Balance Sheet Date. Neither the Company nor the Sellers have any knowledge of any circumstance, condition, event or arrangement that may hereafter give rise to any Liabilities of the Company or any successor to its business except in the ordinary course of business or as otherwise set forth on Schedule 3.20.

3.21. CUSTOMERS.

(a) Schedule 3.21(a) lists, by dollar volume paid for the twelve months ended on the Balance Sheet Date, the twenty largest customers of the Company (the "Material Customers").

(b) The relationships of the Company with its customers are good commercial working relationships and, except as set forth on Schedule 3.21(b), (i) within the last twelve months, no Material Customer has threatened to cancel or otherwise terminate, or to the knowledge of the Company intends to cancel or otherwise terminate, its relationship with the Company, (ii) no Material Customer has during the last twelve months decreased materially or threatened to decrease or limit materially, or to the knowledge of the Company intends to modify materially its relationship with the Company or intends to decrease or limit materially its services to the Company or its usage or purchase of the services or products of the Company, (iii) to the knowledge of the Company, the acquisition of the Shares by the Buyer and the consummation of the Contemplated Transactions will not adversely affect the relationship of the Company with any of its Material Customers, (iv) within the last twelve months, no customers have threatened to cancel or otherwise terminate, or to the knowledge of the Company intend to cancel or otherwise terminate, their relationships with the Company, the loss of which would have, in the aggregate, a material adverse effect on the Condition of the Company, (v) within the last twelve months, no customers have decreased or threatened to decrease or limit, or to the knowledge of the Company intend to modify their relationships with the Company to the extent of having, in the aggregate, a material adverse effect on the Condition of the Company and (vi) to the knowledge of the Company, the acquisition of the Shares by the Buyers and the consummation of the Contemplated Transactions will

not affect the relationships of the Company with any customers to the extent of having, in the aggregate, a material adverse effect on the Condition of the Company.

3.22. EMPLOYEE BENEFIT PLANS.

(a) Schedule 3.22(a) lists all Benefit Plans. With respect to each such plan, Sellers heretofore have delivered, or have caused the Company heretofore to have delivered, to Buyer, or has made available to the Buyer or its representatives, true, correct and complete copies of, to the extent applicable (i) all plan texts and agreements and related trust agreements or annuity contracts; (ii) all summary plan descriptions and material employee communications; (iii) the most recent annual report (including all schedules thereto); (iv) the most recent actuarial valuation; (v) the most recent annual audited financial statement and opinion; (vi) if the plan is intended to qualify under Code section 401(a) or 403(a), the most recent determination or notification letter received from the IRS; and (viii) all material communications with any Governmental Body (including the DOL, IRS and PBGC).

(b) Except as disclosed in Schedule 3.22(b):

(i) With respect to each Benefit Plan, no event has occurred, and there exists no condition or set of circumstances in connection with which the Company reasonably could, directly or indirectly (through a Commonly Controlled Entity or otherwise), be subject to any material liability under ERISA, the Code or any other applicable Law, except liability for benefits claims and funding obligations payable in the ordinary course.

(ii) Each Benefit Plan conforms in all material respects to, and its administration is substantial in compliance with, all applicable Laws. Each Benefit Plan intended to comply with section 401(a) of the Code uses a standardized prototype plan document for which, to the knowledge of the Sellers, the prototype sponsor has received a favorable notification letter from the IRS and, to the knowledge of the Sellers, no events, circumstances or conditions exist which would jeopardize such plans' qualified status.

(iii) The Company, and each Commonly Controlled Entity has made all payments due from such respective entity to date with respect to each Benefit Plan.

(iv) With respect to each Benefit Plan, there are no funded benefit obligations for which contributions have not been made or properly accrued and there are no unfunded benefit obligations that have not been accounted for by reserves, or otherwise properly footnoted in accordance with GAAP, on the Financial Statements.

(v) No Benefit Plan is subject to Code section 412 or ERISA section 302.

(vi) No Benefit Plan is or was subject to Title IV of ERISA.

(vii) No Benefit Plan is a "multiemployer plan" as defined in Code Section 414(f) or ERISA sections 3(37) or 4001(a)(31). No Benefit Plan is a multiple employer plan within the meaning of the Code section 413(c) or ERISA sections 4063, 4064 or 4066. No Welfare Plan is a "multiple employer welfare arrangement" as defined in ERISA section 3(40).

(viii) There are no Claims or Liens pending or, to the knowledge of the Sellers, threatened (other than routine claims for benefits) with respect to any Benefit Plan or against the assets of any Benefit Plan.

(ix) Each Pension Plan that is not qualified under Code section 401(a) or 403(a) is exempt from Part 2, 3 and 4 of Title I of ERISA as an unfunded plan that is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, pursuant to ERISA sections 201(2), 301(a)(3) and 401(a)(1).

(x) No assets of the Company are allocated to or held in a "rabbi trust" or similar funding vehicle.

(xi) Each Benefit Plan that is a "group health plan" (as defined in ERISA section 607(1) or Code section 5001(b)(1)) has been operated at all times in compliance with the provisions of COBRA and any applicable similar state Law.

(xii) There are no reserves, assets, surpluses or prepaid premiums with respect to any Welfare Plan.

(xiii) The Company is not obligated to provide benefits under any Retiree Welfare Plan.

(xiv) The consummation of the Contemplated Transactions will not under any Benefit Plan or other Company agreement, policy or commitment (A) entitle any current or former Employee to severance pay, unemployment compensation or any similar payment; (B) accelerate the time of payment or vesting, or increase the amount of any compensation due to, or in respect of, any current or former Employee; (C) result in or satisfy a condition to the payment of compensation that would, in combination with any other payment, result in an "excess parachute payment" within the meaning of Code section 280G(b); or (D) constitute or involve a prohibited transaction (as defined in ERISA section 406 or Code section 4975), constitute or involve a breach of fiduciary responsibility within the meaning of ERISA section 502(l) or otherwise violate Part 4 of Subtitle B of Title I of ERISA.

(xv) As of the Closing, the Company and any Commonly Controlled Entity, have not incurred any liability or obligation under the Worker Adjustment and Retraining Notification Act, as it may be amended from time to time, and within the 90-day period immediately following the Closing, will not incur any such liability or obligation if, during such 90-day period, only terminations of employment in the normal course of operations occur.

3.23. EMPLOYEE RELATIONS.

(a) Schedule 3.23(a) lists as of the date hereof the number of Employees in the aggregate, the number of full-time personnel and the number of contract workers of the Company. Except as disclosed in Schedule 3.23(a), none of the Employees is represented by a union, and no union organizing efforts have been conducted within the last five years or are now being conducted. Except as disclosed in Schedule 3.23(a), the Company has not at any time during the last five years had, nor to the knowledge of the Company, is there now threatened, a strike, picket, work stoppage, work slowdown or other labor dispute.

(b) Except as set forth on Schedule 3.23(b), the Company has not violated any provision of any Law or Order of any Governmental Body regarding the terms and conditions of Employees, former Employees or prospective Employees or other labor-related matters, including, without limitation, laws, rules, regulations, orders, rulings, decrees, judgments and awards relating to discrimination, fair labor standards and occupational health and safety, wrongful discharge or violation of the personal rights of Employees, former Employees or prospective Employees.

3.24. INSURANCE. Schedule 3.24 sets forth a list (specifying the insurer, describing each pending claim thereunder of more than $50,000 and setting forth the aggregate amounts paid out under each such policy through the date hereof and the aggregate limit, if any, of the insurer's liability thereunder) of all policies or binders of fire, liability, product liability, worker's compensation, vehicular and other insurance held by or on behalf of the Company. Such policies and binders are valid and binding in accordance with their terms, are in full force and effect, and insure against risks and liabilities to an extent and in a manner customary in the industries in which the Company operates. The Company is not in default with respect to any provision contained in any such policy or binder or has failed to give any notice or present any claim under any such policy or binder in due and timely fashion. Except for claims set forth on Schedule 3.24, there are no outstanding unpaid claims that have been reported to the Company under any such policy or binder, and the Company has not received any notice of cancellation or non-renewal of any such policy or binder. Except as set forth on Schedule 3.24, the Company has not received any notice from any of its insurance carriers or any Governmental Body that any insurance premiums will or may be materially increased in the future or that any insurance coverage listed on Schedule 3.24 will or may not be available in the future on substantially the same terms as now in effect, and to the knowledge of the Company, there is no basis for the issuance of any such notice or for any such action.

3.25. OFFICERS, DIRECTORS AND EMPLOYEES. Schedule 3.25 sets forth (a) the name, title and total compensation of each officer and director of the Company; (b) the name, title and total compensation of each other Employee, consultant, agent or other representative of the Company whose annual compensation (including bonuses and commissions) for 1999 exceeded $50,000; (c) the name, title and total compensation of each other Employee, consultant, agent or other representative of the Company whose current or committed annual rate of compensation exceeds $50,000 or is reasonably anticipated (including bonuses and commissions) to exceed $75,000; (d) all wage and salary increases, bonuses and increases in any other direct or indirect compensation received by such persons since the Balance Sheet Date; (e) any payments or commitments to pay any severance or termination pay to any current or former officer, director or employee of the Company; and (f) any accrual for, or any commitment or agreement by the Company to pay, such increases, bonuses or pay. Except as at forth on Schedule 3.25, none of such persons has notified the Company whether orally or in writing that he or she will cancel or otherwise terminate such person's relationship with the Company.

3.26. OPERATIONS OF THE COMPANY. Except as set forth on Schedule 3.26, since the Balance Sheet Date the Company has not:

(a) declared or paid any dividends or declared or made any other distributions of any kind to its shareholders, or made any direct or indirect redemption, retirement, purchase or other acquisition of any shares of its capital stock;

(b) except for short-term bank borrowings in the ordinary course of business, incurred any indebtedness for borrowed money;

(c) reduced its cash or short-term investments or their equivalent, other than to meet cash needs arising in the ordinary course of business, consistent with past practices;

(d) waived any material right under any Contract or other agreement of the type required to be set forth on any Schedule;

(e) made any change in its accounting methods or practices or made any change in depreciation or amortization policies or rates adopted by it;

(f) materially changed any of its business policies, including advertising, investment, marketing, pricing, purchasing, production, personnel, sales, returns, budget or product acquisition policies;

(g) made any loan or advance to any of its shareholders, officers, directors, Employees, consultants, agents or other representatives (other than travel advances made in the ordinary course of business), or made any other loan or advance otherwise than in the ordinary course of business;

(h) except for inventory or equipment in the ordinary course of business, sold, abandoned or made any other disposition of any of its properties or assets or made any acquisition of all or any part of the properties, assets, capital stock or business of any other person;

(i) paid, directly or indirectly, any of its material Liabilities before the same became due in accordance with its terms or otherwise than in the ordinary course of business;

(j) terminated or failed to renew, or received any written threat (that was not subsequently withdrawn) to terminate or fail to renew, any Contract or other agreement that is or was material to the Condition of the Company;

(k) amended its Articles of Incorporation or By-laws (or comparable instruments) or merged with or into or consolidated with any other person, subdivided or in any way reclassified any shares of its capital stock or changed or agreed to change in any manner the rights of its outstanding capital stock or the character of its business; or

(l) engaged in any other material transaction other than in the ordinary course of business or in any activity or transaction which has had a material adverse effect on the operations and/or value of the Company.

3.27. POTENTIAL CONFLICTS OF INTEREST. Except as set forth on Schedule 3.27, (a) the Sellers do not, (b) no officer, director or affiliate of the Company or of the Sellers, (c) no relative or spouse (or relative of such spouse) of any such officer, director or affiliate or of the Sellers and (d) no entity controlled by one or more of the foregoing:

(i) own(s), directly or indirectly, any interest in (excepting less than 1% stock holdings for investment purposes in securities of publicly held and traded companies), or is an officer, director, employee or consultant of, any person which is, or is engaged in business as, a competitor, lessor, lessee, supplier, distributor, sales agent or customer of the Company;

(ii) own(s), directly or indirectly, in whole or in part, any property that the Company uses in the conduct of its business; or

(iii) has/have any Claim whatsoever against, or owes any amount to, the Company, except for claims in the ordinary course of business such as for accrued vacation pay, accrued benefits under Benefit Plans, and similar matters and agreements existing on the date hereof.

3.28. FULL DISCLOSURE. No representation or warranty of the Sellers contained in this Agreement, and no document furnished by or on behalf of the Company to the Buyer pursuant to this Agreement or in connection with the

Contemplated Transactions, contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made, in the context in which made, not materially false or misleading. To the knowledge of the Company, there is no fact that the Sellers have not disclosed to the Buyer in writing that materially adversely affects the Condition of the Company or the ability of the Sellers to perform this Agreement.

3.29. EXISTING INDEBTEDNESS. As of the date of this Agreement and as of the close of business on the day prior to the Closing Date, (i) all indebtedness of or any obligation of the Company for borrowed money, whether current, short-term, or long-term, secured or unsecured, (ii) all indebtedness of the Company for the deferred purchase price for purchases of property outside the ordinary course which is not evidenced by trade payables, (iii) all lease obligations of the Company under leases which are capital leases in accordance with GAAP, (iv) all off-balance sheet financings of the Company including, without limitation, synthetic leases and project financing, (v) any payment obligations of the Company in respect of banker's acceptances or letters of credit (other than stand-by letters of credit in support of ordinary course trade payables), (vi) any liability of the Company with respect to interest rate swaps, collars, caps and similar hedging obligations, (vii) any present, future or contingent obligations of the Company under (A) any phantom stock or equity appreciation rights, plan or agreement, (B) any consulting, deferred pay-out or earn-out arrangements in connection with the purchase of any business or entity, (C) any non-competition agreement, (viii) any accrued bonuses other than periodic bonuses payable to travel healthcare employees which are included in the calculation of Net Working Capital Assets, (ix) any accrued Taxes other than payroll Taxes accrued in the ordinary course of business which are included in the calculation of Net Working Capital Assets, (x) any accrued and unpaid interest or any contractual prepayment premiums, penalties or similar contractual charges resulting from the transactions contemplated hereby or the discharge of such obligations with respect to any of the foregoing (other than any such prepayment premiums, penalties of similar contractual charges arising solely from actions taken by the Buyer after the Closing and not contemplated by this Agreement), (xi) all indebtedness of or any obligation of the Company owed to the Sellers or to any affiliate of the Sellers not canceled pursuant to Section 6.6 hereof and (xii) all indebtedness of or any obligation of the Company incurred for the personal benefit of the Sellers or any affiliate of the Sellers, including without limitation, any family members of the Sellers, is listed on Schedule 3.29 hereto (collectively, but without duplication, the "Existing Indebtedness"). Notwithstanding the foregoing, in no event will any item actually included in the computation of Net Working Capital Assets be included as Existing Indebtedness. The Company shall supplement Schedule 3.29 to the extent necessary to set forth amounts which are to be included in Existing Indebtedness as of the close of business on the day prior to the Closing Date, and, as supplemented, Schedule 3.29 will, as of the close of business on the day prior to the Closing Date, list all Existing Indebtedness and the amounts thereof as of the close of business on the day prior to the Closing Date.

4. REPRESENTATIONS AND WARRANTIES OF THE SELLERS. Each of the Sellers represents and warrants to the Buyer as follows:

4.1. TITLE TO THE SHARES. As of the Closing Date, each of the Sellers shall own beneficially and of record, free and clear of any Lien, or shall own of record and have full power and authority to convey free and clear of any Lien, the Shares and, upon delivery of and payment for such Shares at the Closing as herein provided, each of the Sellers will convey to the Buyer good and valid title thereto, free and clear of any Lien.

4.2. AUTHORITY TO EXECUTE AND PERFORM AGREEMENT. Each of the Sellers has full legal right and power and all authority and approvals required to enter into, execute and deliver this Agreement and each and every agreement and instrument contemplated hereby to which such Seller is or will be a party and to perform fully such Seller's obligations hereunder and thereunder. This Agreement has been duly executed and delivered by each of the Sellers, and on the Closing Date, each and every agreement and instrument contemplated hereby to which each Seller is a party will be duly executed and delivered by such Seller and (assuming due execution and delivery hereof and thereof by the other parties hereto and thereto) this Agreement and each such other agreement and instrument will be valid and binding obligations of each Seller enforceable against each Seller in accordance with their respective terms. The execution and delivery by each Seller of this Agreement and each and every agreement and instrument contemplated hereby to which such Seller is a party, the consummation of the transactions contemplated hereby and thereby and the performance by each Seller of this Agreement and each such other agreement and instrument in accordance with their respective terms and conditions will not (a) require such Seller to obtain any consent, approval, authorization or action of, or make any filing with or give any notice to, any Governmental Body or any other person, except for the Required Consents; (b) if the Required Consents are obtained, violate, conflict with or result in the breach of any of the terms and conditions of, result in a material modification of the effect of, otherwise cause the termination of or give any other contracting party the right to terminate, or constitute (or with notice or lapse of time or both constitute) a default under, any Contract to which such Seller is a party or by or to which such Seller is or the Shares are or may be bound or subject; (c) if the Required Consents are obtained, violate any Law or Order of any Governmental Body applicable to such Seller or to the Shares; or (d) result in the creation of any Lien on the Shares.

5. REPRESENTATIONS AND WARRANTIES OF THE BUYER. The Buyer represents and warrants to the Sellers as follows:

5.1. DUE INCORPORATION AND AUTHORITY. The Buyer is a corporation duly organized, validly existing and in good standing under the Laws of the State of Nevada and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being and as heretofore conducted.

5.2. AUTHORITY TO EXECUTE AND PERFORM AGREEMENT. The Buyer has the full legal right and power and all authority and approvals required to enter into, execute and deliver this Agreement and each and every agreement and instrument contemplated hereby to which the Buyer is or will be a party and to perform fully its obligations hereunder and thereunder. This Agreement has been duly executed and delivered by the Buyer, and on the Closing Date, each and every agreement and instrument contemplated hereby to which the Buyer is a party will be duly executed and delivered by the Buyer and (assuming due execution and delivery hereof and thereof by the other parties hereto and thereto) this Agreement and each such other agreement and instrument will be valid and binding obligations of the Buyer enforceable against the Buyer in accordance with their respective terms. The execution and delivery by the Buyer of this Agreement and each and every other agreement and instrument contemplated hereby to which the Buyer is a party, the consummation of the transactions contemplated hereby and thereby and the performance by the Buyer of this Agreement and each such other agreement and instrument in accordance with their respective terms and conditions will not (a) violate any provision of the Articles of Incorporation or By-laws (or comparable instruments) of the Buyer; (b) require the Buyer to obtain any consent, approval, authorization or action of, or make any filing with or give any notice to, any Governmental Body or any other person; (c) violate, conflict with or result in the breach of any of the terms and conditions of, result in a material modification of the effect of, otherwise cause the termination of or give any other contracting party the right to terminate, or constitute (or with notice or lapse of time or both constitute) a default under, any Contract to which the Buyer is a party or by or to which the Buyer or any of its properties is or may be bound or subject; or (d) violate any Law or Order of any Governmental Body applicable to the Buyer.

5.3. PURCHASE FOR INVESTMENT. The Buyer is purchasing the Shares for its own account for investment and not for resale or distribution.

5.4. CLAIMS AND PROCEEDINGS. There are no Claims pending, or to the knowledge of the Buyer threatened, involving, affecting or relating to the transactions contemplated in this Agreement or which would prohibit the buyer from consummating the transactions contemplated in this Agreement nor is any basis known to the Buyer for any such actions, suit, proceeding or investigation.

6. COVENANTS AND AGREEMENTS.

6.1. CONDUCT OF BUSINESS; NOTICES.

(a) From the date hereof through the Closing Date, other than as set forth on Schedule 6.1(a), the Sellers agree that they (i) shall cause the Company to conduct its business in the ordinary course and, without the prior written consent of the Buyer, not to undertake any of the actions specified in Section 3.26; and (ii) shall cause the Company to conduct its business in a manner such that the representations and warranties contained in Article 3 shall continue to be true and correct

on and as of the Closing Date as if made on and as of the Closing Date; and (iii) shall conduct their affairs in a manner such that the representations and warranties contained in Article 4 shall continue to be true and correct on and as of the Closing Date as if made on and as of the Closing Date.

(b) The Sellers shall give the Buyer prompt notice of any event, condition or circumstance occurring from the date hereof through the Closing Date that would constitute a violation or breach of (i) any representation or warranty of any party, whether made as of the date hereof or as of the Closing Date, or (ii) any covenant of the Sellers contained in this Agreement. The Sellers will update the Schedules to this Agreement on or prior to the Closing Date to reflect any events, conditions or circumstances occurring after the date hereof and required to be reflected on such Schedules; provided that all such updates shall be deemed not to have been made for purposes of determining whether the condition of the Buyer to complete the Closing as set forth in Section 7.1 has been satisfied.

6.2. CORPORATE EXAMINATIONS AND INVESTIGATIONS. Until the Closing Date, the Sellers shall permit employees and representatives of the Buyer to visit and inspect the Company and any of its properties, to examine its corporate, financial and operating records and make copies thereof or abstracts therefrom, and to discuss its affairs, finances, and accounts with its directors, officers and independent public accountants, all at such reasonable times during normal business hours and as often as may be reasonably requested upon reasonable advance notice to the Sellers, and the Sellers shall cooperate fully therewith. Notwithstanding the foregoing, any and all requests for access for examinations or investigations as described above shall be made and scheduled in advance through Suzanne Confoy, George Robert Kraus, Jr., or Michael Manning. No investigation by the Buyer shall diminish or obviate any of the representations, warranties, covenants or agreements of the Sellers contained in this Agreement.

6.3. PUBLICITY. The parties agree that no publicity release or announcement concerning this Agreement or the Contemplated Transactions shall be made without advance approval thereof by the Sellers and the Buyer.

6.4. EXPENSES. The parties to this Agreement shall, except as otherwise specifically provided herein, bear their respective expenses incurred in connection with the preparation, execution and performance of this Agreement and the Contemplated Transactions, including all fees and expenses of agents, representatives, counsel and accountants.

6.5. INDEMNIFICATION OF BROKERAGE. Each of the Sellers represents and warrants to the Buyer that no broker, finder, agent or similar intermediary (a "Broker") has acted on behalf of the Company or the Sellers in connection with this Agreement or the Contemplated Transactions, and that there are no brokerage commissions, finder's fees or similar fees or commissions payable in connection therewith based on any agreement, arrangement or understanding with the Company or

the Sellers, or any action taken by the Company or the Sellers. Each of the Sellers agrees to indemnify and hold harmless the Buyer from any Claim or demand for commission or other compensation by any Broker claiming to have been employed by or on behalf of the Company or a Sellers, and to bear the cost of legal expenses incurred in defending against any such claim. The Buyer represents and warrants to the Sellers that no Broker has acted on behalf of the Buyer in connection with this Agreement or the Contemplated Transactions, and that there are no brokerage commissions, finders' fees or similar fees or commissions payable in connection therewith based on any agreement, arrangement or understanding with the Buyer, or any action taken by the Buyer. The Buyer agrees to indemnify and hold harmless the Sellers from any Claim or demand for commission or other compensation by any Broker claiming to have been employed by or on behalf of the Buyer, and to bear the cost of legal expenses incurred in defending against any such claim.

6.6. RELATED PARTIES. The Sellers shall, prior to the Closing, pay or cause to be paid to the Company, as the case may be, all amounts owed to the Company by the Sellers or any affiliate of the Sellers. At and as of the Closing, any debts of the Company owed to the Sellers or to any affiliate of the Sellers shall be canceled.

6.7. REQUIRED CONSENTS. The Sellers shall, prior to the Closing, obtain or make, at their sole expense, all Required Consents and undertake all actions, incur all expenses, costs and obligations, and provide all bonds, guarantees or other financial instruments required pursuant to the Required Consents. Each of the Sellers agrees to indemnify and hold harmless the Buyer from any costs, expenses, obligations or liabilities arising in connection with or pursuant to any of the Required Consents.

6.8. PERMIT TRANSFERS. The Sellers shall, by July 31, 2000, at their sole expense, cause the transfer, reissuance or modification of any Permits to the extent that such is required to cause the Permits to remain in full force and effect in the possession of the Company, after the Closing. The Buyer shall cooperate with the Sellers in their efforts to cause such transfer, reissuance or modification of any Permits. Each of the Sellers agrees to bear the entire financial burden and hold harmless the Buyer for any costs, expenses, obligations or liabilities arising in connection with or pursuant to any of the above described Permit Transfers, reissuances or modifications, except as otherwise noted on Schedule 3.11.

6.9. FURTHER ASSURANCES. Each of the parties shall execute such documents and take such further actions as may be reasonably required to carry out the provisions hereof and the Contemplated Transactions. Each such party shall use its or her commercially reasonable efforts to fulfill or obtain the fulfillment of the conditions to the Closing set forth in Articles 7 and 8.

6.10. TAXES; SECTION 338(h)(10) ELECTION.

(a) As the only shareholders of an S corporation, the Sellers will pay and discharge and be responsible for any and all Taxes due or payable by the Sellers and by the Company for any taxable year or taxable period (or portion thereof) ending on or before the Closing Date including, without limitation, any liability that the Sellers may owe as individuals in any jurisdiction in which the Company is treated as an S corporation. In addition, the Sellers will pay and discharge and be responsible for any State taxes (including, without limitation, excise and franchise taxes) due or payable by the Company for any taxable year or taxable period (or portion thereof) ending on or before the Closing Date, including, without limitation, any liability that the Sellers may owe as an individual in any jurisdiction in which the Company is treated as an S corporation. Any income, excise and franchise taxes due or payable as a result of the Section 338(h)(10) Election (as hereinafter defined) shall be borne by the Sellers. For purposes of this Section 6.10, and as required in connection with the Section 338(h)(10) Election, the current fiscal year of the Company will be treated as two separate tax years, one beginning on January 1, 2000 and ending on the Closing Date and the other beginning on the date after the Closing Date and ending at the end of the 2000 fiscal year of the Company. The books and records of the Company will be closed at the close of business on the Closing Date.

(b) The Buyer, the Sellers, and the Company agree to make a timely election under Section 338(h)(10) of the Code, and also under provisions of state and local law similar to the provisions of Section 338 of the Code (including, but not limited to, Sections 338(h)(10) and 338(g) of the Code), where allowable (whether such election is made jointly by the Buyer and Sellers, or by the Company), in respect of the Contemplated Transactions (the "Section 338(h)(10) Election"), thereby causing such Contemplated Transactions to be treated as a purchase or sale of assets of the Company for federal purposes and to the extent allowed by state, local and foreign tax laws. On all returns relating to Taxes based on or measured by net income, the Sellers and the Buyer will report the transfers under this Agreement consistent with the Section 338(h)(10) Election. None of the Sellers, the Buyer or the Company will take a position on any Tax Return contrary to the Section 338(h)(10) Election unless required to do so by applicable state, local or foreign tax laws or pursuant to a determination as defined in Section 1313(a) of the Code. Each of the parties shall take any action required to effect state, local and foreign tax law conformity with application of the Section 338(h)(10) Election to the extent allowed by law.

(c) In connection with the Section 338(h)(10) Election, the Buyer and the Sellers mutually shall (i) determine the "Modified Aggregate Deemed Sales Price" of the assets of the Company (within the meaning of, and in accordance with, Treasury Regulations Section 1.338(h)(10)-1(f) or comparable provisions for state, local and foreign law) (the "MADSP Determination"), and (ii) determine the allocations of the "Modified Aggregate Deemed Sales Price" in accordance with Section 338(b)(5) of the Code and Treasury Regulations Section 1.338(b)-2T promulgated thereunder (and comparable provisions for state, local and foreign law) (the "MADSP Allocations"). The

Buyer and the Sellers shall be bound by the MADSP Determination and MADSP Allocations for purposes of determining any Taxes.

6.11. TAX RETURN FILING.

(a) The Sellers shall cause the Company to prepare, in a manner consistent with past practices, and timely file (including extensions of time to file) all Tax Returns required to be filed by the Company, the due date of which (without extensions) occurs on or before the Closing Date and pay (i) all Taxes due with respect to any such Tax Returns, and (ii) all other Taxes due or claimed to be due from or with respect to the Company on or before the Closing Date.

(b) The Sellers will prepare and file any Tax Returns due to be filed by the Company after the Closing Date but relating to periods of time prior to the Closing Date, with the understanding that such Tax Returns will be subject to the consent of the Buyer prior to filing, which consent shall not be unreasonably withheld.

(c) Notwithstanding subsections (a) and (b) of this Section 6.11, the Buyer, rather than the Sellers, shall be responsible for preparing and filing annual returns/Forms 5500 and any other Tax Returns relating to any Benefit Plan, the due date of which (with extensions) occurs after the Closing Date.

(d) The Sellers will take whatever action is necessary to maintain the S status of the Company for federal purposes and for the purposes of each state listed in Schedule 3.9(b) as a state in which the Company is treated as an S corporation, through the Closing Date, including as a result of the Section 338(h)(10) Election.

(e) Except in connection with the Section 338(h)(10) Election, the Sellers will not cause the Company to make any additional federal tax elections under the Code with respect to the Company for any tax period ending after the Closing Date.

6.12. FINANCIAL STATEMENTS AND OTHER INFORMATION. Between the date hereof and the Closing, the Company shall deliver to the Buyer, in form and substance satisfactory to the Buyer, as soon as available, but in any event not later than seventeen (17) days after the end of each calendar month, the unaudited balance sheet of the Company, and the related statements of operations and cash flows for such month and for the period commencing on the first day of the fiscal year and ending on the last day of such month, all certified by an appropriate officer of the Company as presenting fairly the financial condition as of such date and results of operations and cash flows for the periods indicated in conformity with GAAP applied on a consistent basis, subject to normal year-end adjustments and the absence of footnotes required by GAAP.

6.13. TAX AUDITS AND OTHER PROCEEDINGS. The Buyer, the Company and each of the Sellers shall cooperate fully, as and to the extent reasonably

requested by any other party, in connection with any Tax audit, litigation or other Tax proceedings relating to the business of the Company. Such cooperation shall include the retention and, upon any other party's request, the provision of records and information reasonably relevant to any such audit, litigation or proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any records and information provided hereunder. The Buyer, the Company and each of the Sellers further agree to furnish or cause to be furnished to each other, as promptly as practicable, such information and assistance relating to the Company as is reasonably necessary to the preparation and filing of any Tax Return, claim for refund or other required or optional filings relating to Tax matters, for the preparation for and proof of facts during any Tax audit, for the preparation for any Tax protest, for the prosecution or defense of any suit or other proceeding relating to Tax matters and for the answer to any inquiry relating to Tax matters by any Governmental Body.

6.14. NON-SOLICITATION BY BUYER OR SELLER ON TERMINATION. If this Agreement is terminated prior to Closing pursuant to Article 12 hereof, for a period of two (2) years after the date of such termination, then (a) neither the Buyer nor any affiliate of the Buyer shall, directly or indirectly solicit to hire any corporate staff person employed by Seller with whom they have had contact or who became known to Buyer solely in connection with the proposed transaction, and (b) neither the Seller nor any affiliate of the Seller shall directly or indirectly hire any corporate staff person employed by the Buyer with whom they have had contact or who became known to the Seller solely in connection with the proposed transaction. This provision will in no way prevent the Buyer of the Seller from hiring temporary/travel nurses or other health professionals who apply to each party through the normal course of business.

6.15. ACCESS TO COMPANY RECORDS. As may reasonably be necessary to enable the Sellers to: (i) comply with reporting, filing or other requirements imposed by any foreign, local, state or federal court, agency or regulatory body; (ii) assert or defend any claims or allegations in any litigation or arbitration or in any administrative or legal proceeding other than claims or allegations that the Sellers have asserted against the Buyer; or (iii) subject to clause (ii) above, perform the Sellers' obligations under this Agreement, after the Closing Date, the Buyer will provide to the Sellers and to their respective counsel and other representatives, upon request (subject to any limitations that are reasonably required to preserve any applicable attorney-client privilege or third-party confidentiality obligation), access for inspection and copying to all relevant files and records, Permits, Contracts and any other information existing as of the Closing Date and relating to the business of the Company, and will make its personnel reasonably available to provide any such necessary information. The Sellers, when requesting such information or assistance, shall reimburse the Buyer for all out-of-pocket costs and expenses incurred by the Buyer in providing such information and in rendering such assistance. The access to files, books and records contemplated by this Section 6.15 shall be during normal business hours and upon not less than two (2) business days' prior written request and shall be subject to such reasonable limitations as the Buyer may impose to preserve any confidentiality of information contained therein. For a period of

seven (7) years after the Closing Date, the Buyer shall keep and preserve all medical and other records of the Company in its possession which are existing as of the Closing Date and which are required to be kept and preserved (i) by any applicable federal or state law or regulation or (ii) in connection with any claim or controversy still pending involving the Company.

6.16. ACCESS TO FINANCIAL INFORMATION. After the Closing Date, the Buyer will provide to the Sellers, upon request, quarterly financial statements of Buyer and Buyer's parent for so long as any amounts described in Section 1.2 are unpaid. The Seller agrees to keep these financial statements confidential and agrees not to disclose these financial statements to any other person.

6.17. EXISTING INDEBTEDNESS. As of the close of business on the business day prior to the Closing Date, the Buyer shall have received from the Sellers: (i) a letter dated that same day from NationsBank N.A. stating the principal of and interest on, and all other amounts owing in respect of, the stepdown revolving loan entered into on February 4, 1998 by and between NationsBank N.A. and the Company (the "Revolving Loan")' (ii) a letter from the Sellers dated that same day detailing all Existing Indebtedness; and (iii) a letter from NationsBank N.A. dated that same day stating that once the Revolving Loan is repaid in full, the commitments thereunder shall terminate and that all guarantees in respect of, and all Liens securing, any such obligations shall be released (or arrangements satisfactory to Buyer shall be made).

7. CONDITIONS PRECEDENT TO THE OBLIGATION OF THE BUYER TO CLOSE. The obligation of the Buyer to enter into and complete the Closing is subject, at the option of the Buyer acting in accordance with the provisions of Article 12 with respect to termination of this Agreement, to the fulfillment on or prior to the Closing Date of the following conditions, any one or more of which may be waived by the Buyer:

7.1. REPRESENTATIONS AND COVENANTS. The representations and warranties of the Sellers contained in this Agreement shall be true in all material respects on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date. The Sellers shall have performed and complied with all covenants and agreements required by this Agreement to be performed or complied with by the Sellers on or prior to the Closing Date. The Sellers shall have delivered to the Buyer a certificate, dated the date of the Closing and signed by the Sellers, to the foregoing effect.

7.2. CONSENTS AND APPROVALS. All Required Consents shall have been obtained and be in full force and effect, and the Buyer shall have been furnished with evidence reasonably satisfactory to it that such Required Consents have been granted and obtained.

7.3. OPINION OF COUNSEL TO THE SELLERS. The Buyer shall have received the opinion of Parker, Poe, Adams & Bernstein L.L.P., counsel to the Sellers,

dated the date of the Closing, addressed to the Buyer, in a form reasonably satisfactory to the Buyer.

7.4. RESIGNATIONS. All resignations of directors and officers of the Company which have been previously requested in writing by the Buyer shall have been delivered to the Buyer.

7.5. NO CLAIMS. No Claims shall be pending or, to the knowledge of the Buyer or the Company, threatened, before any Governmental Body to restrain or prohibit, or to obtain damages or a discovery order in respect of, this Agreement or the consummation of the Contemplated Transactions or which has had or may have, in the reasonable judgment of the Buyer, a materially adverse effect on the Condition of the Company.

7.6. TERMINATION OF AGREEMENTS. The Buyer shall have received evidence satisfactory to it of the termination of all Contracts required to be terminated pursuant to Section 6.6 and of the release of any obligations under such Contracts of the Company.

7.7. FIRPTA AFFIDAVIT. The Buyer shall have received an affidavit of each of the Sellers sworn to under penalty of perjury, setting forth the Seller's name, address and Federal tax identification number and stating that the Seller is not a "foreign person" within the meaning of section 1445 of the Code.

8. CONDITIONS PRECEDENT TO THE OBLIGATION OF THE SELLERS TO CLOSE. The obligation of the Sellers to enter into and complete the Closing is subject, at the option of the Sellers acting in accordance with the provisions of Article 12 with respect to termination of this Agreement, to the fulfillment on or prior to the Closing Date of the following conditions, any one or more of which may be waived by the Sellers:

8.1. REPRESENTATIONS AND COVENANTS. The representations and warranties of the Buyer contained in this Agreement shall be true in all material respects on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date. The Buyer shall have performed and complied with all covenants and agreements required by this Agreement to be performed or complied with by it on or prior to the Closing Date (including, without limitation, the payment of 97.5% of the Purchase Price as determined under Section 1.3(a)). The Buyer shall have delivered to the Sellers a certificate, dated the date of the Closing and signed by an officer of the Buyer, to the foregoing effect.

8.2. NO CLAIMS. No Claims shall be pending or, to the knowledge of the Buyer or the Company threatened, before any Governmental Body to restrain or prohibit, or to obtain damages or a discovery order in respect of, this Agreement or the consummation of the Contemplated Transactions.

8.3. OPINION OF COUNSEL TO THE BUYER. The Sellers shall have received the opinion of Paul, Weiss, Rifkind, Wharton & Garrison, counsel to the Buyer, dated the date of the Closing, addressed to the Sellers, in a form reasonably satisfactory to the Sellers.

9. NON-COMPETITION.

9.1. COVENANTS AGAINST COMPETITION. Each of the Sellers acknowledges that (i) the Company is engaged in the business of placing temporary and permanent nurses and other medical professionals and medical technicians as health providers or otherwise providing services in healthcare facilities (the "Company Business"); (ii) the Company Business is conducted within the United States and Canada; (iii) each Seller's relationship with the Company has given each Seller and will continue to give each Seller trade secrets of and confidential information concerning the Company; (iv) the agreements and covenants contained in this Article 9 are essential to protect the business and goodwill of the Company, all of the outstanding Shares of which are being purchased by the Buyer; and (v) the Buyer would not purchase the Shares or make the Noncompete Payments but for such agreements and covenants. Accordingly, each of the Sellers and the Buyer covenants and agrees as follows:

(a) Non-Compete.

(i) For a period of four (4) years following the Closing (the "Restricted Period"), the Seller shall not in the United States and Canada (the "Territory") or through means of the so-called World-Wide-Web, Internet or any so-called "on-line" service or other electronic media (the "Internet Means"), directly or indirectly, (x) engage in the Company Business for the Seller's own account; (y) except as agreed to in writing by the Buyer and the Sellers, render any services to any person engaged in such activities; or (z) become interested in any such person in any capacity, including as a partner, shareholder, principal, agent, trustee or consultant; provided, however, the Sellers may own, directly or indirectly, solely as an investment, securities of any person traded on any national securities exchange if the Sellers are not a controlling person of, or a member of a group which controls, such person and does not, directly or indirectly, own 1% or more of any class of securities of such person.

(ii) As used herein, "Internet" shall mean the computer-generated, computer-mediated, or computer-assisted transmission, reception, recordation or display arising from any network or other connection of instruments or devices now known or hereafter invented capable of transmission, reception, recordation and/or display (such instruments or devices to include, without limitation, computers, laptops, cellular or PCS telephones, pagers, PDAs, wireless transmitters or receivers, modems, radios, televisions, satellite receivers, cable networks, smart cards, and set-top boxes).

(b) Confidential Information; Personal Relationships. Each of the Sellers promises and agrees that, either during the Restricted Period or at any

time thereafter, such Seller will not disclose to any person not employed by the Company or not engaged to render services to the Company, and that such Seller will not use for the benefit of such Seller or others, any Confidential Information or Trade Secrets of the Company and other affiliates obtained by such Seller; provided, however, that this provision shall not preclude such Seller from use or disclosure of information if (i) use or disclosure of such information shall be required by applicable Law or Order of any Governmental Body or (ii) such information is readily ascertainable from public or published information or trade sources (other than information known generally to the public as a result of a violation of this Section 9.1 by such Seller).

(c) Property of the Company. All memoranda, notes, lists, records and other documents (and all copies thereof), including such items stored in computer memories, on microfiche or by any other means, made or compiled by or on behalf of the Sellers, or made available to the Sellers relating to the Company, are and shall be the property of the Company, and shall be delivered to the Company promptly after the Closing or at any other time on request.

(d) Employees of the Company. Except as agreed to in writing by the Buyer and the Sellers, during the Restricted Period, the Sellers shall not, directly or indirectly, hire or solicit any Employee or encourage any such Employee to leave such employment.

9.2. RIGHTS AND REMEDIES UPON BREACH. If either Seller breaches, or threatens to commit a breach of, any of the provisions of Section 9.1 (the "Restrictive Covenants"), the Buyer and the Company shall have the following rights and remedies, each of which rights and remedies shall be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to the Buyer and the Company under Law or in equity:

(a) Specific Performance. The right and remedy to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Buyer and the Company and that money damages would not provide an adequate remedy to the Buyer and the Company.

(b) Accounting. The right and remedy to require the breaching Seller to account for and pay over to the Buyer or the Company, all compensation, profits, monies, accruals, increments or other benefits derived or received by the Seller as the result of any transactions by the Seller constituting a breach of the Restrictive Covenants.

9.3. SEVERABILITY OF COVENANTS. Each of the Sellers acknowledges and agrees that as to him or her, as the case may be, the Restrictive Covenants are reasonable and valid in geographical and temporal scope and in all other respects. If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable as to any Seller, the remainder of the Restrictive

Covenants shall not thereby be affected and shall be given full effect as to that Seller, without regard to the invalid portions.

9.4. BLUE-PENCILLING. If any court determines that any of the Restrictive Covenants, or any part thereof, is unenforceable as to either Seller because of the duration or geographic scope of such provision, such court shall have the power to reduce the duration or scope of such provision, as the case may be, as to such Seller, and, in its reduced form, such provision shall then be enforceable.

9.5. ENFORCEABILITY IN JURISDICTIONS. The Buyer and the Sellers intend to and hereby confer jurisdiction to enforce the Restrictive Covenants upon the courts of any jurisdiction within the geographical scope of the Restrictive Covenants. If the courts of any one or more of such jurisdictions hold the Restrictive Covenants unenforceable by reason of the breadth of such scope or otherwise, it is the intention of the Buyer and the Sellers that such determination not bar or in any way affect the Buyer's or the Company's right to the relief provided above in the courts of any other jurisdiction within the geographical scope of the Restrictive Covenants, as to breaches of the Restrictive Covenants in such other respective jurisdictions, the Restrictive Covenants as they relate to each jurisdiction being, for this purpose, severable into diverse and independent covenants.

10. SURVIVAL OF REPRESENTATIONS AND WARRANTIES OF THE SELLERS AFTER CLOSING. Notwithstanding any right of the Buyer to investigate fully the affairs of the Company and notwithstanding any knowledge of facts determined or determinable by the Buyer pursuant to such investigation or right of investigation, the Buyer has the right to rely fully upon the representations, warranties, covenants and agreements of the Sellers contained in this Agreement or in any documents delivered pursuant to this Agreement. All such representations, warranties, covenants and agreements shall survive the execution and delivery of this Agreement and the Closing hereunder as provided herein. Except for those representations and warranties in Sections 3.4, 3.5, 3.29, 4.1 and 6.5 (all of which representations and warranties shall survive without limitation), all representations and warranties of the Sellers contained in this Agreement shall terminate and expire (a) twenty-four (24) months after the Closing Date, with respect to any General Claim or Safety and Environmental Claim based upon, arising out of or otherwise in respect of any fact, circumstance or Claim of which the Buyer prior to that date shall not have given written notice to the Sellers as provided in Section 11.4 below; (b) with respect to any Tax Claim, on the later of (i) the date upon which the liability to which any such Tax Claim may relate is barred by all applicable statutes of limitations and (ii) the date upon which any claim for refund or credit related to such Tax Claim is barred by all applicable statutes of limitations; and (c) with respect to any ERISA Claim, on the date upon which the liability to which any such ERISA Claim may relate is barred by all applicable statutes of limitations.

11. GENERAL INDEMNIFICATION/EXERCISE OF RIGHT TO OFFSET.

11.1. OBLIGATION OF THE SELLERS TO INDEMNIFY. Subject to the limitations contained in Article 10 and Section 11.6, the Sellers agree, jointly and severally, to indemnify, defend and hold harmless the Buyer (and its directors, officers, employees, affiliates, successors and assigns) from and against all Claims, losses, liabilities, damages, deficiencies, judgments, assessments, fines, settlements, costs or expenses (including interest, penalties and fees, reasonable expenses and disbursements of attorneys, experts, personnel and consultants incurred by the indemnified party in any action or proceeding between the indemnifying party and the indemnified party or between the indemnified party and any third party, or otherwise) ("Losses") based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of any representation, warranty, covenant or agreement of the Sellers contained in this Agreement or in any documents delivered by the Sellers pursuant to this Agreement; provided, that the Sellers may at their option offset any amounts owing to the Buyer under this Section 11.1 on a dollar-for-dollar basis by any amounts owing from the Buyer to the Sellers.

11.2. SUPPLEMENTAL TAX INDEMNIFICATION. The Sellers agree, jointly and severally, to indemnify the Buyer (i) for all Taxes which the Sellers are responsible to pay pursuant to Section 6.10 hereof and (ii) for any liability for any Taxes imposed on the Company pursuant to federal, state, local or foreign law attributable to any periods ending on or before the Closing Date (or for the portion of any period up through the Closing Date to the extent a period does not close on such date). Any indemnity payments to or from the Sellers or to or from the Buyer pursuant to this Agreement, whether under this Section 11.2 or otherwise, shall be treated by the Buyer and the Sellers as purchase price adjustments for all tax purposes. All indemnification obligations set forth in this Section 11.2 shall be treated as Tax Claims for purposes of the survival provisions of Section 10.

11.3. SUPPLEMENTAL INTELLECTUAL PROPERTY INDEMNIFICATION. The Sellers agree, jointly and severally, to indemnify the Buyer for all Losses arising out of or attributable to any failure of the company to have obtained (i) United States federal registration or (ii) ownership or commercially reasonable written licenses for any Intellectual Property (whether or not such Intellectual Property is set forth on Schedule 3.18). Without limiting the foregoing, the Sellers agree to jointly and severally indemnify the Buyer for all Losses incurred by the Buyer or the Company in obtaining (i) United States federal registration or (ii) ownership or commercially reasonable written licenses, as the case may be, for any such Intellectual Property. The obligation of the Sellers under this Section 11.3 shall only be limited by the provisions of Section 11.6(b), (d) and (e).

11.4. OBLIGATION OF THE BUYER TO INDEMNIFY. The Buyer agrees to indemnify, defend and hold harmless the Sellers from and against all Losses based upon, arising out of or otherwise in respect of (i) any inaccuracy in or any breach of any

representation, warranty, covenant or agreement of the Buyer contained in this Agreement or in any documents delivered by the Buyer pursuant to this Agreement; provided, that the Buyer may offset any amounts owing to the Sellers under this Section 11.4 on a dollar-for-dollar basis by any amounts owing from the Sellers to the Buyer or its affiliates, and (ii) claims arising from the operation of the business of the Company after the Closing Date that are not based upon, related to or arise from any breach of any representation, warranty or covenant of the Sellers in this Agreement.

11.5. NOTICE AND OPPORTUNITY TO DEFEND.

(a) Notice of Asserted Liability. The party making a claim under this Article 11 is referred to as the "Indemnitee," and the party against whom such claims are asserted under this Article 11 is referred to as the "Indemnifying Party." All claims by any Indemnitee under this Article 11 shall be asserted and resolved as follows: Promptly after receipt by the Indemnitee of notice of any Claim or circumstances which, with the lapse of time, would or might give rise to a Claim or the commencement (or threatened commencement) of a Claim including any action, proceeding or investigation (an "Asserted Liability") that may result in a Loss, the Indemnitee shall give notice thereof (the "Claims Notice") to the Indemnifying Party. The Claims Notice shall describe the Asserted Liability in reasonable detail, and shall indicate the amount (estimated, if necessary and to the extent feasible) of the Loss that has been or may be suffered by the Indemnitee. The omission of any Indemnitee to so notify the Indemnifying Party of any such Claims Notice shall not relieve the Indemnifying Party from any liability which it may have to such Indemnitee unless, and only to the extent that, such omission results in the Indemnifying Party's forfeiture of substantive rights or defenses.

(b) Opportunity to Defend.

(i) The Indemnifying Party may elect to compromise or defend, at such party's own expense and by such party's own counsel, any Asserted Liability, except any Asserted Liability by any customer of the Company with respect to the business conducted by the Company prior to the Closing, which shall be subject to Section 11.4(b)(ii). If the Indemnifying Party elects to compromise or defend such Asserted Liability, it shall within 30 days (or sooner, if the nature of the Asserted Liability so requires) notify the Indemnitee of such party's intent to do so, and the Indemnitee shall cooperate, at the expense of the Indemnifying Party, in the compromise of, or defense against, such Asserted Liability. If the Indemnifying Party elects not to compromise or defend the Asserted Liability, fails to notify the Indemnitee of such party's election as herein provided or contests such party's obligation to indemnify under this Agreement, the Indemnitee may pay, compromise or defend such Asserted Liability. Notwithstanding the foregoing, neither the Indemnifying Party nor the Indemnitee may settle or compromise any Asserted Liability over the objection of the other; provided, however, consent to settlement or compromise shall not be unreasonably withheld. In any event, the Indemnitee and the Indemnifying Party may participate, at their own expense, in the defense of such Asserted Liability. If the Indemnifying Party chooses to

defend any Asserted Liability, the Indemnitee shall make available to the Indemnifying Party any books, records or other documents within such party's control that are necessary or appropriate for such defense.

(ii) Notwithstanding anything to the contrary in Section 11.4(b)(i), in the case of any Asserted Liability by any customer of the Company with respect to the business conducted by the Company prior to the Closing in connection with which the Buyer may make a claim against the Sellers for indemnification pursuant to Section 11.1, the Buyer shall have the exclusive right at its option to defend any such Asserted Liability, subject to the duty of the Buyer to consult with the Indemnifying Party and such party's attorneys in connection with such defense and provided that no such Asserted Liability shall be compromised or settled by the Buyer without the prior consent of the Indemnifying Party, which consent shall not be unreasonably withheld. The Indemnifying Party shall have the right to recommend in good faith to the Buyer proposals to compromise or settle Asserted Liabilities brought by a supplier, distributor, sales agent or customer, and the Buyer agrees to present such proposed compromises or settlements to such supplier, distributor or customer. All amounts required to be paid in connection with any such Asserted Liability pursuant to the determination of any Governmental Body, and all amounts required to be paid in connection with any such compromise or settlement consented to by the Indemnifying Party, shall be borne and paid by the Indemnifying Party. The parties agree to cooperate fully with one another in the defense, compromise or settlement of any such Asserted Liability.

11.6. SCOPE OF INDEMNIFICATION. The indemnification provided for in Section 11.1 and 11.3 shall be subject to the following limitations:

(a) The Sellers shall not be obligated to pay any amounts for indemnification under Section 11.1 until the aggregate amounts claimed for indemnification for breaches of representations and warranties under Section 11.1, equal or exceed $200,000 (the "Basket Amount"), whereupon the Sellers shall be obligated to pay in full all such amounts for such indemnification in excess of the Basket Amount.

(b) Notwithstanding anything to the contrary stated herein, (i) in no event shall the Sellers be collectively obligated to pay an aggregate amount in excess of $15,000,000 for indemnification under Section 11.1 for breaches of representations and warranties and indemnification under Section 11.3, and (ii) neither Seller shall be individually obligated to pay an aggregate amount in excess of payments received pursuant to this Agreement for indemnification under Section 11.1 for breaches of representations and warranties and indemnification under Section 11.3.

(c) Notwithstanding anything to the contrary stated herein, the limitation of the Sellers' liability under this Agreement set out above at Sections 11.6(a) and (b) shall not limit the obligation of the Sellers to make payments for indemnification under this Article 11 if the losses giving rise to claims for indemnification (A) arise from any representations and warranties which are incorrect or

breached due to fraud by the Sellers or (B) arise from inaccuracies or breaches of the representations and warranties of the Sellers contained in Sections 3.1, 3.2, 3.4, 3.5, 3.9, 3.29, 4.1, 4.2, and 6.5.

(d) In no event shall the Sellers be collectively obligated to pay an aggregate amount in excess of $6,000,000 for indemnification under Section 11.3, and neither Seller shall be individually obligated to pay an aggregate amount in excess of payments received pursuant to this Agreement for indemnification under Section 11.3.

(e) Section 11.3 shall terminate and expire thirty (30) months after the Closing Date.

11.7. EXERCISE OF RIGHT TO OFFSET. The parties may exercise any right to offset available to them in this Agreement only in accordance with the provisions of this Section 11.7. Either party's right to offset may be exercised only after the delivery of the written notice of the party exercising such right to offset (the "Offsetting Party") delivered to the other party (the "Other Party") of its intention to exercise such right. The Offsetting Party shall give the Other Party prompt written notice of any right to offset and its intention to exercise such right (which written notice shall be accompanied by reasonable supporting documentation of any amounts owing from the Other Party to the Offsetting Party and giving rise to such right to offset).

11.8. INDEMNIFICATION SOLE REMEDY. After the Closing Date, except as provided in Section 1.4, indemnification pursuant to this Article 11 shall be the sole and exclusive remedy of any party for breach of any representation, warranty or covenant in this Agreement (other than those found in Article 9), except with regard to any fraudulent misrepresentations or other fraudulent acts of the other party or parties.

11.9. INDEMNIFICATION OBLIGATION IS NET OF INSURANCE. With respect to each claim of indemnification under this Article 11, the amount of indemnification shall be net of any recovery by the indemnified party with respect to such claim under any insurance policy; provided that, such indemnification is not reasonably expected to have an adverse effect on the Buyer's premiums. In which case, however, indemnification shall be limited to the present value of any increase reasonably determined by the Buyer to result from such claim.

12. TERMINATION OF AGREEMENT.

12.1. TERMINATION. This Agreement may be terminated prior to the Closing as follows:

(a) at the election of the Sellers, acting jointly, if any one or more of the conditions to the obligation of the Sellers to close set forth in Article 8 has not been fulfilled as of the scheduled Closing Date;

(b) at the election of the Buyer, if any one or more of the conditions to the obligation of the Buyer to close set forth in Article 7 has not been fulfilled as of the scheduled Closing Date;

(c) at the election of the Sellers, acting jointly, or the Buyer, if any legal proceeding is commenced or threatened by any Governmental Body seeking to prevent the consummation of the Closing or any other Contemplated Transaction and the Sellers, acting jointly, or the Buyer, as the case may be, reasonably and in good faith deems it impracticable or inadvisable to proceed in view of such legal proceeding;

(d) at the election of the Sellers, acting jointly, if the Buyer has breached any material representation, warranty, covenant or agreement contained in this Agreement, which breach cannot be or is not cured by the Closing Date;

(e) at the election of the Buyer, if either of the Sellers has breached any material representation, warranty, covenant or agreement contained in this Agreement, which breach cannot be or is not cured by the Closing Date; or

(f) at any time on or prior to the Closing Date, by mutual written consent of the Sellers, acting jointly, and the Buyer.

If this Agreement so terminates, it shall become null and void and have no further force or effect, except as provided in Section 12.2.

12.2. SURVIVAL AFTER TERMINATION. If this Agreement terminates pursuant to Section 12.1 and the Contemplated Transactions are not consummated, this Agreement shall become null and void and have no further force or effect, except that any such termination shall be without prejudice to the rights of any party on account of the nonsatisfaction of the conditions set forth in Articles 7 and 8 resulting from the intentional or willful breach or violation of the representations, warranties, covenants or agreements of another party under this Agreement. Notwithstanding anything in this Agreement to the contrary, the provisions of Sections 6.3, 6.4 and 6.5, this Section 12.2 and Article 13 shall survive any termination of this Agreement.

13. MISCELLANEOUS.

13.1. CERTAIN DEFINITIONS.

(a) As used in this Agreement, the following terms have the following meanings:

"affiliate" means, with respect to any person, any other person controlling, controlled by or under common control with, or the parents, spouse, lineal descendants or beneficiaries of, such person.

"Benefit Plan" means any employee benefit plan, arrangement, policy or commitment (whether or not an employee benefit plan within the meaning of section 3(3) of ERISA), including any employment or individual consulting agreements for personal services, or deferred compensation agreement, executive compensation, bonus, incentive, pension, profit-sharing, savings, retirement, stock option, stock purchase or severance pay plan, any life, health, disability or accident insurance plan or any holiday or vacation practice, as to which the Company, or any Commonly Controlled Entity has or in the future reasonably could have any direct or indirect, actual or contingent material liability.

"COBRA" means the provisions of Code section 4980B and Part 6 of Subtitle B of Title I of ERISA.

"Commercially Reasonable Costs" means the costs, payments and expenses which a prudent person, acting in a commercially reasonable manner and seeking to minimize or mitigate his expenses to the extent reasonably practicable, would expend to resolve the matter; provided, however, that any payments or expenses expended pursuant to an Order, a written demand for remedial or compliance action or a written demand for payment by any Governmental Body shall be deemed to be Commercially Reasonable Costs.

"Commonly Controlled Entity" means any entity which is under common control with the Company within the meaning of Code section 414(b), (c), (m), (o) or (t).

"Confidential Information" means any information other than Trade Secrets that is not generally available to the public and that is treated as confidential or proprietary by the Company.

"DOL" means the United States Department of Labor.

"Employee" means any individual employed by the Company.

"Environment" means navigable waters, waters of the contiguous zone, ocean waters, natural resources, surface waters, ground water, drinking water supply, land surface, subsurface strata, ambient air, both inside and outside of buildings and structures, man-made buildings and structures, and plant and animal life on earth.

"Environmental Claims" means any notification, whether direct or indirect, formal or informal, written or oral, pursuant to Safety and Environmental Laws or principles of common law relating to pollution, protection of the Environment or health and safety, that any of the current or past operations of the Company, or any by-product thereof, or any of the property currently or formerly owned, leased or operated by the Company, or the operations or property of any predecessor of the Company, is or may be implicated in or subject to any Claim, Order, hearing, notice, agreement or evaluation by any Governmental Body or any other person.

"Environmental Compliance Costs" means any expenditures, costs, assessments or expenses (including any expenditures, costs, assessments or expenses in connection with the conduct of any Remedial Action, as well as reasonable fees, disbursements and expenses of attorneys, experts, personnel and consultants), whether direct or indirect, necessary to cause the operations, real property, assets, equipment or facilities owned, leased, operated or used by the Company to be in material compliance with any and all requirements, as in effect at the Closing Date, of Safety and Environmental Laws, principles of common law concerning pollution, protection of the Environment or health and safety, or Permits issued pursuant to Safety and Environmental Laws; provided, however, that Environmental Compliance Costs do not include expenditures, costs, assessments or expenses necessary in connection with normal maintenance of such real property, assets, equipment or facilities or the replacement of equipment in the normal course of events due to ordinary wear and tear.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Claim" means any claim based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of representation or warranty of the Sellers contained in Section 3.22.

