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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2006

or

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

For the transition period from _____ to _____

Commission file number 0-33169

Cross Country Healthcare, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**13-4066229**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6551 Park of Commerce Boulevard, N.W.
Boca Raton, Florida 33487
(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: **(561) 998-2232**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $0.0001 per share	The NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act: Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the closing price of Common Stock on June 30, 2006 of $18.19 as reported on the NASDAQ National Market, was $459,773,296. This calculation does not reflect a determination that persons are affiliated for any other purpose.

As of February 28, 2007, 32,158,276 shares of Common Stock, $0.0001 par value per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement, for the 2007 Annual Meeting of Stockholders, which statement will be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Report, are incorporated by reference in Part III hereof.

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All references to "we," "us," "our," or "Cross Country" in this Report on Form 10-K means Cross Country Healthcare, Inc., its subsidiaries and affiliates.

Forward-Looking Statements

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section entitled "Item 1A – Risk Factors." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Readers should carefully review the Risk Factors described in other documents we file from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q to be filed by us in fiscal year 200 7.

PART I

Item 1. Business.

Overview of Our Company

We are one of the largest providers of healthcare staffing services in the United States. Our healthcare staffing business segment represented 93% of our 2006 revenue and is comprised of travel and per diem nurse staffing, travel allied health staffing and clinical research staffing. Travel nurse staffing is our core business and it represented approximately 70% of our total revenue. Our other human capital management services business segment represented approximately 7% of our 2006 revenue and consists of education and training as well as retained search services related to physicians and healthcare executives.

We believe we are well positioned in the current environment for healthcare staffing services to take advantage of industry and demographic dynamics. These dynamics include an aging U.S. population expected to result in greater demand for in-patient hospital services; a growing shortage and aging of registered nurses (RNs); state and federal legislation relating to minimum nurse staffing levels and maximum allowable overtime; and a long-term trend among hospitals to utilize supplemental nurse staffing services to provide flexibility and a variable cost structure to meet their overall staffing requirements. For the year ended December 31, 2006, our revenue was $655.2 million and our net income was $16.6 million, or $0.51 per diluted share. During 2006, we generated $32.9 million in cash flow from operations and at year-end had total debt of $21.5 million resulting in a debt to total capitalization ratio of 5.4% as of December 31, 2 006.

On August 31, 2006, we acquired the assets of privately-held Metropolitan Research Associates, LLC and Metropolitan Research Staffing Associates, LLC (collectively "Metropolitan Research") for $18.6 million in cash, plus a potential earn-out of up to $6.4 million based on 2006 and 2007 performance. We financed this transaction using our revolving credit facility. Metropolitan Research, headquartered in New York City, is a full-service pharmaceutical consulting firm providing clinical trials staffing, drug safety monitoring and contract research services to the pharmaceutical, biotech and medical device industries while providing its healthcare professional candidates with temporary or permanent clinical staffing career opportunities.

Healthcare Staffing

Nurse and Allied Health Staffing

We are a leading provider of travel nurse staffing services in the U.S. We also provide travel allied health professional staffing and per diem nurse staffing services. We market our healthcare staffing services primarily to acute care hospitals through our Cross Country Staffing and MedStaff brands to provide these clients with travel and per diem staffing solutions. We provide credentialed RNs for travel and per diem staffing assignments at public and private healthcare facilities, and at for-profit and not-for-profit facilities located throughout the U.S. The vast majority of our travel nursing assignments are at acute care hospitals, including teaching institutions and trauma centers located in major metropolitan areas. We also provide other healthcare professionals in a wide range of specialties that include operating room technicians and other allied health professionals, such as rehabilitation therapists, radiology technicians and respiratory therapists . Our per diem nurses and allied health professionals work in both acute and non-acute care settings such as skilled nursing facilities, nursing homes and sports medicine clinics, and, to a lesser degree, in non-clinical settings, such as schools.

Our Cross Country Staffing and MedStaff brands' travel staffing businesses are certified by The Joint Commission under its Health Care Staffing Services Certification Program. The Joint Commission certification program offers an independent,

comprehensive evaluation of a staffing agency's ability to provide quality staffing services. We believe this certification program, which is subject to annual review, is a very important quality initiative in our industry.

Our centralized travel staffing services are provided to hospital clients on a national basis from our headquarters in Boca Raton, Florida, as well as secondary offices in Malden, Massachusetts, Tampa, Florida and Newtown Square, Pennsylvania. Our per diem staffing services are provided through a network of branch offices serving certain major metropolitan markets. We also provide nurse staffing services to military hospitals and clinics.

Together, our national client base includes approximately 4,000 hospitals and other healthcare providers. Our fees are paid directly by our clients and, in certain cases, by third-party administrative payors. As a result, we have no direct exposure to Medicare or Medicaid reimbursements.

Sales and Marketing

Cross Country Staffing is our core brand that markets its staffing services to hospitals and healthcare facilities throughout the U.S., as well as operates differentiated recruiting brands to recruit RNs and allied healthcare professionals on a domestic and international basis. As a part of its business strategy, Cross Country Staffing is pursuing and implementing exclusive and preferred provider relationships with hospital clients. Cross Country Staffing provides clients with a suite of solutions to facilitate the efficient management of their temporary workforce. These solutions range from efficiency-enhancing technology to vendor management solutions.

MedStaff markets both its travel nurse staffing and per diem staffing services to public and private hospitals and healthcare facilities across the United States. It primarily focuses on high levels of customized service to its clientele on a national basis and in those local markets where it maintains branch offices. Through its HealthStaffers affiliate, MedStaff markets its services to government and military treatment facilities.

Recruiting and Retention

We operate differentiated nurse recruiting brands consisting of Cross Country TravCorps, MedStaff, NovaPro, Cross Country Local and Assignment America to recruit nurses and allied healthcare professionals on a domestic and international basis. We believe these professionals are attracted to us because we offer a wide range of diverse assignments at attractive locations, competitive compensation and benefit packages, as well as high levels of customer service.

In 2006, thousands of healthcare professionals applied with us through our recruitment brands. Historically, more than half of our field employees have been referred to us by other healthcare professionals. We also advertise in trade publications and on the Internet, which has become increasingly important. We maintain a number of websites to allow potential applicants to obtain information about our recruitment brands and assignment opportunities, apply online and participate in online forums.

Our recruiters are an important component of our travel staffing business, responsible for establishing and maintaining key relationships with candidates for the duration of their employment with our Company. Our recruiters work with candidates throughout their initial placement process as well as on subsequent assignments. We believe our strong retention rate is a direct result of these relationships. Recruiters match the supply of qualified candidates in our database with the demand of positions from our hospital clients. At year-end 2006, we had 155 recruiters in our travel staffing business.

We also have internal educational and training capabilities through Cross Country University, a division of Cross Country Staffing, that we believe gives us a competitive advantage by enhancing both the quality of our working nurses and the effectiveness of our recruitment efforts. Cross Country University offers our RNs and other healthcare professionals additional training, professional development and assistance in completing continuing education for state licensing requirements.

Our recruiters utilize our computerized databases of positions to match assignment opportunities with the experience, skills and geographic preferences of their candidates. Once an assignment is selected, our account managers review the candidate's application package before submitting it to the hospital client for review. Account managers are knowledgeable about the specific requirements and operating environment of the hospitals that they service. In addition, our client databases are kept updated by our account managers.

Contracts with Field Employees and Hospital Clients

Travel assignments are typically 13-weeks in duration. Each of our traveling field employees works for us under either a payroll or mobile contract. Approximately 99% of our field personnel are directly employed by us under payroll contracts.

Our traveling field employees that are on payroll contracts are hourly employees whose contract specifies the hourly rate they will be paid and any other benefits they are entitled to receive during the contract period. For payroll contract employees, we bill clients at an hourly rate and assume all employer costs, including payroll, withholding taxes, benefits, professional liability insurance and Occupational Safety and Health Administration (OSHA) requirements, as well as any travel and housing arrangements. Mobile contract employees are hourly employees of the hospital client and receive an agreement that specifies the hourly rates they will be paid by the hospital employer, as well as any benefits they are entitled to receive from us. We recruit mobile contract employees for our hospital clients and provide those employees with company-leased apartments and travel-related support. We are compensated for the services we provide at a predetermined rate nego tiated with our hospital clients. Our fees are paid directly by our clients and, in certain cases, by third-party administrative payors.

Operations

We operate our travel nurse staffing business from a relatively centralized business model servicing all of the assignment needs of our field employees and client facilities through operation centers located in Boca Raton, Florida; Malden, Massachusetts; Tampa, Florida and Newtown Square, Pennsylvania. These centers perform key support activities such as coordinating assignment accommodations, payroll processing, benefits administration, billing and collections, contract processing, customer service and risk management. Our per diem staffing services are provided through a network of 15 branch offices serving major metropolitan markets predominantly located on the east and west coasts of the U.S.

Hours worked by field employees are recorded by our operations system, which then transmits the data directly to Automated Data Processing (ADP) for payroll processing. Client billings are generated using time and attendance data captured by our payroll system. Our payroll department also provides customer support services for field employees.

During 2006, we had an average of approximately 2,600 apartments open under leases throughout the U.S. Our housing staff typically secures leases and arranges for furniture rental and utilities for field employees at their assignment locations. Apartment leases are typically three months in duration to match the assignment length of our field employees. Beyond the initial term, leases can be extended on a month-to-month basis. Generally, we provide accommodations at no cost to the healthcare professional on assignment with us based on our respective recruitment brand's practices. We believe that our economies of scale help us secure competitive pricing and favorable lease terms.

Clinical Research Staffing

Our ClinForce subsidiary, headquartered in Research Triangle Park, North Carolina, provides outsourcing and staffing solutions to companies in the pharmaceutical, biotechnology and medical device industries, as well as to contract research organizations, and acute care hospitals conducting clinical research trials.

We provide professionals across numerous clinical research disciplines, including Clinical Monitors/Contract Research Associates, Clinical Project Managers, Site Coordinators/Contract Research Coordinators, Drug Safety Personnel, Medical Monitors, Regulatory Affairs Personnel, Medical Writers, Clinical Data Professionals, Statistical and SAS Programmers and various pre-clinical related professionals.

In August 2006, we acquired Metropolitan Research, a New York City based full-service consulting firm providing clinical trials staffing, drug safety monitoring and contract research (CRO) services to the pharmaceutical, biotech and medical device industries. The acquisition of Metropolitan Research expands ClinForce's service delivery capabilities and compliments its existing service lines to include drug safety monitoring services as well as contract research services. It also expands our recruiting capabilities providing healthcare professional candidates with additional temporary and permanent clinical research career opportunities.

Other Human Capital Management Services

Education and Training Services

Our Cross Country Education (CCE) subsidiary, headquartered in Nashville, Tennessee, provides continuing education programs to the healthcare industry. CCE offers one-day seminars and e-learning, as well as national and regional conferences on topics relevant to nurses and other healthcare professionals. In 2006, CCE held more than 5,000 seminars and conferences that were attended by approximately 160,000 registrants in more than 210 cities across the U.S. In addition, we extend these educational services to our field employees on favorable terms as a recruitment and retention tool.

Retained Search

Our Cejka Search subsidiary, headquartered near St. Louis, Missouri, is a nationally recognized retained search organization that provides physician and executive search services throughout the U.S. exclusively to the healthcare industry, including physician group practices, hospitals and health systems, academic medical centers, managed care and other healthcare organizations.

Overview of the Nurse Staffing Industry

Industry Dynamics

Demographics are the primary long-term driver of growth opportunities in our core travel staffing business. Over the coming decades, demand for healthcare services is expected to increase due to an aging U.S. population while the national supply of RNs also ages and is projected to decline.

- A projected 18% increase in overall U.S. population between the year 2000 and 2020 is expected to result in an additional 50 million people who will require health care (U.S. Department of Health and Human Services report – July 2002). People age 65 and older accounted for 13% of the population and 37% of hospital spending in 1999, according to the most recent data available from the Centers for Medicare & Medicaid Services (CMS). By 2020, the percentage of people over age 65 is projected to increase to approximately 17%, according to a study published in *Health Affairs* (May/June 2000). The U.S. life expectancy recently hit an all-time high of 77.6 years. Hospital utilization is significantly higher among older people. In 2005, the U.S. Department of Health and Human Services reported that the 2002 discharge rate for people over the age of 65 was approximately three times higher than for the population as a whole.
- The 55-to-64 age group is expected to increase from 29 million Americans in 2004 to 40 million in 2014. One-half of people in this age group – which includes the oldest baby boomers – have high blood pressure, and two in five are obese. They are, in general, in worse medical condition than Americans born a decade earlier were when they were in this age group.
- Healthcare spending for public and private payors increased 6.9% in 2005 to $1.99 trillion following a 7.9% increase in the prior year, according to the latest CMS data. Spending on hospital services was the leading component, which grew 7.9% to $611.6 billion and accounted for 31% of all U.S. healthcare dollars in 2005.

Along with an expanding older population, that is anticipated to increasingly require hospital services, is an aging population of working RNs and a nurse education system constrained by an aging faculty and a lack of teaching facilities. Hospitals and other healthcare facilities utilize outsourced nurse staffing as a means to supplement their own recruitment and retention efforts, and in the process gain flexibility and a variable cost structure in managing their changing nurse staffing requirements. Similarly, RNs have turned to outsourced nurse staffing for greater job flexibility and better working conditions.

Temporary Nurses

The temporary nurse staffing alternatives available to hospital administrators are travel nurses and per diem nurses. Travel nurse staffing involves placement of RNs on a contract basis typically for a 13 week assignment, although assignments may range from several weeks to one year. Travel assignments usually involve temporary relocation to the geographic area of the assignment. Travel nurses provide hospitals and other healthcare facilities with the flexibility and variable cost to manage changes in their staffing needs due to shifts in demand, represent a pool of potential full-time job candidates, and enable healthcare facilities to provide their patients with a greater degree of continuity of care than per diem nurses. The staffing company generally is responsible for providing travel nurses with customary employment benefits and for coordinating travel and housing arrangements.

Per diem nurse staffing comprises the majority of outsourced temporary nurse staffing and involves the placement of locally-based healthcare professionals on short-term assignments, often for daily shift work, with little advance notice by the hospital client. However, housing and extensive travel is generally not required for this mode of staffing.

Demand Dynamics

Using temporary personnel enables healthcare providers to vary their staffing levels to match changes in demand for their permanent staff caused by both planned and unplanned vacancies, as well as by variability in patient admissions. Healthcare providers also use temporary personnel to address budgeted shortfalls due to vacancy rates and to manage seasonal fluctuations in demand for their services, such as population swings in the sun-belt states of Florida, Arizona and California in the winter months and the Northeast and other geographic areas in the summer months.

The market for our nurse staffing services is determined by the demand from hospital customers and the available supply of RNs and other healthcare professionals. Demand is a function of hospital admission trends and their level relative to expectations as well as the overall labor market which influences the number of shifts or hours that full- and part-time RNs are willing to work directly for hospital employers at wages hospitals are able to pay. In general, we believe nurses are more willing to seek travel assignments during relatively high levels of demand for contract employment, and conversely, are more reluctant to seek travel assignments during and immediately following periods of weak demand for contract employment. We also believe demand for travel nurse staffing services will be favorably impacted in the long-term by an aging population and an increasing shortage of nurses.

For their part, hospital executives indicated they were pressed by rising demand and limited capacity as they continue to experience nursing shortages, according to a report released by the American Hospital Association in April 2006 in which 49% of hospital CEOs reported having more difficulty recruiting RNs in 2005 than in the prior year. The report also reflected that U.S. hospitals needed approximately 118,000 RNs to fill vacant positions nationwide, which translated into a national RN vacancy rate of 8.5%. Separately, a 2003 Nursing Shortage Update by Fitch, Inc. estimated that thirty states were experiencing a shortage, and by 2020, 44 states and the District of Columbia are projected to have shortages.

Currently, the market for our healthcare staffing services reflects relatively strong demand, as measured by the average monthly number of open orders from our hospital clients. Demand is substantially higher than the low-point of the most recent industry down-turn in 2003, but is well below the prior industry peak in 2001. We believe this is due to improved dynamics in the labor market that has resulted in increased nurse turnover at hospitals during 2006, which in turn has contributed to price increases for our nurse staffing services and an improvement in the supply of RNs seeking travel assignments with us. Despite this more favorable environment, hospital admissions trends remained soft during much of 2006 with low near-term expectations for growth. Nevertheless, we are encouraged by the moderate improvement in market conditions during 2006. We also believe many of the characteristics of a transition from a demand-constrained environment toward a more fav orable supply-constrained environment continued to be present during 2006, particularly the improvement in pricing.

The Staffing Industry Report, an independent staffing industry publication, estimates that $10.5 billion in revenue was generated in the total U.S. healthcare staffing market in 2006, a 5% increase from the prior year. It also projects that in 2007 healthcare staffing will increase to $11.2 billion – returning to the approximate level that was generated in 2002. The U.S. healthcare staffing market includes temporary staffing of travel nurses, per diem nurses, allied health professionals and locum tenens (physicians). We believe that in excess of $65 billion is spent annually on nursing labor by acute care hospitals and estimate that historically about 8% to 10% of hospital nurse staffing is outsourced. Of that amount, approximately one-fourth to one-third is travel nurse staffing and two-thirds to three-quarters is per diem nurse staffing. However, based on current market dynamics, we believe that outsourced nurse staffing at acute c are hospitals remains below recent peak historic levels.

Hospital Construction

The United States is in the midst of the largest hospital construction expansion cycle in a half-century, which industry experts estimate began in 2002. The hospital industry has spent approximately $100 billion in the past five years on new facilities, up 47% from the previous five years, according to the Census Bureau. Total spending on healthcare facilities is expected to increase to a record high of approximately $40.2 billion in 2006, up from an estimated $23.7 billion spent in 2005. Over the next four years, construction spending is forecast to rise sharply in each year, reaching a projected $57.2 billion in 2010. We believe initial staffing of new and expanded facilities drives greater utilization of contract labor.

Supply Dynamics

There are approximately 2.9 million licensed RNs in the U.S. according to information published in December 2005 by the Health Resources and Services Administration (HRSA). Of this total, approximately 2.4 million (83%) are employed in nursing and 17% were not employed in nursing. Of the total RN population, 1.7 million RNs (58%) work full-time and

725,000 (25%) work part-time. The largest and most significant employment setting is hospitals where nearly 1.4 million of the 2.4 million RNs in the nursing workforce are employed.

The current shortage of RNs in the U.S. began in 1998 and by 2001 there was an estimate of 126,000 unfilled hospital positions. In 2006, the nursing shortage entered its ninth year, making it the longest shortage in the past fifty years according to a recent study published in Health Affairs (January/February 2007). The nursing shortage is expected to expand over the coming decades due to an aging population and an even more rapidly aging RN workforce that is approaching retirement age. One-third of older RNs said they intend to leave their jobs within the next three years and nearly half will retire, according to the findings of a study published in the November-December 2005 issue of *Nursing Economics*. We believe as RNs age they consider retiring from the workforce or switching to part-time status and they increasingly reduce the number of hours worked directly for hospital employers because of the physical demands of the job in an acute car e hospital setting.

The average age of RNs is approximately 47 years, up from the average age of 45 in 2000 and more than four years older than in 1996, according to the 2005 HRSA survey. In 1980, the largest age group of RNs was in their mid-to-late twenties. In 1992, the largest group was in their mid-to-late thirties. In 2005, the largest age group comprised RNs in their forties. By 2012, RNs in their fifties will be the largest age group. And by 2020, baby boomer nurses will be in their sixties, although most will have retired from working in an acute care hospital. Additionally, based on findings from the *Nursing Management Aging Workforce Survey* released in July 2006 by the Bernard Hodes Group, 55% of surveyed nurses reported their intention to retire between 2011 and 2020.

Based on these demographic trends, a U.S. Bureau of Labor Statistics report (February 2004) projects that by 2012 approximately 2.9 million RNs will be needed to meet hospital demand. And by 2020, this represents an expected shortage of 340,000 RNs according to a 2007 Health Affairs study. This study also observed that large numbers of RNs are entering the profession in their late twenties and early thirties, and that the number of people entering nursing in their early to mid-twenties remains at its lowest point in forty years.

Educating Nurses

According to the 2007 Health Affairs study, RNs today are less likely to obtain their nursing education immediately after high school, as was more common in the past. Instead, people are entering the nursing profession by graduating from a two-year associate degree program after a substantial period in their early twenties spent in another career or not in the workforce. Additionally, people are entering nursing via “accelerated” bachelor-of-science degree programs designed for those with other (and usually unrelated) bachelor’s degrees.

Enrollment in entry-level baccalaureate nursing programs increased 5% from 2005 to 2006 while the number of graduates from entry-level baccalaureate programs increased 18% for the same time frame, according to preliminary survey data from the American Association of Colleges of Nursing (AACN). This is the sixth consecutive year of higher enrollment and the fifth consecutive year of expanding graduation following declines from 1996 to 2001. However, despite the rise in enrollment, the AACN reports that in 2006 nursing colleges and universities turned away more than 32,000 qualified applicants to entry-level baccalaureate programs due primarily to insufficient faculty, clinical placement sites and classroom space. According to the AACN (July 2006), a total of 637 faculty vacancies were identified at 329 nursing schools with baccalaureate and/or graduate programs across the country – most were faculty positions requiring a doctoral degree – reflect ing a national nurse faculty vacancy rate of 7.9%. For master’s degree-prepared nurse faculty, the average ages for professors, associate professors and assistant professors were 57.8, 54.5 and 50.0 years, respectively. Graduations from doctoral nursing programs were up by only 1.5% or 6 graduates from the 2004-2005 academic year. In the fall of 2005, the AACN found that 3,160 qualified applicants were turned away from master’s programs, and 202 qualified applicants were turned away from doctoral programs. The primary reason for not accepting all qualified students was a shortage of qualified faculty.

In 2006, the number of domestically trained nurses sitting for the National Council of State Boards of Nursing Licensing Exam (NCLEX), which is required for all new nurses entering the profession in the U.S., increased 11.6% to 110,700 from the number of RNs that took this exam a year earlier. This represents the sixth consecutive year of growth since the most recent low point in 2001 and surpasses the previous peak in 1995 when approximately 94,500 RNs took this exam.

Legislative Dynamics

In the context of a worsening nursing shortage and legislation enacted in California mandating minimum hospital patient-to-nurse ratios, there is a growing body of research that substantiates concerns raised by consumer groups about the quality of care provided in healthcare facilities and by nursing organizations about the increased workloads and pressures on nurses.

Legislation addressing patient-to-nurse ratios and limiting mandatory nurse overtime has already been passed or introduced at federal and state levels. The passage of such legislation is expected to increase the demand for nurses.

- A study published in the *Journal of the American Medical Association* (JAMA – October 23/30, 2002) researched hospital patient-to-nurse ratios and found that above a 4:1 ratio, the odds of patient mortality within 30 days of admission increased by 7% for every additional patient in the average nurse's workload in the hospital. It also found an identical outcome among patients who experienced complications (failure-to-rescue). The study concluded that, all else being equal, substantial decreases in mortality rates could result from increasing registered nurse staffing, especially for patients who develop complications.
- A *Health Affairs* article (January 2006), suggested that approximately 6,700 deaths and 70,400 complications could be avoided each year if U.S. hospitals were to adopt nurse staffing strategies, which in part included increasing the size and skill level of their nursing workforce.
- A comprehensive analysis of several national surveys on the nursing workforce published in *Nursing Economic$* (March 2006), found that majority of nurses reported that the RN shortage is negatively impacting patient care and undermining the quality of care goals set by the Institute of Medicine and the National Quality Forum.
- In another article published in *Nursing Economic$* (September/October 2005) researchers found that the majority of RNs (79%) and Chief Nursing Officers (68%) believe the nursing shortage is affecting the overall quality of patient care in hospitals and other settings, including long-term care facilities, ambulatory care settings and student health centers. Most hospital RNs (93%) report major problems with having enough time to maintain patient safety, detect complications early and collaborate with other team members.

Federal Legislation

Nurse Staffing Plans and Nurse-to-Patient Ratios

- The Quality Nursing Care Act of 2005 (H.R. 1372) and its companion bill in the Senate, S. 71 (titled the RN Safe Staffing Act of 2005), require hospitals to set unit-by-unit nurse staffing levels in coordination with the direct care nursing staff and based on the unique needs of each unit and its patients. The bill holds hospitals accountable for compliance and requires them to make information about staffing levels public. It also protects nurses who speak out about unsafe staffing.

Mandatory Overtime

- In order to protect patient care, S. 351/H.R. 791 would amend title XVIII of the Social Security Act and set limits on the number of mandatory overtime hours RNs could work at Medicare participating hospitals, except in the case of a declared state of emergency. Mandatory overtime limitations would prevent these facilities from requiring a nurse to work in excess of the following: the scheduled work shift or duty period of the nurse; 12 hours during a 24-hour period; or 80 hours in a consecutive 14-day period. The bill also explicitly prohibits providers of services from penalizing, discriminating or retaliating, in any manner, with respect to a nurse who avails themselves of these protections. Voluntary overtime is not affected.

State Legislation

Nurse Staffing Plans and Nurse-to-Patient Ratios

- Legislation/regulation introduced in 2006: 14 states – Florida, Hawaii, Iowa, Illinois, Kansas, Massachusetts, Michigan, Missouri, New Jersey, New York, Pennsylvania, Washington, Washington, D.C. and West Virginia.
- Legislation/regulation enacted in 2006: 2 states – Hawaii and Vermont.
- Legislation enacted in prior years: 10 states – California, Florida, Kentucky, Maine, New Jersey, Nevada, Oregon, Rhode Island, Texas and Virginia.

Mandatory Overtime

- Legislation/regulation introduced in 2006: 23 states – Alaska, California, Florida, Georgia, Hawaii, Iowa, Illinois, Kansas, Massachusetts, Michigan, Minnesota, Missouri, New Hampshire, New York, Ohio, Pennsylvania, Rhode Island, Tennessee, Vermont, Washington, Washington, D.C., West Virginia and Wisconsin.
- Legislation/regulation enacted in 2006: 0 states.
- Legislation enacted in prior years: 11 states – California, Connecticut, Illinois, Maryland, Maine, Minnesota, New Jersey, Oregon, Texas, Washington, and West Virginia.

Additional Information About Our Business

Competitive Strengths

- *Brand Recognition.* We have operated in the travel nurse staffing industry since the 1970s. Our Cross Country Staffing brand is well recognized among leading hospitals and healthcare facilities and our Cross Country TravCorps and MedStaff brands are well recognized by RNs and other healthcare professionals. We believe that through our existing relationships with travel nurse staffing clients, we are positioned to effectively market our complementary per diem nurse, allied health and clinical research staffing services. We believe our retained physician search business has one of the highest levels of brand recognition in its industry.
- *Strong and Diverse Client Relationships.* We provide staffing solutions to a national client base of approximately 4,000 hospitals, pharmaceutical companies and other healthcare providers. No single client accounted for more than 4% of our revenue. We work with the vast majority of the nation's top "Honor Roll" hospitals as identified by *U.S. News & World Report* in its most recently published study.
- *Vendor Management Capabilities.* Our Cross Country Staffing brand has the ability to provide acute care facilities with comprehensive vendor management services. By leveraging technology and its single-point of contact service model, Cross Country Staffing can manage all job orders, credential verification, candidate testing, invoicing and management reporting.
- *The Joint Commission Certification.* Our Cross Country Staffing and MedStaff brands' travel staffing businesses are certified by The Joint Commission under its Health Care Staffing Services Certification Program. The Joint Commission certification program offers an independent, comprehensive evaluation of a staffing agency's ability to provide quality staffing services. We believe this certification program, which is subject to annual review, is a very important quality initiative in our industry. While The Joint Commission program is voluntary for healthcare staffing companies, we believe it will result in differentiation among healthcare staffing providers and expect that hospitals will increasingly look for The Joint Commission certification when selecting a nurse staffing company to meet their temporary staffing needs.
- *Recruiting and Employee Retention.* We are a leader in recruiting and retaining highly qualified healthcare professionals. We recruit healthcare professionals from all 50 states and Canada. We also recruit RNs from certain other English-speaking foreign countries, assist them in obtaining U.S. nursing licenses, sponsor them for U.S. permanent residency visas and then place them in domestic acute care hospitals. In 2006, thousands of healthcare professionals applied with us through our differentiated recruitment brands. Referrals generated a majority of our new candidates. We believe we offer appealing assignments, competitive compensation packages, attractive housing options and other valuable benefits.
- *Continuing Education.* Cross Country University, the first educational program in the travel nurse industry to be accredited by the American Nurse Credentialing Center, enables us to provide continuing education credits to our RN field employees. Our Cross Country Education subsidiary provides accredited continuing education to other healthcare professionals.
- *Scalable and Efficient Operating Structure.* At year-end 2006, the databases for our travel and per diem staffing businesses included more than 200,000 RNs and other healthcare professionals who completed job applications with us. Our size and centralized travel nurse staffing structure provide us with operating efficiencies in key areas such as recruiting, advertising, marketing, training, housing and insurance benefits. Our proprietary information systems enable us to manage our travel nurse staffing operations. Our systems are designed to accommodate significant future growth.

- *Strong Management Team with Extensive Healthcare Staffing and Acquisition Experience.* Our management team has played a key role in the development of the travel nurse staffing industry. Our management team, which averages more than 10 years of experience in the healthcare industry, has consistently demonstrated the ability to successfully identify and integrate strategic acquisitions.

Systems

Our placement and support operations are enhanced by sophisticated information systems that facilitate smooth interaction between our recruitment and support activities. Our proprietary information systems enable us to manage virtually all aspects of our travel staffing operations. These systems are designed to accommodate significant future growth of our business. In addition, their scalable design allows further capacity to be added to its existing hardware platform. We have proprietary software that handles most facets of our business, including contract pricing and profitability, contract processing, job posting, housing management, billing/payroll and insurance. Our systems provide reliable support to our facility clients and field employees and enable us to efficiently fulfill and renew job assignments. Our systems also provide detailed information on the status and skill set of each registered field employee.

Our financial, management reporting and human resources are managed on the PeopleSoft Financial Suite. PeopleSoft is a leading enterprise resource planning software suite that provides modules used to manage our accounts receivable, accounts payable, general ledger and billing. This system is designed to accommodate significant future growth in our business.

Growth Strategy

While the level of demand for our nurse staffing services was relatively strong during 2006, the supply of RNs willing to travel was the primary obstacle to our growth. We believe this favorable demand dynamic is being driven primarily by an increase in turnover of staff nursing positions in hospitals reflecting a stronger national labor market. However, tempering demand in the nurse staffing market is, what appears to be, a continuation of soft admissions trends at acute care hospitals, which is the principal market we serve. On the demand side, we strive to increase our market share at the hospitals we currently provide our nurse staffing services to as well as continue to pursue prospective large users of nurse staffing services for preferred or exclusive relationships. On the supply side, we continue to recruit additional RNs and other healthcare professionals, and manage our internal capacity to efficiently and effectively meet the changing supply and dem and requirements of the healthcare staffing marketplace. We intend to continue to grow our businesses by:

- *Gaining Exclusive and Preferred Provider Relationships.* Exclusive vendor managed hospital customers currently represent the majority of our top ten customers nationally. We plan to continue to evaluate the optimum number of vendor managed customers and our ability to meet their nurse staffing requirements in order to achieve greater market share within such hospital customers and/or establish exclusive and preferred provider relationships with hospitals and healthcare organizations where we do not presently provide nurse staffing services. We also plan to utilize our relationships with existing travel staffing clients to more effectively market our complementary services, including staffing of clinical trials and allied health professionals, retained search, and education and training.

- *Enhancing Our Recruitment Efforts to Increase Our Supply of RNs and Other Healthcare Professionals.* Our recruitment strategy is focused on:

  - Utilizing a multi-brand approach to recruit nurses and other healthcare professionals on a domestic and international basis while segmenting the nurse marketplace with differentiated brand offerings;
  - Increasing the number of recruiters and improving the productivity of staff dedicated to the recruitment of new nurses;
  - Using the Internet to accelerate the recruitment-to-placement cycle;
  - Expanding our advertising presence to reach more nursing professionals; and
  - Increasing the number of referrals from existing field employees by providing them with superior service.

- *Improving Our Market Presence in the Per Diem Staffing Sector.* We intend to use our existing brand recognition, client relationships and database of nurses who have expressed an interest in flexible-term assignments to expand our per diem services to the acute care hospital market. Our MedStaff subsidiary is the primary provider of our per diem staffing services.

- *Acquiring Complementary Businesses.* We continually evaluate opportunities to acquire complementary businesses to strengthen and broaden our market presence.

Competitive Environment

The nurse staffing industry is highly competitive. While barriers to entry are relatively low, achieving substantial scale is more challenging. Of the market for outsourced nurse staffing services used by hospitals, we believe that approximately one-third is travel nurse staffing and approximately two-thirds is per diem nurse staffing. We compete with a number of nationally and regionally focused travel nurse staffing companies that have the capabilities to relocate nurses. The per diem nurse staffing sector is highly fragmented and comprised of numerous temporary nurse staffing agencies that are typically small local providers, as well as providers with regional or national focus. National competitors in nurse staffing include AMN Healthcare Services, Inc., On Assignment, Inc., Medical Staffing Network Holdings, Inc. and InteliStaf Healthcare, Inc. In addition, the markets for our clinical research staffing, travel allied staffing services and healthcare-orie nted human capital management services are highly competitive and highly fragmented, with limited barriers to entry.

The principal competitive factors in attracting qualified candidates for temporary employment include a large national pool of desirable assignments, salaries and benefits, quality of accommodations, speed of placements, quality of service and recruitment teams, as well as overall reputation. We believe that healthcare professionals seeking temporary employment through us are also pursuing employment through other means, including other temporary staffing firms, and that multiple staffing companies have the opportunity to place employees with many of our clients. Therefore, the ability to respond to candidate inquiries and submit candidates to clients more quickly than our competitors is an important factor in our ability to fill assignments. We focus on retaining field employees by providing long-term benefits, such as 401(k) plans and bonuses. Although we believe that the relative size of our database and economies of scale derived from the size of our opera tions make us an attractive employer for nurses seeking travel opportunities, we expect competition for candidates to continue.

The principal competitive factors in attracting and retaining temporary healthcare staffing clients include the ability to fill client needs, price, quality assurance and screening capabilities, compliance with regulatory requirements, an understanding of the client's work environment, risk management policies and coverages, and general industry reputation. In addition, the level of demand for outsourced nurse staffing is influenced by in-patient admissions, national healthcare spending on hospital care, general economic conditions and its impact on national, regional and local labor markets and the corresponding supply of full-time and part-time hospital-based nurses willing to work at prevailing hospital wages.

Regulatory and Professional Liability

In order to service our client facilities and to comply with OSHA and The Joint Commission standards, we have a risk management program. The program is designed to, among other things, protect against the risk of negligent hiring. Effective October 2004, we implemented individual occurrence-based professional liability insurance policies with no deductible for virtually all of our working nurses employed through our Cross Country Staffing brand. This coverage substantially replaced a $2.0 million per-claim layer of self-insured exposure. For our remaining working nurses and other healthcare professionals, we provide primary coverage through insurance policies that contain various self-insured retention layers, which also provides us coverage related to other risks, such as negligent hiring. Separately our MedStaff subsidiary has a claims-made professional liability policy with a limit of $2.0 million per occurrence and $4.0 million in the a ggregate and a $25,000 deductible. Subject to certain limitations, we also have up to $10.0 million in umbrella liability insurance coverage after the individual policies, MedStaff's policy and the $2.0 million primary coverage has been exhausted. While the implementation of the individual policies has substantially reduced our self-insured exposure and is expected to gradually reduce our professional liability expense going forward, the potential exists for other claims to emerge under the old claims-made policies, although the likelihood diminishes over time.

Professional Licensure

Nurses and most other healthcare professionals employed by us are required to be individually licensed or certified under applicable state law. In addition, the healthcare professionals that we staff are frequently required to have been certified to provide certain medical care, such as CPR (cardiopulmonary resuscitation) and ACLS (Advanced Cardiac Life Support), depending on the positions in which they are placed. Our comprehensive compliance program is designed to ensure that our employees possess all necessary licenses and certifications, and we believe that our employees, including nurses and therapists, comply with all applicable state laws.

Business Licenses

A number of states require state licensure for businesses that, for a fee, employ and assign personnel, including healthcare personnel, to provide services on-site at hospitals and other healthcare facilities to support or supplement the hospitals' or healthcare facilities' workforces. A number of states also require state licensure for businesses that operate placement services for individuals attempting to secure employment. Failure to obtain the necessary licenses can result in injunctions against operating, cease and desist orders and/or fines. We endeavor to maintain in effect all required state licenses.

Regulations Affecting Our Clients

Many of our clients are reimbursed under the federal Medicare program and state Medicaid programs for the services they provide. In recent years, federal and state governments have made significant changes in these programs that have reduced reimbursement rates. In addition, insurance companies and managed care organizations seek to control costs by requiring that healthcare providers, such as hospitals, discount their services in exchange for exclusive or preferred participation in their benefit plans. Future federal and state legislation or evolving commercial reimbursement trends may further reduce, or change conditions for, our clients' reimbursement. Such limitations on reimbursement could reduce our clients' cash flows, hampering their ability to pay us.

Immigration

Changes in immigration law and procedures following September 11, 2001, have slowed down our ability to recruit foreign nurses to meet demand, and changes to such procedures in the future could further hamper our overseas recruiting efforts. In addition, the use of foreign nurses entails greater difficulty in ensuring that each professional has the proper credentials and licensure.

Regulations Applicable to Our Business

Our business is subject to extensive regulation by numerous governmental authorities in the United States. These complex federal and state laws and regulations govern, among other things, the eligibility of our foreign nurses to work in the U.S., the licensure of professionals, the payment of our employees (e.g. wage and hour laws, employment taxes and income tax withholdings, etc.) and the operations of our business generally. We conduct business on a national basis and are subject to the laws and regulations applicable to our business in such states, which may be amended from time to time. Future federal and state legislation or interpretations thereof may require us to change our business practices. Compliance with all of these applicable rules and regulations require a significant amount of resources. We endeavor to be in compliance with all such rules and regulations.

Employees

As of December 31, 2006, we had approximately 1,200 corporate employees and during 2006 we had an average of 5,416 full-time equivalent field employees. We are not subject to a collective bargaining agreement with any of our employees. We consider our relationship with employees to be good.

Available Information

Financial reports and filings with the Securities and Exchange Commission (SEC), including this Annual Report on Form 10-K, are available free of charge as soon as reasonably practicable after filing such material with, or furnishing it to, the SEC, on or through our Internet website, www.crosscountry.com.

Item 1A. Risk Factors.

You should carefully consider the following risk factors, as well as the other information contained in this Annual Report on Form 10-K.

Although demand for outsourced nurse staffing has declined from the historically high levels reached during the peak years of 2000 and 2001, industry dynamics are such that we are still unable to recruit enough nurses to meet our clients' demands for our nurse staffing services, limiting the potential growth of our nurse staffing business.

We rely significantly on our ability to attract, develop and retain nurses and other healthcare professionals who possess the skills, experience and, as required, licensure necessary to meet the specified requirements of our healthcare staffing clients. We compete for healthcare staffing personnel with other temporary healthcare staffing companies, as well as actual and potential clients, some of which seek to fill positions with either regular or temporary employees. Currently, there is a shortage of qualified nurses in most areas of the United States and competition for nursing personnel is increasing. Although demand by our clients has slowed down, at this time we still do not have enough nurses to meet our clients' demands for our nurse staffing services. This shortage of nurses limits our ability to grow our nurse staffing business. Furthermore, we believe that the aging of the existing nurse population and lower enrollments in nursing schools will f urther exacerbate the existing nurse shortage.

The costs of attracting and retaining qualified nurses and other healthcare professionals may rise more than we anticipate.

We compete with hospitals and other healthcare staffing companies for qualified nurses and other healthcare professionals. Because there is currently a shortage of qualified healthcare professionals, competition for these employees is intense. To induce healthcare professionals to sign on with them, our competitors may increase hourly wages or other benefits. If we do not raise wages or other benefits in response to such increases by our competitors, we could face difficulties attracting and retaining qualified healthcare professionals. In addition, if we raise wages in response to our competitors' wage increases and are unable to pass such cost increases on to our clients, our margins could decline.

Our costs of providing housing for nurses and other healthcare professionals may be higher than we anticipate and, as a result, our margins could decline.

At any given time, we have several thousand apartments on lease throughout the U.S. Typically the length of an apartment lease is coterminous with the length of the assignment of the nurse or other healthcare professional. If the costs of renting apartments and furniture for our nurses and other healthcare professionals increase more than we anticipate and we are unable to pass such increases on to our clients, our margins may decline. To the extent the length of a nurse's housing lease exceeds the term of the nurse's staffing contract, we bear the risk that we will be obligated to pay rent for housing we do not use. To limit the costs of unutilized housing, we try to secure leases with term lengths that match the term lengths of our staffing contracts, typically 13 weeks. In some housing markets we have had, and believe we will continue to have, difficulty identifying short-term leases. If we cannot identify a sufficient number of appropriate short- term leases in regional markets, or, if for any reason, we are unable to efficiently utilize the apartments we do lease, we may be required to pay rent for unutilized housing, or, to avoid such risk, we may forego otherwise profitable opportunities.

Our clients may terminate or not renew their staffing contracts with us.

Our travel staffing arrangements with hospital clients are generally terminable upon 30 or 90 days' notice. We may have fixed costs, including housing costs, associated with terminated arrangements that we will be obligated to pay post-termination.

Our clinical trials staffing business is conducted under long-term contracts with individual clients that may perform numerous clinical trials. Some of these long-term contracts are terminable by the clients without cause upon 30 to 60 days' notice.

Health systems may develop their own in-house staffing capabilities that may replace their need to outsource staffing to us.

Decreases in in-patient admissions at our clients' facilities may adversely affect the profitability of our business.

The general level of in-patient admissions at our clients' facilities significantly affects demand for our temporary healthcare staffing services. When a hospital's admissions increase, temporary employees are often added before full-time employees are hired. As admissions decrease, clients may reduce their use of temporary employees before undertaking layoffs of their

regular employees. We also may experience more competitive pricing pressure during periods of in-patient admissions downturn. In addition, if a trend emerges toward providing healthcare in alternative settings, as opposed to acute care hospitals, in-patient admissions at our clients' facilities could decline. This reduction in admissions could adversely affect the demand for our services and our profitability.

We are dependent on the proper functioning of our information systems.

We are dependent on the proper functioning of our information systems in operating our business. Critical information systems used in daily operations identify and match staffing resources and client assignments and perform billing and accounts receivable functions. Additionally, we rely on our information systems in managing our accounting and financial reporting. Our information systems are protected through physical and software safeguards and we have backup remote processing capabilities. However, they are still vulnerable to fire, storm, flood, power loss, telecommunications failures, physical or software break-ins and similar events. In the event that critical information systems fail or are otherwise unavailable, these functions would have to be accomplished manually, which could temporarily impact our ability to identify business opportunities quickly, to maintain billing and clinical records reliably, to bill for services efficiently and to maintain o ur accounting and financial reporting accurately.

Losses caused by natural disasters, such as hurricanes could cause us to suffer material financial losses.

Catastrophes can be caused by various events, including, but not limited to, hurricanes and other severe weather. The incidence and severity of catastrophes are inherently unpredictable. The extent of losses from a catastrophe is a function of both the total amount of insured exposure and the severity of the event. We are insured for certain catastrophes, there can be no assurance that any such exposure would not exceed the insured amount and, therefore, we could suffer material financial losses as a result of such catastrophes.

If regulations that apply to us change, we may face increased costs that reduce our revenue and profitability.

The temporary healthcare staffing industry is regulated in many states. In some states, firms such as our Company must be registered to establish and advertise as a nurse-staffing agency or must qualify for an exemption from registration in those states. If we were to lose any required state licenses, we could be required to cease operating in those states. The introduction of new regulatory provisions could substantially raise the costs associated with hiring temporary employees. For example, some states could impose sales taxes or increase sales tax rates on temporary healthcare staffing services. These increased costs may not be able to be passed on to clients without a decrease in demand for temporary employees. In addition, if government regulations were implemented that limited the amounts we could charge for our services, our profitability could be adversely affected.

We are exposed to increased costs and risks associated with complying with increasing and new regulation of corporate governance and disclosure standards.

We are spending an increased amount of management's time and resources, since the inception of the Sarbanes-Oxley Act of 2002, to comply with changing laws, regulations and standards relating to corporate governance and public disclosures. The compliance requires management's annual review and evaluation of our internal control systems, and attestations of the effectiveness of these systems by our independent auditors. This process has required us to hire additional personnel and outside advisory services and has resulted in additional accounting and legal expenses. We may encounter problems or delays in completing the review and evaluation, the implementation of improvements and the receipt of a positive attestation by our independent auditors. If we are not able to timely comply with the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002, we might be subject to sanctions or investigation by regulatory authorities. Any such action could adversely affect our business and financial results.

Future changes in reimbursement trends could hamper our clients' ability to pay us.

While in most cases our fees are paid directly by our clients rather than by governmental or third-party payors, many of our clients are reimbursed under the federal Medicare program and state Medicaid programs for the services they provide. In recent years, federal and state governments have made significant changes in these programs that have reduced reimbursement rates. In addition, insurance companies and managed care organizations seek to control costs by requiring that healthcare providers, such as hospitals, discount their services in exchange for exclusive or preferred participation in their benefit plans. Future federal and state legislation or evolving commercial reimbursement trends may further reduce, or

change conditions for, our clients' reimbursement. Limitations on reimbursement could reduce our clients' cash flows, hampering their ability to pay us.

Competition for acquisition opportunities may restrict our future growth by limiting our ability to make acquisitions at reasonable valuations.

Our business strategy includes increasing our market share and presence in the temporary healthcare staffing industry and other human capital management services through strategic acquisitions of companies that complement or enhance our business. We have historically faced competition for acquisitions. In the future, this could limit our ability to grow by acquisition or could raise the prices of acquisitions and make them less accretive to our earnings. In addition, restrictive covenants in our credit facility, including a covenant that requires us to obtain lender's approval for any acquisition over $25.0 million, or any acquisition that would put us over $75.0 million in aggregate payments during the term of the agreement, may limit our ability to complete desirable acquisitions. If we are unable to secure necessary financing under our credit facility or otherwise, we may be unable to complete desirable acquisitions.

We may face difficulties integrating our acquisitions into our operations and our acquisitions may be unsuccessful, involve significant cash expenditures or expose us to unforeseen liabilities.

We continually evaluate opportunities to acquire healthcare staffing companies and other human capital management services companies that would complement or enhance our business and at times have preliminary acquisition discussions with some of these companies.