"GAAP" means generally accepted accounting principles in the United States.

"General Claim" means any claim (other than a Tax Claim, a Safety and Environmental Claim or an ERISA Claim) based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of any representation or warranty of the Sellers contained in this Agreement.

"Hazardous Substance" means any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or waste, petroleum or petroleum-derived substance or waste, radioactive substance or waste, or any constituent of any such substance or waste, or any other substance regulated under or defined by any Safety and Environmental Law.

"IRS" means the Internal Revenue Service.

"knowledge of the Company" or any variant thereof means the knowledge of any of the following: President Suzanne Confoy, Chief Financial Officer Michael Manning, Vice President of Human Resources Debbie Davis, Vice President of Sales Debbie Maas, Manager of Nursing Services Elaine Burwell, Training and Database Manager Susan Brooks, Chief Operating Officer George Robert Kraus, Jr., Director of Contractual Services Joe Dunmire or Director of IT Bruce Nichols.

"Lien" means any lien, pledge, mortgage, deed of trust, security interest, claim, lease, license, charge, option, right of first refusal, easement, servitude, or similar encumbrance to title.

"Net Working Capital Assets" means, at any date, all assets of the Company that are classified as current assets, minus all liabilities of the Company that are classified as current liabilities (excluding components of Existing Indebtedness), as of such date, including, without limitation, all normalized balances that are expected to be received or paid, all calculated in accordance with GAAP. "Net Working Capital Assets" may be a negative amount.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Pension Plan" means any Benefit Plan which is a pension plan within the meaning of ERISA section 3(2) (regardless of whether the plan is covered by ERISA).

"person" means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Body or other entity.

"property" or "properties" means real, personal or mixed property, tangible or intangible.

"Release" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into or through the indoor or outdoor Environment or into, through or out of any property, including the movement of Hazardous Substances through or in the air, soil, surface water, ground water or property.

"Remedial Action" means all actions, whether voluntary or involuntary, reasonably necessary to materially comply with, or discharge any obligation under, Safety and Environmental Laws to (i) clean up, remove, treat, cover or in any other way adjust Hazardous Substances in the indoor or outdoor Environment; (ii) prevent or control the Release of Hazardous Substances so that they do not migrate or endanger or threaten to endanger public health or welfare or the Environment; or (iii) perform remedial studies, investigations, restoration and post-remedial studies, investigations and monitoring on, about or in any real property.

"Retiree Welfare Plan" means any Welfare Plan that provides benefits to current or former Employees beyond their retirement or other termination of service (other than coverage mandated by COBRA, the cost of which is fully paid by the current or former Employee or his or her dependents) or any applicable state law.

"Safety and Environmental Claim" means any claim based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of any representation or warranty of the Sellers contained in this Agreement related to Safety and Environmental Laws.

"Safety and Environmental Laws" means all Laws and Orders relating to pollution, protection of the Environment, public or worker health and safety, or the emission, discharge, release or threatened release of Hazardous Substances into the Environment or otherwise relating to the manufacture, processing, distribution, use,

treatment, storage, disposal, transport or handling of Hazardous Substances including the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., the Federal Water Pollution Control Act, 33 U.S.C. Section 1251 et seq., the Clean Air Act, 42 U.S.C. Section 7401 et seq., the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. Section 121 et seq., the Occupational Safety and Health Act, 29 U.S.C. Section 651 et seq., the Asbestos Hazard Emergency Response Act, 15 U.S.C. Section 2601 et seq., the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq., the Oil Pollution Act of 1990, 33 U.S.C. Section 2701 et seq., and analogous state acts.

"Tax Claim" means any claim based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of any representation or warranty of the Sellers contained in this Agreement related to Taxes.

"Title Defects" means any Lien, restrictive covenant, encroachment or other survey defect.

"Trade Secrets" means any trade secrets, research records, processes, procedures, manufacturing formulae, technical know-how, technology, blue prints, designs, plans, inventions (whether patentable and whether reduced to practice), invention disclosures and improvements thereto.

"Welfare Plan" means any Benefit Plan which is a welfare plan within the meaning of ERISA section 3(1) (regardless of whether the plan is covered by ERISA).

(b) The following capitalized terms are defined in the following Sections of this Agreement:

Term	Section
Agreement	Preamble
Asserted Liability	11.5(a)
Balance Sheet	3.7
Balance Sheet Date	3.7
Basket Amount	11.6(a)
Broker	6.5
Buyer	Preamble
Claims	3.14
Claims Notice	11.5(a)
Closing	1.1
Closing Balance Sheet	1.3(b)
Closing Date	2
Code	3.9(f)
Common Stock	3.4
Company	Preamble

Term	Section
Company Business	9.1
Condition of the Company	3.3
Contemplated Transactions	3.9(p)
Contracts	3.12
Deferred Purchase Price Payments	1.2(b)
Existing Indebtedness	3.29
Financial Statements	3.7
Governmental Bodies	3.10
Indemnifying Party	11.5(a)
Indemnitee	11.5(a)
Intellectual Property	3.18
Interim Financial Statements	3.7
Internet	9.1(a)
Internet Means	9.1(a)
Laws	3.10
Leased Real Property	3.16(b)
Liabilities	3.20
Losses	11.1
MADSP Allocations	6.10(c)
MADSP Determination	6.10(c)
Material Customers	3.21(a)
Modified Aggregate Deemed Sales Price	6.10(c)
Noncompete Payments	1.2(c)
Offsetting Party	11.8
Other Party	11.8
Orders	3.10
Permits	3.11
Preliminary Balance Sheet	1.3(a)
Purchase Price	1.2(a)
Real Property Leases	3.16(b)
Required Consents	3.12
Restricted Period	9.1(a)
Restrictive Covenants	9.2
Section 338(h)(10)	6.10(b)
Revolving Loan	6.17
Seller	Preamble
Sellers	Preamble
Seller's Dispute Report	1.3(b)
Shares	Preamble
Software	3.18
Tangible Property	3.17
Tax Returns	3.9(c)
Taxes	3.9(a)

Term	Section
Territory	9.1(a)

13.2. CONSENT TO JURISDICTION AND SERVICE OF PROCESS. Any Claim arising out of or relating to this Agreement or the Contemplated Transactions may be instituted in any Federal court of the Southern District of New York or any state court located in New York County, State of New York, and each party agrees not to assert, by way of motion, as a defense or otherwise, in any such Claim, any Claim that it is not subject personally to the jurisdiction of such court, that the Claim is brought in an inconvenient forum, that the venue of the Claim is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court. Each party further irrevocably submits to the jurisdiction of such court in any such Claim. Any and all service of process and any other notice in any such Claim shall be effective against any party if given personally or by registered or certified mail, return receipt requested, or by any other means of mail that requires a signed receipt, postage prepaid, mailed to such party as herein provided. Nothing herein contained shall be deemed to affect the right of any party to serve process in any manner permitted by law or to commence legal proceedings or otherwise proceed against any other party in any other jurisdiction.

13.3. NOTICES. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally, or sent by facsimile transmission or, if mailed, five days after the date of deposit in the United States mails, as follows:

(i) if to the Buyer, to:
AMN Healthcare, Inc.
12235 El Camino Real, Suite 200
San Diego, CA 92130
Attention: Steven C. Francis
Facsimile: (858) 792-0299

with a copy to:
Paul, Weiss, Rifkind, Wharton & Garrison
1285 Avenue of the Americas
New York, New York 10019-6064
Attention: Robert M. Hirsh, Esq.
Facsimile: (212) 757-3990

(ii) if to the Sellers, to:
Ms. Suzanne Confoy
[Address]
Facsimile:

Mr. George Robert Kraus, Jr.
[Address]
Facsimile:

with a copy to:
Parker, Poe, Adams & Bernstein, L.L.P.
2500 Charlotte Plaza
Charlotte, North Carolina 28244
Attention: S. Rogers Warner, Esq.
Facsimile: (704) 334-4706

Any party may by notice given in accordance with this Section to the other parties designate another address or person for receipt of notices hereunder.

13.4. ENTIRE AGREEMENT. This Agreement (including the Exhibits and Schedules) and any collateral agreements executed in connection with the consummation of the Contemplated Transactions contain the entire agreement among the parties with respect to the purchase of the Shares and supersede all prior agreements, written or oral, with respect thereto.

13.5. WAIVERS AND AMENDMENTS; NON-CONTRACTUAL REMEDIES; PRESERVATION OF REMEDIES. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by the Buyer and each of the Sellers or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies that any party may otherwise have at law or in equity. The rights and remedies of any party based upon, arising out of or otherwise in respect of any inaccuracy in or breach of any representation, warranty, covenant or agreement contained in this Agreement or any documents delivered pursuant to this Agreement shall in no way be limited by the fact that the act, omission, occurrence or other state of facts upon which any claim of any such inaccuracy or breach is based may also be the subject matter of any other representation, warranty, covenant or agreement contained in this Agreement or any documents delivered pursuant to this Agreement (or in any other agreement between the parties) as to which there is no inaccuracy or breach.

13.6. GOVERNING LAW. This Agreement shall be governed and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely within such State.

13.7. BINDING EFFECT; ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and legal representatives. This Agreement is not assignable except by operation of law, except that the Buyer may assign its rights hereunder to any of its affiliates, to any successor to all or substantially all of its business or assets, or to any bank or other financial institution that may provide financing for the Contemplated Transactions.

13.8. USAGE. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require. All terms defined in this Agreement in their singular or plural forms have correlative meanings when used herein in their plural or singular forms, respectively. Unless otherwise expressly provided, the words "include," "includes" and "including" do not limit the preceding words or terms and shall be deemed to be followed by the words "without limitation."

13.9. COUNTERPARTS. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all of the parties hereto.

13.10. EXHIBITS AND SCHEDULES. The Exhibits and Schedules are a part of this Agreement as if fully set forth herein and all references to this Agreement shall be deemed to include the Exhibits and Schedules. All references herein to Sections, Exhibits and Schedules shall be deemed references to such parts of this Agreement, unless the context shall otherwise require.

13.11. HEADINGS. The headings in this Agreement are for reference only, and shall not affect the interpretation of this Agreement.

13.12. SEVERABILITY OF PROVISIONS.

(a) If any provision or any portion of any provision of this Agreement shall be held invalid or unenforceable, the remaining portion of such provision and the remaining provisions of this Agreement shall not be affected thereby.

(b) If the application of any provision or any portion of any provision of this Agreement to any person or circumstance shall be held invalid or unenforceable, the application of such provision or portion of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Stock Purchase Agreement as of the date first above written.

AMN HEALTHCARE, INC.

By /s/ Steven C. Francis

Name: Steven C. Francis
Title: President and Chief Executive Officer

/s/ Suzanne Confoy

Suzanne Confoy

/s/ George Robert Kraus, Jr.

George Robert Kraus, Jr.

EXHIBIT 2.3

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STOCK PURCHASE AGREEMENT

by and between

AMN HEALTHCARE, INC.

and

PREFERRED EMPLOYERS HOLDINGS, INC.

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for all of the outstanding stock of

PREFERRED HEALTHCARE STAFFING, INC.

October 12, 2000

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TABLE OF CONTENTS

SCHEDULES

3.2	Subsidiaries
3.3	Qualification Jurisdictions
3.7(a)	Financial Statements and Interim Financial Statements
3.9	Tax Proceedings
3.9(d)	Tax -- Statutes of Limitations/Audits/Unassessed Deficiencies
3.9(e)	Tax -- Status of Federal Audits
3.9(f)	Tax -- Status of State, County, Local and Foreign Audits
3.9(g)	Tax -- 481(a) Adjustments
3.9(k)	Tax Sharing Agreements
3.10	Compliance with Laws
3.11(a)	Permits
3.11(b)	Actions to Maintain Permits
3.12	Required Consents
3.13	Environmental Matters
3.14	Claims and Proceedings
3.15(a)	Contracts
3.15(b)	Persons with Contracts
3.16(b)	Real Property Leases
3.18	Intellectual Property
3.19	Liens
3.20	Liabilities
3.21(a)	Largest Customers
3.21(b)	Customer Relationships
3.22(a)	Benefit Plans
3.22(c)	Conformity of Benefit Plans
3.22(d)	Payments Under Benefit Plans
3.22(e)	Benefit Obligations Not Properly Accrued, Contributed to or Reserved for
3.22(l)	"Rabbi Trusts" and Similar Funding Vehicles
3.22(n)	Reserves Under Welfare Plans
3.22(p)	Employee Payments
3.23(a)	Employee Relations
3.23(b)	Violations Regarding Employees
3.24	Insurance
3.25	Officers, Directors and Employees
3.26	Operations of the Company
3.27	Potential Conflicts of Interest
3.29	Existing Indebtedness
4.2	No Breach (Seller)
5.2	No Breach (Buyer)
6.15	Guaranties

Exhibits

A - Form of Escrow Agreement
B - Form of Buyer's counsel opinion
C - Form of Seller's counsel opinion

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of October 12, 2000 by and among AMN HEALTHCARE, INC., a Nevada corporation (the "Buyer"), PREFERRED EMPLOYERS HOLDINGS, INC., a Delaware corporation (the "Seller") for the purchase and sale of all of the issued and outstanding shares of capital stock of PREFERRED HEALTHCARE STAFFING, INC., a Delaware corporation ("PHS" and, together with its Subsidiaries, the "Company").

The Seller is the beneficial and record owner of all of the issued and outstanding shares of common stock, par value $.01 per share (the "Shares"), of PHS. The Seller wishes to sell to the Buyer, and the Buyer wishes to purchase from the Seller, all of the Shares upon the terms and subject to the conditions of this Agreement.

Certain terms used in this Agreement are defined in Section 13.1.

Accordingly, the parties agree as follows:

1. SALE AND PURCHASE OF SHARES.

1.1. SALE AND PURCHASE OF SHARES. At the closing provided for in Article 2 (the "Closing") and upon the terms and subject to the conditions of this Agreement, and in reliance upon the representations, warranties and agreements of the Seller, the Buyer shall purchase all of the Shares for the Purchase Price (as defined in Section 1.2), payable as provided in Section 1.2.

1.2. PAYMENT OF PURCHASE PRICE.

(a) At the Closing and subject to the terms of Section 1.3, the Buyer shall deliver to an account designated in writing by the Seller, cash by wire transfer of immediately available funds the following amount: (i) $75,500,000, decreased by the amount of Existing Indebtedness (as defined in Section 3.29) of the Company and any Cash Shortfall, or increased by the amount of any Cash Excess (as such terms are defined in Section 6.1(a)), in each case as of the close of business on the day immediately prior to the Closing Date, if any (the "Purchase Price"), less (ii) the amount paid by Buyer into the Escrow Account pursuant to Section 1.2(b).

(b) The Buyer shall deliver to Bank of America, N.A. (the "Escrow Agent") cash by wire transfer of immediately available funds in the amount of $4,000,000, such amount to be held in an Escrow Account (the "Escrow Account") in accordance with the terms of the Escrow Agreement in the form of Exhibit A among the Buyer, the Escrow Agent and the Seller (the "Escrow Agreement").

1.3. DELIVERY OF SHARES. At the Closing, the Seller shall deliver to the Buyer stock certificates representing the Shares, duly endorsed in blank or

accompanied by stock powers duly executed in blank, in proper form for transfer, and with all appropriate stock transfer tax stamps affixed.

1.4. ALLOCATION OF PURCHASE PRICE.

(a) The Buyer shall prepare and deliver to the Seller a schedule (an "Allocation Schedule") allocating the Purchase Price and any amount paid by the Buyer into the Escrow Account pursuant to Section 1.2(b) among all of the assets of the Company, in such amounts reasonably determined by the Buyer to be consistent with Section 1060 of the Code, and the regulations thereunder ("Section 1060"), subject to the Seller's consent, which consent shall not be unreasonably withheld or delayed, with such allocation to be binding on all parties hereto.

(b) For all Tax (as defined in Section 3.9) purposes, the Buyer and the Seller agree to report the transactions contemplated by this Agreement in a manner consistent with the terms of this Agreement, and that neither of them will take any position inconsistent therewith in any Tax Return (including, without limitation, the allocation determined pursuant to Section 1.4(a)).

2. CLOSING; CLOSING DATE. The Closing of the sale and purchase of the Shares contemplated hereby shall take place at the offices of Paul, Weiss, Rifkind, Wharton & Garrison, 1285 Avenue of the Americas, New York, New York 10019-6064 at 10:00 A.M. on November 28, 2000, or such other time or date as the parties may mutually agree in writing, provided that all of the conditions to the Closing set forth in Articles 7 and 8 have been satisfied or waived by the party entitled to waive the same. The time and date upon which the Closing occurs is herein called the "Closing Date."

3. REPRESENTATIONS AND WARRANTIES OF THE SELLER AS TO THE COMPANY. The Seller represents and warrants to the Buyer as follows (to the extent that any of the representations and warranties contained herein include PHS and its Subsidiaries by reference to the "Company," such reference will mean such entities taken as a whole):

3.1. DUE INCORPORATION AND AUTHORITY. PHS is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and lawful authority to own, lease and operate its properties and to carry on its business as now being and heretofore conducted.

3.2. SUBSIDIARIES AND OTHER AFFILIATES. Schedule 3.2 sets forth the name and jurisdiction of organization of each corporation or other entity (collectively, "Subsidiaries") in which PHS directly or indirectly owns or has the power to vote shares of any capital stock or other ownership interests having voting power to elect a majority of the directors of such corporation, or other persons performing similar functions for such entity, as the case may be. Except for the Subsidiaries, PHS does not directly or

indirectly own any interest in any other person and no affiliate of PHS is engaged in the Company Business. Each of the Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has the corporate power and lawful authority to own, lease and operate its properties and to carry on its business as now being and heretofore conducted. No Subsidiary of PHS has any material assets or any employees.

3.3. QUALIFICATION. The Company is duly qualified or otherwise authorized as a foreign corporation to transact business and is in good standing in each jurisdiction set forth on Schedule 3.3, which are the only jurisdictions in which such qualification or authorization is required by Law or in which the failure to so qualify or be authorized could have an adverse effect on the properties, business, results of operations or financial condition of the Company, other than matters generally affecting the industry in which the Company operates (including, without limitation, legislative or regulatory matters) (the "Condition of the Company"). The Company does not own or lease property in any jurisdiction other than its jurisdiction of organization and the jurisdictions set forth on Schedule 3.3.

3.4. OUTSTANDING CAPITAL STOCK. PHS is authorized to issue 1,000 shares of common stock, par value $.01 per share (the "Common Stock"), of which 100 shares are issued, 100 shares are outstanding and no shares are held by PHS as treasury stock. As of the date hereof, all of the outstanding shares of Common Stock are owned by the Seller free and clear of any Lien, other than (i) restrictions imposed by the Securities Act of 1933, as amended, and the regulations promulgated thereunder (the "Securities Act") and (ii) Liens arising under the Pledge Agreement. As of the Closing Date, all of the outstanding shares of Common Stock will be owned by the Seller free and clear of any Lien, other than restrictions imposed by the Securities Act. No other class of capital stock or other ownership interests of PHS is authorized or outstanding.

3.5. OPTIONS OR OTHER RIGHTS. There is no outstanding right, subscription, warrant, call, unsatisfied preemptive right, option or other agreement of any kind to purchase or otherwise to receive from the Company or the Seller any of the outstanding, authorized but unissued, unauthorized or treasury shares of the capital stock or any other security of the Company, and there is no outstanding security of any kind of the Company convertible into any such capital stock.

3.6. CHARTER DOCUMENTS AND CORPORATE RECORDS. The Seller has heretofore delivered to the Buyer true and complete copies of the Articles of Incorporation (certified by the Secretary of State or other appropriate official of its jurisdiction of incorporation) and By-laws (certified by the PHS's secretary or an assistant secretary), or comparable instruments, of PHS as in effect on the date hereof. The minute books, or comparable records, of PHS heretofore have been made available to the Buyer for its inspection and contain true and complete records of all meetings and consents in lieu of meeting of the Board of Directors (and any committee thereof) and shareholders of PHS since the time of PHS's organization and accurately reflect all transactions referred to in such minutes and consents in lieu of meeting. The stock books, or comparable

records, of PHS heretofore have been made available to the Buyer for its inspection and are true and complete.

3.7. FINANCIAL STATEMENTS.

(a) The balance sheets of the Company as of (i) December 31, 1998 and (ii) December 31, 1999, and the related statements of income, shareholders' equity and changes in financial position for the years then ended, including the footnotes thereto, audited by KPMG LLP, independent certified public accountants, which have been delivered to the Buyer, fairly present the financial position of the Company as at such dates and the results of operations of the Company for such respective periods in accordance with GAAP applied on a consistent basis for the periods covered thereby. (The financial statements of the Company as of December 31, 1999 and for the year then ended are sometimes herein called the "Financial Statements." The balance sheet included in the Financial Statements is sometimes herein called the "Balance Sheet" and December 31, 1999 is sometimes herein called the "Balance Sheet Date.") The Seller has also delivered to the Buyer the unaudited balance sheets of the Company as of June 30, 2000 and August 31, 2000 and in each case the unaudited related statements of income, shareholders' equity and changes in financial position for the six months ended June 30, 2000 and the eight months ended August 31, 2000 (the "Interim Financial Statements"). The Financial Statements and the Interim Financial Statements are attached hereto as Schedule 3.7(a).

(b) All accounts and notes receivable reflected on the Balance Sheet, and all accounts and notes receivable arising subsequent to the Balance Sheet Date, (i) have arisen in the ordinary course of business of the Company and (ii) subject only to an allowance for bad debts computed in a manner consistent with past practice and reasonably estimated to reflect the probable results of collection, have been collected or are collectible in the ordinary course of business of the Company in the aggregate recorded amounts thereof in accordance with their terms.

3.8. NO MATERIAL ADVERSE CHANGE. Since June 30, 2000, there has been no material adverse change in the Condition of the Company, and neither the Company nor the Seller knows of any such change which is threatened, nor has there been any damage, destruction or loss which could have or has had a material adverse effect on the Condition of the Company, whether or not covered by insurance.

3.9. TAXES.

(a) All Federal, state, county, local, foreign and other taxes (including, without limitation, income, profits, premium, estimated, excise, sales, use, occupancy, gross receipts, franchise, ad valorem, severance, capital levy, production, transfer, withholding, employment, unemployment compensation, payroll related, value added, inventory, social security, stamp and property taxes, import duties and other governmental charges, assessments, and charges of any kind whatsoever), whether or not measured in whole or in part by net income, and including deficiencies, interest, additions

to tax or interest, and penalties with respect thereto, and including expenses associated with contesting any proposed adjustment related to any of the foregoing (collectively, "Taxes") due or claimed to be due from or with respect to the Company on or before the date hereof have been timely paid, other than Taxes the payment of which is being contested in good faith by appropriate proceedings and which are disclosed on Schedule 3.9(a).

(b) All returns, reports, declarations, statements and other information required to be filed by or with respect to the Company with respect to any Tax (all such returns and other reports, "Tax Returns") on or before the date hereof have been timely filed and all such Tax Returns are correct and complete in all material respects. The charges, accruals and reserves on the books of the Company in respect of any liability for Taxes based on or measured by net income for any years not finally determined or with respect to which the applicable statute of limitations has not expired are adequate to satisfy any assessment for such Taxes for such years. No taxing authority has asserted any Tax deficiency, lien, or other assessment against the Company which has not been paid.

(c) No penalties or other charges are or will become due with respect to the late filing of any Tax Return of the Company or payment of any Tax of the Company required to be filed or paid on or before the Closing Date.

(d) With respect to all Tax Returns of or with respect to the Company and except as set forth on Schedule 3.9(d), (i) the statute of limitations for the assessment of Taxes has expired with respect to all periods ending on or before December 31, 1996; (ii) no audit or other proceeding by any court, governmental or regulatory authority or similar authority is pending and no extension of time is in force with respect to any date on which any Tax Return was or is to be filed and no waiver or agreement is in force for the extension of time for the assessment or payment of any Tax; and (iii) there is no unassessed deficiency proposed or threatened against the Company.

(e) Schedule 3.9(e) sets forth the status of Federal Tax audits of the Tax Returns of or with respect to the Company for each fiscal year for which the statute of limitations has not expired, including the amounts of any deficiencies and additions to Tax, interest and penalties indicated on any notices of proposed deficiency or statutory notices of deficiency, and the amounts of any payments made by the Company with respect thereto. Each Tax Return filed by or with respect to the Company for which the Federal Tax audit has not been completed accurately reflects the amount of liability for Taxes thereunder and makes all disclosures required by the Internal Revenue Code of 1986, as amended (the "Code") and regulations thereunder and other applicable provisions of Law.

(f) Schedule 3.9(f) sets forth the status of state, county, local and foreign Tax audits of the Tax Returns of or with respect to the Company for each fiscal year for which the statute of limitations has not expired, including the amounts of any deficiencies or additions to Tax, interest and penalties that have been made or

proposed, and the amounts of any payments made by the Company with respect thereto. Each state, county, local and foreign Tax Return filed by or with respect to the Company for which the state, county, local or foreign Tax audit has not been completed accurately reflects the amount of its liability for Taxes thereunder and makes all disclosures required by applicable provisions of Law.

(g) Except as set forth on Schedule 3.9(g), the Company has not agreed to and is not required to make any adjustments under section 481(a) of the Code by reason of a change in accounting method or otherwise.

(h) The Company has not at any time consented under Section 341(f)(1) of the Code to have the provisions of Section 341(f)(2) of the Code apply to any sale of its capital stock.

(i) Reserves and provisions for Taxes accrued but not due on or before the Closing Date reflected in the Financial Statements will be adequate as of the Closing Date, subject to year-end adjustments, in accordance with GAAP.

(j) The liability for Taxes of the Company as of the Balance Sheet Date will not exceed the accrual for Taxes on the Balance Sheet and, other than in the ordinary course of business (including, without limitation, arising from an increase in the Company's earnings), the liability of the Company for Taxes (i) has not increased since the Balance Sheet Date and (ii) will not increase at any time through the Closing Date.

(k) The Company is not a party to, is not bound by, and has no obligation under any Tax sharing or similar agreement, other than as set forth on Schedule 3.9(k).

(l) There are no Liens for Taxes on the assets of the Company except for Liens for current Taxes not yet due.

(m) The Company has not been, and is not in violation (or with notice would not be in violation) of any applicable law relating to the payment or withholding of Taxes and the Company has duly and timely withheld from employee salaries, wages and other compensation and paid over to the appropriate taxing authorities all material amounts required to be so withheld and paid over for all periods under all applicable laws, except as set forth on Schedule 3.9(e).

(n) No closing agreement that could affect the Taxes of the Company has been entered into by or with respect to the Company.

(o) No stamp, transfer, documentary, sales, use, registration and other such Taxes and fees (including, without limitation, any penalties and interest) incurred in connection with this Agreement and the transactions

contemplated by this Agreement (the "Contemplated Transactions") will be due and payable in connection with this Agreement and the Contemplated Transactions.

(p) The Seller has made an election under Section 1362(a) of the Code, effective as of November 1, 1984, to be treated as an "S corporation" and the Company, which began doing business on September 10, 1997 was a "C" corporation from such date until June 28, 2000, has been at all times since June 30, 2000 a "qualified subchapter S subsidiary" within the meaning of Section 1361(b)(3)(B) of the Code for federal income tax purposes and for state and local income tax purposes in all states in which the Company is subject to tax based on its income.

3.10. COMPLIANCE WITH LAWS. Except as set forth on Schedule 3.10, the Company is not in violation in any material respect of any applicable order, judgment, injunction, award, decree or writ (collectively, "Orders"), or any applicable law, statute, code, ordinance, regulation or other requirement (collectively, "Laws") of any government or political subdivision thereof, whether Federal, state, local or foreign, or any agency or instrumentality of any such government or political subdivision, or any insurance company or fire rating and any other similar board or organization or other non-governmental regulating body (to the extent that the rules, regulations or orders of such body have the force of law) or any court or arbitrator (collectively, "Governmental Bodies") (but not including, however, Safety and Environmental Laws, which are addressed in Section 3.13). The Company is not in violation in any material respect of any applicable Order or Law of any Governmental Bodies and neither the Company nor the Seller have received written notice that any such violation is being or may be alleged. The Company has not made any illegal payment to officers or employees of any Governmental Body, or made any payment to customers for the sharing of fees or to customers or suppliers for rebating of charges, or engaged in any other reciprocal practice, or made any illegal payment or given any other illegal consideration to purchasing agents or other representatives of customers in respect of sales made or to be made by the Company.

3.11. PERMITS. The Company has all licenses, permits, exemptions, consents, waivers, authorizations, rights, certificates of occupancy, franchises, orders or approvals of, and has made all required registrations with, any Governmental Body that are material to the conduct of the business of, or the current use of any properties of, the Company (collectively, "Permits"), not including, however, Permits relating to compliance with Safety and Environmental Laws, which are addressed in Section 3.13. All Permits (with the exception of Permits required pursuant to Safety and Environmental Laws, which are addressed in Section 3.13) are listed on Schedule 3.11(a) and are in full force and effect, except to the extent reflected on Schedule 3.11(a); no material violations are or have been recorded in respect of any Permit; and no proceeding is pending or, to the knowledge of the Seller or the Company, threatened to revoke or limit any Permit. Other than as set forth on Schedule 3.11(b), no action by the Seller or the Company or the Buyer is required in order that all Permits will remain in full force and effect following the consummation of the Contemplated Transactions.

3.12. NO BREACH. The execution and delivery by the Seller of this Agreement and each and every other agreement and instrument contemplated hereby (including, without limitation, the Escrow Agreement), the consummation of the transactions contemplated hereby and thereby and the performance by the Seller of this Agreement and each such other agreement and instrument in accordance with their respective terms and conditions will not (a) violate any provision of the Articles of Incorporation or By-laws (or comparable instruments) of the Company; (b) require the Company to obtain any consent, approval, authorization or action of, or make any filing with or give any notice to, any Governmental Body or any other person, except as set forth on Schedule 3.12 (collectively, the "Required Consents"); (c) if the Required Consents are obtained, violate, conflict with or result in the breach of any of the material terms and conditions of, result in a material modification of the effect of, impose notice requirements under, otherwise cause the termination of or give any other contracting party the right to terminate, or constitute (or with notice or lapse of time or both constitute) a default under, any contract, agreement, indenture, note, bond, loan, instrument, lease, conditional sale contract, mortgage, license, franchise, commitment or other binding arrangement (collectively, the "Contracts") or, with respect to hospital Contracts, the 40 largest of such Contracts determined on the basis of revenues to the Company to which the Company is a party or by or to which the Company or any of its properties is or may be bound or subject or result in the creation of any Lien upon any of the properties of the Company pursuant to the terms of any such Contract; (d) if the Required Consents are obtained, violate in any material respect any Law of any Governmental Body applicable to the Company; (e) if the Required Consents are obtained, violate in any material respect any Order of any Governmental Body applicable to the Company or to its securities, properties or business; or (f) if the Required Consents are obtained, violate or result in the revocation or suspension of any Permit.

3.13. ENVIRONMENTAL MATTERS. Except as disclosed on Schedule 3.13, (i) the property, assets and operations of Company comply and have been in compliance in all material respects with all applicable Safety and Environmental Laws; (ii) there is no Environmental Claim pending or, to the knowledge of the Company, threatened against the Company and there is no civil, criminal or administrative judgment or notice of violation against the Company pursuant to Safety and Environmental Laws or principles of common law relating to pollution, protection of the Environment or health and safety; and (iii) to the knowledge of the Company, there are no past or present events, conditions, circumstances, activities, practices, incidents, agreements, actions or plans which may prevent compliance in any material respect with Safety and Environmental Laws, or which have given rise to or will give rise to an Environmental Claim or to Environmental Compliance Costs.

3.14. CLAIMS AND PROCEEDINGS. There are no outstanding Orders of any Governmental Body against or involving the Company. Except as set forth on Schedule 3.14, there are no actions, causes of action, suits, claims, complaints, demands, litigations or legal, administrative or arbitral proceedings or investigations (collectively, "Claims") (whether or not the defense thereof or liabilities in respect thereof are covered by insurance) pending or, to the knowledge of the Company, threatened, against or

involving the Company or any of its properties, owned or leased, in which the total liability under each such Claim could exceed $10,000 or could, in the aggregate, exceed $50,000. Except as set forth on Schedule 3.14, there is no fact, event or circumstance that may give rise to any Claim that would be required to be set forth on Schedule 3.14 if currently pending or threatened. All notices required to have been given to any insurance company listed as insuring against any Claim set forth on Schedule 3.14 have been timely and duly given and, except as set forth on Schedule 3.14, no insurance company has asserted, orally or in writing, that such Claim is not covered by the applicable policy relating to such Claim. There are no Claims pending or, to the knowledge of the Company, threatened that would give rise to any right of indemnification on the part of any director or officer of the Company or the heirs, executors or administrators of such director or officer, against the Company or any successor to the business of the Company.

3.15. CONTRACTS. (a) Schedule 3.15(a) sets forth a true and complete list of all of the Contracts to which the Company is a party or by or to which the Company or any of its properties may be bound or subject which involve expenditures after the Closing Date of over $25,000 per Contract, other than Contracts with travel healthcare employees, facilities or hospitals. Schedule 3.15(b) sets forth a true and complete list of each of the facilities, hospitals and travel healthcare employees (identified solely by their employee identification numbers) with which the Company has a Contract. The Seller will provide the Buyer with an updated Schedule 3.15(b) at Closing providing the full names of such healthcare employees previously only identified by employee identification numbers.

(b) There have been delivered to the Buyer true and complete copies of all Contracts entered into with the Company's top twenty (20) customers, a subset of those Contracts set forth on Schedule 3.15(b) or set forth on any other Schedule. The Buyer has been given access to all Contracts listed on Schedules 3.15(a) and 3.15(b) other than those Contracts with travel healthcare employees. All of the Contracts listed on Schedules 3.15(a) and 3.15(b) are valid and binding and enforceable upon the Company, in accordance with their terms. The Company is not in breach or default in any material respect under any of such Contracts, nor to the knowledge of the Company does any condition exist that with notice or lapse of time or both would constitute such a material default thereunder. To the knowledge of the Company, no other party to any such Contract is in default thereunder in any material respect nor does any condition exist that with notice or lapse of time or both would constitute such a material default thereunder.

3.16. REAL ESTATE. (a) No Ownership of Real Property. The Company does not own any real property and has not owned any real property during the past twelve months.

(b) Leased Properties. Schedule 3.16(b) is a true, correct and complete schedule of all leases and other agreements other than apartment leases for housing for travel healthcare employees on temporary assignment which

apartment leases number less than 700 and which, in the aggregate, do not require monthly rental payments in excess of $1,000,000 (collectively, the "Real Property Leases") under which the Company uses or occupies or has the right to use or occupy, now or in the future, any real property (the land, buildings and other improvements covered by the Real Property Leases being herein called the "Leased Real Property"), which Schedule sets forth the date of and parties to each Real Property Lease, the date of and parties to each amendment, modification and supplement thereto, the term and renewal terms (whether or not exercised) thereof, the annual base rent and contingent rent payable thereunder and a brief description of the Leased Real Property covered thereby. The Seller has heretofore delivered to, or caused the Company to have heretofore delivered to, the Buyer true, correct and complete copies of all Real Property Leases (including all modifications, amendments and supplements). Each Real Property Lease is valid, binding and in full force and effect, all rent and other sums and charges payable by the Company as tenant thereunder are current, no written notice of default under any Real Property Lease has been received by the Company which remains uncured, no written termination notice under any Real Property Lease has been received by the Company, and no uncured material default on the part of the Company or, to the knowledge of the Company, the landlord, exists under any Real Property Lease.

(c) Entire Premises. All of the land, buildings, structures and other improvements used by the Company in the conduct of its business are included in the Leased Real Property.

(d) Space Leases. Except as set forth in the Real Property Leases, no person or entity has been granted by the Company pursuant to a written agreement or, to the knowledge of the Company, pursuant to any other agreement, oral or otherwise, any right to the possession, use, occupancy or enjoyment of the Leased Real Property or any portion thereof.

(e) No Options. Neither the Seller nor the Company owns or holds, or is obligated under or a party to, any option, right of first refusal or other contractual right to purchase, acquire, sell, dispose of or lease the Leased Real Property or any portion thereof or interest therein.

(f) Condemnation. Neither the Seller nor the Company have received written notice, or, to the knowledge of the Seller or the Company, any other notice, oral or otherwise, of any sale or other disposition of the Leased Real Property or any part thereof.

3.17. TANGIBLE PROPERTY. The facilities, machinery, equipment, furniture, buildings and other improvements, fixtures, vehicles, structures, any related capitalized items and other tangible property material to the business of the Company (collectively, the "Tangible Property") are in good operating condition and repair, subject to continued repair and replacement in accordance with past practice, and are suitable for their intended use. During the past three years there has not been any material

interruption of the operations of the Company due to inadequate maintenance of the Tangible Property.

3.18. INTELLECTUAL PROPERTY. Schedule 3.18 sets forth a list of all of the intangible assets, interests and rights used in or related to the conduct of the business of the Company(the "Intellectual Property"), including, without limitation, all corporate names, trade names, trademarks and service marks (including all applications for registration thereof and all goodwill associated therewith), patents and patent applications, copyrights, trade secrets, rights to software and related source code used by the Company (such software and related source code shall hereinafter collectively be referred to as the "Software"), other than commercially available software programs generally available to the public through retail dealers ("Commercial Software"). Schedule 3.18 sets forth all material licenses, sublicenses, and other agreements or permissions under which the Company is a licensor or licensee or otherwise is authorized to use or practice any Intellectual Property, other than Commercial Software. The Company owns or otherwise possesses legally enforceable rights to use, free and clear of any and all Liens or material restrictions, any and all Intellectual Property used in the business of the Company as currently conducted or as currently proposed by the Company to be conducted. The Company has not infringed upon or otherwise violated the intellectual property rights of any third party or received any written notice or claim alleging any such infringement or other violation. The Company has not been, during the three years preceding the date hereof, a party to any claim, nor, to the knowledge of the Company, is any claim threatened or is there any valid ground for a claim, that challenges the validity, enforceability, ownership or right to use, sell or license any Intellectual Property owned by the Company. To the knowledge of the Seller or the Company, no third party is infringing upon any Intellectual Property owned by the Company. The Company has taken all necessary and reasonable action to maintain and protect each item of Intellectual Property owned by the Company. To the knowledge of the Company, all material Software is held by the Company legitimately, is free from any significant software defect and performs in conformance with its documentation in all material respects.

3.19. TITLE TO PROPERTIES. The Company owns and has good title to all of its properties, including all of the material assets reflected on the Balance Sheet and the properties described in Sections 3.17 and 3.18, in each case free and clear of any Lien, except for (a) Liens specifically described in the notes to the Financial Statements; (b) properties disposed of, or subject to purchase or sales orders, in the ordinary course of business since the Balance Sheet Date; (c) Liens securing Taxes, assessments, governmental charges or levies, or the claims of materialmen, carriers, landlords and like persons, all of which are not yet due and payable or are being contested in good faith, so long as such contest does not involve any substantial danger of the sale, forfeiture or loss of any material assets; and (d) Liens set forth on Schedule 3.19.

3.20. LIABILITIES. Except as set forth on Schedule 3.20, as at the Balance Sheet Date, the Company did not have any direct or indirect indebtedness, liability, Claim, loss, damage, deficiency, obligation or responsibility, known, fixed or

unfixed, choate or inchoate, liquidated or unliquidated, secured or unsecured, accrued, absolute, contingent or otherwise, whether or not of a kind required by GAAP to be set forth on a financial statement or in the notes thereto ("Liabilities") that were not fully and adequately reflected or reserved against on the Balance Sheet or described on any Schedule or in the notes to the Financial Statements in which each such Liability could exceed $10,000 or could in the aggregate exceed $50,000. Except as set forth on Schedule 3.20, the Company has not, except in the ordinary course of business, incurred any Liabilities since the Balance Sheet Date. Neither the Company nor the Seller have any knowledge of any circumstance, condition, event or arrangement that may hereafter give rise to any Liabilities of the Company except in the ordinary course of business or as otherwise set forth on Schedule 3.20.

3.21. CUSTOMERS.

(a) Schedule 3.21(a) lists, by dollar volume paid for the twelve months ended on the Balance Sheet Date, the twenty largest customers of the Company (the "Material Customers").

(b) The relationships of the Company with its customers are good commercial working relationships and, except as set forth on Schedule 3.21(b), (i) within the last twelve months, no Material Customer has threatened to cancel or otherwise terminate, or to the knowledge of the Seller or the Company intends to cancel or otherwise terminate, its relationship with the Company, (ii) no Material Customer has during the last twelve months decreased materially or threatened to decrease or limit materially, or to the knowledge of the Company intends to modify materially its relationship with the Company or intends to decrease or limit materially its services to the Company or its usage or purchase of the services of the Company, (iii) to the knowledge of the Company, the acquisition of the Shares by the Buyer and the consummation of the Contemplated Transactions will not adversely affect the relationship of the Company with any of its Material Customers, (iv) within the last twelve months, no customers have threatened to cancel or otherwise terminate, or to the knowledge of the Company intend to cancel or otherwise terminate, their relationships with the Company, the loss of which would have, in the aggregate, a material adverse effect on the Condition of the Company, (v) within the last twelve months, no customers have decreased or threatened to decrease or limit, or to the knowledge of the Company intend to modify their relationships with the Company to the extent of having, in the aggregate, a material adverse effect on the Condition of the Company and (vi) to the knowledge of the Company, the acquisition of the Shares by the Buyer and the consummation of the Contemplated Transactions will not affect the relationships of the Company with any customers to the extent of having, in the aggregate, a material adverse effect on the Condition of the Company.

3.22. EMPLOYEE BENEFIT PLANS.

(a) Schedule 3.22(a) lists all Benefit Plans. With respect to each such plan, Seller heretofore has delivered or made available to Buyer true, correct and complete copies of (i) all plan texts and agreements and related trust agreements or annuity contracts; (ii) all summary plan descriptions and material employee communications; (iii) the most recent annual report (including all schedules thereto); (iv) the most recent actuarial valuation; (v) the most recent annual audited financial statement and opinion; (vi) the most recent annual and periodic accounting of plan assets; (vii) if the plan is intended to qualify under Code section 401(a) or 403(a), the most recent determination letter received from the IRS; and (viii) all material communications with any Governmental Body (including the DOL, IRS and PBGC).

(b) With respect to each Benefit Plan, no event has occurred, and there exists no condition or set of circumstances in connection with which the Company could, directly or indirectly (through a Commonly Controlled Entity or otherwise), be subject to any material liability under ERISA, the Code or any other applicable Law, except liability for benefits claims and funding obligations payable in the ordinary course.

(c) Except as set forth on Schedule 3.22(c), each Benefit Plan conforms to, and its administration is in material compliance with, all applicable Laws. Each Benefit Plan intended to comply with section 401(a) of the Code has received a favorable determination letter as to its qualified status and that of such trust under Code section 501, or is within the remedial amendment period under section 401(b) of the Code for filing for a request for a determination letter as to its qualified status and that of such trust and to the Company's knowledge, no events, circumstances or conditions exist which would jeopardize such plans' qualified status.

(d) Except as set forth on Schedule 3.22(d), the Company, and each Commonly Controlled Entity has made all payments due from such respective entity to date with respect to each Benefit Plan.

(e) Except as disclosed in Schedule 3.22(e), with respect to each Benefit Plan, there are no funded benefit obligations for which contributions have not been timely made or properly accrued and there are no unfunded benefit obligations that have not been accounted for by reserves, or otherwise properly footnoted, in each case, in accordance with GAAP, on the Financial Statements.

(f) No Benefit Plan is subject to Code section 412 or ERISA section 302.

(g) No Benefit Plan is or was subject to Title IV of ERISA.

(h) No Benefit Plan is a "multiemployer plan" as defined in Code Section 414(f) or ERISA sections 3(37) or 4001(a)(31). No Benefit Plan is a multiple employer plan within the meaning of the Code section 413(c) or ERISA sections 4063, 4064 or 4066. No Welfare Plan is a "multiple employer welfare arrangement" as defined in ERISA section 3(40).

(i) No "reportable event" within the meaning of ERISA section 4043 has occurred or, to the knowledge of the Company, may be reasonably expected to occur with respect to any Benefit Plan.

(j) There are no Claims or Liens pending or, to the knowledge of the Company, threatened (other than routine claims for benefits) with respect to any Benefit Plan or against the assets of any Benefit Plan. No assets of the Company are subject to any Lien under ERISA section 302(f) or Code section 412(n).

(k) Each Pension Plan that is not qualified under Code section 401(a) or 403(a) is exempt from Part 2, 3 and 4 of Title I of ERISA as an unfunded plan that is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, pursuant to ERISA sections 201(2), 301(a)(3) and 401(a)(1).

(l) Except as disclosed in Schedule 3.22(l), no assets of the Company are allocated to or held in a "rabbi trust" or similar funding vehicle.

(m) Each Benefit Plan that is a "group health plan" (as defined in ERISA section 607(1) or Code section 5001(b)(1)) has been operated at all times in material compliance with the provisions of COBRA and any applicable similar state Law.

(n) Except as disclosed in Schedule 3.22(n), there are no reserves, assets, surpluses or prepaid premiums with respect to any Welfare Plan not otherwise reflected on the Balance Sheet.

(o) There are no Retiree Welfare Plans.

(p) Except as disclosed in Schedule 3.22(p), the consummation of the Contemplated Transactions will not (i) entitle any current or former Employee to receive from the Company severance pay, unemployment compensation or any similar payment; (ii) accelerate the time of payment or vesting, or increase the amount of any compensation due to, or in respect of, any current or former Employee; or (iii) result in or satisfy a condition to the payment of compensation that would, in combination with any other payment, result in an "excess parachute payment" within the meaning of Code section 280G(b).

(q) As of the Closing, the Company and any Commonly Controlled Entity, have not incurred any liability or obligation under the

Worker Adjustment and Retraining Notification Act, as it may be amended from time to time, and within the 90-day period immediately following the Closing, will not incur any such liability or obligation if, during such 90-day period, only terminations of employment in the normal course of operations occur.

3.23. EMPLOYEE RELATIONS.

(a) Schedule 3.23(a) lists as of the date hereof the number of Employees in the aggregate, the number of full-time personnel and the number of contract workers of the Company. Except as disclosed in Schedule 3.23(a), none of the Employees is represented by a union, and no union organizing efforts have been conducted within the last three years or are now being conducted. Except as disclosed in Schedule 3.23(a), the Company has not at any time during the last three years had, nor to the knowledge of the Seller or the Company, is there now threatened, a strike, picket, work stoppage, work slowdown or other labor dispute.

(b) Set forth in Schedule 3.23(b) is a list of all actions, suits and proceedings between the Company and any Employees, former Employees or prospective Employees or involving other labor-related matters. The Company has not violated any provision of any Law or Order of any Governmental Body regarding the terms and conditions of Employees, former Employees or prospective Employees or other labor-related matters, including, without limitation, laws, rules, regulations, orders, rulings, decrees, judgments and awards relating to discrimination, fair labor standards and occupational health and safety, wrongful discharge or violation of the personal rights of Employees, former Employees or prospective Employees.

3.24. INSURANCE. Schedule 3.24 sets forth a list (specifying the insurer, describing each pending claim thereunder of more than $20,000 and setting forth the aggregate amounts paid out under each such policy through the date hereof and the aggregate limit, if any, of the insurer's liability thereunder) of all policies or binders of fire, liability, product liability, worker's compensation, vehicular and other insurance held by or on behalf of the Company. Such policies and binders are valid and binding in accordance with their terms, are in full force and effect, and insure against risks and liabilities to an extent and in a manner customary in the industry in which the Company operates. Neither the Company nor the Seller is in default in any material respect of any provision contained in any such policy or binder or has failed to give any required notice or present any claim under any such policy or binder in due and timely fashion. Except for claims set forth on Schedule 3.24, there are no material outstanding unpaid claims under any such policy or binder, and neither the Company nor the Seller has received any written notice of cancellation or non-renewal of any such policy or binder. Except as set forth on Schedule 3.24, neither the Company nor the Seller has received any written notice from any of its insurance carriers or any Governmental Body that any insurance premiums payable on such insurance will or may be materially increased in the future or that any insurance coverage listed on Schedule 3.24 will or may not be available in the future on substantially the same terms as now in effect, and to the knowledge of Seller or the Company, there is no basis for the issuance of any such notice or for any such action.

3.25. OFFICERS, DIRECTORS AND EMPLOYEES. Schedule 3.25 sets forth (a) the name and title of each officer and director of the Company; (b) the total compensation of each officer and director of the Company who is an Employee; (c) the name, title and total compensation of each other Employee, consultant, agent or other representative of the Company or any other person for whose compensation the Company could be liable after the Closing whose current or committed annual rate of compensation (including bonuses and commissions) exceeds $75,000; (d) all wage and salary increases, bonuses and increases in any other direct or indirect compensation received by such persons since the Balance Sheet Date; (e) any payments or commitments to pay any severance or termination pay to any current or former officer, director or employee of the Company; and (f) any accrual for, or any commitment or agreement by the Company to pay, such increases, bonuses or pay. Except as at forth on Schedule 3.25, none of such persons has indicated that he or she will cancel or otherwise terminate such person's relationship with the Company.

3.26. OPERATIONS OF THE COMPANY. Except as set forth on Schedule 3.26, since the Balance Sheet Date the Company has not:

(a) declared or paid any dividends or declared or made any other distributions of any kind to its shareholders, or made any direct or indirect redemption, retirement, purchase or other acquisition of any shares of its capital stock, except (i) for any such dividends paid, or distribution, redemption, retirements, purchases or other acquisitions made prior to September 1, 2000 and (ii) the Company may make cash distributions to the Seller provided the Company is in compliance with its obligations in Section 6.1(a).

(b) except for short-term bank borrowings in the ordinary course of business, incurred any indebtedness for borrowed money;

(c) reduced its cash or short-term investments or their equivalent, other than to meet cash needs of the Company arising in the ordinary course of business, consistent with past practices, except as provided in Section 6.1(a)(iv);

(d) waived any material right under any Contract or other agreement of the type required to be set forth on any Schedule;

(e) made any change in its accounting methods or practices or made any change in depreciation or amortization policies or rates adopted by it;

(f) materially changed any of its business policies, including advertising, investment, marketing, pricing, purchasing, production, personnel, sales, returns, budget or product acquisition policies;

(g) made any loan or advance to any of its shareholders, officers, directors, Employees, consultants, agents or other representatives (other than

travel advances made in the ordinary course of business), or made any other loan or advance otherwise than in the ordinary course of business;

(h) except for inventory or equipment in the ordinary course of business, sold, abandoned or made any other disposition of any of its properties or assets or made any acquisition of all or any part of the properties, assets, capital stock or business of any other person;

(i) paid, directly or indirectly, any of its material Liabilities before the same became due in accordance with its terms or otherwise than in the ordinary course of business;

(j) terminated or failed to renew, or received any written threat (that was not subsequently withdrawn) to terminate or fail to renew, any Contract or other agreement that is or was material to the Condition of the Company;

(k) amended its Articles of Incorporation or By-laws (or comparable instruments) or merged with or into or consolidated with any other person, subdivided or in any way reclassified any shares of its capital stock or changed or agreed to change in any manner the rights of its outstanding capital stock or the character of its business; or

(l) engaged in any other material transaction other than in the ordinary course of business or in any activity or transaction which has had a material adverse effect on the operations and/or value of the Company.

3.27. POTENTIAL CONFLICTS OF INTEREST. Except as set forth on Schedule 3.27, (a) the Seller does not, (b) no officer, director or affiliate of the Company or the Seller, (c) no relative or spouse (or relative of such spouse) of any such officer, director or affiliate or of the Seller and (d) no entity controlled by one or more of the foregoing:

(i) own(s), directly or indirectly, any interest in (excepting less than 1% stock holdings for investment purposes in securities of publicly held and traded companies), or is an officer, director, employee or consultant of, any person which is, or is engaged in business as, a competitor, lessor, lessee, supplier, distributor, sales agent or customer of the Company;

(ii) own(s), directly or indirectly, in whole or in part, any property that the Company uses in the conduct of its business; or

(iii) has/have any Claim whatsoever against, or owes any amount to, the Company, except for claims in the ordinary course of business such as for accrued vacation pay, accrued benefits under Benefit Plans, and similar matters and agreements existing on the date hereof.

3.28. FULL DISCLOSURE. No representation or warranty of the Seller contained in this Agreement or the Escrow Agreement, and no document furnished by or on behalf of the Seller or the Company to the Buyer pursuant to this Agreement or in connection with the Contemplated Transactions, contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made, in the context in which made, not materially false or misleading. There is no fact known to the Seller or the Company that the Seller has not disclosed to the Buyer in writing that materially adversely affects or, so far as the Seller can now foresee, will materially adversely affect, the Condition of the Company or the ability of the Seller to perform this Agreement or the Escrow Agreement.

3.29. EXISTING INDEBTEDNESS. As of the date of this Agreement and as of the close of business on the day prior to the Closing Date, (i) all indebtedness of or any obligation of the Company for borrowed money, whether current, short-term, or long-term, secured or unsecured, (ii) all indebtedness of the Company for the deferred purchase price for purchases of property outside the ordinary course which is not evidenced by trade payables, (iii) all lease obligations of the Company under leases which are capital leases in accordance with GAAP to the extent such lease obligations collectively exceed $200,000, (iv) all off-balance sheet financings, of the Company including, without limitation, synthetic leases and project financing, (v) any payment obligations of the Company in respect of banker's acceptances or letters of credit (other than stand-by letters of credit in support of ordinary course trade payables), (vi) any liability of the Company with respect to interest rate swaps, collars, caps and similar hedging obligations, (vii) any present, future or contingent obligations of the Company under (A) any phantom stock or equity appreciation rights, plan or agreement, (B) any consulting, deferred pay-out or earn-out arrangements in connection with the purchase of any business or entity, (C) any non-competition agreement, (viii) any accrued and unpaid interest or any contractual prepayment premiums, penalties or similar contractual charges resulting from the transactions contemplated hereby or the discharge of such obligations with respect to any of the foregoing, (ix) all indebtedness of or any obligation of the Company owed to the Seller or to any affiliate of the Seller not canceled pursuant to Section 6.6 hereof and (x) all indebtedness of or any obligation of the Company incurred for the benefit of the Seller or any officer, director, employee or affiliate of the Seller, including without limitation, any family members of any officer, director, employee or affiliate of the Seller (except as set forth on Schedule 3.27), is listed on Schedule 3.29 hereto (collectively, but without duplication, the "Existing Indebtedness"). The Company shall supplement Schedule 3.29 to the extent necessary to set forth amounts which are to be included in Existing Indebtedness as of the close of business on the day prior to the Closing Date, and, as supplemented, Schedule 3.29 will, as of the close of business on the day prior to the Closing Date, list all Existing Indebtedness and the amounts thereof as of the close of business on the day prior to the Closing Date.

4. REPRESENTATIONS AND WARRANTIES OF THE SELLER. The Seller represents and warrants to the Buyer as follows:

4.1. TITLE TO THE SHARES. At the date hereof the Seller owns beneficially and of record, free and clear of any Lien and has full power and authority to convey free and clear of any Lien (other than Liens (i) imposed by the Securities Act and (ii) arising under the Pledge Agreement), the Shares. As of the Closing Date, the Seller shall own beneficially and of record, free and clear of any Lien and shall have full power and authority to convey free and clear of any Lien (other than Liens imposed by the Securities Act), the Shares. Upon delivery of and payment for such Shares at the Closing as herein provided, the Seller will convey to the Buyer good and valid title thereto, free and clear of any Lien (other than Liens imposed by the Securities Act).

4.2. AUTHORITY TO EXECUTE AND PERFORM AGREEMENT. The Seller has full legal right and power and all authority and approvals required to enter into, execute and deliver this Agreement and each and every agreement and instrument contemplated hereby (including, without limitation, the Escrow Agreement) to which the Seller is or will be a party and to perform fully the Seller's obligations hereunder and thereunder. This Agreement has been duly executed and delivered by the Seller, and on the Closing Date, each and every agreement and instrument contemplated hereby (including, without limitation, the Escrow Agreement) to which the Seller is a party will be duly executed and delivered by the Seller and (assuming due execution and delivery hereof and thereof by the other parties hereto and thereto) this Agreement and each such other agreement and instrument (including, without limitation, the Escrow Agreement) will be valid and binding obligations of the Seller enforceable against the Seller in accordance with their respective terms, except as such enforceability may be limited by bankruptcy and insolvency laws and by creditors' rights generally. Except as set forth on Schedule 4.2 and for filings under the HSR Act, the execution and delivery by the Seller of this Agreement and each and every agreement and instrument contemplated hereby (including, without limitation, the Escrow Agreement) to which the Seller is a party, the consummation of the transactions contemplated hereby and thereby and the performance by the Seller of this Agreement and each such other agreement and instrument (including, without limitation, the Escrow Agreement) in accordance with their respective terms and conditions will not (a) require the Seller to obtain any consent, approval, authorization or action of, or make any filing with or give any notice to, any Governmental Body or any other person, except for the Required Consents; (b) if the Required Consents are obtained, violate, conflict with or result in the breach of any of the terms and conditions of, result in a material modification of the effect of, otherwise cause the termination of or give any other contracting party the right to terminate, or constitute (or with notice or lapse of time or both constitute) a default under, any Contract to which the Seller is a party or by or to which the Seller is or the Shares are or may be bound or subject; (c) if the Required Consents are obtained, violate any Law or Order of any Governmental Body applicable to the Seller or to the Shares; or (d) result in the creation of any Lien on the Shares.

5. REPRESENTATIONS AND WARRANTIES OF THE BUYER. The Buyer represents and warrants to the Seller as follows:

5.1. DUE INCORPORATION AND AUTHORITY. The Buyer is a corporation duly organized, validly existing and in good standing under the Laws of the State of Nevada and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being and as heretofore conducted.

5.2. AUTHORITY TO EXECUTE AND PERFORM AGREEMENT. The Buyer has the full legal right and power and all authority and approvals required to enter into, execute and deliver this Agreement and each and every agreement and instrument (including, without limitation, the Escrow Agreement) contemplated hereby to which the Buyer is or will be a party and to perform fully its obligations hereunder and thereunder. This Agreement has been duly executed and delivered by the Buyer, and on the Closing Date, each and every agreement and instrument (including, without limitation, the Escrow Agreement) contemplated hereby to which the Buyer is a party will be duly executed and delivered by the Buyer and (assuming due execution and delivery hereof and thereof by the other parties hereto and thereto) this Agreement and each such other agreement and instrument (including, without limitation, the Escrow Agreement) will be valid and binding obligations of the Buyer enforceable against the Buyer in accordance with their respective terms, except as such enforceability may be limited by bankruptcy and insolvency laws and by creditors' rights generally. Except as set forth on Schedule 5.2 and filings under the HSR Act, the execution and delivery by the Buyer of this Agreement and each and every other agreement and instrument (including, without limitation, the Escrow Agreement) contemplated hereby to which the Buyer is a party, the consummation of the transactions contemplated hereby and thereby and the performance by the Buyer of this Agreement and each such other agreement and instrument (including, without limitation, the Escrow Agreement) in accordance with their respective terms and conditions will not (a) violate any provision of the Articles of Incorporation or By-laws (or comparable instruments) of the Buyer; (b) require the Buyer to obtain any consent, approval, authorization or action of, or make any filing with or give any notice to, any Governmental Body or any other person; (c) violate, conflict with or result in the breach of any of the terms and conditions of, result in a material modification of the effect of, otherwise cause the termination of or give any other contracting party the right to terminate, or constitute (or with notice or lapse of time or both constitute) a default under, any Contract to which the Buyer is a party or by or to which the Buyer or any of its properties is or may be bound or subject; or (d) violate any Law or Order of any Governmental Body applicable to the Buyer.

5.3. PURCHASE FOR INVESTMENT. The Buyer is purchasing the Shares for its own account for investment and not for resale or distribution.

6. COVENANTS AND AGREEMENTS.

6.1. CONDUCT OF BUSINESS; NOTICES.

(a) From the date hereof through the Closing Date, the Seller agrees that it (i) shall cause the Company to conduct its business in the ordinary course and, without the prior written consent of the Buyer, shall not undertake any of the actions specified in Section 3.26; (ii) shall use its best efforts to cause the Company to conduct its business in a manner such that the representations and warranties contained in Article 3 shall continue to be true and correct on and as of the Closing Date as if made on and as of the Closing Date; (iii) shall conduct its affairs in a manner such that the representations and warranties contained in Article 4 shall continue to be true and correct on and as of the Closing Date as if made on and as of the Closing Date; and (iv) shall cause the Company to manage its cash balance only in the ordinary course of business including causing the payment of accounts payable and other liabilities and the collection of accounts receivable and other amounts due to the Company to be only in the ordinary course, consistent with past practice; provided that the Company shall be permitted to withdraw or dividend to Seller cash for any purpose. Any deficiency in the cash balance as of the Closing Date below $500,000 shall be deemed the "Cash Shortfall" and any excess in the cash balance as of the Closing Date above $500,000 shall be deemed the "Cash Excess."

(b) The Seller shall give the Buyer prompt notice of any event, condition or circumstance occurring from the date hereof through the Closing Date that would constitute a violation or breach of (i) any representation or warranty, whether made as of the date hereof or as of the Closing Date, or (ii) any covenant of the Seller contained in this Agreement.

6.2. CORPORATE EXAMINATIONS AND INVESTIGATIONS. Until the Closing Date, the Seller shall permit employees and representatives of the Buyer to visit and inspect the Company and any of its properties, to examine its corporate, financial and operating records and make copies thereof or abstracts therefrom, and to discuss its affairs, finances, and accounts with its directors and Mel Harris, Peter Kilissanly, William R. Dresback, Jose M. Menendez and Aldo Rodriguez. All such visits, inspections, examinations and discussions shall be at such reasonable times either before or after normal business hours and as often as may be reasonably requested upon reasonable advance notice to the Seller and the Seller shall cooperate fully therewith. No investigation by the Buyer shall diminish or obviate any of the representations, warranties, covenants or agreements of the Seller contained in this Agreement.

6.3. PUBLICITY. The parties agree that no publicity release or announcement concerning this Agreement or the Contemplated Transactions shall be made without advance approval thereof by the Seller and the Buyer.

6.4. EXPENSES. The parties to this Agreement shall, except as otherwise specifically provided herein, bear their respective expenses incurred in

connection with the preparation, execution and performance of this Agreement and the Contemplated Transactions, including all fees and expenses of agents, representatives, counsel and accountants.

6.5. INDEMNIFICATION OF BROKERAGE. The Seller represents and warrants to the Buyer that no broker, finder, agent or similar intermediary (a "Broker") has acted on behalf of the Company or the Seller in connection with this Agreement or the Contemplated Transactions, and that there are no brokerage commissions, finder's fees or similar fees or commissions payable in connection therewith based on any agreement, arrangement or understanding with the Company or the Seller, or any action taken by the Company. The Seller agrees to indemnify and hold harmless the Buyer from any Claim or demand for commission or other compensation by any Broker claiming to have been employed by or on behalf of the Company or the Seller, and to bear the cost of legal expenses incurred in defending against any such claim. The Buyer represents and warrants to the Seller that no Broker has acted on behalf of the Buyer in connection with this Agreement or the Contemplated Transactions, and that there are no brokerage commissions, finders' fees or similar fees or commissions payable in connection therewith based on any agreement, arrangement or understanding with the Buyer, or any action taken by the Buyer. The Buyer agrees to indemnify and hold harmless the Seller from any Claim or demand for commission or other compensation by any Broker claiming to have been employed by or on behalf of the Buyer, and to bear the cost of legal expenses incurred in defending against any such claim.

6.6. RELATED PARTIES. At and as of the Closing, any debts or other obligations of the Company owed to the Seller or to any affiliate of the Seller and any debts or other obligations of the Seller or any Affiliate of the Seller owed to the Company shall be canceled.

6.7. REQUIRED CONSENTS; HSR ACT. The Seller shall, prior to the Closing, obtain or make, at its sole expense, all Required Consents and undertake all actions, incur all expenses, costs and obligations and provide all bonds, guarantees or other financial instruments reasonably required pursuant to the Required Consents; provided, however, the Seller shall not be required to provide any such bonds, guarantees or other financial instruments the terms of which survive the Closing. The Seller agrees to indemnify and hold harmless the Buyer from any costs, expenses, obligations or liabilities arising in connection with or pursuant to any of the Required Consents. The Seller and the Buyer shall cause all actions to be taken so that no later than the third business day after the date hereof, the Company (or its ultimate parent entity) and the Buyer shall have filed notification and report forms with respect to the contemplated transactions in compliance with the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and the rules and regulations promulgated thereunder (the "HSR Act"). The fee for such filing shall be borne equally by the Buyer and the Seller and each of the Buyer and the Seller shall bear all of its other expenses incurred in connection therewith, including, without limitation, the fees and expenses of its counsel.

6.8. PERMIT TRANSFERS. The Seller shall, at and as of the Closing, at its sole expense, cause the transfer, reissuance or modification of any Permits to the extent that such is required to cause the Permits to remain in full force and effect in the possession of the Company, after the Closing. The Company shall bear the expense of any renewals or reissuances of Permits that are not required as a result of the Contemplated Transactions.

6.9. FURTHER ASSURANCES. Each of the parties shall execute such documents and take such further actions as may be reasonably required or desirable to carry out the provisions hereof and the Contemplated Transactions. Each such party shall use its commercially reasonable efforts to fulfill or obtain the fulfillment of the conditions to the Closing set forth in Articles 7 and 8.

6.10. TAXES; SECTION 338(h)(10) ELECTION.

(a) The Seller will pay and discharge and be responsible for any and all Taxes (including, without limitation, all accrued and unpaid Taxes as of the Closing Date) due or payable by the Seller and by the Company for any taxable year or taxable period (or portion thereof) ending on or before the Closing Date, including the period beginning on January 1, 2000 and ending on the Closing Date. In addition, the Seller will pay and discharge and be responsible for any state taxes (including, without limitation, excise and franchise taxes) due or payable by the Company for any taxable year or taxable period (or portion thereof) ending on or before the Closing Date, including the fiscal year beginning on January 1, 2000 and ending on the Closing Date. Any income, excise and franchise taxes due or payable as a result of the Section 338(h)(10) Election (as hereinafter defined) shall be borne by the Seller. For purposes of this Section 6.10, and as required in connection with the Section 338(h)(10) Election, the current short fiscal year of the Company which began on June 29, 2000 will be treated as two separate tax years, the first beginning on June 29, 2000 and ending on the Closing Date, and the other, beginning on the date after the Closing Date and ending on December 31, 2000. The books and records of the Company will be closed at the close of business on the Closing Date.

(b) Any obligations of the Company under any Tax sharing or similar agreement will be terminated as of the Closing Date and the Company will have no further liability under any such agreement.

(c) The Parties acknowledge that the Company is a qualified subchapter S subsidiary and, as such, the purchase of the stock of the Company by the Buyer is treated as a purchase of the assets of the Company for federal income tax purposes. However, for the avoidance of doubt, the Buyer, the Seller and the Company agree to make a timely election under Section 338(h)(10) of the Code and also under provisions of state and local law, similar provisions of Section 338 of the Code (including, but not limited to, Sections 338(h)(10) and 338(g) of the Code), where allowable (whether such election is made jointly by the Buyer and the Seller, or by the Company), in respect of the Contemplated Transactions (the "Section 338(h)(10)

Election"), thereby causing such Contemplated Transactions to be treated as a purchase or sale of assets of the Company for federal purposes and to the extent allowed by state, local and foreign tax laws. On all returns relating to Taxes based on or measured by net income, the Seller and the Buyer will report the transfers under this Agreement consistent with the Section 338(h)(10) Election. Each of the parties shall take any action required to effect state, local and foreign tax law conformity with application of the Section 338(h)(10) Election to the extent allowed by law.

(d) If the Section 338(h)(10) Election is effective, the Buyer shall (i) determine the "Modified Aggregate Deemed Sales Price" of the assets of the Company (within the meaning of, and in accordance with, Treasury Regulations Section 1.338(h)(10)-1(f) or comparable provisions for state, local and foreign law) (the "MADSP Determination"), and (ii) determine the allocations of the "Modified Aggregate Deemed Sales Price" in accordance with the allocations of the Purchase Price under Section 1060 of the Code as determined under Section 1.4(a) of the Agreement (the "MADSP Allocations"). The Buyer shall deliver the determinations that it makes pursuant to this Section 6.10(d) to the Seller for the Seller's consent, which consent shall not be unreasonably withheld or delayed. The Buyer and the Seller shall be bound by the MADSP Determination and MADSP Allocations for purposes of determining any Taxes.

6.11. TAX RETURN FILING.

(a) The Seller shall prepare or cause the Company to prepare, in a manner consistent with past practices, and timely file (including extensions of time to file) all Tax Returns required to be filed by the Company, the due date of which (without extensions) occurs on or before the Closing Date and pay (i) all Taxes due with respect to any such Tax Returns, and (ii) all other Taxes due or claimed to be due from or with respect to the Company on or before the Closing Date.

(b) The Seller will prepare and file any Tax Returns due to be filed by the Company after the Closing Date but relating to taxable periods ending on or before the Closing Date, which returns shall be prepared on a basis consistent with past practice, with the understanding that such Tax Returns will be subject to the consent of the Buyer prior to filing, which consent shall not be unreasonably withheld. The parties agree that it shall be reasonable for Buyer to withhold such consent only if (i) such return is inconsistent with the requirements of law or (ii) any position taken on such return could have an adverse effect on the Company or the Buyer for periods ending after the Closing Date.

(c) Except in connection with the Section 338(h)(10) Election, the Seller will not cause the Company to make any additional federal tax elections under the Code with respect to the Company for any tax period ending after the Closing Date.

6.12. FINANCIAL STATEMENTS AND OTHER INFORMATION. Between the date hereof and the Closing, the Company shall deliver to the Buyer, in form and

substance satisfactory to the Buyer, as soon as available, but in any event not later than twenty (20) days after the end of each calendar month, the unaudited balance sheet of the Company, and the related unaudited statements of operations and cash flows for such month and for the period commencing on the first day of the fiscal year and ending on the last day of such month, all certified by an appropriate officer of the Company as presenting fairly the financial condition as of such date and results of operations and cash flows for the periods indicated in conformity with GAAP applied on a consistent basis, subject to normal year-end adjustments and the absence of footnotes required by GAAP.

6.13. NO SOLICITATION. Seller agrees that from the date hereof until termination of this Agreement, neither Seller, the Company nor any of their respective affiliates, officers, directors, advisors or representatives shall: (i) solicit or entertain, directly or indirectly, any interest by any other party in any transaction which would involve the Company in any manner inconsistent with the purchase of the Shares by the Buyer; (ii) engage in any discussions with or provide any information to any other party related, directly or indirectly, to any possible transaction which would involve the Company in any manner inconsistent with the purchase of the Shares by the Buyer; or (iii) enter into any transaction or arrangements with any party inconsistent with the purchase of the Shares by the Buyer.

6.14. CONFIDENTIALITY. Buyer and Seller agree that from the date hereof until the Closing Date, they will continue to be bound by the terms of that certain confidentiality agreement, dated August 3, 2000, by and between Buyer and Seller.

6.15. GUARANTIES AND OTHER OBLIGATIONS. Buyer agrees to pay or cause to be paid all amounts that may become due and payable under the guaranties and other obligations listed and described on Schedule 6.15.

6.16. EMPLOYEES AND EMPLOYEE BENEFIT PLANS.

(a) The Buyer agrees that all Employees as of the Closing Date (the "Affected Employees") shall be credited with their length of service with the Company and the Seller under the vacation policies of the Buyer and for all purposes under the employee benefit plans of the Buyer (the "Buyer Benefit Programs") (other than for purposes of benefit accrual under a Pension Plan and early retirement subsidies under a defined benefit plan as defined in Section 3(35) of ERISA) after the Closing. The Buyer shall cause the Company to pay by no later than January 31, 2001 all bonus accruals set forth on Schedule 3.25 in accordance with the terms of the applicable bonus plan and all additional bonus accruals made by the Company from the Closing Date through December 31, 2000.

(b) As of a date (the "Account Transfer Date") as set forth in Section 6.16(c), the Seller shall cause to be transferred from the Preferred Employers Holdings 401(k) Savings Plan (the "Seller's 401(k) Plan") to the 401(k) plan sponsored by the Buyer (the "Buyer's 401(k) Plan") cash or property in an amount equal to the aggregate balances of all participants in the Seller's 401(k) Plan as of such Account

Transfer Date who are Affected Employees ("Company Employees"), including actual investment earnings or losses through the Account Transfer Date, except that all promissory notes reflecting participant loans to the Seller's 401(k) Plan participants outstanding as of such Account Transfer Date shall be transferred in kind and except for any amounts as to which withdrawal requests have been duly submitted prior to such transfer and which shall be paid by the Seller's 401(k) Plan to Company Employees in accordance with ERISA and the Code and the terms of the Seller's 401(k) Plan (the "Transferred Assets"). As of the Account Transfer Date, the Buyer shall assume all liabilities applicable to Company Employees under the Seller's 401(k) Plan to pay benefits, consistent with the terms of the Seller's 401(k) Plan, equal to the amount transferred. In the event any Company Employee has a qualified domestic relations order pending or approved in the Seller's 401(k) Plan at the time of transfer, all documentation concerning such qualified domestic relations order shall be assigned to the Buyer's 401(k) Plan. The Seller and the Buyer agree to cooperate fully with respect to any governmental filings, including but not limited to the filing of any Internal Revenue Service Form 5310A, information and procedures necessary to effect the transactions contemplated by this Section 6.16(b). Pending the transfer of the Transferred Assets, the accounts of the Company Employees shall remain in the trust fund for the Seller's 401(k) Plan and the Seller shall cause the trustee of the Seller's 401(k) Plan to pay any current benefits or make any distributions to Company Employees, including but not limited to such benefits as may be payable to Company Employees on account of termination of employment with the Company, as they become due. Between the date hereof and the Account Transfer Date, the Seller shall administer the Seller's 401(k) Plan in compliance with all the applicable laws. The Seller and the Buyer agree to provide each other with such records and information as they may reasonably request relating to their respective obligations under this Section 6.16(b) or the administration of the Seller's 401(k) Plan or the Buyer's 401(k) Plan.

(c) Notwithstanding the foregoing, there shall be no transfer of accounts from the Seller's 401(k) Plan to the Buyer's 401(k) Plan unless and until the Buyer shall have received either (i) a favorable determination letter regarding the qualified status of the Seller's 401(k) Plan and the trust established thereunder or (ii) an opinion of counsel in a form reasonably acceptable to Buyer, that the Seller 401(k) Plan in form satisfies sections 401(a) and 401(k) of the Code and as of the date of such opinion letter also satisfies Section 410(b) of the Code.

(d) Effective as of the Closing Date, the Seller shall terminate all Benefit Plans maintained by the Seller with respect to Employees (excluding Benefit Plans maintained solely by the Company itself). Effective as of the Closing Date, Buyer shall adopt Benefit Plans which are in the aggregate substantially similar to the Seller's Benefit Plans and shall continue any Benefit Plans maintained solely by the Company for the Employees. Notwithstanding the foregoing, as of the Closing Date, Buyer may substitute for the Seller's current rate of matching contributions under Seller's 401(k) Plan, the Buyer's current rate of matching contributions under Buyer's 401(k) Plan of 50% of employee salary reduction contributions up to 6% of compensation. Buyer shall assume responsibility for all obligations to offer at the Employee's expense (to the extent

allowed by COBRA) benefits and elections under COBRA with respect to former Employees and their beneficiaries as of the Closing Date.

(e) Effective as of the date hereof and until the second anniversary of the Closing Date, Seller agrees that, without the prior written consent of the Buyer, which consent will not be unreasonably withheld, it shall not amend the Equity Rights Plan of International Insurance Group, Inc., as in effect on the date hereof and including the memorandum dated August 31, 2000, from Mel Harris to all participants in the Equity Rights Plan (the "Equity Rights Plan"), in any way that will affect the rights of Employees to remain as a participant in the Equity Rights Plan or affect in any material respect their rights as such rights exist as of the date hereof, other than as required by applicable law. From and after the Closing, the Buyer agrees to promptly notify Seller of the voluntary resignation or termination without "cause" (as defined in the Equity Rights Plan) of any Employee who, as of the Closing Date, is a participant in the Equity Rights Plan.

7. CONDITIONS PRECEDENT TO THE OBLIGATION OF THE BUYER TO CLOSE. The obligation of the Buyer to enter into and complete the Closing is subject, at the option of the Buyer acting in accordance with the provisions of Article 12 with respect to termination of this Agreement, to the fulfillment on or prior to the Closing Date of the following conditions, any one or more of which may be waived by the Buyer:

7.1. REPRESENTATIONS AND COVENANTS. The representations and warranties of the Seller contained in this Agreement shall be true in all material respects on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date. The Seller shall have performed and complied in all material respects with all covenants and agreements required by this Agreement to be performed or complied with by the Seller on or prior to the Closing Date. The Seller shall have delivered to the Buyer a certificate, dated the date of the Closing and signed by the Seller, to the foregoing effect.

7.2. CONSENTS AND APPROVALS. All Required Consents shall have been obtained and be in full force and effect, and the Buyer shall have been furnished with evidence reasonably satisfactory to it that such Required Consents have been granted and obtained.

7.3. OPINION OF COUNSEL TO THE COMPANY. The Buyer shall have received the opinion in the form of Exhibit B hereto of Baer Marks & Upham LLP, counsel to the Seller, dated the date of the Closing, addressed to the Buyer, in a form reasonably satisfactory to the Buyer.

7.4. RESIGNATIONS. All resignations of directors and officers of the Company which have been previously requested in writing by the Buyer shall have been delivered to the Buyer.

7.5. NO CLAIMS. No Claims shall be pending or, to the knowledge of the Buyer or the Company, threatened, before any Governmental Body to restrain or prohibit, or to obtain damages or a discovery order in respect of, this Agreement or the consummation of the Contemplated Transactions or which has had or may have, in the reasonable judgment of the Buyer, a materially adverse effect on the Condition of the Company.

7.6. FIRPTA AFFIDAVIT. The Buyer shall have received an affidavit of the Seller sworn to under penalty of perjury, setting forth the name of the Seller, address and Federal tax identification number and stating that the Seller is not a "foreign person" within the meaning of Section 1445 of the Code.

7.7. ESCROW AGREEMENT. The Seller and the Escrow Agent shall have executed and delivered the Escrow Agreement.

7.8. HSR ACT. Any person required in connection with the Contemplated Transactions to file a notification and report form in compliance with the HSR Act shall have filed such form and any waiting period applicable to the Contemplated Transactions under the HSR Act shall have terminated or expired.

8. CONDITIONS PRECEDENT TO THE OBLIGATION OF THE SELLER TO CLOSE. The obligation of the Seller to enter into and complete the Closing is subject, at the option of the Seller acting in accordance with the provisions of Article 12 with respect to termination of this Agreement, to the fulfillment on or prior to the Closing Date of the following conditions, any one or more of which may be waived by the Seller:

8.1. REPRESENTATIONS AND COVENANTS. The representations and warranties of the Buyer contained in this Agreement shall be true in all material respects on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date. The Buyer shall have performed and complied in all material respects with all covenants and agreements required by this Agreement to be performed or complied with by it on or prior to the Closing Date. The Buyer shall have delivered to the Seller a certificate, dated the date of the Closing and signed by an officer of the Buyer, to the foregoing effect.

8.2. NO CLAIMS. No Claims shall be pending or, to the knowledge of the Buyer or the Company, threatened, before any Governmental Body to restrain or prohibit, or to obtain damages or a discovery order in respect of, this Agreement or the consummation of the Contemplated Transactions.

8.3. OPINION OF COUNSEL TO THE BUYER. The Seller shall have received the opinion in the form of Exhibit C hereto of Paul, Weiss, Rifkind, Wharton & Garrison, counsel to the Buyer, dated the date of the Closing, addressed to the Seller, in a form reasonably satisfactory to the Seller.

8.4. HSR ACT. Any person required in connection with the Contemplated Transactions to file a notification and report form in compliance with the HSR Act shall have filed such form and any waiting period applicable to the Contemplated Transactions under the HSR Act shall have terminated or expired.

9. NON-COMPETITION.

9.1. COVENANTS AGAINST COMPETITION. The Seller acknowledges that (i) the Company is engaged in the business of placing temporary and permanent nurses and other medical professionals and medical technicians (the "Company Business"); (ii) the Company Business is conducted within the United States, Canada, the Caribbean, England and Saudi Arabia; (iii) the Seller's relationship with the Company has given the Seller and will continue to give the Seller trade secrets of and confidential information concerning the Company; (iv) the agreements and covenants contained in this Article 9 are essential to protect the business and goodwill of the Company, all of the outstanding Shares of which are being purchased by the Buyer; and (v) the Buyer would not purchase the Shares but for such agreements and covenants. Accordingly, the Seller covenants and agrees as follows:

(a) Non-Compete.

(i) The Seller agrees on behalf of itself and its principal shareholder, officers and directors, that neither the Seller, nor any such principal shareholder, officer or director shall for a period of four (4) years following the Closing (the "Restricted Period") in the United States, Canada, the Caribbean, England and Saudi Arabia (the "Territory") or through means of the so-called World-Wide-Web, Internet or any so-called "on-line" service or other electronic media (the "Internet Means"), directly or indirectly, (x) engage in the Company Business; (y) except as agreed to in writing by the Buyer and the Seller, render any services to any person engaged in such activities; or (z) become interested in any such person in any capacity, including as a partner, shareholder, principal, agent, trustee or consultant; provided, however, the Seller may own, directly or indirectly, solely as an investment, securities of any person traded on any national securities exchange if the Seller is not a controlling person of, or a member of a group which controls, such person and does not, directly or indirectly, own 1% or more of any class of securities of such person.

(ii) As used herein, "Internet" shall mean the computer-generated, computer-mediated, or computer-assisted transmission, reception, recordation or display arising from any network or other connection of instruments or devices now known or hereafter invented capable of transmission, reception, recordation and/or display (such instruments or devices to include, without limitation, computers, laptops, cellular or PCS telephones, pagers, PDAs, wireless transmitters or receivers, modems, radios, televisions, satellite receivers, cable networks, smart cards, and set-top boxes).

(b) Confidential Information; Personal Relationships. The Seller promises and agrees that, either during the Restricted Period or at any time thereafter, the Seller will not disclose to any person not employed by the Company or not engaged to render services to the Company, and that the Seller will not use for the benefit of the Seller or others, any Confidential Information or Trade Secrets of the Company and other affiliates obtained by the Seller; provided, however, that this provision shall not preclude the Seller from use or disclosure of information if (i) use or disclosure of such information shall be required by applicable Law or Order of any Governmental Body or (ii) such information is readily ascertainable from public or published information or trade sources (other than information known generally to the public as a result of a violation of this Section 9.1 by the Seller) or (iii) such information is generally known by the public.

(c) Property of the Company. All memoranda, notes, lists, records and other documents (and all copies thereof), including such items stored in computer memories, on microfiche or by any other means, made or compiled by or on behalf of the Seller, or made available to the Seller relating to the Company, are and shall be the property of the Company, and shall be delivered to the Company promptly after the Closing or at any other time on request, provided, that the Seller may retain copies of those Company records pertaining to financial and legal matters that are required by the Seller to file Tax returns and fulfill its obligations under Section 11.1.

(d) Employees of the Company. Except as agreed to in writing by the Buyer and the Seller, (i) during the Restricted Period, the Seller shall not, directly or indirectly, solicit any Employee or encourage any such Employee to leave such employment, and (ii) for a period of one year after the Closing Date, the Seller shall not, directly or indirectly, hire any Employee.

9.2. RIGHTS AND REMEDIES UPON BREACH. If the Seller breaches, or threatens to commit a breach of, any of the provisions of Section 9.1 (the "Restrictive Covenants"), the Buyer and the Company shall have the following rights and remedies, each of which rights and remedies shall be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to the Buyer and the Company under Law or in equity:

(a) Specific Performance. The right and remedy to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Buyer and the Company and that money damages would not provide an adequate remedy to the Buyer and the Company.

(b) Accounting. The right and remedy to require the Seller to account for and pay over to the Buyer or the Company, all compensation, profits, monies, accruals, increments or other benefits derived or received by the Seller as the result of any transactions by the Seller constituting a breach of the Restrictive Covenants.

9.3. SEVERABILITY OF COVENANTS. The Seller acknowledges and agrees that the Restrictive Covenants are reasonable and valid in geographical and temporal scope and in all other respects. If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable as to the Seller, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect as to the Seller, without regard to the invalid portions.

9.4. BLUE-PENCILLING. If any court determines that any of the Restrictive Covenants, or any part thereof, is unenforceable as to the Seller because of the duration or geographic scope of such provision, such court shall have the power to reduce the duration or scope of such provision, as the case may be, as to the Seller, and, in its reduced form, such provision shall then be enforceable.

9.5. ENFORCEABILITY IN JURISDICTIONS. The Buyer and the Seller intend to and hereby confer jurisdiction to enforce the Restrictive Covenants upon the courts of any jurisdiction within the geographical scope of the Restrictive Covenants. If the courts of any one or more of such jurisdictions hold the Restrictive Covenants unenforceable by reason of the breadth of such scope or otherwise, it is the intention of the Buyer and the Seller that such determination not bar or in any way affect the Buyer's or the Company's right to the relief provided above in the courts of any other jurisdiction within the geographical scope of the Restrictive Covenants, as to breaches of the Restrictive Covenants in such other respective jurisdictions, the Restrictive Covenants as they relate to each jurisdiction being, for this purpose, severable into diverse and independent covenants.

10. SURVIVAL OF REPRESENTATIONS AND WARRANTIES OF THE SELLER AFTER CLOSING. Notwithstanding any right of the Buyer to investigate fully the affairs of the Company and notwithstanding any knowledge of facts determined or determinable by the Buyer pursuant to such investigation or right of investigation, the Buyer has the right to rely fully upon the representations, warranties, covenants and agreements of the Seller contained in this Agreement or in any documents delivered pursuant to this Agreement. All such representations, warranties, covenants and agreements shall survive the execution and delivery of this Agreement and the Closing hereunder. Except for those representations and warranties in Sections 3.4, 3.5, 4.1, 6.5 and 6.10 (all of which representations and warranties shall survive without limitation) and those representations and warranties in Section 3.29 (which shall terminate and expire on the second anniversary of the Closing Date), all representations and warranties of the Seller contained in this Agreement shall terminate and expire on (a) December 31, 2001, with respect to any General Claim or Safety and Environmental Claim based upon, arising out of or otherwise in respect of any fact, circumstance or Claim of which the Buyer prior to that date shall not have given notice to the Seller; (b) with respect to any Tax Claim, on the later of (i) the date upon which the liability to which any such Tax Claim may relate is barred by all applicable statutes of limitations and (ii) the date upon which any claim for refund or credit related to such Tax Claim is barred by all applicable statutes of limitations; and (c) with respect to any ERISA Claim,

on the date upon which the liability to which any such ERISA Claim may relate is barred by all applicable statutes of limitations.

11. GENERAL INDEMNIFICATION.

11.1. OBLIGATION OF THE SELLER TO INDEMNIFY. Subject to the limitations contained in Article 10, the Seller agrees to indemnify, defend and hold harmless the Buyer (and its directors, officers, employees, affiliates, successors and assigns) from and against all Claims, losses, liabilities, damages, deficiencies, judgments, assessments, fines, settlements, costs or expenses (including interest, penalties and fees, expenses and disbursements of attorneys, experts, personnel and consultants incurred by the indemnified party in any action or proceeding between the indemnifying party and the indemnified party or between the indemnified party and any third party, or otherwise) ("Losses") based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of any representation, warranty, covenant or agreement of the Seller contained in this Agreement or in any documents delivered by the Seller pursuant to this Agreement.

11.2. SUPPLEMENTAL TAX INDEMNIFICATION. The Seller agrees to indemnify the Buyer (i) for all Taxes which the Company is responsible to pay pursuant to Section 6.10 hereof and (ii) for any liability for any Taxes imposed on the Company pursuant to federal, state, local or foreign law attributable to any periods ending on or before the Closing Date (or for the portion of any period up through the Closing Date to the extent a period does not close on such date). Any indemnity payments to or from the Seller or to or from the Buyer pursuant to this Agreement, whether under this Section 11.2 or otherwise, shall be treated by the Buyer and the Seller as purchase price adjustments for all tax purposes. All indemnification obligations set forth in this Section 11.2 shall be treated as Tax Claims for purposes of the survival provisions of Section 10.

11.3. OBLIGATION OF THE BUYER TO INDEMNIFY. The Buyer agrees to indemnify, defend and hold harmless the Seller, its directors, officers, shareholders, employees, affiliates, successors and assigns from and against all Losses based upon, arising out of or otherwise in respect of (i) any inaccuracy in or any breach of any representation, warranty, covenant or agreement of the Buyer contained in this Agreement or in any documents delivered by the Buyer pursuant to this Agreement and (ii) the obligations of the Buyer arising under Section 6.15.

11.4. NOTICE AND OPPORTUNITY TO DEFEND.

(a) Notice of Asserted Liability. The party making a claim under this Article 11 is referred to as the "Indemnitee," and the party against whom such claims are asserted under this Article 11 is referred to as the "Indemnifying Party." All claims by any Indemnitee under this Article 11 shall be asserted and resolved as follows: Promptly after receipt by the Indemnitee of notice of any Claim or circumstances which, with the lapse of time, would or might give rise to a Claim or the commencement (or threatened commencement) of a Claim including any action,

proceeding or investigation (an "Asserted Liability") that may result in a Loss, the Indemnitee shall give notice thereof (the "Claims Notice") to the Indemnifying Party and, if the Indemnitee is the Buyer, to the Escrow Agent. The Claims Notice shall describe the Asserted Liability in reasonable detail, and shall indicate the amount (estimated, if necessary and to the extent feasible) of the Loss that has been or may be suffered by the Indemnitee. The omission of any Indemnitee to so notify the Indemnifying Party of any such Claims Notice shall not relieve the Indemnifying Party from any liability which it may have to such Indemnitee unless, and only to the extent that, such omission results in the Indemnifying Party's forfeiture of substantive rights or defenses.

(b) Opportunity to Defend.

(i) The Indemnifying Party may elect to compromise or defend, at such party's own expense and by such party's own counsel, any Asserted Liability, except any Asserted Liability by any customer of the Company with respect to the business conducted by the Company prior to the Closing, which shall be subject to Section 11.4(b)(ii). If the Indemnifying Party elects to compromise or defend such Asserted Liability, it shall within 30 days (or sooner, if the nature of the Asserted Liability so requires) notify the Indemnitee of such party's intent to do so, and the Indemnitee shall cooperate, at the expense of the Indemnifying Party, in the compromise of, or defense against, such Asserted Liability. If the Indemnifying Party elects not to compromise or defend the Asserted Liability, fails to notify the Indemnitee of such party's election as herein provided or contests such party's obligation to indemnify under this Agreement, the Indemnitee may pay, compromise or defend such Asserted Liability. Notwithstanding the foregoing, any Asserted Liability that the Indemnifying Party settles solely by the payment of money (and without giving any other consideration, whether property, covenants or other restrictions) may be settled by the Indemnifying Party without the consent of the Indemnitee, but the settlement of any other Asserted Liability may not be made by either the Indemnifying Party nor the Indemnitee over the objection of the other; provided, however, consent to settlement or compromise shall not be unreasonably withheld. In any event, the Indemnitee and the Indemnifying Party may participate, at their own expense, in the defense of such Asserted Liability. If the Indemnifying Party chooses to defend any Asserted Liability, the Indemnitee shall make available to the Indemnifying Party any books, records or other documents within such party's control that are necessary or appropriate for such defense.

(ii) Notwithstanding anything to the contrary in Section 11.4(b)(i), in the case of any Asserted Liability by any customer of the Company with respect to the business conducted by the Company prior to the Closing in connection with which the Buyer may make a claim against the Seller for indemnification pursuant to Section 11.1, the Buyer shall have the exclusive right at its option to defend any such Asserted Liability, subject to the duty of the Buyer to consult with the Indemnifying Party and such party's attorneys in connection with such defense and provided that no such Asserted Liability shall be compromised or settled by the Buyer without the prior consent of the Indemnifying Party, which consent shall not be unreasonably withheld. The Indemnifying Party shall have the right to recommend in good faith to the Buyer

proposals to compromise or settle Asserted Liabilities brought by a supplier, distributor, sales agent or customer, and the Buyer agrees to present such proposed compromises or settlements to such supplier, distributor or customer. All amounts required to be paid in connection with any such Asserted Liability pursuant to the determination of any Governmental Body, and all amounts required to be paid in connection with any such compromise or settlement consented to by the Indemnifying Party, shall be borne and paid by the Indemnifying Party. The parties agree to cooperate fully with one another in the defense, compromise or settlement of any such Asserted Liability.

11.5. SCOPE OF INDEMNIFICATION. The indemnification provided for in Section 11.1 shall be subject to the following limitations:

(a) Subject to the provisions of Section 11.5(b) and Section 11.5(c), the Seller shall not be obligated to pay any amounts for indemnification under Section 11.1 (i) until the aggregate amounts claimed for indemnification for breaches of representations and warranties under Section 11.1, equal or exceed $600,000 (the "Basket Amount"), whereupon the Seller shall be obligated to pay in full all such amounts for such indemnification in excess of the Basket Amount, or (ii) after the aggregate amount paid by the Seller for indemnification for breaches of representations and warranties under Section 11.1 exceeds $4,000,000 (the "Cap Amount"). The Seller's liability for Losses referred to in Sections 11.1 or 11.2 shall first be satisfied from the Escrow Account and any remaining, or unsatisfied, Losses referred to in Sections 11.1 or 11.2 shall be the obligation of the Seller.

(b) The Basket Amount limitation of the Seller's liability under this Agreement set out above at Section 11.5(a) shall not be applicable to indemnification under this Article 11 if the losses giving rise to claims for indemnification (A) arise from any representations and warranties which are incorrect or breached due to fraud by the Seller or (B) arise from inaccuracies or breaches of the representations and warranties of the Seller contained in Sections 3.1, 3.2, 3.4, 3.5, 3.9 (other than with respect to sales and service Taxes), 3.29, 4.1, 4.2, 6.5 and 6.10.

(c) The Cap Amount limitation of the Seller's liability under this Agreement set out above at Section 11.5(a) shall not be applicable to indemnification under this Article 11 if the losses giving rise to claims for indemnification (A) arise from any representations and warranties which are incorrect or breached due to fraud by the Seller or (B) arise from inaccuracies or breaches of the representations and warranties of the Seller contained in Sections 3.1, 3.2, 3.4, 3.5, 3.9 (other than with respect to sales and service Taxes), 3.29, 4.1, 4.2, 6.5, 6.10 or any Asserted Liability brought or claimed by any shareholder or former shareholder of the Company or the Seller in their capacity as such.

12. TERMINATION OF AGREEMENT.

12.1. TERMINATION. This Agreement may be terminated prior to the Closing as follows:

(a) at the election of the Seller, if any one or more of the conditions to the obligation of the Seller to close set forth in Article 8 has not been fulfilled as of the scheduled Closing Date;

(b) at the election of the Buyer, if any one or more of the conditions to the obligation of the Buyer to close set forth in Article 7 has not been fulfilled as of the scheduled Closing Date;

(c) at the election of the Seller, or the Buyer, if any legal proceeding is commenced or threatened by any Governmental Body seeking to prevent the consummation of the Closing or any other Contemplated Transaction and the Seller or the Buyer, as the case may be, reasonably and in good faith deems it impracticable or inadvisable to proceed in view of such legal proceeding;

(d) at the election of the Seller, if the Buyer has breached any material representation, warranty, covenant or agreement contained in this Agreement, which breach cannot be or is not cured by the Closing Date; provided, however, that with respect to breaches which are capable of being cured, the Seller may not terminate this Agreement as a result of any such breach unless prior to the Closing Date the Seller notifies the Buyer of such breach and such breach remains uncured for a period of 20 days following such notice;

(e) at the election of the Buyer, if the Seller has breached any material representation, warranty, covenant or agreement contained in this Agreement, which breach cannot be or is not cured by the Closing Date; provided, however, that with respect to breaches which are capable of being cured, the Buyer may not terminate this Agreement as a result of any such breach unless prior to the Closing Date the Buyer notifies the Seller of such breach and such breach remains uncured for a period of 20 days following such notice;

(f) at any time on or prior to the Closing Date, by written consent of the Seller and the Buyer; or

(g) at the election of the Seller, or the Buyer, if the Closing has not occurred on or before December 31, 2000; provided, however, that the right to terminate this Agreement under this Section 12.1(g) shall not be available to any party whose intentional or willful action or inaction or failure to fulfill any obligation or condition under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before such date.

If this Agreement so terminates, it shall become null and void and have no further force or effect, except as provided in Section 12.2.

12.2. SURVIVAL AFTER TERMINATION. If this Agreement terminates pursuant to Section 12.1 and the Contemplated Transactions are not consummated, this Agreement shall become null and void and have no further force or effect, except that (i) any such termination shall be without prejudice to the rights of any party on account of the nonsatisfaction of the conditions set forth in Articles 7 and 8 resulting from the intentional or willful breach or violation of the representations, warranties, covenants or agreements of another party under this Agreement and (ii) the non-breaching party shall have the right to have the breaching party's obligation to close the Contemplated Transactions specifically enforced by any court of competent jurisdiction, it being agreed that any such breach or threatened breach would cause irreparable harm to the non- breaching party and that money damages would not provide an adequate remedy. Not withstanding anything in this Agreement to the contrary, the provisions of Sections 6.3, 6.4, 6.5, 6.14, this Section 12.2 and Article 13 shall survive any termination of this Agreement.

13. MISCELLANEOUS.

13.1. CERTAIN DEFINITIONS.

(a) As used in this Agreement, the following terms have the following meanings:

"affiliate" means, with respect to any person, any other person controlling, controlled by or under common control with, or the parents, spouse, lineal descendants or beneficiaries of, such person.

"Benefit Plan" means any employee benefit plan, arrangement, policy or commitment (whether or not an employee benefit plan within the meaning of section 3(3) of ERISA), including any employment, consulting or deferred compensation agreement, executive compensation, bonus, incentive, pension, profit-sharing, savings, retirement, stock option, stock purchase or severance pay plan, any life, health, disability or accident insurance plan or any holiday or vacation practice, as to which the Company has or in the future is likely to have any direct or indirect, actual or contingent liability.

"COBRA" means the provisions of Code section 4980B and Part 6 of Subtitle B of Title I of ERISA.

"Commonly Controlled Entity" means any entity which is under common control with the Company within the meaning of Code section 414(b), (c), (m), (o) or (t).

"Confidential Information" means any information other than Trade Secrets that is not generally available to the public and that is treated as confidential or proprietary by the Company.

"DOL" means the United States Department of Labor.

"Employee" means any individual employed by the Company.

"Environment" means navigable waters, waters of the contiguous zone, ocean waters, natural resources, surface waters, ground water, drinking water supply, land surface, subsurface strata, ambient air, both inside and outside of buildings and structures, man-made buildings and structures, and plant and animal life on earth.

"Environmental Claims" means any notification, whether direct or indirect, formal or informal, written or oral, pursuant to Safety and Environmental Laws or principles of common law relating to pollution, protection of the Environment or health and safety, that any of the current or past operations of the Company, or any by-product thereof, or any of the property currently or formerly owned, leased or operated by the Company, or the operations or property of any predecessor of the Company, is or may be implicated in or subject to any Claim, Order, hearing, notice, agreement or evaluation by any Governmental Body or any other person.

"Environmental Compliance Costs" means any expenditures, costs, assessments or expenses (including any expenditures, costs, assessments or expenses in connection with the conduct of any Remedial Action, as well as reasonable fees, disbursements and expenses of attorneys, experts, personnel and consultants), whether direct or indirect, necessary to cause the operations, real property, assets, equipment or facilities owned, leased, operated or used by the Company to be in material compliance with any and all requirements, as in effect at the Closing Date, of Safety and Environmental Laws, principles of common law concerning pollution, protection of the Environment or health and safety, or Permits issued pursuant to Safety and Environmental Laws; provided, however, that Environmental Compliance Costs do not include expenditures, costs, assessments or expenses necessary in connection with normal maintenance of such real property, assets, equipment or facilities or the replacement of equipment in the normal course of events due to ordinary wear and tear.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Claim" means any claim based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of representation or warranty of the Seller contained in Section 3.22.

"GAAP" means generally accepted accounting principles in the United States.

"General Claim" means any claim (other than a Tax Claim, a Safety and Environmental Claim or an ERISA Claim) based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of any representation or warranty of the Seller contained in this Agreement.

"Hazardous Substance" means any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or waste, petroleum or petroleum-derived substance or waste, radioactive substance or waste, or any constituent of any such substance or waste, or any other substance regulated under or defined by any Safety and Environmental Law.

"IRS" means the Internal Revenue Service.

"knowledge of the Company" and "knowledge of the Seller" or any variant thereof means the knowledge of Mel Harris, Peter Kilissanly, William R. Dresback, Jose M. Menendez, Aldo Rodriguez and Ralph Egues, Jr.

"Lien" means any lien, pledge, mortgage, deed of trust, security interest, claim, lease, license, charge, option, right of first refusal, easement, servitude, transfer restriction or encumbrance to title.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Pension Plan" means any Benefit Plan which is a pension plan within the meaning of ERISA section 3(2) (regardless of whether the plan is covered by ERISA).

"person" means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Body or other entity.

"property" or "properties" means real, personal or mixed property, tangible or intangible.

"Pledge Agreement" means the Pledge Agreement, dated September 14, 2000, between the Seller and City National Bank of Florida.

"Retiree Welfare Plan" means any Welfare Plan that provides benefits to current or former Employees beyond their retirement or other termination of service (other than coverage mandated by COBRA, the cost of which is fully paid by the current or former Employee or his or her dependents).

"Safety and Environmental Claim" means any claim based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of any representation or warranty of the Seller contained in this Agreement related to Safety and Environmental Laws.

"Safety and Environmental Laws" means all Laws and Orders relating to pollution, protection of the Environment, public or worker health and safety, or the emission, discharge, release or threatened release of Hazardous Substances into the Environment or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances including the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C.

Section 9601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., the Federal Water Pollution Control Act, 33 U.S.C. Section 1251 et seq., the Clean Air Act, 42 U.S.C. Section 7401 et seq., the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. Section 121 et seq., the Occupational Safety and Health Act, 29 U.S.C. Section 651 et seq., the Asbestos Hazard Emergency Response Act, 15 U.S.C. Section 2601 et seq., the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq., the Oil Pollution Act of 1990, 33 U.S.C. Section 2701 et seq., and analogous state acts.

"Tax Claim" means any claim based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of any representation or warranty of the Seller contained in this Agreement related to Taxes.

"Trade Secrets" means any trade secrets, research records, processes, procedures, manufacturing formulae, technical know-how, technology, blue prints, designs, plans, inventions (whether patentable and whether reduced to practice), invention disclosures and improvements thereto.

"Welfare Plan" means any Benefit Plan which is a welfare plan within the meaning of ERISA section 3(1) (regardless of whether the plan is covered by ERISA).

(b) The following capitalized terms are defined in the following Sections of this Agreement:

Term	Section
Account Transfer Date	6.16(b)
Affected Employees	6.16(a)
Allocation Schedule	1.4(a)
Asserted Liability	11.4(a)
Balance Sheet	3.7(a)
Balance Sheet Date	3.7(a)
Basket Amount	11.5(a)
Broker	6.5
Buyer	Preamble
Buyer Benefit Program	6.16(a)
Buyer's 401(K) Plan	6.16(b)
Cap Amount	11.5(a)
Cash Excess	6.1(a)
Cash Shortfall	6.1(a)
Claims	3.14
Claims Notice	11.4(a)
Closing	1.1
Closing Date	2
Code	3.9(e)
Commercial Software	3.18
Common Stock	3.4

Term	Section
Company	Preamble
Company Business	9.1
Company Employees	6.16(b)
Condition of the Company	3.3
Contemplated Transactions	3.9(o)
Contracts	3.12
Escrow Account	1.2(b)
Escrow Agent	1.2(b)
Escrow Agreement	1.2(b)
Existing Indebtedness	3.29
Financial Statements	3.7(a)
Governmental Bodies	3.10
HSR Act	6.7
Indemnifying Party	11.4(a)
Indemnitee	11.4(a)
Intellectual Property	3.18
Interim Financial Statements	3.7(a)
Internet	9.1(a)
Internet Means	9.1(a)
Laws	3.10
Leased Real Property	3.16(b)
Liabilities	3.20
Losses	11.1
MADSP Allocations	6.10(d)
MADSP Determination	6.10(d)
Material Customer	3.21
Modified Aggregate Deemed Sales Price	6.10(d)
Orders	3.10
Permits	3.11
PHS	Preamble
Purchase Price	1.2(a)
Real Property Leases	3.16(b)
Required Consents	3.12
Restricted Period	9.1(a)
Restrictive Covenants	9.2
Section 338(h)(10) Election	6.10(b)
Section 1060	1.4(a)
Securities Act	3.4
Seller	Preamble
Seller's 401(k) Plan	6.16(b)
Shares	Preamble
Software	3.18
Subsidiary	3.2
Tangible Property	3.17
Tax Returns	3.9(b)

Term	Section
Taxes	3.9(a)
Territory	9.1(a)
Transferred Assets	6.16(b)

13.2. CONSENT TO JURISDICTION AND SERVICE OF PROCESS. Any Claim arising out of or relating to this Agreement or the Contemplated Transactions may be instituted in any Federal court of the Southern District of New York or any state court located in New York County, State of New York, and each party agrees not to assert, by way of motion, as a defense or otherwise, in any such Claim, any Claim that it is not subject personally to the jurisdiction of such court, that the Claim is brought in an inconvenient forum, that the venue of the Claim is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court. Each party further irrevocably submits to the jurisdiction of such court in any such Claim. Any and all service of process and any other notice in any such Claim shall be effective against any party if given personally or by registered or certified mail, return receipt requested, or by any other means of mail that requires a signed receipt, postage prepaid, mailed to such party as herein provided. Nothing herein contained shall be deemed to affect the right of any party to serve process in any manner permitted by law or to commence legal proceedings or otherwise proceed against any other party in any other jurisdiction.

13.3. NOTICES. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally, or sent by facsimile transmission or, if mailed, five days after the date of deposit in the United States mails, as follows:

(i) if to the Buyer, to:

AMN Healthcare, Inc.
12235 El Camino Real, Suite 200
San Diego, CA 92130
Attention: Steven C. Francis
Facsimile: (858) 792-0299

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison
1285 Avenue of the Americas
New York, New York 10019-6064
Attention: Robert M. Hirsh, Esq.
Facsimile: (212) 757-3990

(ii) if to the Seller, to:
Peter E. Kilissanly, President
Preferred Employers Holdings, Inc.
10800 Biscayne Boulevard, 10th Floor
Miami, FL 33161-7487

with a copy to:
Baer Marks & Upham LLP
805 Third Avenue
New York, NY 10022-7513
Attention: Donald J. Bezahler, Esq.
Facsimile: (212) 702-5941

Any party may by notice given in accordance with this Section to the other parties designate another address or person for receipt of notices hereunder.

13.4. ENTIRE AGREEMENT. This Agreement (including the Exhibits and Schedules) and any collateral agreements executed in connection with the consummation of the Contemplated Transactions contain the entire agreement among the parties with respect to the purchase of the Shares and supersede all prior agreements, written or oral, with respect thereto.

13.5. WAIVERS AND AMENDMENTS; NON-CONTRACTUAL REMEDIES; PRESERVATION OF REMEDIES. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by the Buyer and the Seller or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies that any party may otherwise have at law or in equity. The rights and remedies of any party based upon, arising out of or otherwise in respect of any inaccuracy in or breach of any representation, warranty, covenant or agreement contained in this Agreement or any documents delivered pursuant to this Agreement shall in no way be limited by the fact that the act, omission, occurrence or other state of facts upon which any claim of any such inaccuracy or breach is based may also be the subject matter of any other representation, warranty, covenant or agreement contained in this Agreement or any documents delivered pursuant to this Agreement (or in any other agreement between the parties) as to which there is no inaccuracy or breach.

13.6. GOVERNING LAW. This Agreement shall be governed and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely within such State.

13.7. BINDING EFFECT; ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and legal representatives. This Agreement is not assignable except by operation of law, except that the Buyer may assign its rights hereunder to any of its affiliates, to any successor to all or substantially all of its business or assets, or to any bank or other financial institution that may provide financing for the Contemplated Transactions.

13.8. USAGE. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require. All terms defined in this Agreement in their singular or plural forms have correlative meanings when used herein in their plural or singular forms, respectively. Unless otherwise expressly provided, the words "include," "includes" and "including" do not limit the preceding words or terms and shall be deemed to be followed by the words "without limitation."

13.9. COUNTERPARTS. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all of the parties hereto.

13.10. EXHIBITS AND SCHEDULES. The Exhibits and Schedules are a part of this Agreement as if fully set forth herein and all references to this Agreement shall be deemed to include the Exhibits and Schedules. All references herein to Sections, Exhibits and Schedules shall be deemed references to such parts of this Agreement, unless the context shall otherwise require.

13.11. HEADINGS. The headings in this Agreement are for reference only, and shall not affect the interpretation of this Agreement.

13.12. SEVERABILITY OF PROVISIONS.

(a) If any provision or any portion of any provision of this Agreement shall be held invalid or unenforceable, the remaining portion of such provision and the remaining provisions of this Agreement shall not be affected thereby.

(b) If the application of any provision or any portion of any provision of this Agreement to any person or circumstance shall be held invalid or unenforceable, the application of such provision or portion of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Stock Purchase Agreement as of the date first above written.

AMN HEALTHCARE, INC.

By /s/ Steven C. Francis

Name: Steven C. Francis
Title: President and Chief Executive Officer

PREFERRED EMPLOYERS HOLDINGS, INC.

By /s/ Peter E. Kilissanly

Name: Peter E. Kilissanly
Title: President

Exhibit 2.4

STOCK PURCHASE AGREEMENT

by and between

AMN HEALTHCARE, INC.

JOSEPH O'GRADY

and

TERESA O'GRADY-PEYTON

---

for all of the outstanding stock of

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

April 3, 2001

TABLE OF CONTENTS

SCHEDULES

3.2	Subsidiaries and Other Affiliates
3.3	Qualification
3.4	Outstanding Capital Stock
3.7(a)	Financial Statements
3.7(a)(i)	Exceptions to Financial Statements
3.7(b)	Uncollectable Accounts Receivable
3.9(a)	Exceptions to Tax Payments
3.9(b)	Exceptions to Tax Returns
3.9(c)	Exceptions to Tax Deficiencies
3.9(d)	Tax -- Statutes of Limitations/Audits/Unassessed Deficiencies
3.9(e)	Tax -- Status of Federal Audits
3.9(f)	Tax -- Status of State, County, Local and Foreign Audits
3.9(g)	Tax -- 481(a) Adjustments
3.10	Compliance with Laws
3.11	Permits
3.12	Required Consents
3.13	Environmental Matters
3.14	Claims and Proceedings
3.15(a)	Contracts
3.15(b)	Customer Contracts
3.16(b)	Leased Properties
3.18	Intellectual Property
3.19	Title to Properties
3.20	Liabilities
3.21(a)	Largest Customers
3.21(b)	Customer Relationships
3.22(a)	Benefit Plans
3.22(b)	Benefit Plan Disclosures
3.23(a)	Employees
3.23(b)	Laws Relating to Employees
3.24	Insurance
3.25	Officers, Directors and Employees
3.26	Operations of the Company
3.27	Potential Conflicts of Interest
3.29	Existing Indebtedness
6.1(a)	Conduct of Business
6.7	Unobtained Required Consents
6.18	Payments to Employees

Exhibits

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A - Form of Escrow Agreement

B - Form of Employment Agreements

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of April 3, 2001 by and among AMN HEALTHCARE, INC., a Nevada corporation (the "Buyer"), JOSEPH O'GRADY AND TERESA O'GRADY-PEYTON (each a "Seller" and collectively the "Sellers") for the purchase and sale of all of the issued and outstanding shares of capital stock of O'GRADY-PEYTON INTERNATIONAL (USA), INC., a Massachusetts corporation ("OGP" and together with its Subsidiaries, the "Company").

The Sellers are the beneficial and record owners of all of the issued and outstanding shares of common stock, no par value per share (the "Shares"), of OGP. The Sellers wish to sell to the Buyer, and the Buyer wishes to purchase from the Sellers, all of the Shares upon the terms and subject to the conditions of this Agreement.

Certain terms used in this Agreement are defined in Section 13.1.

Accordingly, the parties agree as follows:

1. Sale and Purchase of Shares.

1.1 Sale and Purchase of Shares. At the closing provided for in Article 2 (the "Closing") and upon the terms and subject to the conditions of this Agreement, and in reliance upon the representations, warranties and agreements of the Sellers, the Buyer shall purchase all of the Shares for the Purchase Price (as defined in Section 1.2), payable as provided in Section 1.2.

1.2 Payment of Purchase Price.

(a) At the Closing, the Buyer shall deliver to an account designated in writing by the Sellers, cash by wire transfer of immediately available funds the following amount: (i) $16,647,300, decreased by the amount of Existing Indebtedness (as defined in Section 3.29) of the Company and any Cash Shortfall, and increased by the amount of any Cash Excess (as such terms are defined in Section 6.1(a)), in each case as of the close of business on the day immediately prior to the Closing Date, if any, (ii) increased by the extent that Net Working Capital Assets exceed $4,625,000 as of the Closing and (iii) decreased to the extent that Net Working Capital Assets is less than $4,625,000 as of the Closing (the "Purchase Price"), less (iv) the amount paid by Buyer into the Escrow Account pursuant to Section 1.2(b).

(b) At the Closing, the Buyer shall deliver to Wells Fargo Bank, N.A. (the "Escrow Agent") cash by wire transfer of immediately available funds in the amount of $800,000, such amount to be held in an Escrow Account (the "Escrow Account") in accordance with the terms of the Escrow Agreement in the form of Exhibit A among the Buyer, the Escrow Agent and the Sellers (the "Escrow Agreement").

1.3 Earn Out Payment.

(a) Subject to approval of the Company's shareholders in accordance with the shareholder approval requirements of Section 280G of the Code and the regulations promulgated thereunder, the Buyer will pay to the Sellers, not later than the date provided by Section 1.3(g) or Section 1.3(h), the aggregate amount, if any, indicated below for the range of Revenue set forth below if, subject to the provisions of Sections 1.3(b) and 1.3(c), at all times during the period from the Closing Date until the first anniversary of the Closing Date, each of the Sellers has complied with and performed the terms of an Employment Agreement in the form of Exhibit B between such Seller and the Subsidiary of the Company specified therein (an "Employment Agreement"), and the terms of this Agreement:

Revenue	Payment
Less than $33,222,450	$ 0
Equal to or greater than $33,222,450 but less than $34,971,000	$1,570,500
Equal to or greater than $34,971,000 but less than $38,468,100	$3,141,000
Equal to or greater than $38,468,100 but less than $41,965,200	$4,711,500
Equal to or greater than $41,965,200	$5,339,700

(b) In the event either of the Sellers fails, at any time during the period from the Closing Date until 360 days after the Closing Date, to comply with or perform the terms of the Employment Agreement to which such Seller is a party, or the Subsidiary of the Company that is a party thereto terminates either such Employment Agreement with cause (as such term is defined in such Employment Agreement), no amounts shall be payable to the Sellers pursuant to Section 1.3(a), notwithstanding the Revenue of the Company.

(c) In the event either of the Sellers dies at any time during the period from the Closing Date until 360 days after the Closing Date, the Buyer will pay to the Sellers the amount, if any, that would otherwise be payable to the Sellers pursuant to Section 1.3(a).

(d) "Revenue" shall mean the revenue of the Company (of a similar type generated by the Company for the 12 months ended December 31, 2000 with respect to the nature and profitability of such revenues) for the 12 months ended December 31, 2001, as adjusted for customer discounts and allowances and reserves for bad debts calculated in accordance with GAAP; provided, that, with respect to revenue of

the Company for the 12 months ended December 31, 2001 that is of a type that is not similar to the nature and profitability of revenues for the 12 months ended December 31, 2000, such revenues will be deemed "Revenue" for purposes hereof but will be adjusted to account for such dissimilarities in proportion to their relative profitability.