These acquisitions involve numerous risks, including:

- potential loss of key employees or clients of acquired companies;
- difficulties integrating acquired personnel and distinct cultures into our business;
- difficulties integrating acquired companies into our operating, financial planning and financial reporting systems;
- diversion of management attention from existing operations; and
- assumption of liabilities and exposure to unforeseen liabilities of acquired companies, including liabilities for their failure to comply with healthcare and tax regulations.

These acquisitions may also involve significant cash expenditures, debt incurrence and integration expenses that could have a material adverse effect on our financial condition and results of operations. Any acquisition may ultimately have a negative impact on our business and financial condition.

We operate our business in a regulated industry and modifications, inaccurate interpretations or violations of any applicable statutory or regulatory requirements may result in material costs or penalties to our Company and could reduce our revenue and earnings per share.

Our industry is subject to many complex federal and state laws and regulations related to, among other things, the eligibility of our foreign nurses to work in the U.S., the licensure of professionals, the payment of our field employees (e.g., wage and hour laws, employment taxes and income tax withholdings, etc.) and the operations of our business generally. If we do not comply with the laws and regulations that are applicable to our business, we could incur civil and/or criminal penalties or be subject to equitable remedies.

Significant legal actions could subject us to substantial uninsured liabilities.

In recent years, healthcare providers have become subject to an increasing number of legal actions alleging malpractice, negligent hiring, product liability or related legal theories. We may be subject to liability in such cases even if the contribution to the alleged injury was minimal. Many of these actions involve large claims and significant defense costs. In addition, we may be subject to claims related to torts or crimes committed by our employees or temporary staffing personnel. In most instances, we are required to indemnify clients against some or all of these risks. A failure of any of our employees or personnel to observe our policies and guidelines intended to reduce these risks, relevant client policies and guidelines or applicable federal, state or local laws, rules and regulations could result in negative publicity, payment of fines or other damages.

A key component of our business is the credentialing process. Ultimately, any hospital or other health care provider is responsible for its own internal credentialing process, and the provider typically makes the hiring decision for travel assignments. Nevertheless, in many situations, the provider will be relying upon the reputation and screening process of our Company. Errors in this process, or failure to detect a poor or incorrect history, could have a material effect on our reputation. In addition, we may not have access to all of the resources that are available to hospitals to check credentials.

To protect ourselves from the cost of these types of claims, we maintain professional malpractice liability insurance and general liability insurance coverage in amounts and with deductibles that we believe are appropriate for our operations. Our coverage is, in part, self-insured. However, our insurance coverage may not cover all claims against us or continue to be available to us at a reasonable cost. If we are unable to maintain adequate insurance coverage, we may be exposed to substantial liabilities.

If our insurance costs increase significantly, these incremental costs could negatively affect our financial results.

The costs related to obtaining and maintaining professional and general liability insurance and health insurance for healthcare providers has been increasing. If the cost of carrying this insurance continues to increase significantly, we will recognize an associated increase in costs, which may negatively affect our margins. This could have an adverse impact on our financial condition.

If we become subject to material liabilities under our self-insurance programs, our financial results may be adversely affected.

We provide workers compensation coverage through a program that is partially self-insured. In addition, we provide medical coverage to our employees through a partially self-insured preferred provider organization. A portion of our medical malpractice coverage is also through a partially self-insured program. If we become subject to substantial uninsured workers compensation, medical coverage or medical malpractice liabilities, our financial results may be adversely affected.

We are subject to litigation, which could result in substantial judgment or settlement costs.

We are party to various litigation claims and legal proceedings. We evaluate these litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, if any, we establish reserves and/or disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. We caution you that actual outcomes or losses may differ materially from those estimated by our current assessments. New or adverse developments in existing litigation claims or legal proceedings involving our Company could also require us to establish or increase litigation reserves or enter into unfavorable settlements or satisfy judgments for monetary damages for amounts in excess of current reserves, which could adversely affect our financial results for future periods.

Until the sale by certain selling stockholders of a significant portion of their shares, those selling stockholders will be able to substantially influence the outcome of all matters submitted to our stockholders for approval, regardless of the preferences of other stockholders.

Charterhouse Equity Partners III (CEP III) and CHEF Nominees Limited (CHEF) own approximately 8% of our outstanding common stock and continue to have two designees serving on our Board of Directors (which is currently comprised of six members). Accordingly, they will be able to substantially influence:

- the election of directors;
- management and policies; and
- the outcome of any corporate transaction or other matter submitted to our stockholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets.

Under our stockholders' agreement, the CEP Investors have the right to designate two directors for nomination to our Board of Directors. This number decreased (i) to one director when CEP reduced its ownership pursuant to a Secondary Offering in November 2006 by more than 50% of their holdings prior to our initial public offering and (ii) the number will decrease to zero upon a reduction of ownership by more than 90% of their holdings prior to our initial public offering. Their interests may conflict with the interests of the other holders of our common stock.

A registration statement under the Securities Act covering resales of CEP III's stock is presently in effect and sales of this stock could cause our stock price to decline.

The company presently maintains an effective shelf registration under the Securities Act covering the resale of stock held by CEP III. These shares represent approximately 8% of our outstanding common stock and sales of the stock could cause our stock price to decline.

In addition, we registered 4,398,001 shares of common stock for issuance under our stock option plans. Options to purchase 2,303,093 shares of common stock were issued and outstanding as of February 28, 2007, of which, options to purchase 2,273,719 shares were vested. Common stock issued upon exercise of stock options, under our benefit plans, is eligible for resale in the public market without restriction.

We cannot predict what effect, if any, market sales of shares held by any stockholder or the availability of these shares for future sale will have on the market price of our common stock.

If provisions in our corporate documents and Delaware law delay or prevent a change in control of our Company, we may be unable to consummate a transaction that our stockholders consider favorable.

Our certificate of incorporation and by-laws may discourage, delay or prevent a merger or acquisition involving us that our stockholders may consider favorable. For example, our certificate of incorporation authorizes our Board of Directors to issue up to 10,000,000 shares of "blank check" preferred stock. Without stockholder approval, the Board of Directors has the authority to attach special rights, including voting and dividend rights, to this preferred stock. With these rights, preferred stockholders could make it more difficult for a third party to acquire us. Delaware law may also discourage, delay or prevent someone from acquiring or merging with us.

Terrorist attacks or armed conflict could adversely affect our normal business activity and results of operations.

In the aftermath of the terrorist attacks on September 11, 2001, we experienced a temporary interruption of normal business activity. Similar events in the future or armed conflicts involving the United States could result in additional temporary or longer-term interruptions of our normal business activity and our results of operations. Future terrorist attacks could also result in reduced willingness of nurses to travel to staffing assignments by airplane or otherwise.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We do not own any real property. Our principal leases as of December 31, 2006 are listed below.

Location	Function	Square Feet	Lease Expiration
Boca Raton, Florida (a)	Headquarters	70,406	May 1, 2018
Durham, North Carolina	Clinical research staffing headquarters	34,635	September 30, 2013
Newtown Square, Pennsylvania	Staffing administration and general office use	31,959	July 30, 2013
Malden, Massachusetts	Staffing administration and general office use	31,662	June 30, 2009
Clayton, Missouri (b)	Retained search headquarters	20,539	November 30, 2008
New York, New York	Clinical research staffing office	16,915	May 30, 2010
Tampa, Florida	Staffing administration and general office use	15,698	December 31, 2007
Nashville, Tennessee (c)	Education training corporate office	12,514	August 31, 2007

(a) In February 2007, we exercised our second option to extend the term of our Boca Raton, Florida lease until May 1, 2018.

(b) In February 2007, we executed a ten year lease for approximately 27,000 square feet of office space in Creve Coeur, Missouri, commencing June 15, 2007.

(c) In February 2007, we executed a seven year and four months lease for approximately 14,000 square feet of office space in Brentwood, Tennessee, commencing May 1, 2007.

Item 3. Legal Proceedings.

Cossack, et. al. v. Cross Country TravCorps and Cross Country Nurses, Inc.

On August 26, 2003, a purported class action lawsuit (*Theodora Cossack, et. al. v. Cross Country TravCorps and Cross Country Nurses, Inc.)* was filed in the Superior Court of the State of California, for the County of Orange, naming Cross Country TravCorps, Inc. and Cross Country Nurses, Inc. as Defendants. Plaintiffs plead causes of action for (1) Violation of California Business and Professions Code §§ 17200, et. seq; (2) Violations of California Labor Code §§ 200, et. seq; (3) Recovery of Unpaid Wages and Penalties; (4) Conversion; (5) Breach of Contract; (6) Common Counts – Work, Labor, Services Provided; and (7) Common Counts – Money Had and Received.

Plaintiffs, who purport to sue on behalf of themselves and all others similarly situated, allege that Defendants failed to pay Plaintiffs, and the class they purport to represent, properly under California law. Plaintiffs claim that Defendants failed to pay nurses hourly overtime as required by California law; failed to calculate correctly their employees' regular rate of pay used to calculate the rate at which overtime hours are to be compensated; failed to calculate correctly and pay a double time premium for all hours worked in excess of 12 in a workday; scheduled some of its employees on an alternative workweek schedule, but failed to pay them additional compensation when those employees did not work such alternative workweek, as scheduled; and failed to pay employees for the minimum hours Defendants had promised them.

On February 10, 2006, the Superior Court of the State of California granted Plaintiffs leave to amend the complaint to add causes of actions alleging Defendant's failure to pay for missed meal periods and rest breaks. Although Cross Country Nurses, Inc. was previously dismissed from the action upon Defendants' motion for summary judgment, Plaintiffs erroneously included Cross Country Nurses, Inc. in the caption and allegations of the amended complaint they filed.

On March 10, 2006, Defendants removed this putative class action lawsuit to the United States District Court for the Central District of California in Orange County. Plaintiffs filed a motion requesting that the case be remanded to state court, which was granted on April 28, 2006. Defendants filed an appeal to the United States Court of Appeal for the Ninth Circuit, appealing the decision to remand, however, the appeal was denied.

Plaintiffs seek (among other things) an order enjoining Defendants from engaging in the practices challenged in the complaint; for an order for full restitution of all monies Defendants allegedly failed to pay Plaintiffs (and their purported class); for pre-judgment interest; for certain penalties provided for by the California Labor Code; and for attorneys' fees and costs. On July 28, 2006, Plaintiff filed a Motion for Class Certification.

On September 5, 2006, Plaintiff filed the Third Amended Complaint alleging a Fourth Cause of Action for violation of the Fair Labor Standards Act (FLSA) and failure to pay the amount of premium pay required under the FLSA when putative class members worked more than 40 hours in a week. On September 7, 2006, Defendants filed to remove the lawsuit from the

Superior Court of the State of California for the County of Orange to the United States District Court Central District of California.

The case was tentatively settled in August for $10.0 million and on August 23, 2006, Plaintiff filed a Motion for Preliminary Approval of a settlement pursuant to which Defendants would pay up to $10.0 million, including payments to eligible nurses, the named plaintiff, plaintiff's attorney fees and administrative costs. Payments to eligible nurses would be on a "claims made" basis, which means that the Company's total liability could be reduced to the extent that nurses who are eligible to participate in the settlement do not submit claims through the settlement administration process. On October 30, 2006, the Court issued an order granting the Motion for Preliminary Approval of the settlement and ordering, among other things, that the class be preliminarily certified under Federal Rule of Civil Procedure 23(b)(3) for settlement purposes. The Court granted Final Approval of the proposed settlement on or about March 5, 2007

During the third quarter of 2006, we accrued a pre-tax charge of approximately $8.8 million based on our best estimate of participation in the settlement at that time. The amount of the final settlement is $6.7 million pretax, based on the participation level as approved by The Court. Accordingly, prior to the issuance of our financial statements, we have reduced our accrual for this settlement in the year ended December 31, 2006, which is reflected as legal settlement charge on the consolidated statements of income and included as accrued legal settlement charge on the consolidated balance sheets. After taxes, the final legal settlement charge equates to approximately $4.2 million.

Maureen Petray and Carina Higareda v. MedStaff, Inc.

On February 18, 2005, the Company's MedStaff subsidiary became the subject of a purported class action lawsuit (*Maureen Petray and Carina Higareda v. MedStaff, Inc.)* filed in the Superior Court of California in Riverside County. The lawsuit only relates to MedStaff corporate employees. It alleges, among other things, violations of certain sections of the California Labor Code, the California Business and Professions Code, and recovery of unpaid wages and penalties. MedStaff currently has less than 50 corporate employees in California. The Plaintiffs, Maureen Petray and Carina Higareda purport to sue on behalf of themselves and all others similarly situated, allege that MedStaff failed, under California law, to provide meal periods and rest breaks and pay for those missed meal periods and rest breaks; failed to compensate the employees for all hours worked; failed to compensate the employees for working overtime; and failed to keep appropriate records to keep track of ti me worked. Plaintiffs seek, among other things, an order enjoining MedStaff from engaging in the practices challenged in the complaint; for full restitution of all monies MedStaff allegedly failed to pay Plaintiffs and their purported class; for interest; for certain penalties provided for by the California Labor Code; and for attorneys' fees and costs. On February 5, 2007, the Court granted class certification. The Company is unable to determine its potential exposure, if any, and intends to vigorously defend this matter.

Darrelyn Renee Henry vs. MedStaff, Inc., Cross Country Healthcare, Inc., Victor Kalafa, Tim Rodden, Talia Pico and Melissa Hetrick

On June 21, 2005, the Company, its MedStaff subsidiary, and a number of its individual officers and managers became the subject of a purported class action lawsuit (*Darrelyn Renee Henry vs. MedStaff, Inc., Cross Country Healthcare, Inc., Victor Kalafa, Tim Rodden, Talia Pico and Melissa Hetrick)* in the United States District Court for the Central District of California in Orange County. The lawsuit relates only to corporate employees employed by the Company and/or MedStaff, but based on its allegations appears to be limited to MedStaff corporate employees. It alleges, among other things, violations of certain sections of the federal Fair Labor Standards Act, the California Labor Code, the California Business and Professions Code, as well as claims for unjust enrichment and the recovery of unpaid wages and penalties. Plaintiff, Darrelyn Renee Henry, who purports to sue on behalf of herself and all other similarly situated employees, makes allegations similar to those made by Plaintiffs Maureen Petray and Carina Higereda in their action in the California Superior Court, but Henry's claims purport to encompass a nationwide (rather than California only) putative class of employees. Henry alleges that the Company and/or MedStaff failed, under both federal and California law, to timely and properly compensate employees for all hours worked (including overtime) and to provide at least the minimum amount of compensation required for those hours. Henry also alleges that the Company and/or MedStaff failed, under California law only, to provide meal periods and to pay for those missed meal periods and suffered employees to work in excess of 16 hours per day. Plaintiffs seek, among other things, an order enjoining the Company and MedStaff from engaging in the practices challenged in the complaint, an order for full restitution of all monies the Company and/or MedStaff allegedly failed to pay Plaintiffs and their purported class, interest, liquidated damages as provided for by the Fair Labor Standards Act, penalties as provided for by the California Labor Code, an equitable accounting and attorneys' fees and costs.

On February 27, 2006, the United States District Court for the Central District of California filed an order denying Plaintiff's certification of a collective action pursuant to 29 U.S.C. Section 216(b) (Fair Labor Standards Act claims) without prejudice and holding on submission plaintiff's Rule 23 motion for certification of a class action solely with respect to California employees based on California law.

On April 24, 2006, the United States District Court of California filed an order to preliminarily certify a collective action based on the Fair Labor Standards Acts claims, subject to Defendants ability to move for decertification at a later stage in the proceedings. The Court, however, limited the scope of the preliminarily certified collective action to encompass claims occurring within a 2-year statute of limitations and limited to 90 days the period of time within which putative members of the preliminarily certified collective action group may opt-into the action. The Court denied certification of a class action pursuant to Fed. R. Civ. P. 23 for claims made under California state law, but indicated that it will exercise supplemental jurisdiction as to the California law claims of those individuals who opt into the Fair Labor Standards Act claims.

On June 9, 2006, stipulated notices and consent to join forms were sent by a mutually agreed upon third party administrator to the putative members of the collective action group, thus triggering the start of the 90 day opt-in period. Additional notices were sent out to certain putative members of the collective action group on August 31, 2006, which provided a potential extension of the opt-in period.

The opt-in period has ended for all putative members of the collective action group. A total of only fifteen (15) individuals (including Plaintiff) have opted-into the conditionally certified collective action and have timely filed consent to join forms. The Company is unable to determine its potential exposure, if any, and intends to vigorously defend this matter.

Chris Myers and Michelle Myers both individually and as Father and Mother of Liam Evan Myers, a Minor vs. Cross Country Healthcare, Inc., et al.

The Company and its subsidiary, Cross Country TravCorps, Inc., became the subject of a medical malpractice lawsuit filed in March 2003 *(Chris Myers and Michelle Myers both individually and as Father and Mother of Liam Evan Myers, a Minor vs. Cross Country Healthcare, Inc., et al.)*, in the Circuit Court of Cook County, Illinois. This lawsuit relates to nursing services provided by a nurse supplied by Cross Country TravCorps to a hospital located in Chicago, Illinois. The lawsuits allege that the nurse supplied by Cross Country TravCorps was negligent in her care and treatment of Plaintiff who was a maternity patient at the facility in Chicago. The nurse's alleged negligent failure to appropriately monitor Plaintiff in her labor and delivery allegedly caused the minor Plaintiff to suffer severe, permanent and disabling brain injuries. In addition to the hospital facility and physicians, the Company, Cross Country TravCorps and the individual nurses have been named as dire ct Defendants in the lawsuits. During the second quarter of 2005, the Company increased its reserve for professional liability insurance by $5.3 million, pretax, based on an independent actuarial calculation which reflected unfavorable developments relating to this case and another similar case. During the first quarter of 2006, the Company settled both matters consistent with the previously established accrual range.

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

There were no matters submitted to a vote of security holders during the fourth quarter of 2006.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

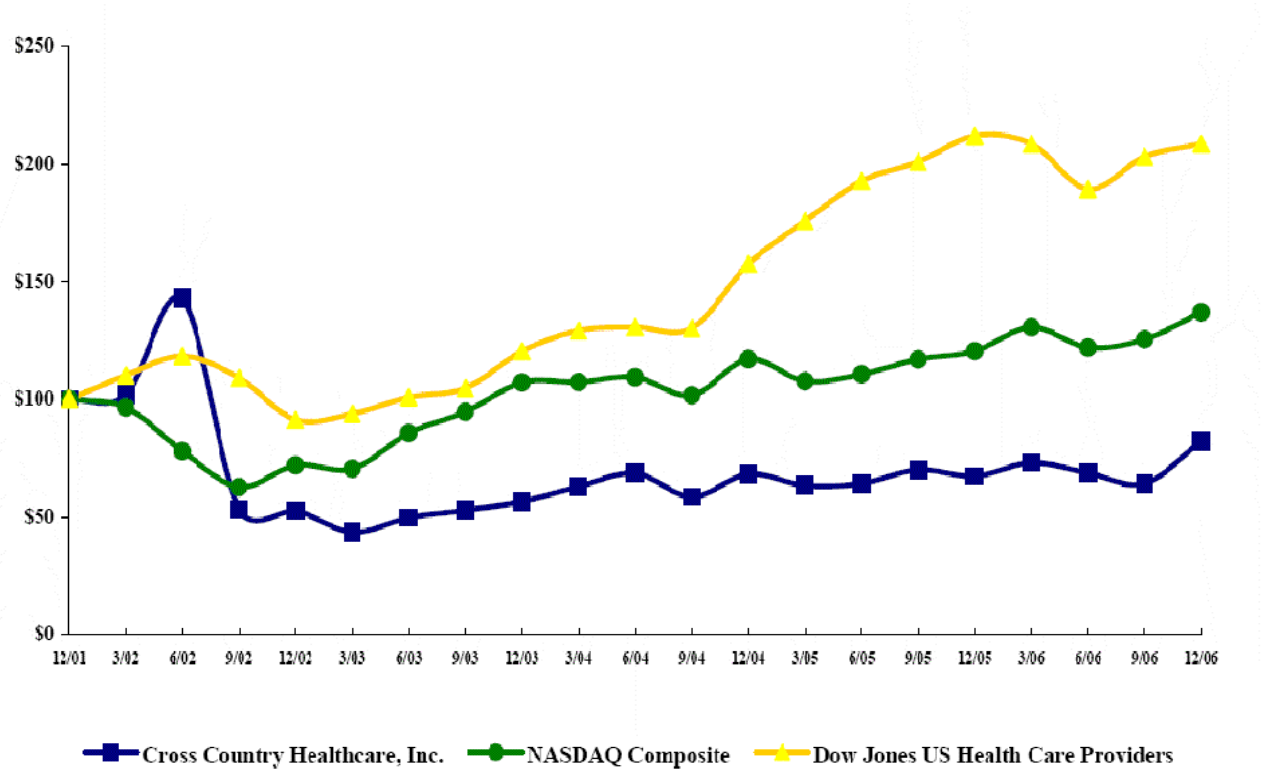
Our common stock currently trades under the symbol "CCRN" on the NASDAQ Global Select Market, a new market tier created by the NASDAQ Stock Market that became effective on July 1, 2006. Our common stock commenced trading on the NASDAQ National Market under the symbol "CCRN" on October 25, 2001. NASDAQ became operational as a stock exchange on August 1, 2006. The following table sets forth, for the periods indicated, the high and low sale prices per share of common stock reported on NASDAQ (on and after August 1, 2006); and the high and low bid prices per share of our common stock quoted on NASDAQ (before August 1, 2006); such prices reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

Calendar Period	High	Low
2006		
Quarter Ended March 31, 2006	$ 20.02	$ 16.75
Quarter Ended June 30, 2006	$ 18.88	$ 17.01
Quarter Ended September 30, 2006	$ 18.06	$ 15.58
Quarter Ended December 31, 2006	$ 23.32	$ 16.85
2005		
Quarter Ended March 31, 2005	$ 17.46	$ 15.09
Quarter Ended June 30, 2005	$ 18.25	$ 15.80
Quarter Ended September 30, 2005	$ 20.17	$ 17.67
Quarter Ended December 31, 2005	$ 19.12	$ 16.72

The following graph compares the cumulative 5-year total return to shareholders on Cross Country Healthcare, Inc.'s common stock relative to the cumulative total returns of the NASDAQ Composite index and the Dow Jones U.S. Health Care Providers index. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in the Company's common stock and in each of the indexes on December 31, 2001 and its relative performance is tracked through December 31, 2006.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Cross Country Healthcare, Inc., The NASDAQ Composite Index
And The Dow Jones US Health Care Providers Index



* $100 invested on 12/31/01 in stock or index-including reinvestment of dividends.
Fiscal year ending December 31.

	12/01	3/02	6/02	9/02	12/02	3/03	6/03	9/03	12/03	3/04	6/04	9/04	12/04	3/05	6/05	9/05	12/05	3/06	6/06	9/06	12/06
Cross Country Healthcare, Inc.	100.00	101.89	142.64	53.28	52.64	43.40	49.66	52.83	56.53	62.87	68.49	58.49	68.23	63.25	64.15	70.04	67.28	73.06	68.64	64.15	82.34
NASDAQ Composite	100.00	96.55	77.96	62.67	71.97	70.46	85.65	94.69	107.18	107.31	109.37	101.71	117.07	107.68	110.67	116.98	120.50	130.63	121.99	125.49	137.02
Dow Jones US Health Care Providers	100.00	110.15	118.30	109.09	91.26	93.85	100.86	104.74	120.40	129.24	130.68	130.19	157.54	175.74	192.77	200.94	211.98	208.59	189.35	203.14	208.64

As of March 1, 2007, there were 114 stockholders of record of our common stock. In addition, there are approximately 3,600 beneficial owners of our common stock held by brokers or other institutions on behalf of stockholders.

We have never paid or declared cash dividends on our common stock. We currently intend to use available cash from operations in the operation and expansion of our business or to retire debt, to repurchase our common stock or to possibly pay cash dividends. Covenants in our credit facility limit our ability to repurchase our common stock and declare and pay cash dividends on our common stock. As of December 31, 2006, we were limited to $28.8 million to be used for either dividend and/or stock repurchases.

On May 10, 2006, the Company's Board of Directors authorized a new stock repurchase program whereby we may purchase up to an additional 1.5 million of our common shares, subject to the constraints of our current credit agreement. The shares may be repurchased from time-to-time in the open market and the repurchase program may be discontinued at any time at our discretion. This new stock repurchase authorization will commence upon the completion of the previously authorized 1.5 million share stock repurchase program discussed below.

On November 4, 2002, the Company announced that its Board of Directors authorized a stock repurchase program, whereby we may purchase up to 1.5 million of our common shares at an aggregate price not to exceed $25.0 million. The Board of Directors did not specify an expiration date. During the three month period ended December 31, 2006, we purchased 5,000 shares of common stock at an average cost of $16.79 per share pursuant to the current authorization. A summary of the repurchase activity for the quarterly period covered by this report follows:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 – October 31, 2006	5,000	$16.79	5,000	1,569,872
November 1 – November 30, 2006	—	—	—	1,569,872
December 1 – December 31, 2006	—	—	—	1,569,872
Total October 1 – December 31, 2006	5,000	$16.79	5,000	1,569,872

Item 6. Selected Financial Data.

The selected consolidated financial data as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005, and 2004 are derived from the audited consolidated financial statements of Cross Country Healthcare, Inc., included elsewhere in this report. The selected consolidated financial data as of December 31, 2004, 2003 and 2002 and for the years ended December 31, 2003 and 2002, are derived from the consolidated financial statements of Cross Country Healthcare, Inc., that have been audited but not included in this report.

The following selected financial data should be read in conjunction with the consolidated financial statements and related notes of Cross Country Healthcare, Inc., "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial information included elsewhere in this report.

	Year Ended December 31,				
	2006(a)	2005 (b) (c)	2004 (c)	2003 (c) (d)	2002 (c)
	(Dollars in thousands, except share and per share data)				
Consolidated Statements of Income Data					
Revenue from services	$ 655,152	$ 645,393	$ 654,111	$ 673,102	$ 626,109
Operating expenses:					
Direct operating expenses	502,468	503,103	509,571	519,840	478,550
Selling, general and administrative expenses	110,172	104,647	99,531	95,736	82,465
Bad debt expense	459	1,177	957	1,350	162
Depreciation	5,449	5,159	5,140	4,371	3,397
Amortization	1,570	1,424	1,580	2,990	2,644
Legal settlement charge (e)	6,704	—	—	—	—
Secondary offering costs (f)	154	151	4	16	886
Total operating expenses	626,976	615,661	616,783	624,303	568,104
Income from operations	28,176	29,732	37,328	48,799	58,005
Other expenses:					
Interest expense, net	1,464	3,458	4,789	4,797	4,172
Loss on early extinguishment of debt (g)	—	1,359	—	960	—
Income from continuing operations before income taxes	26,712	24,915	32,539	43,042	53,833
Income tax expense	(10,146)	(9,575)	(11,936)	(16,657)	(20,833)
Income from continuing operations	16,566	15,340	20,603	26,385	33,000
Discontinued operations, net of income taxes:					
Income (loss) from discontinued operations (h)	70	(588)	56	(564)	(3,217)
Net income	$ 16,636	$ 14,752	$ 20,659	$ 25,821	$ 29,783
Net income (loss) per common share – basic:					
Income from continuing operations	$ 0.52	$ 0.48	$ 0.65	$ 0.82	$ 1.02
Discontinued operations	0.00	(0.02)	0.00	(0.02)	(0.10)
Net income	$ 0.52	$ 0.46	$ 0.65	$ 0.80	$ 0.92
Net income (loss) per common share – diluted:					
Income from continuing operations	$ 0.51	$ 0.47	$ 0.63	$ 0.81	$ 0.98
Discontinued operations	0.00	(0.02)	0.00	(0.02)	(0.10)
Net income	$ 0.51	$ 0.45	$ 0.63	$ 0.79	$ 0.88
Weighted-average common shares outstanding:					
Basic	32,077,240	32,228,978	31,992,752	32,090,731	32,432,026
Diluted	32,737,419	32,773,634	32,578,319	32,530,563	33,653,433

	Year Ended December 31,				
	2006	2005	2004	2003	2002
	(Net cash dollars in thousands)				
Other Operating Data					
FTEs (i)	5,416	5,573	5,756	5,917	5,535
Weeks worked (j)	281,632	289,796	299,312	307,684	287,820
Average healthcare staffing revenue per FTE per week (k)	$ 2,160	$ 2,068	$ 2,045	$ 2,069	$ 2,046
Net cash provided by operating activities	$ 32,918	$ 30,790	$ 43,268	$ 51,799	$ 42,690
Net cash (used in) provided by investing activities	$ (27,848)	$ (8,412)	$ 4,007	$ (109,477)	$ (19,834)
Net cash (used in) provided by financing activities	$ (5,070)	$ (22,378)	$ (47,275)	$ 40,468	$ (8,382)

	Year Ended December 31,				
	2006	2005	2004	2003	2002
	(Dollars in thousands)				
Consolidated Balance Sheet Data					
Working capital	$ 80,105	$ 72,810	$ 71,929	$ 79,532	$ 78,148
Cash and cash equivalents	$ —	$ —	$ —	$ —	$ 17,210
Total assets (l)	$ 504,032	$ 483,601	$ 455,995	$ 474,724	$ 390,827
Total debt	$ 21,529	$ 25,429	$ 42,274	$ 93,738	$ 42,815
Stockholders' equity	$ 374,856	$ 359,286	$ 346,374	$ 320,523	$ 300,832

(a) During the third quarter of 2006, we acquired substantially all of the assets of privately–held Metropolitan Research Associates, LLC and Metropolitan Research Staffing Associates, LLC (collectively, Metropolitan Research) for a purchase price of $18.6 million and a potential earnout payment of up to $6.4 million based on 2006 and 2007 performance as defined in the purchase agreement. Metropolitan Research provides clinical trials staffing, drug safety monitoring and contract research services to the pharmaceutical, biotech and medical device industries while providing its healthcare professional candidates with temporary or permanent clinical staffing career opportunities. The acquisition has been allocated to the healthcare staffing segment and has been included in the consolidated statements of income since the date of acquisition. Refer to further discussion in our notes to our consolidated financial statements (Note 4- Acquisitions).

(b) During the second quarter of 2005, we increased our reserve for professional liability insurance by $5.3 million, pretax, based on an independent actuarial calculation which reflected unfavorable developments relating to certain professional liability cases. Refer to discussion in Legal Proceedings and the notes to our consolidated financial statements (Note 9 – Commitments and Contingencies).

(c) Certain prior year data has been reclassified to conform to the current year presentation.

(d) Includes results of operations of MedStaff, from June 5, 2003, the date of its acquisition.

(e) During the third quarter of 2006, we reached an agreement in principle to settle the wage and hour class action lawsuit, *Cossack, et.al. v. Cross Country TravCorps and Cross Country Nurses, Inc.* On March 5, 2007, a final settlement of the matter was approved by the court. During 2006, the Company accrued a pre-tax charge of $6.7 million ($4.2 million after taxes), representing the final settlement amount. Refer to discussion in Legal Proceedings and the notes to our consolidated financial statements (Note 9 – Commitments and Contingencies).

(f) Secondary offering costs include registration statement filings and public offering expenses incurred as a result of our secondary offerings in September 2006, April 2005, and March 2002. We did not register any shares of our common stock pursuant to these registration statements. Accordingly, we did not receive any proceeds from these offerings and, did not capitalize any of the associated costs. Refer to discussion in our notes to our consolidated financial statements (Note 12 – Stockholders' Equity).

(g) Loss on early extinguishment of debt in the year ended December 31, 2005, relates to the write-off of debt issuance costs associated with the prior credit facility, which was refinanced in the fourth quarter of 2005. Loss on early extinguishment of debt in the year ended December 31, 2003, relates to the write-off of debt issuance costs associated with the early termination of a prior amended credit facility as a result of our refinancing in connection with the MedStaff acquisition.

(h) Income (loss) from discontinued operations reflects the operating results of Cross Country Consulting, Inc. and E-Staff, Inc. (E-Staff). Cross Country Consulting, Inc. results are included in the years ended December 31, 2005, 2004, 2003, and 2002. In March 2002, we committed to a formal plan to dispose of E-Staff. E-Staff ceased operations in the first quarter of 2003. These amounts also include: 1) a $3.7 million pretax ($0.7 million after tax) gain recognized in the year ending December 31, 2004 relating to the sale of assets of our Jennings Ryan & Kolb and Gill/Balsano Consulting businesses to a third party; and 2) impairment charges relating to our valuation of discontinued net assets of $0.8 million and $4.1 million in the years ended December 31, 2004 and 2002, respectively. The remaining consulting practice was shut down in the third quarter of 2005 and, as a result, t he shut-down costs were allocated to the impairment charge related to that business.

(i) FTEs represent the average number of contract staffing personnel on a full-time equivalent basis.

(j) Weeks worked is calculated by multiplying the FTEs by the number of weeks during the respective period.

(k) Average healthcare staffing revenue per FTE per week is calculated by dividing the healthcare staffing revenue by the number of weeks worked in the respective periods. Healthcare staffing revenue includes revenue from permanent placement of nurses.

(l) The Company has classified its consolidated balance sheets for the years ended December 31, 2006 through 2002, in accordance with the provisions of Emerging Issues Task Force (EITF) 03-08, *Accounting for Claims-Made Insurance and Retroactive Insurance Contracts*, as explained in the notes to the consolidated financial statements (Note 2- Summary of Significant Accounting Policies).

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Selected Financial Data, Risk Factors, Forward-Looking Statements and our Consolidated Financial Statements and the accompanying notes and other data, all of which appear elsewhere in this Annual Report on Form 10-K.

Certain prior year information has been reclassified to conform to the current year's presentation.

Overview

We are one of the largest providers of healthcare staffing services in the United States. Our healthcare staffing business segment represented approximately 93% of our 2006 revenue and is comprised of travel and per diem nurse staffing, travel allied health staffing, as well as clinical research staffing. Travel nurse staffing, our core business, represented approximately 70% of our total revenue and 76% of our healthcare staffing business segment revenue. Other healthcare staffing services include the placement of per diem nurse, allied healthcare professionals, such as radiology technicians, rehabilitation therapists and respiratory therapists, and the placement of clinical research professionals. Our other human capital management services business segment represented approximately 7% of our 2006 revenue and consists of education and training and retained search services. For the year ended December 31, 2006, our revenue was $655.2 million, and net income was $16.6 million, or $0.51 per diluted share. During 2006, we generated $32.9 million in cash flow from operations and we ended the year with total debt of $21.5 million, resulting in a debt to total capitalization ratio of 5.4% as of December 31, 2006.

In general, we evaluate the Company's financial condition and operating results by monitoring several key volume and profitability indicators such as number of orders, contract bookings, number of FTEs, price, and contribution income (see Segment Information). We also use measurement of our cash flow generation and operating and leverage ratios to help us assess our financial condition.

Our healthcare staffing revenue and earnings are impacted by the relative supply of and demand for nurses at healthcare facilities. We rely significantly on our ability to recruit and retain nurses and other healthcare professionals who possess the skills, experience and, as required, licensure necessary to meet the specified requirements of our clients. Shortages of qualified nurses and other healthcare professionals could limit our ability to fill open orders and grow our revenue and net income. In general, we believe nurses are more willing to seek travel assignments during relatively high levels of demand for contract employment, and conversely, are more reluctant to seek travel assignments during and immediately following periods of weak demand for contract employment. We also believe demand for travel nurse staffing services will be favorably impacted in the long-term by an aging population and an increasing shortage of nurses.

Cross Country Staffing is our core staffing brand that markets its staffing services to hospitals and healthcare facilities throughout the U.S. as well as operates differentiated recruiting brands to recruit registered nurses and allied healthcare professionals on a domestic and international basis. As a part of its business strategy, Cross Country Staffing is pursuing and implementing exclusive and preferred provider relationships with hospital clients and group purchasing organizations. Cross Country Staffing provides clients with a suite of solutions to facilitate the efficient management of their temporary workforce while decreasing overall operating costs. These range from efficiency-enhancing technology to full vendor management solutions.

We operate differentiated nurse recruiting brands consisting of Cross Country TravCorps, MedStaff, NovaPro, Cross Country Local and Assignment America to recruit nurses and allied healthcare professionals on a domestic and international basis. We believe that these professionals are attracted to us because we offer a wide range of diverse assignments at attractive locations, competitive compensation and benefit packages, as well as high levels of customer service.

Currently, the market for our healthcare staffing services reflects relatively strong demand, as measured by the average monthly number of open orders from our hospital clients. Demand is substantially higher than the low-point of the most recent industry down-turn in 2003, but is well below the prior industry peak in 2001. We believe this is due to improved labor dynamics that have created increased nurse turnover at hospitals in 2006, which in turn has contributed to price increases for our nurse staffing services and an improvement in the supply of RNs seeking travel assignments with us. Despite this more favorable environment for our core nurse staffing business, hospital in-patient admissions trends remained soft in 2006 with low near-term expectations for growth. Typically, as admissions increase, temporary employees are often added before full-time employees are hired. As admissions decline, clients tend to reduce their use of temporary employees before u ndertaking layoffs of their regular employees. We believe many of the characteristics of a transition from a demand-constrained environment toward a more favorable supply-constrained environment were present during 2006, particularly the improvement in pricing.

History

In July 1999, an affiliate of Charterhouse Group, Inc (Charterhouse) and certain members of management acquired the assets of Cross Country Staffing, our predecessor, from W. R. Grace & Co. Upon the closing of this transaction, we changed from a partnership to a C corporation form of ownership. In December 1999, we acquired TravCorps Corporation (TravCorps), which was owned by investment funds managed by Morgan Stanley Private Equity (Morgan Stanley) and certain members of TravCorps' management and subsequently changed our name to Cross Country TravCorps, Inc. Subsequent acquisitions and dispositions were made as discussed below. In May 2001, we changed our name to Cross Country, Inc. Subsequently, in May 2003, we changed our name to Cross Country Healthcare, Inc.

During 2005, Morgan Stanley sold its investment in Cross Country. During 2006, Charterhouse sold a majority of its remaining ownership in Cross Country but still owns approximately 2.5 million shares as of December 31, 2006.

Revenue

Our travel and per diem nurse staffing revenue is received primarily from acute care hospitals. Our clinical research staffing revenue is received primarily from companies in the pharmaceutical, biotechnology and medical device industries, as well as from contract research organizations and acute care hospitals conducting clinical research trials. Revenue from allied health staffing services is received from numerous sources, including providers of radiation, rehabilitation and respiratory services at hospitals, nursing homes, sports medicine clinics and schools. Revenue from our retained search and our education and training services is received from numerous sources, including hospitals, physician group practices, insurance companies and individual healthcare professionals. Our fees are paid directly by our clients and, in certain cases, by third-party administrative payors. As a result, we have no direct exposure to Medicare or Medicaid reimbursements.

Revenue is recognized when services are rendered. Accordingly, accounts receivable includes an accrual for employees' time worked but not yet invoiced. Similarly, accrued compensation includes an accrual for employees' time worked but not yet paid. Each of our field employees on travel assignment works for us under a contract. These contracts typically last 13 weeks. Payroll contract employees are hourly employees whose contract specifies the hourly rate they will be paid, and any other benefits they are entitled to receive during the contract period. For payroll contract employees, we bill clients at an hourly rate and assume all employer costs, including payroll, withholding taxes, benefits, professional liability insurance and Occupational Safety and Health Administration, or OSHA, requirements, as well as any travel and housing arrangements. Approximately 99% of our field personnel are directly employed by us. Mobile contract employees are hourly employees of the hospital client and receive an agreement that specifies the hourly rates they will be paid by the hospital employer, as well as any benefits they are entitled to receive from us. We recruit mobile contract employees for our hospital clients and provide those employees with company-leased apartments and travel-related support. We are compensated for the services we provide at a predetermined rate negotiated with our hospital clients.

We have also entered into certain contracts with acute care facilities to provide comprehensive vendor management services. Under these contract arrangements, we use our nurses primarily along with those of third party subcontractors to fulfill customer orders. If a subcontractor is used, revenue is recorded at the time of billing, net of any related subcontractor liability. The resulting net revenue represents the administrative fee charged by us for our vendor management services.

Management fees are included in some of our clinical research contracts that cover the life of a project. These fees are recognized on a straight-line basis for the specific length of the project.

Acquisitions

On August 31, 2006, we acquired substantially all of the assets of privately-held Metropolitan Research Associates, LLC and Metropolitan Research Staffing Associates, LLC (collectively "Metropolitan Research") for a purchase price of $18.6 million. The consideration for this acquisition was approximately $16.1 million in cash paid at closing, of which $1.0 million is being held in escrow to cover any post-closing liabilities. The remaining approximate $2.5 million of the purchase price was held back at closing for potential milestone payments, as defined by the asset purchase agreement, and was paid as the milestones were reached throughout the fourth quarter of 2006. These payments were allocated to goodwill as additional purchase price at December 31, 2006. We financed this transaction using our revolving credit facility. In addition, the asset purchase agreement provides for a potential earnout payment of up to a maxi mum of $6.4 million based on 2006 and 2007 performance, as defined by the asset purchase agreement. This contingent consideration is not related to the sellers' employment. If an earnout payment is made, it will be allocated to goodwill as additional purchase price.

Based in New York City, Metropolitan Research provides clinical trials staffing, drug safety monitoring and contract research services to the pharmaceutical, biotech and medical device industries while providing its healthcare professional candidates with temporary or permanent clinical staffing career opportunities. The acquisition has been included in the healthcare staffing segment and the results of Metropolitan Research's operations are included in our consolidated statements of income since the date of acquisition, in accordance with Financial Accounting Standards Board (FASB) Statement No. 141, *Business Combinations*. Goodwill of $4.9 million, trademarks of $1.7 million and other identifiable intangible assets of $5.5 million were recorded at the time of the acquisition based on an independent, third-party appraisal. Subsequent to December 31, 2006, a post-closing adjustment of approximately $0.5 million, w hich included a net working capital adjustment, was calculated and allocated to goodwill.

The following table provides certain information relating to our acquisitions to date:

Acquired Business	Acquisition Date	Primary Services	Purchase Price (a)	Potential Earnout (b)	Earnout Earned
Metropolitan Research	August 2006	Clinical trials staffing, drug safety monitoring and contract research services	$18.6 million	$6.4 million based on 2006 and 2007	—
Med-Staff	June 2003	Healthcare staffing – travel, per diem nurse, and military nurse staffing	$102.2 million	$37.5 million for full year 2003	—
Jennings Ryan & Kolb, Inc. (Sold in 2004)	March 2002	Healthcare management consulting services	$2.1 million	$1.8 million over 34 months	$1.8 million
NovaPro	January 2002	Nurse staffing	$7.6 million	—	—
Gill/Balsano Consulting, LLC (Sold in 2004)	May 2001	Healthcare management consulting services	$1.8 million	$2.0 million over 3 years	$2.0 million
ClinForce, Inc.	March 2001	Clinical trials staffing	$32.8 million	—	—
Heritage Professional Education, LLC	December 2000	Continuing education for healthcare professionals	$6.6 million	$6.5 million over 3 years	$3.5 million
E-Staff (Discontinued in 2002)	July 2000	Internet subscription based communication, scheduling, credentialing and training services	$1.5 million	$3.8 million over 3 years	$0.5 million
TravCorps Corporation	December 1999	Healthcare staffing – nurse and allied professionals, retained search	$77.1 million	—	—

(a) Acquisition purchase price includes cash paid, the assumption of debt and post-closing adjustments. The TravCorps acquisition price represents the approximate value of our common stock that was exchanged for all the outstanding shares of TravCorps – $32.1 million, plus the assumption of $45.0 million of debt.

(b) All earnout periods except Metropolitan Research have ended. Accordingly, we do not have any additional obligations on all other earnouts.

Discontinued Operations

Discontinued operations during the years ended December 31, 2006, 2005, and 2004 include results from operations of the healthcare consulting business previously classified in our other human capital management services business segment. On October 4, 2004, Cross Country Healthcare sold assets of its Jennings Ryan & Kolb (JRK) and Gill/Balsano Consulting (GBC) practices to Mitretek Systems, Inc. (Mitretek) for $12.3 million in cash plus a working capital adjustment. The carrying amount of net assets sold was $7.0 million and consisted primarily of goodwill and other intangibles with a carrying amount of $6.8 million. We recognized a pre-tax gain on this transaction of $3.7 million ($0.7 million after taxes) which was included in discontinued operations in the consolidated statement of income for the year ended December 31, 2004. Net proceeds from this transaction were used to pay down $10.4 million of term loan debt. The remaining consulting practice was held for sale until the third quarter of 2005.

In the fourth quarter of 2004, we conducted an assessment of the tangible and intangible net assets of the remaining consulting practice in accordance with FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* and FASB Statement No. 142, *Goodwill and Other Intangible Assets*. Based on this assessment, we determined that the carrying amount of the net assets as then reflected on the Company's consolidated balance sheet exceeded its estimated

fair value. In accordance with the assessment, the Company recorded a pretax charge of $0.8 million to discontinued operations. The charge represented the impairment of goodwill in the amount of $0.4 million and a reduction in value of other tangible assets in the amount of $0.4 million.

During the third quarter of 2005, we abandoned our efforts to sell the remaining consulting practice and shut down the residual operations. We continue to account for the consulting practice as discontinued operations within the consolidated statements of income and cash flows and in the notes to the consolidated financial statements included in this Form 10-K. We estimated the remaining costs associated with the shut down of the business and recorded these costs in loss from discontinued operations in the third quarter of 2005. These costs were allocated to the impairment valuation previously recorded in the fourth quarter of 2004. In accordance with FASB Statement No. 144, any adjustments to these estimated amounts have been recorded to discontinued operations in subsequent periods. We do not anticipate any further involvement in the consulting business going forward.

Goodwill and Other Identifiable Intangible Assets

Goodwill and other identifiable intangible assets from the acquisition of the assets of our predecessor, Cross Country Staffing, a partnership, as well as from subsequent acquisitions were $310.2 million and $26.5 million, respectively, net of accumulated amortization, at December 31, 2006. We adopted the provisions of FASB Statement No. 142 as of January 1, 2002. Accordingly, goodwill and certain other identifiable intangible assets are no longer subject to amortization. Instead, we review impairment annually. See Critical Accounting Principles and Estimates for further discussion. Other identifiable intangible assets, which are subject to amortization, are being amortized using the straight-line method over their estimated useful lives ranging from 5 to 25 years. Goodwill and other intangible assets represented 90% of our stockholders' equity as of December 31, 2006.