(e) On May 15, 2001, November 15, 2001 and April 15, 2002, the Buyer will furnish the Sellers with quarterly statements that reflect the Revenue of the Company for the immediately preceding calendar quarter. On April 15, 2002, the Buyer will furnish the Sellers with a statement that reflects the Revenue of the Company for the 12 months ended December 31, 2001 (the "2001 Revenue Statement"), together with a calculation of the payment due pursuant to Section 1.3(a), if any. The 2001 Revenue Statement shall be based upon the books and records of the Company and shall be prepared in accordance with similar accounting principles used to prepare the Financial Statements.

(f) Upon receipt of the 2001 Revenue Statement, the Sellers shall have 10 business days to dispute or disagree with the 2001 Revenue Statement. The 2001 Revenue Statement shall become final and binding for purposes of this Agreement unless, within 10 business days after the Sellers' receipt of the 2001 Revenue Statement, the Sellers furnish written notice to the Buyer of any such dispute or disagreement. Such written notice shall specify, in reasonable detail, the nature and extent of such dispute or disagreement. If the Sellers timely notify the Buyer of any dispute or disagreement with respect to the 2001 Revenue Statement, the Sellers and the Buyer shall promptly attempt to resolve such dispute or disagreement in good faith.

(g) If the Sellers and the Buyer are unable to resolve such dispute or disagreement within 15 days after receipt by the Buyer of the Sellers' written notice of dispute or disagreement pursuant to Section 1.3(f), either the Sellers or the Buyer may submit such dispute or disagreement for final determination to Delloitte & Touche LLC (unless another accounting firm is mutually agreed upon by the Sellers and Buyer). Such accounting firm (the "Independent Accountant") shall act as an arbitrator to determine and resolve such dispute or disagreement based on the presentations by the Sellers, the Buyer and their respective representatives and in accordance with the accounting principles used to prepare the Financial Statements. The Independent Accountant shall make its determination regarding such dispute or disagreement within 30 days after the date upon which the Sellers or the Buyer submits the dispute or disagreement, and in that undertaking shall not be required to follow any particular procedure but shall proceed in a manner designed to achieve a speedy and economic resolution of the dispute. The Independent Accountant shall set forth its determination, which shall be final, binding and conclusive, absent a showing of fraud, in a written statement delivered to the Buyer and the Sellers, stating its reasons therefor. The costs and expenses of the Independent Accountant shall be borne equally by the Buyer and the Sellers.

1.4 Phoenix Receivable. The Sellers represent and warrant that, at the date hereof, the Company is owed $446,847 by Phoenix Memorial Hospital in respect of services rendered during 2000 (the "Phoenix Receivable"). The Buyer will pay to the

Sellers in the aggregate, not later than the tenth day after the first anniversary of the Closing Date, an amount equal to the product of (i) the amount received by the Company prior to the first anniversary of the Closing Date in payment of the Phoenix Receivable , which amount is not subject to any offset, recoupment or other contractual, judicial or legal limitation, restraint, claim or restriction of any kind imposed by Phoenix Memorial Hospital or any court having jurisdiction over it, and (ii) 5.30, up to a maximum amount of $2,369,000. Upon request of the Sellers received by the Buyer not later than the fifth day after the first anniversary of the Closing Date, the Buyer will furnish the Sellers with copies of all checks, bank records and other documents or instruments evidencing any payment (and any offset, recoupment or other contractual, judicial or legal limitation, restraint, claim or restriction of any kind imposed on any such payment by Phoenix Memorial Hospital or any court having jurisdiction over it) of the Phoenix Receivable made prior to the first anniversary of the Closing Date. The Sellers shall have the right to pursue collection of the Phoenix Receivable at the sole cost and expense of the Sellers. On the first anniversary of the Closing, the Buyer shall cause the Company to assign to the Sellers the Company's right, title and interest in and to the portion, if any, of the Phoenix Receivable that remains uncollected as of such date.

1.5 Right to Offset. Any amounts that the Buyer is otherwise required to remit to the Sellers under this Article 1 may be offset and reduced by any amounts owing from the Sellers to the Buyer or its affiliates, including, without limitation, any amounts owing with respect to Claims for indemnification under Sections 11.1, 11.2 and 11.3.

1.6 Delivery of Shares. At the Closing, the Sellers shall deliver to the Buyer stock certificates representing the Shares, duly endorsed in blank or accompanied by stock powers duly executed in blank, in proper form for transfer, and with all appropriate stock transfer tax stamps affixed.

2. Closing; Closing Date. The Closing of the sale and purchase of the Shares contemplated hereby shall take place at the offices of Paul, Weiss, Rifkind, Wharton & Garrison, 1285 Avenue of Americas, New York, New York 10019, at 10:00 a.m. on April 12, 2001, or such other time or date as the parties may mutually agree in writing, provided that all of the conditions to the Closing set forth in Articles 7 and 8 have been satisfied or waived by the party entitled to waive the same. Either the Sellers or the Buyer may, upon written notice to the other, defer the Closing for a period not exceeding 20 days. The time and date upon which the Closing occurs is herein called the "Closing Date."

3. Representations And Warranties of The Sellers As To The Company. Each of the Sellers represents and warrants to the Buyer as follows:

3.1 Due Incorporation and Authority. OGP is a corporation duly organized, validly existing and in good standing under the laws of the State of Massachusetts and has all requisite corporate power and lawful authority to own, lease and operate its properties and to carry on its business as now being and heretofore conducted.

3.2 Subsidiaries and Other Affiliates. Schedule 3.2 sets forth the name and jurisdiction of organization of each corporation or other entity (collectively, with the corporation referred to in Section 7.13, "Subsidiaries") in which OGP directly or indirectly owns or has the power to vote shares of any capital stock or other ownership interests having voting power to elect a majority of the directors of such corporation, or other persons performing similar functions for such entity, as the case may be. Except for the Subsidiaries and as set forth on Schedule 3.2, OGP does not directly or indirectly own any interest in any other person and no affiliate of OGP is engaged in the Company Business. Each of the Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has the corporate power and lawful authority to own, lease and operate its properties and to carry on its business as now being and heretofore conducted.

3.3 Qualification. The Company is duly qualified or otherwise authorized as a foreign corporation to transact business and is in good standing in each jurisdiction set forth on Schedule 3.3, which are the only jurisdictions in which such qualification or authorization is required by Law or in which the failure to so qualify or be authorized could have a material adverse effect on the properties, business, results of operations or financial condition of the Company (the "Condition of the Company"). The Company does not own or lease real property in any jurisdiction other than its jurisdiction of organization and the jurisdictions set forth on Schedule 3.3.

3.4 Outstanding Capital Stock. OGP is authorized to issue 12,500 shares of common stock, no par value per share (the "Common Stock"), of which 5,000 shares are issued and 5,000 shares are outstanding. The ownership of the Common Stock is set forth on Schedule 3.4. All of the outstanding shares of Common Stock owned by each of the Sellers are owned free and clear of any Lien. No other class of capital stock or other ownership interests of OGP is authorized or outstanding.

3.5 Options or Other Rights. There is no outstanding right, subscription, warrant, call, unsatisfied preemptive right, option or other agreement of any kind to purchase or otherwise to receive from the Company or the Sellers any of the outstanding, authorized but unissued, unauthorized or treasury shares of the capital stock or any other security of the Company, and there is no outstanding security of any kind of the Company convertible into any such capital stock.

3.6 Charter Documents and Corporate Records. The Sellers have heretofore delivered to the Buyer true and complete copies of the Articles of Incorporation (certified by the Secretary of State or other appropriate official of its jurisdiction of incorporation) and By-laws (certified by OGP's secretary or an assistant secretary), or comparable instruments, of OGP as in effect on the date hereof. The minute books, or comparable records, of OGP heretofore have been made available to the Buyer for its inspection and contain true and complete records of all meetings and consents in lieu of meeting of the Board of Directors (and any committee thereof) and shareholders of OGP since the time of OGP's organization and accurately reflect all transactions referred to in such minutes and consents in lieu of meeting. The stock

books, or comparable records, of OGP heretofore have been made available to the Buyer for its inspection and are true and complete.

3.7 Financial Statements.

(a) The Sellers have furnished to the Buyer the balance sheets of the Company as of (i) December 31, 1999, (ii) December 31, 2000, (iii) January 27, 2001 and (iv) February 24, 2001, and the related statements of income, shareholders' equity and changes in financial position for the years then ended, including the footnotes thereto, audited by Mark O'Malley & Associates, independent certified public accountants, in the case of clause (i), and Hancock, Askew & Co. LLP, independent certified public accountants, in the case of clause (ii). Except as set forth on Schedule 3.7(a)(i), the foregoing financial statements fairly present the financial position of the Company as of such dates and the results of operations of the Company for such respective periods in accordance with GAAP applied on a consistent basis for the periods covered thereby. (The financial statements of the Company as of December 31, 2000 and for the year then ended are sometimes herein called the "Financial Statements." The balance sheet included in the Financial Statements is sometimes herein called the "Balance Sheet" and December 31, 2000 is sometimes herein called the "Balance Sheet Date.") The financial statements referred to in clauses (i), (ii), (iii) and (iv) above are attached hereto as Schedule 3.7(a).

(b) All accounts and notes receivable reflected on the Balance Sheet, and all accounts and notes receivable arising subsequent to the Balance Sheet Date, (i) have arisen in the ordinary course of business of the Company and (ii) subject only to a reserve for bad debts computed in a manner consistent with past practice and reasonably estimated to reflect the probable results of collection, have been collected or are, except as set forth on Schedule 3.7(b), collectible in the ordinary course of business of the Company in the aggregate recorded amounts thereof in accordance with their terms.

3.8 No Material Adverse Change. Since the Balance Sheet Date, there has been no material adverse change in the Condition of the Company, and the Company knows of no such change which is threatened, nor to the knowledge of the Company has there been any damage, destruction or loss which is reasonably possible to have or has had a material adverse effect on the Condition of the Company, whether or not covered by insurance.

3.9 Taxes.

(a) Except as set forth on Schedule 3.9(a), all Federal, state, county, local, foreign and other taxes (including, without limitation, income, profits, premium, estimated, excise, sales, use, occupancy, gross receipts, franchise, ad valorem, severance, capital levy, production, transfer, withholding, employment, unemployment compensation, payroll related, value added, inventory, social security, stamp and property taxes, import duties and other governmental charges, assessments, and charges of any kind whatsoever), whether or not measured in whole or in part by net

income, and including deficiencies, interest, additions to tax or interest, and penalties with respect thereto, and including expenses associated with contesting any proposed adjustment related to any of the foregoing (collectively, "Taxes") due or claimed to be due from or with respect to the Company on or before the date hereof have been timely paid.

(b) All returns, reports, declarations, statements and other information required to be filed by or with respect to the Company with respect to any Tax (all such returns and other reports, "Tax Returns") on or before the date hereof have been timely filed, other than any such Tax Return as to which the Company has duly obtained an extension of time to file which extension has not expired, and all such Tax Returns are correct and complete in all material respects, except as provided in Schedule 3.9(b). The charges, accruals and reserves on the books of the Company in respect of any liability for Taxes based on or measured by net income for any years not finally determined or with respect to which the applicable statute of limitations has not expired are adequate to satisfy any assessment for such Taxes for such years. Except as set forth on Schedule 3.9(b), no taxing authority has asserted any Tax deficiency, lien, or other assessment against the Company which has not been paid.

(c) No penalties or other charges are or will become due with respect to the late filing of any Tax Return of the Company or payment of any Tax of the Company required to be filed or paid on or before the Closing Date, except as provided in Schedule 3.9(c).

(d) With respect to all Tax Returns of the Company and except as set forth on Schedule 3.9(d), (i) the statute of limitations for the assessment of Federal and Georgia income and franchise Taxes has expired with respect to all periods ending on or before December 31, 1997; (ii) no audit or other proceeding by any court, governmental or regulatory authority or similar authority is pending and no extension of time is in force with respect to any date on which any Tax Return was or is to be filed and no waiver or agreement is in force for the extension of time for the assessment or payment of any Tax; and (iii) there is no unassessed deficiency with respect to such Tax Returns proposed or threatened against the Company.

(e) Schedule 3.9(e) sets forth the status of Federal Tax audits of the Tax Returns of the Company for each year for which the statute of limitations has not expired, including the amounts of any deficiencies and additions to Tax, interest and penalties indicated on any notices of proposed deficiency or statutory notices of deficiency, and the amounts of any payments made by the Company with respect thereto. Each Tax Return filed by or with respect to the Company for which the Federal Tax audit has not been completed accurately reflects the amount of liability for Taxes thereunder and makes all disclosures required by the Internal Revenue Code of 1986, as amended (the "Code") and regulations thereunder and other applicable provisions of Law.

(f) Schedule 3.9(f) sets forth the status of state, county, local and foreign Tax audits of the Tax Returns of the Company for each year for which

the statute of limitations has not expired, including the amounts of any deficiencies or additions to Tax, interest and penalties that have been made or proposed, and the amounts of any payments made by the Company with respect thereto. Each state, county, local and foreign Tax Return filed by or with respect to the Company for which the state, county, local or foreign Tax audit has not been completed accurately reflects the amount of its liability for Taxes thereunder and makes all disclosures required by applicable provisions of Law.

(g) Except as set forth on Schedule 3.9(g), the Company has not agreed to and is not required to make any adjustments under section 481(a) of the Code by reason of a change in accounting method or otherwise.

(h) The Company has not at any time consented under Section 341(f)(1) of the Code to have the provisions of Section 341(f)(2) of the Code apply to any sale of its capital stock.

(i) Reserves and provisions for Taxes accrued but not due on or before the Closing Date reflected in the Financial Statements will be adequate as of the Closing Date, in accordance with GAAP.

(j) The liability for Taxes of the Company as of the Balance Sheet Date will not exceed the accrual for Taxes on the Balance Sheet and, other than in the ordinary course of business, the liability of the Company for Taxes has not increased since the Balance Sheet Date.

(k) The Company is not a party to, is not bound by, and has no obligation under any Tax sharing or similar agreement.

(l) There are no Liens for Taxes on the assets of the Company except for Liens for current Taxes not yet due.

(m) The Company has not been, and is not in violation (or with notice be in violation) of any applicable Law relating to the payment or withholding of Taxes and the Company has duly and timely withheld from employee salaries, wages and other compensation and paid over to the appropriate taxing authorities all material amounts required to be so withheld and paid over for all periods under all applicable Laws.

(n) No closing agreement that could affect the Taxes of the Company has been entered into by or with respect to the Company.

(o) No stamp, transfer, documentary, sales, use, registration and other such Taxes and fees (including, without limitation, any penalties and interest) incurred in connection with this Agreement and the transactions contemplated by this Agreement (the "Contemplated Transactions") will be due and payable in connection with this Agreement and the Contemplated Transactions.

3.10 Compliance with Laws. Except as set forth on Schedule 3.10, the Company is not in violation of any applicable order, judgment, injunction, award, decree or writ (collectively, "Orders"), or any applicable law, statute, code, ordinance, regulation or other requirement, including, without limitation, the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, as amended, and the regulations promulgated thereunder (collectively, "Laws") of any government or political subdivision thereof, whether Federal, state, local or foreign, or any agency or instrumentality of any such government or political subdivision, or any insurance company or fire rating and any other similar board or organization or other non-governmental regulating body (to the extent that the rules, regulations or orders of such body have the force of law) or any court or arbitrator (collectively, "Governmental Bodies") (but not including, however, Safety and Environmental Laws, which are addressed in Section 3.13), and neither the Company nor the Sellers have received notice that any such violation is being or may be alleged. The Company has not made any illegal payment to officers or employees of any Governmental Body, or made any illegal payment to customers for the sharing of fees or to customers or suppliers for rebating of charges, or engaged in any other illegal reciprocal practice, or made any illegal payment or given any other illegal consideration to purchasing agents or other representatives of customers in respect of sales made or to be made by the Company.

3.11 Permits. The Company has all licenses, permits, exemptions, consents, waivers, authorizations, rights, certificates of occupancy, franchises, orders or approvals of, and has made all required registrations with, any Governmental Body that are material to the conduct of the business of, or the intended use of any properties of, the Company (collectively, "Permits"), not including, however, Permits relating to compliance with Safety and Environmental Laws, which are addressed in Section 3.13. Each Employee has all Permits required for the conduct of the business conducted by such Employee for the Company. All Permits (with the exception of Permits required pursuant to Safety and Environmental Laws, which are addressed in Section 3.13) are listed on Schedule 3.11 and are in full force and effect; no material violations are or have been recorded in respect of any Permit; and no proceeding is pending or, to the knowledge of the Company, threatened to revoke or limit any Permit. The Sellers will take such action as is reasonably necessary to cause the Permits listed on Schedule 3.11 to remain in full force and effect immediately following the consummation of the Contemplated Transactions provided that the Company and the Buyer cooperate with the Sellers to the extent reasonably necessary to cause the Permits to remain in full force and effect.

3.12 No Breach. The execution and delivery by the Sellers of this Agreement and each and every other agreement and instrument contemplated hereby (including, without limitation, the Escrow Agreement and the Consulting Agreements), the consummation of the transactions contemplated hereby and thereby and the performance by the Sellers of this Agreement and each such other agreement and instrument in accordance with their respective terms and conditions will not (a) violate any provision of the Articles of Incorporation or By-laws (or comparable instruments) of the Company; (b) require the Company to obtain any consent, approval, authorization or action of, or make any filing with or give any notice to, any Governmental Body or any

other person, except as set forth on Schedule 3.12 (collectively, the "Required Consents"); (c) if the Required Consents are obtained, violate, conflict with or result in the breach of any of the terms and conditions of, result in a material modification of the effect of, otherwise cause the termination of or give any other contracting party the right to terminate, or constitute (or with notice or lapse of time or both constitute) a default under, any contract, agreement, indenture, note, bond, loan, instrument, lease, conditional sale contract, mortgage, license, franchise, commitment or other binding arrangement (collectively, the "Contracts") to which the Company is a party or by or to which the Company or any of its properties is or may be bound or subject, or result in the creation of any Lien upon any of the properties of the Company pursuant to the terms of any such Contract; (d) if the Required Consents are obtained, violate any Law of any Governmental Body; (e) if the Required Consents are obtained, violate any Order of any Governmental Body applicable to the Company or to its securities, properties or business; or (f) if the Required Consents are obtained, violate or result in the revocation or suspension of any Permit.

3.13 Environmental Matters. Except as disclosed on Schedule 3.13, (i) the property, assets and operations of Company comply and have been in compliance in all material respects with all applicable Safety and Environmental Laws; (ii) there is no Environmental Claim pending or, to the knowledge of the Company, threatened against the Company and there is no civil, criminal or administrative judgment or notice of violation against the Company pursuant to Safety and Environmental Laws or principles of common law relating to pollution, protection of the Environment or health and safety; and (iii) there are no past or present events, conditions, circumstances, activities, practices, incidents, agreements, actions or plans which may prevent compliance in all material respects with Safety and Environmental Laws, or which have given rise to or will give rise to an Environmental Claim or to Environmental Compliance Costs.

3.14 Claims and Proceedings. There are no outstanding Orders of any Governmental Body against or involving the Company. Except as set forth on Schedule 3.14, there are no actions, causes of action, suits, claims, complaints, demands, litigations or legal, administrative or arbitral proceedings or investigations (collectively, "Claims") (whether or not the defense thereof or liabilities in respect thereof are covered by insurance) pending or, to the knowledge of the Company, threatened, against or involving the Company or any of its properties, owned or leased. To the knowledge of the Company, except as set forth on Schedule 3.14, there is no fact, event or circumstance that may give rise to any Claim that would be required to be set forth on Schedule 3.14 if currently pending or threatened. All notices required to have been given to any insurance company listed as insuring against any Claim set forth on Schedule 3.14 have been timely and duly given and, except as set forth on Schedule 3.14, no insurance company has asserted, orally or in writing, that such Claim is not covered by the applicable policy relating to such Claim. There are no Claims pending or, to the knowledge of the Company, threatened that would give rise to any right of indemnification on the part of any director or officer of the Company or the heirs, executors or administrators of such director or officer, against the Company or any successor to the business of the Company.

3.15 Contracts.

(a) Schedule 3.15(a) sets forth a true and complete list of all of the Contracts to which the Company is a party or by or to which the Company or any of its properties may be bound or subject which involve annual expenditures of over $30,000 per year per Contract, other than Contracts with travel healthcare employees, facilities or hospitals. Schedule 3.15(b) sets forth a true and complete list of each of the facilities, hospitals and travel healthcare employees with which the Company has a Contract.

(b) There have been delivered to the Buyer true and complete copies of all Contracts entered into with the Company's top twenty (20) customers, a subset of those Contracts set forth on Schedule 3.15(b) or set forth on any other Schedule. The Buyer has been given access to all Contracts listed on Schedules 3.15(a) and 3.15(b). All of the Contracts listed on Schedules 3.15(a) and 3.15(b) are valid and binding and enforceable upon the Company, in accordance with their terms. The Company is not in breach or default in any material respect under any of such Contracts, nor to the knowledge of the Company does any condition exist that with notice or lapse of time or both would constitute such a material default thereunder. To the knowledge of the Company, no other party to any such Contract is in default thereunder in any material respect nor does any condition exist that with notice or lapse of time or both would constitute such a material default thereunder.

3.16 Real Estate.

(a) No Ownership of Real Property. The Company does not own any real property and has not owned any real property during the past twelve months.

(b) Leased Properties. Schedule 3.16(b) is a true, correct and complete schedule of all leases and other agreements other than apartment leases for housing for travel healthcare employees on temporary assignment which apartment leases number less than 300 and which, in the aggregate, do not require monthly rental payments in excess of $200,000 (collectively, the "Real Property Leases") under which the Company uses or occupies or has the right to use or occupy, now or in the future, any real property (the land, buildings and other improvements covered by the Real Property Leases being herein called the "Leased Real Property"), which Schedule sets forth the date of and parties to each Real Property Lease, the date of and parties to each amendment, modification and supplement thereto, the term and renewal terms (whether or not exercised) thereof, the annual base rent payable thereunder and a brief description of the Leased Real Property covered thereby. The Sellers have heretofore delivered to, or caused the Company to have heretofore delivered to, the Buyer true, correct and complete copies of all Real Property Leases (including all modifications, amendments and supplements). Each Real Property Lease is valid, binding and in full force and effect, all rent and other sums and charges payable by the Company as tenant thereunder are current, no notice of default under any Real Property Lease

has been received by the Company which remains uncured, no termination notice under any Real Property Lease has been received by the Company, and to the knowledge of the Company, no uncured default on the part of the Company or, to the knowledge of the Company, the landlord, exists under any Real Property Lease.

(c) Entire Premises. All of the land, buildings, structures and other improvements used by the Company in the conduct of its business are included in the Leased Real Property.

(d) Space Leases. Except as set forth in the Real Property Leases, no person or entity has been granted by the Company pursuant to a written agreement or, to the knowledge of the Company, pursuant to any other agreement, oral or otherwise, any right to the possession, use, occupancy or enjoyment of the Leased Real Property or any portion thereof.

(e) No Options. Neither the Sellers nor the Company owns or holds, or is obligated under or a party to, any option, right of first refusal or other contractual right to purchase, acquire, sell, dispose of or lease the Leased Real Property or any portion thereof or interest therein.

(f) Condemnation. The Company has not received written notice, or, to the knowledge of the Company, any other notice, oral or otherwise, of any sale or other disposition of the Leased Real Property or any part thereof.

3.17 Tangible Property. The facilities, machinery, equipment, furniture, buildings and other improvements, fixtures, vehicles, structures, any related capitalized items and other tangible property material to the business of the Company (collectively, the "Tangible Property") are in all material respects in adequate operating condition, subject to continued repair and replacement in accordance with past practice, and are suitable for their intended use in accordance with past practice. During the past three years, there has not been any significant interruption of the operations of the Company due to inadequate maintenance of the Tangible Property.

3.18 Intellectual Property. "Intellectual Property" is hereinafter defined as all of the intangible assets, interests and rights used in or related to the conduct of the business of the Company, including, without limitation, all corporate names, trade names, trademarks and service marks (including all applications for registration thereof and all goodwill associated therewith), patents and patent applications, copyrights, Trade Secrets, rights to software and related source code used by the Company or the Subsidiary (such software and related source code alone shall hereinafter collectively be referred to as the "Software"). Schedule 3.18 sets forth a list of all of the Intellectual Property of the Company, other than Trade Secrets, as well as all material licenses, sublicenses, and other agreements or permissions under which the Company is a licensor or licensee or otherwise is authorized to use or practice any Intellectual Property. The Company owns or otherwise possesses legally enforceable rights to use, sell, and license, free and clear of any and all Liens or material restrictions, any and all Intellectual Property used in the business of the Company as currently conducted or as proposed to be conducted. To the knowledge of the Company, the Company has not infringed upon or

otherwise violated the intellectual property rights of any third party or received any claim alleging any such infringement or other violation. The Company has not been, during the three years preceding the date hereof, a party to any claim, nor, to the knowledge of the Company, is any claim threatened or is there any valid ground for a claim, that challenges the validity, enforceability, ownership or right to use, sell or license any Intellectual Property owned by the Company. To the knowledge of the Company, no third party is infringing upon any Intellectual Property owned by the Company. All material Software is held by the Company legitimately, is free from any significant software defect, performs in all material respects in conformance with its documentation, and does not contain, to the knowledge of the Company, any bugs or viruses or any code or mechanism that could be used to interfere with the operation of the Software.

3.19 Title to Properties. The Company owns outright and has good title to all of its properties, including all of the assets reflected on the Balance Sheet and the properties described in Sections 3.17 and 3.18, in each case free and clear of any Lien, except for (a) Liens specifically described in the notes to the Financial Statements; (b) properties disposed of, or subject to purchase or sales orders, in the ordinary course of business since the Balance Sheet Date; (c) Liens securing Taxes, assessments, governmental charges or levies, or the claims of materialmen, carriers, landlords and like persons, all of which are not yet due and payable or are being contested in good faith, so long as such contest does not involve any substantial danger of the sale, forfeiture or loss of any assets; and (d) Liens set forth on Schedule 3.19.

3.20 Liabilities. Except as set forth on Schedule 3.20, as at the Balance Sheet Date, the Company did not have any material direct or indirect indebtedness, liability, Claim, loss, damage, deficiency, obligation or responsibility, known or unknown, fixed or unfixed, choate or inchoate, liquidated or unliquidated, secured or unsecured, accrued, absolute, contingent or otherwise, whether or not of a kind required by GAAP to be set forth on a financial statement or in the notes thereto ("Liabilities") that were not fully and adequately reflected or reserved against on the Balance Sheet or described on any Schedule or in the notes to the Financial Statements. Except as set forth on Schedule 3.20, the Company has not, except in the ordinary course of business, incurred any material Liabilities since the Balance Sheet Date. Neither the Company nor the Sellers have any knowledge of any circumstance, condition, event or arrangement that may hereafter give rise to any Liabilities of the Company or any successor to its business except in the ordinary course of business or as otherwise set forth on Schedule 3.20.

3.21 Customers.

(a) Schedule 3.21(a) lists, by dollar volume paid for the twelve months ended on the Balance Sheet Date, the twenty largest customers of the Company (the "Material Customers").

(b) The relationships of the Company with its customers are ordinary course commercial working relationships and, except as set forth on Schedule 3.21(b), (i) within the last twelve months, no Material Customer has threatened

the Company to cancel or otherwise terminate, or, to the knowledge of the Company intends to cancel or otherwise terminate, its relationship with the Company, (ii) no Material Customer has during the last twelve months decreased materially or threatened the Company to decrease or limit materially, or to the knowledge of the Company intends to modify materially its relationship with the Company or intends to decrease or limit materially its services to the Company or its usage or purchase of the services or products of the Company, (iii) to the knowledge of the Company, the acquisition of the Shares by the Buyer and the consummation of the Contemplated Transactions will not adversely affect the relationship of the Company with any of its Material Customers, (iv) within the last twelve months, no customers have threatened to cancel or otherwise terminate, or to the knowledge of the Company intend to cancel or otherwise terminate, their relationships with the Company, the loss of which would have an adverse effect on the Condition of the Company, (v) within the last twelve months, no customers have decreased or threatened to decrease or limit, or to the knowledge of the Company intend to modify their relationships with the Company to the extent of having an adverse effect on the Condition of the Company and (vi) to the knowledge of the Company, the acquisition of the Shares by the Buyer and the consummation of the Contemplated Transactions will not affect the relationships of the Company with any customers to the extent of having an adverse effect on the Condition of the Company.

3.22 Employee Benefit Plans.

(a) Schedule 3.22(a) lists all Benefit Plans. With respect to each such plan, Sellers heretofore have delivered, or have caused the Company heretofore to have delivered, to Buyer, or has made available to the Buyer or its representatives, true, correct and complete copies of, to the extent applicable (i) all plan texts and agreements and related trust agreements or annuity contracts; (ii) all summary plan descriptions and material employee communications; (iii) the most recent annual report (including all schedules thereto); (iv) the most recent actuarial valuation; (v) the most recent annual audited financial statement and opinion; (vi) if the plan is intended to qualify under Code section 401(a) or 403(a), the most recent determination or notification letter received from the IRS; and (viii) all material communications with any Governmental Body (including the DOL, IRS and PBGC).

(b) Except as disclosed in Schedule 3.22(b):

(i) With respect to each Benefit Plan, no event has occurred, and there exists no condition or set of circumstances in connection with which the Company reasonably could, directly or indirectly (through a Commonly Controlled Entity or otherwise), be subject to any material liability under ERISA, the Code or any other applicable Law, except liability for benefits claims and funding obligations payable in the ordinary course.

(ii) Each Benefit Plan conforms in all material respects to, and its administration is in compliance with, its terms and all applicable Laws. Each Benefit Plan intended to comply with section 401(a) of the Code is the subject of a favorable notification letter from the IRS as to the plan's

20

qualification and the qualification of the trust of each such plan under Section 501 of the Code and, to the knowledge of the Sellers, no events, circumstances or conditions exist which would jeopardize such plans' and trusts' qualified status.

(iii) The Company, and each Commonly Controlled Entity has made all payments due from such respective entity to date with respect to each Benefit Plan.

(iv) With respect to each Benefit Plan, there are no funded benefit obligations for which contributions have not been made or properly accrued and there are no unfunded benefit obligations that have not been accounted for by reserves, or otherwise properly footnoted in accordance with GAAP, on the Financial Statements.

(v) No Benefit Plan is subject to Code section 412 or ERISA section 302.

(vi) No Benefit Plan is or was subject to Title IV of ERISA.

(vii) No Benefit Plan is a "multiemployer plan" as defined in Code Section 414(f) or ERISA sections 3(37) or 4001(a)(31). No Benefit Plan is a multiple employer plan within the meaning of the Code section 413(c) or ERISA sections 4063, 4064 or 4066. No Welfare Plan is a "multiple employer welfare arrangement" as defined in ERISA section 3(40).

(viii)There are no Claims or Liens pending or, to the knowledge of the Sellers, threatened (other than routine claims for benefits) with respect to any Benefit Plan or against the assets of any Benefit Plan.

(ix) Each Pension Plan that is not qualified under Code section 401(a) or 403(a) is exempt from Part 2, 3 and 4 of Title I of ERISA as an unfunded plan that is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, pursuant to ERISA sections 201(2), 301(a)(3) and 401(a)(1).

(x) No assets of the Company are allocated to or held in a "rabbi trust" or similar funding vehicle.

(xi) Each Benefit Plan that is a "group health plan" (as defined in ERISA section 607(1) or Code section 5001(b)(1)) has been operated at all times in compliance with the provisions of COBRA and any applicable similar state Law.

(xii) There are no reserves, assets, surpluses or prepaid premiums with respect to any Welfare Plan.

(xiii) The Company is not obligated to provide benefits under any Retiree Welfare Plan.

(xiv) The consummation of the Contemplated Transactions will not under any Benefit Plan or other Company agreement, policy or commitment (A) entitle any current or former Employee to severance pay, unemployment compensation or any similar payment; (B) accelerate the time of payment or vesting, or increase the amount of any compensation due to, or in respect of, any current or former Employee; (C) result in or satisfy a condition to the payment of compensation that would, in combination with any other payment, result in an "excess parachute payment" within the meaning of Code section 280G(b); or (D) constitute or involve a prohibited transaction (as defined in ERISA section 406 or Code section 4975), constitute or involve a breach of fiduciary responsibility within the meaning of ERISA section 502(l) or otherwise violate Part 4 of Subtitle B of Title I of ERISA.

(xv) As of the Closing, the Company and any Commonly Controlled Entity, have not incurred any liability or obligation under the Worker Adjustment and Retraining Notification Act, as it may be amended from time to time, and within the 90-day period immediately following the Closing, will not incur any such liability or obligation if, during such 90-day period, only terminations of employment in the normal course of operations occur.

(xvi) The Company has not had and is not reasonably expected to have any Liability, either direct or indirect, absolute or contingent, as a result of any misclassification of a person (A) as an independent contractor rather than as an Employee, or (B) or as an exempt or non-exempt employee.

3.23 Employee Relations.

(a) Schedule 3.23(a) lists as of the date hereof the number of Employees in the aggregate, the number of full-time personnel and the number of contract workers of the Company. Except as disclosed in Schedule 3.23(a), none of the Employees is represented by a union, and, to the knowledge of the Company, no union organizing efforts have been conducted within the last five years or are now being conducted. Except as disclosed in Schedule 3.23(a), the Company has not at any time during the last five years had, nor to the knowledge of the Company, is there now threatened, a strike, picket, work stoppage, work slowdown or other labor dispute. The Company is not party to nor has ever been party to any collective bargaining agreements, and the Company has no knowledge of any organizing activities currently occurring or being planned. All persons employed by the Company are properly classified by the Company as either an independent contractor or an employee for payroll, Tax and accounting purposes.

(b) Except as set forth on Schedule 3.23(b), the Company has not violated any provision of any Law or Order of any Governmental Body regarding the terms and conditions of employment of Employees, former Employees or prospective Employees or other labor-related matters, including, without limitation, laws, rules, regulations, orders, rulings, decrees, judgments and awards relating to immigration, discrimination, fair labor standards and occupational health and safety, wrongful discharge or violation of the personal rights of Employees, former Employees or prospective Employees. There is no dispute, Claim or proceeding pending with, or to the knowledge of the Company, threatened by, the Immigration and Naturalization Service with respect to the Company or any Employee.

3.24 Insurance. Schedule 3.24 sets forth a list (specifying the insurer, describing each pending claim thereunder of more than $25,000 and setting forth the aggregate amounts paid out under each such policy from January 1, 2000 through the date hereof and the aggregate limit, if any, of the insurer's liability thereunder) of all policies or binders of fire, liability, product liability, worker's compensation, vehicular and other insurance held by or on behalf of the Company. Such policies and binders are valid and binding in accordance with their terms, are in full force and effect, and insure against risks and liabilities to an extent and in a manner customary in the industries in which the Company operates. The Company is not in default with respect to any provision contained in any such policy or binder or has failed to give any notice or present any claim under any such policy or binder in due and timely fashion. Except for claims set forth on Schedule 3.24, there are no outstanding unpaid claims that have been reported to the Company under any such policy or binder, and the Company has not received any notice of cancellation or non-renewal of any such policy or binder. Except as set forth on Schedule 3.24, the Company has not received any notice from any of its insurance carriers or any Governmental Body that any insurance premiums will or may be materially increased in the future or that any insurance coverage listed on Schedule 3.24 will or may not be available in the future on substantially the same terms as now in effect, and to the knowledge of the Company, there is no basis for the issuance of any such notice or for any such action.

3.25 Officers, Directors and Employees. Schedule 3.25 sets forth (a) the name, title and total compensation of each officer and director of the Company; (b) the name, title and total compensation of each other Employee, consultant, agent or other representative of the Company whose annual compensation (including bonuses and commissions) for 2000 exceeded $50,000; (c) the name, title and total compensation of each other Employee, consultant, agent or other representative of the Company whose current or committed annual rate of compensation exceeds $50,000 or is reasonably anticipated (including bonuses and commissions) to exceed $50,000; (d) all wage and salary increases, bonuses and increases in any other direct or indirect compensation received by such persons since the Balance Sheet Date; (e) any payments or commitments to pay any severance or termination pay to any current or former officer, director or employee of the Company; and (f) any accrual for, or any commitment or agreement by the Company to pay, such increases, bonuses or pay. Except as at forth on Schedule 3.25, the Company has not received notice from any such person whether orally

or in writing that he or she intends to cancel or otherwise terminate such person's relationship with the Company.

3.26 Operations of the Company. Except as set forth on Schedule 3.26, since the Balance Sheet Date the Company has not:

(a) declared or paid any dividends or declared or made any other distributions of any kind to its shareholders, or made any direct or indirect redemption, retirement, purchase or other acquisition of any shares of its capital stock;

(b) except for short-term bank borrowings in the ordinary course of business, incurred any indebtedness for borrowed money;

(c) reduced its cash or short-term investments or their equivalent, other than to meet cash needs arising in the ordinary course of business, consistent with past practices;

(d) waived any material right under any Contract or other agreement of the type required to be set forth on any Schedule;

(e) made any change in its accounting methods or practices or made any change in depreciation or amortization policies or rates adopted by it;

(f) materially changed any of its business policies, including advertising, investment, marketing, pricing, purchasing, production, personnel, sales, returns, budget or product acquisition policies;

(g) made any loan or advance to any of its shareholders, officers, directors, Employees, consultants, agents or other representatives (other than travel advances made in the ordinary course of business), or made any other loan or advance otherwise than in the ordinary course of business;

(h) except for inventory or equipment in the ordinary course of business, sold, abandoned or made any other disposition of any of its properties or assets or made any acquisition of all or any part of the properties, assets, capital stock or business of any other person;

(i) paid, directly or indirectly, any of its material Liabilities before the same became due in accordance with its terms or otherwise than in the ordinary course of business;

(j) terminated or failed to renew, or received any written threat to terminate or fail to renew, any Contract or other agreement that is or was material to the Condition of the Company;

(k) amended its Articles of Incorporation or By-laws (or comparable instruments) or merged with or into or consolidated with any other person, subdivided or in any way reclassified any shares of its capital stock or changed or agreed

to change in any manner the rights of its outstanding capital stock or the character of its business; or

(l) engaged in any other material transaction other than in the ordinary course of business or in any activity or transaction which has had a material adverse effect on the operations and/or value of the Company.

3.27 Potential Conflicts of Interest. Except as set forth on Schedule 3.27, (a) the Sellers do not, (b) no officer, director or affiliate of the Company or of the Sellers, (c) no relative, to the knowledge of the Company, or spouse (or, to the knowledge of the Company, relative of such spouse) of any such officer, director or affiliate or of the Sellers and (d) no entity controlled by one or more of the foregoing:

(a) own(s), directly or indirectly, any interest in (excepting less than 1% stock holdings for investment purposes in securities of publicly held and traded companies), or is an officer, director, employee or consultant of, any person which is, or is engaged in business as, a competitor, lessor, lessee, supplier, distributor, sales agent or customer of the Company;

(b) own(s), directly or indirectly, in whole or in part, or use(s) (other than the Sellers and officers and directors of the Company) any property that the Company uses in the conduct of its business; or

(c) has/have any Claim whatsoever against, or owes any amount to, the Company, except for claims in the ordinary course of business such as for accrued vacation pay, accrued benefits under Benefit Plans, and similar matters and agreements existing on the date hereof.

3.28 Full Disclosure. No representation or warranty of the Sellers contained in this Agreement, and no document furnished by or on behalf of the Company to the Buyer pursuant to this Agreement or in connection with the Contemplated Transactions, contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made, in the context in which made, not materially false or misleading. To the knowledge of the Company, there is no fact that the Sellers have not disclosed to the Buyer in writing that materially adversely affects the Condition of the Company or the ability of the Sellers to perform this Agreement.

3.29 Existing Indebtedness. As of the date of this Agreement and as of the close of business on the day prior to the Closing Date, (i) all indebtedness of or any obligation of the Company (whether as obligor or as guarantor) for borrowed money, whether current, short-term, or long-term, secured or unsecured, (ii) all indebtedness of the Company (whether as obligor or as guarantor) for the deferred purchase price for purchases of property outside the ordinary course which is not evidenced by trade payables, (iii) all lease obligations of the Company (whether as obligor or as guarantor) under leases which are capital leases in accordance with GAAP, (iv) all off-balance sheet financings of the Company (whether as obligor or as guarantor)

including, without limitation, synthetic leases and project financing, (v) any payment obligations of the Company (whether as obligor or as guarantor) in respect of banker's acceptances or letters of credit (other than stand-by letters of credit in support of ordinary course trade payables), (vi) any liability of the Company (whether as obligor or as guarantor) with respect to interest rate swaps, collars, caps and similar hedging obligations, (vii) any present, future or contingent obligations of the Company under (A) any phantom stock or equity appreciation rights, plan or agreement, (B) any consulting, deferred pay-out or earn-out arrangements in connection with the purchase of any business or entity, (C) any non-competition agreement, (viii) any accrued bonuses other than periodic bonuses payable to travel healthcare employees, (ix) any accrued Taxes other than payroll Taxes accrued in the ordinary course of business, (x) any accrued and unpaid interest or any contractual prepayment premiums, penalties or similar contractual charges resulting from the Contemplated Transactions or the discharge of such obligations with respect to any of the foregoing, (xi) all indebtedness of or any obligation of the Company owed to the Sellers or to any affiliate of the Sellers not canceled pursuant to Section 6.6 hereof and (xii) all indebtedness of or any obligation of the Company incurred for the personal benefit of the Sellers or any affiliate of the Sellers, including without limitation, any family members of the Sellers, is listed on Schedule 3.29 hereto (collectively, but without duplication, the "Existing Indebtedness"). The Company shall supplement Schedule 3.29 to the extent necessary to set forth amounts which are to be included in Existing Indebtedness as of the close of business on the day prior to the Closing Date, and, as supplemented, Schedule 3.29 will, as of the close of business on the day prior to the Closing Date, list all Existing Indebtedness and the amounts thereof as of the close of business on the day prior to the Closing Date.

4. Representations and Warranties of The Sellers. Each of the Sellers represents and warrants to the Buyer as follows:

4.1 Title to the Shares. As of the Closing Date, each of the Sellers shall own beneficially and of record, free and clear of any Lien, or shall own of record and have full power and authority to convey free and clear of any Lien, the Shares and, upon delivery of and payment for such Shares at the Closing as herein provided, each of the Sellers will convey to the Buyer good and valid title thereto, free and clear of any Lien.

4.2 Authority to Execute and Perform Agreement. Each of the Sellers has full legal right and power and all authority and approvals required to enter into, execute and deliver this Agreement and each and every agreement and instrument contemplated hereby (including, without limitation, the Escrow Agreement and the Employment Agreement to which such Seller is or will be a party) to which such Seller is or will be a party and to perform fully such Seller's obligations hereunder and thereunder. This Agreement has been duly executed and delivered by each of the Sellers, and on the Closing Date, each and every agreement and instrument contemplated hereby (including, without limitation, the Escrow Agreement and the Employment Agreement to which such Seller is or will be a party) to which each Seller is a party will be duly executed and delivered by such Seller and (assuming due execution and delivery hereof and thereof by the other parties hereto and thereto) this Agreement and each such other agreement and

instrument (including, without limitation, the Escrow Agreement and the Employment Agreement to which such Seller is or will be a party) will be valid and binding obligations of each Seller enforceable against each Seller in accordance with their respective terms. The execution and delivery by each Seller of this Agreement and each and every agreement and instrument contemplated hereby (including, without limitation, the Escrow Agreement and the Employment Agreement to which such Seller is or will be a party) to which such Seller is a party, the consummation of the transactions contemplated hereby and thereby and the performance by each Seller of this Agreement and each such other agreement and instrument (including, without limitation, the Escrow Agreement and the Employment Agreement to which such Seller is or will be a party) in accordance with their respective terms and conditions will not (a) require such Seller to obtain any consent, approval, authorization or action of, or make any filing with or give any notice to, any Governmental Body or any other person, except for the Required Consents; (b) if the Required Consents are obtained, violate, conflict with or result in the breach of any of the terms and conditions of, result in a material modification of the effect of, otherwise cause the termination of or give any other contracting party the right to terminate, or constitute (or with notice or lapse of time or both constitute) a default under, any Contract to which such Seller is a party or by or to which such Seller is or the Shares are or may be bound or subject; (c) if the Required Consents are obtained, violate any Law or Order of any Governmental Body applicable to such Seller or to the Shares; or (d) result in the creation of any Lien on the Shares.

5. Representations and Warranties of The Buyer. The Buyer represents and warrants to the Sellers as follows:

5.1 Due Incorporation and Authority. The Buyer is a corporation duly organized, validly existing and in good standing under the Laws of the State of Nevada and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being and as heretofore conducted.

5.2 Authority to Execute and Perform Agreement. The Buyer has the full legal right and power and all authority and approvals required to enter into, execute and deliver this Agreement and each and every agreement and instrument (including, without limitation, the Escrow Agreement) contemplated hereby to which the Buyer is or will be a party and to perform fully its obligations hereunder and thereunder. This Agreement has been duly executed and delivered by the Buyer, and on the Closing Date, each and every agreement and instrument (including, without limitation, the Escrow Agreement) contemplated hereby to which the Buyer is a party will be duly executed and delivered by the Buyer and (assuming due execution and delivery hereof and thereof by the other parties hereto and thereto) this Agreement and each such other agreement and instrument (including, without limitation, the Escrow Agreement) will be valid and binding obligations of the Buyer enforceable against the Buyer in accordance with their respective terms. The execution and delivery by the Buyer of this Agreement and each and every other agreement and instrument

(including, without limitation, the Escrow Agreement) contemplated hereby to which the Buyer is a party, the consummation of the transactions contemplated hereby and thereby and the performance by the Buyer of this Agreement and each such other agreement and instrument (including, without limitation, the Escrow Agreement) in accordance with their respective terms and conditions will not (a) violate any provision of the Articles of Incorporation or By-laws (or comparable instruments) of the Buyer; (b) require the Buyer to obtain any consent, approval, authorization or action of, or make any filing with or give any notice to, any Governmental Body or any other person; (c) violate, conflict with or result in the breach of any of the terms and conditions of, result in a material modification of the effect of, otherwise cause the termination of or give any other contracting party the right to terminate, or constitute (or with notice or lapse of time or both constitute) a default under, any Contract to which the Buyer is a party or by or to which the Buyer or any of its properties is or may be bound or subject; or (d) violate any Law or Order of any Governmental Body applicable to the Buyer.

5.3 Purchase for Investment. The Buyer is purchasing the Shares for its own account for investment and not for resale or distribution.

5.4 Claims and Proceedings. There are no Claims pending, or to the knowledge of the Buyer threatened, involving, affecting or relating to the transactions contemplated in this Agreement or which would prohibit the Buyer from consummating the transactions contemplated in this Agreement nor is any basis known to the Buyer for any such actions, suit, proceeding or investigation.

6. Covenants and Agreements.

6.1 Conduct of Business; Notices.

(a) From the date hereof through the Closing Date, other than as set forth on Schedule 6.1(a), the Sellers agree that they (i) shall cause the Company to conduct its business in the ordinary course and, without the prior written consent of the Buyer, not to undertake any of the actions specified in Section 3.26; (ii) shall cause the Company to conduct its business in a manner such that the representations and warranties contained in Article 3 shall continue to be true and correct on and as of the Closing Date as if made on and as of the Closing Date; (iii) shall conduct their affairs in a manner such that the representations and warranties contained in Article 4 shall continue to be true and correct on and as of the Closing Date as if made on and as of the Closing Date; and (iv) shall cause the Company to manage its cash balance only in the ordinary course of business including causing the payment of accounts payable and other liabilities and the collection of accounts receivable and other amounts due to the Company to be only in the ordinary course, consistent with past practice. Any deficiency in the cash balance as of the Closing Date below $75,000 shall be deemed the "Cash Shortfall" and any excess in the cash balance as of the Closing Date above $75,000 shall be deemed the "Cash Excess."

(b) The Sellers shall give the Buyer prompt notice of any event, condition or circumstance occurring from the date hereof through the Closing Date that would constitute a violation or breach of (i) any representation or warranty of any party, whether made as of the date hereof or as of the Closing Date, or (ii) any covenant of the Sellers contained in this Agreement. The Sellers will update the Schedules to this

Agreement on or prior to the Closing Date to reflect any events, conditions or circumstances occurring after the date hereof and required to be reflected on such Schedules; provided that all such updates shall be deemed not to have been made for purposes of determining whether the condition of the Buyer to complete the Closing as set forth in Section 7.1 has been satisfied.

6.2 Corporate Examinations and Investigations. Until the Closing Date, the Sellers shall permit employees and representatives of the Buyer to visit and inspect the Company and any of its foreign or domestic properties, to examine its corporate, financial and operating records and make copies thereof or abstracts therefrom, and to discuss its affairs, finances, and accounts with its directors, officers, consultants, other employees and independent public accountants, all at such reasonable times during normal business hours and as often as may be reasonably requested upon reasonable advance notice to the Sellers, and the Sellers shall cooperate fully therewith. No investigation by the Buyer shall diminish or obviate any of the representations, warranties, covenants or agreements of the Sellers contained in this Agreement.

6.3 Publicity. The parties agree that no publicity release or announcement concerning this Agreement or the Contemplated Transactions shall be made without advance approval thereof by the Sellers and the Buyer.

6.4 Expenses. The parties to this Agreement shall, except as otherwise specifically provided herein, bear their respective expenses incurred in connection with the preparation, execution and performance of this Agreement and the Contemplated Transactions, including all fees and expenses of agents, representatives, counsel and accountants.

6.5 Indemnification of Brokerage. Each of the Sellers represents and warrants to the Buyer that no broker, finder, agent or similar intermediary (a "Broker") has acted on behalf of the Company or the Sellers in connection with this Agreement or the Contemplated Transactions, and that there are no brokerage commissions, finder's fees or similar fees or commissions payable in connection therewith based on any agreement, arrangement or understanding with the Company or the Sellers, or any action taken by the Company or the Sellers. Each of the Sellers agrees to indemnify and hold harmless the Buyer from any Claim or demand for commission or other compensation by any Broker claiming to have been employed by or on behalf of the Company or a Seller, and to bear the cost of legal expenses incurred in defending against any such claim. The Buyer represents and warrants to the Sellers that no Broker has acted on behalf of the Buyer in connection with this Agreement or the Contemplated Transactions, and that there are no brokerage commissions, finders' fees or similar fees or commissions payable in connection therewith based on any agreement, arrangement or understanding with the Buyer, or any action taken by the Buyer. The Buyer agrees to indemnify and hold harmless the Sellers from any Claim or demand for commission or other compensation by any Broker claiming to have been employed by or on behalf of the Buyer, and to bear the cost of legal expenses incurred in defending against any such claim.

6.6 Related Parties. The Sellers shall, prior to the Closing, pay or cause to be paid to the Company, as the case may be, all amounts owed to the Company by the Sellers or any affiliate of the Sellers. At and as of the Closing, any debts of the Company owed to the Sellers or to any affiliate of the Sellers shall be canceled.

6.7 Required Consents. The Sellers shall, prior to the Closing, use their best efforts to obtain or make, at their sole expense, all Required Consents and undertake all reasonable actions, incur all expenses, costs and obligations required to obtain the Required Consents; provided that the Sellers shall not be obligated to provide bonds, guarantees or other financial instruments to obtain such Required Consents. Not less than five days prior to the Closing Date, the Sellers shall deliver to the Buyer Schedule 6.7 setting forth, as of that date, all Required Consents which have not been obtained.

6.8 Permit Transfers. The Sellers shall, at their sole expense, cause the transfer, reissuance or modification of any Permits to the extent that such is required to cause the Permits to remain in full force and effect in the possession of the Company, after the Closing. The Buyer shall cooperate with the Sellers in their efforts to cause such transfer, reissuance or modification of any Permits. Each of the Sellers agrees to bear the entire financial burden and hold harmless the Buyer for any costs, expenses, obligations or liabilities arising in connection with or pursuant to any of the above described Permit Transfers, reissuances or modifications, except as otherwise noted on Schedule 3.11.

6.9 Further Assurances. Each of the parties shall execute such documents and take such further actions as may be reasonably required to carry out the provisions hereof and the Contemplated Transactions. Each such party shall use its or her commercially reasonable efforts to fulfill or obtain the fulfillment of the conditions to the Closing set forth in Articles 7 and 8.

6.10 Taxes. The Sellers will pay and discharge and be responsible for any and all Taxes due or payable by the Company for any taxable year or taxable period (or portion thereof) ending on or before the Closing Date. If the liability of the Company for Taxes payable after the Closing Date for periods ending on or before the Closing Date exceeds the accrual therefore as reflected in Section 3.29(ix), the Sellers shall be responsible for the payment of such amount to the Company. If the accrual reflected in Section 3.29(ix) for Taxes payable after the Closing Date for periods ending on or before the Closing Date exceeds the liability therefore, the Company shall pay the difference to the Sellers.

6.11 Tax Return Filing.

(a) On or prior to the relevant date, the Sellers shall cause the Company to prepare, in a manner consistent with past practices, and timely file (including extensions of time to file) all Tax Returns required to be filed by the Company, the due date of which (without extensions) occurs on or before the Closing Date and pay (i) all Taxes due with respect to any such Tax Returns, and (ii) all other Taxes due or claimed to be due from or with respect to the Company on or before the

Closing Date. If the Company has not filed all such Tax Returns prior to Closing, the Company will complete the preparation of such Tax Returns, at the expense of the Sellers. The Company shall pay any Taxes due with respect to such Tax Returns to the extent such liabilities were a reduction to the Purchase Price in accordance with Sections 1.2(a) and 3.29(ix).

(b) The Sellers will not cause the Company to make any federal tax elections under the Code with respect to the Company for any tax period ending after the Closing Date.

6.12 Financial Statements and Other Information. Between the date hereof and the Closing, the Company shall deliver to the Buyer, in form and substance satisfactory to the Buyer, as soon as available, but in any event not later than thirty (30) days after the end of each calendar month, the unaudited balance sheet of the Company, and the related statements of operations and cash flows for such month and for the period commencing on the first day of the year and ending on the last day of such month, all certified by an appropriate officer of the Company as presenting fairly the financial condition as of such date and results of operations and cash flows for the periods indicated in conformity with GAAP applied on a consistent basis, subject to normal year-end adjustments and the absence of footnotes required by GAAP, except as set forth on Schedule 3.7(a)(i).

6.13 Tax Audits and Other Proceedings. The Buyer, the Company and each of the Sellers shall cooperate fully, as and to the extent reasonably requested by any other party, in connection with any Tax audit, litigation or other Tax proceedings relating to the business of the Company. Such cooperation shall include the retention and, upon any other party's request, the provision of records and information reasonably relevant to any such audit, litigation or proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any records and information provided hereunder. The Buyer, the Company and each of the Sellers further agree to furnish or cause to be furnished to each other, as promptly as practicable, such information and assistance relating to the Company as is reasonably necessary to the preparation and filing of any Tax Return, claim for refund or other required or optional filings relating to Tax matters, for the preparation for and proof of facts during any Tax audit, for the preparation for any Tax protest, for the prosecution or defense of any suit or other proceeding relating to Tax matters and for the answer to any inquiry relating to Tax matters by any Governmental Body. The Buyer shall not, without providing at least five days' prior notice to the Sellers, amend or modify, in whole or in part, any Tax Return filed by or on behalf of the Company for any period ending on or prior to the Closing Date.

6.14 Existing Indebtedness. As of the close of business on the day prior to the Closing Date, the Buyer shall have received from the Sellers (i) a letter from the Sellers dated that same day detailing each item of Existing Indebtedness and (ii) a letter from each bank or other lending institution from whom the Company has, at that date, Existing Indebtedness of the type referred to in Section 3.29(i), stating that once such Existing Indebtedness is paid in the amounts indicated, such Existing Indebtedness

and the commitments thereunder shall terminate and that any guarantees in respect of, and all Liens securing, any such Existing Indebtedness shall be released.

6.15 No Solicitation. Sellers agree that from the date hereof until termination of this Agreement, neither Sellers, the Company nor any of their respective affiliates, officers, directors, advisors or representatives shall: (i) solicit or entertain, directly or indirectly, any interest by any other party in any transaction which would involve the Company in any manner inconsistent with the purchase of the Shares by the Buyer; (ii) engage in any discussions with or provide any information to any other party related, directly or indirectly, to any possible transaction which would involve the Company in any manner inconsistent with the purchase of the Shares by the Buyer; or (iii) enter into any transaction or arrangements with any party inconsistent with the purchase of the Shares by the Buyer.

6.16 Confidentiality. Buyer and Sellers agree that from the date hereof until the Closing Date, they will continue to be bound by the terms of that certain confidentiality agreement, dated January 8, 2001, by and between Buyer and Sellers.

6.17 Conduct of the Company After Closing. The Buyer shall not permit the Company to take any action after the Closing that is intended to diminish, reduce or obviate the amount that may be payable to the Sellers pursuant to Section 1.3(a).

6.18 Payments to Employees. The Sellers shall not, whether before, at or after the Closing, make any payments to any Employee or former Employee unless any such payment is (i) made only to the persons identified on Schedule 6.18 (to be completed prior to the Closing Date), on dates not earlier than the dates set forth therein and in amounts not exceeding the amounts set forth therein or (ii) approved in writing in all respects by the Buyer, which approval shall not be unreasonably withheld.

7. Conditions Precedent to the Obligation of the Buyer to Close. The obligation of the Buyer to enter into and complete the Closing is subject, at the option of the Buyer acting in accordance with the provisions of Article 12 with respect to termination of this Agreement, to the fulfillment on or prior to the Closing Date of the following conditions, any one or more of which may be waived by the Buyer:

7.1 Representations and Covenants. The representations and warranties of the Sellers contained in this Agreement shall be true in all material respects on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date. The Sellers shall have performed and complied with all covenants and agreements required by this Agreement to be performed or complied with by the Sellers on or prior to the Closing Date. The Sellers shall have delivered to the Buyer a certificate, dated the date of the Closing and signed by the Sellers, to the foregoing effect.

7.2 Consents and Approvals. All Required Consents shall have been obtained and be in full force and effect, and the Buyer shall have been furnished

with evidence reasonably satisfactory to it that such Required Consents have been granted and obtained.

7.3 Opinion of Counsel to the Sellers. The Buyer shall have received the opinion of Hunter, Maclean, Exley & Dunn, counsel to the Sellers, dated the date of the Closing, addressed to the Buyer, in a form reasonably satisfactory to the Buyer.

7.4 Resignations. All resignations of directors and officers of the Company shall have been delivered to the Buyer.

7.5 No Claims. No Claims shall be pending or, to the knowledge of the Buyer or the Company, threatened, before any Governmental Body to restrain or prohibit, or to obtain damages or a discovery order in respect of, this Agreement or the consummation of the Contemplated Transactions or which has had or may have, in the reasonable judgment of the Buyer, a materially adverse effect on the Condition of the Company.

7.6 Termination of Agreements. The Buyer shall have received evidence satisfactory to it of the termination of all Contracts required to be terminated pursuant to Section 6.6 and of the release of any obligations under such Contracts of the Company.

7.7 Tax Representation. The Company shall have furnished Buyer with a statement meeting the requirements of Treasury Regulation Section 1.1445-2(c)(3).

7.8 Audited Financial Statements. The Buyer shall have received the Financial Statements, audited by Hancock, Askew & Co. LLP, independent certified public accountants.

7.9 Escrow Agreement. The Sellers and the Escrow Agent shall have executed and delivered the Escrow Agreement.

7.10 Employment Agreements. Each of the Sellers shall have executed and delivered an Employment Agreement.

7.11 Intellectual Property. The Sellers shall have furnished to the Buyer evidence that (i) the name of OGP Philippines has been changed to a name that does not include the terms "OGP", "O'Grady-Peyton" or any substantially similar name, (ii) the Sellers have applied for a trademark registration with the United States Patent and Trademark Office of the trademark "O'GRADY-PEYTON", have assigned such application to the Buyer and have consented to the Buyer's use of such trademark and (iii) the Deed by and among Joseph O'Grady & Teresa O'Grady-Peyton, O'Grady-Peyton International (USA), Inc. and others dated 1999 and the Deed by and among Joseph O'Grady & Teresa O'Grady-Peyton and O'Grady Peyton Recruitment Limited, dated 2000, both with respect to the use of the "O'Grady-Peyton" name have been terminated.

7.12 Insurance. The Sellers shall have furnished to the Buyer evidence that the Sellers have obtained, at their expense, for the Company, its agents and representatives, errors and omissions insurance, including professional liability insurance, against any acts or omission that occur at any time prior to the Closing Date but reported after the Closing Date.

7.13 South Africa. The Sellers shall have furnished to the Buyer evidence that O'Grady-Peyton International (SA) (Proprietary) Limited is a wholly-owned Subsidiary of the Company.

8. Conditions Precedent to the Obligation of the Sellers to Close. The obligation of the Sellers to enter into and complete the Closing is subject, at the option of the Sellers acting in accordance with the provisions of Article 12 with respect to termination of this Agreement, to the fulfillment on or prior to the Closing Date of the following conditions, any one or more of which may be waived by the Sellers:

8.1 Representations and Covenants. The representations and warranties of the Buyer contained in this Agreement shall be true in all material respects on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date. The Buyer shall have performed and complied with all covenants and agreements required by this Agreement to be performed or complied with by it on or prior to the Closing Date. The Buyer shall have delivered to the Sellers a certificate, dated the date of the Closing and signed by an officer of the Buyer, to the foregoing effect.

8.2 No Claims. No Claims shall be pending or, to the knowledge of the Sellers or the Company threatened, before any Governmental Body to restrain or prohibit, or to obtain damages or a discovery order in respect of, this Agreement or the consummation of the Contemplated Transactions.

8.3 Opinion of Counsel to the Buyer. The Sellers shall have received the opinion of Paul, Weiss, Rifkind, Wharton & Garrison, counsel to the Buyer, dated the date of the Closing, addressed to the Sellers, in a form reasonably satisfactory to the Sellers.

9. Non-Competition.

9.1 Covenants Against Competition. Each of the Sellers acknowledges that (i) the Company is engaged in the business of placing in the United States temporary and permanent nurses, other medical professionals, medical technicians and teachers from the United States and foreign countries (the "Company Business"); (ii) each Seller's relationship with the Company has given each Seller and will continue to give each Seller Trade Secrets of and Confidential Information concerning the Company; (iii) the agreements and covenants contained in this Article 9 are essential to protect the business and goodwill of the Company, all of the outstanding Shares of which are being purchased by the Buyer; and (iv) the Buyer would not purchase the Shares but

for such agreements and covenants. Accordingly, each of the Sellers and the Buyer covenants and agrees as follows:

(a) Non-Compete.

(i) For a period of four (4) years following the Closing Date (the "Restricted Period"), the Sellers shall not through any means, including through the so-called World-Wide-Web, Internet or any so-called "on-line" service or other electronic media, directly or indirectly, (x) engage in the Company Business for the Seller's own account (including, without limitation, except as provided in Section 9.1(e), use their names or permit any other person to use their names or "OGP" (or any substantially similar name) in the conduct of the Company Business); (y) except as agreed to in writing by the Buyer and the Sellers or as provided by the Employment Agreements, render any services to any person engaged in such activities; or (z) become interested in any such person in any capacity, including as a partner, shareholder, principal, agent, trustee or consultant; provided, however, the Sellers may own, directly or indirectly, (1) solely as an investment, securities of any person traded on any national securities exchange if the Sellers are not a controlling person of, or a member of a group which controls, such person and do not, directly or indirectly, own 1% or more of any class of securities of such person; (2) an interest in, or act as a director of (but not an officer or consultant to), O'Grady-Peyton International (Europe) Limited ("OGP-UK"), as long as the business of OGP-UK consists solely of placing temporary or permanent nurses or other medical professionals or medical technicians in healthcare facilities located solely in the United Kingdom; and (3) an interest not exceeding 25% in, or act as a director of (but not an officer or consultant to), the Philippines Overseas Employment Administration licensed recruitment agency named OGP Philippines ("OGP Philippines"), as long as its business consists solely of placing temporary or permanent nurses or other medical professionals or medical technicians in healthcare facilities located solely in the United Kingdom.

(ii) As used herein, "Internet" shall mean the computer-generated, computer-mediated, or computer-assisted transmission, reception, recordation or display arising from any network or other connection of instruments or devices now known or hereafter invented capable of transmission, reception, recordation and/or display (such instruments or devices to include, without limitation, computers, laptops, cellular or PCS telephones, pagers, PDAs, wireless transmitters or receivers, modems, radios, televisions, satellite receivers, cable networks, smart cards, and set-top boxes).

(b) Confidential Information; Personal Relationships. Each of the Sellers promises and agrees that, either during the Restricted Period or at any time thereafter, such Seller will not disclose to any person not employed by the Company or not engaged to render services to the Company, and that such Seller will not use for the benefit of such Seller or others, any Confidential Information or Trade Secrets of the Company and other affiliates obtained by such Seller; provided, however, that this

provision shall not preclude such Seller from use or disclosure of information if (i) use or disclosure of such information shall be required by applicable Law or Order of any Governmental Body or (ii) such information is readily ascertainable from public or published information or trade sources (other than information known generally to the public as a result of a violation of this Section 9.1 by such Seller).

(c) Property of the Company. All memoranda, notes, lists, records and other documents (and all copies thereof), including such items stored in computer memories, on microfiche or by any other means, made or compiled by or on behalf of the Sellers, or made available to the Sellers relating to the Company, are and shall be the property of the Company, and shall be delivered to the Company promptly after the Closing or at any other time on request.

(d) Employees of the Company. Except as agreed to in writing by the Buyer and the Sellers, during the Restricted Period, the Sellers shall not, directly or indirectly, hire or solicit any Employee or encourage any such Employee to leave such employment.

(e) Restrictions on OGP-UK. Upon any sale of all or substantially all of the capital stock or assets of OGP-UK to any other person or the merger of OGP-UK with or into any other person (or any similar transaction), the Sellers shall require as conditions to such sale or other transaction, and shall furnish to the Buyer documents evidencing, that (i) such other person not be given any right or license to use, and shall be prohibited from using, the name "O'Grady-Peyton" or "OGP" (or any substantially similar name) in connection with the business thereafter conducted by OGP-UK or such other person after July 31, 2001 and (ii) such other person shall agree to be bound by the provisions of Section 9.1(d).

9.2 Rights and Remedies Upon Breach. If either Seller breaches, or threatens to commit a breach of, any of the provisions of Section 9.1 (the "Restrictive Covenants"), the Buyer and the Company shall have the following rights and remedies, each of which rights and remedies shall be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to the Buyer and the Company under Law or in equity:

(a) Specific Performance. The right and remedy to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Buyer and the Company and that money damages would not provide an adequate remedy to the Buyer and the Company.

(b) Accounting. The right and remedy to require the breaching Seller to account for and pay over to the Buyer or the Company, all compensation, profits, monies, accruals, increments or other benefits derived or received by the Seller as the result of any transactions by the Seller constituting a breach of the Restrictive Covenants.

9.3 Severability of Covenants. Each of the Sellers acknowledges and agrees that as to him or her, as the case may be, the Restrictive Covenants are reasonable and valid in geographical and temporal scope and in all other respects. If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable as to any Seller, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect as to that Seller, without regard to the invalid portions.

9.4 Blue-Pencilling. If any court determines that any of the Restrictive Covenants, or any part thereof, is unenforceable as to either Seller because of the duration or geographic scope of such provision, such court shall have the power to reduce the duration or scope of such provision, as the case may be, as to such Seller, and, in its reduced form, such provision shall then be enforceable.

9.5 Enforceability in Jurisdictions. The Buyer and the Sellers intend to and hereby confer jurisdiction to enforce the Restrictive Covenants upon the courts of any jurisdiction within the geographical scope of the Restrictive Covenants. If the courts of any one or more of such jurisdictions hold the Restrictive Covenants unenforceable by reason of the breadth of such scope or otherwise, it is the intention of the Buyer and the Sellers that such determination not bar or in any way affect the Buyer's or the Company's right to the relief provided above in the courts of any other jurisdiction within the geographical scope of the Restrictive Covenants, as to breaches of the Restrictive Covenants in such other respective jurisdictions, the Restrictive Covenants as they relate to each jurisdiction being, for this purpose, severable into diverse and independent covenants.

10. Survival of Representations and Warranties of the Sellers After CLOSING. Notwithstanding any right of the Buyer to investigate fully the affairs of the Company and notwithstanding any knowledge of facts determined or determinable by the Buyer pursuant to such investigation or right of investigation, the Buyer has the right to rely fully upon the representations, warranties, covenants and agreements of the Sellers contained in this Agreement or in any documents delivered pursuant to this Agreement. All such representations, warranties, covenants and agreements shall survive the execution and delivery of this Agreement and the Closing hereunder. Except for those representations and warranties in Sections 3.4, 3.5, 3.29, 4.1, 6.5, 6.10 and 6.11 (all of which representations and warranties shall survive without limitation), all representations and warranties of the Sellers contained in this Agreement shall terminate and expire (a) eighteen (18) months after the Closing Date, with respect to any General Claim or Safety and Environmental Claim based upon, arising out of or otherwise in respect of any fact, circumstance or Claim of which the Buyer prior to that date shall not have given written notice to the Sellers as provided in Section 11.4 below; (b) with respect to any Tax Claim, on the later of (i) the date upon which the liability to which any such Tax Claim may relate is barred by all applicable statutes of limitations and (ii) the date upon which any claim for refund or credit related to such Tax Claim is barred by all applicable statutes of limitations; and (c) with respect to any ERISA Claim, on the date upon which the liability to which any such ERISA Claim may relate is barred by all applicable statutes of limitations.

11. General Indemnification.

11.1 Obligation of the Sellers to Indemnify. Subject to the limitations contained in Article 10 and Section 11.6, the Sellers agree, jointly and severally, to indemnify, defend and hold harmless the Buyer (and its directors, officers, employees, affiliates, successors and assigns) from and against all Claims, losses, liabilities, damages, deficiencies, judgments, assessments, fines, settlements, costs or expenses (including interest, penalties and fees, reasonable expenses and disbursements of attorneys, experts, personnel and consultants incurred by the indemnified party in any action or proceeding between the Indemnifying Party and the indemnified party or between the indemnified party and any third party, or otherwise) ("Losses") based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of any representation, warranty, covenant or agreement of the Sellers contained in this Agreement or in any documents delivered by the Sellers pursuant to this Agreement.

11.2 Supplemental Tax Indemnification. The Sellers agree, jointly and severally, to indemnify the Buyer (i) for all Taxes which the Sellers are responsible to pay pursuant to Section 6.10 and Section 6.11 hereof and (ii) for any liability for any Taxes imposed on the Company pursuant to federal, state, local or foreign law attributable to any periods ending on or before the Closing Date (or for the portion of any period up through the Closing Date to the extent a period does not close on such date). Any indemnity payments to or from the Sellers or to or from the Buyer pursuant to this Agreement, whether under this Section 11.2 or otherwise, shall be treated by the Buyer and the Sellers as purchase price adjustments for all tax purposes. All indemnification obligations set forth in this Section 11.2 shall be treated as Tax Claims for purposes of the survival provisions of Section 10.

11.3 Supplemental Intellectual Property Indemnification. The Sellers agree, jointly and severally, to indemnify the Buyer for all Losses arising out of or attributable to any (i) United States federal or foreign registration or (ii) ownership or commercially reasonable written licenses, for any Intellectual Property (whether or not such Intellectual Property is set forth on Schedule 3.18).

11.4 Obligation of the Buyer to Indemnify. The Buyer agrees to indemnify, defend and hold harmless the Sellers from and against all Losses based upon, arising out of or otherwise in respect of (i) any inaccuracy in or any breach of any representation, warranty, covenant or agreement of the Buyer contained in this Agreement or in any documents delivered by the Buyer pursuant to this Agreement, and (ii) claims arising from the operation of the business of the Company after the Closing Date that are not based upon, related to or arise from any breach of any representation, warranty or covenant of the Sellers in this Agreement.

11.5 Notice and Opportunity to Defend.

(a) Notice of Asserted Liability. The party making a claim under this Article 11 is referred to as the "Indemnitee," and the party against whom such claims are asserted under this Article 11 is referred to as the "Indemnifying Party." All

claims by any Indemnitee under this Article 11 shall be asserted and resolved as follows: Promptly after receipt by the Indemnitee of notice of any Claim or circumstances which, with the lapse of time, would or might give rise to a Claim or the commencement (or threatened commencement) of a Claim including any action, proceeding or investigation (an "Asserted Liability") that may result in a Loss, the Indemnitee shall give notice thereof (the "Claims Notice") to the Indemnifying Party. The Claims Notice shall describe the Asserted Liability in reasonable detail, and shall indicate the amount (estimated, if necessary and to the extent feasible) of the Loss that has been or may be suffered by the Indemnitee. The omission of any Indemnitee to so notify the Indemnifying Party of any such Claims Notice shall not relieve the Indemnifying Party from any liability which it may have to such Indemnitee unless, and only to the extent that, such omission results in the Indemnifying Party's forfeiture of substantive rights or defenses.

(b) Opportunity to Defend.

(i) The Indemnifying Party may elect to compromise or defend, at such party's own expense and by such party's own counsel, any Asserted Liability, except any Asserted Liability by any customer of the Company with respect to the business conducted by the Company prior to the Closing, which shall be subject to Section 11.4(b)(ii). If the Indemnifying Party elects to compromise or defend such Asserted Liability, it shall within 30 days (or sooner, if the nature of the Asserted Liability so requires) notify the Indemnitee of such party's intent to do so, and the Indemnitee shall cooperate, at the expense of the Indemnifying Party, in the compromise of, or defense against, such Asserted Liability. If the Indemnifying Party elects not to compromise or defend the Asserted Liability, fails to notify the Indemnitee of such party's election as herein provided or contests such party's obligation to indemnify under this Agreement, the Indemnitee may pay, compromise or defend such Asserted Liability. Notwithstanding the foregoing, neither the Indemnifying Party nor the Indemnitee may settle or compromise any Asserted Liability over the objection of the other; provided, however, consent to settlement or compromise shall not be unreasonably withheld. In any event, the Indemnitee and the Indemnifying Party may participate, at their own expense, in the defense of such Asserted Liability. If the Indemnifying Party chooses to defend any Asserted Liability, the Indemnitee shall make available to the Indemnifying Party any books, records or other documents within such party's control that are necessary or appropriate for such defense.

(ii) Notwithstanding anything to the contrary in Section 11.4(b)(i), in the case of any Asserted Liability by any customer of the Company with respect to the business conducted by the Company prior to the Closing in connection with which the Buyer may make a claim against the Sellers for indemnification pursuant to Section 11.1, the Buyer shall have the exclusive right at its option to defend any such Asserted Liability, subject to the duty of the Buyer to consult with the Indemnifying Party and such party's attorneys in connection with such defense and provided that no such Asserted

Liability shall be compromised or settled by the Buyer without the prior consent of the Indemnifying Party, which consent shall not be unreasonably withheld. The Indemnifying Party shall have the right to recommend in good faith to the Buyer proposals to compromise or settle Asserted Liabilities brought by a supplier, distributor, sales agent or customer, and the Buyer agrees to present such proposed compromises or settlements to such supplier, distributor or customer. All amounts required to be paid in connection with any such Asserted Liability pursuant to the determination of any Governmental Body, and all amounts required to be paid in connection with any such compromise or settlement consented to by the Indemnifying Party, shall be borne and paid by the Indemnifying Party. The parties agree to cooperate fully with one another in the defense, compromise or settlement of any such Asserted Liability.

11.6 Scope of Indemnification. The indemnification provided for in Section 11.1 shall be subject to the following limitations:

(a) The Sellers shall not be obligated to pay any amounts for indemnification under Section 11.1 until the aggregate amounts claimed for indemnification for breaches of representations and warranties under Section 11.1, equal or exceed $125,000 (the "Basket Amount"), whereupon the Sellers shall be obligated to pay in full all such amounts for such indemnification in excess of the Basket Amount. The Sellers' liability for Losses referred to in Section 11.1, 11.2 or 11.3 shall first be satisfied from the Escrow Account and any remaining, or unsatisfied, Losses referred to in Section 11.1, 11.2 or 11.3 shall be the obligation of the Sellers.

(b) Notwithstanding anything to the contrary stated herein, in no event shall the Sellers be collectively obligated to pay for indemnification under Section 11.1 an aggregate amount in excess of the aggregate amounts paid to the Sellers pursuant to Section 1.2, 1.3 and 1.4 of this Agreement.

(c) Notwithstanding anything to the contrary stated herein, the limitation of the Sellers' liability under this Agreement set out above at Sections 11.6(a) and (b) shall not limit the obligation of the Sellers to make payments for indemnification under this Article 11 if the losses giving rise to claims for indemnification (A) arise from any representations and warranties which are incorrect or breached due to fraud by the Sellers or (B) arise from inaccuracies or breaches of the representations and warranties of the Sellers contained in Sections 3.1, 3.2, 3.4, 3.5, 3.9, 3.29, 4.1, 4.2, 6.5, 6.10 and 6.11.

(d) Section 11.3 shall terminate and expire thirty (30) months after the Closing Date.

11.7 Exclusivity. After the Closing, to the extent permitted by applicable law and except for losses arising from any representations, warranties, covenants or agreements which are incorrect or breached due to fraud, the indemnities set forth in this Article 11 shall be the exclusive remedies of the Buyer and the Sellers and their respective officers, directors, employees, agents and affiliates for any

misrepresentation, breach of warranty or nonfulfillment of or failure to perform any covenant or agreement contained in this Agreement (except as otherwise set forth herein), and the parties shall not be entitled to a recision of this Agreement or to any further indemnification rights or claims of any nature whatsoever in respect thereof, all of which the parties hereto hereby waive.

12. Termination of Agreement.

12.1 Termination. This Agreement may be terminated prior to the Closing as follows:

(a) at the election of the Sellers, acting jointly, if any one or more of the conditions to the obligation of the Sellers to close set forth in Article 8 has not been fulfilled as of the scheduled Closing Date;

(b) at the election of the Buyer, if any one or more of the conditions to the obligation of the Buyer to close set forth in Article 7 has not been fulfilled as of the scheduled Closing Date;

(c) at the election of the Sellers, acting jointly, or the Buyer, if any legal proceeding is commenced or threatened by any Governmental Body seeking to prevent the consummation of the Closing or any other Contemplated Transaction and the Sellers, acting jointly, or the Buyer, as the case may be, reasonably and in good faith deems it impracticable or inadvisable to proceed in view of such legal proceeding;

(d) at the election of the Sellers, acting jointly, if the Buyer has breached any material representation, warranty, covenant or agreement contained in this Agreement, which breach cannot be or is not cured by the Closing Date;

(e) at the election of the Buyer, if either of the Sellers has breached any material representation, warranty, covenant or agreement contained in this Agreement, which breach cannot be or is not cured by the Closing Date; or

(f) at any time on or prior to the Closing Date, by mutual written consent of the Sellers, acting jointly, and the Buyer.

If this Agreement so terminates, it shall become null and void and have no further force or effect, except as provided in Section 12.2.

12.2 Survival After Termination. If this Agreement terminates pursuant to Section 12.1 and the Contemplated Transactions are not consummated, this Agreement shall become null and void and have no further force or effect, except that any such termination shall be without prejudice to the rights of any party on account of the nonsatisfaction of the conditions set forth in Articles 7 and 8 resulting from the intentional or willful breach or violation of the representations, warranties, covenants or agreements of another party under this Agreement. Notwithstanding anything in this

Agreement to the contrary, the provisions of Sections 6.3, 6.4, 6.5 and 6.16, this Section 12.2 and Article 13 shall survive any termination of this Agreement.

13. Miscellaneous.

13.1 Certain Definitions.

(a) As used in this Agreement, the following terms have the following meanings:

"affiliate" means, with respect to any person, any other person controlling, controlled by or under common control with, or the parents, spouse, lineal descendants or beneficiaries of, such person.

"Benefit Plan" means any employee benefit plan, arrangement, policy or commitment (whether or not an employee benefit plan within the meaning of section 3(3) of ERISA), including any employment or individual consulting agreements for personal services, or deferred compensation agreement, executive compensation, bonus, incentive, pension, profit-sharing, savings, retirement, stock option, stock purchase or severance pay plan, any life, health, disability or accident insurance plan or any holiday or vacation practice, as to which the Company, or any Commonly Controlled Entity has or in the future reasonably could have any direct or indirect, actual or contingent material liability.

"COBRA" means the provisions of Code section 4980B and Part 6 of Subtitle B of Title I of ERISA.

"Commonly Controlled Entity" means any entity which is under common control with the Company within the meaning of Code section 414(b), (c), (m), (o) or (t).

"Confidential Information" means any information other than Trade Secrets that is not generally available to the public and that is treated as confidential or proprietary by the Company.

"DOL" means the United States Department of Labor.

"Employee" means any individual employed by the Company.

"Environment" means navigable waters, waters of the contiguous zone, ocean waters, natural resources, surface waters, ground water, drinking water supply, land surface, subsurface strata, ambient air, both inside and outside of buildings and structures, man-made buildings and structures, and plant and animal life on earth.

"Environmental Claim" means any notification, whether direct or indirect, formal or informal, written or oral, pursuant to Safety and Environmental Laws or principles of common law relating to pollution, protection of the Environment or health and safety, that any of the current or past operations of the Company, or any by-product thereof, or any of the property currently or formerly owned, leased or operated by the Company, or the operations or property of any predecessor of the Company, is or may be

implicated in or subject to any Claim, Order, hearing, notice, agreement or evaluation by any Governmental Body or any other person.

"Environmental Compliance Costs" means any expenditures, costs, assessments or expenses (including any expenditures, costs, assessments or expenses in connection with the conduct of any Remedial Action, as well as reasonable fees, disbursements and expenses of attorneys, experts, personnel and consultants), whether direct or indirect, necessary to cause the operations, real property, assets, equipment or facilities owned, leased, operated or used by the Company to be in material compliance with any and all requirements, as in effect at the Closing Date, of Safety and Environmental Laws, principles of common law concerning pollution, protection of the Environment or health and safety, or Permits issued pursuant to Safety and Environmental Laws; provided, however, that Environmental Compliance Costs do not include expenditures, costs, assessments or expenses necessary in connection with normal maintenance of such real property, assets, equipment or facilities or the replacement of equipment in the normal course of events due to ordinary wear and tear.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Claim" means any claim based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of representation or warranty of the Sellers contained in Section 3.22.

"GAAP" means generally accepted accounting principles in the United States.

"General Claim" means any claim (other than a Tax Claim, a Safety and Environmental Claim or an ERISA Claim) based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of any representation or warranty of the Sellers contained in this Agreement.

"Hazardous Substance" means any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or waste, petroleum or petroleum-derived substance or waste, radioactive substance or waste, or any constituent of any such substance or waste, or any other substance regulated under or defined by any Safety and Environmental Law.

"IRS" means the Internal Revenue Service.

"knowledge of the Company" or any variant thereof means the knowledge of either of the Sellers or any officer, manager or key employee of the Company, including Marie Malone, Joanne Guarnieri and Carol Brown.

"Lien" means any lien, pledge, mortgage, deed of trust, security interest, claim, lease, license, charge, option, right of first refusal, easement, servitude, or similar encumbrance to title.

"Net Working Capital Assets" means, at any date, the difference between (A) all assets of the Company that are classified as current assets (other than deferred taxes), less all non-operating and non-recurring assets of the Company (including, without limitation, cash, intercompany accounts and inventory representing capitalized expenses paid to recruit and screen foreign nurses for placement in the United States) minus (B) all liabilities of the Company that are classified as current liabilities, less all non-operating and non-recurring liabilities of the Company (including, without limitation, Taxes (other than payroll Taxes), bonus accruals, loans and lines of credit payable and accruals for management fees), all as calculated in accordance with GAAP. Any item included as a component of Indebtedness pursuant to Section 3.29 shall not be included in the computation of Net Working Capital Assets.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Pension Plan" means any Benefit Plan which is a pension plan within the meaning of ERISA section 3(2) (regardless of whether the plan is covered by ERISA).

"person" means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Body or other entity.

"property" or "properties" means real, personal or mixed property, tangible or intangible.

"Release" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into or through the indoor or outdoor Environment or into, through or out of any property, including the movement of Hazardous Substances through or in the air, soil, surface water, ground water or property.

"Remedial Action" means all actions, whether voluntary or involuntary, reasonably necessary to materially comply with, or discharge any obligation under, Safety and Environmental Laws to (i) clean up, remove, treat, cover or in any other way adjust Hazardous Substances in the indoor or outdoor Environment; (ii) prevent or control the Release of Hazardous Substances so that they do not migrate or endanger or threaten to endanger public health or welfare or the Environment; or (iii) perform remedial studies, investigations, restoration and post-remedial studies, investigations and monitoring on, about or in any real property.

"Retiree Welfare Plan" means any Welfare Plan that provides benefits to current or former Employees beyond their retirement or other termination of service (other than coverage mandated by COBRA, the cost of which is fully paid by the current or former Employee or his or her dependents) or any applicable state law.

"Safety and Environmental Claim" means any claim based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of any representation or warranty of the Sellers contained in this Agreement related to Safety and Environmental Laws.

"Safety and Environmental Laws" means all Laws and Orders relating to pollution, protection of the Environment, public or worker health and safety, or the emission, discharge, Release or threatened Release of Hazardous Substances into the Environment or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances including the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., the Federal Water Pollution Control Act, 33 U.S.C. Section 1251 et seq., the Clean Air Act, 42 U.S.C. Section 7401 et seq., the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. Section 121 et seq., the Occupational Safety and Health Act, 29 U.S.C. Section 651 et seq., the Asbestos Hazard Emergency Response Act, 15 U.S.C. Section 2601 et seq., the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq., the Oil Pollution Act of 1990, 33 U.S.C. Section 2701 et seq., and analogous state acts.

"Tax Claim" means any claim based upon, arising out of or otherwise in respect of any inaccuracy in or any breach of any representation or warranty of the Sellers contained in this Agreement related to Taxes.

"Trade Secrets" means any trade secrets, research records, processes, procedures, manufacturing formulae, technical know-how, technology, blue prints, designs, plans, inventions (whether patentable and whether reduced to practice), invention disclosures and improvements thereto.

"Welfare Plan" means any Benefit Plan which is a welfare plan within the meaning of ERISA section 3(1) (regardless of whether the plan is covered by ERISA).

The following capitalized terms are defined in the following Sections of this Agreement:

Term	Section
Agreement	Preamble
Asserted Liability	11.5(a)
Balance Sheet	3.7
Balance Sheet Date	3.7
Basket Amount	11.6(a)
Broker	6.5
Buyer	Preamble
Cash Excess	6.1(a)
Cash Shortfall	6.1(a)
Claims	3.14
Claims Notice	11.5(a)
Closing	1.1
Closing Date	2

Term	Section
Code	3.9(e)
Common Stock	3.4
Company	Preamble
Company Business	9.1
Condition of the Company	3.3
Contemplated Transactions	3.9(o)
Contracts	3.12
Employment Agreement	1.3
Escrow Account	1.2(b)
Escrow Agent	1.2(b)
Escrow Agreement	1.2(b)
Existing Indebtedness	3.29
Financial Statements	3.7
Governmental Bodies	3.10
Indemnifying Party	11.5(a)
Indemnitee	11.5(a)
Independent Accountant	1.3(g)
Intellectual Property	3.18
Internet	9.1(a)
Laws	3.10
Leased Real Property	3.16(b)
Liabilities	3.20
Losses	11.1
Material Customers	3.21(a)
OGP	Preamble
OGP-UK	9.1
OGP Philippines	9.1
Orders	3.10
Permits	3.11
Phoenix Receivable	1.4
Purchase Price	1.2(a)
Real Property Leases	3.16(b)
Required Consents	3.12
Restricted Period	9.1(a)
Restrictive Covenants	9.2
Revenue	1.3(d)
Seller	Preamble
Sellers	Preamble
Shares	Preamble
Software	3.18
Subsidiaries	3.2
Tangible Property	3.17

Term	Section
Tax Returns	3.9(b)
Taxes	3.9(a)
2001 Revenue Statement	1.3(e)

13.2 Consent to Jurisdiction and Service of Process. Any Claim arising out of or relating to this Agreement or the Contemplated Transactions shall be instituted exclusively in any Federal court of the Southern District of New York or any state court located in New York County, State of New York, and each party agrees not to assert, by way of motion, as a defense or otherwise, in any such Claim, any Claim that it is not subject personally to the jurisdiction of such court, that the Claim is brought in an inconvenient forum, that the venue of the Claim is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court. Each party further irrevocably submits to the jurisdiction of such court in any such Claim. Any and all service of process and any other notice in any such Claim shall be effective against any party if given personally or by registered or certified mail, return receipt requested, or by any other means of mail that requires a signed receipt, postage prepaid, mailed to such party as herein provided. Nothing herein contained shall be deemed to affect the right of any party to serve process in any manner permitted by law or to commence legal proceedings or otherwise proceed against any other party in any other jurisdiction.

13.3 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally, or sent by facsimile transmission or, if mailed, five days after the date of deposit in the United States mails, as follows:

(i) if to the Buyer, to:
AMN Healthcare, Inc.
12235 El Camino Real, Suite 200
San Diego, CA 92130
Attention: Steven C. Francis
Facsimile: (858) 792-0299

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison
1285 Avenue of the Americas
New York, New York 10019-6064
Attention: Robert M. Hirsh, Esq.
Facsimile: (212) 757-3990

(ii) if to the Sellers, to:

Mr. Joseph O'Grady
Stewards Cottage
Old Conna Village
Ferndale Broad
Bray
Co Wicklow
Ireland
Facsimile: 011-353-1-204-3019

Ms. Teresa O'Grady-Peyton
Stewards Cottage
Old Conna Village
Ferndale Broad
Bray
Co Wicklow
Ireland
Facsimile: 011-353-1-204-3019

with a copy to:

Hunter, Maclean, Exley & Dunn
200 East St. Julian Street
Savannah, GA 31412
Attention: T. Mills Fleming, Esq.
Facsimile: 912-236-4936

Any party may by notice given in accordance with this Section to the other parties designate another address or person for receipt of notices hereunder.

13.4 Entire Agreement. This Agreement (including the Exhibits and Schedules) and any collateral agreements executed in connection with the consummation of the Contemplated Transactions contain the entire agreement among the parties with respect to the purchase of the Shares and supersede all prior agreements, written or oral, with respect thereto.

13.5 Waivers and Amendments; Non-Contractual Remedies; Preservation of Remedies. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by the Buyer and each of the Sellers or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any

other such right, power or privilege. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies that any party may otherwise have at law or in equity. The rights and remedies of any party based upon, arising out of or otherwise in respect of any inaccuracy in or breach of any representation, warranty, covenant or agreement contained in this Agreement or any documents delivered pursuant to this Agreement shall in no way be limited by the fact that the act, omission, occurrence or other state of facts upon which any claim of any such inaccuracy or breach is based may also be the subject matter of any other representation, warranty, covenant or agreement contained in this Agreement or any documents delivered pursuant to this Agreement (or in any other agreement between the parties) as to which there is no inaccuracy or breach.

13.6 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely within such State.

13.7 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and legal representatives. This Agreement is not assignable except by operation of law, except that the Buyer may assign its rights hereunder to any of its affiliates, to any successor to all or substantially all of its business or assets, or to any bank or other financial institution that may provide financing for the Contemplated Transactions.

13.8 Usage. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require. All terms defined in this Agreement in their singular or plural forms have correlative meanings when used herein in their plural or singular forms, respectively. Unless otherwise expressly provided, the words "include," "includes" and "including" do not limit the preceding words or terms and shall be deemed to be followed by the words "without limitation."

13.9 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all of the parties hereto.

13.10 Exhibits and Schedules. The Exhibits and Schedules are a part of this Agreement as if fully set forth herein and all references to this Agreement shall be deemed to include the Exhibits and Schedules. All references herein to Sections, Exhibits and Schedules shall be deemed references to such parts of this Agreement, unless the context shall otherwise require.

13.11 Headings. The headings in this Agreement are for reference only, and shall not affect the interpretation of this Agreement.

13.12 Severability of Provisions.

(a) If any provision or any portion of any provision of this Agreement shall be held invalid or unenforceable, the remaining portion of such provision and the remaining provisions of this Agreement shall not be affected thereby.

(b) If the application of any provision or any portion of any provision of this Agreement to any person or circumstance shall be held invalid or unenforceable, the application of such provision or portion of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby.

13.13 No Third Party Beneficiaries. No provision of this Agreement is intended to, or shall, confer any third-party beneficiary or other rights or remedies upon any person other than the parties hereto.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Stock Purchase Agreement as of the date first above written.

AMN HEALTHCARE, INC.

By /s/ Steven C. Francis
_____
Name: Steven C. Francis
Title: President and Chief Executive Officer

/s/ Joseph O'Grady
_____
Joseph O'Grady

/s/ Teresa O'Grady-Peyton
_____
Teresa O'Grady-Peyton

EXHIBIT 10.1

EXECUTION COPY

NOTE AND WARRANT PURCHASE AGREEMENT

between

AMN HOLDINGS, INC.,
as Issuer

and

BANCAMERICA CAPITAL INVESTORS SBIC I, L.P.,
as Purchaser

Dated as of November 19, 1999

TABLE OF CONTENTS

Page

Page

EXHIBIT

Exhibit A Form of Note

SCHEDULES

NOTE AND WARRANT PURCHASE AGREEMENT

THIS NOTE AND WARRANT PURCHASE AGREEMENT (this "Agreement") is dated as of November 19, 1999, between AMN HOLDINGS, INC., a Delaware corporation ("Holdings"), and BANCAMERICA CAPITAL INVESTORS SBIC 1, L.P., a Delaware limited partnership ("BACI" or the "Purchaser").

Statement of Purpose

Holdings and AMN Healthcare, Inc., a Nevada corporation and as of the date hereof a wholly-owned subsidiary of Holdings ("Healthcare"), have entered into an Acquisition Agreement, dated as of October 1, 1999 (as amended or supplemented from time to time, the "Acquisition Agreement"), with AMN Acquisition Corp., a Delaware corporation ("AMN Acquisition Sub"), and each of the persons named as a Seller therein (the "Sellers"), providing, inter alia, for (a) the acquisition by AMN Acquisition Sub directly from Holdings of certain newly issued shares of Common Stock of Holdings, (b) the redemption by Holdings of certain of the Sellers' shares of Common Stock of Holdings and (c) the acquisition by AMN Acquisition Sub directly from the Sellers of certain of the Sellers' shares of Common Stock of Holdings (the transactions contemplated by the Acquisition Agreement are hereinafter referred to as the "AMN Acquisition"). In connection with the AMN Acquisition, and in order to obtain financing for general corporate purposes, Holdings proposes to issue (i) its senior subordinated notes in the aggregate principal amount of $20,000,000 and (ii) a warrant to purchase 292.07729 shares of Common Stock of Holdings, in each case as more particularly described herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

1.01 Definitions. As used in this Agreement, and unless the context requires a different meaning, the following terms have the meanings indicated:

"Acquisition", by any Person, means the acquisition by such Person of all the Capital Stock or all or substantially all of the Property of another Person, whether or not involving a merger or consolidation with such other Person.

"Acquisition Agreement" has the meaning assigned thereto in the Statement of Purpose.

"Acquisition Documents" means the Acquisition Agreement and each other material document and instrument executed on or after October 1, 1999 and pursuant thereto with the Acquisition.

"Affiliate" means, with respect to any Person, any other Person (a) directly or indirectly controlling or controlled by or under direct or indirect common control with such Person or (b) directly or indirectly owning or holding ten percent (10%) or more of the Capital Stock in such Person; provided that, in no event shall the Purchaser (or any Affiliate of the Purchaser) be deemed to be an Affiliate of (a) Holdings or (b) any Affiliate of Holdings. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" means this Note and Warrant Purchase Agreement, as amended or supplemented from time to time.

"AMN Acquisition" has the meaning assigned thereto in the Statement of Purpose.

"AMN Acquisition Sub" has the meaning assigned thereto in the Statement of Purpose.

"Asset Disposition" means any disposition (including pursuant to a Sale and Leaseback Transaction) of any or all of the Property (including without limitation the Capital Stock of a Subsidiary) of any Credit Party whether by sale, lease, transfer or otherwise, but other than pursuant to any casualty or condemnation event.

"BACI" or "Purchaser" has the meaning assigned thereto in the Preamble.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in Charlotte, North Carolina, San Diego, California or New York, New York are authorized or required by law to close.

"Capital Lease" means, as applied to any Person, any lease of any Property (whether real, personal or mixed) by that Person as lessee which, in accordance with GAAP, is required to be accounted for as a capital lease on the balance sheet of that Person.

"Capital Stock" means (a) in the case of a corporation, capital stock, (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (c) in the case of a partnership, partnership interests (whether general or limited), (d) in the case of a limited liability company, membership interests and (e) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cash Equivalents" means, as at any date, (a) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) having maturities of not more than twelve months from the date of acquisition, (b) dollar denominated time deposits and certificates of deposit of (i) any Senior Lender, (ii) any domestic commercial bank of recognized standing having capital and surplus in excess of $500,000,000 or (iii) any bank whose short-term commercial paper rating from S&P is at least A-I or the equivalent thereof or from Moody's is at least P-1 or the equivalent thereof (any such bank being an "Approved Bank"), in each case with maturities of not more than 270 days from the date of acquisition, (c) commercial paper and variable or fixed rate notes issued by any Approved Bank (or by the parent company thereof) or any variable rate notes issued by, or guaranteed by, any domestic corporation rated A-I (or the equivalent thereof) or better by S&P or P-1 (or the equivalent thereof) or better by Moody's and maturing within six months of the date of acquisition, (d) repurchase agreements entered into by any Person with a bank or trust company (including any of the Senior Lenders) or recognized securities dealer having capital and surplus in excess of $500,000,000 for direct obligations issued by or fully guaranteed by the United States in which such Person shall have a perfected first priority security interest (subject to no other Liens) and having, on the date of purchase thereof, a fair market value of at least 100% of the amount of the repurchase obligations and (e) Investments, classified in accordance with GAAP as current assets, in money market investment programs registered under the Investment Company Act of 1940, as amended, which are administered by reputable financial institutions having capital of at least $500,000,000 and the portfolios of which are limited to Investments of the character described in the foregoing subdivisions (a) through (d).

"Change of Control" means any of the following events: (a) the sale, lease, transfer or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of Healthcare and its Subsidiaries taken as a whole to any "person" or "group"(within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) other than any Sponsor Entity, (b) Holdings shall fail to own directly 100% of the outstanding Capital Stock of Healthcare, (c) prior to a Qualified Public Offering, the Sponsor Entities shall fail to own beneficially, directly or indirectly, at least 51% of the outstanding Voting Stock of Holdings, (d) after a Qualified Public Offering, the Sponsor Entities shall fail to own beneficially, directly or indirectly, (i) at least 30% of the outstanding Voting Stock of Holdings and (ii) a greater percentage of the outstanding Voting Stock of Holdings than the percentage of such outstanding Voting Stock which any other "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) other than the Sponsor Entities (A) shall have acquired beneficial ownership, directly or indirectly, of, or (B) shall have acquired by contract or otherwise (or shall have entered into a contract or arrangement that, upon consummation, will result in its or their acquisition of) control. over, and (e) during any period of up to twenty-four (24) consecutive months commencing after a Qualified Public Offering, individuals who at the beginning of such twenty-four (24) month period were directors of Holdings (together with any new director whose election by the board of directors of Holdings or whose nomination for

election by Holdings' shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the directors of Holdings then in office.

"Closing" has the meaning assigned thereto in Section 2.04.

"Closing, Date" has the meaning assigned thereto in Section 2.04.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor statute thereto.

"Commission" means the Securities and Exchange Commission or any similar agency then having jurisdiction to enforce the Securities Act.

"Common Stock" means (a) the common stock of Holdings, par value $0.01 per share, as described in the Holdings Charter Documents, and (b) any other Capital Stock into which such Common Stock is reclassified or reconstituted.

"Competition" means, as of any date, (a) any Person (other than Holdings or any of its Affiliates) (i) that directly or indirectly derived in excess of $7,500,000 in gross revenues during any of the immediately preceding three fiscal years of such Person from the medical staffing industry; provided, that such Person conducts, or during any of the immediately preceding three (3) fiscal years has conducted, business in a segment of the medical staffing industry in which any Credit Party, as of the date of determination, conducts business or (ii) is a party to a material judicial proceeding pending against Holdings or any of its Affiliates or (b) any Person that is entitled, directly or indirectly, whether through ownership of stock, contract or otherwise, to elect a majority of the board of directors of, or otherwise directly or indirectly controls or is controlled by or is under direct or indirect common control with, any Person described in clause (a) above. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controls" and "controlled" have meanings correlative to the foregoing.

"Consolidated EBITDA" means, as of any date for the four fiscal quarter period ending on such date with respect to the Consolidated Parties on a consolidated basis, the sum of (a) Consolidated Net Income, plus (b) an amount which, in the determination of Consolidated Net Income, has been deducted for, without duplication (i) interest expense, (ii) total Federal, state, local and foreign income, value added and similar taxes, (iii) depreciation and amortization expense, and (iv) Consolidated Non-Cash Charges all as determined in accordance with GAAP plus (c) as of each of December 31, 1999, March 31, 2000, June 30, 2000 and September 30, 2000, the Consolidated EBITDA Adjustment for the four fiscal quarter period ending on such date.

"Consolidated EBITDA Adjustment" means, for each of December 31, 1999, March 31, 2000, June 30, 2000 and September 30, 2000, the amount indicated for such date on Schedule 1.01A.

"Consolidated Net Income" means, as of any date for the four fiscal quarter period ending on such date with respect to the Consolidated Parties on a consolidated basis, net income (excluding extraordinary items) after interest expense, income taxes and depreciation and amortization, all as determined in accordance with GAAP.

"Consolidated Non-Cash Charges" means the non-cash component of any item of expense other than (a) to the extent requiring an accrual or reserve for future cash expenses, and (b) writeoffs of accounts receivable.

"Consolidated Parties" means a collective reference to Healthcare and its Subsidiaries, and "Consolidated Party" means any one of them.

"Consolidated Total Assets" means, as of any date with respect to the Consolidated Parties on a consolidated basis, total assets, as determined in accordance with GAAP.

"Contractual Obligation" means, as to any Person, any provision of any securities issued by such Person or of any indenture or credit agreement or any other agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound or to which it may be subject.

"Credit Parties" means, collectively, Holdings, Healthcare and Medical Express and any of their respective Subsidiaries, and, individually, any of them.

"Default" means any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Designated Refinancing Agreement" means any Refinancing Agreement under which the aggregate principal amount of the commitments thereunder is greater than $75,000,000.

"Eligible Assignee" means, with respect to the assignment of any rights, interest or obligations of a Holder of any Notes hereunder, a Person that is at the time of such assignment (a) an "accredited investor" as such term is defined in Rule 501 under the Securities Act, and (b) after consultation with Holdings, not a Competitor of any Credit Party.

"Environmental Laws" means any and all lawful and applicable Federal, state, local and foreign statutes, laws (including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Resource Conservation and Recovery Act of 1976, the Toxic Substances Control Act, the Water Pollution Control Act, the Clean Air Act and the Hazardous Materials Transportation Act), regulations, ordinances, rules, judgments, orders, decrees, permits, concessions,

grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"Equity Issuance" means any issuance by Holdings or any Consolidated Party to any Person of (a) shares of its Capital Stock, (b) any shares of its Capital Stock pursuant to the exercise of options or warrants, (c) any shares of its Capital Stock pursuant to the conversion of any debt securities to equity or (d) any options or warrants relating to its Capital Stock. The term "Equity Issuance" shall not include any Asset Disposition.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto, as interpreted by the rules and regulations thereunder, all as the same may be in effect from time to time. References to Sections of ERISA shall be construed also to refer to any successor sections.

"ERISA Affiliate" means an entity which is under common control with any Credit Party within the meaning of Section 4001(a)(14) of ERISA, or is a member of a group which includes any Credit Party and which is treated as a single employer under Sections 414(b) or (c) of the Code.

"ERISA Event" means (a) with respect to any Plan, the occurrence of a Reportable Event not otherwise subject to a waiver or the substantial cessation of operations (within the meaning of Section 4062(e) of ERISA); (b) the withdrawal by any Credit Party or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a substantial employer (as such term is defined in Section 4001(a)(2) of ERISA), or the termination of a Multiple Employer Plan; (c) the distribution of a notice of intent to terminate or the actual termination of a Plan pursuant to Section 4041(a)(2) or 4041A of ERISA; (d) the institution of proceedings to terminate or the actual termination of a Plan by the PBGC under Section 4042 of ERISA; (e) any event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan; (f) the complete or partial withdrawal of any Credit Party or any ERISA Affiliate from a Multiemployer Plan; (g) the conditions for imposition of a lien under Section 302(f) of ERISA exist with respect to any Plan; or (h) the adoption of an amendment to any Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA.

"Event of Default" has the meaning assigned thereto in Article 12 hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder.

"Excluded Asset Disposition" means, with respect to any Credit Party, (a) the sale of inventory in the ordinary course of such Person's business, (b) the sale or disposition

of machinery and equipment no longer used or useful in the conduct of such Person's business, (c) any Equity Issuance by such Person, (d) any Involuntary Disposition by such Person and (e) any sale, lease, transfer or other disposition of Property by such Person to another Credit Party.

"Executive Office' of any Person means any of the chief executive officer, chief operating officer, president, chief financial officer or treasurer of such Person.

"Fully Diluted Common Stock" means as of any date, the number of shares of Common Stock that would be outstanding assuming all securities of Holdings convertible into or exchangeable for Common Stock were converted into shares of Common Stock pursuant to their respective terms and all options, warrants or other rights to acquire Common Stock were exercised.

"Funded Indebtedness" means, with respect to any Person, without duplication, (a) all Indebtedness of such Person other than Indebtedness of the types referred to in clauses (e), (f), (g), (i) and (m) of the definition of "Indebtedness," (b) all Funded Indebtedness of others of the type referred to in clause (a) above secured by (or for which the holder of such Funded Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, Property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed (or if less, the aggregate net book value of all Property securing such Funded Indebtedness of others), (c) all Guaranty Obligations of such Person with respect to Funded Indebtedness of the type referred to in clause (a) above of another Person and (d) Funded Indebtedness of the type referred to in clause (a) above of any partnership or unincorporated joint venture in which such Person is a general partner or a joint venturer to the extent that such Funded Indebtedness is recourse to such Person.

"GAAP" means generally accepted accounting principles in the United States applied on a consistent basis and subject to the terms of Section 1.02 (except, in respect of Synthetic Leases, as otherwise treated herein).

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Guaranty Obligations" means, with respect to any Person, without duplication, any obligations of such Person (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing or intended to guarantee any Indebtedness of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (a) to purchase any such Indebtedness or any Property constituting security therefor, (b) to advance or provide funds or other support for the payment or purchase of any such Indebtedness or to maintain working capital, solvency or other balance sheet condition of

such other Person (including without limitation keep well agreements, maintenance agreements, comfort letters or similar agreements or arrangements) for the benefit of any holder of Indebtedness of such other Person, (c) to lease or purchase Property, securities or services primarily for the purpose of assuring the holder of such Indebtedness, or (d) to otherwise assure or hold harmless the holder of such Indebtedness against loss in respect thereof. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount (or maximum principal amount, if larger) of the Indebtedness actually guaranteed by such Guaranty Obligation.

"Hedging Agreements" means any interest rate protection agreement or foreign currency exchange agreement.

"Healthcare" has the meaning assigned thereto in the Statement of Purpose.

"Holder" means (a) the Purchaser, (b) any other holder of any Note, or (c) any other holder of any portion of the Warrant or any shares of Common Stock issued upon exercise of the Warrant in each case who is a party to the Stockholders Agreement.

"Holdings" has the meaning assigned thereto in the Preamble.

"Holdings Charter Documents" means the Certificate of Incorporation and the Bylaws of Holdings, as amended or supplemented from time to time.

"Indebtedness" means, with respect to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (c) all obligations of such Person under conditional sale or other title retention agreements relating to Property purchased by such Person (other than customary reservations or retention's of title under agreements with suppliers entered into in the ordinary course of business), (d) all obligations of such Person issued or assumed as the deferred purchase price of Property or services purchased by such Person (other than trade debt incurred in the ordinary course of business) which would appear as liabilities on a balance sheet of such Person, (e) all obligations of such Person under take-or-pay or similar arrangements or under commodities agreements, (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, Property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (g) all Guaranty Obligations of such Person with respect to Indebtedness of another Person, (h) the implied principal component of all obligations of such Person under Capital Leases, (i) all obligations of such Person under Hedging Agreements, (j) the maximum amount of all performance and standby letters of credit issued or bankers' acceptances facilities created for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed), (k) all preferred Capital Stock issued by such Person and which by the terms thereof could be (at the request of the holders thereof or otherwise) subject to mandatory sinking fund payments, redemption or other acceleration (other than as a

result of a Change of Control or an Asset Disposition that does not in fact result in a redemption of such preferred Capital Stock) at any time prior to November 19, 2005, (1) the principal portion of all obligations of such Person under Synthetic Leases, (m) the Indebtedness of any partnership or unincorporated joint venture in which such Person is a general partner or a joint venturer to the extent that such Indebtedness is recourse to such Person and (n) the aggregate amount of uncollected accounts receivable of such Person subject at such time to a sale of receivables (or similar transaction) regardless of whether such transaction is effected without recourse to such Person or in a manner that would not be reflected on the balance sheet of such person in accordance with GAAP.

"Investment" in any Person means (a) the acquisition (whether for cash, property, services, assumption of Indebtedness, securities or otherwise) of assets (other than equipment, inventory and supplies in the ordinary course of business and other than any acquisition of assets constituting a Consolidated Capital Expenditure), Capital Stock, bonds, notes, debentures, partnership, joint ventures or other ownership interests or other securities of such other Person or (b) any deposit with, or advance, loan or other extension of credit to, such Person (other than deposits made in connection with the purchase of equipment, inventory, services, leases or supplies in the ordinary course of business) or (c) any other capital contribution to or investment in such Person, including, without limitation, any Guaranty Obligations (including any support for a letter of credit issued on behalf of such Person) incurred for the benefit of such Person and any Asset Disposition to such Person for consideration less than the fair market value of the Property disposed in such transaction, but excluding any Restricted Payment to such Person. Investments which are capital contributions or purchases of Capital Stock which have a fight to participate in the profits of the issuer thereof shall be valued at the amount actually contributed or paid to purchase such Capital Stock as of the date of such contribution or payment. Investments which are loans, advances, extensions of credit or Guaranty Obligations shall be valued at the principal amount of such loan, advance or extension of credit outstanding as of the date of determination or, as applicable, the principal amount of the loan or advance outstanding as of the date of determination actually guaranteed by such Guaranty Obligation.

"Leverage Ratio" means, as of the end of any fiscal quarter of the Consolidated Parties for the four fiscal quarter period ending on such date with respect to the Consolidated Parties on a consolidated basis, the ratio of (a) Funded Indebtedness of the Consolidated Parties on a consolidated basis on the last day of such period to (b) Consolidated EBITDA for such period.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance, lien (statutory or otherwise), preference, priority or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the Uniform Commercial Code as adopted and in effect in the relevant jurisdiction or other similar recording or notice statute, and any lease in the nature thereof).

"Material Adverse Effect" means a material adverse effect upon (a) the business, assets, operations, liabilities, prospects or condition (financial or otherwise) of the Credit Parties, taken as a whole, (b) the ability of Holdings to repay the Notes or otherwise perform its material obligations hereunder, under the Warrant Agreement or under any Warrant, or (c) the material rights and remedies of any Holder hereunder or under the Notes, the Warrant Agreement or any Warrant.

"Materials of Environmental Concern" means any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Laws, including, without limitation, asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

"Medical Express" means Medical Express, Inc., a Colorado corporation and a wholly-owned Subsidiary of Healthcare.

"Multiemployer Plan" means a Plan which is a "multiemployer plan" as defined in Section 3(37) or 400 1 (a)(3) of ERISA.

"Multiple Employer Plan" means a Plan (other than a Multiemployer Plan) which any Credit Party or any ERISA Affiliate and at least one employer other than any Credit Party or any ERISA Affiliate are contributing sponsors.

"Net Cash Proceeds" means the aggregate proceeds paid in cash or Cash Equivalents received by any Credit Party in respect of any Asset Disposition, net of (a) direct costs (including, without limitation, legal, accounting, consulting and investment banking fees, and sales commissions), (b) taxes paid or payable as a result thereof, and (c) the amount of liabilities, if any, which are required to be repaid concurrently and in connection with the consummation of such Asset Disposition out of the proceeds thereof, it being understood that "Net Cash Proceeds" shall include, without limitation, any cash or Cash Equivalents received upon the sale or other disposition of any non-cash consideration received by any Credit Party in such Asset Disposition.

"Note" means any Senior Subordinated Promissory Note issued pursuant to this Agreement, as amended or supplemented from time to time, and "Notes" means each such Note, collectively.

"Note Register" has the meaning assigned thereto in Section 14.04(b).

"Observation Period" has the meaning assigned thereto in Section 7.02.

"Operating Lease" means, as applied to any Person, any lease (including, without limitation, leases which may be terminated by the lessee at any time) of any Property (whether real, personal or mixed) which is not a Capital Lease other than any such lease in which that Person is the lessor.

"Other Documents" means:

(a) any employment contract or contract for services which requires aggregate payments equal to or less than $75,000 annually in total compensation or which is terminable by a Credit Party upon 30 days notice without liability for any penalty or severance payment;

(b) purchase orders in the ordinary course of business;

(c) any contract or agreement which by its terms terminates or is terminable by Healthcare or any successor or assign within twelve months of October 1, 1999 upon payment of penalties equal to or less than $25,000;

(d) any contract or agreement for the purchase of any fixed asset for a price equal to or less than $150,000 whether or not such purchase is in the ordinary course of business; or

(e) any contract or agreement creating any obligations or requiring payments equal to or less than $100,000 with respect to any such contract.

"Participant" has the meaning assigned thereto in Section 14.04(c).

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title V of ERISA and any successor thereof.

"Permitted Acquisition" means an Acquisition by Healthcare or any Subsidiary of Healthcare, provided that (a) (i) the Property acquired (or the Property of the Person acquired) in such Acquisition is used or useful in the same or a similar line of business as Healthcare and its Subsidiaries were engaged in on the Closing Date (or any reasonable extensions or expansions thereof, and (ii) in the case of an Acquisition of the Capital Stock of another Person, the board of directors (or other comparable governing body) of such other Person shall have duly approved such Acquisition, and (b) (i) such Acquisition is permitted by the Senior Loan Agreement, (ii) at any time prior to, or after, the Senior Loan Agreement shall have been paid in full, if such Acquisition involves the incurrence of additional Indebtedness pursuant to Section 9.01(c), Holdings shall have delivered to each Holder of a Note, a Pro Forma Compliance Certificate demonstrating that, upon giving effect to such Acquisition on a Pro Forma Basis, neither a Default nor an Event of Default would exist as a result of a violation of Section 9.01(c) or (iii) if the Acquisition is consummated after the Senior Loan Agreement shall have been paid in full, (A) the aggregate cash consideration paid by the Credit Parties collectively for the Property acquired in such Acquisition is no greater than the aggregate amount of proceeds received by Holdings from any Equity Issuance (other than a Qualified Public Offering) by Holdings following the Closing Date, (B) the consideration in connection with such Acquisition consists of common stock of a Credit Party, or (C) the consideration in connection with such Acquisition consists of any combination of the consideration described in subsection (A) or (B) of this clause (iii).

"Permitted Asset Disposition" means (a) any Asset Disposition permitted by Section 9.04 and (b) any Excluded Asset Disposition.

"Permitted Investments" means Investments which are (a) cash and Cash Equivalents; (b) accounts receivable created, acquired or made by any Credit Party in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; (c) Investments consisting of Capital Stock, obligations, securities or other property received by any Credit Party in settlement of accounts receivable (created in the ordinary course of business) from bankrupt obligors or in connection with a work-out or reorganization; (d) Investments existing as of the Closing Date and set forth in Schedule 1.01B; (e) rental deposits made for the benefit of officers, employees or agents; (f) advances or loans to directors, officers, employees, agents, customers or suppliers that do not exceed $1,000,000 in the aggregate al any one time outstanding; (g) Investments in any Credit Party; (h) Investments in Foreign Subsidiaries in an aggregate principal amount not to exceed $2,000,000 at any time outstanding; (i) to the extent constituting Investments, transactions permitted under Section 9.06; (j) Permitted Acquisitions; (k) Investments not constituting cash or Cash Equivalents received as consideration for any Asset Disposition permitted under Section 9.04; (1) loans to employees to finance the purchase of Capital Stock; and (m) other Investments not to exceed $7,500,000 in the aggregate at any time outstanding.

"Person" means any individual, partnership, joint venture, firm, corporation, association, limited liability company, trust or other enterprise or any Governmental Authority.

"Plan" means any employee benefit plan (as defined in Section 3(3) of ERISA) which is covered by ERISA and with respect to which any Credit Party or any ERISA Affiliate is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" within the meaning of Section 3(5) of ERISA.