Results of Operations

The following table summarizes, for the periods indicated, selected consolidated statements of income data expressed as a percentage of revenue:

	Year Ended December 31,		
	2006	2005	2004
Revenue from services	100.0%	100.0%	100.0%
Direct operating expenses	76.7	78.0	77.9
Selling, general and administrative expenses	16.8	16.2	15.2
Bad debt expense	0.1	0.2	0.2
Depreciation and amortization	1.1	1.0	1.0
Legal settlement charge	1.0	—	—
Income from operations	4.3	4.6	5.7
Interest expense, net	0.2	0.5	0.7
Loss on early extinguishment of debt	—	0.2	—
Income from continuing operations before income taxes	4.1	3.9	5.0
Income tax expense	(1.6)	(1.5)	(1.8)
Income from continuing operations	2.5	2.4	3.2
Discontinued operations, net of income taxes	(0.0)	(0.1)	0.0
Net income	2.5%	2.3%	3.2%

Segment Information

The following table presents, for the periods indicated, selected consolidated statements of income data by segment:

	Year ended December 31,		
	2006	2005(a)(b)	2004(a)(b)
	(Amounts in thousands)		
Revenue from unaffiliated customers:			
Healthcare staffing	$ 608,248	$ 599,346	$ 612,076
Other human capital management services	46,904	46,047	42,035
	$ 655,152	$ 645,393	$ 654,111
Contribution income (c):			
Healthcare staffing	$ 59,878	$ 52,939	$ 61,397
Other human capital management services	9,048	8,116	7,090
Unallocated corporate overhead	26,873	24,589	24,435
Depreciation	5,449	5,159	5,140
Amortization	1,570	1,424	1,580
Legal settlement charge	6,704	—	—
Secondary offering costs	154	151	4
Interest expense, net	1,464	3,458	4,789
Loss on early extinguishment of debt	—	1,359	—
Income from continuing operations before income taxes	$ 26,712	$ 24,915	$ 32,539

(a) The 2005 segment data has been reclassified to conform to the 2006 presentation. During the year ended December 31, 2006, the Company refined its methodology for allocating certain corporate overhead expenses to its healthcare staffing segment to more accurately reflect this segment's profitability. Certain selling, general and administrative department expenses were more specifically identified to the healthcare staffing segment. Due to the internal departmental structure in 2004, allocations for 2004 are not practical and are not considered to provide meaningful comparisons. Accordingly, 2004 segment data has not been reclassified for these changes in allocation methodology.

(b) Certain prior year income statement data has been reclassified to conform to current year's presentation.

(c) We define contribution income as earnings before interest, income taxes, depreciation, amortization, legal settlement charge, secondary offering costs and other corporate expenses not specifically identified to a reporting segment. Contribution income is a measure used by management to access operations and is provided in accordance with FASB Statement No. 131, *Disclosure About Segments of an Enterprise and Related Information*.

Year Ended December 31, 2006 Compared To Year Ended December 31, 2005

Revenue from services increased $9.8 million, or 1.5%, to $655.2 million for the year ended December 31, 2006 as compared to $645.4 million for the year ended December 31, 2005. Revenue from both of our business segments contributed to this increase. The increase in our healthcare staffing business was mostly due to our acquisition of Metropolitan Research in the third quarter. Also contributing to the increase was higher organic revenue from our travel nurse staffing operations that was partially offset by a decrease in our per diem, clinical research, and travel allied health staffing operations. The increase in other human capital management business was primarily due to an increase in our retained search business partially offset by a decrease in our education and training business.

Revenue from our healthcare staffing business segment increased $8.9 million, or 1.5%, to $608.2 million in the year ended December 31, 2006, from $599.3 million for the year ended December 31, 2005, primarily due to the acquisition of Metropolitan Research. Excluding Metropolitan Research, healthcare staffing revenue declined slightly due to lower revenue from our per diem, organic clinical research, and travel allied health operations partially offset by increases in revenue in our travel nurse staffing operations. The slight decrease is due to lower volume partially offset by an increase in pricing.

The average number of full-time equivalents (FTEs) on contract decreased 2.8% from the prior year. Excluding Metropolitan Research, FTEs decreased 3.7%.

Average healthcare staffing revenue per FTE and average bill rates both increased approximately 4.5% during the year ended December 31, 2006 compared to the year ended December 31, 2005. Mobile contracts, where the nurse is on the hospital payroll, accounted for approximately 1% of our staffing volume in the years ended December 31, 2006 and 2005.

For the year ended December 31, 2006, nurse staffing operations generated 83.6% of healthcare staffing revenue and 16.4% was generated by other operations. For the year ended December 31, 2005, 84.5% of healthcare staffing revenue was generated from nursing operations and 15.5% was generated by other operations.

Revenue from other human capital management services for the year ended December 31, 2006, increased 1.9% to $46.9 million from $46.0 million in the year ended December 31, 2005. An increase in revenue from our retained search business more than offset lower revenue from our education and training business. The lower revenue from our educational training business primarily reflects a lower number of seminars and lower average attendance per seminar, partially offset by an increase in pricing in the year ended December 31, 2006, compared to the year ending December 31, 2005.

Direct operating expenses are comprised primarily of field employee compensation expenses, housing expenses, travel expenses and field insurance expenses. Direct operating expenses totaled $502.5 million for the year ended December 31, 2006, as compared to $503.1 million for the year ended December 31, 2005. As a percentage of revenue, direct operating expenses represented 76.7% of revenue for the year ended December 31, 2006 and 78.0% for the year ended December 31, 2005. In the second quarter of 2005, we increased our insurance reserves by approximately $5.3 million, or 0.8% of revenue, based on specific unfavorable developments in certain professional liability cases. Refer to Legal Proceedings for a more comprehensive discussion of this litigation. Excluding this charge in 2005, direct operating expenses as a percentage of revenue decreased primarily due to a widening of our bill-pay spread in our travel staffing operations, partially offset by higher housing and health insurance expenses.

Selling, general and administrative expenses totaled $110.2 million for the year ended December 31, 2006, as compared to $104.6 million for the year ended December 31, 2005. The increase in selling, general and administrative expenses was primarily due to increased compensation in our retained search business, an increase in unallocated corporate overhead, and additional expenses from Metropolitan Research. Unallocated corporate overhead was $26.9 million in the year ended December 31, 2006, compared to $24.6 million in the year ended December 31, 2005. This increase was primarily due to higher expenses to upgrade, protect, and maintain our key information systems, including incremental disaster recovery costs and higher legal fees. As a percentage of consolidated revenue, unallocated corporate overhead was 4.1% during the year ended December 31, 2006, and 3.8% during the year ended December 31, 2005.

As a percentage of revenue, selling, general and administrative expenses were 16.8% and 16.2% for the years ended December 31, 2006 and 2005, respectively, primarily due to the increase in corporate unallocated overhead, negative operating leverage in our per diem operations and higher selling expenses in our organic clinical research staffing business.

Bad debt expense totaled $0.5 million for the year ended December 31, 2006, which represented approximately 0.1% of revenue compared to $1.2 million for the year ended December 31, 2005 which represented approximately 0.2% of revenue.

Contribution income from our healthcare staffing segment for the year ended December 31, 2006, increased 13.1%, or $6.9 million, to $59.9 million from $52.9 million in the year ended December 31, 2005. As a percentage of healthcare staffing revenue, contribution income was 9.8% for the year ended December 31, 2006, compared to 8.8% for the year ended December 31, 2005. In 2005, our profitability was negatively impacted by the significantly higher insurance reserves recorded in the second quarter as discussed previously. Excluding this $5.3 million charge, contribution margin as a percentage of revenue increased primarily due to a widening of our bill-pay spread in our travel staffing operations partially offset by higher housing and health insurance costs.

Contribution income from other human capital management services for the year ended December 31, 2006, increased 11.5% to $9.0 million from $8.1 million in the year ended December 31, 2005. This increase was primarily due to higher revenue from our retained search business combined with improved operating leverage in both the retained search and education and training businesses. Contribution income as a percentage of other human capital management services revenue for the year ended December 31, 2006, was 19.3% compared to 17.6% for the year ended December 31, 2005.

Depreciation and amortization expense for the year ended December 31, 2006, totaled $7.0 million as compared to $6.6 million for the year ended December 31, 2005. As a percentage of revenue, depreciation and amortization expense were 1.1% and 1.0%, respectively, for the years ended December 31, 2006 and 2005.

Legal settlement charge represents the total settlement amount of $6.7 million ($4.2 after taxes) related to a specific class action lawsuit. During the third quarter of 2006, we reached an agreement in principle to settle the wage and hour class action lawsuit, *Cossack, et.al. v. Cross Country TravCorps and Cross Country Nurses, Inc.* Final approval of the settlement was granted on or about March 5, 2007. Refer to discussion in Legal Proceedings and the notes to our consolidated financial statements (Note 9 – Commitments and Contingencies).

Secondary offering costs totaled $0.2 million during the years ended December 31, 2006 and 2005. Secondary offering costs include registration statement filing and public offering expenses incurred as a result of our secondary offerings in April 2005 and November 2006. Neither the Company nor management registered any shares pursuant to this registration statement, consequently, neither the Company nor management received any proceeds from the sale of shares by the selling shareholders. Accordingly, we did not capitalize any of the associated fees and expense related to the offering. Refer to discussion in the notes to our consolidated financial statements (Note 12 – Stockholders' Equity).

Interest expense, net totaled $1.5 million for the year ended December 31, 2006, as compared to $3.5 million for the year ended December 31, 2005. This decrease was primarily due to lower average borrowings outstanding during the year ended December 31, 2006 compared to the year ended December 31, 2005 partially offset by a slightly higher effective borrowing cost in the year ended December 31, 2006. The effective interest rate on our borrowings for the year ended December 31, 2006, was 6.6% compared to a rate of 6.2% for the year ended December 31, 2005.

Income tax expense totaled $10.1 million for the year ended December 31, 2006, as compared to $9.6 million for the year ended December 31, 2005. The effective tax rate on continuing operations was 38.0% for the year ended December 31, 2006 compared to 38.4% in the year ended December 31, 2005, due to a more favorable mix of income among various tax jurisdictions.

Discontinued operations, net of income taxes, relate to the discontinuance of our healthcare consulting practice, as previously discussed.

Year Ended December 31, 2005 Compared To Year Ended December 31, 2004

Revenue from services decreased $8.7 million, or 1.3%, to $645.4 million for the year ended December 31, 2005, as compared to $654.1 million for the year ended December 31, 2004. This decrease was primarily due to a decline in revenue from our healthcare staffing businesses partially offset by an increase in our revenue from other human capital management businesses. The decrease in our healthcare staffing business was mostly from our travel nurse staffing and per diem operations, but was partially offset by an increase in our allied health and clinical research staffing businesses.

Revenue from our healthcare staffing business segment decreased $12.7 million, or 2.1%, from $612.1 million in the year ended December 31, 2004, to $599.3 million for the year ended December 31, 2005. This decrease was due to a decrease in FTEs, representing $19.4 million of the decrease, partially offset by price and mix factors as described below.

The average number of FTEs on contract decreased 3.2% from the prior year. This decline in volume was due to a decrease in FTEs from our travel staffing operations partially offset by higher FTEs in our clinical trials staffing and allied health staffing businesses. Our nurse staffing operations weakened throughout 2003 and 2004 due to a more cautious buying process on the part of acute care hospital customers which reduced the level of demand for our nurse staffing services along with a reduced level of interest of nursing professionals in pursuing temporary employment opportunities. Despite a more favorable demand and supply environment in our core nurse staffing business in 2005, as discussed above, our staffing volume decreased year over year due, in part, to hospital in-patient admissions trends that remained relatively flat during 2005. Furthermore, we believe staffing volumes would have been higher absent the impact of Hurricane Wilma on the productivit y of our recruiters in October 2005. We estimated the impact of Hurricane Wilma on our fourth quarter's results was approximately $2.0 million of revenue and $0.01 per diluted share. While the Hurricane occurred in the fourth quarter of 2005, we experienced the majority of its impact on our field FTE count in the first quarter of 2006.

Average healthcare staffing revenue per FTE and average bill rates increased 1.1% during the year ended December 31, 2005, compared to the year ended December 31, 2004. Mobile contracts, where the nurse is on the hospital payroll, accounted for approximately 1% of our volume in our healthcare staffing business segment in year ended December 31, 2005, compared to 2% of volume in the year ended December 31, 2004.

For the year ended December 31, 2005, nurse staffing operations generated 84.5% of healthcare staffing revenue and 15.5% was generated by other operations. For the year ended December 31, 2004, 85.7% of healthcare staffing revenue was generated from nursing operations and 14.3% was generated by other operations.

Revenue from other human capital management services for the year ended December 31, 2005, increased 9.5% to $46.0 million from $42.0 million in the year ended December 31, 2004. Both our educational training and retained search businesses contributed to the revenue increase. The increase in revenue from our education and training business primarily reflected a higher number of seminars in the year ended December 31, 2005, compared to the year ending December 31, 2004.

Direct operating expenses are comprised primarily of field employee compensation expenses, housing expenses, travel expenses and field insurance expenses. Direct operating expenses totaled $503.1 million for the year ended December 31, 2005, as compared to $509.6 million for the year ended December 31, 2004. As a percentage of revenue, direct operating expenses represented 78.0% of revenue for the year ended December 31, 2005, and 77.9% for the year ended December 31, 2004. Based on specific unfavorable developments in certain professional liability cases, we increased our insurance reserves in the second quarter of 2005 by approximately $5.3 million. Refer to Legal Proceedings for a more comprehensive discussion of this litigation. Excluding this charge to direct operating expenses, our direct operating expense as a percentage of revenue would have decreased primarily due to a widening of our bill-pay spread in our travel nurse staffing business, a higher relative mix of business from our other human capital management services business segment (which operates with relatively lower direct costs than our healthcare staffing business segment), and lower field health insurance expenses.

Selling, general and administrative expenses totaled $104.6 million for the year ended December 31, 2005, as compared to $99.5 million for the year ended December 31, 2004. This increase was primarily due to an increase in compensation expense, including investments in recruitment capacity, and an increase in unallocated corporate overhead. Unallocated corporate overhead was $24.6 million in the year ended December 31, 2005, compared to $24.4 million in the year ended December 31, 2004. As a percentage of revenue, selling, general and administrative expenses were 16.2% and 15.2% for the years ended December 31, 2005 and 2004, respectively, reflecting the higher compensation costs (including investments in recruitment capacity), higher health insurance costs, and a higher relative mix of business from our other human capital services business segment. Our other human capital management services bus inesses operate with higher selling, general and administrative expenses as a percentage of revenue than our healthcare staffing business segment.

Bad debt expense totaled $1.2 million for the year ended December 31, 2005, which represented approximately 0.2% of revenue compared to $1.0 million for the year ended December 31, 2004, which also represented approximately 0.2% of revenue.

Depreciation and amortization expense for the year ended December 31, 2005, totaled $6.6 million as compared to $6.7 million for the year ended December 31, 2004. As a percentage of revenue, depreciation and amortization expense was 1.0% for both the years ended December 31, 2005 and 2004.

Secondary offering costs totaled $0.2 million during the year ended December 31, 2005. Secondary offering costs include registration statement filing and public offering expenses incurred as a result of our secondary offering in April 2005. Neither the Company nor management registered any shares pursuant to this registration statement; consequently neither the Company nor management received any proceeds from the sale of shares by the selling shareholders. Accordingly, we did not capitalize any of the associated fees and expense related to the offering. Refer to discussion in our notes to our consolidated financial statements (Note 12 – Stockholders' Equity).

Contribution income from our healthcare staffing segment for the year ended December 31, 2005, decreased 13.8%, or $8.5 million, to $52.9 million from $61.4 million in the year ended December 31, 2004. As a percentage of healthcare staffing revenue, contribution income was 8.8% for the year ended December 31, 2005 compared to 10.0% for the year ended December 31, 2004. Our profitability was negatively impacted by the significantly higher insurance reserves recorded in the year ended December 31, 2005. Excluding the $5.3 million charge discussed previously, contribution income as a percentage of revenue would have increased slightly due to a widening of our bill-pay spread and lower field health insurance expenses.

Contribution income from other human capital management services for the year ended December 31, 2005 increased 14.5% to $8.1 million from $7.1 million in the year ended December 31, 2004. This increase was primarily due to the increased revenue combined with improved operating leverage in our retained search business. Contribution income as a percentage of other human capital management services revenue for the year ended December 31, 2005 was 17.6% compared to 16.9% for the year ended December 31, 2004.

Loss on early extinguishment of debt included in the consolidated statement of income for the year ended December 31, 2005, results from the write-off of debt issuance costs related to our prior senior secured credit facility that was terminated on November 10, 2005, as a result of our refinancing of this facility. Refer to Liquidity and Capital Resources for a further discussion.

Interest expense, net totaled $3.5 million for the year ended December 31, 2005, as compared to $4.8 million for the year ended December 31, 2004. This decrease was primarily due to lower average borrowings outstanding during the year ended December 31, 2005, compared to the year ended December 31, 2004, partially offset by slightly higher effective borrowing cost in the year ended December 31, 2005. The effective interest rate for the year ended December 31, 2005, was 6.2% compared to a rate of 4.7% for the year ended December 31, 2004.

Income tax expense totaled $9.6 million for the year ended December 31, 2005, as compared to $11.9 million for the year ended December 31, 2004. The effective tax rate on continuing operations was 38.4% for the year ended December 31, 2005 compared to 36.7% in the year ended December 31, 2004. The effective tax rate for the year ended December 31, 2004 was lower, in part, due to certain favorable adjustments relating to state tax refunds.

Discontinued operations, net of income taxes, resulted in a loss of $0.6 million in the year ended December 31, 2005 compared to income of $0.1 million in the year ended December 31, 2004. Discontinued operations in the year ended December 31, 2004 included a gain on the sale of our JRK and GBC businesses as discussed previously, which amounted to $0.7 million after taxes. Discontinued operations during the year ended December 31, 2004, also included impairment and valuation charges relating to the net assets of the remaining consulting practice that was previously held for sale, amounting to $0.8 million, pretax; net losses from operations of $0.3 million, pretax; and related income taxes.

Transactions with Related Parties

We provide services to hospitals which are affiliated with certain Board of Director members. Revenue related to these transactions amounted to approximately $4.7 million, $6.9 million, and $8.2 million during the years ended December 31, 2006, 2005, and 2004, respectively. Accounts receivable due from these hospitals at December 31, 2006 and 2005 were approximately $0.5 million and $0.8 million, respectively. Pricing for our services is consistent with our other hospital customers. There are no contractual obligations with these hospitals.

Liquidity and Capital Resources

As of December 31, 2006, we had a current ratio, defined as the amount of current assets divided by current liabilities, of 2.2 to 1.0. Working capital increased by $7.3 million to $80.1 million as of December 31, 2006, compared to $72.8 million as of December 31, 2005. The increase in working capital is primarily due to the settlement of specific insurance related litigation we reserved for in the second quarter of 2005 (discussed previously), lower short-term debt as of December 31, 2006, and the acquisition of Metropolitan Research. In addition, accounts receivable increased due to an increase in fourth quarter revenue but was partially offset by the accrual of the legal settlement charge (net of a related deferred tax benefit) and increases in accounts payable and accrued employee compensation and benefits due to timing. Days' sales outstanding was 60 days, 61 days, and 55 days, at December 31, 2006, 2005, and 2 004, respectively, and were consistent with historical ranges.

Our operating cash flows constitute our primary source of liquidity, and historically, have been sufficient to fund our working capital, capital expenditures, internal business expansion and debt service including our commitments as described in the Commitments table which follows and the settlement of litigation as described in Legal Proceedings. The $6.7 million legal settlement charge will be paid in 2007. The pretax payment will be offset by an income tax benefit of approximately $2.5 million. We believe that our capital resources are sufficient to meet our working capital needs for the next twelve months. We expect to meet our future needs for working capital, capital expenditures, internal business expansion, debt service, and any additional stock repurchases from a combination of operating cash flows and funds available under our current credit agreement. We also continue to evaluate acquisition opportunities that may require additional funding. In addition to those amounts available under our existing credit agreement, we may incur up to an additional $35.0 million in Indebtedness (as defined by the credit agreement). We also may, at our option, request an increase to the amount of principal borrowings of up to $50.0 million via an incremental increase in the revolving credit facility and/or through one or more term loan facilities.

Stockholders' Equity

Stock Repurchase Programs

On May 10, 2006, our Board of Directors authorized a new stock repurchase program whereby we may purchase up to an additional 1.5 million of our common shares, subject to the constraints of our current credit agreement. The shares may be repurchased from time-to-time in the open market and may be discontinued at any time at our discretion. This new stock repurchase authorization will commence upon the completion of the previously authorized 1.5 million share stock repurchase program discussed below.

In November 2002, our Board of Directors authorized a stock repurchase program, whereby we may purchase up to 1.5 million of our common shares at an aggregate cost not to exceed $25.0 million. During the year ended December 31, 2006, we purchased 163,900 shares of common stock at an average cost of $16.87 per share pursuant to the current authorization. The cost of such purchases was approximately $2.8 million. As of December 31, 2006, we had purchased 1,430,128 shares of our common stock at an average cost of $14.84 per share pursuant to the current authorization. All of the

common stock was retired. The cost of such purchases was approximately $21.2 million. Under the remainder of the current authorization we can purchase up to an additional 69,872 shares at an aggregate cost not to exceed $3.8 million. The shares may be purchased from time to time on the open market. The repurchase program may be discontinued at any time at our discretion.

Secondary Offerings

In March 2002, an aggregate of 9.0 million shares of our common stock were sold by existing shareholders pursuant to a registration statement filed by us with the U.S. Securities and Exchange Commission (SEC). Additionally, in April 2002, the underwriters of the offering exercised their over-allotment option with respect to an aggregate of 0.7 million shares. The Company and no member of management sold any shares or received any of the proceeds from the sale of these shares, but the Company paid $0.9 million of expenses for such registration in 2003 and 2002, which were included in secondary offering costs on the consolidated statements of income.

In November 2004, we filed a Registration Statement on Form S-3 with the SEC for the registration of approximately 11,403,455 shares of common stock owned by three of our existing stockholders. Neither the Company nor management registered any shares pursuant to this registration statement. In April 2005, we announced a public offering of 4,172,868 shares of common stock pursuant to this Form S-3 shelf registration statement. All net proceeds from the sale went to the selling stockholders. However, we incurred all fees and expenses relating to the registration statement which were approximately $0.2 million. Subsequently, on November 13, 2006, we announced a public offering of approximately 4.0 million shares pursuant to this Form S-3 shelf registration statement. All net proceeds from the sale went to the selling stockholders. However, we incurred all fees and expenses relating to the registration statement which were a pproximately $0.2 million and included in secondary offering costs on the consolidated statements of income.

Credit Facility

We entered into a credit agreement on November 10, 2005 (“the 2005 Credit Agreement”), consisting of a 5-year $75.0 million revolving credit facility, with a $10.0 million sublimit for the issuance of Swingline Loans (as defined by the 2005 Credit Agreement) and a $35.0 sublimit for the issuance of standby letters of credit. Swingline Loans and letters of credit issued under this facility reduce the revolving credit facility on a dollar for dollar basis. We may, at our option, request an increase to the amount of principal borrowings of up to $50.0 million via an incremental increase in the revolving credit facility and/or through one or more term loan facilities. This facility is provided by a syndicate led by Wachovia Bank, National Association, and comprised of General Electric Capital Corporation; Bank of America, N.A.; LaSalle Bank National Association; Carolina First Bank; National City Bank of Kentucky; Comerica Bank; and U .S. Bank, N.A. The revolving credit facility was used to refinance all of our existing senior secured debt and will continue to be used for general corporate purposes including working capital, capital expenditures and permitted acquisitions and investments, as well as to pay fees and expenses related to the credit facility.

Borrowings under the 2005 Credit Agreement bear interest, at our option, at the London Interbank Offered Rate (“LIBOR”) or the Base Rate plus an Applicable Margin as defined by the Credit Agreement. As of December 31, 2006, interest on this facility was based on LIBOR plus a margin of 1.25% or Base Rate. We are required to pay a quarterly commitment fee on the average daily unused portion of the facility, which, as of December 31, 2006, was 0.25%. As of December 31, 2006, we had $20.3 million of borrowings outstanding and $6.1 million of standby letters of credit outstanding under this facility, leaving $48.7 available for additional borrowings.

The terms of the 2005 Credit Agreement include customary covenants and events of default. The agreement includes a mandatory prepayment provision, which requires us to make mandatory prepayments subsequent to receiving net proceeds from the sale of assets, insurance recoveries, or the issuance of our debt or equity. The dividends and distribution covenant limits our ability to repurchase our common stock and declare and pay cash dividends on our common stock. As of December 31, 2006, we were limited to $28.8 million to be used for either dividends and/or stock repurchases. This limitation increases each year by 25% of net income provided that our Debt/EBITDA ratio (as defined in the 2005 Credit Agreement) is less than 1.5 to 1.0 and we have $15.0 million in cash or available cash under the revolving credit facility. We are also required to obtain the consent of the lenders to complete any acquisition which exceeds $25.0 million or would cau se us to exceed $75.0 million in aggregate payments during the term of the agreement. The commitments under the 2005 Credit Agreement are secured by substantially all of our assets.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Net cash provided by operating activities during 2006 was $32.9 million compared to $30.8 million during 2005. This increase is primarily due to higher net income partially offset by higher working capital requirements in 2006. During the year ended 2006, we settled the specific insurance related litigation that was reserved for in the second quarter of 2005. Investing activities used $27.8 million during 2006, for the purchase of Metropolitan Research and capital expenditures. During the year ended December 31, 2005, investing activities used $8.4 million primarily for capital expenditures. Net cash used in financing activities in 2006 was $5.1 million compared to $22.4 million during the year ended December 31, 2005. In both years, we utilized net cash flow from operations and investing activities to repay debt and repurchase our common stock. These repayments were partially offset by the proceeds received from t he exercise of stock options and other financing activities.

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

Net cash provided by operating activities during 2005 was $30.8 million compared to $43.3 million during 2004. This decrease in operating cash flow is primarily due to lower net income excluding non-cash items and slower collections. Investing activities used $8.4 million during 2005, primarily for capital expenditures. During the year ended December 31, 2004, investing activities provided net cash of $4.0 million primarily relating to the receipt of $10.6 million of net proceeds from the disposal of our discontinued JRK and GBC consulting practices. These proceeds were offset by $2.0 million of remaining earnout payments on the original purchase of these later discontinued businesses, capital expenditures of $4.6 million and other investing activities. Net cash used in financing activities in 2005 was $22.4 million compared to $47.3 million during the year ended December 31, 2004. In both years, we utiliz ed net cash flow from operations and investing activities to repay debt and repurchase our common stock. These repayments were partially offset by the proceeds received from the exercise of stock options and other financing activities.

Commitments and Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements.

The following table reflects our contractual obligations and other commitments as of December 31, 2006:

Commitments	Total	2007	2008	2009	2010	2011	Thereafter
			(Unaudited, amounts in thousands)				
Senior secured credit facility (a)	$ 20,250	$ 1,250	$ —	$ —	$ 19,000	$ —	$ —
Capital lease obligations	1,279	300	352	382	242	3	—
Operating leases obligations (b)	23,643	5,464	4,795	3,741	2,803	2,571	4,269
Purchase obligations (c)	1,811	1,298	393	120	—	—	—
	$ 46,983	$ 8,312	$ 5,540	$ 4,243	$ 22,045	$ 2,574	$ 4,269

(a) Under our credit facility we are required to comply with certain financial covenants. Our inability to comply with the required covenants or other provisions could result in default under our credit facility. In the event of any such default and our inability to obtain a waiver of the default, all amounts outstanding under the credit facility could be declared immediately due and payable.

(b) Represents future minimum lease payments associated with operating lease agreements with original terms of more than one year.

(c) Other contractual obligations include contracts for information systems consulting services.

Commitments subsequent to December 31, 2006:

- The Company entered into a ten year lease, commencing June 15, 2007, for approximately 27,000 square feet of office space to replace the current space leased by its retained search business. Total future minimum rental payments are $8.2 million.
- The Company exercised its option to extend its Boca Raton, Florida facility lease for an additional five years, until May 1, 2018. Additional future minimum lease payments related to this extension are $6.1 million.

- The Company entered into a seven year lease, commencing May 1, 2007, for approximately 14,000 square feet of office space to replace the current space leased by its education and training business. Total future minimum rental payments are $2.1 million.

Critical Accounting Principles and Estimates

We have identified the following critical accounting policies that affect the more significant judgments and estimates used in the preparation of our consolidated financial statements. The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. We evaluate our estimates on an on-going basis, including those related to asset impairment, accruals for insurance, allowance for doubtful accounts, and contingencies and litigation. We state our accounting policies in the notes to the audited consolidated financial statements and related notes for the year ended December 31, 2006, contained herein. These estimates are based on information that is currently available to us and on various assumptions that we believe to be reasonable under the circumstances. Actual results could vary from those estimates under different assumptions or conditions.

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

1) We have recorded goodwill and intangibles resulting from our acquisitions through December 31, 2006. Upon the adoption of FASB Statement No. 142 on January 1, 2002, we ceased amortizing goodwill and certain other intangible assets with indefinite lives and performed a transitional impairment analysis as of January 1, 2002, to assess the recoverability of these intangibles, in accordance with the provisions of FASB Statement No. 142. We also completed the annual impairment test of goodwill and indefinite lived intangible assets during the fourth quarters of 2006, 2005 and 2004. Based on the results of the tests, we determined that there was no impairment of goodwill or indefinite lived intangible assets relating to continuing operations as of December 31, 2006, 2005, and 2004. The calculation of fair value used in these impairment assessments included a number of estimates and assumptions, including projections of future income and cash fl ows, the identification of appropriate market multiples and the choice of an appropriate discount rate. If we are required to record an impairment charge in the future, it could have an adverse impact on our results of operations. We periodically evaluate the recovery of the carrying amount of net assets held for sale to determine if the net assets are impaired. This evaluation can also be triggered by various indicators of impairment which could cause the estimated discounted cash flows to be less than the carrying amount of net assets. In the fourth quarter of 2004, we recognized an impairment charge on goodwill reported as discontinued operations of $0.4 million relating to the remaining consulting practice classified as held for sale at that time. During the year ended December 31, 2005, an additional impairment charge of $0.4 million was also recorded in discontinued operations related to these net assets. Fair value was based on the latest offer received for the sale of the net assets of the remaining consulting practice. During the third quarter of 2005, we abandoned our efforts to sell the remaining consulting practice and shut down the remaining operations. We estimated the remaining costs associated with the shut down of the business and recorded these costs in loss from discontinued operations in the third quarter of 2005. These costs were allocated to the impairment valuation previously recorded. Any adjustments to these estimated amounts have been recorded to discontinued operations in subsequent periods. As of December 31, 2006, we had total goodwill and intangible assets not subject to amortization of $327.4 million, net of accumulated amortization.

2) We maintain accruals for our health, workers' compensation and professional liability policies that are partially self-insured and are classified as accrued employee compensation and benefits on our consolidated balance sheets. We determine the adequacy of these accruals by periodically evaluating our historical experience and trends related to health, workers' compensation and professional liability claims and payments, based on an internally prepared actuarial model which is reviewed by an actuary and industry experience and trends. If such information indicates that our accruals are overstated or understated, we will reduce or provide for additional accruals as appropriate. Healthcare insurance accruals have fluctuated with increases or decreases in the average number of temporary healthcare professionals on assignment and increases in national healthcare costs. As of December 31, 2006 and 2005, we had $2.4 million and $2.2 million a ccrued, respectively, for incurred but not reported health insurance claims. Prior to 2004, only our field employees were covered through a partially self-insured health plan; corporate employees were covered through a fully insured plan. Beginning in 2004, the corporate employees were also covered through a partially self-insured health plan. At December 31, 2006, and 2005, $0.5 million and $0.6 million, respectively, of the incurred but not reported health insurance claims accrual related to corporate employees. Workers' compensation insurance accruals have generally increased over time due to the lag times associated with the settlement of claims as well as additional exposures arising

from the current policy year. As of December 31, 2006, we had $4.7 million accrued for incurred but not reported workers' compensation claims and retentions, net of related insurance recoveries receivable, an increase of $0.5 million over the amount accrued at December 31, 2005. The accrual for workers' compensation is based on an internally prepared actuarial model reviewed by an actuary. As of December 31, 2006 and 2005, we had $9.2 million and $15.2 million accrued, respectively, for incurred but not reported professional liability claims and retentions, net of related insurance recovery receivable. The accrual for professional liability is based on an internally prepared actuarial model which is reviewed by an independent actuary. Refer to Legal Proceedings for more information about specific material litigation.

3) We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments, which results in a provision for bad debt expense. We determine the adequacy of this allowance by continually evaluating individual customer receivables, considering the customer's financial condition, credit history and current economic conditions. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. We write off specific accounts based on an ongoing review of collectibility as well as our past experience with the customer. Historically, losses on uncollectible accounts have not exceeded our allowances. As of December 31, 2006, our allowance for doubtful accounts was $4.4 million.

4) We are subject to various claims and legal actions in the ordinary course of our business. Some of these matters include professional liability and employee-related matters. Our 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 healthcare facility clients relating to these matters. Material pending legal proceedings brought against the Company, other than ordinary routine litigation incidental to the business are described in Legal Proceedings.

- *Maureen Petray and Carina Higareda v. MedStaff, Inc*. has been certified as a class action. See Legal Proceedings for further discussion. We are unable to determine our potential exposure regarding this lawsuit at this time.

- On April 24, 2006, the United States District Court of California filed an order to preliminarily certify a collective action based on the Fair Labor Standards Acts claims in *Darrelyn Renee Henry vs. MedStaff, Inc., Cross Country Healthcare, Inc., Victor Kalafa, Tim Rodden, Talia Pico and Melissa Hetrick*, subject to the Company's ability to move for decertification at a later stage in the proceedings. The Court, however, limited the scope of the preliminarily certified collective action to encompass claims occurring within a 2-year statute of limitations and limited to 90 days the period of time within which putative members of the preliminarily certified collective action group may opt-into the action. The Court denied certification of a class action pursuant to Fed. R. Civ. P. 23 for claims made under California state law, but indicated that it will exercise supplemental jurisdiction as to the California law claim s of those individuals who opt into the Fair Labor Standards Act claims.

  The opt-in period has ended for all putative members of the collective action group. A total of only fifteen (15) individuals (including Plaintiff) have opted-into the conditionally certified collective action and have timely filed consent to join forms. We are unable to determine our potential exposure regarding this lawsuit at this time.

- During the second quarter of 2005, the Company increased its reserve for professional liability insurance by $5.3 million, pretax, based on an independent actuarial calculation which reflected unfavorable developments relating to two lawsuits in the Circuit Court of Cook County, Illinois. The Company has settled both matters during the first quarter of 2006, consistent with the previously established accrual range.

Adoption of FASB Statement No. 123 (Revised 2004)

On January 1, 2006, we adopted FASB Statement No. 123(R) using the modified prospective method. FASB Statement No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Under the modified prospective approach, the recognition provisions of FASB Statement No. 123(R) are applied prospectively. For prior periods, companies are required to disclose the pro forma impact of adopting the standard for prior periods. All of our options outstanding as of December 31, 2005 were fully vested as a result of the decision to accelerate the vesting of any unvested options as of December 31, 2005. A total of 436,368 options, with a weighted average exercise price of $15.25 per share, were accelerated. Of these options, 90% had exercise prices below market value ("in-the-money options") as of December 2 8, 2005. The reason for the acceleration was to avoid recognizing associated compensation expense for these options in future periods' consolidated statements of income. We

estimate the pre-tax charge avoided in future periods by the acceleration of these options to be approximately $2.9 million (excluding the impact of forfeitures). In conjunction with the acceleration, we recorded a pre-tax charge of $0.1 million in the fourth quarter of 2005 related to the acceleration of in-the-money options we estimated would not have otherwise vested. This charge was included in selling, general, and administrative expenses on the consolidated statements of income. We expect there to be no further impact, from the share-based payments that were outstanding as of December 31, 2005, on our consolidated statements of income. However, stock-based compensation expense could become material to us depending on the number of options or other forms of equity-based compensation that are granted in the future.

We used the Black-Scholes method for disclosures prior to adoption. After reviewing alternative valuation methods, we selected to continue using the Black-Scholes method based on our prior experience with it, and its wide use by other issuers comparable to us. We will consider the use of another model if additional information becomes available in the future that indicates another model would be more appropriate for us, or, if grants issued in future periods have characteristics that cannot be reasonably estimated using Black-Scholes.

There is no material impact on the consolidated financial statements resulting from the adoption of FASB Statement No. 123(R) for the year December 31, 2006 due to the small number of options granted in 2006 (See Note 12 – Stockholders' Equity).

Recent Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 10*9 (FIN 48). FIN 48 creates a single model to address uncertainty in tax positions. FIN 48 requires that we recognize in our financial statements the impact of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 became effective for us on January 1, 2007, with the cumulative effect of the change in accounting principle, if any, recorded as an adjustment to opening retained earnings. We are currently evaluating the impact of adopting FIN 48 and its impact on our financial position, cash flows, and results of operations.

Inflation

During the last several years, the rate of inflation in healthcare related services has exceeded that of the economy as a whole. This inflation has increased our direct operating costs. We are also impacted by fluctuations in housing costs and recently by increases in costs of professional, general and healthcare insurance. Depending on the demand environment, we may be able to recoup the negative impact of such fluctuations by increasing our billing rates. We may not be able to continue increasing our billing rates and increases in our direct operating costs may adversely affect us in the future. In addition, our clients are impacted by payments of healthcare reimbursements by federal and state governments as well as private insurers.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to interest rate changes, primarily as a result of our credit facility, which bears interest based on floating rates. A 1% change in interest rates on variable rate debt would have resulted in interest expense fluctuating approximately $0.2 million in 2006, $0.3 million in 2005, and $0.7 million in 2004.

Item 8. Financial Statements and Supplementary Data.

See – Item 15 of Part IV of this Report.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

We carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this report. Based upon the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date. Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is

recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There were no changes in our internal control over financial reporting during the three months ended December 31, 2006, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our senior management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2006, using the criteria set forth in the *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that our internal control over financial reporting as of December 31, 2006 was effective. Ernst & Young LLP, our independent registered public accounting firm, has issued an attestation report on management's assessment of our internal control over financial reporting which is included in the Annual Report on Form 10-K and follows.

Item 9B. Other Information.

None.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Cross Country Healthcare, Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Cross Country Healthcare, Inc. maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Cross Country Healthcare, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unaut horized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Cross Country Healthcare, Inc. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Cross Country Healthcare, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cross Country Healthcare, Inc. as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2006 of Cross Country Healthcare, Inc. and our report dated March 12, 2007 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
Certified Public Accountants

West Palm Beach, Florida
March 12, 2007

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information with respect to directors, executive officers and corporate governance is included in our Proxy Statement for the 2007 Annual Meeting of Stockholders (the "Proxy Statement") to be filed pursuant to Regulation 14A with the SEC and such information is incorporated herein by reference.

Item 11. Executive Compensation.

Information with respect to executive compensation is included in our Proxy Statement to be filed with the SEC and such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters.

Information with respect to our common stock is included in our Proxy Statement to be filed with the SEC and such information is incorporated herein by reference.

With respect to equity compensation plans as of December 31, 2006, see table below:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	2,391,434	$14.25	682,193
Equity compensation plans not approved by security holders	None	N/A	N/A
Total	2,391,434	$14.25	682,193

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information with respect to certain relationships and related transactions, and director independence is included in our Proxy Statement to be filed with the SEC and such information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

Information with respect to the fees and services of our principal accountant is included in our Proxy Statement to be filed with the SEC and such information is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Documents filed as part of the report.

(1) Consolidated Financial Statements

(2) Financial Statements Schedule

(3) Exhibits

See Exhibit Index immediately following signatures.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CROSS COUNTRY HEALTHCARE, INC.

By: /s/ JOSEPH A. BOSHART
Name: Joseph A. Boshart
Title: Chief Executive Officer and President
Date: March 13, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities indicated and on the dates indicated:

Signature	Title	Date
/s/ JOSEPH A. BOSHART Joseph A. Boshart	President, Chief Executive Officer, Director (Principal Executive Officer)	March 13, 2007
/s/ EMIL HENSEL Emil Hensel	Chief Financial Officer and Director (Principal Financial Officer)	March 13, 2007
/s/ DANIEL J. LEWIS Daniel J. Lewis	Chief Accounting Officer	March 13, 2007
/s/ THOMAS C. DIRCKS Thomas C. Dircks	Director	March 13, 2007
/s/ W. LARRY CASH W. Larry Cash	Director	March 13, 2007
/s/ C. TAYLOR COLE C. Taylor Cole	Director	March 13, 2007
/s/ JOSEPH TRUNFIO Joseph Trunfio	Director	March 13, 2007

EXHIBIT INDEX

No.	Description
2.1	Cross Country Staffing Asset Purchase Agreement, dated June 24, 1999, by and among W. R. Grace & Co.-Conn., a Connecticut corporation, Cross Country Staffing, a Delaware general partnership, and the Registrant, a Delaware corporation (1)
2.2	Agreement and Plan of Merger, dated as of October 29, 1999, by and among the Registrant, CCTC Acquisition, Inc. and Certain Stockholders of Cross Country Staffing, Inc. and TravCorps Corporation and the Stockholders of TravCorps Corporation (1)
2.3	Stock Purchase Agreement, dated as of December 15, 2000, by and between Edgewater Technology, Inc. and the Registrant (1)
2.4	Asset Purchase Agreement dated as of May 8, 2003, by and among Cross Country Nurses, Inc., the Registrant, Med-Staff, Inc., William G. Davis, Davis Family Electing Small Business Trust and Timothy Rodden (5)
2.5	Asset Purchase Agreement, dated as of July 13, 2006 by and among ARM Acquisition, inc., ARMS Acquisition, Inc., Metropolitan Research Associates, LLC, Metropolitan Research Staffing Associates, LLC, Patricia Daly and Stacy Mamakos Martin (11)
3.1	Amended and Restated Certificate of Incorporation of the Registrant (1)
3.2	Amended and Restated By-laws of the Registrant (1)
4.1	Form of specimen common stock certificate (1)
4.2	Amended and Restated Stockholders Agreement, dated August 23, 2001, among the Registrant, a Delaware corporation, the CEP Investors and the Investors (1)
4.3	Registration Rights Agreement, dated as of October 29, 1999, among the Registrant, a Delaware corporation, and the CEP Investors and the MSDWCP Investors (1)
4.4	Amendment to the Registration Rights Agreement, dated as of August 23, 2001, among the Registrant, a Delaware corporation, and the CEP Investors and the MSDWCP Investors (1)
4.5	Stockholders Agreement, dated as of August 23, 2001, among the Registrant, Joseph Boshart and Emil Hensel and the Financial Investors (1)
10.1	Employment Agreement, dated as of June 24, 1999, between Joseph Boshart and the Registrant (1)(14)
10.2	Employment Agreement, dated as of June 24, 1999, between Emil Hensel and the Registrant (1)(14)
10.3	Employment Agreement, dated as of August 31, 2006, between Patricia Daly and ARM Acquisition, Inc. (14)
10.4	Employment Agreement, dated as of August 31, 2006, between Stacy Mamakos Martin and ARM Acquisition, Inc. (14)
10.5	Lease Agreement, dated April 28, 1997, between Meridian Properties and the Registrant (1)
10.6	Lease Agreement, dated October 31, 2000, by and between Trustees of the Goldberg Brothers Trust, a Massachusetts Nominee Trust and TVCM, Inc. (1)
10.7	222 Building Standard Office Lease between Clayton Investors Associates, LLC and Cejka & Company (1)
10.8	Amended and Restated 1999 Stock Option Plan of the Registrant (2)(14)
10.9	Amended and Restated Equity Participation Plan of the Registrant (2)(14)
10.10	Amendment to Lease by and between Meridian Commercial Properties Limited Partnership and Cross Country, Inc. dated May 1, 2002 (3)
10.11	Cross Country, Inc. Deferred Compensation Plan (4)(14)
10.12	Restricted Stock Agreement between Company and Joseph A. Boshart (4)(14)
10.13	Restricted Stock Agreement between Company and Emil Hensel (4)(14)
10.14	Restricted Stock Agreement between Company and Vickie Anenberg (4)(14)
10.15	Restricted Stock Agreement between Company and Jonathan Ward (4)(14)
10.16	Amendment to Lease Agreement, as of May 1, 2002, by and between Meridian Commercial Properties Limited Partnership and Cross Country Healthcare, Inc. (3)
10.17	Lease Agreement by and between Edgewood General Partnership and HR Logic, dated July 6, 2000 (6)

EXHIBIT INDEX (CONTINUED)

No.	Description
10.18	First Amendment to Lease Agreement by and between Edgewood General Partnership and HR Logic, dated December 7, 2000 (6)
10.19	Second Amendment to Lease Agreement by and between Edgewood General Partnership and Cross Country TravCorps, dated April 29, 2002 (6)
10.20	Lease Agreement by and between Petula Associates, Ltd. and Principal Life Insurance Company and Clinical Trials Support Services, Inc. dated November 3, 1999 (6)
10.21	First Amendment to Lease Agreement by and between Petula Associates, Ltd. and Principal Life Insurance Company and Clinical Trials Support Services, Inc., dated December 20, 1999 (6)
10.22	Lease Agreement by and between Newtown Street Road Associates and Med-Staff, Inc., dated June 21, 2001 (6)
10.23	Lease Agreement by and between Newtown Street Road Associates and Med-Staff, Inc., dated June 23, 1998 (6)
10.24	Second Amendment to Lease, dated October 10, 2003, between Canterbury Hall IC, LLC and ClinForce, Inc. (7)
10.25	Lease Agreement, dated January 30, 2004, between Goldberg Brothers Real Estate, LLC and TVCM, Inc. (7)
10.26	First Amendment to Lease Agreement, dated December 11, 2001, between Clayton Investors Associates LLC and Cejka & Company (8)
10.27	First Amendment to Lease Agreement, dated December 22, 1999, between Newtown Street Road Associates and MedStaff, Inc. (8)
10.28	Second Amendment to Lease Agreement, dated June 21, 2001 between Newtown Street Road Associates and MedStaff, Inc. (8)
10.29	Lease Agreement between Corporex Key Limited Partnership No. 8 and Cross Country Seminars, Inc. (8)
10.30	Form of Incentive Stock Option Agreement (8)(14)
10.31	Third Amendment to Lease, dated October 6, 2004, between Canterbury Hall IC, LLC and ClinForce, Inc. (9)
10.32	First Amendment to Lease Agreement, dated February 24, 2005, between Blevens Family Storage, L.P., and Cross Country Seminars, Inc. (10)
10.33	Fourth Amendment to Lease Agreement, dated December 15, 2005, by and between Canterbury Hall, IC, LLC, and Clinforce, Inc. (13)
10.34	Lease Agreement, dated February 24, 2006, between MedStaff, Inc. and Campus Investors D Building, L.P. (13)
10.35	Lease Guaranty Agreement by and between Cross Country Healthcare, Inc. and Campus Investors D Building, L.P. dated February 17, 2006. (13)
10.36	Credit Agreement, dated November 10, 2005, with the Lenders referenced therein, and Wachovia Bank, National Association, as Administrative Agent, Swingline Lender and Issuing Lender, General Electric Capital Corporation, as Syndication Agent, Bank of America, N.A., as Co-Documentation Agent, LaSalle Bank National Association, as Co-Documentation Agent, and Wachovia Capital Markets, LLC, as Sole Lead Arranger and Sole Book Manager (13)
10.37	Subsidiary Guarantee Agreement, dated as of November 10, 2005, by and among certain subsidiaries of Cross Country Healthcare, Inc., as Subsidiary Guarantors in favor of Wachovia Bank, National Association, as Administrative Agent (13)
10.38	Collateral Agreement, dated as of November 10, 2005, by and among Cross Country Healthcare, Inc. and certain of its subsidiaries as grantors, in favor of Wachovia Bank, National Association, as Administrative Agent (13)
10.39	Joinder Agreement, dated as of January 18, 2006, to the Subsidiary Guaranty Agreement and the Collateral Agreement by and among Cross Country Healthcare, Inc., ClinForce, LLC, Cross Country Education, LLC and Wachovia Bank, National Association, as Administrative Agent (13)
10.40	Lease Agreement between Highwoods Realty Limited Partnership and Metropolitan Research Staffing Associates, LLC, dated December 2, 2005 (12)

EXHIBIT INDEX (CONTINUED)

No.	Description
10.41	Sublease between Oppenheimer Wolff & Donnelly LLP and Metropolitan Research Associates, LLC, dated June 5, 2003 (12)
10.42	Sublease between Port City Press, Inc. and ARM Acquisition, Inc., dated August 31, 2006 (12)
10.43	Lease Agreement between Cornerstone Opportunity Ventures, LLC and Cejka Search, Inc., dated February 2, 2007
10.44	Lease Agreement between Self Service Mini Storage, L.P. and Cross Country Education, LLC, dated February 2, 2007
10.45	Second Amendment to Lease Agreement by and between Meridian Commercial Properties Limited Partnership and Cross Country Healthcare, Inc., dated February 17, 2007
14.1	Code of Ethics (8)
21.1	List of subsidiaries of the Registrant
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Joseph A. Boshart, President and Chief Executive Officer
31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Emil Hensel, Chief Financial Officer
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Joseph A. Boshart, Chief Executive Officer
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Emil Hensel, Chief Financial Officer

(1) Previously filed as an exhibit to the Company's Registration Statement on Form S-1, Commission File No. 333-64914, and incorporated by reference herein.