"Premium Percentage" has the meaning assigned thereto in Section 10.01.

"Pro Forma Basis" means, for purposes of calculating (utilizing the principles set forth in Section 1.02) the Leverage Ratio in respect of a proposed incurrence of additional Indebtedness pursuant to Section 9.01(c), that such transaction and all Permitted Acquisitions and any Permitted Asset Disposition that occurred since the first day of the four fiscal-quarter period ending as of the most recent fiscal quarter end preceding the date of such transaction with respect to which financial statements were delivered to the Significant Holders pursuant to Section 7.01(a)(ii) or 7.01(b) (the first day of such period shall be referred to as the "Pro Forma Measurement Date") shall, in each case, be deemed to have occurred as of the Pro Forma Measurement Date, including without limitation, pro forma EBITDA adjustments.

"Pro Forma Compliance Certificate" means a certificate of an Executive Officer of Holdings delivered to the Holders of Notes in connection with the incurrence of any additional Indebtedness pursuant to Section 9.01(c), and containing reasonably detailed calculations, upon giving effect to the applicable transaction on a Pro Forma Basis, of the

Leverage Ratio as of the most recent fiscal quarter end preceding the date of the applicable transaction with respect to which financial statements were delivered to the Significant Holders pursuant to Section 7.01 (a)(ii) or 7.01 (b).

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Public Offering" means any underwritten primary public offering of securities of Holdings pursuant to a registration statement declared effective under the Securities Act (other than a public offering pursuant to a registration statement on Form S-8).

"Purchaser" or "BACI" has the meaning assigned thereto in the Preamble.

"Qualified Public Offering" means a Public Offering underwritten by an investment bank of national standing and resulting in not less than $30,000,000 in net cash proceeds to Holdings.

"Real Properties" means each of the facilities and properties owned, leased or operated by the Credit Parties.

"Redemption Notice" has the meaning assigned thereto in Section 10.03.

"Refinancing Agreement" means any credit or loan agreement or any other agreement or instrument evidencing Indebtedness of any Credit Party entered into by such Credit Party in connection with the Refinancing Transaction.

"Refinancing Transaction" means a credit facility the net proceeds (or a portion thereof) of which are promptly used to refinance the Indebtedness outstanding under the Senior Loan Agreement and the other Senior Loan Documents; provided, that (a) such credit facility has a final maturity which does not extend beyond May 19, 2005; and (b) notwithstanding anything in Section 9.01(b) to the contrary, at the time of incurrence of the Indebtedness by the Credit Parties under such credit facility, and immediately after giving effect thereto and the concurrent retirement of the Indebtedness under the Senior Loan Agreement and the other Senior Loan Documents, Holdings shall have delivered to each Holder of Notes a Pro Forma Compliance Certificate demonstrating that the Leverage Ratio on a Pro Forma Basis does not exceed the Leverage Ratio set forth in Section 9.01(c) for such date.

"Related Parties" means, with respect to any Sponsor, a collective reference to (a) each Person which is a controlling stockholder or partner of such Sponsor, (b) each Person at least 80% of whose Voting Stock is owned by such Sponsor, directly or indirectly, (c) each trust, corporation, partnership or other entity, the controlling beneficiaries, stockholders, partners or owners of which, directly or indirectly, consist of such Sponsor and/or such other Persons referred to in the preceding clauses (a) or (b) and/or in the succeeding clause (e), (d) each partner or stockholder of such Sponsor as of the Closing Date who acquires any assets or Voting Stock of Holdings pursuant to a

general distribution by such Sponsor to each of its partners or stockholders and (e) each officer or director of such Sponsor.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the notice requirement has been waived by regulation.

"Required Holders" means Holders holding at least a majority of the aggregate principal balance of Notes then outstanding.

"Requirements of Law" means, with respect to a Person, the certificate of incorporation and bylaws or other organizational or governing documents of such Person, and any law, treaty, rule, regulation, right, privilege, qualification, license or franchise or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its material property is subject or pertaining to any or all of the transactions contemplated or referred to herein.

"Restricted Payment" by any Credit Party means (a) any dividend or other payment or distribution, direct or indirect, on account of any shares of any class of Capital Stock of such Person, now or hereafter outstanding (including without limitation any payment in connection with any dissolution, merger, consolidation or disposition involving such Person), or to the holders, in their capacity as such, of any shares of any class of Capital Stock of such Person, now or hereafter outstanding (other than dividends or distributions payable in Capital Stock of the applicable Person and other than dividends or distributions payable (directly or indirectly through Subsidiaries) to any Credit Party), (b) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of Capital Stock of the applicable Person, now or hereafter outstanding or (c) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of Capital Stock of such Person, now or hereafter outstanding (excluding the issuance of Capital Stock by such Person).

"Rights Agreement" means the Rights Agreement dated as of the date hereof among AMN Acquisition Sub, the Purchaser, Holdings, HWH Capital Partners, L.P., and HWH Nightingale Partners, L.P., as amended, restated, supplemented or otherwise modified from time to time.

"Sale and Leaseback Transaction" means, with respect to any Credit Party, any arrangement pursuant to which such Person, directly or indirectly, becomes liable as lessee, guarantor or other surety with respect to any lease, whether an Operating Lease or a Capital Lease, of any Property (a) which such Person has sold or transferred (or is to sell or transfer) to a Person which is not a Credit Party or (b) which such Person intends to use for substantially the same purpose as any other Property which has been sold or transferred (or is to be sold or transferred) by such Person to another Person which is not a Credit Party in connection with such lease.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder.

"Sellers" has the meaning assigned thereto in the Statement of Purpose.

"Senior Lenders" means any of the financial institutions which are or may become a party to the Senior Loan Agreement.

"Senior Loan Agreement" means the Credit Agreement dated as of the date hereof among Healthcare, as borrower, Holdings and certain subsidiaries of Healthcare from time to time party thereto, as guarantors, Bank of America, N.A., as agent, and the lenders from time to time party thereto, or any Refinancing Agreement, in each case, as amended, restated, supplemented or otherwise modified from time to time.

"Senior Loan Documents" means the Senior Loan Agreement or any Refinancing Agreement and each other collateral agreement executed in connection with the Senior Loan Agreement or such Refinancing Agreement, in each case as amended, restated, supplemented or otherwise modified from time to time.

"Significant Holder" means (a) any Holder of any outstanding Notes, and (b) any Holder of Warrants or any shares of Common Stock issued upon exercise thereof representing, in each case, at least five per cent (5%) of the Fully Diluted Common Stock of Holdings at the time of determination.

"Single Employer Plan" means any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan or a Multiple Employer Plan.

"Sponsors" means a collective reference to HWH Capital Partners, L.P., HWH Nightingale Partners, L.P. and Haas Wheat & Partners, L.P., together with their successors and permitted assigns, and "Sponsor" means any of them.

"Sponsor Entity" means any Person that is (a) a Sponsor or (b) a Related Party of a Sponsor, and "Sponsor Entities" means a collective reference to each Sponsor Entity.

"Stockholders Agreement" means the Stockholders Agreement dated as of the date hereof among Holdings, AMN Acquisition and BACI, as amended, restated, supplemented or otherwise modified from time to time.

"Subsidiary" means, as to any Person, at any time, (a) any corporation more than fifty percent (50%) of whose Capital Stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time Capital Stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at such time owned by such Person and/or one or more Subsidiaries of such Person and (b) any partnership, limited liability company, association, joint venture or other entity in which such Person and/or one or more Subsidiaries of such Person has more than fifty per cent (50%) of the Capital Stock at such time.

"Synthetic Lease" means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an Operating Lease under GAAP.

"Transaction Documents" means collectively, this Agreement, the Notes, the Warrant Agreement, the Warrant, the Stockholders Agreement, the Rights Agreement, the Senior Loan Documents and the Acquisition Documents.

"Voting Stock" means, with respect to any Person, Capital Stock issued by such Person the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

"Warrant" means the Common Stock Purchase Warrant issued by Holdings to BACI pursuant to this Agreement and the Warrant Agreement, as amended, restated, supplemented or otherwise modified from time to time.

"Warrant Agreement" means the Warrant Agreement dated as of the date hereof between Holdings and BACI, as amended, restated, supplemented or otherwise modified from time to time.

"Wholly-Owned Subsidiary" means any Person 100% of whose Voting Stock is at the time owned by Holdings, directly or indirectly through other Persons 100% of whose Voting Stock is at the time owned, directly or indirectly, by Holdings.

1.02 Accounting Terms; Financial Statements. Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Holders hereunder shall be prepared, in accordance with GAAP applied on a consistent basis; provided, that calculations of the implied principal component of all obligations under any Synthetic Lease or the implied interest component of any rent paid under any Synthetic Lease shall be made by the applicable Credit Party in accordance with accepted financial practice and consistent with the terms of such Synthetic Lease. All calculations made for the purposes of determining compliance with this Agreement shall (except as otherwise expressly provided herein) be made by application of GAAP applied on a basis consistent with the most recent annual or quarterly financial statements of Healthcare and its Subsidiaries delivered pursuant to Section 7.01 (or, prior to the delivery of the first financial statements pursuant to Section 7.01, consistent with the financial statements as at December 31, 1998); provided, that if, pursuant to Section 1.3 (or any comparable provision) of the Senior Loan Agreement, the parties thereto shall agree to any changes in the application of GAAP, then, for purposes of this Agreement, GAAP shall be applied in a manner consistent with the Senior Loan Agreement; provided further, that, from and after the date on which the Senior Loan Agreement is paid in full, all calculations made for the purposes of determining compliance with this Agreement shall (except as otherwise expressly provided herein) be made at the option of Holdings,

by application of GAAP on a basis consistent with the most recent annual or quarterly financial statements of Healthcare and its Subsidiaries delivered pursuant to Section 7.01.

ARTICLE II

PURCHASE AND SALE OF NOTES AND WARRANTS

2.01 Purchase and Sale of Notes and Warrants. Subject to the terms and conditions hereof, Holdings will issue to the Purchaser, and the Purchaser will acquire from Holdings, on the Closing Date, (a) the Note in the aggregate principal amount of Twenty Million Dollars ($20,000,000), with each such Note being substantially in the form attached hereto as Exhibit A, appropriately completed in conformity herewith and (b) the Warrant exercisable for 292.07729 shares of Common Stock.

2.02 Purchase Price. The aggregate purchase price of the Note and the Warrant shall be Twenty Million Dollars ($20,000,000).

2.03 Intentionally Omitted.

2.04 Closing. Subject to the terms and conditions of this Agreement, the issuance and purchase of the Note and the Warrant shall take place at the closing (the "Closing") to be held at the offices of Paul, Weiss, Rifkind, Wharton & Garrison in New York, at 10:00 a.m., on November 19, 1999, or at such other time and place as Holdings and the Purchaser may agree in writing (the "Closing Date"). At the Closing, Holdings shall deliver to the Purchaser the Note and the Warrant against delivery to Holdings by the Purchaser of the purchase price therefor by wire transfer of immediately available funds.

ARTICLE III

CONDITIONS TO THE OBLIGATION OF THE PURCHASER TO CLOSE

The obligation of the Purchaser to purchase the Note and the Warrant, to pay the purchase price therefor at the Closing and to perform any obligations hereunder shall be subject to the satisfaction as determined by the Purchaser of the following conditions on or before the Closing Date:

3.01 Representations and Warranties. The representations and warranties contained in Section 5 hereof shall be true and correct in all material respects on and as of the Closing Date as if made on and as of such date.

3.02 Compliance with this Agreement. Holdings shall have performed and complied in all material respects with all of the agreements and conditions set forth or contemplated herein that are required to be performed or complied with by Holdings on or before the Closing Date.

3.03 Officer's Certificate. The Purchaser shall have received a certificate dated as of the Closing Date from an Executive Officer of Holdings, in form and substance reasonably satisfactory to the Purchaser, to the effect that (a) all representations and warranties of Holdings contained in this Agreement are true and correct and in all material respects, (b) Holdings is not in violation in any material respect of any of the covenants contained in this Agreement and (c) all conditions precedent to the Closing of this Agreement to be performed by Holdings have been duly performed in all material respects.

3.04 Secretary's Certificates. The Purchaser shall have received a certificate dated as of the Closing Date from the Secretary or an Assistant Secretary of each of the Credit Parties certifying (a) that the attached copies of the Holdings Charter Documents or equivalent organizational documents of such Credit Party are all true and correct and remain unamended and in full force and effect, (b) that the attached copies of resolutions of the Board of Directors of each Credit Party approving the Transaction Documents (except for the Acquisition Documents, but including the Acquisition Agreement) to which any such Credit Party is a party and the transactions contemplated thereby are all true, complete and correct and remain unamended and in full force and effect, (c) as to the incumbency and specimen signature of each officer of such Credit Party executing this Agreement and any other Transaction Document (other than the Acquisition Documents) to which such Credit Party is a party and (d) as to the good standing of such Credit Party in its jurisdiction of incorporation and in the state or other jurisdiction of the chief executive office and principal place of business.

3.05 Transaction Documents. The Purchaser shall have received true, complete and correct copies of the Transaction Documents and such other Documents as it may reasonably request in connection with or relating to the sale of the Note and the Warrant and the transactions contemplated hereby, in each case certified by an Executive Officer of Holdings, all in form and substance reasonably satisfactory to the Purchaser.

3.06 Financial Matters

(a) Financial Statements. The Purchaser shall have received copies of the financial statements referred to in Section 5.13, including the pro forma financial statements referred to thereunder (the "Pro Forma Financial Statements").

(b) Payment at Closing. There shall have been paid by Holdings to the Purchaser any accrued and unpaid fees due the Purchaser (including, without limitation, fees and expenses due under the commitment letter dated September 30, 1999, and all reasonable legal fees and expenses billed through the Closing Date and required to be paid pursuant to Section 14.16), and to any other Person such amount as may be required to be paid on or prior to the Closing Date in accordance with the Transaction Documents, including all taxes, fees and other charges in connection with the execution, delivery, recording, filing and registration of any of the Transaction Documents.

3.07 Insurance. The Purchaser shall have received copies of certificates of insurance evidencing the existence of all insurance required to be maintained pursuant to Section 8.05 hereof.

3.08 Contracts. The Purchaser shall have received copies of all contracts and agreements evidencing the Contractual Obligations described in Section 5.12 to which each of the Credit Parties will be a party immediately after the Closing Date as the Purchaser reasonably may request, each as originally executed and delivered by the parties thereto and as in effect on the Closing Date and all such agreements and contracts shall be in form and substance reasonably satisfactory to the Purchaser.

3.09 Purchase Permitted by Applicable Laws. The acquisition of and payment for the Note and the Warrant to be acquired by the Purchaser hereunder and the consummation of the transactions contemplated hereby (a) shall not be prohibited by any Requirement of Law and (b) shall not subject the Purchaser to any penalty or, in its reasonable judgment, other onerous condition under or pursuant to any Requirement of Law.

3.10 Consents and Approvals. All material consents, exemptions, authorizations or other actions by, or material notices to, or material filings with, Governmental Authorities and other Persons in respect of all Requirements of Law and with respect to the Contractual Obligations of each Credit Party listed on Schedule 5.12 required in connection with the execution, delivery or performance by such Credit Party or enforcement against such Credit Party of this Agreement and the other Transaction Documents to which such Credit Party is a party shall have been obtained and be in full force and effect, and the Purchaser shall have been furnished with appropriate evidence thereof, and all waiting periods shall have lapsed without extension or the imposition of any conditions or restrictions.

3.11 Consummation of AMN Acquisition, Purchase Price. Healthcare shall have become a Wholly-Owned Subsidiary of Holdings; the AMN Acquisition shall have been consummated in accordance with the terms of the Acquisition Agreement and the other Transaction Documents; and the cash purchase price payable in connection with the AMN Acquisition shall not exceed $147,500,000 plus or minus certain adjustments pursuant to the Acquisition Agreement.

3.12 Senior Credit Facility. The transactions contemplated by the Senior Loan Agreement shall have been consummated in form and substance reasonably satisfactory to the Purchaser; Healthcare shall have received the cash proceeds of a term loan thereunder of not less than $50,000,000; and Healthcare shall have received a committed revolving credit facility thereunder of not less than $20,000,000, of which no more than $7,500,000 (plus an amount equal to Healthcare's cash on hand on the Closing Date) shall be borrowed by Healthcare on the Closing Date.

3.13 Equity Investment. Holdings shall have received proceeds of an equity investment, including, without limitation, amounts rolled over by shareholders of the

Credit Parties, in the minimum amount of $77,500,000 in connection with the Acquisition and on terms and conditions reasonably satisfactory to the Purchaser.

3.14 No Waivers. The transactions contemplated by the Transaction Documents shall have been consummated without the waiver of any conditions precedent thereto required to be performed on or prior to the consummation of the transactions contemplated thereby unless such waiver, in the reasonable judgment of the Purchaser, could not reasonably be expected to have a Material Adverse Effect.

3.15 No Material Adverse Change. Since June 30, 1999, no event shall have occurred which has had or could reasonably be expected to have a Material Adverse Effect.

3.16 Opinion of Counsel. The Purchaser shall have received an opinion of Paul, Weiss, Rifkind, Wharton & Garrison, counsel to Holdings, dated the Closing Date and in form and substance reasonably acceptable to the Purchaser.

3.17 Disbursement Instructions. The Purchaser shall have received written instructions from Holdings to the Purchaser directing the payment of any proceeds of the Note and the Warrant that are to be paid on the Closing Date.

ARTICLE IV

CONDITIONS TO THE OBLIGATION OF HOLDINGS TO CLOSE

The obligations of Holdings to issue and sell the Note and the Warrant and to perform its other obligations hereunder shall be subject to the satisfaction as determined by Holdings of the following conditions on or before the Closing Date:

4.01 Representations and Warranties True. The representations and warranties of the Purchaser contained in Section 6 hereof shall be true and correct in all material respects on and as of the Closing Date as if made on and as of such date.

4.02 Compliance with this Agreement. The Purchaser shall have performed and complied in all material respects with all of its agreements and conditions set forth or contemplated herein that are required to be performed or complied with by the Purchaser on or before the Closing Date.

4.03 Issuance Permitted by Requirements of Laws. The issuance of the Note and the Warrant to be issued by Holdings hereunder and the consummation of the transactions contemplated hereby (a) shall not be prohibited by any Requirement of Law and (b) shall not subject Holdings to any penalty or, in its reasonable judgment, other onerous condition under or pursuant to any Requirement of Law.

4.04 Consents and Approvals. All consents, exemptions, authorizations or other actions by, or notices to, or filings with, Governmental Authorities and other

Persons in respect of all Requirements of Law and Contractual Obligations of the Purchaser required in connection with the execution, delivery or performance by the Purchaser or enforcement against the Purchaser of this Agreement shall have been obtained and be in full force and effect, and Holdings shall have been furnished with appropriate evidence thereof, and all waiting periods shall have lapsed without extension or the imposition of any conditions or restrictions.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF HOLDINGS

Holdings hereby represents and warrants to the Purchaser, as of the Closing Date and before and after giving effect to the Acquisition and the other transactions contemplated by this Agreement and the other Transaction Documents as follows:

5.01 Corporate Existence and Power. Each of the Credit Parties (a) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, (b) has all requisite corporate power and authority to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently, or is currently proposed to be, engaged and (c) has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and each other Transaction Document to which it is or will be a party.

5.02 Corporate Authorization, No Contravention. The execution, delivery and performance by each Credit Party of the Transaction Documents to which it is or will be a party and the transactions contemplated hereby and thereby, including without limitation the issuance by Holdings of the Note and the Warrant, (a) have been duly authorized by all necessary corporate, and if required, stockholder action, (b) do not contravene the terms of the Holdings Charter Documents or the equivalent organizational documents of any Credit Party and (c) will not violate, conflict with or result in any breach or contravention of or the creation of any material Lien (other than Liens created or permitted under the Senior Loan Documents) under, any material Contractual Obligation of any Credit Party, or any material Requirement of Law applicable to any Credit Party.

5.03 Governmental Authorization; Third Party Consents. Except as contemplated by the Transaction Documents or as disclosed on Schedule 5.03 and except to the extent previously duly obtained or made and in full force and effect, (i) no approval, consent, compliance, exemption, authorization or other action by, or notice to, or filing with, any Governmental Authority or any other Person in respect of any Requirement of Law, and no lapse of a waiting period under a Requirement of Law, is necessary or required in connection with the execution, delivery or performance by any Credit Party or enforcement against such Credit Party of this Agreement, the Notes, the Warrant Agreement and the Warrants and the transactions contemplated hereby or thereby, and (ii) no approval, consent, compliance, exemption, authorization or other

action by, or notice to, or filing with, any Governmental Authority or any other Person in respect of any material Requirement of Law, and no lapse of a waiting period under a material Requirement of Law, is necessary or required in connection with the execution, delivery or performance by any Credit Party or enforcement against such Credit Party of the other Transaction Documents to which such Credit Party is a party or the transactions contemplated thereby; provided, in each case, that no representation or warranty is made as to any approval, consent, compliance, exemption, authorization or other action by, or notice to or filing with any Person (including, without limitation, any Governmental Authority, banking agency or regulatory body), or lapse of any waiting period, in each case, applicable to the Purchaser or its transferees.

5.04 Binding Effect. This Agreement and the other Transaction Documents to which any Credit Party is a party will, upon the due execution and delivery thereof by such Credit Party, constitute the legal, valid and binding obligation of such Credit Party enforceable against such Credit Party in accordance with their respective terms except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity relating to enforceability.

5.05 Litigation. Except as disclosed on Schedule 5.05, there are no legal actions, suits, proceedings, claims or disputes pending, or to the knowledge of Holdings, threatened, at law, in equity, in arbitration or before any Governmental Authority against or affecting any of the Credit Parties (a) which affects the legality, validity or enforceability of this Agreement or which seeks to obtain damages or obtain relief as a result of the transactions contemplated by the Transaction Documents or (b) which could reasonably be expected to have a Material Adverse Effect. No injunction, writ, temporary restraining order, decree or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement or any of the other Transaction Documents.

5.06 No Default or Breach. No Credit Party is in default under or with respect to any Contractual Obligation in any respect, which, individually or together with all such defaults, could reasonably be expected to have a Material Adverse Effect.

5.07 ERISA. The execution and delivery of this Agreement and each of the other Transaction Documents, the purchase and sale of the Note and the Warrant hereunder and the consummation of the transactions contemplated hereby and thereby will not result in any prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code or any other violations of ERISA or any other Requirement of Law related thereto.

5.08 Disclosure. Taken as a whole, this Agreement and the documents and certificates furnished to the Purchaser by Holdings on or prior to the Closing do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein or therein, in the light of the circumstances under which they were made, not misleading. There is no fact known to Holdings which

Holdings has not disclosed to the Purchaser in writing, which has had since June 30, 1999 or could reasonably be expected to have a Material Adverse Effect.

5.09 Capitalization. As of the Closing Date, the authorized Capital Stock of each Credit Party and the issued and outstanding shares thereof is as described on Schedule 5.09. As of the Closing Date, all outstanding shares of each Credit Party will be duly authorized and validly issued, fully paid, nonassessable and free and clear of any Lien (other than Liens created under or permitted by the Senior Loan Documents). Except as described in Schedule 5.09, as of the date hereof, (a) no other Capital Stock of any Credit Party is authorized or outstanding, (b) no Credit Party has outstanding any rights (either preemptive or other) or options to subscribe for or purchase from such Credit Party, or any warrants or other agreements providing for or requiring the issuance by such Credit Party of, any Capital Stock and (c) neither any Credit Party nor any of its shareholders is a party to any agreement with respect to the voting or transfer of the Capital Stock of such Credit Party.

5.10 Private Offering. No form of general solicitation or general advertising was used by Holdings or, to the best of its knowledge, its representatives in connection with the offer or sale of the Note or the Warrant. Assuming the truth of the representations made in Article 6, no registration of the Note or the Warrant pursuant to the provisions of the Securities Act or any state securities or "blue sky" laws will be required by the offer, sale or issuance of the Note, the Warrant or the shares of Common Stock issuable upon exercise of the Warrant.

5.11 Broker's, Finder's or Similar Fees. Except for fees payable by Holdings to BancAmerica Securities LLC and as disclosed in the Acquisition Agreement, there are no brokerage commissions, finder's fees or similar fees or commissions payable in connection with the transactions contemplated hereby or any other Transaction Document to which Holdings is a party, based on any agreement, arrangement or understanding with Holdings or any action taken by Holdings.

5.12 Contractual Obligations, etc. Except for the Transaction Documents and Other Documents, Schedule 5.12 hereto sets forth a complete and accurate list of all material Contractual Obligations (including the Contractual Obligations acquired or assumed in connection with the Acquisition) of each Credit Party in effect as of the Closing Date. To the knowledge of Holdings, on the Closing Date, each such Contractual Obligation (including Contractual Obligations evidencing Indebtedness and Liens) is, and after giving effect to the consummation of the transactions contemplated by the Transaction Documents will be, in full force and effect in accordance with the terms thereof and there are no material defaults by any Credit Party or by any other party under any such Contractual Obligation.

5.13 Financial Statements, Solvency.

(a) Financial Statements.

(i) The consolidated balance sheets of Healthcare and its Subsidiaries at December 31, 1997, December 31, 1998 and September 30, 1999, and the related statements of income, retained earnings and cash flows of Healthcare and its Subsidiaries for the fiscal year or other period ended on such dates, as the case may be, copies of which have been furnished to the Purchaser prior to the date hereof, present fairly in all material respects the financial condition of Healthcare and its Subsidiaries as of the dates thereof and for the periods then ended and have been prepared in accordance with GAAP consistently applied except, in the case of such financial statements which are audited, as may be indicated in the notes thereto and, in the case of the financial statements at and as of September 30, 1999, except for (a) changes required by GAAP as set forth on Schedule 5.13(a), (b) materials and disclosures normally found in notes to financial statements prepared in accordance with GAAP and (c) normal year-end adjustments.

(ii) The pro forma consolidated balance sheet of Holdings and its Subsidiaries delivered to the Purchaser pursuant to Section 3.06(a) (the "Pro Forma Balance Sheet") reflects estimated purchase accounting adjustments and presents a good faith estimate of the pro forma financial condition of Holdings and its Subsidiaries (after giving effect to the issuance of the Notes and the Warrant, the transactions contemplated to occur on the Closing Date, including, without limitation, the AMN Acquisition, and the application of the proceeds of the Notes and the Warrant).

(iii) Projections. The financial projections delivered to the Purchaser hereunder (the "Projections") are based on good faith estimates and assumptions believed by the management of Holdings to be reasonable in light of the circumstances when made, and there are no statements or conclusions in any of the Projections which, at the time made, were based upon or included information known to Holdings to be materially misleading or which fail to take into account material information regarding the matters reported therein. On the date hereof, Holdings believes that the Projections are reasonable and attainable, it being understood that uncertainty is inherent in any forecasts or projections and that no assurance can be given that the results set forth in the Projections will actually be obtained.

(b) Solvency. After giving effect to the consummation of the transactions contemplated by this Agreement, (a) the fair value of the assets on a going concern basis of the Credit Parties on a consolidated basis will be greater than the total amount of liabilities, including, without limitation, contingent and unliquidated liabilities, thereof, (b) each Credit Party will be able to pay all of its liabilities as they mature and (c) each Credit Party will not have unreasonably small capital with which to carry on their business. In computing the amount of contingent or unliquidated liabilities at any time, such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

5.14 Acquisition Documents. Holdings has delivered to the Purchaser a true, complete and correct copy of the Acquisition Agreement with all amendments and modifications thereto. Schedule 5.14 hereto sets forth a complete and accurate list of all the other Acquisition Documents, together with all amendments and modifications thereto. Such documents (including the schedules and exhibits thereto) comprise a full and complete copy of all material agreements between the parties thereto executed on or after the date of the Acquisition Agreement with respect to the subject matter thereof and all transactions related thereto, and there are no material agreements or understandings, oral or written, or side agreements among the parties thereto not contained therein that relate to or modify the substance thereof The Acquisition Agreement and the other Acquisition Documents have been duly authorized by all necessary corporate action on the part of each Credit Party, and, when executed and delivered by such Credit Party, will be the legal, valid and binding obligations of such Credit Party and its successors, enforceable in accordance with their terms, except as limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights generally and by general principles of equity relating to enforceability.

5.15 Senior Loan Documents. Holdings has delivered to the Purchaser true, complete and correct copies of the Senior Loan Documents together with all amendments and modifications thereto. Other than the documents listed on Schedule 5.15, such documents (including the schedules and exhibits thereto) comprise a full and complete copy of all material agreements between the parties thereto with respect to the subject matter thereof and all transactions related thereto, and there are no material agreements or understandings, oral or written, or side agreements among the parties thereto not contained therein that relate to or modify the substance thereof. The Senior Loan Documents have been duly authorized by all necessary corporate action on the part of each Credit Party and when executed and delivered by such Credit Party will be the legal, valid and binding obligations of such Credit Person and its successors, enforceable in accordance with their terms, except as limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights generally and by general principles of equity relating to enforceability. Each of the representations and warranties contained in Section 6 (other than those set forth in Sections 6.4, 6.5, 6.8, 6.14, 6.15, 6.19 and 6.20) of the Senior Loan Agreement is true and correct in all material respects and is hereby incorporated herein by reference as if fully set forth herein.

5.16 Indebtedness. Except as otherwise permitted by Section 9.01, the Credit Parties have no Indebtedness.

5.17 Investments. All Investments of each of the Credit Parties are Permitted Investments.

ARTICLE VI

REPRESENTATIONS AND
WARRANTIES OF THE PURCHASER

The Purchaser hereby represents and warrants as follows:

6.01 Authorization, No Contravention. The execution, delivery and performance by the Purchaser of this Agreement and the other Transaction Documents to which it is a party (a) is within the Purchaser's power and authority and has been duly authorized by all necessary action, (b) does not contravene the terms of the Purchaser's organizational documents or any amendment thereof and (c) will not violate, conflict with or result in any breach or contravention of any Contractual Obligation of the Purchaser, or any Requirement of Law directly relating to the Purchaser.

6.02 Corporate Existence and Power. The Purchaser (a) is a limited partnership duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, (b) has all requisite power and authority to own and operate its property and to conduct the business in which it is currently, or is currently proposed to be, engaged and (c) has the power and authority to execute, deliver and perform its obligations under this Agreement and each other Transaction Documents to which it is or will be a party.

6.03 Binding Effect. This Agreement has been duly executed and delivered by the Purchaser, and this Agreement constitutes the legal, valid and binding obligation of the Purchaser enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting the enforcement of creditors' rights generally or by general equitable principles relating to enforceability.

6.04 Accredited Investor; Purchase for Own Account. The Purchaser is an "accredited investor" within the meaning of Regulation D under the Securities Act. The Note and the Warrant are being or will be acquired for its own account and with no intention of distributing or reselling such securities or any part thereof in any transaction that would be in violation of the Securities Act, federal securities laws or the securities laws of any state, without prejudice, however, to the rights of the Purchaser at all times to sell or otherwise dispose of all or any part of the Note, the Warrant or the shares of Common Stock issued upon exercise of the Warrant under an effective registration statement under the Securities Act and applicable state securities laws, or under an exemption from such registration available under the Securities Act and applicable state securities laws. If the Purchaser should in the future decide to dispose of the Note, the Warrant or the shares of Common Stock issued upon exercise of the Warrant, the Purchaser understands and agrees that it may do so only in compliance with the Securities Act and applicable state securities laws, as then in effect and that stop-transfer instructions to that effect, where applicable, will be in effect with respect to such securities. If the Purchaser should decide to dispose of the Note or the Warrant, the Purchaser, if requested by Holdings in its reasonable judgment, will have the obligation in connection with such disposition, at Holdings' expense, of delivering an opinion of

counsel in connection with such disposition to the effect that the proposed disposition of such securities would not be in violation of the Securities Act or any applicable state securities laws. The Purchaser agrees to the imprinting, so long as required by law, of a legend on certificates representing the Note and the Warrant to the following effect:

> "THE SECURITIES REPRESENTED BY THIS [NOTE] [COMMON STOCK PURCHASE WARRANT] HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE. NO TRANSFER, SALE OR OTHER DISPOSITION OF THIS [NOTE) [COMMON STOCK PURCHASE WARRANT] MAY BE MADE UNLESS A REGISTRATION STATEMENT WITH RESPECT TO THIS [NOTE] [COMMON STOCK PURCHASE WARRANT] HAS BECOME EFFECTIVE UNDER SUCH ACT, AND SUCH REGISTRATION OR QUALIFICATION AS MAY BE NECESSARY UNDER THE SECURITIES LAWS OF ANY STATE HAS BECOME EFFECTIVE, OR HOLDINGS HAS BEEN FURNISHED WITH AN OPINION OF COUNSEL SATISFACTORY TO HOLDINGS THAT SUCH REGISTRATION IS NOT REQUIRED. NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL OR STATE REGULATORY AUTHORITY HAS PASSED ON OR ENDORSED THE MERITS OF THESE SECURITIES."

6.05 ERISA. No part of the funds used by the Purchaser to purchase the Note or the Warrant hereunder constitutes assets of any Plan or any "plan" (as defined in Section 4975 of the Code).

6.06 Broker's, Finder's or Similar Fees. There are no brokerage commissions, finder's fees or similar fees or commissions payable in connection with the transactions contemplated hereby, or by any other Transaction Document to which the Purchaser is a party, based on any agreement, arrangement or understanding with the Purchaser or any action taken by the Purchaser.

6.07 Governmental Authorization, Third Party Consent. Except as contemplated by the Transaction Documents and except to the extent previously and duly obtained or made and in full force and effect, no approval, consent, compliance, exemption, authorization or other action by, or notice to, or filing with, any Governmental Authority or any other Person in respect of any Requirement of Law, and no lapse of a waiting period under a Requirement of Law, is necessary or required in connection with the execution, delivery or performance by the Purchaser or enforcement against the Purchaser of this Agreement or the transactions contemplated hereby.

6.08 Investment Company. Neither the Purchaser nor any Person controlling the Purchaser is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

ARTICLE VII

FINANCIAL INFORMATION AND NOTICES; BOARD OBSERVATION RIGHTS

7.01 Financial Statements and Other Information. Until the earlier of (a) a Qualified Public Offering, or (b) the first date on which (i) Holdings has paid all principal of and interest and premium on the Notes and all other amounts then due under this Agreement and the Notes and (ii) there ceases to be any Significant Holder, Holdings shall deliver to each Significant Holder:

(a) Interim Financials.

(i) Financial Reports. Concurrently with the distribution of any such report to any Sponsor Entity, copies of the monthly financial reporting package consisting of the consolidated statements of income, cash flows and balance sheet of Holdings and its Subsidiaries, along with any supporting operational and statistical data included therein.

(ii) Quarterly Financial Statements. As soon as available, but in any event not later than forty-five (45) days after the end of each of the first three fiscal quarters of each fiscal year of Holdings, the unaudited consolidating and consolidated statement of income and balance sheet of Holdings and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of cash flows and retained earnings of Holdings and its consolidated Subsidiaries for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case comparative figures for the related periods in the prior fiscal year and budgeted figures for such period as set forth in the respective budget delivered pursuant to Section 7.01(g), all of which shall be certified by the chief financial officer or equivalent officer of Holdings, subject to the absence of footnotes, changes resulting from the audit, and normal year-end audit adjustments; and

(b) Year-End Financials. As soon as available, but in any event within ninety (90) days after the end of each fiscal year of Holdings, a copy of the consolidating and consolidated statement of income and balance sheet of Holdings and its consolidated Subsidiaries as at the end of such year and the related consolidated statements of cash flows and retained earnings for such year.

All such financial statements shall be complete and correct in all material respects and shall be prepared in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by the accountants preparing such statements or the chief financial officer, as the case may be, and disclosed therein) and, in the case of the consolidated financial statements referred to in Section 7.01(b), accompanied by a report thereon of independent certified public accountants of recognized national standing, which report shall contain no qualifications with respect to the continuance of Holdings and its Subsidiaries as going concerns and shall state that such financial statements present fairly in all material respects the financial position of Holdings and its Subsidiaries as at the dates indicated and the results

of their operations and cash flow for the periods indicated in conformity with GAAP and that the examination by such accountants in connection with such financial statements has been made in accordance with GAAP.

(c) Compliance Certificate. Together with each delivery of financial statements pursuant to Sections 7.01(a)(ii) and 7.01(b) above, a fully and properly completed compliance certificate signed by an Executive Officer of Holdings certifying that Holdings is in compliance with each of the covenants contained in Articles 7, 8 and 9 hereof.

(d) Accountants' Certification. Together with each delivery of consolidated financial statements of Holdings pursuant to Section 7.01(b), a written statement by its independent certified public accountants (i) stating that they have reviewed the terms of Section 9.01 of this Agreement as the same relate to accounting matters and (ii) stating whether, in the course of their year-end audit, any condition or event that constitutes an Event of Default under such Section has come to their attention and, if such a condition or event has come to their attention, specifying the nature and period of existence thereof; provided, that, such accountants shall not be liable by reason of any failure to obtain knowledge of any such Event of Default that would not be disclosed in the course of their audit examination.

(e) Accountants' Reports. Within a reasonable time period after receipt thereof, a copy of any management letter submitted by independent public accountants to Holdings or any of its Subsidiaries in connection with any annual audit of the books of such Person.

(f) Management Report. Together with each delivery of financial statements of Holdings pursuant to Section 7.01(a)(ii) and (b) above, a management report: (i) describing the operations and financial condition of the Credit Parties for the period then ended and the portion of the current fiscal year then elapsed (or for the fiscal year then ended in the case of year-end financials), (ii) setting forth in comparative form the corresponding figures for the corresponding periods of the previous fiscal year and the corresponding figures from the most recent budget for the current fiscal year delivered to such Significant Holder pursuant to Section 7.01(g) and (iii) discussing the reasons for any significant variations from such budget. The information above shall be presented in reasonable detail and shall be certified by the chief financial officer or equivalent officer of Holdings to the effect that such information (including the financial statements of Holdings delivered pursuant to Section 7.01(a)(ii) and (b)) fairly presents the results of operations and financial condition of Holdings and its Subsidiaries, as at the dates and for the periods indicated, except for normal year-end audit adjustments and absence of footnotes.

(g) Budgets. As soon as available and in any event not later than forty-five (45) days after the end of each fiscal year of Holdings an annual budget in form satisfactory to the Required Holders (including budgeted statements of income, cash flows and balance sheets) prepared by Holdings for each fiscal month of such fiscal year, prepared in reasonable detail, with appropriate presentation and discussion of the

principal assumptions upon which such budget is based, which shall be accompanied by the statement of the chief executive officer or chief financial officer of Holdings to the effect that, to the best of his knowledge, such budget is a reasonable estimate for the periods respectively covered thereby in light of the circumstances at the time such budget was prepared.

(h) SEC Filings and Press Releases. Promptly upon their becoming available, copies of all regular and periodic reports and all registration statements and prospectuses, if any, filed by any of the Credit Parties with any securities exchange or with the Commission.

(i) Other Information. With reasonable promptness, such other information and data with respect to any Credit Party as from time to time may be reasonably requested by any Holder.

(j) Notices. Prompt (but in no event later than ten (10) days after an Executive Officer of Holdings obtains knowledge thereof) written notice of: (i) the commencement of all proceedings and investigations by or before any Governmental Authority (including any notice of violation of any Requirement of Law) and all actions and proceedings in any court or before any arbitrator against or involving any Credit Party thereof or any of its or their respective properties, assets or businesses, in each case involving a claim or liability which could reasonably be expected to have a Material Adverse Effect, (ii) any material labor controversy that has resulted in or in the reasonable judgment of Holdings threatens to result in, a strike or other work action against any Credit Party, (iii) any attachment, judgment, levy or order assessed against any Credit Party that could reasonably be expected to have a Material Adverse Effect, (iv) any notice given or received by any Credit Party of any event of default, or any event which constitutes or which with the passage of time or giving of notice or both would constitute, a default or event of default under the Senior Loan Agreement, (v) any act or condition arising under ERISA that would constitute grounds for the termination of any Plan or for the appointment by the appropriate United States District Court of a trustee to administer such plan or for the imposition of any liability on any Credit Party under Title IV of ERISA, (vi) any Event of Default, or any event which constitutes or which with the passage of time or giving of notice or both would constitute an Event of Default, and (vii) any written notice of any kind given or received by any Credit Party from any Senior Lender under the Senior Loan Agreement.

7.02 Board of Directors Observation Rights. For the period commencing on the Closing Date and ending on the earliest to occur of (a) a Qualified Public Offering and (b) the date on which the Purchaser first ceases to be a Significant Holder (such period, the "Observation Period"), Holdings shall provide the Purchaser the right to have one representative present (whether in person or by telephone) at all meetings of the Board of Directors of Holdings; provided, that such representative shall not be entitled to vote at such meetings; provided further, that such representative shall not be entitled to attend that portion of meetings during which the Board of Directors shall discuss any rights of Holdings vis-a-vis the Purchaser. During the Observation Period, Holdings shall provide the Purchaser with a notice of each meeting of the Board of Directors of

Holdings as is distributed to the directors of Holdings in accordance with Holdings' Charter Documents together with all materials that are distributed to the directors of Holdings pertaining to such meeting. The Purchaser shall provide notice to Holdings of the identity and address of, or any change with respect to the identity or address of, such representative. The rights of the Purchaser under this Section 7.02 may not be transferred or assigned to any other Person.

7.03 Confidentiality. Each Holder and its assignees and participants agrees to keep confidential and not to disclose to third parties information regarding any Credit Party furnished to such Holder or its assignees or participants by Holdings (or in the case of an assignment or participation, by any Holder) pursuant to the Transaction Documents; provided that this confidentiality agreement shall not apply (i) to the extent that such Holder or its assignee or participant in its sole discretion determines that disclosure to one or more third parties is necessary to satisfy any legal or regulatory obligations or requests or to enforce its rights under any Transaction Documents, (ii) if reasonably incidental to the administration of the Transaction Documents, to disclosures by such Holder or its assignee or participant to its directors, officers, employees, agents, advisors, attorneys and accountants in each case, on a need to know basis in accordance with customary banking or investment practices (provided that such Persons shall themselves agree to maintain the confidentiality of such information in accordance with the requirements hereof (iii) to any information (A) which was publicly known or available at the time of its disclosure to such Holder or its assignee or participant, (B) which subsequently becomes publicly known or available other than as a result of a breach by such Holder or its assignee or participant of its non-disclosure obligations under this sentence or (C) which becomes known to such Holder or its assignee or participant other than from Holdings, (iv) to any other Holder or an Affiliate of any Holder, or (v) subject to provisions substantially similar to those contained in this Section 7.03, to any Eligible Assignee or proposed participant in connection with a proposed transfer to such Person of the Note, the Warrant, or any Common Shares issued upon the exercise of the Warrant.

ARTICLE VIII

AFFIRMATIVE COVENANTS

Until such time as Holdings has paid all principal of and interest and premium (if applicable) on the Notes and all other amounts due under this Agreement and the Notes, Holdings hereby covenants and agrees with each Holder as follows:

8.01 Preservation of Existence and Franchises. Except as a result of or in connection with a dissolution, merger or disposition of a Subsidiary not prohibited by Section 9.03 or Section 9.04, Holdings will, and will cause each of the other Credit Parties to, do all things necessary to preserve and keep in full force and effect its existence and authority and all material rights and franchises.

8.02 Books and Records. Holdings will, and will cause each of the other Credit Parties to, keep complete and accurate books and records of its transactions in accordance

with good accounting practices on the basis of GAAP (including the establishment and maintenance of appropriate reserves).

8.03 Compliance with Law. Holdings will, and will cause each of the other Credit Parties to, comply with all Requirements of Law applicable to it and its Property if noncompliance with any such Requirement of Law could reasonably be expected to have a Material Adverse Effect.

8.04 Payment of Taxes and Other Indebtedness. Holdings will, and will cause each of the other Credit Parties to, pay or cause to be paid and discharge (a) all material taxes, assessments and governmental charges or levies imposed upon it, or upon its income or profits, or upon any of its properties, before they shall become delinquent, (b) all lawful claims (including claims for labor, materials and supplies) which, if unpaid, might give rise to a Lien upon any of its properties, and (c) except as prohibited hereunder, all of its other Indebtedness as it shall become due; provided, that neither Holdings nor any other Credit Party shall be required to pay any such tax, assessment, charge, levy, claim or Indebtedness which is being contested in good faith by appropriate proceedings and as to which adequate reserves therefor have been established in accordance with GAAP, unless the failure to make any such payment (i) could give rise to an immediate right to foreclose on a Lien securing such amounts or (ii) could reasonably be expected to have a Material Adverse Effect.

8.05 Insurance. Holdings will, and will cause each of the other Credit Parties to, at all times maintain in full force and effect insurance (including worker's compensation insurance, liability insurance, casualty insurance and business interruption insurance) in such amounts, covering such risks and liabilities and with such deductibles or self-insurance retentions as are in accordance with normal industry practice or as otherwise required by the Senior Loan Documents. The present insurance coverage of the Credit Parties is outlined as to carrier, policy number, expiration date, type and amount on Schedule 8.05.

8.06 Maintenance of Property. Holdings will, and will cause each of the other Credit Parties to, maintain and preserve its Property and equipment material to the conduct of its business in good repair, working order and condition, normal wear and tear and casualty and condemnation excepted, and will make, or cause to be made, in such Property and equipment from time to time all repairs, renewals, replacements, extensions, additions, betterments and improvements thereto as may be needed or proper, to the extent and in the manner customary for companies in similar businesses.

8.07 Performance of Obligations. Holdings will, and will cause each of the other Credit Parties to, perform in all material respects all of its material obligations under the terms of all material agreements, indentures, mortgages, security agreements or other debt instruments to which it is a party or by which it is bound.

8.08 Use of Proceeds. Holdings will use the proceeds of the Notes to effect the AMN Acquisition, to pay fees and expenses related thereto and to provide for working

capital and general corporate purposes (including, without limitation, for the AMN Acquisition) of the Credit Parties.

8.09 Inspections. Upon reasonable notice and during normal business hours, Holdings will, and will cause each of the other Credit Parties to, permit representatives appointed by any Significant Holder of Notes and, before a Qualified Public Offering, any Significant Holder of Warrants or of the Common Stock issued upon exercise thereof, including, without limitation, independent accountants, agents, attorneys, and appraisers to visit and inspect its property, including its books and records, its accounts receivable and inventory, its facilities and its other business assets, and to make photocopies or photographs thereof and to write down and record any information such representative obtains and. shall permit the Significant Holders or their representatives to investigate and verify the accuracy of information provided to such Significant Holders and to discuss all such matters with the officers, employees and representatives of such Significant Holders; provided, that if at any time more than one Significant Holder wishes to exercise its rights under this Section 8.09, all such Significant Holders shall appoint the same representatives to act on their behalf.

8.10 Year 2000 Compliance. Holdings will promptly notify the Holders of the Notes in the event any Credit Party discovers or determines that any computer application that is material to its business and operations will not be able on a timely basis to perform properly date-sensitive functions for all dates before and after January 1, 2000, except to the extent that such failure could not reasonably be expected to have a Material Adverse Effect.

ARTICLE IX

NEGATIVE COVENANTS

Until such time as Holdings has paid all principal of and interest and premium on the Notes and all other amounts due under this Agreement and the Notes, Holdings hereby covenants and agrees with each Holder as follows:

9.01 Indebtedness. Holdings will not, and will not permit any of the other Credit Parties to, contract, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness arising under this Agreement and the Notes;

(b) Indebtedness of the Credit Parties in an aggregate amount not to exceed $75,000,000 arising under the Senior Loan Agreement and the other Senior Loan Documents;

(c) any Indebtedness not otherwise permitted hereunder incurred by any Credit Party hereafter if, on the date such Credit Party becomes liable with respect to any such Indebtedness and immediately after giving effect thereto and the concurrent retirement of any other Indebtedness, on a Pro Forma Basis, (i) no Default or Event of

Default exists and (ii) the Leverage Ratio shall not exceed the Leverage Ratio set forth below for such date of incurrence:

DATE OF INCURRENCE	LEVERAGE RATIO
From November 19, 1999 to December 30, 2000	5.25 to 1.00
From December 31, 2000 to December 30, 2001	4.75 to 1.00
From December 31, 2001 to November 19, 2005	3.75 to 1.00

provided, that Holdings shall deliver on the date of such incurrence a Pro Forma Compliance Certificate and; provided, further, that Holdings shall not be obligated to deliver to any Holder of Notes a Pro Forma Compliance Certificate in respect of the incurrence of any Indebtedness under any Designated Refinancing Agreement if Holdings shall have delivered to each Holder of Notes a Pro Forma Compliance Certificate concurrently with the delivery of the most recent quarterly financial statements delivered pursuant to Section 7.01(a)(ii), setting forth the Leverage Ratio on a Pro Forma Basis as of the end of the applicable fiscal quarter;

(d) purchase money Indebtedness (including obligations in respect of Capital Leases or Synthetic Leases) hereafter incurred by Healthcare or any of its Subsidiaries to finance the purchase of fixed assets provided that (i) the total of all such Indebtedness under this clause (d) for all such Persons taken together shall not exceed an aggregate principal amount of $2,500,000 at any one time outstanding; (ii) such Indebtedness when incurred shall not exceed the purchase price of the asset(s) financed; and (iii) no such Indebtedness shall be refinanced for a principal amount in excess of the principal balance outstanding thereon at the time of such refinancing;

(e) obligations of Healthcare in respect of Hedging Agreements entered into in order to manage existing or anticipated interest rate or exchange rate risks and not for speculative purposes;

(f) intercompany Indebtedness arising out of loans, advances and Guaranty Obligations permitted under Section 9.05; and

(g) Guaranty Obligations of any Credit Party with respect to any Indebtedness of Healthcare or any of its Subsidiaries permitted by this Section 9.01.

9.02 Nature of Business. Holdings will not, and will not permit any of the other Credit Parties to, engage at any time in any business or business activity other than the business conducted by such Person as of the Closing Date and any business reasonably related or similar thereto.

9.03 Consolidation, Merger, Dissolution, etc. Except in connection with a Permitted Asset Disposition, Holdings will not, and will not permit any of the other Credit Parties to, enter into any transaction of merger or consolidation or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); provided that, notwithstanding the foregoing provisions of this Section 9.03, (a) Healthcare may merge or consolidate with any of its Subsidiaries provided that Healthcare shall be the continuing or surviving corporation, (b) any Credit Party other than Holdings or Healthcare may merge or consolidate with any other Credit Party other than Holdings or Healthcare, (c) any Subsidiary of Healthcare may merge with any Person that is not a Credit Party in connection with an Asset Disposition permitted under Section 9.04, (d) Healthcare or any Subsidiary of Healthcare may merge with any Person other than a Credit Party in connection with a Permitted Acquisition provided that, if such transaction involves Healthcare, Healthcare shall be the continuing or surviving corporation and (e) any Subsidiary of Healthcare may dissolve, liquidate or wind up its affairs at any time provided that such dissolution, liquidation or winding up, as applicable, could not reasonably be expected to have a Material Adverse Effect.

9.04 Asset Dispositions. Holdings will not, and will not permit any of the other Credit Parties to, make any Asset Disposition other than an Excluded Asset Disposition unless (a) at least 80% of the consideration paid in connection therewith shall consist of cash or Cash Equivalents, (b) if such transaction is a Sale and Leaseback Transaction, such transaction is not prohibited by the terms of Section 9.11, (c) such transaction does not involve the sale or other disposition of a minority equity interest in any Credit Party and (d) the aggregate net book value of all of the assets sold or otherwise disposed of by Holdings and the Credit Parties in all such transactions after the Closing Date shall not exceed $3,000,000.

9.05 Investments. Holdings will not, and will not permit any of the other Credit Parties to, make Investments in or to any Person, except for Permitted Investments.

9.06 Restricted Payments. Holdings will not, and will not permit any of the other Credit Parties to, directly or indirectly, declare, order, make or set apart any sum for or pay any Restricted Payment, except (a) to make dividends or other distributions payable to any Credit Party (directly or indirectly through Subsidiaries), (b) payments by any Credit Party to AMN Acquisition Sub pursuant to a tax sharing agreement under which each such Credit Party is allocated its proportionate share of the tax liability of the affiliated group of corporations that file consolidated federal income tax returns (or that file state or local income tax returns on a consolidated, combined, unitary or similar basis), (c) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock in Holdings held by members of senior management and other key employees of the Credit Parties in an aggregate cash amount of up to $1,000,000 per year and not to exceed $2,500,000 in the aggregate as long as any Note remains outstanding, (d) as permitted by Section 9.07 and (e) payments by any Credit Party in respect of an annual management fee to the Sponsor Entities in an amount not to exceed $200,000 per annum.

9.07 Transactions with Affiliates. Holdings will not, and will not permit any of the other Credit Parties to, enter into or permit to exist any transaction or series of transactions with any officer, director, shareholder, Subsidiary or Affiliate of such Person other than (a) advances of working capital to any Credit Party by any Credit Party, (b) transfers of cash and assets to any Credit Party by any Credit Party, (c) intercompany transactions expressly permitted by Section 9.01, Section 9.03, Section 9.04, Section 9.05 or, Section 9.06, (d) customary compensation and reimbursement of expenses of officers and directors, (e) payment in respect of annual management fee to any Sponsor Entity or any Affiliate thereof, in an amount not to exceed $200,000 per annum, (f) transactions described on Schedule 9.07 and (g) except as otherwise specifically limited in this Agreement, other transactions which are entered into in the ordinary course of such Person's business on terms and conditions substantially as favorable to such Person as would be obtainable by it in a comparable arm's-length transaction with a Person other than an officer, director, shareholder, Subsidiary or Affiliate.

9.08 Fiscal Year; Organizational Documents. Holdings will not, and will not permit any of the other Credit Parties to, amend, modify or change its articles of incorporation (or corporate charter or other similar organizational document) or bylaws (or other similar document) in any manner materially adverse to the Holders or change its fiscal year.

9.09 Limitation on Restricted Actions. Holdings will not, and will not permit any of the other Credit Parties to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any such Person to (a) pay dividends or make any other distributions to any Credit Party on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits, (b) pay any Indebtedness or other obligation owed to any Credit Party, (c) make loans or advances to any Credit Party or (d) sell, lease or transfer any of its properties or assets to any Credit Party except for such encumbrances or restrictions existing under or by reason of (i) this Agreement, (ii) the Senior Loan Agreement and the other Senior Loan Documents, (iii) applicable law, (iv) any Indebtedness or Lien permitted hereunder or under the Senior Loan Agreement or any document or instrument governing any such Lien; provided that any such restriction contained in any such Lien relates only to the asset or assets subject to such Lien or (v) customary restrictions and conditions contained in any agreement relating to the sale of any Property permitted under Section 9.04 pending the consummation of such sale.

9.10 Ownership of Subsidiaries, Limitations on Holdings. Notwithstanding any other provisions of this Agreement to the contrary:

(a) Holdings will not, and will not permit any of the other Credit Parties to, (i) permit any Person (other than Healthcare or any Wholly Owned Subsidiary of Healthcare) to own any Capital Stock of any Subsidiary of Healthcare, except (A) to qualify directors where required by applicable law or to satisfy other requirements of applicable law with respect to the ownership of Capital Stock of Foreign Subsidiaries or (B) as a result of or in connection with a dissolution, merger, consolidation or disposition of a Subsidiary not prohibited by Section 9.03 or Section 9.04, (ii) permit any Subsidiary

of Healthcare to issue or have outstanding any shares of preferred Capital Stock or (iii) permit, create, incur, assume or suffer to exist any Lien on any Capital Stock of any Subsidiary of Healthcare, except any Liens permitted under the Senior Loan Agreement.

(b) Holdings will not (i) hold any assets other than the Capital Stock of Healthcare, (ii) have any liabilities other than (A) Indebtedness permitted under Section 9.01, (B) tax liabilities in the ordinary course of business, (C) loans, advances and payments permitted under Section 9.07, (D) corporate, administrative and operating expenses in the ordinary course of business, and (E) other liabilities under this Agreement, the Notes and the other Transaction Documents to which Holdings is a party, or (iii) engage in any business other than (A) owning the Capital Stock of Healthcare and activities incidental or related thereto, and (B) acting as a guarantor under the Senior Loan Agreement and pledging its assets, pursuant to the Senior Loan Documents to which it is a party and (C) acting as borrower or guarantor, as applicable, in respect of Indebtedness permitted under Section 9.01.

9.11 Sale Leasebacks. Holdings will not, and will not permit any of the other Credit Parties to, enter into any Sale and Leaseback Transaction if the Net Cash Proceeds of all assets sold or transferred pursuant to such Sale and Leaseback Transaction, individually or in the aggregate, together with all other Sale and Leaseback Transactions, would exceed an amount equal to $2,000,000.

9.12 Capital Expenditures. Holdings will not permit Consolidated Capital Expenditures of the Credit Parties for any fiscal year to exceed $3,000,000 plus the unused amount available for Consolidated Capital Expenditures under this Section 9.12 for the immediately preceding fiscal year (excluding any carry forward available from any prior fiscal year).

9.13 Modifications of Senior Loan Agreement. Holdings will not, and will not permit any of the other Credit Parties to, amend or modify (or permit the amendment or modification of the Senior Loan Agreement and the other Senior Loan Documents in a way that would extend the final maturity of the Indebtedness of the Credit Parties thereunder to a date beyond May 19, 2005.

ARTICLE X

REDEMPTION OF NOTES

10.01 Optional Redemption of Notes. Subject to Article XI hereof, Holdings shall have the right to redeem the Notes, in whole or in part, at any time or from time to time, at a redemption price equal to the unpaid principal thereof plus interest thereon through the date fixed for redemption plus a premium in an amount equal to a percentage (the "Premium Percentage") of the principal amount redeemed determined in accordance with the following schedule:

DATE OF PREPAYMENT	PREMIUM PERCENTAGE
Before November 30, 2000	5%
December 1, 2000 to November 30, 2001	4%
December 1, 2001 to November 30, 2002	3%
December 1, 2002 to November 30, 2003	2%
December 1, 2003 to November 30, 2004	1%
Thereafter	0%

10.02 Mandatory Redemption of Notes. Subject to Article XI hereof

(a) Holdings shall redeem the Notes in full on November 19, 2005, at a redemption price equal to the unpaid principal thereof, together with any interest accrued and unpaid thereon as of the redemption date.

(b) On the date that is the earliest to occur of (i) the consummation by Holdings or Healthcare of any Public Offering, (ii) a Change of Control, or (iii) the dissolution, winding-up or liquidation of Holdings or Healthcare in whole or in part except as otherwise permitted hereby, then, Holdings shall, at the option of the Required Holders, redeem the Notes of all Holders in full at a redemption price equal to the unpaid principal thereof plus interest thereon through the date fixed for redemption plus a premium in an amount equal to the Premium Percentage set forth in Section 10.0 1 times the principal amount redeemed.

10.03 Notice of Redemption.

(a) Optional Redemption. Any call for redemption of the Notes pursuant to Section 10.01 shall be made by giving written notice to the Holders of the Notes to be redeemed no less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption, which notice shall specify the principal amount of such Notes to be redeemed. If less than all the Notes are to be redeemed, the notice of redemption shall identify the Notes and portion thereof to be redeemed. Notice of call for redemption having been given as aforesaid, the principal amount to be redeemed, together with premium, if any, and interest thereon to the date of prepayment, shall on the date designated in such notice become due and payable. From and after such date, unless Holdings shall default in payment of such principal amount when so due and payable, together with premium, if any, and interest as aforesaid, interest on such principal amount shall cease to accrue.

(b) Mandatory Redemption. (i) In the event any Credit Party or any shareholders thereof propose to effect any transaction described in Section 10.02(b)(i) or (iii), Holdings shall give each Holder of a Note written notice thereof not later than thirty (30) days prior to the proposed date of consummation of such transaction. Each Holder of a Note that desires to exercise its option to cause Holdings to redeem its Notes in full shall give Holdings irrevocable written notice (a "Redemption Notice") of such election not later than fifteen (15) days after receipt of such written notice from Holdings, which notice shall include wire instructions as to the account of the Holder of the Note at a

financial institution to which Holdings shall transfer the redemption price. Subject to the last sentence of this Section 10.03(b), if Holdings shall have received a Redemption Notice from the Required Holders, it shall redeem in full all Notes then outstanding on any Business Day selected by Holdings not later than the date the transaction described in this Section 10.02(b) is consummated. If any such transaction does not occur for any reason, Holdings shall promptly notify each Holder that such redemption shall not be made by Holdings and no such redemption shall be required.

Notwithstanding anything to the contrary contained herein, in the event of the occurrence of a Public Offering of Holdings or Healthcare, Holdings shall have the right, at its sole option and election, to use the proceeds from such Public Offering to redeem the Notes. Holdings shall give notice of its intent to do so to all Holders of Notes within ten (10) days of receipt of the affirmative election of the Required Holders to exercise their option to cause Holdings to redeem the Notes and Holdings shall redeem the Notes in full on a Business Day selected by Holdings not later than five Business Days after the date such Public Offering is commenced.

(ii) In the event of a Change of Control of Holdings or Healthcare, Holdings shall give each Holder of a Note written notice thereof not later than 5 Business Days after the occurrence of such Change of Control. Each Holder that desires to exercise its option to cause Holdings to redeem its Notes in full shall give Holdings a Redemption Notice of such election within fifteen (15) days after receipt of such written notice from Holdings, which notice shall include wire instructions as to the account of the Holder of the Note at a financial institution to which Holdings shall transfer the redemption price. If Holdings shall have received Redemption Notices from Required Holders, it shall redeem in full all Notes on a Business Day selected by Holdings no later than five days after its receipt of Redemption Notices from Required Holders.

10.04 Deposit of Funds and Termination of Rights. In connection with any redemption under this Article X, upon one day's notice to the holder of Notes affected thereby, Holdings may deposit for the benefit of the holders of any or all of the Notes the funds necessary to redeem such Notes in accordance with Sections 10.01 and 10.02 with a bank or trust company in the Borough of Manhattan, the City of New York, having a capital and surplus of at least $150,000,000. Any moneys so deposited by Holdings and unclaimed at the end of two years from the date designated for the redemption of such Note shall revert to the general funds of Holdings or as otherwise required by law. After such reversion, any such bank or trust company shall, upon demand, pay over to Holdings such unclaimed amounts and thereupon such bank or trust company shall be relieved of all responsibility in respect thereof and any holder of Notes shall look only to Holdings for the payment of the redemption price. Any interest accrued on funds deposited pursuant to this Section 10.04 shall be paid from time to time to Holdings for its own account. The notices required under this Section 10.04 having been given as aforesaid, upon the payment of, or deposit of, funds, as applicable, pursuant to this Section 10.04 in respect of the Notes to be redeemed, notwithstanding that any such Notes themselves shall not have been surrendered for cancellation, from and after the date scheduled for the redemption of the Notes (i) the Notes shall no longer be deemed

outstanding, (ii) the rights to receive interest thereon shall cease to accrue and (iii) all rights of the Holders of the Notes shall cease and terminate, excepting only the right to receive the redemption price therefor; provided, however, that if Holdings shall default in the payment of the redemption price therefor, the Notes shall thereafter be deemed to be outstanding and the Holders thereof shall have all of the rights of a Holder of Notes until such time as such default shall no longer be continuing or shall have been waived by the Required Holders.

10.05 Allocation and Application of Payments. In the case of the redemption of less than all the Notes at the time outstanding, the amount of any such redemption shall be allocated to the aggregate principal amount of the Notes to be redeemed among the holders of all the Notes at the time outstanding in proportion, as nearly as practicable, to the respective aggregate unpaid principal amounts of the Notes not theretofore called for redemption.

10.06 Notation of Partial Payments. Upon any partial redemption of any Note, such Note, at the option of the Holder of such Note, shall be either (a) surrendered to Holdings in exchange for a new Note in a principal amount equal to the principal amount remaining unpaid on the Note surrendered and otherwise having the same terms and provisions as the Note surrendered or (b) made available to Holdings at its office herein provided for notation thereon of the portion of the principal so redeemed.

ARTICLE XI

SUBORDINATION OF NOTES

11.01 Definitions. As used in this Article 11, the following terms shall have the following meanings:

"Agent" means Bank of America, N.A., as agent for the Senior Lenders under the Senior Loan Agreement, together with any successors or assigns or any agent under any Refinancing Transaction.

"Post-Petition Interest" means interest accruing in respect of Senior Indebtedness after the commencement of any bankruptcy, insolvency, receivership or similar proceedings by or against Holdings, at the rate applicable to such Senior Indebtedness pursuant to the terms applicable thereto, whether or not such interest is allowed as a claim enforceable against Holdings in any such proceedings.

"Senior Covenant Default" means any default under any Senior Indebtedness (other than a Senior Payment Default) which continues unaccrued for the period of grace, if any, with respect thereto.

"Senior Default" means a Senior Payment Default or a Senior Covenant Default.

"Senior Indebtedness" means (a) all obligations of Healthcare, as borrower, and Holdings, as guarantor, whether now or hereafter incurred pursuant to and in accordance

with the Senior Loan Documents and any promissory notes evidencing such obligations (including without limitation principal, interest (including Post-Petition Interest), fees, costs, expenses, and other amounts), and (b) all other obligations of any Credit Party in respect of Indebtedness permitted pursuant to the terms of Section 9.01(c) of this Agreement, whether now or hereafter incurred by such Credit Party provided, that, with respect to this clause (b), (i) such Indebtedness is for borrowed money and (ii) the principal amount of such Indebtedness is at least $1,000,000 in each single transaction at the time such Indebtedness is incurred.

"Senior Payment Default" means any default in the payment of any Senior Indebtedness whether upon the scheduled maturity thereof, upon acceleration or otherwise, which, in each case, continues uncured for the period of grace, if any, with respect thereto.

11.02 Subordination. Holdings, for itself and its successors and assigns, covenants and agrees, and each Holder, by its acceptance thereof, shall be deemed to have agreed, that the payment from whatever source of the Indebtedness of Holdings evidenced by this Agreement and the Notes, including the principal thereof, interest and premium thereon, and any other amounts owing hereunder or thereunder shall be subordinate and subject in right of payment, to the extent and in the manner hereinafter set forth, to the prior payment in full of all Senior Indebtedness, and that each holder of such Senior Indebtedness, with respect to the Senior Indebtedness now existing or hereafter arising, shall be deemed to have acquired such Senior Indebtedness in reliance upon the covenants and provisions contained in this Article 11.

11.03 Subordination Upon Distribution of Assets.

(a) Upon any payment or distribution of assets of Holdings of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding-up or total or partial liquidation or reorganization of Holdings, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership or other proceedings or pursuant to any assignment for the benefit of creditors or any other marshalling of assets and liabilities of Holdings (including upon any event described in Section 12.01(g) or (h)), all Senior Indebtedness shall first be paid in full or duly provided for before any payment is made on account of the Notes, and any such payment or distribution which otherwise would be payable or deliverable upon or with respect to the Notes shall be paid or delivered directly to the holders of the Senior Indebtedness or as otherwise directed by such holders or a court of competent jurisdiction for application to the payment or prepayment of the Senior Indebtedness (in such order as the holders of the Senior Indebtedness may elect) until the Senior Indebtedness shall have been paid in full or duly provided for.

(b) For purposes of this Section 11.03, the words "cash, property or securities" shall not be deemed to include (i) any payment or distribution of securities of Holdings or any other corporation authorized by an order or decree giving effect, and stating in such order or decree that effect is given, to the subordination of the Notes to the Senior Indebtedness, and made by a court of competent jurisdiction in a reorganization

proceeding under any applicable bankruptcy, insolvency or other similar law, or (ii) securities of Holdings or any other corporation provided for by a plan of reorganization or readjustment which are subordinated, to at least the same extent as the Notes, to the payment of all Senior Indebtedness then outstanding.

11.04 Prohibitions and Limitations on Payment.

(a) Subject to Section 11.03 hereof, upon receipt by Holdings of a Blockage Notice (as defined below) in respect of any Senior Payment Default and unless and until such Senior Payment Default shall have been cured or effectively waived in writing by the holders of the Senior Indebtedness, no direct or indirect payment (in cash, property, securities or by set-off or otherwise) shall be made of or on account of the Notes or any other amount due under this Agreement, or in respect of any redemption, retirement, purchase or other acquisition of the Notes and the Holders shall not accept (in cash, property, securities or by setoff or otherwise) from Holdings any payment of or on account of the Notes. Upon the earlier of the cure or waiver of such Senior Payment Default, Holdings shall, subject to Section 11.03 hereof, promptly pay to the Holders all sums then due and payable under the Notes as a result of this Section 11.04(a).

(b) Subject to Section 11.03 hereof, upon receipt by Holdings of a Blockage Notice in respect of any Senior Covenant Default and until the earlier of (i) such Senior Covenant Default shall have been cured or effectively waived in writing by the holders of the Senior Indebtedness and (ii) the expiration of the applicable Blockage Period (as defined below), no direct or indirect payment (in cash, property, securities or by set-off or otherwise) shall be made of or on account of the Notes or any other amount due under this Agreement, or in respect of any redemption, retirement, purchase or other acquisition of the Notes and the Holders shall not accept (in cash, property, securities or by setoff or otherwise) from Holdings any payment of or on account of the Notes or any other amount due under this Agreement. Upon the earlier of the dates described in clause (i) and (ii) above, Holdings shall, subject to Section 11.03 hereof, promptly pay to the Holders all sums then due and payable under the Notes as a result of this Section 11.04(b).

(c) For purposes of this Section 11.04, a "Blockage Notice" is a notice of a Senior Default given to Holdings by the Agent, in the case of the Senior Loan Documents, or by the holders of the requisite principal amount of the Senior Indebtedness under which such Senior Default has occurred (or their authorized agent), and a "Blockage Period" is the period commencing upon Holdings' receipt of such Blockage Notice and ending on the date one hundred eighty (180) days thereafter; provided that (i) no Blockage Notice pursuant to Section 11.04(b) may be given by reason of the continuance of any Senior Covenant Default which existed at the time of the giving of a prior Blockage Notice unless such Senior Covenant Default shall have been cured for a period of not less than sixty (60) days, (ii) no more than two Blockage Notices pursuant to Section 11.04(b) with respect to a Senior Covenant Default may be given in any three hundred sixty (360)-day period, and (iii) no Blockage Period or Periods pursuant to Section 11.04(b) with respect to a Senior Covenant Default may extend for more than one hundred eighty (180) days in any consecutive three hundred sixty (360)-day period. Upon

receipt of any Blockage Notice, Holdings shall promptly, but in any event with five (5) Business Days of receipt, deliver the same to each Holder.

11.05 Limitation on Remedies. So long as any Senior Indebtedness remains outstanding, upon the occurrence of an Event of Default, no Holder shall declare or join in any declaration of any of the Notes to be due and payable by reason of such Event of Default or otherwise take or cause to be taken any action against Holdings (including, without limitation, commencing any legal action against Holdings or filing or joining in the filing of any insolvency petition against Holdings) until the expiration of the Remedy Standstill Period (as defined below) with respect to such Event of Default. For purposes of this Agreement, the term "Remedy Standstill Period" shall mean a period which commences on the date that a notice of intention to exercise remedies on account of the occurrence of an Event of Default is given by the Required Holders to Holdings and the Agent and ends on the earliest to occur of (i) the cure or waiver of all Senior Payment Defaults continuing during such Remedy Standstill Period, or the expiration of any Blockage Period with respect to a Senior Covenant Default in effect during such Remedy Standstill Period, (ii) the acceleration of any Senior Indebtedness, (iii) an Event of Default specified in clause (g) or (h) of Section 12.01, (iv) one hundred eighty (180) days after the receipt by Holdings of such notice of intention to exercise remedies, (v) the waiver or amendment by or on behalf of the holders under the Senior Loan Agreement (or any requisite percentage thereof of the restrictions, during such Remedy Standstill Period, on asset sales or dispositions by Holdings or any of its Subsidiaries so as to permit Holdings or any of its Subsidiaries to transfer or apply the net proceeds from such asset sales or dispositions to or for the benefit of any holders of long-term Indebtedness of Holdings or its Subsidiaries other than to repay obligations under the Senior Loan Agreement, or (vi) such time as the holders of Senior Indebtedness (or any requisite percentage thereof consent in writing to the termination of the Remedy Standstill Period.

11.06 Payments and Distributions Received. If any Holder shall have received any payment from, or distribution of assets of, Holdings in respect of any of the Notes in contravention of the terms of this Article 11, then and in such event such payment-or distribution shall be received and held in trust for and shall be paid over or delivered to the holders of the Senior Indebtedness (or to the applicable agent on their behalf for application to the Senior Indebtedness, to the extent necessary to pay all such Senior Indebtedness in full in the form received (except for the endorsement or assignment of such Holder where necessary).

11.07 Proofs of Claim. If, while any Senior Indebtedness is outstanding, any event described in Section 11.03(a) occurs, the Holders shall duly and promptly take such action as any holder of the Senior Indebtedness may reasonably request to collect any payment with respect to the Notes for the account of the holders of the Senior Indebtedness and to file appropriate claims, or proofs of claim in respect of the Notes and to execute and deliver on demand such powers of attorney, proofs of claim, assignments of claim or other instruments as may be required to enforce any and all claims on or with respect to the Notes. Upon the failure of any Holder to take any such action, each holder of the Senior Indebtedness is hereby irrevocably authorized and empowered (in its own name or otherwise), but shall have no obligation, to demand, sue for, collect and receive

every payment or distribution referred to in respect of the Notes and to file claims and proofs of claim with respect to the Notes and each of the Holders hereby appoints each holder of the Senior Indebtedness or its representative as attorney-in-fact for such Holder to take any and all actions permitted by this paragraph to be taken by such Holder.

11.08 Subrogation. After all amounts payable under or in respect of the Senior Indebtedness have been paid in full or duly provided for, the Holders shall be subrogated to the rights of the holders of the Senior Indebtedness to receive payments or distributions applicable to the Senior Indebtedness to the extent that distributions otherwise payable to the Holders have been applied to the payment of the Senior Indebtedness. A distribution made under this Article 11 to a holder of the Senior Indebtedness which otherwise would have been made to a Holder is not, as between Holdings and such Holder, a payment by Holdings on the Senior Indebtedness.

11.09 Relative Rights. This Article 11 defines the relative rights of the Holders and the holders of the Senior Indebtedness. Nothing in this Article 11 shall (a) impair, as between Holdings and the Holders, the obligations of Holdings, which are absolute and unconditional, to pay principal of and interest (including default interest) and premium on the Notes in accordance with their terms, (b) affect the relative rights of the Holders and creditors of Holdings other than holders of the Senior Indebtedness, or (c) prevent the Holders from exercising their available remedies upon a default or Event of Default, subject to the rights, if any, under this Article 11 of holders of the Senior Indebtedness.

11.10 Subordination Not Impaired; Benefit of Subordination. Each of the Holders agrees and consents that without notice to or assent by such Holder, and without affecting the liabilities and obligations of Holdings and any holder of the Notes and the rights and benefits of the holders of the Senior Indebtedness set forth in this Article 11:

(a) Subject to the terms and conditions hereof, the obligations and liabilities of Holdings and any other party or parties for or upon the Senior Indebtedness may, from time to time, be increased, renewed, refinanced, extended, modified, amended, restated, compromised, supplemented, terminated, waived or released;

(b) The holders of the Senior Indebtedness, and any representative or representatives acting on behalf thereof, may exercise or refrain from exercising any right, remedy or power granted by or in connection with any agreements relating to the Senior Indebtedness and the subordination provisions hereof, including, without limitation, accelerating the Senior Indebtedness or exercising any right of set-off; and

(c) Any balance or balances of funds with any holder of the Senior Indebtedness at any time outstanding to the credit of Holdings may, from time to time, in whole or in part, be surrendered or released;

all as the holders of the Senior Indebtedness, and any representative or representatives acting on their behalf, may deem advisable, and all without impairing, abridging, diminishing, releasing or affecting the subordination of the Notes to the Senior Indebtedness provided for herein.

11.11 Covenants of the Holders. Until all of the Senior Indebtedness has been fully paid and discharged:

(a) No Holder shall hereafter (i) give any further subordination to any other creditor in respect of the Notes, (ii) take any security or collateral to secure the Notes or (iii) sell, assign, transfer or pledge the Notes or any part thereof unless expressly subject to the terms of this Article 11.

(b) No Holder shall release, exchange, extend the time of payment of, compromise, set off or otherwise discharge any part of the Notes or modify or amend the Notes in such a manner as to have an adverse effect upon the rights of the holders of the Senior Indebtedness.

(c) Each Holder hereby undertakes and agrees for the benefit of the holders of the Senior Indebtedness that, upon the occurrence and during the continuance of a Senior Default, it shall take any actions reasonably requested by any holder of the Senior Indebtedness to effectuate the full benefit of the subordination contained herein.

11.12 Miscellaneous.

(a) To the extent permitted by applicable law, the Holders and Holdings hereby waive (i) notice of acceptance hereof and reliance hereon by the holders of the Senior Indebtedness and (ii) all diligence in the collection or protection of or realization upon the Senior Indebtedness.

(b) Holdings and the Holders hereby expressly agree that the holders of the Senior Indebtedness may enforce any and all rights derived herein by suit, either in equity or law, for specific performance of any agreement contained in this Article 11 or for judgment at law and any other relief whatsoever appropriate to such action or procedure.

(c) Each Holder acknowledges and agrees that the foregoing subordination provisions are, and are intended to be, an inducement and a consideration to each holder of the Senior Indebtedness, whether such Senior Indebtedness was created or acquired before or after the issuance of this Agreement, and each holder of the Senior Indebtedness shall be deemed conclusively to have relied upon such subordination provisions in acquiring and continuing to hold such Senior Indebtedness.

ARTICLE XII

EVENTS OF DEFAULT

12.01 Events of Default. An "Event of Default" shall occur hereunder if:

(a) Holdings shall default in the payment of the principal of the Notes, when and as the same shall become due and payable, whether at maturity or at a date fixed for prepayment or by acceleration or otherwise; or

(b) Holdings shall default in the payment of any interest or premium on, or any other amount due in respect of, the Notes according to its terms, when and as the same shall become due and payable and such default shall continue unremedied for a period of three (3) Business Days; or

(c) Holdings shall default in the due observance or performance of any covenant, condition or agreement contained in Section 8.08 or Article 9 of this Agreement; or

(d) Holdings shall default in the due observance or performance of any covenant, condition or agreement contained herein or in the Notes (other than those referred to in clause (a), (b) or (c) of this Section 12.01), and such default is not remedied or waived within thirty (30) days after receipt by Holdings of notice from the Required Holders of such default; or

(e) any representation, warranty, certification or statement made by or on behalf of Holdings herein, in any Note, in any Warrant or in any certificate or other document delivered by Holdings to the Holders pursuant hereto or thereto shall have been incorrect in any material respect when made; or

(f) (i) Any Credit Party shall default (as principal or guarantor) beyond the applicable grace period with respect thereto, if any, in the payment of principal or interest (or similar payment in the case of Capitalized Lease Obligations) of any Indebtedness of such Credit Party (other than the Notes or any Indebtedness of any Credit Party pursuant to the Senior Loan Documents) and such Indebtedness is in an amount, individually or in the aggregate, in excess of $2,000,000 or (ii) any Indebtedness of any Credit Party, which individually or in the aggregate is in excess of $2,000,000, shall become (whether automatically or by demand of the lender thereof) due and payable in advance of the stated maturity thereof by virtue of any acceleration or similar provision relating thereto; or

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of any Credit Party or of a substantial part of its respective property or assets, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or a similar official for such Credit Party or for a substantial part of its respective property or assets, or (iii) the winding up or liquidation of any Credit Party; and such involuntary proceeding or petition shall continue undismissed, undischarged, or unbonded for sixty (60) consecutive days, or an order or decree approving or ordering any of the foregoing shall be entered; or

(h) any Credit Party shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding for the filing of any petition described in

paragraph (g) of this Section 12.01, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Credit Party, or for a substantial part of its property or assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing; or

(i) any of the following events or conditions, if such event or condition could reasonably involve possible taxes, penalties, and other liabilities in an aggregate amount in excess of $2,000,000: (i) any "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, shall exist with respect to any Plan, or any lien shall arise on the assets of any Credit Party or any ERISA Affiliate in favor of the PBGC or a Plan; (ii) an ERISA Event shall occur with respect to a Single Employer Plan, which is, in the reasonable opinion of the Required Holders, likely to result in the termination of such Plan for purposes of Title IV of ERISA; (iii) an ERISA Event shall occur with respect to a Multiemployer Plan or Multiple Employer Plan, which is, in the reasonable opinion of the Required Holders, likely to result in (A) the termination of such Plan for purposes of Title IV of ERISA, or (B) any Credit Party or any ERISA Affiliate incurring any liability in connection with a withdrawal from, reorganization of (within the meaning of Section 4241 of ERISA), or insolvency (within the meaning of Section 4245 of ERISA) of such Plan; or (iv) any prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility shall occur which may subject any Credit Party or any ERISA Affiliate to any liability under Sections 406, 409, 502(i), or 502(1) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which any Credit Party or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability; or

(j) one or more judgments for the payment of money in an aggregate amount in excess of $2,000,000 (to the extent not paid or fully covered by insurance provided by a carrier who has acknowledged coverage and has the ability to perform) shall be rendered against any Credit Party and the same shall remain undischarged, unsatisfied, unvacated, unbonded, unpaid, or unstayed for a period of sixty (60) days from the entry thereof.

12.02 Acceleration. If an Event of Default occurs under Section 12.01(g) or 12.01(h), then the outstanding principal of and interest and premium, if any, on the Notes shall automatically become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are expressly waived. If any other Event of Default occurs and is continuing, the Required Holders, by written notice to Holdings, may (subject to Article 11 hereof) declare the principal of and interest and premium on the Notes to be due and payable immediately. Upon any such declaration of acceleration, such principal, interest and premium, if any, shall become immediately due and payable and subject to Article 11 hereof, each Holder shall be entitled to exercise all of its rights and remedies hereunder and under its Note whether at law or in equity. The Required Holders may rescind and annul an acceleration and its consequences if all existing Events

of Default have been cured or waived, other than nonpayment of principal or interest that has become due and payable solely by virtue of acceleration. Any notice of rescission under the prior sentence shall be given in the manner specified in Section 14.02 hereof

12.03 Set-Off. Upon the occurrence and continuance of an Event of Default, in addition to all other rights and remedies that may then be available to any Holder of Notes, each Holder of Notes is hereby authorized at any time and from time to time, to the extent permitted by law, without notice to Holdings (any such notice being expressly waived by Holdings), subject to Article 11 hereof, to set off and apply any and all indebtedness at any time owing by such Holder of Notes to or for the credit or the account of Holdings against all amounts which may be owed to such Holder of Notes by Holdings in connection with this Agreement or any Notes. If any Holder of Notes shall obtain from Holdings payment of any principal of or interest or premium on any Note or payment of any other amount under this Agreement or any Note held by it or any other Transaction Document through the exercise of any right of set-off, and, as a result of such payment, such Holder of Notes shall have received a greater percentage of the principal, interest or other amounts then due hereunder by Holdings to such Holder of Notes than the percentage received by any other Holders, it shall promptly make such adjustments with such other Holders of Notes from time to time as shall be equitable, to the end that all the Holders of Notes shall share the benefit of such excess payment (net of any expenses which may be incurred by such Holder of Notes in obtaining or preserving such excess payment) pro rata in accordance with the unpaid principal and/or interest or premium on the Notes or other amounts (as the case may be) owing to each of the Holders of Notes. To such end all the Holders of Notes shall make appropriate adjustments among themselves if such payment is rescinded or must otherwise be restored. Any Holder of Notes taking action under this Section shall promptly provide notice to Holdings of any such action taken; provided, that the failure of such Holder to provide such notice shall not prejudice its rights hereunder.

ARTICLE XIII

INDEMNIFICATION

13.01 Indemnification. In addition to all other sums due hereunder or provided for in this Agreement and subject to the provisions of Article XI, Holdings shall indemnify and hold harmless each Holder and its Affiliates and its officers, directors, agents, employees, subsidiaries, partners and controlling persons (each, an "Indemnified Party") to the fullest extent permitted by law, from and against any and all losses, claims, damages, expenses (including reasonable fees, disbursements and other charges of counsel) or other liabilities (collectively, "Liabilities") resulting from or arising out of any breach of any representation or warranty, covenant or agreement of Holdings in this Agreement, any Note or any Warrant, including without limitation, the failure to make payment when due of amounts owing pursuant to the Notes or the Warrants on the due date thereof (whether at the scheduled maturity, by acceleration, redemption or otherwise) or any legal, administrative or other actions (including actions brought by any Holder or Holdings or any equity holders of Holdings or derivative actions brought by

any Person claiming through or in Holdings' name), proceedings or investigations (whether formal or informal), based upon, relating to or arising out of this Agreement, any Note or any Warrant or the transactions contemplated hereby and thereby, or any Indemnified Party's role therein or in the transactions contemplated thereby; provided, that Holdings shall not be liable under this Section 13.01 to an Indemnified Party: (a) for any amount paid in settlement of claims without Holdings' prior written consent, (b) to the extent that it is judicially determined that such Liabilities resulted primarily from the willful misconduct or gross negligence of such Indemnified Party or (c) to the extent that it is determined that such Liabilities resulted primarily from the breach by such Indemnified Party of any representation, warranty, covenant or other agreement of such Indemnified Party contained herein, in any Note or in any Warrant; and provided, further, that if and to the extent that such indemnification is unenforceable for any reason, Holdings shall make the maximum contribution to the payment and satisfaction of such Liabilities which shall be permissible under applicable laws. In connection with the obligation of Holdings to indemnify for expenses as set forth above, Holdings further agrees, upon presentation of appropriate invoices containing reasonable detail, to reimburse each Indemnified Party for all such expenses (including reasonable fees, disbursements and other charges of counsel) as they are incurred by such Indemnified Party; provided, that if an Indemnified Party is reimbursed hereunder for any expenses, such reimbursement of expenses shall be refunded to the extent it is judicially determined that the Liabilities in question resulted primarily from (i) the willful misconduct or gross negligence of such Indemnified Party or (ii) the breach by such Indemnified Party of any representation, warranty, covenant or other agreement of such Indemnified Party contained in this Agreement, any Note or any Warrant.

13.02 Notification. Each Indemnified Party under this Article 13 will, promptly after the receipt of notice of the commencement of any action, investigation, claim or other proceeding against such Indemnified Party in respect of which indemnity may be sought from Holdings under this Article 13, notify Holdings in writing of the commencement thereof. The omission of any Indemnified Party so to notify Holdings of any such action shall not relieve Holdings from any liability which it may have to such Indemnified Party (a) other than pursuant to this Article 13 or (b) tinder this Article 13 unless, and only to the extent that, such omission results in Holdings' forfeiture of substantive rights or defenses or Holdings is otherwise irrevocably prejudiced in defending such proceeding. In case any such action, claim or other proceeding shall be brought against any Indemnified Party and it shall notify Holdings of the commencement thereof, Holdings shall be entitled to assume the defense thereof at its own expense, with counsel reasonably satisfactory to the Indemnified Party; provided, that any Indemnified Party may, at its own expense, retain separate counsel to participate in such defense. Notwithstanding the foregoing, in any action, claim or proceeding in which both Holdings, on the one hand, and an Indemnified Party, on the other hand, is, or is reasonably likely to become, a party, such Indemnified Party shall have the right to employ separate counsel at Holdings' reasonable expense and to control its own defense of such action, claim or proceeding if, in the reasonable opinion of counsel to such Indemnified Party, a conflict or potential conflict exists between Holdings, on the one hand, and such Indemnified Party, on the other hand, that would make such separate representation advisable, provided, however, that in no event shall Holdings be required

to pay fees and expenses of Indemnified Parties under this Section 13.02 for more than one firm of attorneys in any jurisdiction in any one legal action or group of related legal actions. Holdings agrees that it will not, without the prior written consent of the Indemnified Party or Parties, which shall not be unreasonably withheld or delayed, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding relating to the matters contemplated hereby (including any Indemnified Party who is a party thereto or has been actually threatened to be made a party thereto) unless such settlement, compromise or consent includes an unconditional release of each such Indemnified Party or Parties from all liability arising or that may arise out of such claim, action or proceeding. Holdings shall not be liable for any settlement of any claim, action or proceeding effected against an Indemnified Party without the prior written consent of Holdings, which shall not be unreasonably withheld or delayed. The rights accorded to Indemnified Parties hereunder shall be in addition to any rights that any Indemnified Party may have at common law, by separate agreement or otherwise.

ARTICLE XIV

MISCELLANEOUS

14.01 Survival of Representations and Warranties. All of the representations and warranties made herein shall survive the execution and delivery of this Agreement, any investigation by or on behalf of the Purchaser, acceptance of the Notes and the Warrant and payment therefor.

14.02 Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, telecopy, overnight courier service or personal delivery:

(a) if to Holdings:

AMN Holdings, Inc.
2235 El Camino Real
Suite 200
San Diego, CA 92130
Attention: Diane K. Stumph
Telecopy: (858) 792-299

with a copy to:

Haas Wheat & Partners, L.P.
300 Crescent Court
Suite 1700
Dallas, TX 75201
Attention: Douglas D. Wheat
Telecopy: (214) 871-316

(b) if to BACI:

BancAmerica Capital Investors
SBIC L.L.P.
100 North Tryon Street
Charlotte, NC 28255-001
Attention: Walker L. Poole
Telecopy: (704) 386-432

(c) if to any other Holder:

At the address designated by such Holder and shown on the Note Register or Share Register of Holdings.

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; when delivered by courier, if delivered by commercial overnight courier service; five Business Days after being deposited in the mail, postage prepaid, if mailed; and when receipt is acknowledged, if telecopied.

14.03 Payments.

(a) Except to the extent otherwise provided herein or as required by any Requirement of Law, all payments of principal, interest and other amounts to be made by Holdings under this Agreement and each Note shall be made in U.S. Dollars, in immediately available funds, without deduction, set-off or counterclaim, to the payee thereof not later than 12:00 noon San Diego, California time on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day). Each such payment shall be made in accordance with written payment instructions furnished by such payee from time to time (unless otherwise provided herein), at least one (1) whole Business Day prior to the time at which such payment is due. If the due date of any payment under this Agreement or any Note would otherwise fall on a day which is not a Business Day, such date shall be extended to the next succeeding Business Day and interest shall be payable for any principal so extended for the period of such extension.

(b) Except as required pursuant to Section 14.03(a), each payment or prepayment of principal in respect of the Notes shall be made and applied pro rata, as nearly as may be, to all outstanding Notes according to the respective unpaid principal amounts thereof, and each payment of interest in respect of the Notes shall be made and applied pro rata, as nearly as may be, to all outstanding Notes according to the respective amounts of such interest then due and payable.

(c) Neither Holdings, nor any of its Affiliates shall, directly or indirectly, acquire any Note, by purchase or otherwise, except by way of payment or prepayment thereof in accordance with the provisions of the Notes and of this Agreement (including, without limitation, the provisions of this Agreement requiring the payment and application of all such payments or prepayments pro rata to all outstanding Notes).

14.04 Assignments and Participation.

(a) Holdings shall not assign its rights or obligations hereunder without the prior written consent of the Required Holders.

(b) (i) Each Holder of Notes may assign to one or more Eligible Assignees all or a portion of its interests, rights and obligations under this Agreement and the Notes; provided, that unless such Eligible Assignee is a Holder of Notes or an Affiliate of the transferring Holder, the principal amount of the Notes being assigned must equal or exceed $3,000,000 or represent 100% of the principal amount of such Holder's Note. Holdings will keep at its principal executive office or at such other office as Holdings may designate in writing to the Holders of Notes a register (the "Note Register") in which, subject to such reasonable regulations as it may prescribe, but at its expense (other than transfer taxes, if any), it will provide for the registration and transfer of Notes. Upon registration and transfer of any Note in compliance herewith, the assignee thereof shall become the Holder thereof (or such portion thereof as shall have been transferred and registered to such assignee) for purposes of this Agreement and shall thereupon, in respect of such Note (or portion thereof) be entitled to the benefits and liable for the obligations of a Holder of Notes hereunder.

(ii) Whenever any Note shall be surrendered for transfer or exchange in compliance herewith either at such office of Holdings or at the place of payment named in such Note, within five Business Days thereafter Holdings will deliver in exchange therefor a new Note or Notes, as may be requested by such Holder, in the same aggregate unpaid principal amount as the unpaid principal amount of the Note so surrendered, duly executed by Holdings. Each such new Note presented or surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer, duly executed by the registered Holder of such Note or such Holder's attorney duly authorized in writing. Any Note issued in exchange for any other Note or upon transfer thereof shall carry the rights to unpaid interest which were carried by the Note so exchanged or transferred, and neither gain nor loss of interest shall result from any such transfer or exchange. Any transfer tax relating to such transaction shall be paid by the Holder of such Note requesting the exchange.

(iii) Holdings and any agent of Holdings shall treat the Person in whose name any Note is registered in the Note Register as the owner of such Note for the purpose of receiving payment of the principal and premium (if any) and interest on such Note and for all other purposes whatsoever, whether or not such Note be overdue.

(c) A Holder of Notes may sell or agree to sell to one or more other Persons (a "Participant") a participation in all or any part of any Notes held by it; provided, that unless the Participant is a Holder of Notes or an Affiliate of the transferring Holder, the principal amount of the Notes being participated must equal or exceed $500,000 or represent 100% of the principal amount of such Holder's Note. The Participant's rights in respect of such participation shall be those set forth in the agreements executed by such Holder in favor of the Participant, and such Participant shall have no direct right under the Note or this Agreement, including rights to give consents or waivers or to execute amendments. In no event shall a Holder of Notes that sell a participation agree with the Participant to take or refrain from taking any action hereunder or under the Note, except that such Holder may agree with the Participant that it will not, without the consent of the Participant, agree to (i) extend the date fixed for the payment of principal of or interest on the related Notes, (ii) reduce the amount of any such payment of principal and (iii) reduce the rate at which interest is payable thereon to a level below the rate at which the Participant is entitled to receive such interest.

14.05 Lost, Etc. Notes. Upon receipt by Holdings of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of any Note, and (in case of loss, theft or destruction) of an indemnity satisfactory to it (which indemnity from a party other than the Purchaser or any Affiliate of the Purchaser, in Holdings' reasonable judgment, may be a secured indemnity obligation) and upon surrender and cancellation of such Note, if mutilated, within five Business Days thereafter Holdings will deliver in lieu of such Note a new Note in a like unpaid principal amount, duly executed by Holdings, dated as of the date to which interest has been paid.

The affidavit of any Holder's treasurer or assistant treasurer (or other responsible official), setting forth the circumstances with respect to the loss, theft or destruction of a Note shall be accepted as satisfactory evidence thereof.

14.06 Amendments, Determinations, Requests or Consents. Any amendment, supplement or modification of or to any provision of this Agreement, any waiver of any provision of this Agreement, and any consent to any departure by Holdings from the terms of any provision of this Agreement, shall be effective (i) only if it is made or given in writing and signed by Holdings, and the Holders in accordance with this Section 14.06 and (ii) only in the specific instance and for the specific purpose for which made or given; provided, that no such amendment shall be made to Article XI of this Agreement without the prior consent of the Required Lenders (as defined in the Senior Loan Agreement). All determinations, requests, consents, waivers or amendments (collectively "consent") to be made by the Holders pursuant to this Agreement shall be made by the Required Holders and not all the Holders; provided, that the consent of all Holders of the Notes is needed to: (A) reduce the principal of or rate of interest or premium on the Notes, (B) extend the final scheduled maturity date of the principal amount of the Notes,

(C) change the percentage of the Holders or the aggregate principal amount of Notes, as the case may be, which shall be required for the Holders to take any action hereunder, (D) amend the provisions of Article 11 hereof or (E) amend or waive this Section 14.06; and provided, further, that no Holder of the Notes shall have the right to give any consent hereunder if such Holder has acquired any Notes in violation of Section 14.04 hereof.

14.07 Remedies Cumulative. No failure or delay on the part of Holdings or any Holder in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to Holdings or any Holder at law, in equity or otherwise.

14.08 Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

14.09 Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

14.10 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW OF SUCH STATE.

14.11 Jurisdiction. Each party to this Agreement hereby irrevocably agrees that any legal action or proceeding arising out of or relating to this Agreement or any agreements or transactions contemplated hereby may be brought in the courts of the State of New York located in the City of New York or in the federal courts of the United States of America for the Southern District of New York located in the City of New York and hereby expressly submits to the personal jurisdiction and venue of such courts for the purposes thereof and expressly waives any claim of improper venue and any claim that such courts are an inconvenient forum. Each party hereby irrevocably consents to the service of process of any of the aforementioned courts in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the address set forth in Section 14.02, such service to become effective 10 days after such mailing.

14.12 Waiver of Jury Trial. NOTWITHSTANDING ANY OTHER PROVISION CONTAINED HEREIN, IN THE EVENT ANY JUDICIAL PROCEED-ING IS INSTITUTED IN CONNECTION WITH THIS AGREEMENT, TO THE EXTENT PERMITTED BY LAW, THE HOLDERS AND HOLDINGS EACH HEREBY IRREVOCABLY WAIVES ITS RESPECTIVE RIGHTS TO A JURY TRIAL WITH RESPECT TO ANY ACTION, CLAIM OR OTHER PROCEEDING ARISING OUT OF OR ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, ANY

RIGHTS OR OBLIGATIONS HEREUNDER, OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS.

14.13 Severability. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions hereof.

14.14 Rules of Construction. Unless the context otherwise requires, "or" is not exclusive, and references to Sections or subsections refer to Sections or subsections of this Agreement. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require.

14.15 Entire Agreement. This Agreement, together with the exhibits and schedules hereto and the other Transaction Documents to which the parties hereto are a party, is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein or therein. This Agreement, together with the exhibits hereto, and the other Transaction Documents to which the parties hereto are a party, supersede all prior agreements and understandings between the parties with respect to such subject matter.

14.16 Certain Expenses. Except as otherwise provided herein, Holdings shall pay or reimburse (a) BACI for all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) in connection with (i) the negotiation, preparation, execution and delivery of this Agreement, the Notes and each other Transaction Document to which BACI is a party and the consummation of the transactions contemplated thereby and (ii) any amendment, modification or waiver of any of the terms of this Agreement, the Notes or the Transaction Documents; (b) each Holder of Notes for all costs and expenses of such Holder of Notes (including, without limitation, reasonable attorney's fees and expenses of single counsel for such Holder) in connection with any Event of Default and any enforcement or collection proceedings resulting therefrom and (c) each Holder for all costs and expenses of such Holder (including, without limitation, reasonable attorney's fees and expenses of counsel for such Holder) in connection with the enforcement of this Section 14.16; and (d) each Holder for transfer, stamp, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect of this Agreement, the Notes or the Transaction Documents.

14.17 Publicity. Except as may be required by applicable law, none of the parties hereto shall issue a publicity release or announcement or otherwise make any public disclosure concerning this Agreement or the transactions contemplated hereby, without prior approval by the other parties hereto (which approval will not be unreasonably withheld). If any announcement is required by law to be made by any party

hereto, prior to making such announcement such party will deliver a draft of such announcement to the other parties and shall give the other parties an opportunity to comment thereon.

14.18 Further Assurances. Each of the parties shall execute such documents and perform such further acts (including, without limitation, obtaining any consents, exemptions, authorizations, or other actions by, or giving any notices to, or making any filings with, any Governmental Authority or any other Person) as may be reasonably required or desirable to carry out or to perform the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective officers hereunto duly authorized as of the date first above written.

AMN HOLDINGS, INC.

By: /s/ Steven C. Francis
_____
Name: Steven C. Francis
Title: Chief Executive Officer, President, Secretary and Treasurer

BANCAMERICA CAPITAL INVESTORS SBIC I, L.P.

By: BANCAMERICA CAPITAL MANAGEMENT SBIC I, LLC, its general partner

By: BANCAMERICA CAPITAL MANAGEMENT I L.P., its sole member

By: BACM I GP, LLC, its general partner

By: /s/ Walter L. Poole
_____
Walker L. Poole
Managing Director

Exhibit 10.2

FIRST AMENDMENT TO NOTE AND WARRANT PURCHASE AGREEMENT

This First Amendment (this "Amendment"), dated as of November 21, 2000 is entered into by and between AMN HOLDINGS, INC., a Delaware corporation (the "Company") and BANCAMERICA CAPITAL INVESTORS SBIC I, L.P., a Delaware limited partnership ("BACI").

R E C I T A L S:

WHEREAS, the Company and BACI are parties to a Note and Warrant Purchase Agreement, dated as of November 19, 1999 (as hereafter amended, restated, supplemented or otherwise modified, the "Note Agreement"); and

WHEREAS, the Company and BACI (as Required Holder) have agreed to amend the Note Agreement to modify certain provisions in the manner described more fully below, subject to the terms and conditions specified in this Amendment.

NOW, THEREFORE, in consideration of the foregoing and the agreements, promises and covenants set forth below, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Capitalized terms used but not otherwise defined in the Amendment shall have the respective meanings ascribed to them in the Note Agreement.

2. Amendment to the Note Agreement. The Note Agreement is hereby amended as follows:

(a) Amendment to Section 9.12. Section 9.12 of the Note Agreement is hereby deleted in its entirety and replaced with the following:

> 9.12 Capital Expenditures. Holdings will not permit Consolidated Capital Expenditures of the Credit Parties for any fiscal year to exceed $4,500,000 plus the unused amount available for Consolidated Capital Expenditures under this Section 9.12 for the immediately preceding fiscal year (excluding any carry forward available from any prior fiscal year).

3. Representations and Warranties/No Default.

(a) By its execution hereof, the Company hereby certifies that each of the representations and warranties set forth in the Note Agreement and the other Transaction Documents is true and correct in all material respects as of the date hereof as if fully set forth herein (except to the extent such representations and warranties expressly relate to an earlier date) and that as of the date hereof no Default or Event of Default under the Note Agreement has occurred and is continuing after giving effect to this Amendment.

(b) By its execution hereof, the Company hereby represents and warrants that the Company has the right, power and authority and has taken all necessary corporate and other action to authorize the execution, delivery and performance of this Amendment in accordance with its terms. This Amendment has been duly executed and delivered by the duly authorized officers of the Company, and constitutes the legal, valid and binding obligation of the Company, enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity relating to enforceability.

4. Conditions. This Amendment shall become effective upon satisfaction of the following conditions:

(a) Execution of Amendment. This Amendment shall have been duly executed and delivered by BACI and the Company.

(b) Additional Items. BACI shall have received any other document or instrument reasonably requested by it in connection with the execution of this Amendment.

5. Expenses. The Company agrees to pay all expenses of BACI, including reasonable fees and expenses of counsel to BACI, incurred in connection with the preparation and execution of this Amendment.

6. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

7. No Further Amendment. Except as expressly set forth herein, all other provisions of the Note Agreement shall be unmodified and shall continue in full force and effect.

8. Counterparts. This Amendment may be executed in separate counterparts, each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument.

IN WITNESS WHEREOF, this Amendment has been duly executed as of the date first written above.

AMN HOLDINGS, INC.

By: /s/ Diane K. Stumph

Name: Diane K. Stumph

Title: Senior Vice President

BANCAMERICA CAPITAL INVESTORS SBIC I, L.P.

By: BANCAMERICA CAPITAL MANAGEMENT SBIC I, LLC, its general partner

By: BANCAMERICA CAPITAL MANAGEMENT I L.P., its sole member

By: BACM I GP, LLC, its general partner

By: /s/ Walker L. Poole

Walker L. Poole
Managing Director

Exhibit 10.3

SUBSCRIPTION AGREEMENT

Dated: November 28, 2000

AMN Holdings, Inc.
12235 El Camino Real
Suite 200
San Diego, CA 92130

Gentlemen:

1. The undersigned hereby subscribes for 13,538.5 shares of Common Stock, par value of One Cent ($.01) a share, of AMN Holdings, Inc., a Delaware corporation (the "Corporation"). Payment therefor will be made in cash for an aggregate consideration of $4,440,000.

2. The shares subscribed for hereunder (the "Shares"), when issued, shall be fully paid and non-assessable and the certificates therefor shall so state.

3. The undersigned hereby:

3.1 represents and warrants that the undersigned has such knowledge and experience in financial and business matters that the undersigned is capable of utilizing the information that is available to the undersigned concerning the Corporation to evaluate the risks of investment in the Corporation;

3.2 acknowledges that the undersigned has been advised that the Shares have not been registered under the Securities Act of 1933, as amended (the "Act") and, accordingly, that the undersigned may not be able to sell or otherwise dispose of the Shares when the undersigned wishes to do so;

2

3.3 represents and warrants that the Shares are being purchased by the undersigned for the undersigned's own sole benefit and account for investment and not with a view to, or for resale in connection with, a public offering or distribution thereof;

3.4 agrees that the Shares will not be resold (a) without registration thereof under the Act (unless an exemption from such registration is available) or (b) in violation of any law;

3.5 consents that the certificate or certificates representing the Shares may be impressed with a legend indicating that the Shares are not registered under the Act and reciting that transfer thereof is restricted; and

3.6 consents that stop transfer instructions in respect of the Shares may be issued to any transfer agent, transfer clerk or other agent at any time acting for the Corporation.

Very truly yours,

BANCAMERICA CAPITAL INVESTORS SBIC I, L.P.

By: /s/ BancAmerica Capital Investors SBIC I, L.P.

Name:
Title:

Accepted: As of November 28, 2000

AMN HOLDINGS, INC.

By:/s/ Steven C. Francis

Name: Steven C. Francis
Title: President

Exhibit 10.4
Execution Copy

WARRANT AGREEMENT

between

AMN HOLDINGS, INC.,
as Issuer,

and

THE VARIOUS WARRANTHOLDERS
WHO ARE OR MAY BECOME PARTY HERETO

Dated as of November 19, 1999

TABLE OF CONTENTS

WARRANT AGREEMENT

THIS WARRANT AGREEMENT (the "Agreement") is dated as of November 19, 1999, among AMN HOLDINGS, INC., a Delaware corporation (the "Company"), BANCAMERICA CAPITAL INVESTORS SBIC I, L.P., a Delaware limited partnership ("BACI") and each of the other warrantholders who are or may become party hereto (collectively, the "Warrantholders").

Statement of Purpose

Pursuant to a Note and Warrant Purchase Agreement (the "Purchase Agreement"), dated the date hereof, between the Company and BACI, the Company issued to BACI certain subordinated notes and agreed to issue Common Stock Purchase Warrants (the "Warrants") to purchase certain shares of the Common Stock (as hereinafter defined) of the Company. The parties hereto desire to set forth certain terms and conditions applicable to the Warrants and certain rights and obligations among the Company and the Warrantholders, as more fully described herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Definitions. As used herein, the following terms shall have the following meanings. Capitalized terms not appearing below and not otherwise defined herein shall have the meaning ascribed to them in the Purchase Agreement.

"Affiliate" means, with respect to any Person, any other Person (a) directly or indirectly controlling or controlled by or under direct or indirect common control with such Person or (b) directly or indirectly owning or holding ten percent (10%) or more of the Capital Stock in such Person; provided, that, in no event shall BACI (or any Affiliate of BACI) be deemed to be an Affiliate of (a) the Company or (b) any Affiliate of the Company. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Aggregate Exercise Price" has the meaning assigned thereto in Section 3(b).

"Aggregate Number" has the meaning assigned thereto in Section 2.

"BACI" has the meaning assigned thereto in the Preamble.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in Charlotte, North Carolina, San Diego, California and New York, New York are authorized or required by law or executive order to close.

"Capital Stock" means (a) in the case of a corporation, capital stock, (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (c) in the case of a partnership, partnership interests (whether general or limited), (d) in the case of a limited liability company, membership interests and (e) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cashless Exercise" has the meaning assigned thereto in Section 3(c).

"Change of Control" means any of the following events: (a) the sale, lease, transfer or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of Healthcare and its Subsidiaries taken as a whole to any "person" or "group"(within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) other than any Sponsor Entity, (b) the Company shall fail to own directly 100% of the outstanding Capital Stock of Healthcare, (c) prior to a Qualified Public Offering, the Sponsor Entities shall fail to own beneficially, directly or indirectly, at least 51% of the outstanding Voting Stock of the Company, (d) after a Qualified Public Offering, the Sponsor Entities shall fail to own beneficially, directly or indirectly, (i) at least 30% of the outstanding Voting Stock of the Company and (ii) a greater percentage of the outstanding Voting Stock of the Company than the percentage of such outstanding Voting Stock which any other "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) other than the Sponsor Entities (A) shall have acquired beneficial ownership, directly or indirectly or indirectly, of, or (B) shall have acquired by contract or otherwise (or shall have entered into a contract or arrangement that, upon consummation, will result in its or their acquisition of) control over, and (e) during any period of up to twenty-four (24) consecutive months commencing after a Qualified Public Offering, individuals who at the beginning of such twenty-four (24) month period were directors of the Company (together with any new director whose election by the board of directors of the Company or whose nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the directors of the Company then in office.

"Charter Documents" means the Certificate of Incorporation and the Bylaws of the Company, as amended or supplemented from time to time.

"Commission" means the Securities and Exchange Commission or any similar agency then having jurisdiction to enforce the Securities Act or the Exchange Act.

"Common Stock" means (a) the common stock of the Company, par value $0.01 per share, as described in the Charter Documents, and (b) any other Capital Stock into which such Common Stock is reclassified or reconstituted.

"Convertible Securities" means evidences of indebtedness, shares of stock or other securities which are directly or indirectly convertible or exchangeable, with or without

payment of additional consideration in cash or property, for shares of Common Stock, either immediately or upon the onset of a specified date or the happening of a specified event.

"Distribution" has the meaning assigned thereto in Section 7(a)(ii).

"Election to Purchase" has the meaning assigned thereto in Section 3(a).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder.

"Exercise Amount" has the meaning assigned thereto in Section 3(a).

"Exercise Price" has the meaning assigned thereto in Section 2.

"Expiration Date" means the earlier of (a) tenth (10th) anniversary of the date hereof or (b) the closing of a Qualified Public Offering in which the issue price of Common Stock is at least 120% of the Exercise Price.

"Fair Market Value Per Share" means as of a particular date (a) the fair market value of the Fully Diluted Common Stock based upon an arm's length sale of the Company on such date (including its ownership interest in all Persons) as an entirety, such sale being between a willing buyer and a willing seller and determined without reference to any discount for minority interest, restrictions on transfer, disparate voting rights among classes of Capital Stock or lack of marketability with respect to capital stock divided by (b) the aggregate number of shares of Fully Diluted Common Stock. The Fair Market Value Per Share shall be determined initially by the Company within ten (10) days of any event for which such determination is required and such determination (including the basis therefor) shall be promptly provided to each Warrantholder. Such determination shall be binding on each Warrantholder unless the Required Warrantholders object thereto in writing within ten (10) days of receipt. In the event the Company and the Required Warrantholders cannot agree on the Fair Market Value Per Share within ten (10) Business Days of receipt by the Company of the Required Warrantholders' objection, the Fair Market Value Per Share shall be determined by an appraiser that is not an Affiliate of any interested party (which may be a national or regional investment bank or national accounting firm) mutually selected by the Company and the Required Warrantholders; provided, that if the Company and the Required Warrantholders shall fail to agree to such an appraiser, the Fair Market Value Per Share shall be determined by a panel of three such appraisers. Within five (5) days after the date the Company and the Required Warrantholders determine that they cannot agree as to an appraiser, the Company on the one hand and the Required Warrantholders on the other hand shall each designate one such appraiser that is willing and able to conduct such determination. If either fails to make such determination within such time period, then the other party that has made the designation shall have the right to make the designation on such failing party's behalf. The two appraisers so designated shall, within a period of five (5) days after the designation of the second appraiser, designate a mutually acceptable third appraiser. The Fair Market Value Per Share shall be the average of the determination of the two appraisers that are closer to each other than to the determination of the third appraiser,

which third determination shall be discarded; provided, however, that if the determination of two appraisers are equally close to the determination of the third appraiser, then the Fair Market Value Per Share shall be the average of the determination of all three appraisers. The fees and expenses of the appraisers shall be paid fifty percent (50%) by the Company and fifty percent (50%) by the Warrantholders unless such determination results in a Fair Market Value Per Share (a) more than one hundred ten percent (110%) of the Fair Market Value Per Share initially determined by the Company in which case such fees and expenses shall be borne by the Company or (b) less than ninety percent (90%) of the Fair Market Value Per Share initially determined by the Company in which case such fees and expenses shall be borne by the Warrantholders. Any determination of Fair Market Value Per Share by the appraiser or appraisers shall be made within thirty (30) days of the date of selection of the last appraiser (if there shall be more than one).

"Fully Diluted" means, with respect to the Common Stock, as of any date, the number of shares of Common Stock that would be outstanding assuming all securities of the Company convertible into or exchangeable for Common Stock were converted into Shares of Common Stock pursuant to their respective terms and all options, warrants or other rights to acquire Common Stock were exercised.

"Healthcare" means AMN Healthcare, Inc., a Nevada corporation and as of the date hereof a wholly-owned Subsidiary of the Company.

"Legally Available Funds" means, with respect to any redemption of the Warrant Securities pursuant to Section 11 hereof, the amount of funds of the Company available for such redemption (a) as required under Sections 151 and 160 of the General Corporation Law of the State of Delaware, as amended, or any comparable provision of any succeeding law, (b) until such time as all Senior Indebtedness then due and payable shall have been paid in full and all letters of credit and commitments arising under the Senior Loan Agreement have expired or terminated, as permitted by the terms, conditions or provisions of the Senior Loan Agreement and (c) as permitted by the Purchase Agreement.

"Majority Exercising Warrantholders" has the meaning assigned thereto in Section 11(d).

"Notes" means the Senior Subordinated Promissory Notes, in the aggregate principal amount of $20,000,000 issued pursuant to the Purchase Agreement.

"Partially Available Funds" has the meaning assigned thereto in Section 11(e)(iii).

"Percentage Interest" means, with respect to any Warrantholder, the quotient, expressed as a percentage, equal to (a) the number of Warrant Shares for which such Warrantholder's Warrant may be exercised divided by (b) the Aggregate Number.

"Per Share Proceeds" has the meaning assigned thereto in Section 12(b).

"Person" means any individual, firm, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization

or government or any agency or political subdivision thereof, or other entity of any kind and includes any successor (by merger or otherwise) of such entity.

"Principal Office" means the Company's principal office as set forth in Section 18 hereof or such other principal office of the Company in the United States of America the address of which first shall have been set forth in a notice to the Warrantholders.

"Public Offering" means any underwritten primary public offering of securities of the Company pursuant to a registration statement declared effective under the Securities Act (other than a public offering pursuant to a registration statement on Form S-8).

"Purchase Agreement" has the meaning assigned thereto in the Statement of Purpose.

"Put Notice" has the meaning assigned thereto in Section 11(a).

"Qualified Public Offering" means a Public Offering underwritten on a firm commitment basis by an investment bank of national standing and resulting in not less than $30,000,000 in net cash proceeds to the Company.

"Redemption Date" has the meaning assigned thereto in Section 11(a).

"Redemption Price" has the meaning assigned thereto in Section 11(b).

"Regulatory Requirement" has the meaning assigned thereto in Section 6(c).

"Related Parties" means, with respect to a Sponsor, a collective reference to (a) each Person which is a controlling stockholder or partner of such Sponsor, (b) each Person at least 80% of whose Voting Stock is owned by such Sponsor, directly or indirectly, (c) each trust, corporation, partnership or other entity, the controlling beneficiaries, stockholders, partners or owners of which, directly or indirectly, consist of such Sponsor and/or such other Persons referred to in the preceding clauses (a) or (b) and/or in the succeeding clause (e), (d) each partner or stockholder of such Sponsor as of the date hereof who acquires any assets or Voting Stock of the Company pursuant to a general distribution by such Sponsor to each of its partners or stockholders and (e) each officer or director of such Sponsor.

"Required Warrantholders" means the holders of at least fifty-one percent (51%) of the Warrant Securities then outstanding determined on a Fully Diluted basis.

"Rights Agreement" means the Rights Agreement dated as of the date hereof among the Company, AMN Acquisition Corp., HWH Capital Partners, L.P., HWH Nightingale Partners, L.P. and BACI, as amended, restated, supplemented or otherwise modified from time to time.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder.

"Senior Indebtedness" means all obligations of Healthcare, as borrower, and the Company, as guarantor, whether now or hereafter incurred pursuant to and in accordance with the Senior Loan Documents and any promissory notes evidencing such obligations (including without limitation principal, interest, fees, costs, expenses, and other amounts).

"Senior Loan Agreement" means the Credit Agreement dated as of the date hereof among Healthcare, as borrower, Holdings and certain subsidiaries of Healthcare from time to time party thereto, as guarantors, Bank of America, N.A., as agent, and the lenders from time to time party thereto, as amended, restated, supplemented or otherwise modified from time to time, including any refinancing thereof.

"Senior Loan Documents" means the Senior Loan Agreement and all other collateral agreements executed in connection with the Senior Loan Agreement, in each case as amended, restated, supplemented or otherwise modified from time to time.