(2) Previously filed as an exhibit to the Company's Registration Statement on Form S-1, Commission File No. 333-83450, and incorporated by reference herein.

(3) Previously filed as exhibits in the Company's Quarterly Reports on Form 10Q during the year ended December 31, 2002, and incorporated by reference herein.

(4) Previously filed as exhibits in the Company's Form 10-K for the year ended December 31, 2002, and incorporated by reference herein.

(5) Previously filed as an exhibit in the Company's Form 8-K dated June 5, 2003, and incorporated by reference herein.

(6) Previously filed as exhibits in the Company's Form 10-K for the year ended December 31, 2003, and incorporated by reference herein.

(7) Previously filed as exhibits in the Company's Form 10-Q for the quarter ended March 31, 2004, and incorporated by reference herein.

(8) Previously filed as exhibits in the Company's Form 10-K for the year ended December 31, 2004, and incorporated by reference herein.

(9) Previously filed as an exhibit in the Company's Form 10-Q for the quarter ended March 31, 2005, and incorporated by reference herein.

(10) Previously filed as an exhibit in the Company's Form 10-Q for the quarter ended June 30, 2005, and incorporated by reference herein.

(11) Previously filed as an exhibit in the Company's Form 8-K dated July 18, 2006, and incorporated by reference herein.

(12) Previously filed as an exhibit in the Company's Form 10-Q for the quarter ended September 30, 2006, and incorporated by reference herein.

(13) Previously filed as exhibits in the Company's Form 10-K for the year ended December 31, 2005, and incorporated by reference herein.

(14) Management contract or compensatory plan or arrangement.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Schedules not filed herewith are either not applicable, the information is not material or the information is set forth in the consolidated financial statements or notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Cross Country Healthcare, Inc.

We have audited the accompanying consolidated balance sheets of Cross Country Healthcare, Inc. as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2006. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule 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 the standards of the Public Company Accounting Oversight Board (United States). 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 consolidated financial position of Cross Country Healthcare, Inc. as of December 31, 2006 and 2005, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related 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.

As discussed in Note 12 to the consolidated financial statements, in 2006 the Company adopted Statement of Financial Accounting Standards No. 123(revised 2004), *Share-Based Payment*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Cross Country Healthcare, Inc.'s internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 12, 2007, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
Certified Public Accountants

West Palm Beach, Florida
March 12, 2007

CROSS COUNTRY HEALTHCARE, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2006	December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	$ —	$ —
Accounts receivable, less allowance for doubtful accounts of $4,373,799 in 2006 and $4,206,162 in 2005	114,734,971	107,787,418
Deferred tax assets	10,993,999	9,582,304
Income taxes receivable	1,602,269	2,751,743
Prepaid rent on field employees' apartments	3,835,350	3,417,413
Other prepaid expenses	10,678,094	8,354,369
Deposits on field employees' apartments, net of allowance of $389,341 in 2006 and $380,862 in 2005	846,526	624,331
Insurance recoveries receivable	1,931,759	9,115,382
Other current assets	1,602,154	1,059,341
Total current assets	146,225,122	142,692,301
Property and equipment, net of accumulated depreciation and amortization of $20,003,739 in 2006 and $15,391,384 in 2005	20,562,473	16,477,240
Trademarks, net	17,198,831	15,498,831
Goodwill, net	310,172,759	302,853,504
Other identifiable intangible assets, net	9,310,361	5,390,366
Debt issuance costs, net of accumulated amortization of $171,315 in 2006 and $23,763 in 2005	562,893	689,114
Total assets	$ 504,032,439	$ 483,601,356
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 13,744,554	$ 12,081,732
Accrued employee compensation and benefits	38,189,715	47,940,247
Current portion of long-term debt	1,550,089	5,482,762
Accrued legal settlement charge	6,704,392	—
Other current liabilities	5,931,539	4,377,830
Total current liabilities	66,120,289	69,882,571
Noncurrent deferred tax liabilities	43,077,945	34,486,278
Long-term debt	19,978,627	19,946,463
Total liabilities	129,176,861	124,315,312
Commitments and contingencies		
Stockholders' equity:		
Common stock—$0.0001 par value; 100,000,000 shares authorized; 32,099,345 and 32,132,959 shares issued and outstanding at December 31, 2006 and 2005, respectively	3,210	3,213
Additional paid-in capital	254,272,635	255,339,487
Retained earnings	120,579,733	103,943,344
Total stockholders' equity	374,855,578	359,286,044
Total liabilities and stockholders' equity	$ 504,032,439	$ 483,601,356

See accompanying notes.

CROSS COUNTRY HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2006	2005	2004
Revenue from services	$ 655,151,931	$ 645,392,586	$ 654,110,876
Operating expenses:			
Direct operating expenses	502,467,737	503,102,978	509,570,451
Selling, general and administrative expenses	110,172,095	104,647,101	99,531,120
Bad debt expense	459,368	1,176,840	957,300
Depreciation	5,448,441	5,158,513	5,139,984
Amortization	1,570,005	1,423,629	1,579,896
Legal settlement charge	6,704,392	—	—
Secondary offering costs	153,450	150,707	4,258
Total operating expenses	626,975,488	615,659,768	616,783,009
Income from operations	28,176,443	29,732,818	37,327,867
Other expenses:			
Interest expense, net	1,464,223	3,457,579	4,789,477
Loss on early extinguishment of debt	—	1,359,394	—
Income from continuing operations before income taxes	26,712,220	24,915,845	32,538,390
Income tax expense	(10,145,868)	(9,575,426)	(11,935,770)
Income from continuing operations	16,566,352	15,340,419	20,602,620
Discontinued operations, net of income taxes:			
Income (loss) from discontinued operations	70,037	(588,033)	56,075
Net income	$ 16,636,389	$ 14,752,386	$ 20,658,695
Net income (loss) per common share – basic:			
Income from continuing operations	$ 0.52	$ 0.48	$ 0.65
Discontinued operations	0.00	(0.02)	0.00
Net income	$ 0.52	$ 0.46	$ 0.65
Net income (loss) per common share – diluted:			
Income from continuing operations	$ 0.51	$ 0.47	$ 0.63
Discontinued operations	0.00	(0.02)	0.00
Net income	$ 0.51	$ 0.45	$ 0.63
Weighted average common shares outstanding – basic	32,077,240	32,228,978	31,992,752
Weighted average common shares outstanding – diluted	32,737,419	32,773,634	32,578,319

See accompanying notes.

CROSS COUNTRY HEALTHCARE, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Stockholders Equity
	Shares	Dollars			
Balance at December 31, 2003	31,801,885	$ 3,180	$ 251,987,826	$ 68,532,263	$ 320,523,269
Exercise of stock options	431,175	43	4,579,069	—	4,579,112
Tax benefit of stock option exercises	—	—	996,012	—	996,012
Stock repurchase and retirement	(29,000)	(3)	(445,849)	—	(445,852)
Amortization of unearned compensation under restricted stock plan	—	—	62,702	—	62,702
Net income	—	—	—	20,658,695	20,658,695
Balance at December 31, 2004	32,204,060	3,220	257,179,760	89,190,958	346,373,938
Exercise of stock options	164,727	17	1,781,547	—	1,781,564
Tax benefit of stock option exercises	—	—	491,115	—	491,115
Stock repurchase and retirement	(235,828)	(24)	(4,291,300)	—	(4,291,324)
Amortization of unearned compensation under restricted stock plan	—	—	62,702	—	62,702
Equity compensation	—	—	115,663	—	115,663
Net income	—	—	—	14,752,386	14,752,386
Balance at December 31, 2005	32,132,959	3,213	255,339,487	103,943,344	359,286,044
Exercise of stock options	130,286	13	1,292,784	—	1,292,797
Tax benefit of stock option exercises	—	—	357,843	—	357,843
Stock repurchase and retirement	(163,900)	(16)	(2,764,277)	—	(2,764,293)
Amortization of unearned compensation under restricted stock plan	—	—	15,675	—	15,675
Equity compensation	—	—	31,123	—	31,123
Net income	—	—	—	16,636,389	16,636,389
Balance at December 31, 2006	32,099,345	$ 3,210	$ 254,272,635	$ 120,579,733	$ 374,855,578

See accompanying notes.

CROSS COUNTRY HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2006	2005	2004
Operating activities			
Net income	$ 16,636,389	$ 14,752,386	$ 20,658,695
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	5,448,441	5,158,513	5,139,984
Amortization	1,570,005	1,423,629	1,579,896
Bad debt expense	459,368	1,176,840	957,300
Loss on early extinguishment of debt	—	1,359,394	—
Deferred income tax expense	7,038,932	4,645,908	4,638,894
Legal settlement charge	6,704,392	—	—
Amortization of debt issuance costs	147,552	965,754	764,686
Equity compensation	46,798	178,365	62,702
Other noncash charges	210,555	(24,695)	—
(Income) loss from discontinued operations	(70,037)	588,033	(56,075)
Changes in operating assets and liabilities:			
Accounts receivable	(3,674,803)	(13,623,664)	13,532,571
Prepaid rent, deposits, and other current assets	4,835,667	(9,129,062)	(1,426,554)
Accounts payable and accrued expenses	(8,343,755)	23,102,558	(1,421,084)
Other current liabilities	1,659,479	285,000	957,369
Net cash provided by continuing operations	32,668,983	30,858,959	45,388,384
Income (loss) from discontinued operations, net	70,037	(588,033)	56,075
Noncash items	(63,996)	186,565	(87,418)
Change in net assets from discontinued operations	242,646	332,839	(2,088,680)
Net cash provided by (used in) discontinued operations	248,687	(68,629)	(2,120,023)
Net cash provided by operating activities	32,917,670	30,790,330	43,268,361
Investing activities			
Purchases of property and equipment, net	(9,310,075)	(7,627,184)	(4,615,679)
Acquisition of assets of Metropolitan Research Associates, LLC and Metropolitan Research Staffing Associates, LLC	(18,537,444)	—	—
Acquisition of assets of Med-Staff, Inc.	—	—	(30,388)
Other	—	30,695	—
Investing activities of discontinued operations:			
Acquisition and earnout payments related to discontinued businesses	—	—	(1,969,154)
Net proceeds from sale of discontinued operations	—	—	10,633,970
Other investing activities of discontinued operations	—	(816,030)	(11,554)
Net cash (used in) provided by investing activities	(27,847,519)	(8,412,519)	4,007,195
Financing activities			
Debt issuance costs	(21,331)	(712,877)	(95,000)
Exercise of stock options	1,292,797	1,781,564	4,579,112
Tax benefit of stock option exercises	411,426	—	—
Stock repurchase and retirement	(2,764,293)	(4,291,324)	(445,852)
Repayment of debt and note payable	(92,458,750)	(169,863,869)	(154,762,016)
Proceeds from issuance of debt	88,470,000	150,708,695	103,465,000
Financing activities of discontinued operations	—	—	(16,800)
Net cash used in financing activities	(5,070,151)	(22,377,811)	(47,275,556)
Change in cash and cash equivalents	—	—	—
Cash and cash equivalents at beginning of year	—	—	—
Cash and cash equivalents at end of year	$ —	$ —	$ —
Supplemental disclosure of noncash investing and financing activities			
Equipment purchased through capital lease obligations	$ 113,097	$ 2,203,622	$ —
Supplemental disclosure of cash flow information			
Interest paid	$ 1,395,068	$ 2,463,064	$ 3,784,366
Income taxes paid	$ 3,343,756	$ 3,768,174	$ 11,009,845

See accompanying notes.

1. Organization and Basis of Presentation

On July 29, 1999, Cross Country Staffing, Inc. (CCS), a Delaware corporation, was established through an acquisition of certain assets and liabilities of Cross Country Staffing, a Delaware general partnership (the Partnership). The acquisition included certain identifiable intangible assets primarily related to proprietary databases and contracts. The Partnership was engaged in the business of providing nurses and allied health personnel to healthcare providers primarily on a contract basis. CCS recorded the assets and certain assumed liabilities, as defined in the asset purchase agreement, at fair market value. The purchase price of approximately $189,000,000 exceeded the fair market value of the assets less the assumed liabilities by approximately $167,537,000, which, was recorded as goodwill and other identifiable intangible assets.

On December 16, 1999, CCS entered into a Plan of Merger with TravCorps Corporation (TravCorps). TravCorps and its wholly-owned subsidiary, Cejka & Company (Cejka), provided travel nurse and allied health staffing, retained search, consulting, and related outsourced services to healthcare providers throughout the United States. Pursuant to the Plan of Merger on December 16, 1999, all outstanding shares of TravCorps' common stock were exchanged for common stock in CCS and TravCorps became a wholly-owned subsidiary of CCS.

Effective October 1, 2000, TravCorps changed its name to TVCM, Inc. Effective October 10, 2000, CCS changed its name to Cross Country TravCorps, Inc. Subsequent to December 31, 2000, Cross Country TravCorps, Inc. changed its name to Cross Country, Inc. In May 2003, Cross Country, Inc. changed its name to Cross Country Healthcare, Inc. (the Company). The Company is a leading provider of healthcare staffing services nationwide.

The consolidated financial statements include the accounts of the Company and its wholly-owned direct and indirect subsidiaries: CC Staffing, Inc., Cross Country TravCorps, Inc., TVCM, Inc. (f/k/a TravCorps), Cross Country Travcorps, Inc. Ltd., (NZ), MCVT, Inc., Cross Country Local, Inc. (f/k/a Flexstaff, Inc.), Med-Staff, Inc. (MedStaff) (f/k/a Cross Country Nurses, Inc.), HealthStaffers, Inc., Assignment America, Inc., NovaPro, Inc., ClinForce, LLC (ClinForce)(f/k/a Clinforce, Inc.), Metropolitan Research Associates, Inc., Metropolitan Research Staffing Associates, Inc., Cejka Search, Inc. (f/k/a Cejka & Company), Cross Country Education, LLC (f/k/a Cross Country Education, Inc. and CCS/Heritage Acquisition Corp.), Cross Country Capital, Inc., Cross Country Infotech, Pvt Ltd. (India) and Cross Country Consulting, Inc. In March 2005, the legal entity Cross Country Travcorps, Inc. Ltd., (NZ) was dissolved. In December 2005, Cross Country Consulting, Inc. was dissolved. Al l material intercompany transactions and balances have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all investments with original maturities of less than three months to be cash and cash equivalents.

Accounts Receivable and Concentration of Credit Risk

Accounts receivable potentially subject the Company to concentrations of credit risk. The Company's customers are healthcare providers and accounts receivable represent amounts due from these providers. The Company performs ongoing credit evaluations of its customers' financial conditions and, generally, does not require collateral. The allowance for doubtful accounts represents the Company's estimate for uncollectible receivables based on a review of specific accounts and the Company's historical collection experience. The Company writes off specific accounts based on an ongoing review of collectibility as well as past experience with the customer. The Company's contract terms are typically between 30 to 60 days and are considered past due based on the particular negotiated contract terms. Overall, based on the large number of customers in differing geographic areas throughout the United States and its territories, the Company believes the concentration of cred it risk is limited. No single client accounted for more than 4% of the Company's revenue during 2006,

2. Summary of Significant Accounting Policies (Continued)

2005, or 2004. An aggregate of approximately 11% of the Company's outstanding accounts receivable as of December 31, 2006 and 2005 were due from five customers.

Prepaid Rent and Deposits

The Company leases a number of apartments for its field employees under short-term cancelable agreements (typically three to six months), which generally coincide with each employee's staffing contract. Costs relating to these leases are included in direct operating expenses on the accompanying consolidated statements of income. As a condition of these agreements, the Company places security deposits on the leased apartments. Prepaid rent and deposits shown on the consolidated balance sheets relate to these short-term agreements.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is determined on a straight-line basis over the estimated useful lives of the assets, which generally range from three to seven years. Leasehold improvements are depreciated over the shorter of their useful life or the term of the individual lease. Depreciation related to assets recorded under capital lease obligations is included in depreciation expense on the consolidated statements of income and calculated using the straight-line method over the term of the related capital lease.

Certain software development costs have been capitalized in accordance with the provisions of Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.* Such costs include charges for consulting services and costs for personnel associated with programming, coding and testing such software. Amortization of capitalized software costs begins when the software is placed into service and is included in depreciation expense on the accompanying consolidated statements of income. Software development costs are being amortized using the straight-line method over five years.

Goodwill and Other Identifiable Intangible Assets

Goodwill represents the excess of purchase price and related costs over the fair value assigned to the net tangible and identifiable intangible assets of businesses acquired. Other identifiable intangible assets with definite lives are amortized using the straight-line method over their estimated useful lives which range from 5 to 25 years (See Note 3 – Goodwill and Identifiable Intangible Assets). Goodwill and certain intangible assets with indefinite lives are not amortized. Instead, in accordance with Financial Accounting Standards Board (FASB) Statement No. 142, *Goodwill and Other Intangible Assets*, these assets are reviewed for impairment annually with any related losses recognized in earnings when incurred.

During the fourth quarters of 2006 and 2005, the Company performed its annual impairment testing and determined there was no impairment of goodwill or indefinite-lived intangible assets related to assets held and used as of December 31, 2006 or 2005. See Note 15 – Discontinued Operations for disclosure related to goodwill impairment on assets that were held for sale. The impairment test requires the Company to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. The Company estimates the fair value of its reporting units using a discounted cash flow methodology. The Company evaluates three reporting units: 1) healthcare staffing 2) retained search and 3) education and training.

Long-lived assets and identifiable intangible assets with definite lives are evaluated for impairment in accordance with FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. In accordance with FASB Statement No. 144, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. The Company periodically reviews long-lived assets, including identifiable intangible assets, to determine if any impairment exists based upon projected, undiscounted net cash flows of the Company.

Recoverability of intangible assets is measured by comparison of the carrying amount of the asset to net future cash flows expected to be generated from the asset. At December 31, 2006 and 2005, the Company believes no impairment of long-lived assets or identifiable intangible assets related to assets held and used existed. See Note 15 – Discontinued Operations for disclosure related to assets of discontinued operations.

2. Summary of Significant Accounting Policies (Continued)

Reserves for Claims

Workers' compensation, professional liability and health care benefits are provided under partially self-insured plans. The Company provides its eligible temporary healthcare professionals with individual professional liability insurance policies. The Company records its estimate of the ultimate cost of, and reserves for, workers' compensation and professional liability benefits based on internally prepared actuarial models reviewed by an independent actuary using the Company's loss history as well as industry statistics. Furthermore, in determining its reserves, the Company includes reserves for estimated claims incurred but not reported. The ultimate cost of workers' compensation and professional liability costs will depend on actual costs incurred to settle the claims and may differ from the amounts reserved by the Company for those claims. The health care insurance accrual is for claims that have occurred but have not been reported and is based on the Company 6;s historical claim submission patterns.

The workers' compensation insurance carrier requires the Company to fund a reserve for payment of claims. These funds are maintained by the insurance carrier. The Company had approximately $5,541,000 and $4,223,000 recorded as prepaid workers' compensation expense included in other prepaid expenses on the consolidated balance sheets at December 31, 2006 and 2005, respectively.

Effective October 2004, the Company implemented individual occurrence-based professional liability insurance policies with no deductible, for virtually all of its working nurses, other than those employed through its MedStaff subsidiary. This coverage substantially replaced a $2,000,000 per-claim layer of self-insured exposure. For its remaining working nurses and other healthcare professionals, the Company provides primary coverage through insurance policies that contain various self-insured retention layers, as well as coverage related to other risks, such as negligent hiring. Separately, the Company's MedStaff subsidiary has a claims-made professional liability policy with a limit of $2,000,000 per occurrence, $4,000,000 in the aggregate and a $25,000 deductible. Subject to certain limitations, the Company also has up to $10,000,000 in umbrella liability insurance coverage, after the individual policies, MedStaff's policy and the $2,000,000 self-insured primary coverag e has been exhausted.

In August 2002, the Company changed its professional and general liability policy to include a self-insured limit of $2,000,000 per claim through a self-insured retention. Prior to that, in August 2001, the Company had changed its professional liability coverage from an occurrence to a claims-made basis. The professional liability policy provided for coverage on a claims-made basis in the amount of $1,000,000 per claim and $3,000,000 in the aggregate as well as excess coverage in the amount of $10,000,000 per claim and $10,000,000 in the aggregate. In addition, there was a $100,000 deductible per occurrence.

The Company's consolidated balance sheets as of December 31, 2006 and 2005 reflect the receivable portion of its insurance claim as insurance recoveries receivable and the related liability portion in accrued employee compensation and benefits, in accordance with Emerging Issues Task Force (EITF) No. 03-8, *Accounting for Claims-Made Insurance and Retroactive Insurance Contracts by the Insured Entity*.

Debt Issuance Costs

Deferred costs related to the issuance of the Company's senior secured credit facility (see Note 7 – Long Term Debt) have been capitalized and are being amortized using the straight line method, which approximates the effective interest method, over the five-year term of the debt. Deferred costs related to the prior credit facility had been capitalized and amortized using the effective interest method over the respective six-year term of the related debt. However, in the fourth quarter of 2005, the Company terminated this facility. Related debt issuance costs of approximately $1,359,000, net of amortization, relating to this prior credit facility were written off in the fourth quarter of 2005 and are presented as loss on early extinguishment of debt in the other expenses section on the consolidated statements of income.

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenue from services consists primarily of temporary staffing revenue. Revenue is recognized when services are rendered. Accordingly, accounts receivable includes an accrual for employees' time worked but not yet invoiced. At December 31, 2006 and 2005, the amounts accrued are approximately $13,035,000 and $12,449,000, respectively.

The Company has entered into certain contracts with acute care facilities to provide comprehensive vendor management services. Under these contract arrangements, the Company uses its nurses along with third party subcontractors to fulfill customer orders. If a subcontractor is used, revenue is recorded at the time of billing, net of any related subcontractor liability. The resulting net revenue represents the administrative fee charged by the Company for its vendor management services. The subcontractor is paid once the Company has received payment from the acute care facility. Management fees are included in some of the Company's clinical research contracts that cover the life of a project. These fees are recognized on a straight-line basis for the specific length of the project.

Revenue on permanent placements is recognized when services provided are substantially completed. The Company does not, in the ordinary course of business, give refunds. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Company to provide a replacement at no additional cost. Allowances are established as considered necessary to estimate significant losses due to placed candidates not remaining employed for the Company's guarantee period. During 2006, 2005 and 2004, such losses were nominal.

Revenue from the Company's education and training services is recognized as the instructor-led seminars are performed and the related learning materials are delivered.

Stock-Based Compensation

The Company, from time to time, grants stock options for a fixed number of common shares to employees. Prior to January 1, 2006, the Company accounted for its stock-based payments to employees in accordance with the recognition and measurement principles of Accounting Principles Board (APB) Opinion, No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Under APB Opinion No. 25, when the exercise price of the Company's employee stock options equaled or exceeded the market price of the underlying stock on the date of grant, no compensation expense was recognized. Effective January 1, 2006, the Company adopted FASB Statement No. 123(Revised 2004), *Share-Based Payment*, (FASB Statement No.123(R)) using the modified prospective approach. FASB Statement No.123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fa ir values.

In adopting FASB Statement No.123(R), companies must choose from alternative valuation models. The Company used the Black-Scholes method for disclosures prior to adoption. After reviewing alternative valuation methods, the Company has selected to continue using the Black-Scholes method based on its prior experience with it, and its wide use by other issuers comparable to the Company. The Company will consider the use of another model if additional information becomes available in the future that indicates another model would be more appropriate for the Company, or, if grants issued in future periods have characteristics that cannot be reasonably estimated using Black-Scholes.

The Company has elected to recognize compensation expense on a straight-line basis over the service period of the entire award. In prior periods, the Company did not estimate forfeitures when recognizing compensation expense of share-based payments (as permitted under FASB Statement No. 123, *Accounting for Stock-Based Compensation*) but has revised its accounting policy to estimate forfeitures in accordance with the provisions of FASB Statement No. 123(R). The Company uses historical data of options with similar characteristics to estimate forfeitures for new grants as it believes that historical behavior patterns are the best indicators of future behavior patterns.

Under the modified prospective approach, the recognition provisions of FASB Statement No.123(R) are applied prospectively. Companies are required to disclose the pro forma impact of adopting the standard for prior periods. The pro forma disclosures of stock-based compensation are shown below.

2. Summary of Significant Accounting Policies (Continued)

In the fourth quarter of 2005, all unvested and outstanding options at December 31, 2005 were modified to accelerate vesting effective December 31, 2005. See Note 12 – Stockholder's Equity for further discussion. In conjunction with the acceleration, the Company recorded a pre-tax charge of $115,663 in the fourth quarter of 2005 related to the acceleration of in-the-money options that the Company estimated would not have otherwise vested. This charge is included in selling, general and administrative expenses on the consolidated statements of income.

The Company's consolidated net income would have changed to the pro forma amounts set forth below had compensation cost for stock options granted during 2005 and 2004 been measured under the fair value based method prescribed by FASB Statement No. 123, *Accounting for Stock-Based Compensation.* The accounting for the acceleration of vesting under FASB Statement No. 123 results in the recognition of the remaining amount of compensation cost of those options and is included in the pro forma amounts in the following table for the year ended December 31, 2005.

	Year Ended December 31,	
	2005	2004
Net income as reported	$ 14,752,386	$ 20,658,695
Stock based employee compensation, net of related tax effects, included in the determination of net income as reported	109,819	39,839
Stock based employee compensation, net of tax, applying FASB Statement No. 123	(3,565,084)	(1,298,735)
Pro forma net income applying FASB Statement No. 123	$ 11,297,121	$ 19,399,799
Basic and diluted earnings per share as reported:		
Net income per common share – basic	$ 0.46	$ 0.65
Net income per common share – diluted	$ 0.45	$ 0.63
Pro forma basic and diluted earnings per share:		
Pro forma net income – basic	$ 0.35	$ 0.61
Pro forma net income – diluted	$ 0.34	$ 0.60

In addition to option awards, the Company issued 16,216 shares of restricted stock to certain key employees during the first quarter of 2003. The restricted stock vested based on continued employment in three equal annual installments on the first, second and third anniversary of the grant date. Under APB Opinion No. 25, compensation expense was reflected over the period in which services are performed. The fair market value of the shares on the grant date approximated $188,000. Unearned deferred compensation of approximately $188,000 was recorded as a contra-equity account in additional paid-in capital and was amortized to operations over the related vesting period.

Advertising

The Company's advertising expense consists primarily of print media, online advertising, direct mail marketing and promotional material. Advertising costs that are not considered direct response are expensed as incurred and were approximately $5,279,000; $4,846,000; and $4,601,000 for the years ended December 31, 2006, 2005 and 2004, respectively. Direct response advertising costs associated with the Company's education and training services are capitalized and expensed when the related event takes place. At December 31, 2006 and 2005, approximately $1,304,000 and $1,316,000, respectively, of these costs are included in other prepaid expenses on the consolidated balance sheets.

Operating Leases

The Company accounts for all operating leases on a straight-line basis over the term of the lease. In accordance with the provisions of FASB Statement No. 13, *Accounting for Leases*, any incentives or rent escalations are recorded as deferred rent and amortized as rent expense over the respective lease term.

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Company accounts for income taxes under FASB Statement No. 109, *Accounting for Income Taxes*. Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Reclassifications

Certain 2005 and 2004 amounts have been reclassified to conform to the 2006 presentation. See Note 17 – Quarterly Financial Data.

Recent Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 creates a single model to address uncertainty in tax positions. FIN 48 requires that the Company recognize in its financial statements the impact of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 became effective for the Company on January 1, 2007, with the cumulative effect of the change in accounting principle, if any, recorded as an adjustment to opening retained earnings. The Company is currently evaluating the impact of adopting FIN 48 and its impact on its financial position, cash flows, and results of operations.

3. Goodwill and Other Identifiable Intangible Assets

As of December 31, 2006 and 2005, the Company had the following acquired intangible assets:

	December 31, 2006			December 31, 2005		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Databases	$ 12,425,000	$ 11,499,074	$ 925,926	$ 11,425,000	$ 11,012,757	$ 412,243
Customer relations	10,414,000	2,993,647	7,420,353	6,314,000	2,365,959	3,948,041
Non-compete agreements	2,793,000	1,828,918	964,082	2,403,000	1,372,918	1,030,082
	$ 25,632,000	$ 16,321,639	$ 9,310,361	$ 20,142,000	$ 14,751,634	$ 5,390,366
Intangible assets not subject to amortization:						
Goodwill	$ 330,790,429	$ 20,617,670	$ 310,172,759	$ 323,471,174	$ 20,617,670	$ 302,853,504
Trademarks	18,600,000	1,401,169	17,198,831	16,900,000	1,401,169	15,498,831
	$ 349,390,429	$ 22,018,839	$ 327,371,590	$ 340,371,174	$ 22,018,839	$ 318,352,335

Estimated annual amortization expense is approximately as follows:

Year Ending December 31:	
2007	$ 1,478,000
2008	1,238,000
2009	1,057,000
2010	1,057,000
2011	672,000
Thereafter	3,808,000
	$ 9,310,000

3. Goodwill and Other Identifiable Intangible Assets (Continued)

The changes in the carrying amount of goodwill by segment are as follows:

	Healthcare Staffing Segment	Other Human Capital Management Services Segment	Total
Balance as of December 31, 2005	$ 283,546,442	$ 19,307,062	$ 302,853,504
Acquisition of Metropolitan Research Associates, LLC and Metropolitan Research Staffing Associates, LLC	7,319,255	—	7,319,255
Balance as of December 31, 2006	$ 290,865,697	$ 19,307,062	$ 310,172,759

4. Acquisitions

On August 31, 2006, the Company acquired substantially all of the assets of privately-held Metropolitan Research Associates, LLC and Metropolitan Research Staffing Associates, LLC (collectively "Metropolitan Research") for a purchase price of approximately $18,600,000. The consideration for this acquisition was approximately $16,100,000 in cash paid at closing, of which $1,000,000 is being held in escrow to cover any post-closing liabilities. The remaining approximate $2,500,000 of the purchase price was held back at closing for potential milestone payments, as defined by the asset purchase agreement, and was paid as the milestones were reached throughout the fourth quarter of 2006. These payments were allocated to goodwill as additional purchase price at December 31, 2006. The Company financed this transaction using its revolving credit facility.

The asset purchase agreement also provides for a potential earnout payment of up to a maximum of $6,436,000 based on 2006 and 2007 performance, as defined by the asset purchase agreement. This contingent consideration is not related to the seller's employment. If an earnout payment is made, it will be allocated to goodwill as additional purchase price, in accordance with FASB Statement No. 141, *Business Combinations.*

Metropolitan Research is headquartered in New York and provides clinical trials staffing, drug safety monitoring and contract research services to the pharmaceutical, biotech and medical device industries while providing its healthcare professional candidates with temporary or permanent clinical staffing career opportunities. The Company believes that the addition of Metropolitan Research will enhance the breadth of the service offerings in its clinical research staffing business.

The acquisition has been accounted for using the purchase method and is included in the healthcare staffing segment. The results of Metropolitan Research's operations have been included in the consolidated statements of income since the date of acquisition, in accordance with FASB Statement No. 141.

The purchase price was originally allocated to assets acquired and liabilities assumed based on estimates of fair value at the date of acquisition, utilizing a preliminary draft of Metropolitan Research's audited financial statements and an independent third-party appraisal. These estimates were revised subsequent to the date of acquisition based on the final audited financial statements and the final third-party appraisal. The following table summarizes the approximate fair values of the assets acquired and liabilities assumed at the date of acquisition:

4. Acquisitions (Continued)

Current assets:	
Accounts receivable, net	$ 3,730,000
Other current assets	200,000
Total current assets	3,930,000
Property and equipment, net	350,000
Trademarks	1,700,000
Goodwill	4,890,000
Other identifiable intangible assets	5,490,000
Total assets acquired	16,360,000
Current liabilities:	
Accounts payable and accrued expenses	260,000
Total liabilities assumed	260,000
Net assets acquired	$ 16,100,000

Based on the final third-party appraisal, total other identifiable intangible assets were $5,490,000, of which $4,100,000 was assigned to customer relations and assigned a weighted-average useful life of 23 years, $1,000,000 to database with a useful life of 4.5 years and $390,000 to non-compete agreements with a useful life of 5 years. The excess of purchase price over the fair value of net tangible and intangible assets acquired has been recorded as goodwill, which is expected to be deductible for tax purposes. Subsequent to December 31, 2006, a post-closing adjustment of approximately $510,000, which included a net working capital adjustment, was calculated and allocated to goodwill.

Earnout payments relating to the Company's acquisition of Jennings, Ryan & Kolb, Inc. (JRK), in March 2002, were approximately $1,766,000, of which approximately $1,236,000 were paid in 2004. Upon payment, the earnouts were allocated to goodwill as additional purchase price. Subsequent to the acquisition, JRK was combined with the Company's other consulting operations to form Cross Country Consulting, Inc. This business was subsequently sold in 2004. See Note 15 – Discontinued Operations.

Earnout payments relating to the Company's acquisition of Gill/Balsano Consulting, L.L.C. (Gill/Balsano or GBC), in May 2001, were $1,995,000 based on adjusted EBITDA (as defined in the asset purchase agreement) over a three-year period ending March 31, 2004. This contingent consideration was not related to the seller's employment. Upon payment, the earnouts were allocated to goodwill as additional purchase price. All earnout payments were paid including $831,250 in 2004. This business was subsequently sold in 2004. See Note 15 – Discontinued Operations.

5. Property and Equipment

At December 31, 2006 and 2005, property and equipment consist of the following:

		December 31,	
	Useful Lives	2006	2005
Computer equipment	3-5 years	$ 8,026,507	$ 5,827,440
Computer software	3-5 years	25,706,675	20,269,418
Office equipment	5-7 years	2,967,323	2,691,874
Furniture and fixtures	5-7 years	2,500,955	1,997,941
Leasehold improvements	(a)	1,364,752	1,081,951
		40,566,212	31,868,624
Less accumulated depreciation and amortization		(20,003,739)	(15,391,384)
		$ 20,562,473	$ 16,477,240

(a) See Note 2 – Summary of Significant Accounting Policies.

6. Accrued Employee Compensation and Benefits

At December 31, 2006 and 2005, accrued employee compensation and benefits consist of the following:

	December 31, 2006	December 31, 2005
Salaries and payroll taxes	$ 12,771,637	$ 10,239,174
Bonuses	5,772,488	5,848,346
Accrual for workers' compensation claims	5,944,273	5,075,482
Accrual for health care benefits	2,435,221	2,189,580
Accrual for professional liability insurance	9,811,486	23,454,000
Accrual for vacation	1,454,610	1,133,665
	$ 38,189,715	$ 47,940,247

See Note 2 – Summary of Significant Accounting Policies and Note 9 – Commitments and Contingencies for further discussion about the Company's professional liability accrual and related estimated insurance recoveries receivable.

7. Long-Term Debt

At December 31, 2006 and 2005, long-term debt consists of the following:

	December 31, 2006	December 31, 2005
Revolving Loan Facility, weighted average interest rate of 6.76% and 5.82% at December 31, 2006 and 2005, respectively	$ 20,250,000	$ 23,580,000
Capital lease obligations	1,278,716	1,849,225
	21,528,716	25,429,225
Less current portion	(1,550,089)	(5,482,762)
	$ 19,978,627	$ 19,946,463

The Company entered into a senior secured revolving credit facility on November 10, 2005 (the 2005 Credit Agreement), consisting of a 5-year $75,000,000 revolving credit facility, with a $10,000,000 sublimit for the issuance of Swingline Loans (as defined by the 2005 Credit Agreement) and a $35,000,000 sublimit for the issuance of standby letters of credit. Swingline Loans and letters of credit issued under this facility reduce the revolving credit facility on a dollar for dollar basis. The Company may, at its option, request an increase to the amount of principal borrowings of up to $50,000,000 via an incremental increase in the revolving credit facility and/or through one or more term loan facilities. The credit facility was used to refinance the Company's existing senior secured debt and will continue to be used for general corporate purposes including working capital, capital expenditures and permitted acquisitions and investments, as well as to pay fees and expenses relat ed to the credit facility.

The provisions of the revolving credit agreement generally allow the Company to borrow, repay and re-borrow debt for an uninterrupted period until the maturity date of the credit facility which is November 10, 2010. Borrowings under the facility are generally not callable unless an event of default exists and there are no subjective acceleration clauses. Accordingly, as per the provisions of FASB Statement No. 6, *Classification of Short-term Obligations Expected to Be Refinanced,* $19,000,000 and $18,750,000 of borrowings under this facility is classified as long-term as of December 31, 2006 and 2005, respectively. Short-term borrowings under this facility consist of borrowings that the Company intends to repay within twelve months or has repaid as of the date of the issuance of these consolidated financial statements.

7. Long-Term Debt (Continued)

Borrowings under the 2005 Credit Agreement bear interest, at the Company's option, at the London Interbank Offered Rate (LIBOR) or the Base Rate plus an Applicable Margin as defined by the 2005 Credit Agreement. As of December 31, 2006, interest on this facility was based on LIBOR plus a margin of 1.25 % or Base Rate. The Company is required to pay a quarterly commitment fee on the average daily unused portion of the facility, which, as of December 31, 2006, was 0.25%. As of December 31, 2006, the Company had $6,100,000 of standby letters of credit under this facility outstanding, leaving $48,650,000 available for borrowings. The commitments under the 2005 Credit Agreement are secured by substantially all of the assets of the Company.

The 2005 Credit Agreement requires that the Company meet certain financial covenants, including the maintenance of certain debt and interest expense ratios and capital expenditure limits. The 2005 Credit Agreement also includes a mandatory prepayment provision, which requires the Company to make mandatory prepayments subsequent to receiving net proceeds from the sale of assets, insurance recoveries, or the issuance of Company debt or equity. The dividends and distribution covenant limits the Company's ability to repurchase its common stock and declare and pay cash dividends on its common stock. As of December 31, 2006, the Company was limited to $28,774,156 to be used for either dividends and/or stock repurchases. This limitation increases each year by 25% of net income provided that the Company's Debt/EBITDA ratio (as defined in the 2005 Credit Agreement) is less than 1.5 to 1.0, and the Company has $15,000,000 in cash or available cash under the revolving credit facilit y. The Company is also required to obtain the consent of its lenders to complete any acquisition which exceed $25,000,000 or would cause the Company to exceed $75,000,000 in aggregate payments during the term of the agreement. At December 31, 2006, the Company was in full compliance with all of its debt covenants.

The prior amended senior secured credit facility consisted of a $125,000,000 term loan and a $75,000,000 revolving credit facility. The Company repaid $42,052,608 and $51,143,594 of the principal on the term loan balance related to this credit facility during 2005 and 2004, respectively. The Company terminated its commitments under this credit agreement on November 10, 2005, the date of issuance of the 2005 Credit Agreement as described above. See Note 2 – Summary of Significant Accounting Policies for a further discussion on the related write-off of debt issuance costs.

Long-term debt includes capital lease obligations that are subordinate to the Company's senior secured facility. As of December 31, 2006, the Company's capital lease obligations are shown in the preceding table and mature serially through 2010.

Total scheduled maturities of long-term debt for the next five years are as follows:

Year Ending December 31:	
2007	$ 1,550,089
2008	351,804
2009	381,656
2010	19,242,162
2011	3,005
	$ 21,528,716

8. Employee Benefit Plans

The Company maintains a voluntary defined contribution 401(k) profit-sharing plan covering all eligible employees as defined in the plan documents. The plan provides for a discretionary matching contribution, which is equal to a percentage of each eligible contributing participant's elective deferral, which the Company, at its sole discretion, determines from year to year. Eligible employees who elect to participate in the plan are generally vested in any matching contribution after three years of service with the Company. Contributions by the Company, net of forfeitures, under this plan approximated $2,627,000, $2,407,000, and $2,347,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

Certain MedStaff employees are covered under a separate benefit plan. The plan allows eligible employees to defer a portion of their annual compensation pursuant to Section 401(k) of the Internal Revenue Code. The plan is a voluntary defined contribution 401(k) profit-sharing plan covering substantially all eligible employees as defined in the plan documents.

8. Employee Benefit Plans (Continued)

Eligible employees who elected to participate in the plan are generally fully vested in any matching contribution after six years of service with the Company.

Contributions by the Company, net of forfeitures, under this plan amounted to approximately $69,000; $72,000 and $63,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

The Company offers a non-qualified deferred compensation program to certain key employees whereby they may defer a portion of annual compensation for payment upon retirement. The program is unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974. The liability for the deferred compensation is included in other current liabilities and approximated $902,000 and $609,000 at December 31, 2006 and 2005, respectively.

9. Commitments and Contingencies

Commitments:

The Company has entered into non-cancelable operating lease agreements for the rental of office space and equipment. Certain of these leases include options to renew as well as rent escalation clauses and in certain cases, incentives from the landlord for rent-free months. The rent escalations and incentives have been reflected in the following table. Future minimum lease payments, as of December 31, 2006, associated with these agreements with terms of one year or more are approximately as follows:

Year Ending December 31:	
2007	$ 5,464,000
2008	4,795,000
2009	3,741,000
2010	2,803,000
2011	2,571,000
Thereafter	4,269,000
	$ 23,643,000

Commitments subsequent to December 31, 2006:

- The Company entered into a ten year lease, commencing June 15, 2007, for office space to replace the current space leased by its retained search business. Total future minimum rental payments are $8.2 million.
- The Company exercised its option to extend its Boca Raton, Florida facility lease for an additional five years, until May 1, 2018. Additional future minimum lease payments related to this extension are $6.1 million.
- The Company entered into a seven year and four months lease, commencing May 1, 2007, for office space to replace the current space leased by its education and training business. Total future minimum rental payments are $2.1 million.

Total operating lease expense from continuing operations included in selling, general, and administrative expenses was approximately $6,099,000, $5,567,000 and $5,390,000 for the years ended December 31, 2006, 2005 and 2004, respectively. Total operating lease expense included in discontinued operations was approximately $235,000 and $595,000 for the years ended December 31, 2005 and 2004, respectively. There was no operating lease expense included in discontinued operations for the year ended December 31, 2006.

Contingencies:

Cossack, et. al. v. Cross Country TravCorps and Cross Country Nurses, Inc.

On August 26, 2003, a purported class action lawsuit (*Theodora Cossack, et. al. v. Cross Country TravCorps and Cross Country Nurses, Inc.)* was filed in the Superior Court of the State of California, for the County of Orange, naming Cross Country TravCorps, Inc. and Cross Country Nurses, Inc. as Defendants. Plaintiffs plead causes of action for (1) Violation of California Business and Professions Code §§ 17200, et. seq; (2) Violations of California Labor Code §§ 200, et. seq;

9. Commitments and Contingencies (Continued)

(3) Recovery of Unpaid Wages and Penalties; (4) Conversion; (5) Breach of Contract; (6) Common Counts – Work, Labor, Services Provided; and (7) Common Counts – Money Had and Received.

Plaintiffs, who purport to sue on behalf of themselves and all others similarly situated, allege that Defendants failed to pay Plaintiffs, and the class they purport to represent, properly under California law. Plaintiffs claim that Defendants failed to pay nurses hourly overtime as required by California law; failed to calculate correctly their employees' regular rate of pay used to calculate the rate at which overtime hours are to be compensated; failed to calculate correctly and pay a double time premium for all hours worked in excess of 12 in a workday; scheduled some of its employees on an alternative workweek schedule, but failed to pay them additional compensation when those employees did not work such alternative workweek, as scheduled; and failed to pay employees for the minimum hours Defendants had promised them.

On February 10, 2006, the Superior Court of the State of California granted Plaintiffs leave to amend the complaint to add causes of actions alleging Defendant's failure to pay for missed meal periods and rest breaks. Although Cross Country Nurses, Inc. was previously dismissed from the action upon Defendants' motion for summary judgment, Plaintiffs erroneously included Cross Country Nurses, Inc. in the caption and allegations of the amended complaint they filed.

On March 10, 2006, Defendants removed this putative class action lawsuit to the United States District Court for the Central District of California in Orange County. Plaintiffs filed a motion requesting that the case be remanded to state court, which was granted on April 28, 2006. Defendants filed an appeal to the United States Court of Appeal for the Ninth Circuit, appealing the decision to remand, however, the appeal was denied.

Plaintiffs seek (among other things) an order enjoining Defendants from engaging in the practices challenged in the complaint; for an order for full restitution of all monies Defendants allegedly failed to pay Plaintiffs (and their purported class); for pre-judgment interest; for certain penalties provided for by the California Labor Code; and for attorneys' fees and costs. On July 28, 2006, Plaintiff filed a Motion for Class Certification.

On September 5, 2006, Plaintiff filed the Third Amended Complaint alleging a Fourth Cause of Action for violation of the Fair Labor Standards Act and failure to pay the amount of premium pay required under the FLSA when putative class members worked more than 40 hours in a week. On September 7, 2006, Defendants filed to remove the lawsuit from the Superior Court of the State of California for the County of Orange to the United States District Court Central District of California.

The case was tentatively settled in August for $10.0 million and on August 23, 2006, Plaintiff filed a Motion for Preliminary Approval of a settlement pursuant to which Defendants would pay up to $10.0 million, including payments to eligible nurses, the named plaintiff, plaintiff's attorney fees and administrative costs. Payments to eligible nurses would be on a "claims made" basis, which means that the Company's total liability could be reduced to the extent that nurses who are eligible to participate in the settlement do not submit claims through the settlement administration process. On October 30, 2006, the Court issued an order granting the Motion for Preliminary Approval of the settlement and ordering, among other things, that the class be preliminarily certified under Federal Rule of Civil Procedure 23(b)(3) for settlement purposes. The Court granted Final Approval of the proposed settlement on or ab out March 5, 2007.

During the third quarter of 2006, the Company accrued a pre-tax charge of approximately $8.8 million based on its best estimate of participation in the settlement at that time. The amount of the settlement is $6.7 million, pretax, based on the participation level as approved by The Court. Accordingly, prior to the issuance of the Company's financial statements, the Company reduced its accrual for this settlement in the year ended December 31, 2006, which is reflected as legal settlement charge on the consolidated statements of income and included as accrued legal settlement charge on the consolidated balance sheets. After taxes, the final legal settlement charge equates to approximately $4.2 million.

Maureen Petray and Carina Higareda v. MedStaff, Inc.

On February 18, 2005, the Company's MedStaff subsidiary became the subject of a purported class action lawsuit (*Maureen Petray and Carina Higareda v. MedStaff, Inc.)* filed in the Superior Court of California in Riverside County. The lawsuit only relates to MedStaff corporate employees. It alleges, among other things, violations of certain sections of the California Labor Code, the California Business and Professions Code, and recovery of unpaid wages and penalties. MedStaff currently

9. Commitments and Contingencies (Continued)

has less than 50 corporate employees in California. The Plaintiffs, Maureen Petray and Carina Higareda purport to sue on behalf of themselves and all others similarly situated, allege that MedStaff failed, under California law, to provide meal periods and rest breaks and pay for those missed meal periods and rest breaks; failed to compensate the employees for all hours worked; failed to compensate the employees for working overtime; and failed to keep appropriate records to keep track of time worked. Plaintiffs seek, among other things, an order enjoining MedStaff from engaging in the practices challenged in the complaint; for full restitution of all monies MedStaff allegedly failed to pay Plaintiffs and their purported class; for interest; for certain penalties provided for by the California Labor Code; and for attorneys' fees and costs. On February 5, 2007, the Court granted class certification. The Company is unable to determine its potential exposu re, if any, and intends to vigorously defend this matter.

Darrelyn Renee Henry vs. MedStaff, Inc., Cross Country Healthcare, Inc., Victor Kalafa, Tim Rodden, Talia Pico and Melissa Hetrick

On June 21, 2005, the Company, its MedStaff subsidiary, and a number of its individual officers and managers became the subject of a purported class action lawsuit (*Darrelyn Renee Henry vs. MedStaff, Inc., Cross Country Healthcare, Inc., Victor Kalafa, Tim Rodden, Talia Pico and Melissa Hetrick)* in the United States District Court for the Central District of California in Orange County. The lawsuit relates only to corporate employees employed by the Company and/or MedStaff, but based on its allegations appears to be limited to MedStaff corporate employees. It alleges, among other things, violations of certain sections of the federal Fair Labor Standards Act, the California Labor Code, the California Business and Professions Code, as well as claims for unjust enrichment and the recovery of unpaid wages and penalties. Plaintiff, Darrelyn Renee Henry, who purports to sue on behalf of herself and all other similarly situated employees, makes allegations similar to those made by Plaintiffs Maureen Petray and Carina Higereda in their action in the California Superior Court, but Henry's claims purport to encompass a nationwide (rather than California only) putative class of employees. Henry alleges that the Company and/or MedStaff failed, under both federal and California law, to timely and properly compensate employees for all hours worked (including overtime) and to provide at least the minimum amount of compensation required for those hours. Henry also alleges that the Company and/or MedStaff failed, under California law only, to provide meal periods and to pay for those missed meal periods and suffered employees to work in excess of 16 hours per day. Plaintiffs seek, among other things, an order enjoining the Company and MedStaff from engaging in the practices challenged in the complaint, an order for full restitution of all monies the Company and/or MedStaff allegedly failed to pay Plaintiffs and their purported class, interest, liquidated damages as provided for by the Fair Labor Standards Act, penalties as provided for by the California Labor Code, an equitable accounting and attorneys' fees and costs.

On February 27, 2006, the United States District Court for the Central District of California filed an order denying Plaintiff's certification of a collective action pursuant to 29 U.S.C. Section 216(b) (Fair Labor Standards Act claims) without prejudice and holding on submission plaintiff's Rule 23 motion for certification of a class action solely with respect to California employees based on California law.

On April 24, 2006, the United States District Court of California filed an order to preliminarily certify a collective action based on the Fair Labor Standards Acts claims, subject to Defendants ability to move for decertification at a later stage in the proceedings. The Court, however, limited the scope of the preliminarily certified collective action to encompass claims occurring within a 2-year statute of limitations and limited to 90 days the period of time within which putative members of the preliminarily certified collective action group may opt-into the action. The Court denied certification of a class action pursuant to Fed. R. Civ. P. 23 for claims made under California state law, but indicated that it will exercise supplemental jurisdiction as to the California law claims of those individuals who opt into the Fair Labor Standards Act claims.

On June 9, 2006, stipulated notices and consent to join forms were sent by a mutually agreed upon third-party administrator to the putative members of the collective action group, thus triggering the start of the 90 day opt-in period. Additional notices were sent out to certain putative members of the collective action group on August 31, 2006, which provided a potential extension of the opt-in period.

The opt-in period has ended for all putative members of the collective action group. A total of only fifteen (15) individuals (including Plaintiff) have opted-into the conditionally certified collective action and have timely filed consent to join forms. The Company is unable to determine its potential exposure, if any, and intends to vigorously defend this matter.

9. Commitments and Contingencies (Continued)

Chris Myers and Michelle Myers both individually and as Father and Mother of Liam Evan Myers, a Minor vs. Cross Country Healthcare, Inc., et al.

The Company and its subsidiary, Cross Country TravCorps, Inc., became the subject of a medical malpractice lawsuit filed in March 2003 *(Chris Myers and Michelle Myers both individually and as Father and Mother of Liam Evan Myers, a Minor vs. Cross Country Healthcare, Inc., et al.)*, in the Circuit Court of Cook County, Illinois. This lawsuit relates to nursing services provided by a nurse supplied by Cross Country TravCorps to a hospital located in Chicago, Illinois. The lawsuits allege that the nurse supplied by Cross Country TravCorps was negligent in her care and treatment of Plaintiff who was a maternity patient at the facility in Chicago. The nurse's alleged negligent failure to appropriately monitor Plaintiff in her labor and delivery allegedly caused the minor Plaintiff to suffer severe, permanent and disabling brain injuries. In addition to the hospital facility and physicians, the Company, Cross Country TravCorps and the individual nurse s have been named as direct Defendants in the lawsuits. During the second quarter of 2005, the Company increased its reserve for professional liability insurance by $5.3 million, pretax, based on an independent actuarial calculation which reflected unfavorable developments relating to this case and another similar case. During the first quarter of 2006, the Company settled both matters consistent with the previously established accrual ranges.

The Company is also subject to other legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the outcome of these other matters will not have a significant effect on the Company's consolidated financial position or results of operations.

10. Estimated Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for accounts receivable and accounts payable and accrued expenses approximate fair value due to the short-term nature of these instruments. The carrying amount of the revolving credit facility approximates fair value as the interest rate is tied to a quoted variable index.

11. Income Taxes

The components of the Company's income tax expense (benefit) are as follows:

	Year Ended December 31,		
	2006	2005	2004
Continuing Operations:			
Current			
Federal	$ 2,398,737	$ 3,311,478	$ 6,770,849
State	646,642	1,618,040	526,027
Foreign	61,557	—	—
	3,106,936	4,929,518	7,296,876
Deferred	7,038,932	4,645,908	4,638,894
	10,145,868	9,575,426	11,935,770
Discontinued operations-current			
Tax benefit on loss from discontinued operations	(4,299)	(553,329)	(58,124)
Tax expense on gain on disposal	—	—	3,072,970
Discontinued operations-deferred			
Tax expense (benefit) from discontinued operations	141,040	217,777	(371,534)
Tax benefit on gain on disposal	—	—	(136,745)
	136,741	(335,552)	2,506,567
	$ 10,282,609	$ 9,239,874	$ 14,442,337

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

11. Income Taxes (Continued)

Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31,	
	2006	2005
Current deferred tax assets and (liabilities):		
Accrued other and prepaid expenses	$ 3,011,623	$ 2,155,652
Accrued professional liability	3,540,373	5,552,074
Accrued settlement charge	2,620,210	—
Allowance for doubtful accounts	1,453,101	1,599,430
Other	368,692	275,148
Deferred tax assets	10,993,999	9,582,304
Non-current deferred tax (liabilities) and assets:		
Amortization	(36,570,090)	(27,747,169)
Depreciation	(4,644,414)	(4,177,016)
Identifiable intangibles	(2,298,895)	(2,562,093)
State net operating loss carryforwards	755,501	116,511
Gross deferred tax liabilities	(42,757,898)	(34,369,767)
Valuation allowance	(320,047)	(116,511)
Deferred tax liabilities	(43,077,945)	(34,486,278)
Net deferred taxes	$ (32,083,946)	$ (24,903,974)

FASB Statement No. 109 requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some of or all of the deferred tax assets will not be realized. As of December 31, 2006, the Company had deferred tax assets of approximately $756,000 related to state net operating loss carry forwards. The state carry forwards will expire between 2021 and 2026. A valuation allowance has been recorded at December 31, 2006, to reduce the Company's deferred tax asset to an amount that is more likely than not to be realized and is based upon the uncertainty of the realization of certain state deferred assets related to net operating loss carry forwards.

The reconciliation of income tax computed at the U. S. federal statutory rate to income tax expense is as follows:

	December 31,	
	2006	2005
Tax at U.S. statutory rate	$ 9,349,277	$ 8,720,546
State taxes, net of federal benefit	607,903	842,156
Non-deductible meals and entertainment	56,245	48,477
Non-deductible other	9,690	8,633
Foreign tax benefit	(210,685)	—
Other	333,438	(44,386)
Income taxes on continuing operations	10,145,868	9,575,426
Expense (benefit) from discontinued operations	136,741	(335,552)
Total income tax expense	$ 10,282,609	$ 9,239,874

12. Stockholders' Equity

Secondary Offerings

In November 2004, the Company filed a registration statement on Form S-3 with the Securities and Exchange Commission for the registration of 11,403,455 shares of common stock held by three of its existing shareholders. No members of management registered shares pursuant to this registration statement. On April 14, 2005, the Company announced a public offering of 4,172,868 shares of common stock pursuant to this Form S-3 shelf registration statement. All net proceeds from the sale went to the selling stockholders. However, the Company incurred all fees and expenses relating to the registration statement which were approximately $155,000 and are recorded as secondary offering costs in the consolidated statements of income for the years ended December 31, 2005 and 2004. Subsequently, on November 13, 2006, the Company announced a public offering of approximately 4,000,000 shares pursuant to this Form S-3 shelf registration statem ent. All net proceeds from the sale went to the selling stockholders. However, the Company incurred all fees and expenses relating to the registration statement which were approximately $153,000 and are recorded as secondary offering costs in the consolidated statements of income for the year ended December 31, 2006.

Stock Repurchase Programs

On May 10, 2006, the Company's Board of Directors authorized a new stock repurchase program whereby the Company may purchase up to an additional 1,500,000 of its common shares, subject to the constraints of its current credit agreement. The shares may be repurchased from time-to-time in the open market and the repurchase program may be discontinued at any time at our discretion. This new stock repurchase authorization will commence upon the completion of the previously authorized 1,500,000 share stock repurchase program discussed below.

In November 2002, the Company's Board of Directors authorized a stock repurchase program whereby the Company may purchase up to 1,500,000 of its common shares at an aggregate price not to exceed $25,000,000. Under this program, the shares may be purchased from time to time on the open market. As of December 31, 2006, the Company purchased and retired 1,430,128 shares of its common stock at an average cost of $14.84 per share pursuant to the current authorization. All of the common stock was retired. The cost of such purchases was approximately $21,225,000. The remaining 69,872 shares, under the authorization, may be purchased from time to time on the on the open market. The repurchase program may be discontinued at any time at the discretion of the Company.

Stock Options

On December 16, 1999, the Company's Board of Directors approved the 1999 Stock Option Plan and Equity Participation Plan (collectively, the Plans), which was amended and restated on October 25, 2001 and provides for the issuance of incentive stock options (ISOs) and non-qualified stock options to eligible employees and non-employee directors for the purchase of up to 4,398,001 shares of common stock. Non-qualified stock options may also be issued to consultants. The Plans were approved by the security holders at the Company's 2002 Annual Meeting of Stockholders. As of December 31, 2006, 682,193 options were available for future issuance. Non-qualified stock options may also be issued to consultants. Under the Plans, the exercise price of options granted is determined by the Compensation Committee of the Company's Board of Directors. In the case of 10% or more stockholders, the exercise price of the ISOs granted may not be less tha n 110% of the fair market value of the Company's common stock on the date of grant. Options granted under the Amended and Restated 1999 Stock Option Plan generally vest ratably over 4 years and options granted under the Amended and Restated 1999 Equity Participation Plan vest 25% on the first anniversary of the date of grant and then vest 12.5% every 6 months thereafter. All options expire on the tenth (or, in the case of a 10% shareholder, the fifth) anniversary of the date of grant. Upon exercise, the Company's policy is to issue new shares from its authorized but unissued balance of common stock outstanding.

On December 30, 2005, the members of the Committee (the Committee) established under the Amended and Restated 1999 Stock Option Plan (Option Plan) approved the acceleration of the vesting of all unvested options to purchase the Company's common stock held by employees, officers and directors of the Company issued under the Option Plan prior to December 31, 2005. All other terms and conditions applicable to the outstanding stock options remained in effect. A total of 436,368 options, with a weighted average exercise price of $15.25 per share, were accelerated. Of these options, 90% had exercise

12. Stockholders' Equity (Continued)

prices below market value ("in-the-money options") as of December 28, 2005. The Committee members approved such acceleration of all unvested stock options pursuant to their authority under the Option Plan, effective December 31, 2005.

The Compensation Committee's decision to accelerate the vesting of the affected options was based primarily upon the issuance of FASB Statement No. 123(R), which required the Company to treat unvested stock options as compensation expense effective January 1, 2006. See Note 2 – Summary of Significant Accounting Policies. The acceleration of the vesting of these options enabled the Company to avoid recognizing the associated stock-based compensation expense in future periods' consolidated statements of income. The Company estimates the pre-tax charge avoided in future periods by the acceleration of these options to be approximately $2,900,000 (excluding the impact of forfeitures). The impact of this acceleration will be reported by the Company on a pro forma basis in future periods in accordance with FASB Statement No. 123(R). In conjunction with the acceleration, the Company recorded a pre-tax charge of $115,663 in the fourth quar ter of 2005 related to the acceleration of in-the-money options the Company estimated would not have otherwise vested. This charge is included in selling, general and administrative expenses on the consolidated statements of income.

The number of options granted during the year ended December 31, 2006, was 27,650 at a weighted average fair value of $9.26. Compensation expense is expected to be recognized over the four year vesting period. Accordingly, the impact of the adoption of FASB Statement No. 123(R), on the consolidated statements of income for the year ended December 31, 2006, was immaterial. FASB Statement No. 123(R) also requires the tax benefits resulting from tax deductions in excess of the compensation cost recognized for options (excess tax benefits) to be classified as cash flows from financing activities. Prior to the adoption of FASB Statement No. 123(R), these excess tax benefits were reported as an offset in cash flow from operating activities. During the year ended December 31, 2006, cash retained as a result of tax benefits relating to share-based payments was approximately $411,000 and is included in financing activities o n the consolidated statements of cash flows.

Changes under these stock option plans during the year ended December 31, 2006, were as follows:

	December 31, 2006		
	Shares	Option Price	Weighted Average Exercise Price
Options outstanding at beginning of year	2,512,266	$7.75-37.13	$14.01
Granted	27,650	$15.58-$19.27	$17.80
Canceled	(17,406)	$7.75-$26.15	$17.10
Exercised	(131,076)	$7.75-$18.47	$ 9.99
Options outstanding at end of year	2,391,434	$7.75-$37.13	$14.25
Options exercisable at end of year	2,368,084	$7.75-$37.13	$14.22

As of December 31, 2006, the Company had outstanding 2,387,155 options that were fully vested or expected to vest at a weighted average exercise price of $14.24, aggregate intrinsic value of approximately $18,511,000, and weighted average contractual life of 4.1 years. As of December 31, 2006, 99.0% of options outstanding, or 2,368,084 options, were fully exercisable at a weighted average exercise price of $14.22, an aggregate intrinsic value of approximately $18,433,000, and a remaining contractual life of 4.1 years.

The following table represents information about stock options granted and exercised in each year. During the years ended December 31, 2006, 2005 and 2004, the Company did not issue any options above or below market price.

	Year Ended December 31,		
	2006	2005	2004
Weighted average grant date fair value of options granted during the period	$ 9.26	$ 9.06	$ 10.46
Total intrinsic value of options exercised	$ 1,436,792	$ 1,176,671	$ 2,924,250

12. Stockholders' Equity (Continued)

The fair value of options granted used to compute pro forma net income disclosures here and within Note 2 were estimated on the date of grant using the Black-Scholes option-pricing model based on the following weighted average assumptions:

	Year Ended December 31,		
	2006	2005	2004
Expected dividend yield	0.00%	0.00%	0.00%
Expected volatility	52.34	57.92	60.00
Risk-free interest rate	4.82%	3.86%	3.49%
Expected life	5 years	6 years	6 years

The Company revised its methodology of estimating the expected life in conjunction with the adoption of FASB Statement No. 123(R) in the first quarter of 2006. The Company has been able to refine its estimate of expected life due to additional Company historical data being available. In prior periods, the Company had estimated expected life based only on the vesting and expiration dates of the options. Effective January 1, 2006, the expected life of the options is based on historical exercise behavior. The Company continues to compute expected volatility using the historical volatility of the market price of the Company's common stock.

13. Earnings Per Share

In accordance with the requirements of FASB Statement No. 128, *Earnings Per Share*, basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding (excluding nonvested restricted stock) and diluted earnings per share reflects the dilutive effects of stock options and restricted stock (as calculated utilizing the treasury stock method). Certain shares of common stock that are issuable upon the exercise of options have been excluded from the 2006, 2005 and 2004 per share calculations because their effect would have been anti-dilutive. Such shares amounted to 347,019, 404,462 and 589,334 during the years ended December 31, 2006, 2005 and 2004, respectively. For the years ended December 31, 2006, 2005 and 2004, respectively, 660,179, 544,656 and 585,567 incremental shares of common stock were included in diluted weighted average shares outstanding.

14. Related Party Transactions

The Company provides services to hospitals which are affiliated with certain members of the Company's Board of Directors. Pricing for the Company's services is consistent with its other hospital customers. There are no contractual obligations with these hospitals. Revenue related to these transactions amounted to approximately $4,656,000, $6,895,000 and $8,172,000 in 2006, 2005 and 2004, respectively. Accounts receivable due from these hospitals at December 31, 2006 and 2005 were approximately $464,000 and $842,000, respectively.

15. Discontinued Operations

The following chart details amounts of revenue and pretax profit or loss reported in discontinued operations for the years ended December 31 2006, 2005 and 2004:

	Year Ended December 31,		
	2006	2005	2004
Revenue	$ —	$ 1,532,521	$ 11,683,690
Pretax gain (loss)	$ 206,778	$ (923,585)	$ (257,767)
Gain on sale of JRK and GBC businesses	—	—	3,665,058
Impairment of net assets	—	—	(844,649)
Discontinued operations, pretax	206,778	(923,585)	2,562,642
Tax (expense) benefit on discontinued operations	(136,741)	335,552	429,658
Tax expense on sale of JRK and GBC businesses	—	—	(2,936,225)
	$ 70,037	$ (588,033)	$ 56,075

15. Discontinued Operations (Continued)

Discontinued operations during the years ended December 31, 2006, 2005 and 2004 include results from operations of the Company's healthcare consulting business that was previously included in its other human capital management service business segment. On October 4, 2004, the Company sold assets of its JRK and Gill/Balsano consulting practices to Mitretek Systems, Inc. (Mitretek) for $12,250,000 in cash less a working capital payment of $1,616,000, in lieu primarily of accounts receivable retained by the Company. The carrying amount of the net assets sold was approximately $6,962,000 and consisted primarily of goodwill and other intangibles with a carrying amount of approximately $6,755,000 ($6,378,000 - goodwill, net of accumulated amortization and $377,000 – other intangible assets, net of accumulated amortization). In the third quarter of 2004, in accordance with FASB Statement No. 142 the Company performed an interim impairment test on the reporting unit tha t included the assets that were sold. The Company determined that no impairment existed for that reporting unit based on the results of the test. The Company recognized a pre-tax gain on this transaction of $3,665,058 ($728,833 after taxes) which is included in discontinued operations in the consolidated statement of income for the year ended December 31, 2004. Proceeds from this transaction were used to pay down $10,400,000 of the term loan portion of the Company's debt. The remaining consulting practice was held for sale until the third quarter of 2005.

In the fourth quarter of 2004, the Company reallocated goodwill between the remaining consulting practice that, at that time, was classified as held for sale, and the other business included in the same reporting unit for FASB Statement No. 142 purposes. The Company then conducted an assessment of the tangible and intangible net assets of the remaining consulting practice as a result of the above reclassification in accordance with FASB Statements No. 144 and 142. Based on this assessment, the Company determined that the carrying amount of the net assets as then reflected on the Company's consolidated balance sheet exceeded its estimated fair value. In accordance with the assessment, the Company recorded a pretax charge of approximately $845,000 to discontinued operations. The charge represents the impairment of goodwill in the amount of $399,000 and a reduction in value of other tangible assets in the amount of $446,000. The Company used the then most recent offer price as the fair value.

During the third quarter of 2005, the Company abandoned its efforts to sell the remaining consulting practice and shut down the remaining operations. The Company has continued to account for the consulting practice as discontinued operations within the consolidated financial statements and notes thereto. The Company estimated the remaining costs associated with the shut down of the business and recorded these costs in loss from discontinued operations in the third quarter of 2005. These costs were allocated to the impairment valuation previously recorded in the fourth quarter of 2004. In accordance with FASB Statement No. 144, any adjustments to these estimated amounts were recorded to discontinued operations in subsequent periods. The Company does not expect any further adjustments subsequent to December 31, 2006. Remaining assets and liabilities of this business were not material for separate disclosure and are included in other current assets and other current liabilities i n the consolidated balance sheets. The Company does not anticipate any involvement in the shutdown consulting practice going forward and any remaining cash inflows and outflows were substantially resolved in 2006.

16. Segment Information

The Company has two reportable operating segments: healthcare staffing and other human capital management services. The healthcare staffing operating segment is the Company's predominant business and includes travel and per diem nurse staffing, travel allied health staffing and clinical research staffing. This segment provides temporary staffing services of healthcare professionals primarily to hospitals, laboratories and pharmaceutical and biotechnology companies. The other human capital management services segment includes the combined results of the Company's education and training and retained search businesses.

The Company's management evaluates performance of each segment primarily based on revenues and contribution income (which is defined as earnings before interest, income taxes, depreciation, amortization, legal settlement charge, secondary offering costs and corporate expenses not specifically identified to a reported segment). The Company's management does not evaluate, manage or measure performance of segments using asset information; accordingly, asset information by segment is not prepared or disclosed. See Note 3 – Goodwill and Other Identifiable Intangible Assets. The information in the following table is derived from the segments' internal financial information as used for corporate management purposes. Certain corporate expenses are not allocated to and/or among the operating segments.

16. Segment Information (Continued)

Information on operating segments and a reconciliation of such information to income from continuing operations before income taxes for the periods indicated are as follows:

	Year ended December 31,		
	2006	2005 (a) (b)	2004 (a) (b)
Revenue from unaffiliated customers:			
Healthcare staffing	$ 608,247,648	$ 599,345,902	$ 612,075,464
Other human capital management services	46,904,283	46,046,684	42,035,412
	$ 655,151,931	$ 645,392,586	$ 654,110,876
Contribution income (c):			
Healthcare staffing	$ 59,877,286	$ 52,938,655	$ 61,397,449
Other human capital management services	9,048,367	8,116,062	7,089,343
Unallocated corporate overhead	26,872,922	24,589,050	24,434,787
Depreciation	5,448,441	5,158,513	5,139,984
Amortization	1,570,005	1,423,629	1,579,896
Legal settlement charge	6,704,392	—	—
Secondary offering costs	153,450	150,707	4,258
Interest expense, net	1,464,223	3,457,579	4,789,477
Loss on early extinguishment of debt	—	1,359,394	—
Income from continuing operations before income taxes	$ 26,712,220	$ 24,915,845	$ 32,538,390

(a) The 2005 segment data has been reclassified to conform to the 2006 presentation. During the year ended December 31, 2006, the Company refined its methodology for allocating certain corporate overhead expenses to its healthcare staffing segment to more accurately reflect this segment's profitability. Certain selling, general and administrative department expenses were more specifically identified to the healthcare staffing segment. Due to the internal departmental structure in 2004, allocations for 2004 are not practical and are not considered to provide meaningful comparisons. Accordingly, 2004 segment data has not been reclassified for these changes in allocation methodology.

(b) Certain prior year income statement data has been reclassified to conform to the current year's presentation.

(c) The Company defines contribution income as earnings before interest, income taxes, depreciation, amortization, legal settlement charge, secondary offering costs and corporate expenses not specifically identified to a reporting segment. Contribution income is used by management when assessing segment performance and is provided in accordance with FASB No. 131, *Disclosure about Segments of an Enterprise and Related Information*.

17. Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter(a)	Fourth Quarter(b)
2006				
Revenue from services	$ 159,833,484	$ 156,697,538	$ 162,876,214	$ 175,744,695
Gross profit	$ 37,388,587	$ 36,242,053	$ 37,794,092	$ 41,259,462
Income from continuing operations	$ 4,462,678	$ 4,423,823	$ 121,073	$ 7,558,778
Income (loss) from discontinued operations	107,593	8,615	1,623	(47,794)
Net income	$ 4,570,271	$ 4,432,438	$ 122,696	$ 7,510,984
Net income (loss) per common share – basic:				
Income from continuing operations	$ 0.14	$ 0.14	$ 0.00	$ 0.23
Discontinued operations	0.00	0.00	0.00	(0.00)
Net income	$ 0.14	$ 0.14	$ 0.00	$ 0.23
Net income (loss) per common share – diluted:				
Income from continuing operations	$ 0.14	$ 0.14	$ 0.00	$ 0.23
Discontinued operations	0.00	0.00	0.00	(0.00)
Net income	$ 0.14	$ 0.14	$ 0.00	$ 0.23

	First Quarter	Second Quarter(c)	Third Quarter	Fourth Quarter(d)
2005				
Revenue from services	$ 158,804,671	$ 159,724,641	$ 163,143,704	$ 163,719,570
Gross profit	$ 34,580,023	$ 31,285,188	$ 37,909,836	$ 38,514,561
Income from continuing operations	$ 3,831,621	$ 1,326,861	$ 5,249,405	$ 4,932,532
Loss from discontinued operations	(195,901)	(77,641)	(267,045)	(47,446)
Net income	$ 3,635,720	$ 1,249,220	$ 4,982,360	$ 4,885,086
Net income (loss) per common share – basic:				
Income from continuing operations	$ 0.12	$ 0.04	$ 0.16	$ 0.15
Discontinued operations	(0.01)	(0.00)	(0.01)	(0.00)
Net income	$ 0.11	$ 0.04	$ 0.15	$ 0.15
Net income (loss) per common share – diluted:				
Income from continuing operations	$ 0.12	$ 0.04	$ 0.16	$ 0.15
Discontinued operations	(0.01)	(0.00)	(0.01)	(0.00)
Net income	$ 0.11	$ 0.04	$ 0.15	$ 0.15

(a) During the third quarter of 2006, the Company recorded approximately $8,827,000, pretax, related to an agreement in principle to settle the wage and hour class action lawsuit, *Cossack, et. Al. v. Cross Country TravCorps and Cross Country Nurses, Inc.* Refer to discussion in Note 9 - Commitments and Contingencies. In addition, in the third quarter of 2006, the Company completed its acquisition of Metropolitan Research. Refer to discussion in Note 4 - Acquisitions.

(b) In March 2007, prior to issuance of the Company's financial statements, final approval of the legal settlement (discussed above) was received. The Company's estimate of the settlement was reduced by approximately $2,122,000, pretax, based on the final participation rate. Accordingly, the Company's fourth quarter of 2006 reflects a favorable adjustment of this amount to the legal settlement charge. Refer to discussion in Note 9 - Commitments and Contingencies. In addition, in the fourth quarter of 2006 the Company recorded secondary offering costs of approximately $153,000, pretax. Refer to discussion in Note 12 - Stockholders' Equity.

17. Quarterly Financial Data (Unaudited) (Continued)

(c) During the second quarter of 2005, the Company increased its reserve for professional liability insurance by $5,283,000, pretax, based on an independent actuarial calculation which reflected unfavorable developments relating to certain professional liability cases. Refer to discussion in Note 9 – Commitments and Contingencies.

(d) During the fourth quarter of 2005, the Company recorded approximately $1,359,000, pretax, of loss on early extinguishment of debt. Refer to discussion in Note 2 – Summary of Significant Accounting Policies.

Schedule II

CROSS COUNTRY HEALTHCARE, INC.

VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005, AND 2004

Allowance for Doubtful Accounts	Balance at Beginning of Period	Charged to Costs and Expenses (a)	Write-offs	Recoveries	Other Changes	Balance at End of Period
Year ended December 31, 2006	$4,206,162	$ 459,368	$(519,245)	$137,514	$ 90,000 (b)	$4,373,799
Year ended December 31, 2005	3,741,955	1,504,306	(798,045) (c)	54,743	(296,797) (d)	4,206,162
Year ended December 31, 2004	3,613,834	1,060,291	(963,518)	91,348	(60,000) (d)	3,741,955

(a) Includes charges relating to the consulting businesses, which are included in discontinued operations on the consolidated statements of income, of $327,466 and $102,991 the years ended December 31, 2005 and 2004, respectively.

(b) Allowance for doubtful accounts on receivables acquired in Metropolitan Research acquisition.

(c) Includes write-offs of approximately $31,000 relating to the consulting businesses.

(d) Change in the allowance for doubtful accounts on receivables included in discontinued operations.

EXHIBIT 10.3

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement"), dated August 31, 2006, is made and entered into by and between ARM Acquisition Inc., a Delaware corporation ("Employer"), and Patricia Daly ("Employee").

WHEREAS, Metropolitan Research Staffing Associates, LLC and Metropolitan Research Associates, LLC (together, the "Company"), Employer, and the Members of the Company are parties to an Asset Purchase Agreement dated the date hereof (the "Purchase Agreement") pursuant to which Employer is acquiring the assets and business of the Company related to drug safety, staffing and clinical research management businesses; and

WHEREAS, Employee is a Managing Member of each of Metropolitan Research Staffing Associates, LLC and Metropolitan Research Associates, LLC and Employer desires to have the continuing benefit of her knowledge and experience and to employ Employee; and

WHEREAS, Employee desires to be employed by Employer in the business of drug safety, staffing and clinical research management on the terms and conditions hereinafter set forth;

NOW, THEREFORE, IT IS AGREED by the parties hereto as follows:

1. Employment and Duties. Employer hereby offers employment to Employee, and Employee hereby accepts employment by Employer, such employment being terminable solely in accordance with the terms and conditions of this Agreement. Employee's title will be Executive Vice President. In such employment, Employee shall perform such services, and shall have such authority, duties and responsibilities as shall be reasonably assigned to Employee from time to time by the President of ClinForce, LLC and shall be consistent with Employee's authority, duties and responsibilities with Company. Employee shall report to Tony Sims, President of ClinForce, LLC. Employee shall diligently and faithfully perform all duties assigned to the best of Employee's abilities in a professional manner. Employee shall take actions that are reasonable and consistent with her past practices as the former Managing Member of the Company and which are expected to have results that are sustainable after the term of this Agreement ends. Employee agrees to devote her full attention, time and efforts to the business and affairs of the Employer in order to fully manage, promote and further the business and interests of Employer. Employee agrees that Employee will not hold any concurrent employment or business positions without the prior express written consent of Employer; provided that the foregoing shall not be construed as preventing Employee from making investments in other businesses or enterprises so long as they do not interfere with her ability to discharge her duties and responsibilities to Employer. In no event shall Employee be required to transfer to a location other than New York City without her prior written consent.

2. Term of Employment; Compensation. Employee's employment hereunder shall commence at 12:01 a.m. on the first day following the consummation of the transactions contemplated in the Purchase Agreement, and shall end at 11:59 p.m. on June 30, 2008 (the "Term"), unless renewed or as mutually agreed upon by the parties or sooner terminated by Employer for Cause or by Employee

for Good Reason in accordance with the terms and conditions set forth in this Agreement. During the term hereof, Employer shall pay Employee an annual salary of $200,000.00 (prorated for the remainder of fiscal year 2006 based upon a 365-day year). Employee shall also be included or entitled to participate in such employee benefit programs as are maintained from time to time by Employer on the same terms and conditions as similarly situated employees. Employee shall be entitled to receive the same or comparable benefits to those currently received from the Company.

As used in this Agreement, "Cause" shall mean (1) the conviction of a felony or any crime involving moral turpitude or the pleading of nolo contendere to any such act, (2) the conviction of a crime involving any act or acts of dishonesty which are intended to result or actually result, directly or indirectly, in gain or personal enrichment of Employee or any related person or affiliated person or Employer or are intended to cause harm or damage to Employer or any of its Affiliates; (3) the illegal use of controlled substances, (4) the use of alcohol so as to have a material adverse effect on the Employer, (5) the conviction of the misappropriation or embezzlement of assets of Employer or any of its Affiliates or (6) the breach of any material term or provision of this Agreement that is not cured within thirty (30) days after written notice from Employer stating the nature of the breach in reasonable detail.

Employee may terminate her employment under this Agreement at any time for "Good Reason". As used in this Agreement, "Good Reason" shall mean a breach by Employer of its obligations under this Agreement or the Purchase Agreement, if such breach remains unremedied within thirty (30) days after receipt of written notice from Employee specifically describing such breach. If Employee terminates her employment for "Good Reason", Employer shall continue to pay Employee her full salary, bonus and allowances, and continue to provide all applicable benefits at Employer's expense, for the remaining portion of the Term or any extension thereof.

3. Expense Reimbursement. Subject to such reasonable limitations as shall be imposed by Employer from time to time including prior written approval, and upon submission of such vouchers, receipts or other evidence as may be required by Employer, Employee shall be entitled to receive reimbursement from Employer, in accordance with Employer's reimbursement practices, for expenses reasonably and necessarily incurred by Employee in the course of employment hereunder.

4. Representations and Warranties. Employee hereby represents and warrants to Employer that (i) there are no restrictions, agreements or understandings whatsoever to which Employee is a party which would prevent or make unlawful Employee's execution of this Agreement or Employee's employment hereunder, (ii) Employee's execution of this Agreement and Employee's employment hereunder shall not constitute a breach or violation of any law, contract, agreement or understanding, oral or written, to which Employee is a party or by which Employee is bound, (iii) Employee is free and able to execute this Agreement and to enter into employment with Employer, and (iv) this Agreement is Employee's valid and binding obligation, enforceable in accordance with its terms. The foregoing representations and warranties shall forever survive the termination of this Agreement.

5. Covenants.

(a) Employee acknowledges, understands and agrees that (i) the agreements and

covenants Employee is providing in this Section 5 are reasonable and necessary to Employer's protection of its legitimate interest, and any corporation, general or limited partnership, limited liability company, joint venture, estate, trust, association or other organization company, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with Employer (in each instance, an "Affiliate"), (ii) Employer and its Affiliates would not be able to protect Confidential Information (as defined below) against unauthorized use and their other legitimate business interests unless Employee agreed to the covenants contain in this Section 5, (iii) Employer and its Affiliates may be irreparably damaged if Employee was to disclose Confidential Information or use such confidential Information in an activity competing or interfering with the business of Employer or its Affiliates in violation of the terms of this Section below, (iv) the scope and length and the geographical restrictions contained in this Section 5 are fair and reasonable, (v) this Agreement is not the result of overreaching, duress or coercion of any kind, and (vi) the full, uninhibited and faithful observance of each of the covenants contained in this Agreement will not cause Employee any undue hardship, financial or otherwise.

(b) For the purposes hereof, "Confidential Information" shall mean any and all information (whether written, graphic, oral or in any other form) considered proprietary and confidential by Employer and its Affiliates that was disclosed, directly or indirectly, to or known by Employee as a consequence of or through retention by Employer, including information conceived, originated, disclosed, discovered or developed by Employee or in collaboration with others) relating to the past, present or future business of Employer or its Affiliates, developed by Employee (or in collaboration with others), analyses, compilations, studies or other documents prepared by Employee, potential transactions by Employer or its Affiliates, Employer's or its Affiliates' methods of doing business, specialized techniques developed by, for or through Employer or its Affiliates, information about costs and salaries, profits, mar kets, sales products, personnel information, pricing policies, operational methods, plans for future development, research, ideas, expansion plans, designs, drawings, financial affairs, marketing strategies, gross and net profits of Employer or its Affiliates, the volume of business generated by Employer or its Affiliates, technical processes, supplier/vendor, tenant or landlord information, general and discreet business plans, pricing, leads, forecasts and any and all other information not readily available to the public.

(c) Employee agrees that Employee shall not use or disclose to anyone outside of Employer any Confidential Information, except for any Confidential Information (i) lawfully received from another source free of restriction and without breach of this Agreement, (ii) that becomes generally available to the public without breach of this Agreement, (iii) known to the receiving party at the time of disclosure, or (iv) independently developed by the receiving party without resort to the Confidential Information. In the event Employee is requested or required by law, judicial or governmental order or other legal process or pronouncement (including any discovery request), to disclose any Confidential Information, Employee will give Employer prompt written notice of such request or requirement so that Employer may seek an appropriate protective order or other remedy. Employee will cooperate with Employer to obtain such protective order or other remedy, which notice shall be furnished to Employer not less than seven (7) days prior to any such disclosure unless otherwise required by law, judicial or governmental order or other legal process or pronouncement. In the event such order or other remedy is not obtained, Employee will furnish only that portion of the Confidential Information

that, in the opinion of Employee's counsel, is legally required to be disclosed and Employee will use Employee's best efforts (at Employer's expense) to obtain court orders or other assurances that confidential treatment will be accorded to any such Confidential Information which must, necessarily, be disclosed.

(d) Employee covenants and agrees that she will not, and will cause her Affiliates not to, directly or indirectly, at any time from the date of this Agreement and unless employment is terminated by Employee for Good Reason or by Employer other than for Cause continuing for a period of two (2) years after the termination of her employment hereunder for any reason, compete with Employer or any of its Affiliates in the United States of America or Canada, directly or indirectly, whether for her own account or otherwise. As used in this Section 5(d), to "compete" shall mean to, directly or indirectly, own, manage, operate, join, control, be employed by, or become a director, officer, employee, agent, broker, consultant, representative or shareholder of a corporation or an owner of an interest in or an employee, agent, broker, consultant, representative or partner of a partnership or in any other capacity whats oever of any other form of business association, sole proprietorship or partnership, or otherwise be connected in any manner with the ownership, management or operation of any Person that engages in a business similar to that conducted by Employer or ClinForce, LLC.; provided, however, that nothing herein shall prevent Employee of his Affiliates from acquiring up to five percent (5%) of the securities of any company listed on a national securities exchange or quoted on NASDAQ. It is specifically agreed that the period of two (2) years following termination of this Agreement stated at the beginning of this paragraph shall be computed by excluding from such computation any time during which Employee is in violation of any provision of this paragraph.

(e) Employee agrees that, both during Employee's employment by Employer and unless employment is terminated by Employee for Good Reason or by Employer other than for cause for a period of two (2) years following the termination of her employment by Employer, Employee will not, (i) interfere with the business of Employer by soliciting, inducing, attempting to solicit or induce, by combining or conspiring with, or attempting to do so, or in any other manner, to influence in the first instance any employees, officers, directors, agents, consultants, representatives, employees, suppliers, distributors, third party payors, referral sources, tenants, landlords or business contacts (collectively, the "Business Affiliates") of Employer or any of its Affiliates to terminate any Business Affiliate's position as an employee, officer, director, agent, consultant, representative, employee, supplier, distrib utor, third party payor, referral source, tenant, landlord or business contact with Employer or any of its Affiliates which may exist as of the date of termination of this Agreement or (ii) induce or attempt to induce any party to any contract with Employer or its Affiliates which may exist as of the date of termination of this Agreement to terminate or materially and adversely modify its relationship with Employer or any of its Affiliates after the date hereof. It is specifically agreed that the period of two (2) years following termination of this Agreement stated at the beginning of this paragraph shall be computed by excluding from such computation any time during which Employee is in violation of any provision of this paragraph.

(f) During the term of this Agreement and after the termination of Employee's employment hereunder for any reason, neither Employer nor Employee will make

any disparaging comments or statements to any employees, agents, customers, clients, vendors, or any other persons about the other or about the other's Affiliates.

6. Right to Equitable Relief. Because of the irreparable harm which Employer could suffer as a result of a violation of any of the provisions set forth in Section 5 above, which harm could not adequately be compensated for by monetary damages, Employee acknowledges and agrees that, in the event of such a violation or threatened violation, Employer shall be entitled to seek the issuance of an immediate restraining order, injunction or other such appropriate equitable order (without having to post a bond) by any court of competent jurisdiction, in order to prevent or halt such violation or anticipated violation. Every remedy of Employer shall be cumulative, and Employer, in its sole discretion, may exercise any and all rights and remedies stated in this Agreement, or otherwise available at law or in equity.

7. Notices. All notices required or permitted hereunder shall be in writing and shall be deemed given when personally delivered or delivered by fax (with confirmation) or similar means or three (3) business days after having been mailed to such party, postage prepaid, by registered or certified mail, return receipt requested with adequate postage affixed. Notices mailed to Employer shall be mailed to Cross Country Healthcare, Inc., 6551 Park of Commerce Blvd., N.W., Boca Raton, Florida 33487, Attention, Susan E. Ball, General Counsel. Notices mailed to the Employee shall be mailed to the most recent address appearing on the records of Employer. Either party may from time to time designate a different address for notices to be sent to such party by giving the other party written notice hereunder of such different address.

8. Assignment. Employee acknowledges that the services to be performed hereunder are unique and personal. Accordingly, Employee may not assign any of Employee's rights or delegate any of her duties or obligations hereunder. The rights and obligations of Employer under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of Employer.

9. Severability. In the event of the invalidity or the unenforceability of any provision of this Agreement, the remaining provisions hereof shall not be affected, and this Agreement shall be construed as if the invalid or unenforceable provision were not a part hereof.

10. Modification. Except as otherwise provided by this Agreement, no revocation, termination, waiver, modification or change of any of the provisions of the Agreement shall be valid unless in writing and signed by both parties hereto.

11. Waiver of Breach. The waiver of any breach of any term or condition of this Agreement shall not be deemed to be a waiver of any continuing or subsequent breach, nor constitute a waiver of any other term or condition of this Agreement.

12. Complete Understanding. This Agreement contains a complete statement of the agreement between Employee and Employer and supersedes all previous oral and written agreements between them concerning the subject matter hereof.

13. Governing Law. The laws of the State of New York shall govern this Agreement without giving effect to conflicts of laws provisions.

IN WITNESS WHEREOF, this Agreement has been duly executed effective as of the date first above written.

ARM ACQUISITION INC., a Delaware corporation

By: /s/ Tony Sims
Name: Tony Sims
Title: President

By: /s/ Patricia Daly
Patricia Daly

EXHIBIT 10.4

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement"), dated August 31, 2006, is made and entered into by and between ARM Acquisition Inc., a Delaware corporation ("Employer"), and Stacy Martin ("Employee").

WHEREAS, Metropolitan Research Staffing Associates, LLC and Metropolitan Research Associates, LLC (together, the "Company"), Employer, and the Members of the Company are parties to an Asset Purchase Agreement dated the date hereof (the "Purchase Agreement") pursuant to which Employer is acquiring the assets and business of the Company related to drug safety, staffing and clinical research management businesses; and

WHEREAS, Employee is a Managing Member of each of Metropolitan Research Staffing Associates, LLC and Metropolitan Research Associates, LLC and Employer desires to have the continuing benefit of her knowledge and experience and to employ Employee; and

WHEREAS, Employee desires to be employed by Employer in the business of drug safety, staffing and clinical research management on the terms and conditions hereinafter set forth;

NOW, THEREFORE, IT IS AGREED by the parties hereto as follows:

1. Employment and Duties. Employer hereby offers employment to Employee, and Employee hereby accepts employment by Employer, such employment being terminable solely in accordance with the terms and conditions of this Agreement. Employee's title will be Executive Vice President. In such employment, Employee shall perform such services, and shall have such authority, duties and responsibilities as shall be reasonably assigned to Employee from time to time by the President of ClinForce, LLC. Employee shall report to Tony Sims, President of ClinForce, LLC and shall be consistent with Employee's authority, duties and responsibilities with Company. Employee shall diligently and faithfully perform all duties assigned to the best of Employee's abilities in a professional manner. Employee shall take actions that are reasonable and consistent with her past practices as the former Managing Member of the Company and which are expected to have results that are sustainable after the term of this Agreement ends. Employee agrees to devote her full attention, time and efforts to the business and affairs of the Employer in order to fully manage, promote and further the business and interests of Employer. Employee agrees that Employee will not hold any concurrent employment or business positions without the prior express written consent of Employer; provided that the foregoing shall not be construed as preventing Employee from making investments in other businesses or enterprises so long as they do not interfere with her ability to discharge her duties and responsibilities to Employer. In no event shall Employee be required to transfer to a location other than New York City without her prior written consent.