"Stockholders Agreement" means the Stockholders Agreement dated as of the date hereof among the Company, AMN Acquisition Corp. and BACI, as amended, restated, supplemented or otherwise modified from time to time.

"Sponsors" means a collective reference to HWH Capital Partners, L.P., HWH Nightingale Partners, L.P. and Haas Wheat & Partners, L.P., together with their successors and permitted assigns, and "Sponsor" means any of them.

"Sponsor Entity" means any Person that is (a) a Sponsor or (b) a Related Party of a Sponsor, and "Sponsor Entities" means a collective reference to each Sponsor Entity.

"Stock Combination" has the meaning assigned thereto in Section 7(a)(i).

"Stock Dividend" has the meaning assigned thereto in Section 7(a)(i).

"Stock Subdivision" has the meaning assigned thereto in Section 7(a)(i).

"Subsidiary" means, with respect to any Person, any entity of which more than fifty percent (50%) of the outstanding capital stock or other ownership interests having ordinary voting power to elect the board of directors or other managers of such entity is at the time, directly or indirectly, owned by or the management is otherwise controlled by such Person. Unless otherwise qualified, references to "Subsidiary" or "Subsidiaries" herein shall refer to those of the Company.

"Transaction" has the meaning assigned thereto in Section 7(b).

"Voting Stock" means, with respect to any Person, Capital Stock issued by such Person the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

"Warrant" has the meaning assigned thereto in the Statement of Purpose.

"Warrant Securities" is defined in Section 10(a).

"Warrant Shares" means (a) the shares of Common Stock issued or issuable upon exercise of any Warrant in accordance with its terms and (b) all other shares of the Company's capital stock issued with respect to such shares by way of stock dividend, stock split or other reclassification or in connection with any merger, consolidation, recapitalization or other reorganization affecting the Company's Capital Stock.

SECTION 2. The Warrants; Aggregate Number.

Pursuant to the Purchase Agreement and subject to the terms and conditions of this Agreement, the Company hereby issues and delivers to the Warrantholders Warrants (each in the form of Exhibit A hereto) to purchase, at a price per share equal to $32,794.8673 (the "Exercise Price"), 292.07729 shares of fully paid and nonassessable Common Stock. The 292.07729 shares of Common Stock subject to the Warrants are referred to herein as the "Aggregate Number," which represents the number of shares that as of the date hereof would constitute eleven percent (11.0%) of all issued and outstanding shares of Common Stock of the Company on a Fully Diluted basis, and is subject to adjustment as set forth herein.

SECTION 3. Exercise.

(a) Method of Exercise. On or before the Expiration Date, each Warrantholder, in accordance with the terms hereof, may exercise its Warrant in whole or in part with respect to its Percentage Interest in the Aggregate Number. Each Warrantholder shall effect such exercise by delivering such Warrant to the Company during normal business hours on any Business Day at the Company's Principal Office, together with the Election to Purchase, in the form attached hereto as Exhibit B (the "Election to Purchase"), duly executed, and payment of the Exercise Price per share for the number of shares to be purchased (the "Exercise Amount"), as specified in the Election to Purchase. If the Expiration Date is not a Business Day, then such Warrant may be exercised on the next succeeding Business Day.

(b) Payment of Aggregate Exercise Price. Payment of the Aggregate Exercise Price shall be made to the Company in cash or other immediately available funds or as provided in Section 3(c), or a combination thereof. In the case of payment of all or a portion of the Aggregate Exercise Price pursuant to Section 3(c), the direction by the exercising Warrantholder to make a Cashless Exercise shall serve as accompanying payment for that portion of the Aggregate Exercise Price. The amount to be paid (the "Aggregate Exercise Price") shall equal the product of (a) the Exercise Amount multiplied by (b) the Exercise Price.

(c) Cashless Exercise. Each exercising Warrantholder shall have the right to pay all or a portion of the Aggregate Exercise Price by making a cashless exercise pursuant to this Section 3(c) (a "Cashless Exercise"), in which case the portion of the Aggregate Exercise Price to be so paid shall be paid by reducing the number of shares of Common Stock otherwise issuable pursuant to the Election to Purchase by an amount equal to the product

of (A)(i) the Exercise Price to be so paid divided by (ii) the Fair Market Value Per Share and (B) the number of shares of Common Stock otherwise issuable pursuant to the Election to Purchase. The number of shares of Common Stock to be issued to the exercising Warrantholder as a result of a Cashless Exercise will therefore be as follows:

$$\frac{(\text{Fair Market Value Per Share} - \text{Exercise Price}) \times \text{Cashless Exercise Amount}^*}{\text{Fair Market Value Per Share}}$$

* The Cashless Exercise Amount in the above formula is that portion of the Exercise Amount (expressed as a number of shares of Common Stock) with respect to which the Exercise Price is being paid by Cashless Exercise pursuant to this Section 3(c).

(d) Issuance of Shares of Common Stock. Upon receipt by the Company of the exercising Warrantholder's Warrant at its Principal Office in proper form for exercise, and accompanied by payment of the Aggregate Exercise Price as aforesaid, the exercising Warrantholder shall be deemed to be the holder of record of the shares of Common Stock issuable upon such exercise, notwithstanding that certificates representing such shares of Common Stock may not then be actually delivered. Upon such surrender of such Warrant and payment of the Aggregate Exercise Price as aforesaid, the Company shall issue and cause to be delivered with all reasonable dispatch to, or upon the written order of, such Warrantholder (and in such name or names as such Warrantholder may designate) a certificate or certificates for the Exercise Amount, subject to any reduction as provided in Section 3(c) for a Cashless Exercise.

(e) Fractional Shares. The Company shall not be required to deliver fractions of shares of Common Stock upon exercise of any Warrant. If any fraction of a share of Common Stock would be deliverable upon exercise of a Warrant, the Company may, in lieu of delivering such fraction of a share of Common Stock, make a cash payment to the affected Warrantholder in an amount equal to the same fraction of the Fair Market Value Per Share determined as of the Business Day immediately preceding the date of exercise of such Warrant.

(f) Partial Exercise. In the event of a partial exercise of any Warrant, the Company shall issue to the affected Warrantholder a Warrant in like form for the unexercised portion thereof.

SECTION 4. Payment of Taxes.

The Company shall pay all stamp taxes attributable to the initial issuance of shares or other securities issuable upon the exercise of each Warrant or issuable pursuant to Section 7 hereof, excluding any tax or taxes which may be payable because of the transfer involved in the issuance or delivery of any certificates for shares or other securities in a name other than that of the exercising Warrantholder in respect of which such shares or securities are issued.

SECTION 5. Replacement Warrant.

If any Warrant is mutilated, lost, stolen or destroyed, the Company shall issue and deliver in exchange and substitution for and upon cancellation of the mutilated Warrant, or in lieu of and in substitution for the Warrant lost, stolen or destroyed, a new Warrant of like tenor and representing an equivalent right or interest, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction of such Warrant and upon receipt of indemnity reasonably satisfactory to the Company; provided, that if the Warrantholder is a financial institution or other institutional investor its own agreement shall be satisfactory.

SECTION 6. Reservation of Common Stock and Other Covenants.

(a) Reservation of Authorized Common Stock. The Company shall at all times reserve and keep available out of the aggregate of its authorized but unissued shares, free of preemptive rights, such number of its duly authorized shares of Common Stock, or other stock or securities deliverable pursuant to Section 7 hereof, as shall be sufficient to enable the Company at any time to fulfill all of its obligations under this Agreement and the Warrants.

(b) Affirmative Actions to Permit Exercise and Realization of Benefits. If any shares of Common Stock reserved or to be reserved for the purpose of exercise of the Warrants, or any shares or other securities reserved or to be reserved for the purpose of issuance pursuant to Section 7 hereof, require registration with or approval (other than as a result of a Regulatory Requirement contemplated by Section 6(c)) of any governmental authority under any federal or state law (including but not limited to approvals or expirations of waiting periods required under the Hart-Scott-Rodino Antitrust Improvements Act, but excluding the Securities Act and any state securities or "blue skies" laws) before such shares or other securities may be validly delivered upon exercise of any Warrant, then each of the Company and the Warrantholders shall cooperate with each other so that each may prepare and file notification and report forms in compliance with such law and shall otherwise fully comply with the requirements of such law, to the extent required in connection with the exercise of the Warrants. The Company shall bear all expenses in connection with the filing of such forms.

(c) Regulatory Requirements and Restrictions. In the event of any reasonable determination by any Warrantholder that, by reason of any existing or future federal or state law, statute, rule, regulation, guideline, order, court or administrative ruling, request or directive (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) (a "Regulatory Requirement"), such Warrantholder is effectively restricted or prohibited from holding its Warrant or the related Warrant Shares (including any shares of capital stock or other securities distributable to such Warrantholder in any merger, reorganization, readjustment or other reclassification), or otherwise realize upon or receive the benefits intended under its Warrant, the Company shall, and shall use its commercially reasonable efforts to have its shareholders, take such action as such Warrantholder may deem reasonably necessary to permit such Warrantholder to comply with such Regulatory Requirement. The costs of taking such action shall be shared equally by the Company, on the one hand, and the Warrantholders, on the other hand. Such action to be

taken may include without limitation the Company's authorization of one or more new classes of capital stock for which such Warrant may be exercised or to make such modifications and amendments to the Charter Documents, this Agreement, the related Warrant or any other documents and instruments related to or executed in connection herewith or with the Warrants as may be deemed reasonably necessary by such Warrantholder. Such Warrantholder shall give written notice to the Company of any such determination and the action or actions necessary to comply with such Regulatory Requirement, which notice and determination shall be conclusive absent manifest error, and the Company shall take all commercially reasonable steps necessary to comply with such determination as expeditiously as possible.

(d) Validly Issued Shares. The Company covenants that all shares of Common Stock that may be delivered upon exercise of each Warrant (including those issued pursuant to Section 7 hereof) shall upon delivery by the Company be duly authorized and validly issued, fully paid and nonassessable, free from all taxes, liens and charges with respect to the issue or delivery thereof and otherwise free of all other security interests, encumbrances and claims of any nature whatsoever.

SECTION 7. Adjustments to Exercise Price and Aggregate Number.

Under certain conditions, the Aggregate Number is subject to adjustment as set forth in this Section 7. Upon each such adjustment of the Aggregate Number hereunder, the Exercise Price shall be adjusted by multiplying the Exercise Price then in effect by the Aggregate Number immediately prior to giving effect to such adjustment and dividing the product thereof by the Aggregate Number resulting from such adjustment. No adjustments shall be made under this Section 7 as a result of (i) the issuance of the Warrant Shares upon exercise of any Warrant, (ii) the issuance of restricted stock or options to purchase shares of Common Stock up to an aggregate amount of 15% of the Fully Diluted Common Stock pursuant to a stock option plan or plans approved by the Board of Directors of the Company, or the subsequent exercise of such options, or (iii) the issuance of $1,000,000 worth of Common Stock to William Miller.

(a) Adjustments to Aggregate Number. The Aggregate Number, after taking into consideration any prior adjustments pursuant to this Section 7, shall be subject to adjustment from time to time as follows and, thereafter, as adjusted, shall be deemed to be the Aggregate Number hereunder.

(i) Stock Dividends, Subdivisions and Combinations. In case at any time or from time to time the Company shall:

(A) take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend payable in, or other distribution of, Common Stock (a "Stock Dividend"),

(B) subdivide its outstanding shares of Common Stock into a larger number of shares of Common Stock, including without limitation by means of a stock split (a "Stock Subdivision"), or

(C) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock (a "Stock Combination"),

then the Aggregate Number in effect immediately prior thereto shall be (1) proportionately increased in the case of a Stock Dividend or a Stock Subdivision and (2) proportionately decreased in the case of a Stock Combination. In the event the Company shall declare or pay, without consideration, any dividend on the Common Stock payable in any right to acquire Common Stock for no consideration, then the Company shall be deemed to have made a Stock Dividend in an amount of shares equal to the maximum number of shares issuable upon exercise of such rights to acquire Common Stock.

(ii) Other Distributions. In case at any time or from time to time the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive any dividend or other distribution (collectively, a "Distribution") of:

(A) cash,

(B) any (x) evidences of its Indebtedness (other than Convertible Securities), (y) shares of its Capital Stock (other than additional shares of Common Stock or Convertible Securities) or (z) other securities or property of any nature whatsoever (other than cash), or

(C) any options, warrants or other rights to subscribe for or purchase any of the following: any (x) evidences of Indebtedness (other than Convertible Securities), (y) shares of its Capital Stock (other than additional shares of Common Stock or Convertible Securities) or (z) other securities or property of any nature whatsoever,

then each Warrantholder shall be entitled to elect by written notice to the Company to receive (1) immediately and without further payment the cash, evidences of Indebtedness, stock, securities, other property, options, warrants and/or other rights (or any portion thereof) to which such Warrantholder would have been entitled by way of such Distribution as if such Warrantholder had exercised its Warrant(s) immediately prior to such Distribution or (2) upon the exercise of its Warrant(s) at any time on or after the taking of such record, the number of Warrant Shares to be received upon exercise of such Warrant(s) determined as stated herein and, in addition and without further payment, the cash, evidences of Indebtedness, stock, securities, other property, options, warrants and/or other rights (or any portion thereof) to which such Warrantholder would have been entitled by way of such Distribution and subsequent dividends and distributions through the date of exercise as if such Warrantholder (I) had exercised its Warrant(s) immediately prior to such Distribution and (II) had retained the Distribution in respect of the Common Stock and all subsequent dividends and distributions of any nature whatsoever in respect of any stock or securities paid as dividends and distributions and originating directly or indirectly from such Common Stock; provided, however, that in the case of a Distribution of the items listed in clauses (A), (B)(x), (B)(z), (C)(x) or (C)(z), the Company, at its option, may adjust the Aggregate Number as follows: the Aggregate Number shall be increased by being multiplied by a fraction (i) the numerator of which shall be the Fair Market Value Per Share immediately prior to the record date for such Distribution and (ii) the denominator of which shall be the

Fair Market Value Per Share immediately prior to such record date less the fair market value per share of such Distribution.

A reclassification of the Common Stock into shares of Common Stock and shares of any other class of stock shall be deemed a Distribution by the Company to the holders of its Common Stock of such shares of such other class of stock and, if the outstanding shares of Common Stock shall be changed into a larger or smaller number of shares of Common Stock as a part of such reclassification, such event shall be deemed a Stock Subdivision or Stock Combination, as the case may be, of the outstanding shares of Common Stock within the meaning of Section 7(a)(i) hereof.

(iii) Issuance of Common Stock. If at any time or from time to time the Company shall (except as hereinafter provided in this Section 7(a)(iii)) issue or sell any additional shares of Common Stock for a consideration per share less than the Fair Market Value Per Share then, effective on the date specified below, the Aggregate Number shall be adjusted by multiplying (A) the Aggregate Number immediately prior thereto by (B) a fraction, the numerator of which shall be the sum of the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares of Common Stock, the number of shares of Common Stock issuable upon the conversion or exercise of options, warrants, rights or convertible securities (whether or not then exercisable), and the number of such additional shares of Common Stock so issued and the denominator of which shall be the sum of the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares of Common Stock, the number of shares of Common Stock issuable upon the conversion or exercise of options, warrants, rights or convertible securities (whether or not then exercisable), and the number of shares of Common Stock which the aggregate consideration for the total number of such additional shares of Common Stock so issued would purchase at the Fair Market Value Per Share. The date as of which the Fair Market Value Per Share shall be computed shall be the date of actual issuance of such additional shares of Common Stock.

The provisions of this Section 7(a)(iii) shall not apply to any issuance of additional shares of Common Stock for which an adjustment is otherwise provided under Section 7(a)(i) hereof. No adjustment of the Aggregate Number shall be made under this Section 7(a)(iii) upon the issuance of any additional shares of Common Stock which are issued pursuant to (1) the exercise of any Warrant in whole or in part, (2) the exercise of other subscription or purchase rights or (3) the exercise of any conversion or exchange rights in any Convertible Securities, provided that for purposes of clauses (2) or (3) an adjustment shall previously have been made upon the issuance of such other rights or upon the issuance of such Convertible Securities (or upon the issuance of any warrants or other rights therefor) pursuant to Section 7(a)(iv) or (v) hereof.

(iv) Warrants and Options. If at any time or from time to time the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a distribution of, or shall in any manner (whether directly, by assumption in a merger in which the Company is the surviving corporation and in which the shareholders of the Company immediately prior to the merger continue to own more than fifty percent (50%) of the Fully Diluted Common Stock immediately after the merger and for a period of at least one hundred eighty (180) days thereafter, or otherwise) issue or sell any warrants, options Fair Market Value Per Share immediately prior to the record date for such Distribution and (ii) the denominator of which shall be the

or other rights to subscribe for or purchase (A) any shares of Common Stock or (B) any Convertible Securities, whether or not the rights to subscribe, purchase, exchange or convert thereunder are immediately exercisable, and the consideration per share for which additional shares of Common Stock may at any time thereafter be issuable pursuant to such warrants, options or other rights or pursuant to the terms of such Convertible Securities shall be less than the Fair Market Value Per Share (determined on the date specified below), then the Aggregate Number shall be adjusted as provided in Section 7(a)(iii) hereof on the basis that (1) the maximum number of additional shares of Common Stock issuable pursuant to all such warrants, options or other rights or necessary to effect the conversion or exchange of all such Convertible Securities shall be deemed to have been issued as of the date of the determination of the Fair Market Value Per Share as hereinafter provided and (2) the aggregate consideration for such maximum number of additional shares of Common Stock shall be deemed to be the minimum consideration received and receivable by the Company for the issuance of such additional shares of Common Stock pursuant to the terms of such warrants, options or other rights or such Convertible Securities. For purposes of this Section 7(a)(iv), the effective date of such adjustment and the date as of which the Fair Market Value Per Share shall be computed shall be the earliest of (A) the date on which the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive any such warrants, options or other rights or (B) the date of actual issuance of such warrants, options or other rights.

(v) Convertible Securities. If at any time or from time to time the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a distribution of or shall in any manner (whether directly, by assumption in a merger in which the Company is the surviving corporation and in which the shareholders of the Company immediately prior to the merger continue to own more than fifty percent (50%) of the Fully Diluted Common Stock immediately after the merger and for a period of at least one hundred eighty (180) days thereafter, or otherwise) issue or sell Convertible Securities, whether or not the rights to exchange or convert thereunder are immediately exercisable, and the consideration per share for the additional shares of Common Stock which may at any time thereafter be issuable pursuant to the terms of such Convertible Securities shall be less than the Fair Market Value Per Share (determined on the date specified below), then the Aggregate Number shall be adjusted as provided in Section 7(a)(iii) hereof on the basis that (1) the maximum number of additional shares of Common Stock necessary to effect the conversion or exchange of all such Convertible Securities shall be deemed to have been issued as of the date of the determination of the Fair Market Value Per Share as herein provided and (2) the aggregate consideration for such maximum number of additional shares of Common Stock shall be deemed to be the minimum consideration received and receivable by the Company for the issuance of such additional shares of Common Stock pursuant to the terms of such Convertible Securities. For purposes of this Section 7(a)(v), the effective date of such adjustment and the date as of which the Fair Market Value Per Share shall be computed shall be the earliest of (A) the date on which the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive any such Convertible Securities, or (B) the date of actual issuance of such Convertible Securities.

No adjustment of the Aggregate Number shall be made under this Section 7(a)(v) upon the issuance of any Convertible Securities which are issued pursuant to the exercise of any warrants, options or other subscription or purchase rights if an adjustment shall previously have been made or if no such adjustment shall have been required upon the issuance of such warrants, options or other rights pursuant to Section 7(a)(iv) hereof.

(vi) Subsequent Adjustments. If at any time after any adjustment of the Aggregate Number shall have been made pursuant to Section 7(a)(iv) or (v) hereof on the basis of the issuance of warrants, options or other rights or the issuance of Convertible Securities, or after any new adjustments of the Aggregate Number shall have been made pursuant to this Section 7(a)(vi),

(A) such warrants, options or rights or the right of conversion or exchange in such Convertible Securities shall expire, and a portion of such warrants, options or rights, or the right of conversion or exchange in respect of a portion of such Convertible Securities, as the case may be, shall not have been exercised prior to such expiration, and/or

(B) in the case of adjustments made pursuant to Section 7(a)(iv) or (v), the consideration per share for which shares of Common Stock are issuable pursuant to such warrants, options or rights or the terms of such Convertible Securities shall be irrevocably increased solely by virtue of provisions therein contained for an automatic increase in such consideration per share upon the arrival of a specified date or the happening of a specified event,

such previous adjustment shall be rescinded and annulled and the additional shares of Common Stock which were deemed to have been issued by virtue of the computation made in connection with such adjustment shall no longer be deemed to have been issued by virtue of such computation. Simultaneously therewith, a recomputation shall be made of the effect of such warrants, options or rights or Convertible Securities on the determination of the Aggregate Number, which shall be made on the basis of:

(1) treating the number of additional shares of Common Stock, if any, theretofore actually issued or issuable pursuant to the previous exercise of such warrants, options or rights or such right of conversion or exchange as having been issued on the date or dates of such exercise and, in the case of a recomputation of a calculation originally made pursuant to Section 7(a)(iv) or (v), for the consideration actually received and receivable therefor, and

(2) in the case of a recomputation of a calculation originally made pursuant to Section 7(a)(iv) or (v), treating any such warrants, options or rights or any such Convertible Securities which then remain outstanding as having been granted or issued immediately after the time of such irrevocable increase of the consideration per share for which shares of Common Stock are issuable under such warrants, options or rights or Convertible Securities;

and, if and to the extent called for by the foregoing provisions of Section 7(a)(vi) on the basis aforesaid, a new adjustment of the Aggregate Number shall be made, such new adjustment shall supersede the previous adjustment so rescinded and annulled.

(vii) Miscellaneous. The following provisions shall be applicable to the making of adjustments of the Aggregate Number provided above in this Section 7(a):

(A) To the extent that no adjustment shall have been previously made pursuant to this Section 7, the sale or other disposition of any issued shares of Common Stock owned or held by or for the account of the Company or any of its Subsidiaries shall be deemed an issuance thereof for the purposes of this Section 7(a).

(B) (1) To the extent that any additional shares of Common Stock or any Convertible Securities or any warrants, options or other rights to subscribe for or purchase any additional shares of Common Stock or any Convertible Securities (a) are issued solely for cash consideration, the consideration received by the Company therefor shall be deemed to be the amount of the cash received by the Company therefor, (b) are offered by the Company for subscription, the consideration received by the Company shall be deemed to be the subscription price, or (c) are sold to underwriters or dealers for public offering, the consideration received by the Company shall be deemed to be the public offering price. To the extent that such issuance shall be for a consideration other than cash, or partially for cash and partially for other consideration, then, except as otherwise expressly provided herein, the amount of such consideration shall be deemed to be the fair market value of such consideration (plus, if applicable, the amount of such cash), at the time of such issuance, determined in the manner set forth in Section 7(d)(ii).

(2) In case any additional shares of Common Stock or any Convertible Securities or any warrants, options or other rights to subscribe for or purchase such additional shares of Common Stock or Convertible Securities shall be issued in connection with any merger in which the Company is the survivor and issues any securities, the amount of consideration therefor shall be deemed to be the fair market value of such additional shares of Common Stock, Convertible Securities, warrants, options or other rights, as the case may be, determined in the manner set forth in Section 7(d)(i). In the event of any consolidation or merger of the Company in which the Company is not the surviving corporation, any acquisition of the capital stock of the Company by means of a share exchange, or any sale of all or substantially all the assets of the Company for stock or other securities of any corporation, the Company shall be deemed to have issued a number of additional shares of common stock or securities of the other corporation computed on the basis of the actual exchange ratio on which the transaction was predicated and the consideration received for such issuance shall be equal to the fair market value on the date of such transaction of such stock or securities of the other corporation determined in the manner set forth in Section 7(d)(i).

(3) The consideration for an shares of Common Stock issuable pursuant to the terms of any Convertible Securities shall be equal to (a) the consideration received by the Company for issuing any warrants, options or other rights to subscribe for or purchase such Convertible Securities, plus (b) the consideration paid or payable to the Company in respect of the subscription for or purchase of such Convertible Securities, plus (c) the consideration, if any, payable to the Company upon the exercise of the right of conversion or exchange of such Convertible Securities.

(4) In case of the issuance at any time of any additional shares of Common Stock or Convertible Securities in payment or satisfaction of any dividends upon any class of stock other than Common Stock, the Company shall be deemed to have received for such additional shares of Common Stock or Convertible Securities a consideration equal to the amount of such dividend so paid or satisfied.

(C) The adjustments required by the preceding paragraphs of this Section 7(a) shall be made whenever and as often as any specified event requiring an adjustment shall occur, except that no adjustment of the Aggregate Number that would otherwise be required shall be made (except in the case of a Stock Subdivision or Stock Combination, as provided for in Section 7(a)(i) hereof) unless and until such adjustment either by itself or with other adjustments not previously made adds or subtracts at least one-tenth of a percent (0.1%) to or from the Aggregate Number immediately prior to the making of such adjustment. Any adjustment representing a change of less than such minimum amount (except as aforesaid) shall be carried forward and made as soon as such adjustment, together with other adjustments required by this Section 7(a) and not previously made, would result in a minimum adjustment. For the purpose of any adjustment, any specified event shall be deemed to have occurred at the close of business on the date of its occurrence.

(D) In computing adjustments under this Section 7(a), fractional interests in Common Stock shall be taken into account to the nearest one-hundredth (0.01) of a share.

(E) If the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or distribution or subscription or purchase rights and shall, thereafter and before the distribution to shareholders thereof, legally abandon its plan to pay or deliver such dividend, distribution, subscription or purchase rights, then no adjustment shall be required by reason of the taking of such record and any such adjustment previously made in respect thereof shall be rescinded and annulled. Furthermore, if any Warrantholder shall have exercised any Warrants between such record date and the date on which the Company shall have abandoned such plan, any shares of Common Stock received by such Warrantholder as a result of an adjustment with respect to such plan shall be deemed cancelled and shall be promptly returned to the Company.

(b) Changes in Common Stock. In case at any time the Company shall initiate any transaction or be a party to any transaction (including, without limitation, a merger, consolidation, share exchange, sale, lease or other disposition of all or

substantially all of the Company's assets, liquidation, recapitalization or reclassification of the Common Stock) in connection with which the previous Fully Diluted Common Stock shall be changed into or exchanged for different securities of the Company or capital stock or other securities of another corporation or interests in a non-corporate entity or other property (including cash) or any combination of the foregoing (each such transaction, a "Transaction"), then, as a condition of the consummation of the Transaction, lawful, enforceable and adequate provision shall be made so that each Warrantholder shall be entitled to elect by written notice to the Company to receive (i) a new warrant in form and substance similar to, and in exchange for, its Warrant(s) or (ii) upon exercise of its Warrant(s) at any time on or after the consummation of the Transaction, in lieu of the Warrant Shares issuable upon such exercise prior to such consummation, the securities or other property (including cash) to which such Warrantholder would have been entitled upon consummation of the Transaction if such Warrantholder had exercised its Warrant(s) immediately prior thereto (subject to adjustments from and after the consummation date as nearly equivalent as possible to the adjustments provided for in this Section 7). The Company will not effect any Transaction unless concurrently with the consummation thereof each corporation or other entity (other than the Company) which may be required to deliver any new warrant, securities or other property as provided herein shall assume, by written instrument delivered to such Warrantholder, the obligation to deliver to such Warrantholder such new warrant, securities or other property as in accordance with the foregoing provisions such Warrantholder may be entitled to receive and such corporation or entity shall have similarly delivered to such Warrantholder, if reasonably requested by such Warrantholder, an opinion of counsel for such corporation or entity, reasonably satisfactory to such Warrantholder, which opinion shall state that all of the terms of the new warrant or the original Warrant shall be enforceable against the Company and such corporation or entity in accordance with the terms hereof and thereof, together with such other matters as such Warrantholder may reasonably request. The foregoing provisions of this Section 7(b) shall similarly apply to successive Transactions.

(c) Other Action Affecting Common Stock. In case at any time or from time to time the Company shall take any action of the type contemplated in Section 7(a) or (b) hereof but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then, unless in the opinion of the Board of Directors such action will not have a material adverse effect upon the rights of any Warrantholder (taking into consideration, if necessary, any prior actions which the Board of Directors deemed not to materially adversely affect the rights of any Warrantholder), the Aggregate Number shall be adjusted in such manner and at such time as the Board of Directors of the Company may in good faith determine to be equitable in the circumstances.

(d) Notices.

(i) Notice of Proposed Actions. In case the Company shall propose (A) to pay any dividend payable in stock of any class to the holders of its Common Stock or to make any other distribution to the holders of its Common Stock, (B) to offer to the holders of its Common Stock rights to subscribe for or to purchase any Convertible Securities or additional shares of Common Stock or shares of stock of any class or any other securities, warrants, rights or options, (C) to effect any reclassification of its Common Stock, (D) to effect any recapitalization, stock subdivision, stock combination or other capital reorganization, (E) to effect any consolidation or merger, share exchange, or sale, lease or other disposition of all or substantially all of its property, assets or business or (F) to effect the liquidation, dissolution or winding up of the Company, then in each such case the Company shall give to each Warrantholder written notice of such proposed action, which shall specify the date on which a record is to be taken for the purposes of such stock dividend, distribution or rights, or the date on which such reclassification, reorganization, consolidation, merger, share exchange, sale, transfer, disposition, liquidation, dissolution or winding up is to take place and the date of participation therein by the holders of Common Stock, if any such date is to be fixed, or the date on which the transfer of Common Stock is to occur, and shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect of such action on the Common Stock and on the Aggregate Number after giving effect to any adjustment which will be required as a result of such action. Such notice shall be so given in the case of any action covered by clause (A) or (B) above at least fifteen (15) days prior to the record date for determining holders of the Common Stock for purposes of such action and, in the case of any other such action, at least fifteen (15) days prior to the earlier of the date of the taking of such proposed action or the date of participation therein by the holders of Common Stock.

(ii) Adjustment Notice. Whenever the Aggregate Number is to be adjusted pursuant to this Section 7, unless otherwise agreed by the Required Warrantholders, the Company shall forthwith obtain a certificate signed by the chief financial officer of the Company, setting forth, in reasonable detail, the event requiring the adjustment and the method by which such adjustment is to be calculated. The certificate shall set forth, if applicable, a description of the basis on which the Board of Directors determined, as applicable, the Fair Market Value Per Share, the fair market value of any evidences of Indebtedness, shares of stock, other securities, warrants, other subscription or purchase rights, or other property or any adjustment under Section 7(b) or (c) hereof, the new Aggregate Number and, if applicable, any new securities or property to which each respective Warrantholder is entitled. The Company shall promptly cause a copy of such certificate to be delivered to each Warrantholder. In the case of any determination of Fair Market Value Per Share, such certificate shall be delivered to the Warrantholders within the time period set forth in the definition of Fair Market Value Per Share and the Required Warrantholders may object thereto as provided therein, and any disputes shall be resolved in accordance with the procedure set forth in such definition (including, without limitation, with respect to the allocation of fees and expenses). In the case of any other determination of fair market value, Warrantholders may object to the determination in such certificate by giving written notice within fifteen (15) Business Days of the receipt of such certificate and, thereafter, any disputes shall

be resolved in accordance with the procedure set forth in the definition of Fair Market Value (including, without limitation, with respect to the allocation of fees and expenses). The Company shall keep at its Principal Office copies of all such certificates and cause the same to be available for inspection at said office during normal business hours by any Warrantholder or any prospective purchaser of a Warrant (in whole or in part) if so designated by a Warrantholder.

SECTION 8. No Dilution or Impairment.

The Company will not, by amendment of its Charter Documents or through any reorganization, recapitalization, transfer of assets, consolidation, merger, share exchange, dissolution or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of any Warrant, including without limitation the adjustments required under Section 7 hereof, and will at all times in good faith assist in the carrying out of all such terms and in taking of all such action as may be necessary or appropriate to protect the rights of the Warrantholder against dilution or other impairment. Without limiting the generality of the foregoing and notwithstanding any other provision of any Warrant to the contrary (including by way of implication), the Company (a) will not increase the par value of any shares of Common Stock receivable on the exercise of any Warrant above the amount payable therefor on such exercise and (b) will take all such corporate action as may be necessary or appropriate so that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock on the exercise of any Warrant.

SECTION 9. Transfers of the Warrant.

(a) Transfer and Exchanges. The Company shall initially record each Warrant on a register to be maintained by the Company with its other stock books and, subject to Section 9(b) hereof and the provisions of the Stockholders Agreement, from time to time thereafter shall record a transfer of each Warrant on such register when such Warrant is: (i) surrendered for transfer in accordance with the terms hereof, (ii) properly endorsed and accompanied by appropriate instructions, and (iii) accompanied by payment in cash or by check, bank draft or money order payable to the order of the Company, in United States currency, of an amount equal to any stamp or other tax or governmental charge or fee required to be paid in connection with the transfer thereof. Upon any such transfer, a new Warrant or Warrants shall be issued to the transferee and the affected Warrantholder (in the event that such Warrant is only partially transferred) and the surrendered Warrant shall be canceled. Each such transferee shall succeed to all of the rights of the transferring Warrantholder under this Agreement or in the event that such Warrant is only partially transferred, the transferring Warrantholder and such transferee shall, simultaneously, hold rights hereunder in proportion to their respective Percentage Interests. Each Warrant may be exchanged at the option of a Warrantholder, when surrendered at the Principal Office of the Company, for another Warrant or other Warrants of like tenor and representing in the aggregate the right to purchase a like number of shares of Common Stock, subject to adjustment as more fully set forth herein.

(b) Transfers Subject to Securities Laws; Stockholders Agreement. Subject to the restrictions set forth in this Section 9 and the Stockholders Agreement, each Warrantholder may at any time and from time to time freely transfer its Warrant and the Warrant Shares in whole or in part. No Warrant has been, and the Warrant Shares at the time of their issuance may not be, registered under the Securities Act, and, except as provided in the Stockholders Agreement or the Rights Agreement, nothing herein contained shall be deemed to require the Company to so register any Warrant or Warrant Shares. The Warrants and the Warrant Shares are issued or issuable subject to the provisions and conditions contained herein and in the Purchase Agreement, and every Warrantholder by accepting any Warrant agrees with the Company to such provisions and conditions, and represents to the Company that such Warrant has been acquired and the Warrant Shares will be acquired for the account of such Warrantholder for investment and not with a view to or for sale in connection with any distribution thereof.

(c) Restrictive Securities Legend. Each certificate representing the shares of Common Stock issued upon the exercise of any Warrant shall bear the restrictive legend set forth below:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE. NO TRANSFER, SALE OR OTHER DISPOSITION OF THIS CERTIFICATE MAY BE MADE UNLESS A REGISTRATION STATEMENT WITH RESPECT TO THIS CERTIFICATE HAS BECOME EFFECTIVE UNDER SUCH ACT AND SUCH REGISTRATION OR QUALIFICATION AS MAY BE NECESSARY UNDER THE SECURITIES LAWS OF ANY STATE HAS BECOME EFFECTIVE, OR THE COMPANY HAS BEEN FURNISHED WITH AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED. NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL OR STATE REGULATORY AUTHORITY HAS PASSED ON OR ENDORSED THE MERITS OF THESE SECURITIES."

SECTION 10. Option to Put.

(a) Put Rights. Notwithstanding any other provision of this Agreement or any Warrant, the Required Warrantholders may elect by giving the Company written notice thereof pursuant to Section 11(a) hereof, at any one time after the occurrence of a Put Event (as defined in Section 10(b) hereof) and prior to the Expiration Date, to sell to the Company, and the other Warrantholders may then also sell to the Company (at a price established pursuant to Section 11(b) hereof), all or any part of their respective Warrants and Warrant Shares (collectively, the "Warrant Securities") and the Company shall be required to purchase such Warrant Securities in accordance with, and subject to, the terms hereof and Section 11 hereof; provided, however, that if any Warrantholder exercises its put right hereunder for less than all of its Warrants or Warrant Shares, it shall have no further put rights hereunder with respect to the remaining Warrants or Warrant Shares.

(b) Put Events. The right of each Warrantholder to require the Company to purchase the Warrant Securities under Section 10(a) hereof shall be exercisable upon or at any time after the occurrence of any of the following events or circumstances (each a "Put Event"):

(i) November 19, 2005;

(ii) the occurrence of a Change of Control; or

(iii) the dissolution, winding-up o liquidation of the Company or Healthcare, or the sale of all or substantially all of the assets of the Company or Healthcare.

SECTION 11. Manner of Redemption.

(a) Put Notice. Each Warrantholder that desires to participate in the put option under Section 10 to put all or any part of its Warrant Securities to the Company shall give notice to the Company at its Principal Office of such exercise (the "Put Notice") not less than thirty (30) nor more than sixty (60) days prior to the date set forth in the notice as the date fixed for redemption (the "Redemption Date"). All Put Notices shall set forth the Redemption Date and the Warrant Securities to be redeemed.

(b) Redemption Price. The purchase price (the "Redemption Price") of the Warrant Securities to be redeemed by the Company hereunder shall be calculated as of the date of the Put Notice and shall be equal to:

(i) in the case of each Warrant, the product of (A) the difference of (1) the Put Price Per Share (defined below) minus (2) the Exercise Price then in effect multiplied by (B) that number of Warrant Shares being put; and

(ii) in the case of any Warrant Shares issued upon exercise of a Warrant, the product of (A) the Put Price Per Share multiplied by (B) that number of Warrant Shares to be redeemed.

(c) Put Price Per Share. The "Put Price Per Share" shall mean an amount equal to the highest of:

(i) the Fair Market Value Per Share; and

(ii) the book value of stockholders equity of the Company determined as of the end of the month immediately preceding the Redemption Date in accordance with generally accepted accounting principles divided by the Fully Diluted Common Stock.

(d) Closing. On the Redemption Date, the holders o the Warrant Securities to be redeemed shall surrender such Warrant Securities to the Company at its Principal Office or

such other place as may be set forth in the Put Notice on tender by the Company of the Redemption Price in cash or other immediately available funds. Payment of the Redemption Price shall only be out of Legally Available Funds. At the request of the Warrantholders holding a majority of the Warrant Securities to be redeemed (the "Majority Exercising Warrantholders"), the Company will deliver to the holders of the Warrant Securities to be redeemed, at the Company's expense, a certificate of the Company's chief financial officer in form and substance reasonably acceptable to such holders to the effect that such payment is being made out of Legally Available Funds. In the event any appraisal to be conducted in connection with the determination of Fair Market Value Per Share has not been completed five (5) Business Days prior to the Redemption Date, the Redemption Date shall be postponed until five (5) Business Days after the completion of such appraisal.

(e) No Restrictive Agreements; Legally Available Funds.

(i) Covenant Not to Impair Put Rights. Until such time as the Company has paid in full all principal of and interest and premium on the Notes, and all other amounts due under the Purchase Agreement and the Notes, the Company covenants and agrees that it shall not, without the prior written consent of the Required Warrantholders, enter into or agree to become subject to any term, condition, provision or agreement (including an amendment to an existing agreement) that would restrict in any way the performance of the Company's obligations under this Section 11 or the availability of Legally Available Funds with which to perform such obligations, except for any such terms, conditions, provisions or agreements permitted under the Purchase Agreement and the Senior Loan Agreement. The Company represents to each Warrantholder that the Company is not subject to or bound by any such term, condition, provision or agreement as of the date hereof, except as set forth in the Senior Loan Agreement and the Purchase Agreement.

(ii) Remedial Action. Upon receipt of a Put Notice, if the Company believes that at the time of the Redemption Date the Company would not have sufficient Legally Available Funds to perform its obligations under this Section 11, then the Company shall promptly use all commercially reasonable efforts to cause such Legally Available Funds to become available, including, without limitation, by increasing any such funds, in any manner permitted or contemplated by the General Corporation Law of the State of Delaware, as amended, or any comparable provision of any succeeding law or obtaining relief from any contractual restriction in order to make the required payments. If, notwithstanding the Company's commercially reasonable efforts pursuant hereto, the Company is unable to fulfill its obligations under this Section 11 because of insufficient Legally Available Funds, the Company shall give prompt written notice thereof to each holder of Warrant Securities specifying in reasonable detail the nature thereof and the extent, if any, to which the Company would be able to fulfill its obligations under this Section 11, and, in the case of a restriction caused by any term, condition or provision of the Senior Loan Agreement, the nature of the term, condition or provision which would be breached and, if such term, condition or provision is a financial covenant, a computation of the amounts or ratios setting forth the deficiencies with respect to such covenant, such computation to be certified by the chief financial officer of the Company.

(iii) Warrantholder Options. Upon receipt o notice from the Company as provided in Section 11(e)(ii), the Required Warrantholders may elect pursuant to written

notice given thereby to the Company: (A) that each Warrantholder's put rights pursuant to the Put Notice shall remain exercised and the Redemption Date shall be deferred until the first five (5) Business Days after there are sufficient Legally Available Funds to effect such redemption; provided, that, as and to the extent that there are sufficient Legally Available Funds to effect such redemption, the Company shall promptly make partial payments of the Redemption Price to the holders of Warrant Securities to be redeemed, in which case there shall be a series of redemptions, each of which shall take place not more than five (5) Business Days after there are sufficient Legally Available Funds to effect such redemption to an extent that would permit such partial payments of the Redemption Price in increments of not less than Twenty-Five Thousand Dollars ($25,000) ("Partially Available Funds"); provided, further, that the Required Warrantholders, in their sole and absolute discretion, may require the Company to issue a promissory note, in form and substance reasonably satisfactory to the Required Warrantholders, to the order of the holders of Warrant Securities to be redeemed, bearing interest at a per annum rate equal to the prime rate of leading money center banks as quoted in The Wall Street Journal plus three hundred basis points (3.00%) compounded semi-annually, to the extent that payment in such form rather than in cash would not result in insufficient Legally Available Funds; provided, further, that (I) the issuance of any such promissory notes shall not be required if such issuance would violate, conflict with or result in the breach of any of the terms and conditions of, otherwise cause the termination of or give any other contracting party the right to terminate, or constitute (or with notice or lapse of time or both constitute) a default under, the Senior Loan Agreement, the Purchase Agreement or any other contract, agreement, indenture, note, bond, loan, instrument, lease or other written arrangement in respect of Indebtedness to which the Company or any of its Subsidiaries is a party or by or to which the Company or any of its Subsidiaries or any of their properties is or may be bound or subject, (II) such promissory notes shall not provide for the payment of cash interest prior to six months following the maturity date of the Senior Loan Agreement (determined at the time such promissory notes are issued), (III) if such promissory notes are issued and the payment of interest due in cash would violate, conflict with or result in the breach of any of the terms and conditions of, otherwise cause the termination of or give any other contracting party the right to terminate, or constitute (or with notice or lapse of time or both constitute) a default under, the Senior Loan Agreement, the Purchase Agreement or any other contract, agreement, indenture, note, bond, loan, instrument, lease or other written arrangement in respect of Indebtedness to which the Company or any of its Subsidiaries is a party or by or to which the Company or any of its Subsidiaries or any of their properties is or may be bound or subject, then such interest when due shall be payable by the issuance of additional promissory notes substantially identical to the promissory notes in respect of which such interest is due, and (IV) the maturity date of such promissory notes will be no earlier than six (6) months following the maturity date of the Senior Loan Agreement (determined at the time such promissory notes are issued) or (B) the exercise of the put rights pursuant to Section 10(a) shall be rescinded in whole or in part at the option of the Majority Exercising Warrantholders (with the result that the Majority Exercising Warrantholders may require the Company to redeem the Warrant Securities at any time thereafter until the later of (1) the Expiration Date or (2) eighteen (18) months after the date the Majority Exercising Warrantholders give notice to rescind the exercise of such put rights). Notwithstanding the limitation set forth in clause (IV) of the prior sentence, such promissory notes may contain provisions providing for the immediate payment of all obligations thereunder after the later

to occur of (x) payment in full of all Senior Indebtedness then due and payable and the expiration or termination of all letters of credit and commitments under the Senior Loan Agreement and (y) payment in full of all Indebtedness arising under the Purchase Agreement; provided, that at such time sufficient funds of the Company are available for such payment as required under Sections 151 and 160 of the General Corporation Law of the State of Delaware, as amended, or any comparable provision of any succeeding law; and provided, further, that the Company shall use all commercially reasonable efforts to cause any such funds to become available including without limitation by increasing any such funds in any manner permitted or contemplated by the General Corporation Law of the State of Delaware, as amended, or any comparable provision of any succeeding law.

SECTION 12. Call Option.

(a) Option to Purchase. Subject to the provisions of the Purchase Agreement and the Senior Loan Agreement, on and after November 19, 2006, the Company shall be entitled to purchase from the holders of Warrant Securities, as a whole but not in part, all Warrant Securities then outstanding at a purchase price equal to the then applicable Redemption Price as calculated pursuant to Section 11(c). Each holder of Warrant Securities shall be required under this Section 12 to sell its Warrant Securities, in whole but not in part, upon the delivery to such holder by the Company of written notice evidencing the Company's desire to purchase such Warrant Securities. Each holder of Warrant Securities shall deliver its Warrant Securities to the Company, properly assigned or endorsed, at the closing therefor held within ten (10) Business Days after the Company's notice against payment therefor made in cash or other immediately available funds.

(b) Look-back Period. If at any time within one (1 year after the repurchase of the Warrant Securities under this Section 12, the Company or its shareholders consummate one or more transactions of the type described in Section 10(b)(ii) or (iii), then the Company shall make or cause to be made, simultaneously with the consummation of any such transaction or at such later time as any payment in cash, securities or other property is received by the Company or its shareholders or any Subsidiary of the Company, an additional payment to the holders of Warrant Securities in an amount per share, for each share purchased pursuant to this Section 12, equal to the amount, if any, by which the value per share of the cash, securities or other property received by the Company or its shareholders (the "Per Share Proceeds") in such transaction exceeds the payment per share received by the holders of Warrant Securities pursuant to Section 12(a) (net, in both cases, of direct costs, including, without limitation, legal, accounting, consulting, investment banking fees and sales commissions, and taxes paid or payable as a result thereof). Each additional payment to the holders of Warrant Securities shall be made either in cash or in the form of the securities or other property received by the Company or its shareholders in connection with the transaction described above.

(c) Per Share Proceeds. The Per Share Proceeds received in connection with such transaction shall be determined without deduction for any expenses of the transaction except for reasonable attorneys and accountants' fees and, in the case of an underwritten public offering, the underwriting discounts and commissions and shall be equal to:

(i) in the case of a Public Offering, the highest price per share received by the Company or any holders of its capital stock;

(ii) in the case of a sale of assets of the Company, the amount that would be distributed by the Company per share of Fully Diluted Common Stock, on the assumption that all of the assets of the Company remaining after the payment of or provision for the liabilities of the Company would be distributed by the Company to the holders of its capital stock in full redemption thereof;

(iii) in the case of a liquidation, merger, consolidation or share exchange or a sale of stock in which the shareholders of the Company receive cash, the cash per share of Fully Diluted Common Stock to be received; or

(iv) in the case of a liquidation, merger, consolidation or share exchange or a sale of stock for a consideration other than cash, on the basis of the fair market value of such other consideration determined by the Board of Directors of the Company in good faith.

SECTION 13. Limit on Grant of Other Put or Redemption Rights.

The Company covenants and agrees that from the date hereof, so long as any Warrantholder holds a Warrant or any Warrant Shares in respect of which any put rights provided for in Sections 10 and 11 have not terminated, the Company shall not grant, directly or indirectly, to any Person or agree to otherwise become obligated in respect of (a) any rights to require the Company to purchase or redeem securities of the Company at any time before May 19, 2006 upon the demand of any Person or (b) rights in the nature or substantially in the nature of those set forth in Sections 10 and 11 hereof, if such rights are, or could under any circumstances become, exercisable before May 19, 2006; in each case, without the prior written consent of the Required Warrantholders. The Company represents and warrants to each Warrantholder that, as of the date hereof, there are no agreements granting any such rights to any Person.

SECTION 14. Survival of Provisions.

Notwithstanding the full exercise by any Warrantholder o its rights to purchase Common Stock, the provisions of this Agreement and each Warrant shall survive such exercise and the Expiration Date until such time as the rights of the Required Warrantholders to have the Company redeem all Warrant Securities held by each Warrantholder have expired or been fully exercised.

SECTION 15. Delays, Omissions and Indulgences.

No delay or omission to exercise any right, power or remedy accruing to any Warrantholder upon any breach or default of the Company hereunder or under any Warrant shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver

of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on any Warrantholder's part of any breach or default hereunder or under any Warrant, or any waiver on any Warrantholder's part of any provisions or conditions hereof or of any Warrant must be in writing and that all remedies, either hereunder, under any Warrant or by law or otherwise afforded to the Warrantholders, shall be cumulative and not alternative.

SECTION 16. Rights of Transferees.

The rights granted to the Warrantholders hereunder and under each Warrant shall pass to and inure to the benefit of all subsequent transferees of all or any portion of a Warrant (provided that each Warrantholder and any transferee shall hold such rights in proportion to their respective ownership of the Warrants and Warrant Shares) until extinguished pursuant to the terms hereof.

SECTION 17. Captions.

The titles and captions of the Sections and other provisions hereof are for convenience of reference only and are not to be considered in construing this Agreement.

SECTION 18. Notices.

All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, telecopy, overnight courier service or personal delivery:

(a) if to the Company:

AMN Holdings, Inc.
12235 El Camino Real
Suite 200
San Diego, CA 92130
Attention: Diane K. Stumph
Telecopy: (858) 792-0299

with a copy to:

Haas Wheat & Partners, L.P.
300 Crescent Court
Suite 1700
Dallas, TX 75201
Attention: Douglas D. Wheat

Telecopy: (214) 871-8316

(b) if to any Warrantholder, to the respective address set forth on the corporate records of the Company.

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; when delivered by courier, if delivered by commercial overnight courier service; five (5) Business Days after being deposited in the mail, postage prepaid, if mailed; and when receipt is acknowledged, if telecopied.

SECTION 19. Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided that the Company shall have no right to assign its rights, or to delegate its obligations, hereunder without the prior written consent of each Warrantholder.

SECTION 20. Severability.

If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions hereof.

SECTION 21. Governing Law.

THIS AGREEMENT AND EACH WARRANT IS TO BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK AND WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW OF SUCH STATE.

SECTION 22. Entire Agreement; Amendment.

This Agreement, the Warrant and the Purchase Agreement are intended by the parties as a final expression of their agreement and are intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein. Except as otherwise expressly provided in this Agreement, any provision of this Agreement or of any Warrant may be amended or modified only by an instrument in writing signed by the Company and the Required Warrantholders.

SECTION 23. Rules of Construction.

Unless the context otherwise requires "or" is not exclusive, and references to sections or subsections refer to sections or subsections of this Agreement. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require.

* * *

IN WITNESS WHEREOF, each party hereto has caused this Agreement to be duly executed as of the date first above written.

AMN HOLDINGS, INC.

By: /s/ Steven C. Francis

Name: Steven C. Francis

Title: Chief Executive Officer, President, Secretary and Treasurer
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BANCAMERICA CAPITAL INVESTORS SBIC I, L.P.

By: BANCAMERICA CAPITAL MANAGEMENT SBIC I, LLC, its general partner

By: BANCAMERICA CAPITAL MANAGEMENT I L.P., its sole member

By: BACM I GP, LLC, its general partner

By: /s/ Walker L. Poole

Walker L. Poole
Managing Director

EXHIBIT A

FORM OF WARRANT

THIS COMMON STOCK PURCHASE WARRANT AND THE SHARES THAT MAY BE PURCHASED HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR UNDER THE SECURITIES LAWS OF ANY STATE. THIS COMMON STOCK PURCHASE WARRANT HAS BEEN ACQUIRED FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO DISTRIBUTION, AND THIS COMMON STOCK PURCHASE WARRANT AND THE SHARES THAT MAY BE PURCHASED HEREUNDER MAY NOT BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AND REGISTRATION OR QUALIFICATION UNDER APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL THAT THE PROPOSED TRANSACTION DOES NOT VIOLATE THE SECURITIES ACT OF 1933, AND APPLICABLE STATE SECURITIES LAWS.

THIS WARRANT IS SUBJECT TO THE TERMS OF A NOTE AND WARRANT PURCHASE AGREEMENT, DATED AS OF NOVEMBER 19, 1999, BY AND BETWEEN AMN HOLDINGS, INC. AND BANCAMERICA CAPITAL INVESTORS SBIC I, L.P. (AS AMENDED OR OTHERWISE MODIFIED, THE "NOTE PURCHASE AGREEMENT").

AMN HOLDINGS, INC.

COMMON STOCK PURCHASE WARRANT

Number _____

THIS IS TO CERTIFY that [_____], and its transferees, successors and assigns (the "Warrantholder"), for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, is entitled to purchase from AMN HOLDINGS, INC., a Delaware corporation (the "Company"), at a price per share equal to the Exercise Price, [__] shares of the fully paid and nonassessable Common Stock of the Company, subject to the terms and conditions of the Warrant Agreement, dated as of November 19, 1999 (as amended or otherwise modified, the "Warrant Agreement"), between the Company and the other parties thereto. The number of shares of Common Stock subject to this Warrant is subject to adjustment or reduction as set forth in Section 7 of the Warrant Agreement. Capitalized terms used herein shall have the meanings ascribed to such terms in Section 1 of the Warrant Agreement.

Payment of the Exercise Price may be made as set forth in Section 3 of the Warrant Agreement.

If this Warrant is not exercised on or before 5:00 p.m., San Diego, California time on the Expiration Date, this Warrant shall become void and all rights hereunder shall cease as of such time, except as provided in the Warrant Agreement.

This Warrant is one of the Warrants issued pursuant to the Warrant Agreement and is subject to, and entitled to the benefits of, all of the terms, provisions and conditions of the Warrant Agreement, which Warrant Agreement is hereby incorporated by reference herein and made a part hereof. The Warrant Agreement sets forth a full description of the rights, limitations of rights, obligations, duties and immunities of the Company and the Warrantholder with respect to this Warrant. Copies of the Warrant Agreement are on file at the Principal Office of the Company.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed in its name by its duly authorized officer, as of the ___ day of [_____].

AMN HOLDINGS, INC.

By:

Name:
Title:

EXHIBIT B

FORM OF NOTICE OF EXERCISE

_____, ____

To: AMN Holdings, Inc.
12235 El Camino Real
Suite 200
San Diego, CA 92130
Attention: Diane K. Stumph
Telecopy: (858) 792-0299

1. The undersigned, pursuant to the provisions of the attached Warrant, hereby elects to exercise such Warrant with respect to _____ shares of Common Stock (the "Exercise Amount"). Capitalized terms used but not otherwise defined herein have the meanings ascribed thereto in the attached Warrant.

2. The undersigned herewith tenders payment for such shares in the following manner (please check type, or types, of payment and indicate the portion of the Exercise Price to be paid by each type of payment):

____ Exercise for Cash
____ Cashless Exercise

3. Please issue a certificate or certificates representing the shares issuable in respect hereof under the terms of the attached Warrant, as follows:

_____
(Name of Record Warrantholder/Transferee)

and deliver such certificate or certificates to the following address:

_____

_____

_____

(Address of Record Warrantholder/Transferee)

4. The undersigned represents that the aforesaid shares are being acquired for the account of the undersigned for investment and not with a view to, or for resale in connection with, the distribution thereof and that the undersigned has no present intention of distributing or reselling such shares.

5. If the Exercise Amount is less than all of the shares of Common Stock purchasable hereunder, please issue a new warrant representing the remaining balance of such shares, as follows:

_____
(Name of Record Warrantholder/Transferee)

and deliver such warrant to the following address:

_____

_____

_____
(Address of Record Warrantholder/Transferee)

In witness whereof, the undersigned Warrantholder has caused this Notice of Exercise to be executed as of this _____ day of _____, _____.

_____
(Name of Warrantholder)

By:_____

Exhibit 21.1

Subsidiaries of the Registrant

Subsidiary	Jurisdiction of Organization
AMN Healthcare, Inc.	Nevada
AMN Services, Inc.	North Carolina
O'Grady-Peyton International (USA), Inc.	Massachusetts
Preferred International Healthcare Staffing Limited	United Kingdom
O'Grady-Peyton International (Australia) (Pty) Ltd.	Australia
O'Grady-Peyton International Recruitment U.K. Limited	United Kingdom
O'Grady-Peyton International (SA) (Proprietary) Limited	South Africa

Exhibit 23.2

INDEPENDENT AUDITORS' REPORT ON SCHEDULE AND CONSENT

The Board of Directors
AMN Healthcare Services Inc.:

The audits referred to in our report dated March 29, 2001, except as to Note 12 which is as of July 9, 2001, included the related financial statement schedule as of December 31, 2000, and for each of the years in the two-year period ended December 31, 2000, included in the registration statement. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the use of our reports included herein and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP

San Diego, California
July 16, 2001

Exhibit 23.3

INDEPENDENT ACCOUNTANTS' CONSENT

The Board of Directors
Preferred Healthcare Staffing, Inc.:

We consent to the use of our report included herein on the financial statements of Preferred Healthcare Staffing, Inc. as of December 31, 1999 and November 30, 2000 and for the years ended December 30, 1998 and 1999 and the eleven months ended November 30, 2000, and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP

Miami, Florida
July 16, 2001

Exhibit 23.4

INDEPENDENT AUDITORS' CONSENT

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

We consent to the use of our report included herein and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP

Atlanta, Georgia
July 16, 2001

Exhibit 23.5

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Registration Statement of AMN Healthcare Services, Inc. (formerly AMN Holdings, Inc.) on Form S-1 of our report dated September 23, 1999, appearing in the Prospectus, which is part of this Registration Statement and our report dated September 23, 1999 relating to the financial statement schedule appearing elsewhere in the Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ DELOITTE & TOUCHE LLP

San Diego, California
July 12, 2001

Exhibit 23.6

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated statements of operations, stockholders' equity and cash flows of AMN Healthcare Services, Inc. and subsidiary, formerly AMN Holdings, Inc., (the "Company") for the year ended December 31, 1998, and have issued our report thereon dated September 23, 1999 (included elsewhere in this Registration Statement). Our audit also included the financial statement schedule listed in Item 16 of this Registration Statement. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

San Diego, California
September 23, 1999

Exhibit 23.7

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated March 31, 2001, relating to the financial statements of Nurses RX, Inc. for the years ended December 31, 1998 and 1999, and to the reference to our firm under the caption "Experts" in the Prospectus.

New York, New York
July 16, 2001

/s/ DDK & Company LLP