2. Term of Employment; Compensation. Employee's employment hereunder shall commence at 12:01 a.m. on the first day following the consummation of the transactions contemplated in the Purchase Agreement, and shall end at 11:59 p.m. on June 30, 2008 (the "Term"), unless renewed or as mutually agreed upon by the parties or sooner terminated by Employer for Cause or by Employee

for Good Reason in accordance with the terms and conditions set forth in this Agreement. During the term hereof, Employer shall pay Employee an annual salary of $200,000.00 (prorated for the remainder of fiscal year 2006 based upon a 365-day year). Employee shall also be included or entitled to participate in such employee benefit programs as are maintained from time to time by Employer on the same terms and conditions as similarly situated employees. Employee shall be entitled to receive the same or comparable benefits to those currently received from the Company.

As used in this Agreement, "Cause" shall mean (1) the conviction of a felony or any crime involving moral turpitude or the pleading of nolo contendere to any such act, (2) the conviction of a crime involving any act or acts of dishonesty which are intended to result or actually result, directly or indirectly, in gain or personal enrichment of Employee or any related person or affiliated person or Employer or are intended to cause harm or damage to Employer or any of its Affiliates; (3) the illegal use of controlled substances, (4) the use of alcohol so as to have a material adverse effect on the Employer, (5) the conviction of the misappropriation or embezzlement of assets of Employer or any of its Affiliates or (6) the breach of any material term or provision of this Agreement that is not cured within thirty (30) days after written notice from Employer stating the nature of the breach in reasonable detail.

Employee may terminate her employment under this Agreement at any time for "Good Reason". As used in this Agreement, "Good Reason" shall mean a breach by Employer of its obligations under this Agreement or the Purchase Agreement, if such breach remains unremedied within thirty (30) days after receipt of written notice from Employee specifically describing such breach. If Employee terminates her employment for "Good Reason", Employer shall continue to pay Employee her full salary, bonus and allowances, and continue to provide all applicable benefits at Employer's expense, for the remaining portion of the Term or any extension thereof.

3. Expense Reimbursement. Subject to such reasonable limitations as shall be imposed by Employer from time to time including prior written approval, and upon submission of such vouchers, receipts or other evidence as may be required by Employer, Employee shall be entitled to receive reimbursement from Employer, in accordance with Employer's reimbursement practices, for expenses reasonably and necessarily incurred by Employee in the course of employment hereunder.

4. Representations and Warranties. Employee hereby represents and warrants to Employer that (i) there are no restrictions, agreements or understandings whatsoever to which Employee is a party which would prevent or make unlawful Employee's execution of this Agreement or Employee's employment hereunder, (ii) Employee's execution of this Agreement and Employee's employment hereunder shall not constitute a breach or violation of any law, contract, agreement or understanding, oral or written, to which Employee is a party or by which Employee is bound, (iii) Employee is free and able to execute this Agreement and to enter into employment with Employer, and (iv) this Agreement is Employee's valid and binding obligation, enforceable in accordance with its terms. The foregoing representations and warranties shall forever survive the termination of this Agreement.

5. Covenants.

(a) Employee acknowledges, understands and agrees that (i) the agreements and covenants Employee is providing in this Section 5 are reasonable and necessary to Employer's protection of its legitimate interest, and any corporation, general or limited partnership, limited liability company, joint venture, estate, trust, association or other organization company, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with Employer (in each instance, an "Affiliate"), (ii) Employer and its Affiliates would not be able to protect Confidential Information (as defined below) against unauthorized use and their other legitimate business interests unless Employee agreed to the covenants contain in this Section 5, (iii) Employer and its Affiliates may be irreparably damaged if Employee was to disclose Confidential Information or use such confidential Informatio n in an activity competing or interfering with the business of Employer or its Affiliates in violation of the terms of this Section below, (iv) the scope and length and the geographical restrictions contained in this Section 5 are fair and reasonable, (v) this Agreement is not the result of overreaching, duress or coercion of any kind, and (vi) the full, uninhibited and faithful observance of each of the covenants contained in this Agreement will not cause Employee any undue hardship, financial or otherwise.

(b) For the purposes hereof, "Confidential Information" shall mean any and all information (whether written, graphic, oral or in any other form) considered proprietary and confidential by Employer and its Affiliates that was disclosed, directly or indirectly, to or known by Employee as a consequence of or through retention by Employer, including information conceived, originated, disclosed, discovered or developed by Employee or in collaboration with others) relating to the past, present or future business of Employer or its Affiliates, developed by Employee (or in collaboration with others), analyses, compilations, studies or other documents prepared by Employee, potential transactions by Employer or its Affiliates, Employer's or its Affiliates' methods of doing business, specialized techniques developed by, for or through Employer or its Affiliates, information about costs and salaries, profits, mar kets, sales products, personnel information, pricing policies, operational methods, plans for future development, research, ideas, expansion plans, designs, drawings, financial affairs, marketing strategies, gross and net profits of Employer or its Affiliates, the volume of business generated by Employer or its Affiliates, technical processes, supplier/vendor, tenant or landlord information, general and discreet business plans, pricing, leads, forecasts and any and all other information not readily available to the public.

(c) Employee agrees that Employee shall not use or disclose to anyone outside of Employer any Confidential Information, except for any Confidential Information (i) lawfully received from another source free of restriction and without breach of this Agreement, (ii) that becomes generally available to the public without breach of this Agreement, (iii) known to the receiving party at the time of disclosure, or (iv) independently developed by the receiving party without resort to the Confidential Information. In the event Employee is requested or required by law, judicial or governmental order or other legal process or pronouncement (including any discovery request), to disclose any Confidential Information, Employee will give Employer prompt written notice of such request or requirement so that Employer may seek an appropriate protective order or other remedy. Employee will cooperate with Employer to obtain

such protective order or other remedy, which notice shall be furnished to Employer not less than seven (7) days prior to any such disclosure unless otherwise required by law, judicial or governmental order or other legal process or pronouncement. In the event such order or other remedy is not obtained, Employee will furnish only that portion of the Confidential Information that, in the opinion of Employee's counsel, is legally required to be disclosed and Employee will use Employee's best efforts (at Employer's expense) to obtain court orders or other assurances that confidential treatment will be accorded to any such Confidential Information which must, necessarily, be disclosed.

(d) Employee covenants and agrees that she will not, and will cause her Affiliates not to, directly or indirectly, at any time from the date of this Agreement and unless employment is terminated by Employee for Good Reason or by Employer other than for Cause continuing for a period of two (2) years after the termination of her employment hereunder for any reason, compete with Employer or any of its Affiliates in the United States of America or Canada, directly or indirectly, whether for her own account or otherwise. As used in this Section 5(d), to "compete" shall mean to, directly or indirectly, own, manage, operate, join, control, be employed by, or become a director, officer, employee, agent, broker, consultant, representative or shareholder of a corporation or an owner of an interest in or an employee, agent, broker, consultant, representative or partner of a partnership or in any other capacity whats oever of any other form of business association, sole proprietorship or partnership, or otherwise be connected in any manner with the ownership, management or operation of any Person that engages in a business similar to that conducted by Employer or ClinForce, LLC.; provided, however, that nothing herein shall prevent Employee or her Affiliates from acquiring up to five percent (5%) of the securities of any company listed on a national securities exchange or quoted on NASDAQ. It is specifically agreed that the period of two (2) years following termination of this Agreement stated at the beginning of this paragraph shall be computed by excluding from such computation any time during which Employee is in violation of any provision of this paragraph.

(e) Employee agrees that, both during Employee's employment by Employer and unless employment is terminated by Employee for Good Reason or by Employer other than for good cause for a period of two (2) years following the termination of her employment by Employer, Employee will not, (i) interfere with the business of Employer by soliciting, inducing, attempting to solicit or induce, by combining or conspiring with, or attempting to do so, or in any other manner, to influence in the first instance any employees, officers, directors, agents, consultants, representatives, employees, suppliers, distributors, third party payors, referral sources, tenants, landlords or business contacts (collectively, the "Business Affiliates") of Employer or any of its Affiliates to terminate any Business Affiliate's position as an employee, officer, director, agent, consultant, representative, employee, suppli er, distributor, third party payor, referral source, tenant, landlord or business contact with Employer or any of its Affiliates which may exist as of the date of termination of this Agreement or (ii) induce or attempt to induce any party to any contract with Employer or its Affiliates which may exist as of the date of termination of this Agreement to terminate or materially and adversely modify its relationship with Employer or any of its Affiliates after the date hereof. It is specifically agreed that the period of two (2) years following termination of this Agreement stated at the beginning of this paragraph shall be computed by excluding from such computation any time during which Employee is in violation of any provision of this paragraph.

(f) During the term of this Agreement and after the termination of Employee's employment hereunder for any reason, neither Employer nor Employee will make any disparaging comments or statements to any employees, agents, customers, clients, vendors, or any other persons about the other or about the other's Affiliates.

6. Right to Equitable Relief. Because of the irreparable harm which Employer could suffer as a result of a violation of any of the provisions set forth in Section 5 above, which harm could not adequately be compensated for by monetary damages, Employee acknowledges and agrees that, in the event of such a violation or threatened violation, Employer shall be entitled to seek the issuance of an immediate restraining order, injunction or other such appropriate equitable order (without having to post a bond) by any court of competent jurisdiction, in order to prevent or halt such violation or anticipated violation. Every remedy of Employer shall be cumulative, and Employer, in its sole discretion, may exercise any and all rights and remedies stated in this Agreement, or otherwise available at law or in equity.

7. Notices. All notices required or permitted hereunder shall be in writing and shall be deemed given when personally delivered or delivered by fax (with confirmation) or similar means or three (3) business days after having been mailed to such party, postage prepaid, by registered or certified mail, return receipt requested with adequate postage affixed. Notices mailed to Employer shall be mailed to Cross Country Healthcare, Inc., 6551 Park of Commerce Blvd., N.W., Boca Raton, Florida 33487, Attention, Susan E. Ball, General Counsel. Notices mailed to the Employee shall be mailed to the most recent address appearing on the records of Employer. Either party may from time to time designate a different address for notices to be sent to such party by giving the other party written notice hereunder of such different address.

8. Assignment. Employee acknowledges that the services to be performed hereunder are unique and personal. Accordingly, Employee may not assign any of Employee's rights or delegate any of her duties or obligations hereunder. The rights and obligations of Employer under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of Employer.

9. Severability. In the event of the invalidity or the unenforceability of any provision of this Agreement, the remaining provisions hereof shall not be affected, and this Agreement shall be construed as if the invalid or unenforceable provision were not a part hereof.

10. Modification. Except as otherwise provided by this Agreement, no revocation, termination, waiver, modification or change of any of the provisions of the Agreement shall be valid unless in writing and signed by both parties hereto.

11. Waiver of Breach. The waiver of any breach of any term or condition of this Agreement shall not be deemed to be a waiver of any continuing or subsequent breach, nor constitute a waiver of any other term or condition of this Agreement.

12. Complete Understanding. This Agreement contains a complete statement of the agreement between Employee and Employer and supersedes all previous oral and written

agreements between them concerning the subject matter hereof.

13. Governing Law. The laws of the State of New York shall govern this Agreement without giving effect to conflicts of laws provisions.

IN WITNESS WHEREOF, this Agreement has been duly executed effective as of the date first above written.

ARM ACQUISITION INC., a Delaware corporation

By: /s/ Tony Sims
Name: Tony Sims
Title: President

By: /s/ Stacy Martin
Stacy Martin

LEASE AGREEMENT BETWEEN

CORNERSTONE OPPORTUNITY VENTURES, LLC

LANDLORD

AND

CEJKA SEARCH, INC.

TENANT

LEASE AGREEMENT

THIS LEASE AGREEMENT ("Lease") is made this 2nd day of February, 2007, by and between **Cornerstone Opportunity Ventures, LLC**, a Delaware limited liability company ("Landlord"), and **Cejka Search, Inc.**, a Delaware corporation ("Tenant").

WITNESSETH:

1. **DEMISED PREMISES**

1.1 For and in consideration of the covenants and agreements hereinafter set forth and the rent hereinafter specifically reserved, Landlord does hereby lease unto Tenant, and Tenant does hereby lease from Landlord, twenty-seven thousand fifty-one (27,051) rentable square feet of space on the third (3rd) floor of the CityPlace Four building in Creve Coeur, Missouri (the "Building"), which space is designated as Suite #300 outlined on Exhibit A attached hereto and made a part hereof (the "Demised Premises"), and its share of common area at the Building. The site plan of the Building is shown on Exhibit B and the Building Specifications on the date of this Lease are described on Exhibit C, both being attached hereto and made a part hereof.

1.2 Landlord shall cause the construction of the tenant finish requirements in accordance with the construction provisions set forth in Exhibit D and the tenant finish plans set forth on Exhibit D-1, attached hereto and made a part hereof (the "Tenant Finish"). Within ten (10) business days of substantial completion of the Tenant Finish, Landlord and Tenant shall cooperate to execute a mutually agreeable "punch list" identifying any incomplete and unacceptable items in the Tenant Finish. No later than thirty (30) days after the parties execution of said "punch list", Landlord shall complete all items identified on said "punch list" to Tenant's reasonable satisfaction; provided that Landlord shall have such additional time as is reasonably necessary to complete any items, so long as Landlord uses commercially reasonable efforts to promptly complete such item .. Upon completion of all items identified on the "punch list", Tenant shall execute a form acknowledging completion of the Tenant Finish.

1.3 Landlord and Tenant shall execute the Certificate attached hereto and made a part hereof as Exhibit E on the Lease Commencement Date (as defined below).

1.4 Notwithstanding any provision of this Lease to the contrary, Tenant rights to occupy the Demised Premises and Landlord's obligations hereunder shall not arise unless and until Tenant shall have caused the delivery of the guaranty by Cross Country Healthcare, Inc., a _____ corporation, in the form attached hereto as Exhibit G. The delivery of said guaranty is a material portion of the consideration for Landlord's execution of this Lease and Landlord shall not commence construction of the Tenant Finish until such time as Tenant has caused delivery of the signed guaranty to Landlord.

2. **TERM**

This Lease shall continue in force for a term of ten (10) years from the Lease Commencement Date, which shall be the later of (a) June 15, 2007, or (b) the date Tenant receives notice from Landlord that the Tenant Finish work is substantially completed (excluding completion of minor items identified on the "punch list") and Landlord has received a temporary occupancy permit for the Demised Premises; provided, however, Landlord shall allow Tenant non-exclusive access to the Demised Premises, without a corresponding obligation to pay Base Annual Rent, at least thirty (30) days prior to the Lease Commencement Date for the sole purposes of installing Tenant's furniture, phones and data cabling. Tenant shall not be obligated to pay Base Annual Rent during the period prior to the Lease Commencement Date unless it shall open for business at which time the Demised Premises and Tenant Finish shall be d eemed accepted, subject only to the punch list, and the Lease Commencement Date, or Occupancy Date (as hereinafter provided), shall coincide with such opening for business. Further, Tenant's early access to the Demised Premises shall be subject to Tenant's compliance with all other provisions of this Lease, including the obligations to provide insurance and indemnify, defend and hold Landlord harmless from all damages, liens, losses, claims and other liabilities that may arise from Tenant's early non-exclusive access to the Demised Premises. Notwithstanding the foregoing, should the Lease Commencement Date fall on a date other than the first day of a month, Tenant shall occupy the Demised Premises on the "Occupancy Date" and the Lease Commencement Date shall be deemed to be the first day of the following month and Tenant shall occupy the Demised Premises on the terms and conditions contained herein, except that the Base Annual Rent for the partial first month of occupancy shall be prorated based on the actual number of days of Tenant's occupancy and the actual number of days in the month during which the Occupancy Date occurs. The Lease Commencement Date (and the Occupancy Date if different) shall be specified in the Certificate described in Section 1.3 above.

3. **RENT AND ADDITIONAL RENT**

3.1 **Base Annual Rent**. Commencing on the Lease Commencement Date, Tenant shall pay to Landlord the Base Annual Rent as stated below:

Lease Year	Base Annual Rent per Rentable Square Foot of the Demised Premises
1	$27.90
2	$28.40
3	$28.90
4	$29.40
5	$30.40
6	$30.90
7	$31.40
8	$31.90
9	$32.40
10	$32.90

Said Base Annual Rent shall be paid in twelve equal monthly installments. Tenant shall pay one full monthly installment of Base Annual Rent upon execution of this Lease and Landlord shall credit it against Tenant's rent obligations coming due on and after the Lease Commencement Date. The term "Lease Year" shall mean the twelve (12) month period beginning on the Lease Commencement Date referred to in Section 2 above, and each successive twelve (12) month period thereafter.

3.2 **Operating Expenses**.

(a) In addition to the Base Annual Rent, Tenant will pay, as additional rent, its proportionate share of Landlord's costs of operating the Building over the expenses incurred during the 2007 calendar year (the "Base Year"). These costs shall consist of (a) real estate taxes and (b) all other costs defined in Section 3.2(c) below, which are actually incurred by the Landlord, and which are projected in Landlord's reasonable estimation to reflect the greater of (a) the actual occupancy of the Building or (b) ninety-five percent (95%) occupancy of the Building. Tenant's proportionate share, subject to adjustment pursuant to Section 1.2 above, shall be twenty-six and 00/100 percent (26.00%). Tenant's proportionate share is calculated by dividing Tenant's total rentable square footage by the building's total rentable square footage, which is approximately one hundre d three thousand thirty-four (103,034) rentable square feet.

(b) Landlord shall send Tenant a statement showing the fiscal year operating expenses as soon as is practicable after the end of each calendar year; however, Landlord's failure to provide such operating expense statement as soon as is practicable after the end of each calendar year shall in no way excuse Tenant from its obligation to pay its proportionate share of operating expenses or constitute a waiver of Landlord's right to bill and collect such proportionate share of operating expenses from Tenant in accordance with this paragraph 3.2(b).

(c) The costs of operating the Building (the "Operating Expenses") shall include the following:

(i) electricity, water, sewer and other utility charges (including surcharges) of every type and nature, but excluding electricity charges billed directly to Tenant by Landlord pursuant to Section 16.3 hereof;

(ii) premiums and other charges incurred by Landlord with respect to all insurance relating to the Building and the operation and maintenance thereof, including, without limitation, all risk of physical damage or fire and extended coverage insurance, public liability insurance, elevator insurance, workman's compensation insurance, boiler and machinery insurance, sprinkler leakage insurance, rent insurance, use and occupancy insurance, and health, accident and group life insurance for employees;

(iii) management fees and personnel costs of the Building, including, but not limited to, salaries, wages, fringe benefits and other direct and indirect costs of engineers, superintendents, watchmen, porters and any other Building personnel;

(iv) costs of service and maintenance contracts, including, but not limited to, chillers, boilers, controls, elevators, mail room, windows, security services, and management fees;

(v) all costs, charges, and expenses, incurred by Landlord in connection with any change of any company providing electricity service, including, without limitation, maintenance, repair, installation, and service costs associated herewith;

(vi) all other maintenance and repair expenses and supplies which are deducted by Landlord in computing its Federal income tax liability;

(vii) amortization and/or depreciation for capital expenditures incurred by Landlord in connection with additions, replacements or improvements reasonably calculated by Landlord to reduce Operating Expenses (and only to the extent that such additions, replacements or improvements do reduce Operating Expenses), or which are incurred in connection with compliance with governmental orders;

(viii) the costs of any additional services not provided to the Building at the Lease Commencement Date but thereafter provided by Landlord in the prudent management of the Building;

(ix) real estate taxes;

(x) the cost of janitorial service (allocable to the actual space in the Building being serviced);

(xi) any Business, Professional and Occupational License tax payable by Landlord with respect to the Building;

(xii) auditing and accounting fees including accounting fees incurred in connection with the preparation and certification of any and all statements required under this Lease;

(xiii) all miscellaneous taxes (including, without limitation, all sales and excise taxes on the expenditures enumerated in this Section) applicable to the Building and any taxes imposed on personal property in the Building owned by Landlord;

(xiv) the cost of licenses, permits and similar fees and charges; and any other costs and expenses, including reasonable attorney's fees, incurred by Landlord in maintaining or operating the Building.

Notwithstanding anything to the contrary, Operating Expenses shall not include the following:

(i) Any ground lease rental;

(ii) Costs incurred by Landlord for the repair of damage to the Building to the extent that Landlord is reimbursed by insurance or condemnation proceeds or by tenants, warrantors or other third persons;

(iii) Depreciation, amortization and interest payments, except as specifically permitted elsewhere in the Lease, and except upon materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party, where such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services, all as determined in accordance with generally accepted accounting principles, consistently applied, and when depreciation or amortization is permitted or required, the item shall be amortized over its reasonably anticipated useful life;

(iv) Marketing costs including leasing commissions, attorney's fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Building;

(v) Except as permitted elsewhere in this Lease, costs of a capital nature, including without limitation, capital improvements, capital replacements, capital repairs, capital equipment and capital tools, all as determined in accordance with generally accepted accounting principles consistently applied or otherwise ("Capital Items");

(vi) Interest, principal, points and fees on debt or amortization on any mortgage, deed of trust or other debt encumbering the Building;

(vii) Costs, including permit, license and inspection costs, incurred with respect to the installation of tenant or other occupants' improvements made for tenants or other occupants in the Building, or incurred in renovating or otherwise improving, decorating painting or redecorating space used exclusively by tenants or other occupants of the Building, including space planning and interior design costs and fees;

(viii) Attorney's fees and other costs and expenses incurred in connection with negotiations or disputes with present or prospective tenants or other occupants of the Building or attorney's fees and other costs and expenses in, settlement, judgments incurred in connection with potential or actual claims pertaining to Landlord, the Building; provided, however, that Operating Expenses shall include those attorneys' fees and other costs and expenses incurred in connection with disputes or claims relating to items of Operating Expenses, enforcement of rules and regulations of the Building, and such other matters relating to the maintenance of standards required of Landlord under the Lease Agreement may be included in Operating Expenses;

(ix) Expenses in connection with services or other benefits which are not offered to Tenant, or for which Tenant is charged for directly but which are provided to another tenant or occupant of the Building;

(x) Costs incurred by Landlord due to the violation by Landlord of the terms and conditions of any lease of space in the Building;

(xi) Overhead and profit increment paid to Landlord or to subsidiaries or affiliates of Landlord for goods and/or services provided to the Building to the extent the same exceeds the costs that would generally be charged for such goods and/or services if rendered on a competitive basis, based upon a standard of comparable buildings by unaffiliated third parties capable of providing such services; provided, however, that nothing in this subparagraph (xi) shall restrict Landlord's right to employ an affiliate of Landlord, including but not limited to The Koman Group, L.L.C., to manage the Building, to pay such affiliate administrative, management fee and other compensation and to include such aggregate amount in Operating Expenses;

(xii) Costs of Landlord's general corporate overhead, except to the extent that such overhead is directly attributable to the management, maintenance and repair of the Building;

(xiii) All items and services for which Tenant or any other tenant in the Building reimburses Landlord (other than through operating expense pass-through provisions);

(xiv) Electric power costs for which any tenant directly contracts with the local public service company;

(xv) Costs arising form Landlord's charitable or political contributions;

(xvi) Rentals for items (except when needed in connection with normal repairs and maintenance of permanent systems) which if purchased, rather than rented, would constitute a capital improvement which is specifically excluded above, excluding, however, equipment not affixed to the Building which is used in providing janitorial or similar services;

(xvii) Rentals and other related expenses incurred in leasing HVAC systems, elevators or other equipment ordinarily considered to be Capital Items, except for (1) expenses in connection with making repairs on or keeping project systems in operation while repairs are being made and (2) costs of equipment not affixed to the Building which is used in providing janitorial or similar services;

(xviii) Advertising and promotional expenditures;

(xix) Costs incurred in connection with upgrading the common areas of the Building to comply with handicap (including ADA), life, fire and safety codes as such codes are interpreted to apply to the Building by the responsible public officials prior to the Lease Commencement Date;

(xx) Tax penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payments and/or to file any income tax or informational returns when due;

(xxi) Notwithstanding any contrary provision of this Lease, including, without limitation, any provision relating to capital expenditures, any and all costs arising form the presence of hazardous materials or substances in or about the Building including, without limitation, hazardous substances in the ground water or soil;

(xxii) Costs associated with the operation of the business of the entity which constitutes Landlord as the same are distinguished from the costs of operation of the Building, including entity accounting and legal matters, costs of defending any lawsuits with any deed of trust holder (except as the actions of Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Building, or costs of any disputes between Landlord and its employees (if any) not engaged in Building operation, disputes of Landlord with Building management;

(xxiii) Costs of signs in or on the Building (other than building directory signs) identifying the owner of the Building or other tenant's signs;

(xxiv) Except as expressly provided to the contrary in this Lease Agreement, any other expense that, under generally accepted building operation, consistently applied, would not be considered a normal maintenance or operating expense.

(d) Tenant shall make monthly payments to Landlord on account of estimated increases in Operating Expenses for each calendar year. Landlord shall submit to Tenant an estimate as soon as practicable after the end of each calendar year. Following its receipt of each such estimate, Tenant shall pay to Landlord, monthly, on the first day of each month through and including the month in which Tenant receives Landlord's next such estimate, an amount equal to one-twelfth (1/12th) of Tenant's proportionate share of estimated increases in Operating Expenses. Each year Landlord shall also deliver to Tenant a statement of the Operating Expenses actually incurred during the immediately preceding calendar year. If Tenant's total payments on account of estimated increases in Operating Expenses made through December of the immediately preceding calendar year exceed the amount of the increase a ctually due for the calendar year, Landlord shall at its option, either refund the difference directly to the Tenant or credit Tenant's rent and/or additional rent obligations coming due thereafter. If,

on the other hand, such payments were less than the amount of the increase actually due, Tenant shall pay the difference to Landlord with its next rent due provided Landlord has delivered to Tenant the statement of Operating Expenses at least fifteen (15) days prior thereto. If delivered after such date, Tenant shall pay the difference to Landlord with the next successive payment of rent. Tenant's liability for its proportionate share of increases in Operating Expenses for the last calendar year of the term of this Lease shall survive the expiration of the Lease. Similarly, Landlord's obligation to refund to Tenant the excess, if any, of the amount of Tenant's payment on account of estimated increases for such last calendar year over Tenant's actual liability therefor shall survive the expiration of the term of this Lease. Landlord may at any time or from time to time furnish to Tenant a revised estimate for any calendar year and in such case Tenant's payments on account of estimated increases for such calendar year shall be adjusted accordingly. Within thirty (30) days after receipt of Landlord's statement, Tenant or its authorized employee shall have the right to inspect the books of Landlord during the business hours of Landlord at Landlord's office in the Building for the purpose of verifying information in such statement. Unless Tenant asserts specific error(s) to Landlord in writing within forty-five (45) days after delivery of such statement, the statement shall be deemed to be correct.

(e) No decrease in Taxes and/or Operating Expenses shall reduce Tenant's rent below the Base Annual Rent set forth in Section 3.1 hereinabove.

3.3 **Rent Payments**. Payments of Base Annual Rent and any additional rent shall be paid in advance on the first (1st) day of each and every month during the term of this Lease, with appropriate proration for the first and last months. Base Annual Rent and any additional rent shall be paid by electronic funds transfer, per instructions to be provided by Landlord to Tenant, payable to Landlord or to such other person, firm or corporation as Landlord may designate in writing.

3.4 **Delinquent Rent Payments**. Any installment of Base Annual Rent, or any additional rent, which is not received by Landlord within five (5) days after the same becomes due and payable, and receipt of written notice of such nonpayment, shall obligate Tenant to pay, as additional rent, a late fee equal to the amount owed with an interest cost of the lesser of prime plus four percent (4%) or the maximum amount permitted by law for each and every month or part thereof that such rent remains unpaid, said additional rent to be payable with the next monthly installment of rent. In addition, if the Tenant defaults in the making of any payment or the doing of any act herein required to be made or done by Tenant, then the Landlord may, but shall not be required to, make such payment or do such act, and the amount of the expense thereof, if made or done by Landlord, shall be paid by Tenant to Land lord together with a penalty accruing of any outstanding amount owed to Landlord of the lesser of prime plus four percent (4%) or the maximum amount permitted by law as long as such expense remains unpaid, and shall constitute additional rent hereunder due and payable with the next monthly installment of Base Annual Rent. The provisions of this Section shall not be deemed to affect Landlord's right to pursue any of its remedies under Section 20 hereof.

4. **USE OF DEMISED PREMISES**

4.1 The Tenant shall use and occupy the Demised Premises for general office purposes and for no other purpose whatsoever. The Tenant shall not use or permit the Demised Premises or any part thereof to be used for any disorderly, unlawful, or hazardous purpose and will not manufacture any commodity therein. Tenant shall comply with all present and future laws, ordinances (including zoning ordinances and land use requirements), regulations and orders of all governmental and/or quasi-governmental authorities having jurisdiction over the Demised Premises.

4.2 Tenant shall pay any business, rent or other taxes that are now or hereafter levied upon Tenant's use or occupancy of the Demised Premises, the conduct of Tenant's use or occupancy of the Demised Premises, or Tenant's business in the Demised Premises, or Tenant's equipment or other personal property, other than taxes relating to Landlord's income. In the event that any such taxes are enacted, changed or altered so that any of such taxes are levied against Landlord, or the mode of collection of such taxes is changed so that Landlord is responsible for collection or payment of such taxes, Tenant shall pay any and all such taxes to Landlord upon written demand from Landlord.

4.3 The Tenant will not do, or permit anything to be done in the Demised Premises or the Building of which they form a part or bring or keep anything therein which shall, in any way, be illegal or increase the rate of fire or other insurance on the Building, or on the property kept therein, or obstruct, or interfere with the rights of other tenants, or in any way injure them, or those having business with them or conflict with them, or conflict with the fire laws or regulations, or with any statutes, rules or regulations enacted or established by the City of Creve Coeur or other governmental entity.

5. **MAINTENANCE AND REPAIR**

5.1 Tenant will keep the Demised Premises and the fixtures and equipment therein (other than major structural elements of the Building, which are the responsibility of Landlord, as provided in Section 5.3 below) in a clean, safe and sanitary condition, will take good care thereof, will suffer no waste or injury thereto, and will, at the expiration or other termination of the term of this Lease, surrender the same, broom clean, in the same order and condition in which they are on the Lease Commencement Date, except for ordinary wear and tear and damage by the elements, fire and other casualty not due to the negligence of the Tenant.

5.2 If Tenant shall fail to make any repairs or to perform any maintenance which it is obligated to make or perform under this Lease within ten (10) days after written notice from Landlord to do so, or in the event of any emergency, Landlord may make or perform the same for the account of Tenant, without liability to Tenant for any loss or damage that may accrue to Tenant's fixtures or other property or to Tenant's business by reason thereof, so long as said damage or loss is not due to Landlord's negligence and Tenant shall pay, as additional rent, within thirty (30) days after Landlord shall have billed Tenant therefore, Landlord's reasonable and actual out-of-pocket cost for making such repairs and/or performing such maintenance (such cost may include a reasonable amount for Landlord's overhead). Nothing herein contained shall imply any duty on the part of Landlord to do any such work which under any provision of this Lease Tenant may be required to do, nor shall it constitute a waiver of Tenant's default in failing to do the same.

5.3 Landlord shall keep the Building in a clean, safe and sanitary condition and take good care thereof. Landlord shall promptly make all necessary repairs to the structure of the Building and the mechanical, electrical, plumbing, heating and air conditioning systems therein, except with respect to any items installed or constructed by Tenant and except where the repair has been made necessary by misuse or neglect by Tenant or Tenant's agents, servants, visitors or licensees. This obligation to repair does not impose upon Landlord an obligation to make repairs other than during normal business hours except in emergency situations. Landlord will use its best efforts to make such repairs in a timely fashion. If Landlord on its part fails to make any repair after a ten (10) day written notice from Tenant, Tenant may perform the repair and submit an invoice to Landlord. Tenant is to noti fy Landlord in writing of the repair and provide Landlord with a copy of the bid to perform such repair before it releases any work, except in the case of an emergency, in which case Tenant shall endeavor to notify the Landlord as soon as practical.

5.4 Within fifteen (15) days of the expiration or termination of this Lease, Tenant, at its sole cost and expense, shall remove from the Demised Premises all cabling and wiring, including but not limited to, telecommunication and data cabling, installed by or for Tenant. The provisions of this Section 5.4 shall survive the expiration and/or termination of this Lease.

6. UTILITY DEREGULATION

6.1 Landlord hereby advises Tenant that presently Ameren UE (the "Electric Service Provider") is the utility company selected by Landlord to provide electric service for the Building. Notwithstanding the foregoing, if permitted by law, Landlord shall have the right at any time and from time to time during the Lease Term to either contract for service from a different company or companies providing electricity service (each such company shall hereinafter be referred to as an "Alternate Service Provider") or continue for service from the Electric Service Provider.

6.2 Tenant shall cooperate with Landlord, the Electric Service Provider and any Alternate Service Provider at all times and, as reasonably necessary, shall allow Landlord, Electric Service Provider and any Alternate Service Provider reasonable access to the Building's electric lines, feeders, risers, wiring, and any other machinery within the Demised Premises.

6.3 Unless attributable to Landlord's negligence, Landlord shall in no way be liable or responsible for any loss, damage, or expense that Tenant may sustain or incur by reason of any change, failure, interference, disruption, or defect in the supply or character of the electric energy furnished to the Demised Premises, or if the quantity or character of the electric energy supplied by the Electric Service Provider or any Alternate Service Provider is no longer available or suitable for Tenant's requirements, and no such change, failure, defect, unavailability, or unsuitability shall constitute an actual or constructive eviction, in whole or in part, or entitle Tenant to any abatement or diminution of rent, or relieve Tenant from any of its obligations under the Lease.

7. ALTERATIONS

7.1 Tenant will not make or permit anyone to make any alterations, additions or improvements (hereinafter referred to as "Alterations") in or to the Demised Premises or the Building,

other than cosmetic alterations which will not affect building systems or structure without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed. As a condition precedent to such written consent of Landlord, Tenant agrees to obtain and deliver to Landlord upon completion, written, unconditional waivers of mechanics' and material men's liens against the Building and the land upon which it is situated from all proposed contractors, sub-contractors, laborers and material suppliers for all work, labor and services that were performed and materials furnished in connection with Alterations. If, notwithstanding the foregoing, any mechanic's lien is filed against the Demised Premises, the Building, and/or the land on which the Building is located, for work or materials done for, or furnished to, Tenant (other than for work or materials suppli ed by Landlord), such mechanic's lien shall be discharged by Tenant the earlier of (a) the date a responsive pleading is due in any such lien action, or (b) ten (10) days thereafter, at Tenant's sole cost and expense, by the payment thereof or by the filing of any bond required by law. If Tenant shall fail to discharge any such mechanic's lien, Landlord may, at its option, discharge the same and treat the cost thereof as additional rent hereunder, payable with the monthly installment of Base Annual Rent next becoming due; and such discharge by Landlord shall not be deemed to waive the default of Tenant in not discharging the same. Tenant will indemnify and hold Landlord harmless from and against any and all expenses, including reasonable attorney's fees, liens, claims or damages to any person or property which may or might arise by reason of the making by Tenant of any Alterations. Landlord will in turn indemnify and hold Tenant harmless from and against any and all expe nses (including reasonable attorney's fees), liens, claims or damages to any person or property which may or might arise by reason of the making of Landlord of any Alterations.

7.2 Alterations may be made only at Tenant's expense, by contractors or subcontractors approved by Landlord, which approval shall not be unreasonably withheld or delayed, and only after Tenant has obtained all necessary permits from governmental authorities having jurisdiction and has furnished copies of the permits to Landlord. Landlord shall have the right to have the making of any Alterations supervised by its architects, contractors or workmen. All Alterations that affect or in any way relate to the mechanical, electrical, plumbing, heating, air conditioning, or structural systems of the Building shall be done only by Landlord or Landlord's contractor or agent at Tenant's expense. Landlord will use its best effort to perform the work at a reasonable cost.

7.3 If any Alterations are made without the prior written consent of Landlord, Landlord may correct or remove the same, and Tenant shall be liable for all reasonable expenses so incurred by Landlord. All Alterations in or to the Demised Premises or the Building made by either party shall immediately become the property of Landlord and shall remain upon and be surrendered with the Demised Premises as a part thereof at the end of the term hereof; provided however, Tenant shall have the right to remove, prior to the expiration of the term of this Lease, all movable furniture, furnishings or equipment installed in the Demised Premises at the expense of Tenant, and if such property of Tenant is not removed by Tenant prior to the expiration or termination of this Lease, the same shall, at Landlord's option, become the property of Landlord and shall be surrendered with the Demised Premises as a part thereof. ;Should Landlord elect that Alterations installed by Tenant be removed upon the expiration or termination of this Lease, it shall so advise Tenant at the time of its providing consent to such Alterations,

Tenant shall remove the same at Tenant's sole cost and expense, and if Tenant fails to remove the same, Landlord may remove the same at Tenant's expense and Tenant shall reimburse Landlord for the cost of such removal together with any and all damages which Landlord may sustain by reason of such default by Tenant.

8. ASSIGNMENT AND SUBLETTING

8.1 Tenant may not assign, transfer, mortgage or encumber this Lease, nor shall any assignment or transfer of this Lease be effectuated by operation of law or otherwise, without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed; provided, however Tenant may automatically and without Landlord's consent (but providing written notice to Landlord thereof at least thirty days in advance thereof) assign the Lease to an affiliate or majority owned entity of Tenant which affiliate or majority owned entity shall have a net worth equal to or greater than Tenant on the date hereof. The withdrawal or change, whether voluntary, involuntary or by operation of law, of persons or entities owning a controlling interest in Tenant, or the sale of Tenant's business, shall be deemed a voluntary assignment of this Lease and subject to the provisions of this Section. &nb sp;Tenant's failure to comply with the foregoing sentence shall be deemed to be a material breach of this Lease by Tenant.

8.2 Tenant shall not sublease the Demised Premises or any part thereof or transfer possession or occupancy thereof to any person, firm or corporation without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed.

8.3 In the event Tenant subleases or assigns all or part of the Demised Premises at a rental per square foot that is higher than the rental being paid by Tenant hereunder or in exchange for Tenant's receipt of any bonus or lump sum payment, Landlord shall be entitled to receive and Tenant shall promptly pay as additional rent fifty percent (50%) of any excess rental, bonus and/or lump sum payment which may inure to Tenant's benefit as a result of any such assignment or subletting regardless of Landlord's consent thereto. Landlord will receive the excess rental, if any, within ten (10) days of Tenant's receipt of same.

8.4 In the event Tenant desires to sublease or assign all or any part of the Demised Premises, Tenant shall give written notice thereof to Landlord. Landlord shall have the right, within ten (10) days after receipt of written notice from Tenant of Tenant's desire to sublease or assign all or part of the Demised Premises, to retake such Demised Premises from Tenant and to terminate this Lease with respect to any such space so taken.

8.5 Any sublease or assignment shall be subject to the following conditions:

(a) Tenant's successor shall be acceptable as a first class user of office space in Landlord's reasonable opinion.

(b) At the time of making such assignment or sublease, there is no default under any of the agreements, terms, covenants and conditions on the part of the Tenant to be performed under this Lease.

(c) Such assignment or sublease shall be in writing, shall certify the amount of rental, bonus and/or lump sum payment paid or to be paid to Tenant, shall contain an agreement on the part of the assignee or subtenant to abide by all of the terms and provisions of this Lease, except for the payment of

Base Annual Rent and additional rent, and shall be duly executed and acknowledged by Tenant and Tenant's assignee or subtenant. A copy of the sublease must be supplied to the Landlord within thirty (30) days after full and final execution.

(d) Such assignment or sublease shall expressly prohibit the assignee or subtenant from removing any of the Landlord's personal property from the Demised Premises without the Landlord's express written consent.

(e) No assignment or sublease shall obligate Landlord to make any Alterations (as that term is defined in Section 8 above) nor to do any finishing or remodeling work in or to all or any part of the Demised Premises, nor shall any such assignment or sublease result in a decrease of any amounts payable to Landlord pursuant to the terms of this Lease.

(f) No assignment or sublease shall release or discharge, in whole or in part, Tenant's liability for the full performance of the agreements, terms, covenants and conditions contained in this Lease.

(g) If all or any part of the Demised Premises shall be subleased or occupied by any person or entity other than the Tenant, the Landlord may, after default by the Tenant, collect Base Annual Rent and any additional rent from any such subtenant(s) or occupant(s), and apply the amount collected to the rent reserved herein, and Tenant hereby assigns to Landlord the Base Annual Rent and any additional rent due from any subtenant or assignee of Tenant and hereby authorizes each such subtenant or assignee to pay said Base Annual Rent and any additional rent directly to Landlord but no such collection shall be deemed a waiver of any agreement, term, covenant or condition hereof nor the acceptance by the Landlord of any subtenant or occupant as Tenant.

(h) Wherever notice, demand, request, or any other communication of any nature is required to be given by the Landlord or by any mortgagee to the Tenant, no such notice, demand, request, or communication shall, in any event, be required to be given to any such assignee or subtenant, and any notice, demand, request or communication shall be given only to the Tenant herein.

(i) Any assignment or subletting permitted hereunder shall be for the initial term only, and shall not include any option or renewal rights now existing or hereafter granted by Landlord.

8.6 If Landlord withholds approval to the proposed subletting or assignment, this Lease shall remain in full force and effect. In the event Landlord does not exercise any of its rights specified in this Section 8, or does not respond to Tenant's request for Landlord's consent to an assignment or sublease, within ten (10) days after Tenant's request therefore, Landlord shall be deemed to have withheld approval of the sublease or assignment. If Tenant thereafter completes a sublease or assignment with a third party, such sublease or assignment shall be null and void.

9. INSTALLATIONS AFFECTING BUILDING AND BUILDING SYSTEMS

9.1 Landlord shall have the right to prescribe the weight and method of installation and position of safes, heavy fixtures, shelving, files, library stacks, equipment or machinery and Tenant will not install any such items which would place a load upon any floor exceeding the floor load per square foot which such floor was designed to carry. The live load for the building is one hundred pounds per square foot, with allowable reductions per BOCA. All damage done to the Building or any part thereof

by taking in or removing a safe or any other article of Tenant's office equipment, or due to its being in the Demised Premises, shall be repaired at the reasonable expense of the Tenant. No freight, furniture, or other bulky matter of any description will be received into the Building or carried in the elevators, except as approved by the Landlord. All moving of furniture, material, and equipment shall be subject to the supervision of the Landlord, who shall, however, not be responsible for any damage to or charges for moving the same. Tenant agrees to promptly remove from the public area adjacent to the Building and from any common area within the Building any of Tenant's merchandise or property there delivered or deposited.

9.2 Except as may be specifically permitted by the terms of this Lease, Tenant shall not install or use any equipment of any kind or nature whatsoever which will or may necessitate any changes, replacements or additions to or require the use of the water, plumbing, heating, air-conditioning, or electrical system of the Demised Premises without the prior written consent of the Landlord, which consent shall not be unreasonably withheld. In addition, only Landlord or Landlord's contractor or agent at Tenant's reasonable expense shall do all of the work described in the foregoing sentence. Landlord will use its best efforts to secure a competitive price for the work to be performed. Landlord's consent shall not be unreasonably withheld or delayed, but may be conditioned upon the payment by the Tenant of additional rent as compensation for such excess consumption of utilities and the paymen t for other alterations as may be required for such equipment, as and if established by appropriate engineers.

10. ACCESS

Tenant agrees to allow Landlord, its agents or employees to enter the Demised Premises at all reasonable times and upon reasonable notice (except in case of emergency, in which event Landlord may enter the Demised Premises without notice) to examine, inspect or protect the same or to prevent damage or injury to the same; to make such alterations and repairs as the Landlord may deem necessary; or to exhibit the same to prospective tenants during the last twelve (12) months of the term.

Landlord will provide Tenant with forty (40) access cards at no charge. Each additional or replacement access card requested by Tenant shall be at a charge to Tenant of Fifteen Dollars ($15.00) per card.

11. COVENANTS OF LANDLORD

11.1 Landlord covenants that it has the right to make this Lease for the term aforesaid, and that if Tenant shall pay all rent when due and punctually perform all of the covenants, terms, conditions and agreements of this Lease to be performed by Tenant, Tenant shall, during the term hereby created, freely, peaceably and quietly occupy and enjoy the full possession of the Demised Premises without molestation or hindrance by Landlord or any party claiming through or under Landlord, subject, however, to the provisions of this Lease, including but not limited to the Rules and Regulations and the provisions of Section 11.2 below.

11.2 Landlord hereby reserves to itself and its successors and assigns the following rights (all of which are hereby consented to by Tenant): (1) to change the platting, street address and/or name of the Building and/or the arrangement and/or location of entrances passageways, atria, doors doorways,

corridors, elevators, stairs, toilets, or other public parts of the Building; (2) to erect, use and maintain pipes and conduits in and through the Demised Premises; (3) to grant to anyone the exclusive right to conduct any particular business or undertaking in the Building not inconsistent with Tenant's permitted use of the Demised Premises; and (4) the exclusive right to use and/or lease the roof areas, and the sidewalks and other exterior areas; provided such acts do not impair Tenant's ability to conduct business in the normal course. Landlord may exercise any or all of the foregoing rights without being deemed to be guilty of an eviction, actual or constructive, or a disturbance or interruption of the business of Tenant or of Tenant's use or occupancy of the Demised Premises.

12. **RULES AND REGULATIONS**

Tenant, its agents, employees and invitees shall abide by and observe the rules and regulations attached hereto as Exhibit F. Tenant, its agents, employees and invitees shall abide by and observe such other reasonable rules or reasonable regulations which will be enforced in a uniform and non-discriminating manner by Landlord as may be promulgated from time to time by Landlord for the operation and maintenance of the Building provided that the same are not inconsistent with the provisions of this Lease, do not materially impair Tenant's permitted use of the Demised Premises, and a copy thereof is sent to Tenant. Nothing contained in this Lease shall be construed to impose upon Landlord any duty or obligation to enforce such rules and regulations, or the terms, conditions or covenants contained in any other Lease, as against any other tenant, and Landlord shall not be liable to Tenant for vi olation of the same by any other tenant, or such other tenant's employees, agents or invitees.

13. **SIGNS**

No sign, advertisement or notice shall be inscribed, painted, affixed or displayed by Tenant on any part of the outside or the inside of the Building except (i) one building standard identification sign at the entry to the Demised Premises, (ii) one panel on the monument sign servicing the Building, and (iii) identification on the Building's directory. The foregoing shall be only in such place, number, size, color and style as is approved by Landlord, which approval shall not be unreasonably withheld. If any such sign, advertisement or notice is exhibited, without Landlord's approval, which approval shall not be unreasonably withheld, Landlord shall have the right to remove the same and Tenant shall be liable for any and all expenses incurred by Landlord for such removal. All such signs, directories and nameplates shall be at the sole expense of Tenant and shall comply with all applicab le statutes, ordinances, codes, regulations and other laws. In the event Tenant, by exercising its rights of expansion provided herein or otherwise, expands its occupancy of the Building to not less than Thirty Two Thousand (32,000) rentable square feet, Tenant shall have the right, at its sole expense, to install exterior signage on the eastern façade of the Building. Such exterior signage shall be only in such place, number, size, color and style as is approved by Landlord, which approval shall not be unreasonably withheld, and Tenant shall be solely responsible for the approval of all applicable governmental authorities including, without limitation, the City of Creve Coeur. Tenant shall also be responsible for all costs associated with removal of the sign, which shall occur on or before the termination of this Lease. Failure to remove the exterior sign shall

result in Tenant's holdover of the Demised Premises and Tenant shall be subject to the obligations set forth in Section 21 of this Lease.

14. **INSURANCE**

14.1 Tenant shall procure and keep in force at its own expense during the term of this Lease, public liability and property damage insurance in a company acceptable to Landlord, naming Landlord, Landlord's Agent, and any mortgagee of the Building as additional insured's, with a minimum combined single limit coverage of two million dollars ($2,000,000) and including "independent contractors" coverage, broad form "contractual" liability, "personal injury" liability and a broad form CGL endorsement. Landlord will accept a certificate showing evidence of coverage under Tenant's umbrella insurance policy. If at any time Tenant does not comply with the foregoing provisions of this Section, Landlord may, at its option cause such insurance to be issued and in such event Tenant shall pay the premium(s) for such insurance promptly upon Landlord's demand. Tenant shall, in any event, defend, indemnify, defend and save Landlord harmless from and against any and all claims, actions, damages, liability, and expenses, including reasonable attorney's fees, for injury to persons or property, arising in whole or in part from any act or omission of Tenant, its employees, agents, contractors, customers or other visitors, except for negligence on the part of Landlord or its employees.

14.2 In addition to the above, Tenant shall maintain insurance covering all of Tenant's leasehold improvements, trade fixtures and personal property from time to time in, on or upon the Demised Premises and any alterations, improvements, additions or changes made by Tenant thereto in an amount not less than one hundred percent (100%) of their full replacement cost from time to time during the Term of this Lease, providing protection against perils included within the standard form of fire and extended coverage insurance policy, together with insurance against sprinkler leakage or other sprinkler damage, vandalism and malicious mischief. Any policy proceeds from such insurance, so long as this Lease shall remain in effect, shall be applied first for the repair, reconstruction, restoration or replacement of the property damaged or destroyed.

14.3 All insurance policies required to be obtained and maintained by Tenant under this Lease: (1) must be issued by insurance companies with a minimum Best rating of XIII except that Tenant may obtain insurance from or through its parent corporation, Cross Country Healthcare, Inc., provided Tenant continues to be a wholly-owned subsidiary of said parent and provided Cross Country Healthcare, Inc. maintains a tangible net worth of not less than ninety percent (90%) of its aggregate net worth on the date hereof; (2) must be written as primary policy coverage and not contributing with or in excess of any coverage which Landlord may carry; (3) must contain an express waiver of any right of subrogation by the insurance company against Landlord and its agents; (4) must provide that the policy may not be canceled unless Landlord shall have received thirty (30) days prior written notice of cancellation; and (5) shall contain a provision that Landlord and any other parties in interest, although named as insured, shall nevertheless be entitled to recover under said policies for any loss occasioned to them, their servants, agents and employees by reason of the negligence of Tenant (or any other named insured). Tenant shall either: a) provide a Certificate of Insurance within thirty (30) days of occupancy or b) deliver to Landlord certified copies, or duplicate originals, of each such policy or renewal policy, together with evidence of

payment of all applicable premiums prior to its early, non-exclusive occupancy of the Demised Premises pursuant to Section 2 of this Lease, and at least thirty (30) days before the expiration of the expiring policies previously furnished. Any insurance required of Tenant under this Section 14 may be carried under a blanket policy covering the Demised Premises and other locations of Tenant, provided that Tenant shall deliver to Landlord: a) a Certificate of Insurance or b) a duplicate original or certified copy of each blanket policy, or other evidence satisfactory to Landlord of blanket coverage. Neither the issuance of any such insurance policy nor the minimum limits specified in this Section 14 with respect to Tenant's insurance coverage shall be deemed to limit or restrict in any way Tenant's liability arising under or out of this Lease.

14.4 **Insurance Cost Increases Due to Tenant's Activity.** In the event of increases in the insurance rates for fire insurance or other insurance carried by Landlord due to Tenant's activity or property in or about the Demised Premises of the Building, or for improvements to the Demised Premises for which Tenant is responsible, Tenant shall be liable for such increases and shall reimburse Landlord immediately upon demand therefore. Statements by an insurance company or by the applicable insurance rating bureau that such increases are due to such activity, property or improvements shall be conclusive evidence for determining the liability of Tenant hereunder.

14.5 **Procurement of Certain Policies by Landlord**. Landlord shall procure and keep in force at its own expense during the term of this Lease public liability and property damage insurance policies with respect to building operations exclusive of the Demised Premises with not less than a combined single limit of one million dollars ($1,000,000) and general annual aggregate limit coverage of two million dollars ($2,000,000). Such policy shall be full general liability coverage with no unusual exclusions.

14.6 **Insurance on Landlord's Building and Improvements**. In addition to the insurance described in Section 14.5 above, Landlord shall maintain insurance covering the entire Building and Landlord's improvements and personal property from time to time in, on or upon the Building and any alterations, improvements, additions or changes made by Landlord thereto in an amount not less than ninety percent (90%) of their full replacement cost from time to time during the entire term of this Lease, providing protection against perils included within the standard form of fire and extended coverage insurance policy, together with insurance against sprinkler leakage or other sprinkler damage, vandalism and malicious mischief. Landlord shall apply the claim payment proceeds of such insurance, subject and subordinate to the mortgagor, directly to the repair or restoration of the loss or damag e to the Building that was the basis of such claim.

14.7 **General Provisions Relating to Landlord's Insurance**. All insurance policies required to be obtained and maintained by Landlord under this Lease (i) must be issued by insurance companies with a minimum Best rating of XIII; (ii) must be written as primary policy coverage and not contributing with or in excess of any coverage which Tenant may carry; (iii) must provide for a waiver of any right of subrogation by the insurance company against Tenant and its agents.

14.8 **Insurance Does Not Limit Liability.** Landlord and Tenant hereby expressly agree that the insurance provisions of this Lease, including the required minimum limits set forth in Sections 14.1, 14.2, 14.5, and 14.6 of this Lease, are intended to assure that certain minimum standards of insurance

protection are afforded by or on behalf of the parties. No specification as to type, scope, amount or amounts of such insurance shall in any way be construed as a limitation or measurement of the liabilities of Tenant or Landlord arising under or out of this Lease.

15. **INDEMNITY**

15.1 **General Release of Landlord Liability.** Except due to Landlord's negligence and that of its employees and agents, Tenant does hereby release, indemnify and hold Landlord harmless from and against any injury, loss, compensation or claim by Tenant, including, but not limited to, claims for the interruption of or loss to Tenant's business, based on, arising out of or resulting from any cause whatsoever (except as otherwise provided in this Section 15) including, but not limited to, the following: repairs to any portion of the Demised Premises; interruption in the use of the Demised Premises or any equipment therein; any fire, robbery, theft, vandalism, mysterious disappearance in or on the Demised Premises; and any leakage in any part or portion of the Demised Premises or the Building, or from water, rain, ice or snow that may leak into or flow from, any part of the Demised Premise s or the Building, or from drains, pipes or plumbing fixtures in the Building. Any goods, property or personal effects stored or placed by Tenant, its employees or agents in or about the Demised Premises shall be at the sole risk of Tenant and Landlord shall not in any manner be held responsible therefore. Notwithstanding the foregoing provisions of this Section 15.1, Landlord shall not be released from liability to Tenant or any other person or entity for any injury to any natural person or to any property of Tenant caused by the negligence of Landlord or its employees.

15.2 Landlord assumes no liability or responsibility whatsoever with respect to the conduct and operation of the business to be conducted by Tenant in the Demised Premises. Landlord shall not be liable for any accident to or injury to any person or persons or property in or about the Demised Premises which are caused by the conduct or operation of said business or by virtue of equipment or property of Tenant in said Demised Premises, and Tenant agrees to hold the Landlord harmless against all such claims.

15.3 Tenant will indemnify Landlord and hold Landlord harmless from and against any loss, damage or liability, including reasonable attorney's fees, occasioned by or resulting from any default hereunder or any wrongful or negligent act on the part of the Tenant, its agents, servants, employees, invitees, clients or persons authorized on the Demised Premises by Tenant. Landlord will indemnify Tenant and hold Tenant harmless from and against any loss, damage or liability, including reasonable attorney's fees, occasioned by or resulting from any default hereunder or any wrongful or negligent act on the part of the Landlord, its agents, servants, employees, authorized on the Demised Premises by Landlord.

15.4 In the event that at any time during the term of this Lease Tenant shall have a claim against Landlord, Tenant shall not have the right to set off or deduct the amount allegedly owed to Tenant from any rent or other sums payable to Landlord hereunder.

16. **SERVICES**

16.1 Landlord will provide the following services:

a. Automatically operated elevator service twenty-four (24) hours per day, seven (7) days a week. Access to the Building after Normal Business Hours, which are 7:00 a.m. to 6:00 p.m., Monday through Friday and 8:00 a.m. to 12:00 p.m., Saturday shall be via the Building card access system.

b. Heat, ventilation and air conditioning ("HVAC") when necessary to provide a seasonable temperature (subject to governmental regulations) for normal occupancy and use of the Demised Premises during Normal Building Hours. No regular HVAC service will be provided on Sunday or recognized legal holidays. In the event Tenant requests the use of Building HVAC after Normal Business Hours, Tenant shall pay for such use at an hourly rate of Eighteen and 50/100 Dollars ($18.50) per hour with a two (2) hour minimum.

c. Electricity for building standard lighting during Normal Building Hours. If Tenant regularly utilizes the Demised Premises beyond Normal Building Hours, electricity for building standard lighting used beyond Normal Building Hours shall be considered excess electric and Tenant agrees to pay Landlord, promptly upon demand, as additional rent hereunder for all electric consumed for the use of said after-hours lighting at the average rate per unit of energy then in effect.

d. Electricity allowance for 120/208-volt power for operation of desk-top computers, printers, fax machines, copy machines, telephone equipment, non-standard Building lighting, and other energy consuming devices ("Office Equipment"). In the event Landlord reasonably determines that Tenant is consuming an excessive amount of electricity, Landlord reserves the right to separately meter Tenant's space at Tenant's expense and Tenant agrees to pay to Landlord, promptly upon demand, as additional rent hereunder for said excessive electricity at the average rate per unit energy then in effect. An independent engineer selected by Landlord shall reasonably determine electricity consumption. Tenant shall have the option to have an electric meter installed at Tenant's expense.

e. Dedicated computer rooms and supplemental air conditioning and/or air ventilation units shall not be considered standard office equipment and shall be separately metered, at Tenant's expense. Tenant agrees to pay Landlord, promptly upon demand, as additional rent hereunder for all electric consumed by non-standard office equipment at the average rate per unit energy then in effect. Whenever heat generating machines and/or equipment are used by Tenant in the Demised Premises, Landlord reserves the right to install supplementary air conditioning and or air ventilation units for the Demised Premises and the cost of installation, operation and maintenance thereof shall be paid by Tenant at rates set by Landlord as additional rent.

f. Landlord shall perform all light tubes or bulb replacements at Tenant's reasonable request and the cost for same shall be included as an item of Operating Expenses; provided, however, that the cost of replacing non-Building standard or specialized lights shall be replaced at Tenant's sole cost and expense.

g. Rest room facilities and necessary lavatory supplies, including hot and cold running water, at those points of supply provided for the general use of other tenants in the Building, and routine maintenance, painting, and electrical lighting service for all public areas and special service areas of the Building in the manner and to the extent that is standard for first-class office buildings in the St. Louis metropolitan area.

h. Access to the Demised Premises on a full-time twenty-four hour basis, subject to such reasonable regulations and/or security systems that Landlord may impose for security purposes.

i. Janitorial services that are standard for first-class office buildings in the St. Louis metropolitan area.

j. Access to the front door of the Building during Normal Business Hours. After-hours access shall be through the Building's card access system.

Further, Tenant and its employees shall have access to all general access amenities throughout the CityPlace campus provided by Landlord from time to time for various tenants (including a fitness center, restaurant and food service, conference center), subject to generally applicable rules and regulations established by Landlord for the use and availability of such amenities, including those set forth in Exhibit F to this Lease. The provisions of this paragraph shall survive any sale or disposition of the Building, the effect of which permits Tenant access to these and additional or replacement amenities available from time to time by the Landlord or the remainder of the CityPlace campus, but excluding amenities in facilities currently owned by persons or entities other than Landlord. Landlord currently owns CityPlace 1, CityPlace 2, CityPlace 3, CityPlace 4 and The Oaks in the CityPlace campus. Further, Landlord shall have the right, at its sole election, to relocate or close amenties from time to time if such closure or relocation is dictated by reasonably standard business practices (i.e., liability, financial viability, etc).

16.2 Any failure by Landlord to furnish the foregoing services as a result of governmental restrictions, energy shortages, equipment breakdowns, maintenance, repairs, strikes, scarcity of labor or materials, or from any cause beyond the control of Landlord, shall not render Landlord liable in any respect for damages to any person or property, nor be construed as an eviction of Tenant, nor work an abatement of rent, nor relieve Tenant from Tenant's obligations hereunder. If the Building equipment should cease to function properly, Landlord shall use reasonable diligence to repair the same promptly.

16.3 Tenant shall pay directly to the utility companies all costs and charges for Tenant's consumption of utilities (other than water) under any separate meters installed for the Demised Premises and shall pay to Landlord, as additional rent, its proportionate share of electric bills rendered to Landlord under any meters shared by Tenant with another tenant or tenants. In the event the cost of any such utilities is billed to Landlord, then Tenant shall reimburse Landlord the full cost thereof, as additional rent, within ten (10) days after demand therefor. The provision of Section 3.4 of this Lease shall apply if any payment due pursuant to this Section is not made when due. In the event any charges for utilities billed directly to Landlord are not allocated to Tenant on the basis of Tenant's actual usage (i.e., through the use of submeters), then such charges shall be allocated by Landlord based on the ratio of the area of the Demised Premises compared to the area serviced by the applicable meter or submeter. In the event Landlord reasonably determines that Tenant is consuming an excessive amount of electricity due to a 24-hour computer system, any other electrical system or any reason whatsoever, Landlord reserves the right to separately meter Tenant's space at Tenant's sole cost and expense.

17. **PARKING**

Landlord will provide Tenant parking per municipal code of the City of Creve Coeur. This parking will be provided free of charge in the parking structure that services the Building. Tenant shall also have the right to lease eight (8) additional spaces of reserved parking for Tenant's exclusive use. Eight (8) reserved parking spaces will be made available for election to lease by Tenant at a monthly rate of Seventy Five Dollars ($75.00) per space during the first (1st) year following the Lease Commencement Date. Following the first (1st) anniversary of the Lease Commencement Date, Tenant shall continue to have the right to lease no more than eight (8) additional spaces of reserved parking solely on an availability basis and at the then current rate for reserve spaces in the Building. All monthly payments for reserved parking spaces shall be paid in advance by Tenant as additional rent. These reserved spaces shall be located in the garage under the Building and in a location mutually acceptable to Landlord and Tenant.

18. **DAMAGE BY FIRE OR OTHER CASUALTY**

18.1 If the Demised Premises shall be damaged by fire or other casualty, not due to the negligence or fault of Tenant, Landlord shall, as soon as practicable after such damage occurs (subject to being able to obtain all necessary permits and approvals, including, without limitation, permits and approvals required from any agency or body administering environmental laws, rules or regulations, and taking into account the time necessary to effectuate a satisfactory settlement with any insurance company) repair such damage at Landlord's expense and this Lease shall not terminate. It is understood and agreed that the Building, whether partially or totally damaged or destroyed, need not be restored to the same condition as existed prior to such damage or destruction, provided the Building is restored to a condition architecturally harmonious and consistent with the Demised Premises and the balance of the Building. Landlord shall not be required to expend more for any repair, rebuilding, reconstruction, restoration, or replacement of the Demised Premises and/or the Building pursuant to this Section than the amount of insurance proceeds paid to Landlord in connection therewith (or if Landlord shall be self-insured, the amount of insurance proceeds which would otherwise have been paid to Landlord had not Landlord been so self-insured). If the Building is so substantially damaged that it is reasonably necessary, in Landlord's judgment, to demolish the same for the purpose of reconstruction, Landlord may demolish the same, in which event Landlord may treat such demolition as if it had been caused by the same cause as that which caused the damage.

18.2 Except as otherwise provided herein, if the entire Demised Premises are rendered untenantable by reason of any such damage, all Base Annual Rent and additional rent shall abate for the period from the date of the damage to the date the damage is repaired, and if only a part of the Demised Premises are so rendered untenantable, the Base Annual Rent and additional rent shall abate for the same period in the proportion that the area of the untenantable part bears to the total area of the Demised Premises; provided, however, that if, prior to the date when all of the damage has been repaired, any part of the Demised Premises so damaged are rendered tenantable and shall be used or occupied by or through Tenant, then the amount by which the rent abates shall be apportioned for the period from the date of such use or occupancy to the date when all the damage has been repaired. No compensation or reduction of

Base Annual Rent or additional rent will be paid or allowed by Landlord for inconvenience, annoyance, or injury to Tenant's business arising from the need to repair the Demised Premises or the Building.

18.3 Landlord shall have no obligation to repair damage to or to replace Tenant's personal property or any other property located in the Demised Premises, and Tenant shall within thirty (30) days after the Building is sufficiently repaired so as to permit the commencement of work by Tenant, commence to repair, reconstruct and restore or replace the Demised Premises (including fixtures, furnishings and equipment) and prosecute the same diligently to completion.

18.4 Notwithstanding the foregoing provisions, if (a) the Demised Premises shall be so damaged by fire or other casualty that they cannot be fully repaired within a reasonable period of time after the date of damage, or (b) the Building shall be so damaged by fire or other casualty that, in Landlord's opinion, substantial alteration or reconstruction of the Building is required (whether or not the Demised Premises have been damaged or rendered untenantable), then Landlord, at its option, within one hundred eighty (180) days after the fire or other casualty, may give Tenant written notice of termination of this Lease and, in the event such notice is given, this Lease and the term shall terminate (whether or not the term shall have commenced) upon the expiration of thirty (30) days after the date of notice with the same effect as if the date of expiration of the thirty (30) days were the date initially fixed for exp iration of the term, and all rents shall be apportioned as of such date. Tenant shall have the right to terminate if the damage has not been repaired within one hundred eighty (180) days of the date the damage has occurred.

18.5 If the Demised Premises or the Building shall be damaged by fire or other casualty due to the act or omission of Tenant, or any of its employees, agents, licensees, invitees, assignees, subtenants, customers, clients, or guests, this Lease shall not terminate and Tenant shall remain fully liable to Landlord and Landlord shall retain all rights and remedies it has against Tenant pursuant to the terms of this Lease.

19. CONDEMNATION

19.1 Tenant agrees that if the whole or a substantial part of the Demised Premises shall be taken or condemned for public or quasi-public use or purpose by any competent authority, Tenant shall have no claim against the Landlord and shall not have any right to any portion of the amount that may be awarded as damages or paid as a result of any such condemnation; and all right of the Tenant to damages for the unexpired leasehold estate and leasehold improvements that are, have become, or will become, by the terms and conditions of this Lease, the property of the Landlord, if any, are hereby assigned by the Tenant to the Landlord. And upon such entire or substantial condemnation or taking, the term of this Lease shall cease and terminate from the date of such governmental taking or condemnation or taking, and the Tenant shall have no claim against the Landlord for the value of any unexpired term of this Lease. ;If less than a substantial part of the Demised Premises is taken or condemned by any governmental authority for any public or quasi-public use or purpose, Base Annual Rent and additional rent shall be equitably adjusted on the date when title vests in such governmental authority and the Lease shall otherwise continue in full force and effect. For purposes of this Section, a substantial part of the Demised Premises shall be considered to have been taken if more than fifty percent (50%) of the Demised Premises are thereafter unusable by Tenant.

19.2 If any part of the Building (including, without limitation, the Common Areas) is taken by condemnation so as to render, in Landlord's reasonable judgment, the remainder unsuitable for use as an office building, Landlord shall have the right to terminate this Lease upon notice in writing to Tenant within one hundred twenty (120) days after possession is taken by such condemnation. If Landlord terminates this Lease upon a condemnation of the Building as herein provided, it shall terminate as of the day possession is taken by the condemning authority, and Tenant shall pay rent and perform all of its other obligations under this Lease up to that date with a proportionate refund by Landlord of any Base Annual Rent and additional rent as may have been paid in advance for a period subsequent to such possession.

20. **DEFAULT**

20.1 A default or event of default under this Lease shall occur if the Tenant shall:

(a) fail to pay Base Annual Rent or any installment thereof as aforesaid, and/or any additional rent as herein provided, and/or any late fee, when the same shall become due and payable, and such default shall continue for more than five (5) days after the date such payment is due; or

(b) default in the performance of any of the other covenants, conditions, terms, agreements, rules or regulations herein contained, or hereafter established, on the part of the Tenant to be kept and performed and such default shall continue for more than ten (10) days after Tenant's receipt of written notice of such default from Landlord; provided, however, that if such failure is incapable of practicably being cured with diligence within such ten (10) day period and if Tenant shall proceed promptly to cure the same and thereafter shall prosecute such curing with diligence, then upon receipt by Landlord of a certificate from Tenant stating the reason such failure cannot be cured within ten (10) days and stating the estimated time necessary to fully cure such failure may be cured, shall be extended for such period as may be necessary to complete the curing of same with diligence;

(c) be a corporate entity and shall fail to remain in good standing in the State of Missouri or the state of its creation or shall if a foreign corporate entity, fail to maintain a duly registered agent in the State of Missouri and fail to correct such failure within the time necessary to prevent dissolution or disqualification by the applicable governing authority; or

(d) abandon the Demised Premises during the term of the Lease, however, abandonment by Tenant shall not be deemed to have occurred as long as all Base Annual Rent and any additional rent is paid when due, regardless of whether Tenant occupies the Demised Premises.

20.2 If any of the events of default described in Section 20.1 occur, Landlord may, but shall not be obligated to, terminate this Lease by notice to Tenant upon which Tenant's right of possession shall thereupon cease and terminate, or, without terminating this Lease, the Landlord shall be entitled to possession of the Demised Premises and to re-enter the same without demand of rent or demand of possession of the Demised Premises by process of law, notice to quit or of intention to re-enter the same being hereby expressly waived by the Tenant. In the event of such re-entry by process of law or otherwise, the Tenant nevertheless agrees to remain liable for any and all damages which the Landlord may sustain by such re-entry including, without limitation, deficiency in or loss of Base Annual Rent, additional rent, reasonable attorney's fees, other collection costs and all expenses of placing the Demised

Premises in first-class rentable condition, including the costs of subdividing all or part of the Demised Premises.

20.3 Whether or not this Lease and/or Tenant's right of possession is terminated by reason of Tenant's default, and in addition to any other remedy Landlord may have at law or in equity, following an event of default, Landlord may relet the Demised Premises or any part thereof, alone or together for such term(s) which may be greater or less than the period which otherwise would have constituted the balance of the Lease Term) and on such terms and conditions (which may include concessions of free rent and alterations of the Demised Premises) as Landlord, in its sole discretion, may determine, but Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished by reason of, any failure by Landlord to relet the Demised Premises or any failure by Landlord to collect any rent due upon such reletting.

20.4 Whether or not this Lease is terminated by reason of Tenant's default, following an event of default, Tenant nevertheless shall remain liable for any Base Annual Rent, additional rent or damages which may be due or sustained prior to or as a result of such default, all costs, fees and expenses including, but not limited to, reasonable attorneys' fees, brokerage fees, expenses incurred in placing the Demised Premises in first-class rentable condition, and any other costs and expenses incurred by Landlord in pursuit of its remedies hereunder, or in renting the Demised Premises to others from time to time (all such Base Annual Rent, additional rent, damages, costs, fees and expenses being hereinafter referred to as "Termination Damages"), which, at the election of the Landlord, shall include either:

(a) An amount equal to the Base Annual Rent and additional rent which would have become due during the remainder of the Term of this Lease, less the amount of rental, if any, which Landlord shall receive during such period from others to whom the Demised Premises may be rented (other than any additional rent received by landlord as a result of any failure of such other person to perform any of its obligations to Landlord), in which case such Termination Damages shall be computed and payable in monthly installments, in advance, on the first day of each calendar month following Tenant's default and continuing until the date on which the Term of this Lease would have expired but for Tenant's default. Separate suits or actions may be brought to collect any such Termination Damages for any subsequent month(s) by similar proceedings, or Landlord may defer any suits or actions until after the expiration of t he Lease Term; or

(b) An amount equal to the present value (as of the date of Tenant's default) of all Base Annual Rent and additional rent which would have become due during the remainder of the Term of this Lease, discounted at the rate of eight percent (8%) per annum, shall be payable to Landlord in one lump sum on demand.

20.5 If Tenant shall (i) generally not pay Tenant's debts as such debts become due or become insolvent, (ii) make an assignment for the benefit of creditors, (iii) file, be the entity subject to, or acquiesce in a petition in any court (whether or not pursuant to any statute of the United States or any state) in any bankruptcy, reorganizations, composition, extension, arrangement, or insolvency proceedings, or (iv) make an application in any proceedings for, be the entity subject to, or acquiesce in, the appointment of a custodian, trustee, receiver or agent for Tenant or all or any portion of Tenant's property; or (v) acquiesce in any petition filed against Tenant in any court (whether or not pursuant to any

statute of the United States or any state) in any bankruptcy, reorganization, composition, extension, arrangement or insolvency proceedings, in which Tenant is the subject entity, and, in any of the foregoing enumerated events, (1) an order for relief be issued thereon, or (2) such petition shall be approved by any court, or (3) such proceedings shall not be dismissed, discontinued, terminated or vacated within thirty (30) days after such petition is filed; then, in any of said events, this Lease shall immediately cease and terminate at the option of Landlord with the same force and effect as though the date of occurrence of said event was the date herein fixed for expiration of the term of this Lease and all unpaid installments of Base Annual Rent and additional rent remaining unpaid for the balance of the term of this Lease shall become immediately due and payable to Landlord. In case any of the fo regoing provisions are unenforceable or invalid under the Bankruptcy laws of the United States or the insolvency laws or laws for the relief of debtors of any state or territory, the remaining provisions of this Section shall not be affected thereby, but shall remain in full force and effect. No trustee, interim trustee, debtor in possession, debtor engaged in business, custodian, receiver or assignee, or any fiduciary by whatever name, in dominion, control, custody or title, acting under the purported authority of any law, may assume or assign this Lease without the prior written consent of Landlord unless all requirements of the Bankruptcy Laws of the United States are fully satisfied. Such requirements in the event of a proceeding under 11 U.S.C. 101, et seq., include specifically, but without limitation, full compliance with 11 U.S.C. 365 (b) (1) (A), (B) and (C), (b) (3) (A), (B) and (C), (b) (4) and (f) (2) (A) and (B). If the property of Tenant is under administration pursuant to the provision of 11 U.S.C. 101, et seq., then no claim of Landlord for failure or refusal of Tenant to perform the covenants of this Lease shall exceed amounts allowable under 11 U.S.C. 502 (b) (A) and (B), together with any other amounts allowable to Landlord under other provisions of 11 U.S.C. or interpretations thereof.

20.6 The provisions contained in this Section 20 shall be in addition to, and shall not prevent the enforcement of, any claim Landlord may have against Tenant for anticipatory breach of this Lease. If, prior to the commencement of the term of this Lease, Tenant notifies Landlord of, or otherwise unequivocally demonstrates, Tenant's intention to repudiate this Lease, Landlord may, at its option, consider this anticipatory repudiation as a breach of this Lease, in which event Landlord may retain all amounts paid upon execution of the Lease and the security deposit, if any, as termination damages of Landlord incurred as a result of such repudiation. In addition, Tenant shall pay in full all amounts paid by Landlord pursuant to Section 37 of this Lease, all costs incurred by Landlord for Tenant Finishes or Alterations constructed or installed within the Demised Premises to the date of the breach, and all c osts incurred by Landlord materials ordered at Tenant's request for the Demised Premises.

21. TENANT HOLDING OVER

In the event the Tenant shall hold over after the expiration of the term of this Lease or any renewal thereof, then commencing on the first day of the month following expiration of the term hereof and on the first day of each month during Tenant's period of hold-over occupancy, Tenant shall pay to Landlord one hundred and fifty percent (150%) of the monthly installment of Base Annual Rent then in effect for the month immediately prior to the expiration of the term hereof and one hundred and fifty

percent (150%) of the monthly amount of any Operating Expenses and other additional rent payable by Tenant pursuant to the terms of this Lease.

22. **HAZARDOUS SUBSTANCES**

Tenant covenants and agrees that Tenant shall not (either with or without negligence) cause or permit the escape, disposal or release of any biologically or chemically active or other hazardous substances or materials (as defined below) on or about the Demised Premises or Building. Tenant shall not allow the storage, use or disposal of such hazardous substances or materials in any manner not sanctioned by law or by the highest standards prevailing in the industry for the storage and use of such hazardous substances or materials, nor allow to be brought into the Demised Premises or Building any such hazardous materials or substances except to use in the ordinary course of Tenant's business, and then only after written notice is given to Landlord of the identity of such hazardous substances or materials. Without limitation, hazardous substances and materials shall include those described in the Comp rehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 et seq., the Resource Conservation and Recovery Act, as amended 42 U.S.C. Section 6901 et seq., any applicable state or local laws, ordinances, ordinances or regulations, and the regulations adopted under these acts. If any lender or governmental agency shall ever require testing to ascertain whether or not there has been any release of hazardous materials or substances due to acts or omissions of Tenant, then the costs thereof shall be reimbursed by Tenant to Landlord upon demand as additional rent if such requirement applies to the Demised Premises or Building. In addition, Tenant shall execute affidavits, representations and the like from time to time at Landlord's request concerning Tenant's best knowledge and belief regarding the presence of hazardous substances or materials on the Demised Premises. In all events, Tenant shall indemnify and hold Landlord harmless from and against any and all claims, costs and liabilities, including without limitation reasonable attorney's fees and costs incurred as a result of a release or threatened release or hazardous materials or substances on the Demised Premises or Building occurring while Tenant is in possession, or if caused by Tenant or persons acting under Tenant. The within covenants shall survive the expiration or earlier termination of the Lease's term.

23. **ATTORNMENT AND CURE RIGHTS**

This Lease is subject and subordinate to any mortgage and/or deed of trust executed by Landlord which may now or hereafter affect this Lease, the Building or the land on which the Building is erected, and to all renewals, modifications, consolidations, replacements and extensions thereof. In confirmation of such subordination, Tenant shall, within ten (10) business days after request therefore, execute any commercially reasonable certificate that the Landlord or Landlord's lender may request and which does not negatively modify or amend this Lease in a material manner as to Tenant's rights, duties or obligations hereunder. Tenant agrees that in the event any proceeding is brought for the foreclosure of any mortgage or deed of trust encumbering the Demised Premises or the Building, Tenant shall attorn to the purchaser at such foreclosure sale and shall recognize such purchaser as the Landlord under this Lease, and Tenant waives the provisions of any statute or rule of law, now or hereafter in effect, which may give or purport to give Tenant any right to terminate or otherwise adversely affect this Lease and the

obligations of Tenant hereunder in the event any such foreclosure proceeding is prosecuted or completed provided that the Purchaser at any such foreclosure sale shall recognize this Lease and the rights of Tenant hereunder as long as Tenant is not in default in the performance of any of the terms and provisions on Tenant's part to be kept and performed under this Lease. Tenant agrees that upon such attornment, such purchaser shall not be (1) bound by any payment of Base Annual Rent or additional rent for more than one (1) month in advance, except prepayments in the nature of security for the performance by Tenant of its obligations under this Lease but only to the extent such prepayments have been delivered to such purchaser, (2) bound by any subsequent amendment of this Lease made without the consent of the lender providing permanent financing for the Demised Premises or the Building, (3) liabl e for damages for any act or omission of any prior landlord, or (4) subject to any offsets or defenses which Tenant might have against any prior landlord, provided, however, that after succeeding to Landlord's interest under this Lease, such purchaser shall perform in accordance with the terms of this Lease all obligations of Landlord arising after the date such purchaser acquires title to the Demised Premises or the Building. Upon request by such purchaser, Tenant shall execute and deliver an instrument or instruments confirming its attornment.

Contemporaneous with the execution of this Lease, Tenant shall execute a Subordination, Non-Disturbance and Attornment Agreement (the "SNDA") substantially in the form required by Landlord's current mortgage lender. Upon receipt of said fully executed SNDA, Landlord shall forward the SNDA to its lender for execution.

24. **MORTGAGEE REQUIREMENTS**

Tenant shall, at its expense, comply with all reasonable requirements and notices of any financial institution(s) providing funds for the permanent financing or refinancing of the Building, respecting all matters of occupancy, use, condition or maintenance of the Demised Premises provided the same shall not unreasonably interfere with the conduct of Tenant's business nor materially limit or affect the rights of the parties under this Lease. In addition, notwithstanding acceptance and execution of this Lease by the parties hereto, it is understood and agreed that the terms hereof shall be automatically deemed modified, if so required, for the purpose of complying with or fulfilling the reasonable requirements of any lender secured by a mortgage or deed of trust which may now or hereafter be placed or secured upon the Building by any financial institution providing funds for the permanent financing or ref inancing of the Building, provided, however, that such modifications shall not be in material derogation or diminution of any of the rights of the parties hereunder, nor materially increase any of the obligations or liabilities of the parties hereunder. In the event any lender requires commercially reasonable changes to this Lease as described above, Landlord may submit to Tenant a written amendment to this Lease incorporating such changes and, if such amendment does not interfere with the conduct of Tenant's business or materially limit or affect Tenant's rights and privileges hereunder, Tenant hereby covenants and agrees to execute, acknowledge and deliver such amendment to Landlord within ten (10) business days after Tenant's receipt thereof.

25. **ESTOPPEL CERTIFICATES**

Tenant shall, without charge, at any time, and from time to time, within ten (10) business days after receipt of request therefore by Landlord, execute, acknowledge and deliver to Landlord, any mortgagee, assignee of a mortgagee, or any purchaser of the Building or any other person designated by Landlord, as of the date of such Estoppel Certificate, the following: (1) whether or not Tenant is in possession of the Demised Premises; (2) whether or not this Lease is unmodified and in full force and effect (or if there has been a modification, that the Lease is in full force and effect (or if there has been a modification, that the Lease is in full force and effect as modified and setting forth such modification); (3) whether or not there are then existing any set-offs or defenses against the enforcement of any right hereunder (and, if so, specifying the same in detail); (4) the dates, if any, to which any Base Annual Rent, additional rent or other charges have been paid in advance; (5) that Tenant has no knowledge of any other such uncured defaults on the part of Landlord's obligations under this Lease (or if Tenant has knowledge, specifying the same in detail); (6) that Tenant has no knowledge of any event having occurred that authorizes the termination of this Lease by Tenant (or if Tenant has such knowledge, specifying the same in detail); and (7) the address to which notices to Tenant should be sent. Any such statement delivered pursuant hereto may be relied upon by Landlord or any mortgagee or prospective purchaser or mortgagee of the Building or any part thereof or estate therein. Tenant acknowledges that time is of the essence to the delivery of such statements by Tenant and that Tenant's failure or refusal to do so may result in substantial damages to Landlord resulting from, for example, delays suffered by Landlord in obtaining financing or refinancing secured by the Demised Premises or th e Building. Tenant shall be liable for all such damages suffered by Landlord as a direct result of Tenant's failure or refusal. In addition, if after thirty days from written notice requesting such estoppel certificate, Tenant's failure or refusal to deliver such certificates within the time period aforesaid shall be conclusive evidence as against Tenant (i) that this Lease is in full force and effect, without modification except as may be represented by Landlord, (ii) that there are no uncured defaults in Landlord's performance of obligations hereunder, and (iii) that not more than one month's installment of Base Annual Rent or any additional rent has been paid in advance of the due date.

26. **LANDLORD'S INABILITY TO PERFORM**

This Lease and the obligations of Tenant to pay rent and perform all of the provisions on the part of Tenant to be performed hereunder shall in no way be affected, impaired, or excused because Landlord, due to unavoidable delays, (1) is unable to fulfill any of its obligations under this Lease; (2) is unable to supply or is delayed in supplying any service expressly or implied to be supplied; (3) is unable to make or is delayed in making any repairs, replacements, additions, alterations or decorations; or (4) is unable to supply or is delayed in supplying any improvements, equipment or fixtures. Landlord shall be under no obligation to pay overtime labor rates.

27. **TRANSFER BY LANDLORD**

Landlord may freely sell, assign, or otherwise transfer all or any portion of its interest under this Lease or in the Demised Premises or the Building, and in the event of any such sale, assignment or other

transfer, the party originally executing this Lease as Landlord, and any successor or affiliate of such party, shall, without further agreement between Landlord and Tenant or between Landlord and/or Tenant and the person or entity who is the purchaser, assignee or other transferee of Landlord, be relieved of any and all of its obligations under this Lease, and Tenant shall thereafter be bound to such purchaser, assignee or other transferee, as the case may be, with the same effect as though the latter had been the original Landlord hereunder provided any such assignee, purchaser or transferee has assumed the obligations of Landlord hereunder.

28. **WAIVER**

If under the provisions hereof Landlord shall institute proceedings and a compromise or settlement thereof shall be made, the same shall not constitute a waiver of any covenant herein contained nor of any of Landlord's rights hereunder. No waiver of any breach of any covenant, condition, term or agreement herein contained shall operate as a waiver of the covenant, condition, term or agreement itself or of any subsequent breach thereof. No provision of this Lease shall be deemed to have been waived by Landlord unless such waiver shall be in writing signed by Landlord. No payment by Tenant or receipt by Landlord of a lesser amount than the monthly installment of Base Annual Rent or additional rent herein stipulated shall be deemed to be other than on account of the earliest stipulated Base Annual Rent or additional rent nor shall any endorsement or statement on any check or any letter accompan ying any check or payment as Base Annual Rent or additional rent be deemed an accord and satisfaction, and the Landlord may accept such check or payment without prejudice to the Landlord's right to recover the balance of such Base Annual Rent and/or additional rent or pursue any other remedy in this Lease provided. No reentry by Landlord, and no acceptance by Landlord of keys from Tenant, shall be considered an acceptance of a surrender of this Lease.

29. **ATTORNEY'S FEES**.

If any person not a party to this Lease shall institute an action against Tenant in which Landlord shall be made a party, Tenant shall indemnify and save Landlord harmless from all liability by reason thereof, including reasonable attorneys' fees, and all costs incurred by Landlord in such action to the extent not attributable to the negligence of Landlord. If any action shall be brought by either party to enforce any obligation of the other party under this Lease, or for or on account of any breach of or to enforce or interpret any of the terms, covenants or conditions of this Lease, or for the recovery of possession of the Demised Premises, the prevailing party shall be entitled to recover from the breaching part, as a part of the prevailing party's costs, its reasonable attorneys fees, the amount of which shall be fixed by the court and shall be made a part of any judgment in favor of the prevai ling party, and court costs.

30. **GENERAL PROVISIONS**

30.1 **Definition of "Landlord"**. As used herein, the term "Landlord" shall mean the entity herein named as such, and its successors and assigns, each of whom shall have the same rights, remedies, powers, authorities and privileges as it would have had, had it originally signed this Lease as the

Landlord. No person holding the Landlord's interest hereunder (whether or not such person is named as "Landlord" herein) shall have any liability hereunder after such person ceases to hold such interest, except for any such liability accruing while such person holds such interest. Neither the Landlord nor any principal of the Landlord, whether disclosed or undisclosed, shall have any personal liability under any provision of this Lease. If the Landlord defaults in the performance of any of its obligations hereunder or otherwise, the Tenant shall look solely to the Landlord's equity, interest and rights in the Building for satisfaction of the Tenant's remedies on account thereof.

30.2 **Definition of "Tenant"**. As used herein, the term "Tenant" shall mean each person hereinabove named as such and such person's heirs, personal representatives, successors and assigns, each of whom shall have the same obligations, liabilities, rights and privileges as it would have possessed had it originally executed this Lease as the Tenant; provided, that no such right or privilege shall inure to the benefit of any subtenant or assignee of the Tenant, immediate or remote, unless the assignment to such assignee or the sublease with such subtenant is made in accordance with the provisions of Section 8, hereof. In the event that two or more individuals, corporations, partnerships or other business associations (or any combination of two or more thereof) shall sign this Lease as Tenant or guarantee this Lease as guarantors, the liability of each such individual , corporation, partnership or other business association to pay rent and perform all other obligations hereunder shall be deemed to be joint and several. In like manner, in the event that the Tenant named in this Lease shall be a partnership or other business association, the members of which are by virtue of statute or general law subject to personal liability, then, and in that event, the liability of each such member shall be deemed to be joint and several. Notwithstanding any other provisions hereof, or of any rule or provision of law, the failure or refusal by Landlord to proceed, in the event of a breach or default by Tenant, against all the individuals, corporations, partnerships or other business associations comprising the Tenant (or any combination of two or more thereof) or against Tenant or against one or more of the guarantors, if any, hereof shall not be deemed to be a release or waiver of any rights which Landlord may possess against such other individuals, corporations, partnershi ps, or associations not so proceeded against, nor shall it not be deemed to be a release or waiver of any rights which Landlord may possess against such other individuals, corporations, partnerships, or associations not so proceeded against, nor shall the granting by Landlord of a release of, or execution of a covenant not to sue anyone or more of the individuals, corporations, partnerships, or other business associations comprising the Tenant (or any combination of two or more thereof) or the guarantors, if any, constitute a release or waiver, in whole or in part, of any rights which Landlord may possess against such other individuals, corporations, partnerships, or associations not so released or granted a covenant not to sue. In the event the Tenant or any guarantor of the Tenant's obligations hereunder is a corporation or partnership, the persons executing this Lease on behalf of the Tenant and/or such guarantor(s), as the case may be, hereby represent and warrant that: the Tenant and/or such guarantor(s), as the case may be, is a duly constituted corporation or partnership qualified to do business in the State of Missouri; all of Tenant's and/or said guarantor's franchise and corporate taxes have been paid to date; that Tenant and/or such guarantor(s), as the case may be, is otherwise in good standing in the State of its incorporation; and that such persons are duly authorized to execute and deliver this Lease on behalf of Tenant.

30.3 **No Partnership**. Nothing contained in this Lease shall be deemed or construed to create a partnership or joint venture of or between Landlord and Tenant, or to create any other relationship between the parties hereto other than that of Landlord and Tenant.

30.4 **No Representation**. Neither Landlord nor any agent or employee of Landlord has made any representation or promise with respect to the Demised Premises or the Building except as herein expressly set forth, and no rights, privileges, easements or licenses are acquired by Tenant except as herein set forth.

30.5 **Brokers**. Landlord and Tenant each represent and warrant to the other that neither of them has employed or dealt with any broker, agent or finder, other than The Tenant Rep Agency and The Koman Group, L.L.C. in carrying on the negotiations relating to this Lease. Landlord shall pay The Tenant Rep Agency and The Koman Group, L.L.C. a brokerage commission in accordance with a separate agreement with said brokerage companies. Tenant and Landlord shall mutually indemnify and hold each other harmless from and against any claim or claims for brokerage or other commissions asserted by any broker, agent or finder engaged by either party.

30.6 **Invalidity of Particular Provisions**. It is the intention of the parties hereto that if any provision of this Lease is capable of two constructions, one of which would render the provision invalid, and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid. If any term or provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remaining terms and provisions of this Lease, or the application of such terms and provisions to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and enforced to the fullest extent permitted by law.

30.7 **Notices**. All notices required to be given hereunder by either party to the other shall be given by personal delivery, sent by a reputable private carrier of overnight mail or by certified or registered mail, return receipt requested. In the event notice is given by personal delivery, notice shall be deemed given when delivered; if notice is given by private carrier or overnight mail it shall be deemed made on the day after such sending; or if by certified or registered mail, it shall be deemed given when deposited into the United States mail, postage prepaid. Notices to the respective parties shall be to the address written below or such other address as notified to the other parties and such notice shall be deemed to be made on the fifth (5^{th}) day after such mailing:

If to the Landlord:	Cornerstone Opportunity Ventures, LLC c/o The Koman Group One CityPlace Drive, Suite 540 Creve Coeur, Missouri 63141 Attn: Charles E. Gillum
With a copy to:	The Koman Group One CityPlace Drive Suite 540

Creve Coeur, Missouri 63141
Attention: General Counsel

If to the Tenant: Cejka Search, Inc.
_____
_____
_____

Any party may, by like written notice, designate a new address to which such notices shall be directed.

30.8 **Construction**.

(a) As used herein, the term "person" shall mean a natural person, a trustee, a corporation, a partnership and any other form of legal entity; and all references made (1) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, and (2) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well.

(b) The headings of the Sections hereof are provided only for convenience of reference, and shall not be considered in construing the contents thereof.

(c) Time is of the essence with respect to each of Tenant's obligations under this Lease.

(d) Although the printed provisions of this Lease were drawn by Landlord, this Lease shall not be construed for or against Landlord or Tenant, but this Lease shall be interpreted in accordance with the general tenor of the language in an effort to reach the intended result.

30.9 **Governing Law**. This Lease shall be construed and enforced in accordance with the laws of the State of Missouri, and any action or proceeding arising hereunder shall be brought in the courts of State of Missouri. If any such action or proceeding arises under the Constitution, laws or treaties of the United States of America, or if there is a diversity of citizenship between the parties hereto, so that suit may be brought in a United States District Court, it shall be brought in the United States District Court for the Eastern District of Missouri, Eastern Division.

32. **RIGHT OF FIRST OFFER**

Provided no event of default has previously occurred, Tenant shall have a one time right of first offer (the "Right of First Offer") to lease space located on the fourth (4^{th}) floor of the Building ("RFO Space") as its becomes available, provided that such Right of First Offer shall not include space subject to a right of renewal or expansion in favor of an existing tenant. Whenever any portion of the RFO Space becomes available (the "RFO Available Space"), Landlord shall provide Tenant with written notice of availability, which notice shall state the date when renovation of the RFO Available Space could begin (the "Availability Date"), Base Annual Rent for the RFO Available Space, and other critical terms upon which Landlord would be willing to lease the RFO Available Space (the "RFO Terms"); provided, the Base Annual Rent for the RFO Available Space shall reflect the prevailing market rate for such space on the Availability Date as reasonably determined by Landlord. Tenant shall have ten (10) business days to accept Landlord's offer. Tenant's failure to respond timely shall constitute an election not to exercise

Tenant's Right of First Offer as provided by this Section 32. If Tenant elects to exercise its Right of First Offer, Landlord and Tenant shall promptly execute a new lease or amendment to this Lease for the RFO Available Space incorporating the RFO Terms and providing that the payment of Base Annual Rent and additional rent shall commence upon the earlier of (i) ninety (90) days from the Availability Date, or (ii) substantial completion of any tenant improvements to be performed by Landlord and/or Tenant pursuant to the RFO Terms. Landlord shall deliver the RFO Available Space no later than the Availability Date, subject to Landlord's right and obligation to complete any tenant improvements contemplated by the lease for the RFO Available Space following the Availability Date. If Tenant does not exercise its Right of First Offer on the RFO Available Space, Tenant's Right of First Offer as to the RFO Available Space shall forever terminate and Landlord may offer the same to potential tenants on the same material conditions as the RFO Terms; provided, however, if, prior to securing the first new tenant for the RFO Available Space, Landlord must materially alter the RFO Terms from those presented to Tenant, then the RFO Available Space shall again be subject to Tenant's Right of First Offer.

33. **RESOLUTION OF DISPUTES**

Landlord and Tenant will use their best efforts to resolve any disputes between them with respect to their respective obligations and the completion of the Landlord's Work and Tenant's Work as efficiently and as cost-effectively as possible.

At all relevant times, Landlord and Tenant will make bona fide and good faith efforts to resolve all disputes by amicable negotiations; and ensure their representatives will meet, negotiate in good faith and try to resolve each dispute without litigation.

If a dispute cannot be resolved through amicable negotiations, Landlord and Tenant will promptly participate in mediation with a mutually acceptable mediator.

The parties will share the cost of the mediator equally and bear their own costs with respect to the mediation.

34. **ENTIRE AGREEMENT**

This Lease together with all Exhibits attached hereto contains and embodies the entire agreement of the parties hereto, and no representations, inducements or agreements, oral or otherwise, between the parties not contained and embodied in this Lease shall be of any force or effect, and this Lease may not be modified, changed or terminated in whole or in part in any manner other than by an agreement in writing signed by all parties hereto. All of Tenant's duties and obligations hereunder, including but not limited to Tenant's duties and obligations to pay Base Annual Rent, additional rent and the costs, expenses, damages and liabilities incurred by Landlord for which Tenant is liable, shall survive the expiration or termination of this Lease for any reason whatsoever.

35. **NO OPTION**

The submission of this Lease for examination or consideration by Tenant or discussion between Tenant and Landlord does not constitute a reservation of or option for the Demised Premises or any other

space in the Building, and this Lease shall be and become effective as Lease and agreement only upon legal execution, acknowledgment and delivery hereof by Landlord and Tenant.

36. **SATELLITE DISH**

At any time during the Term of the Lease, Tenant, at its sole cost and expense, and upon the payment of rent equal to the then prevailing market rental rates for roof top facilities, as determined by Landlord in its reasonable discretion, may elect to install one (1) satellite dish or antenna and related communication equipment and facilities (collectively "Satellite Dish") on the roof of the Building, by submitting a plan to Landlord for its approval, which approval shall not be unreasonably withheld, conditioned or delayed. The area for the Satellite Dish shall provide for the proper functioning of the Satellite Dish. Tenant shall also be permitted to modify or replace same, subject to the terms of this Section 36. Notwithstanding anything herein to the contrary, the Satellite Dish shall be consistent with the specifications provided by Tenant to Landlord, which shall provide for a Sa tellite Dish no more than one and one-half (1.5) meters in diameter and shall not be visible or protrude beyond the "sky exposure plane" as defined in the City of Creve Coeur zoning ordinance above the screen located on the roof of the Building. Tenant shall be responsible for the installation, maintenance and removal of its Satellite Dish and any municipal requirements and or permits, including the costs thereof. Tenant will provide Landlord with copies of all applications for approvals, permits and licenses. Landlord will also be provided with copies of permits and licenses as they are issued. Tenant will provide insurance coverage and certificates including Landlord and Landlord's agent, The Koman Group, L.L.C. as additional insureds to the extent of Tenant's indemnity obligations hereunder. Tenant will provide Landlord with certificates of completion and lien releases and assurances that no mechanic's lien will attach to the Building as a result of t he work performed pursuant to this Section. If a mechanic's lien is recorded against the Building, Tenant will take whatever steps are necessary to remove or bond over said lien with ten (10) business days after Tenant's receipt of notice of such filing of any such lien. Upon removal of the Satellite Dish (including related cabling, unless such cabling is fully contained within conduit), Tenant agrees to repair any damage to the roof caused by the installation, presence, use of and removal of the Satellite Dish. Tenant believes that use of the Satellite Dish will not interfere with transmission or reception equipment located on the Building or any of the other buildings in the CityPlace Campus. If the Satellite Dish installations should cause measurable interference with installations that are in existence prior to the date of this Lease, Tenant shall eliminate it in a timely manner after written notice from Landlord. Notwithstanding anything herein to the contrary, th e Satellite Dish, cables and conduits shall remain the property of Tenant for the duration of the Lease. Tenant shall have the obligation to remove at its cost such equipment at the expiration or earlier termination of the Lease. Tenant will indemnify and hold Landlord harmless from and against liability, damages, costs and expenses incurred by Landlord arising out of Tenant's negligent installation, use, maintenance and removal of the Satellite Dish, cables and conduits.

37. **RENEWAL OPTION**.

Tenant shall have the right to renew this Lease for one (1) additional consecutive five (5) year term upon delivery of written notice to Landlord at least nine (9) months prior to the end of the initial term of this Lease. The Tenant shall have the right to renew the lease at the market rate at the time of renewal, but in no event will the renewal rent be less than the Base Monthly Rent rate in effect at the time of renewal. In the event Tenant exercises this Option to Renew Lease, Landlord shall adjust the Base Year at the time of renewal.

38. **RENT SUPPLEMENT**

Beginning on the Lease Commencement Date, Landlord agrees to pay all monthly installments of base rent and operating expenses that may arise pursuant to that certain Lease, dated December 1, 2001 (the "Existing Lease") between Clayton Investors Associates, LLC, a Delaware limited liability company, and Tenant for Tenant's existing premises located at 222 South Central Avenue, Suite #_____, Clayton, Missouri 63105 (the "Existing Premises"). Tenant hereby represents and warrants to Landlord that the current term of the Existing Lease shall continue until November 30, 2008 and Tenant's monthly installments of base rent and operating expenses under the Existing Lease does not and shall not, at any time, exceed (i) Forty Two Thousand One Hundred Twenty Two and 90/100 Dollars ($42,122.90) per month for the period commencing on the date hereof and ending December 31, 2007, and (ii) Forty Two Thousand Three Hundred Thirteen and 49/100 Dollars ($42,313.49) per month for the period commencing January 1, 2008 and ending November 30, 2008 (the "Rent Supplement Limit"). Tenant shall not exercise or allow to be exercised any extension in the term of the Existing Lease or expansion in the size of the Existing Premises. Tenant shall be solely responsible for the compliance and satisfaction of all other duties and obligations imposed on Tenant pursuant to the Existing Lease, including any obligation to pay base rent and operating expenses in excess of the Rent Supplement Limit set forth hereinabove. Immediately upon execution of this Lease, Landlord and Tenant shall begin working together diligently and in good faith in an effort to assign to a third party or terminate the Existing Lease or sublease the Existing Premises to a third party and obtain the approval of the landlord under the Existing Lease thereto. Tenant shall take all measures reasonably reque sted by Landlord in order to effectuate the foregoing. In the event Landlord and/or Tenant are successful in obtaining the assignment or termination of the Existing Lease or sublease of the Existing Premises for all or a portion of the remaining term thereof, Landlord shall be entitled to realize and receive the full benefit of such assignment, termination or sublease including, without limitation, the payment of any value received by Landlord or Tenant for such assignment, termination or sublease such as consideration for assignment, rent for sublease or reduced base rent payable due to a termination.

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IN WITNESS WHEREOF, the undersigned have caused this Lease to be signed as of the day and year first above written.

LANDLORD:
CORNERSTONE OPPORTUNITY VENTURES, LLC

By: /s/ Charles E. Gillum
Charles E. Gillum, Director of Asset Management

TENANT:
CEJKA SEARCH, INC.

By: /s/ Carol D. Westfall
Name: Carol D. Westfall
Title: President

EXHIBIT "A"
FLOOR PLAN

EXHIBIT “B”
BUILDING SITE PLAN

BUILDING SPECIFICATIONS
CITYPLACE FOUR

SIZE: Approximately 103,034 rentable square feet on five levels.

DESIGN: Featuring a structural steel beam and purlin system with curtain wall skin and exterior polished granite with insulated sapphire blue, solar gray and clear reflective glass providing optimal shading coefficients for superior operating efficiency.

LIFE SAFETY SYSTEM: The building will feature the latest life safety system. The building will be equipped with a fire sprinkler system, with semi-recessed sprinkler heads.

HVAC: The central air distribution system will feature two high efficiency penthouse units with three chiller units providing cooling capacity to cool the building to 75 degrees interior temperature at 95 degrees outdoor temperature. The utilization of multiple units provides a level of redundancy that will eliminate total building cooling outages and will provide efficient system operation.

Variable air volume and fan terminal units will distribute the air to the usable space. Each individual thermostat will control one VAV box and an average of four diffusers are provided for every 1,000 square feet of leased area.

SECURITY: A security system will be connected to the campus system, which will operate 24 hours per day, 7 days per week. The card access security system monitors all after hour use of the Demised Premises and records each individual tenant's time of access on the building computer system. Also, the elevator card reader will restrict access to authorized floors.

AUTOMATION SYSTEM: This unique feature will provide individual tenants with the optimal combination of environmental control and efficiency. The automation system operates the building 24 hours per day at the most efficient point, maximizing tenant comfort while minimizing operating cost. A built-in microprocessor provides night setback and optimal start and stop of mechanical systems with constant monitoring of the building's temperature. The system will be linked to a terminal in The Koman Group Management Office and at an off-site monitoring facility ensuring immediate response to any malfunction.

CARD ACCESS SYSTEM: The card access system will allow tenants to operate the building mechanical systems during after-hours. The system automatically recognizes an individual tenant code and activates the equipment needed to service its floor upon entrance to the building. A tenant can operate his zone of any single floor without activating the entire building system resulting in substantial energy savings. The system will automatically shut off after two hours of operation, simultaneously logging into

memory information regarding the tenant name, employee name and suite number.

ELEVATORS: Three high-speed elevators will serve the central lobby area. Passenger cab finishes will feature etched stainless steel doors, fabric wrapped panels, and custom handrails. This includes a 3,500-lb. Capacity service/passenger elevator located at the building core, with access to the first floor truck height loading dock.

LANDSCAPING: The CityPlace campus contains ample landscaped green area, maintained year-round. The campus environment contains a three-acre lake, jogging/fitness trail, wooded sectors, numerous planted areas and vast expanses of well-manicured lawns. A fully automatic irrigation system insures the beauty of these areas on a year round basis.

ELECTRICAL: The electrical system has been designed to accommodate today's intensive electrical users with the flexibility to adapt to future technological advancements. The 2' x 4' recessed three-tube, parabolic lens lights have an energy saving ballast for the ultimate in operating efficiency and reduction of glare. A 2,000-ampere 277/480 3-phase/4-wire service provides oversized capacity for equipment loads and future power needs.

PLUMBING: Each floor will contain one set of restroom facilities. Additional wet columns will be located in each wing of the building providing for specialized tenant plumbing requirements.

FLOOR LOADS: The live load capacity will be 100 pounds per square foot, with code allowable reductions.

CEILING HEIGHT: All office ceilings are approximately nine feet high.

FIBER OPTICS: A campus-wide "fiber loop" is tied into each building, providing a high level of redundancy against down time. Tenants are able to choose between multiple vendors for better savings and more choices for different levels of service.

EXHIBIT "D"

CONSTRUCTION PROVISIONS

These provisions define the scope of work to be provided by Landlord in the Demised Premises under the terms of the Lease and have the meanings set forth therein unless provided otherwise.

It is the intent of these provisions that Tenant shall be permitted freedom in the interior design and layout of its space so long as same is consistent with Landlord's policies and structural requirements, applicable building codes, and with sound architectural and construction practices, and provided further than no interference is caused to the operation of the Building's mechanical heating, cooling or electrical systems or structure, or other Building operations or functions, and that no unusual increase in maintenance, insurance, taxes, fees or utility charges will be incurred by Landlord or other tenants in the Building as a result thereof. Any additional cost of design, construction, operation, insurance, maintenance, taxes, fees or utilities which results therefrom shall be charged to Tenant and paid for by Tenant in accordance with the provisions hereof and of the Lease.

Landlord shall provide Tenant a tenant improvement allowance of Fifteen and 00/100 Dollars ($15.00) per rentable square foot of the Demised Premises for construction of a finish to the Demised Premises (the "Improvement Allowance"). Said Improvement Allowance shall be paid directly by Landlord to the general contractor performing the Tenant Finish. The Koman Group, L.L.C. ("TKG") will act as Construction Manager for construction of the Tenant Finish for a fee equal to four percent (4%) of the hard costs of construction of the Tenant Finish. TKG shall be responsible for the selection of a general contractor to perform the Tenant Finish, with Tenant's consent (as contemplated below), and shall generally be responsible for oversight of such general contractor and the performance of the Tenant Finish. The Tenant Finish will be bid out to no less than two (2) gener al contractors with final approval of award and schedule to be mutually agreed on by Tenant, TKG and Landlord, which approval shall not be unreasonably withheld or delayed. Tenant agrees to accept Landlord's base building subcontractor for any construction work on HVAC, mechanical, plumbing, life safety or electrical systems. Notwithstanding anything herein to the contrary, the aforesaid Improvement Allowance shall apply from the existing base Building finish and existing Demised Premises finish. Tenant shall use Bond Wolfe Architects, Inc. to prepare space plans and construction documents for the Tenant Finish.

Tenant shall be responsible for any costs in excess of the Improvement Allowance. If the cost to construct the Tenant Finish is greater than the amount of the Improvement Allowance, then such excess shall be paid by Tenant within thirty (30) days of substantial completion of the Tenant Finish and Tenant's receipt of invoices for said Tenant Finish work; provided that if Tenant's payment is late, Tenant shall pay an additional interest penalty to Landlord equal to the lesser of nine percent (9%) per annum of the cost of the unpaid invoice or the maximum amount permitted by law. There will be no excess allowance refunded.

Landlord shall not be responsible for any delay in the Tenant Finish (and resulting delivery of the premises) which is caused solely by Tenant. Tenant shall be deemed to have solely caused a delay in the tenant finish work if Tenant:

(a) fails to provide a final Tenant Finish plan to Landlord no later than February 15, 2007;

(b) fails to approve of a general contractor for the Tenant Finish no later than March 1, 2007;

(c) fails to approve and/or provide specific revisions within five (5) business days to the construction documents submitted in writing by Landlord to Tenant;

(d) fails to approve in writing within two (2) business days, revised construction documents submitted in writing by Landlord to Tenant;

(e) fails to respond within five (5) business days to the final budget plan submitted in writing by Landlord to Tenant;

(f) fails to approve in writing, within two (2) business days, a revised budget plan submitted in writing by Landlord to Tenant;

(g) fails to release, within two (2) business days, any subcontractor submitted by Landlord to Tenant for authorization; or

(h) fails to approve in writing, within two (2) business days, a change order submitted in writing by Landlord to Tenant for approval.

In addition, if a delay in the completion of the Tenant Finish is caused solely by Tenant (as set forth above), then Tenant shall pay Landlord Base Annual Rent and additional rent for any period wherein Tenant did not occupy the Demised Premises as a result of said delay.

EXHIBIT "D-1"
TENANT FINISH PLAN

EXHIBIT "E"
FORM OF CERTIFICATE

This Certificate is being provided pursuant to the terms and provisions of that certain Lease Agreement dated February __, 2007 (the "Lease"), between Cornerstone Opportunity Ventures, LLC ("Landlord") and Cejka Search, Inc. ("Tenant"). Landlord and Tenant desire to confirm that the following terms that are defined in the Lease shall have the meanings set forth below for all purposes in the Lease:

1. The Occupancy Date is _____, 2007.
2. The Lease Commencement Date is _____, 2007.
3. The date upon which Tenant shall commence to pay Base Annual Rent is _____, 2007.
4. The initial term of the Lease shall expire on _____, 2017.
5. The actual square footage of the Demised Premises is 27,051 rentable square feet.
6. The actual Base Annual Rental during the first Lease Year is $754,722.90 payable in monthly installments of $62,893.58.
7. Tenant's actual proportionate share of the Operating Costs is 26%.
8. All policies or certificates of insurance and evidence of payment of premiums for all insurance required pursuant to the terms of the Lease have been delivered by Tenant to Landlord.

TENANT:
CEJKA SEARCH, INC.

By: _____
Name: _____
Title: _____
Date: _____

LANDLORD:
CORNERSTONE OPPORTUNITY VENTURES, LLC

By: _____
Charles E. Gillum
Director of Asset Management

EXHIBIT "F"
RULES AND REGULATIONS

Unless the context otherwise requires, the terms used in this Exhibit shall have the same meanings as provided in the foregoing Lease Agreement.

The following rules and regulations have been formulated for the safety and well being of all tenants of the Building ("tenants"). Strict adherence to these rules and regulations is necessary to guarantee that every tenant will enjoy a safe and undisturbed occupancy of its Demised Premises in the Building. A violation of these rules and regulations by Tenant shall constitute a default by Tenant under the Lease.

Landlord reserves the right to rescind, amend, alter or waive any of the foregoing rules or regulations at any time when, in its reasonable judgment, it deems it necessary, desirable or proper for the best interest of the tenants, and no such rescission, amendment, alteration or waiver of any rule or any regulation in favor of one tenant shall operate as a rescission, amendment, alteration or waiver in favor of any other tenant. Landlord shall not be responsible to any tenant for the non-observance of, or violation by, any other tenant of any of these rules and regulations at any time.

Landlord may, upon request of any tenant, waive the compliance by such tenant of any of the rules and regulations, provided that (i) no waiver shall be effective unless signed by Landlord or Landlord's authorized agent, (ii) any such waiver shall not relieve such tenant from the obligation to comply with such rule or regulation in the future unless otherwise agreed to by Landlord, (iii) no waiver granted to any tenant shall relieve any other tenant from the obligation of complying with these rules and regulations, and (iv) any such waiver by Landlord does not relieve Tenant for any loss or damage occasioned as a result of Tenant's failure to comply with any rule or regulation.

1. The passenger elevators are not to be used as service cars for deliveries or moving of equipment without the consent of Landlord or Landlord's Building Manager. Any tenant violating the use of the passenger elevators will be held responsible for all damages sustained as a result of such use. The freight elevator is not to be used for general passenger traffic.

2. Office areas, lobbies, corridors and the public rest rooms will be cleaned Monday through Friday, except holidays, after normal business hours. Only those items placed in proper trash receptacles, or clearly marked "Trash" will be disposed of by the cleaners. No trash, empty boxes or containers are to be placed outside the Demised Premises. Tenant shall place and store all trash, garbage and refuse on its Demised Premises in the proper containers as required by the Health and Sanitary Regulations of the State of Missouri. Tenants must make arrangements for disposal of large packing boxes or bulky items from their offices at their own expense. Desks will be dusted only if cleared of paper and working materials.

3. No disabled vehicle, automobile, truck, trailer, or bicycle shall be left on the Property for more than forty-eight (48) hours. In the event that this rule is not complied with, the Landlord shall have the right to tow away said vehicle at the expense of the Tenant without notice.

4. No Tenant, or any person or firm associated with a Tenant, shall at any time bring or keep upon the Demised Premises any flammable, combustible or explosive fluid, chemical or substance.

5. No Tenant shall burn any trash or garbage of any kind in or about its Demised Premises or the Building.

6. Tenant shall immediately notify Landlord or Landlord's Building Manager of any serious breakage, sickness, fire or disorder which comes to Tenant's attention, either in a tenant area or in any common area of the Building.

7. IMMEDIATELY, upon hearing the fire signal, each person will:

a. Pick up wearing apparel and personal belongings; do not carry umbrellas or other large objects with you.

b. Walk - DO NOT RUN - to the nearest stairway, enter, and proceed to exit the Building. Do not use the elevators. Do not linger. Keep moving.

c. You will be advised when it is safe to re-enter the Building. Anyone discovering a fire will follow the directions posted on each fire alarm box, and then station himself or herself outside the Building to direct the responding fire equipment to the location of the fire.

8. No sweepings, rubbish, rags or other substances shall be thrown into the plumbing system. All damage resulting from misuse of the plumbing fixtures shall be borne by the Tenant, or its servants, employees, agents, visitors or licensees who caused such damage. The Tenant shall maintain private plumbing fixtures tied into the Building plumbing system.

9. Except as may be otherwise permitted by the Lease, Tenant shall not tie into nor permit others to tie into the electrical or water supply lines on the Demised Premises without the prior written consent of the Landlord.

10. Landlord reserves the right to require Tenant to discontinue any display or demonstration in or from the Demised Premises, which, in Landlord's reasonable opinion, creates an interference with the use of the public passageways of the Building or constitutes a nuisance or an unhealthy or unsafe condition.

11. Except for purposes of emergency, notices, posters or advertising media shall not be placed in the corridors, elevators, elevator lobbies, and main lobbies or on the exterior of the Building.

12. Landlord shall have the right to prohibit any advertising by Tenant that, in Landlord's opinion, tends to impair the reputation or desirability of the Building. Tenant shall discontinue such advertising immediately upon receipt of written notice from the Landlord.

13. Canvassing, soliciting and peddling in the Building is prohibited and each Tenant shall cooperate in preventing same. Tenant shall not solicit business in the parking or common areas of the Building nor distribute handbills or other advertising material to automobiles parked in the parking lot or to offices in the Building.

14. All moving or deliveries of safes, furniture, goods, wares, merchandise or bulky matter of any description to, from or on behalf of Tenant shall be made through the loading dock facility. All such merchandise shall be transported to and from the Demised Premises by way of the freight elevator, and specified stairs and passageways, only during the hours from time to time designated for such purpose by Landlord. Hand trucks may be used only if equipped with non-marking tires and side guards. At no time shall the passenger elevators or main lobby be used for such deliveries or movements. Landlord shall in no way be held responsible for any charges for expenses incurred by such moving or deliveries.

15. Building employees are prohibited from signing for or receiving any package or article delivered to the Building for Tenant. Any employee who does so is acting as receiving agent for Tenant and not Landlord.

16. Tenant shall not permit the use of any device or instrument within its Demised Premises that would be disturbing to normal sensibilities of other tenants. This includes sound reproduction systems, television sets, phonographs, radios or excessively bright, changing, flashing, flickering or moving lights, which are audible or visible beyond the confines of Tenant's Demised Premises. No Tenant shall make any unseemly or disturbing noises or disturb or interfere with occupants of the Building or neighboring buildings or Demised Premises or those having business with them, whether by the use of any musical instrument, radio, talking machine, whistling, singing, or in any other way. No Tenant shall throw anything out of the doors or windows or down the corridors or stairs of the Building.

17. No Tenant shall permit any portion of its leased space to be used for any unlawful purpose. No Tenant shall use any space in the Building for lodging or sleeping or for any immoral or illegal purpose.

18. Safes and other heavy objects shall not be positioned or installed by Tenant until Landlord or Landlord's Building Manager thereof approves the size and location in writing.

19. Tenant shall insure that all entrance doors and windows within its Demised Premises are closed and locked when the offices are not in use.

20. No Tenant shall mark, bore into, cut or in any way deface any part of the Demised Premises or the Building without the prior written consent of the Landlord. All work involving partition changes, painting, repositioning of doors, installation of wiring or utility lines, shall first be approved in writing by the Landlord.

21. If any Tenant desires to install carpeting, the area of the floor to be covered must first be prepared with cement or other similar adhesive material, and the carpet installed thereon. Written permission of the Landlord must first be obtained; said permission is not to be unreasonably withheld.

22. No antenna or disc of any kind will be installed on the roof, in the windows, or upon the exterior of the Demised Premises or the Building by any tenant, without the prior written consent of the Landlord said consent is not to be unreasonably withheld (and provided Landlord will have the right to charge Tenant a reasonable rate for such space).

23. Tenants who require the assistance of one of the Building employees in making repairs or alterations to their Demised Premises are requested to contact the Building Manager with all such requests. Individual Building employees are restricted to the performance of their regular duties, and additional tasks as specified by the Building Manager.

24. The sidewalks, entries, passages, elevators, public corridors and staircases and other parts of the Building which are not occupied by the Tenant shall not be obstructed or used for any other purpose than ingress or egress. Landlord shall have the right to control and operate the public portions of the Building and the facilities furnished for common use of the tenants, in such manner as Landlord deems best for the benefit of the tenants generally. Public portions and facilities furnished for the common use of the tenants are available at no cost to Tenant during Normal Business Hours only. Use of such public portions and facilities after Normal Business Hours shall be authorized by and charged to

Tenant as specified in writing by Landlord. No tenant shall permit the visit to its Demised Premises of persons in such numbers or under such conditions as to interfere with the use and enjoyment of the entrances, corridors, elevators and other public portions or facilities of the Building by other tenants.

25. The Tenant shall not install or permit the installation of any awnings, shades, drapes, curtains, blinds, shades, screens or other window coverings and the like in the Demised Premises which are visible from the exterior or public areas of the Building, nor shall Tenant install or permit the installation of any such items on any appurtenances to the Demised Premises, other than those approved by the Landlord in writing. Drapes installed by Tenant, which are visible from the exterior of the Building, must be cleaned by Tenant at least once a year, without notice from Landlord, at Tenant's own expense.

26. Tenant shall not place any furniture, plants or any other items anywhere appurtenant to the Demised Premises, other than those approved by Landlord in writing.

27. No additional locks or bolts of any kind shall be placed upon any doors or windows of the Demised Premises nor shall any changes be made in any existing locks without Landlord's prior written consent. The doors leading to the corridors or main halls shall be kept closed during business hours except as they may be used for ingress or egress. Each Tenant shall, upon the termination of its tenancy, return, to Landlord all keys and access cards used in connection with its Demised Premises, including any keys and access cards to the building, to the Demised Premises, to rooms and offices within the Demised Premises, to storage rooms and closets, to cabinets and other built-in furniture, to the fitness center, and to toilet rooms, whether or not such keys or access cards were furnished by Landlord or procured by Tenant, and in the event of the loss of any such keys or access cards, such Tenant shall pay to Landlord the cost of replacing the locks. On termination of a Tenant's Lease, the Tenant shall disclose to Landlord the combination of all locks for safes, safe cabinets and vault doors, if any, remaining in the Demised Premises.

28. Electric and telephone floor distribution boxes must remain accessible at all times.

29. No bicycles, vehicles, animals, birds or pets of any kind shall be brought into the Building or any Tenant's Demised Premises. No cooking, including cooking with hot plates, shall be done or permitted by any Tenant within the Demised Premises without the prior written consent of the Landlord. No tenant shall cause or permit any unusual or objectionable odors to be produced upon or permeate from its Demised Premises. Tenant shall be solely responsible for cleaning and maintaining any area used for cooking which has been approved by Landlord in writing so as to prevent the introduction of insects or vermin into the Demised Premises and the Building. Notwithstanding the foregoing, Tenant may use a microwave oven in the Demised Premises.

30. No space in the Building shall be used for the sale of goods in the ordinary course of business, or for the sale at auction of merchandise, goods or property of any kind. Furthermore, the use of its Demised Premises by any tenant shall not be changed without the prior written approval of Landlord. "Sale of goods in the ordinary course of business" means the sale of goods to the public at large.

31. Landlord reserves the right to inspect all freight to be brought into the building and to exclude from the Building all freight that violates any of these rules and regulations or the Lease.

32. Landlord reserves the right to exclude from the Building at all times any person who is not known or does not properly identify himself to the Building Manager or security company. Landlord may, at its sole option, require all persons admitted to or leaving the Building to register. Each tenant shall be responsible for all persons for whom it authorizes entry into the Building and shall be liable to Landlord for all acts or omissions of such persons.

33. Landlord's employees shall not perform any work or do anything outside of their regular duties, unless under special instruction from the manager of the Building. The requirements of tenants will be attended to only upon application to Landlord, and any such special requirements of Tenant shall be billed to Tenant (and paid as additional rent when the next installment of rent is due) in accordance with the schedule of charges maintained by Landlord from time to time or at such charge as is agreed upon in advance by Landlord and Tenant.

34. Landlord will not repair or maintain suite finishes which are non-standard, such as kitchens, bathrooms wallpaper, special lights, etc. However, should the need arise for repairs of items not maintained by Landlord, Landlord will arrange for the work to be done at Tenant's expense.

35. After construction of the initial Tenant Finish, Tenant will bear the expense of all partitions dividing the Demised Premises from adjacent public corridors and one-half (1/2) of the partitions which divide the Demised Premises from adjacent space available for rent to other tenants of the Building. Corridor partitions must be slab to slab, with insulation. Divider partitions dividing adjacent space must be slab to slab, one sheet of drywall, with insulation.

36. Tenant is responsible for care and maintenance of its own fire extinguishers, the number and size being determined by the code of the City of Creve Coeur. Such extinguishers shall be checked and recharged annually at Tenant's expense.

37. The use of space heaters is prohibited in the Building by the Code of the City of Creve Coeur for fire and life safety reasons. The Landlord will remove any space heaters found in the Building.

38. Any changes required to be made within the Demised Premises in compliance with any governmental and/or code changes during the initial lease term or renewal term shall be at Tenant's sole cost and expense.

39. Landlord adds the right to contract with an exclusive caterer for the Building or development and Tenant agrees to utilize this vendor as long as this vendor is priced comparable to other caterers in the area and provides service comparable for Class A users.

40. The Building is entered after hours through a card access system. Tenant will be invoiced for and agrees to pay as Additional Rent within thirty (30) days of invoicing Landlord's standard charge for each access card Tenant requests.

41. Tenant agrees to supply upon request a list of all employees and their respective automobile type and license plate numbers for Landlord's file. Tenant also agrees to update this list no more than one time per year upon Landlord's request.

EXHIBIT "G"
GUARANTY

In consideration of Cornerstone Opportunity Ventures, LLC ("Landlord") entering into the Lease Agreement dated as of the ___ day of February __, 2007 (the "Lease"), between with Cejka Search, Inc., a Delaware corporation ("Tenant"), for the occupation by Tenant of certain Demised Premises as described in the Lease, the undersigned, being the corporate parent and owner of Tenant, does hereby expressly guaranty to Landlord, its successors and assigns, the prompt payment by Tenant of all Base Annual Rent, additional rent and any amount payable pursuant to the Lease, and the faithful performance by the Tenant of each and all of the terms, covenants and conditions of said Lease required to be performed by Tenant.

The undersigned expressly hereby waives notice of nonperformance of default by or on behalf of said Tenant, and to further expressly hereby waive any legal obligation or necessity for Landlord to proceed first against said Tenant or to exhaust any remedy Landlord may have against said Tenant, it being understood that in the event of default or failure of performance in any respect by said Tenant, Landlord may proceed and have right of action solely against either the undersigned or said Tenant, or jointly against the undersigned and said Tenant.

The undersigned agrees that any modification, waiver, change or extension of any terms, covenants or conditions of said Lease, which Tenant or Landlord may hereinafter elect to make, shall not in any way affect or impair guarantor's unconditional liability to Landlord. This guaranty shall continue during the term of the Lease and any extensions thereof and until the surrender of the Demised Premises to the Landlord in the manner provided for in said Lease. This guaranty shall not be diminished by any payment of Base Annual Rent, additional rent or performance of the terms and conditions of the Tenant by the guarantor, until each and all of Tenant's Lease obligations have been fully discharged.

In the event a suit or action is brought upon this guaranty, the undersigned do hereby agree to pay reasonable attorneys' fees and all court costs incurred by Landlord (if Landlord is the prevailing party in such action).

This guaranty shall be binding upon the successors and assigns of the undersigned and shall inure to the benefit of the successors and assigns of Landlord for the entire term of the Lease.

The obligations of the undersigned hereunder shall be joint and several.

Dated this 6th day of February, 2007.

CROSS COUNTRY HEALTHCARE, INC.

By: _____
Name: Emil Hensel
Title: Chief Financial Officer

BRENTWOOD, TENNESSEE 37027

OFFICE LEASE AGREEMENT

1. Basic Lease Provisions

1.1 Parties: This Lease Agreement, dated for references purposes only February 2, 2007, is made by and between Self Service Mini Storage, an Ohio general partnership ("Landlord") and Cross Country Education LLC a Delaware corporation ("Tenant").

1.2 Premises: Suite Number 130, as shown on Exhibit A attached hereto (the "Premises").

1.3 Rentable Area of Premises: 14,157 rentable square feet.

1.4 Building Address: 9020 Overlook Boulevard, Brentwood, TN 37027.

1.5 Use: Office space, subject to the requirements and limitations contained in Section 6.

1.6 Term: Seven (7) years and four (4) months

1.7 Commencement Date: May 1, 2007, subject to adjustments in accordance with Section 3 below.

1.8 Base Rent: Payable Monthly As Follows:

Period	Monthly Rental
Commencement Date– 8/31/2007	$0.00
9/1/07 – 8/31/08	$22,356.26
9/1/08 – 8/31/09	$23,253.87
9/1/09 – 8/31/10	$24,184.88
9/1/10 – 8/31/11	$25,152.27
9/1/11 – 8/31/12	$26,155.06
9/1/12 – 8/31/13	$27,205.04
9/1/13 – 8/31/14	$28,290.41

1.9 Base Rent Paid Upon Execution: $22,356.26 for the month(s) of September 2007.

1.10 Security Deposit: $22,356.26

1.11 Tenant's Share: 13.48%

1.12 Base Year: The calendar year 2007.

1.13 Number of Parking Spaces: 5.2/1000

1.14 Initial Monthly Parking Rates Per Space: N/A

1.15 Real Estate Broker:

Landlord: Nashville Commercial Real Estate Services
Tenant: Colliers Turley Martin Tucker

1.16 **Attachments to Lease:** Amendment, Exhibit A – "Premises", Schedule 1- Tenant Improvements, Exhibit B – "Verification of Commencement Letter", Exhibit C – "Rules and Regulations", Exhibit D – "Right of First Offer".

1.17 **Address for Notices:**

Landlord: Nashville Commercial Real Estate Services
4560 Trousdale Drive
Suite 100
Nashville, TN 37204
Property Manager

With Copy To: Self Service Mini Storage
140 Sheldon Road
Berea, Ohio 44017

Attention: Gerald C. Forstner, Jr.

Tenant: Cross Country Education
9020 Overlook Blvd., Suite 140
Brentwood, TN 37027
Attn: John Nichols

1.18 **Agent for Service of Process:** The name and address of Tenant's registered agent for service of process in the State of Tennessee, if any, is Corporation Service Company, 2908 Poston Ave., Nashville, TN 37203.

2. Premises

2.1 **Lease of Premises.** Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, upon all of the conditions set forth herein, the Premises, together with certain rights to the Common Areas as hereinafter specified. The Premises shall not include an easement for light, air, or view. The Building, the Common Areas (as defined below), the land upon which the same are located, along with all other buildings and improvements thereon or thereunder, including all parking facilities, are herein collectively referred to as the "Project".

2.2 **Calculation of Size of Building and Premises.** The parties acknowledge that the Premises have been measured according to BOMA standards and square footage figures in Article 1.3 shall be conclusive for all purposes with respect to this Lease.

2.3 **Common Areas-Defined.** The Term "Common Areas" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project that are designated by Landlord from time to time for the general non-exclusive use of Landlord, Tenant, and other tenants of the Project and their respective employees, suppliers, customers, and invitees, including, but not limited to, common entrances, lobbies, corridors, stairwells, public restrooms, elevators, parking areas, loading and unloading areas, roadways, and sidewalks. Landlord may also designate other land and improvements outside the boundaries of the Project to be a part of the Common Areas, provided that such other land and improvements have a reasonable and functional relationship to the Project.

3. Term

3.1 **Term and Commencement Date.** The Term and Commencement Date of this Lease are as specified in Sections 1.6 and 1.7. The Commencement Date set forth in Section 1.7 is an estimated Commencement Date. Subject to the limitations contained in Section 3.3 below, the actual Commencement Date shall be the date possession of the Premises is tendered to Tenant in accordance with Section 3.4 below; provided, however, that the Base Rent, as defined below in Article 4.1 shall not commence until September 1, 2007 and the expiration of this Lease shall be August 31, 2014. When the actual Commencement Date is established by Landlord, Tenant shall, within five (5) business days after Landlord's request,

complete and execute the letter attached hereto as Exhibit B and deliver it to Landlord. Tenant's failure to execute the letter attached hereto as Exhibit B within said five (5) business day period shall be a material default hereunder and shall constitute Tenant's acknowledgement of the truth of the facts contained in the letter delivered by Landlord to Tenant.

3.2 Delay in Possession. Notwithstanding the estimated Commencement Date specified in Section 1.7, if for any reason Landlord cannot deliver possession of the Premises to Tenant on said date, Landlord shall not be subject to any liability therefore, nor shall such failure affect the validity of this Lease or the obligations of Tenant hereunder or extend the Term hereof; provided, however, in such a case, Tenant shall not be obligated to pay rent or perform any other obligation of Tenant under this Lease except as may be otherwise provided in this Lease, until possession of the Premises is tendered to Tenant, as defined in Section 3.4. If Landlord shall not have tendered possession of the Premises to Tenant within ninety(90) days following the estimated Commencement Date specified in Section 1.7, as the same may be extended in accordance with Section 3.3 or under the terms of any work letter agreement entered into by Landlord and Tenant, Ten ant may, at Tenant's option, by notice in writing to Landlord within ten (10) days after the expiration of the ninety (90) day period, terminate this Lease. If Tenant terminates this Lease as provided in the preceding sentence, the Parties shall be discharged from all obligations hereunder, except that Landlord shall return all money previously deposited with Landlord by Tenant; and provided further, that if such written notice by Tenant is not received by Landlord within said ten (10) day period, Tenant shall not have the right to terminate this Lease as provided above unless Landlord fails to tender possession of the Premises to Tenant within ninety (90) days following the estimated Commencement Date specified in Section 1.7, as the same may be extended in accordance with Section 3.3 or under any work letter agreement entered into by Landlord and Tenant. Notwithstanding the foregoing if Landlord is unable to deliver possession of the Premises to Tenant on the Commencement Date due to a "Force Majeure Event", the Commencement Date shall be extended by the period of the delay caused by the Force Majeure Event. A Force Majeure Event shall mean fire, earthquake, weather delays, or other acts of God, strikes, boycotts, war, riot, insurrection, embargoes, shortages of equipment, labor, or materials, delays in issuance of governmental permits or approvals.

3.3 Delays Caused by Tenant. There shall be no abatement of rent, and the ninety (90) day periods specified in Section 3.2 shall be deemed extended, to the extent of any delays caused by acts or omissions of Tenant, Tenant's agents, employees, and contractors, or for Tenant delays as defined in the work letter agreement attached to this Lease, if any (hereinafter, "Tenant Delays"). The Commencement Date shall not be extended due to Tenant Delays.

3.4 Tender of Possession. Possession of the Premises shall be deemed tendered to Tenant when Landlord's architect or agent has determined that (a) the improvements to be provided by Landlord pursuant to a work letter agreement, if any, are substantially completed, (b) the Project utilities are ready for use in the Premises, (c) Tenant has reasonable access to the Premises, and (d) three (3) days shall have expired following advance written notice to Tenant of the occurrence of the matters described in (a), (b), and (c) above of this Section 3.4. If improvements to the Premises are constructed by Landlord, the improvements shall be deemed "substantially" completed when the improvements have been completed except for minor items or defects which can be completed or remedied after Tenant occupies the Premises without causing substantial interference with Tenant's use of the Premises.

3.5 Early Possession. If Tenant occupies the Premises prior to the Commencement Date, such occupancy shall be subject to all provisions of this Lease, such occupancy shall not change the termination date. Provided that Tenant does not interfere with or delay the completion by Landlord or its agents or contractors of the construction of any Tenant improvements, Tenant shall have the right to enter the Premises up to thirty (30) days prior to the anticipated Commencement Date for the purpose of installing furniture, trade fixtures, equipment, and similar items. Provided that Tenant has not begun operating its business from the Premises, and subject to all of the terms and conditions of the Lease, the foregoing activity shall not constitute the delivery of possession of the Premises to Tenant and the Lease Term shall not commence as a result of said activities. Prior to entering the Premises, Tenant shall obtain all insurance it is required to obtain by the Lease and shall provide certificates of said insurance to Landlord.

4. Rent

4.1 Base Rent. Subject to adjustment as hereinafter provided in Section 4.3, Tenant shall pay to Landlord the Base Rent for the Premises set forth in Section 1.8, without offset or deduction on the first day of each calendar month. At the time Tenant executes this Lease it shall pay to Landlord the advance Base Rent described in Section 1.9. Base Rent for any period during the Term hereof which is for less than one month shall be prorated based upon the actual number of days of the calendar month involved. Base Rent and all other amounts payable to Landlord hereunder shall be payable to

Landlord in lawful money of the United States at the address stated herein or to such other persons or at such other places as Landlord may designate in writing.

4.2 Operating Expense Increases. Tenant shall pay to Landlord during the Term hereof, in addition to the Base Rent, Tenant's Share of the amount by which all Operating Expenses for each Comparison Year exceeds the amount of all Operating Expenses for the Base Year. If less than 95% of the rentable square feet in the Project is occupied by tenants or Landlord is not supplying services to 95% of the rentable square feet of the Project at any time during any calendar year (including the Base Year), Operating Expenses for such calendar year shall be an amount equal to the Operating Expenses which would normally be expected to be incurred had 95% of the Project's rentable square feet been occupied and had Landlord been supplying services to 95% of the Project's rentable square feet throughout such calendar year. Tenant' Share of Operating Expense increases shall be determined in accordance with the following provisions:

(a) **"Tenant's Share"** is defined as the percentage set forth in Section 1.11, which percentage has beendetermined by dividing the number of rentable square feet in the Premises by ninety-five percent (95%) of the total number of rentable square feet in the Project and multiplying the resulting quotient by one hundred (100). In the event that the number of rentable square feet in the Project or the Premises changes, Tenant's Share shall be adjusted in the year the change occurs, and Tenant's Share for such year shall be determined on the basis of the days during such year that each Tenant's Share was in effect.

(b) **"Comparison Year"** is defined as each calendar year during the Term of this Lease after the Base Year. Tenant's Share of the Operating Expense increases for the last Comparison Year of the Lease Term shall be prorated according to that portion of such Comparison Year as to which Tenant is responsible for a share of such increase.

(c) **"Operating Expenses"** shall include all commercially reasonable costs, expenses, and fees incurred by Landlord in connection with or attributable to the Project determined in accordance with generally accepted accounting principles ("GAAP") consistently applied, including but not limited to, the following items: (i) actual costs, expenses, and fees associated with or attributable to the ownership, management, operation, repair, maintenance, improvement, and alteration of the Project, or any part thereof, including but not limited to, the following: (A) all surfaces, coverings, decorative items, carpets, drapes, window coverings, parking areas, loading and unloading areas, trash areas, roadways, sidewalks, stairways, landscaped areas, striping, bumpers, irrigation systems, lighting facilities, building exteriors and roofs, fences, and gates; (B) all heating, ventilating, and air-conditioning equipment ("HVAC"), plumbing, mechanical, electrical systems, life safety systems and equipment, telecommunication equipment, elevators, escalators, tenant directories, fire detection systems including sprinkler system maintenance and repair; (ii) the cost of trash disposal, janitorial services, and security services and systems; (iii) the cost of all insurance purchased by Landlord and enumerated in Section 8 of this Lease, including any deductibles; (iv) the amount of the real property taxes to be paid by Landlord under Section 10.1 hereof; (v) the cost of water, sewer, gas, electricity, and other utilities available at the Project and paid by Landlord; (vi) the cost of labor, salaries, and applicable fringe benefits incurred by Landlord; (vii) the cost of materials, supplies, and tools used in managing, maintaining and/or cleaning the Project; (viii) the cost of commercially reasonable accounting fees, management fees, legal fees, and consulting fees attributable to the ownership, operation, ma nagement, maintenance, and repair of the Project (if Landlord is the property manager, Landlord shall be entitled to receive a fair market management fee not to exceed four percent (4%) of the aggregate revenue);(ix) the cost of replacing and/or adding improvements mandated by any law, statute, regulation, or directive of any governmental agency and any repairs or removals necessitated thereby; but excluding all ADA required improvements to Building Common Areas, (x) the costs incurred in implementing and operating any transportation management program, ride-sharing program, or similar program including, but not limited to, the cost of any transportation program fees, mass transportation fees, or similar fees charged or assessed by any governmental or quasi-governmental entity; (xi) payments made by Landlord under any easement, license, operating agreement, declaration, restrictive covenant, or instrument pertaining to the payment or sharing of costs among property owners; (xii) personal property taxes impos ed upon the fixtures, machinery, and equipment used in connection with the operation of the Project; and (xiii) the cost that is elsewhere stated in this Lease to be an "Operating Expense".

"Operating Expenses" shall not include nor will Tenant be obligated to pay for the following:

a. Any expenses paid by any tenant to third parties, or as to which Landlord is otherwise reimbursed by any third party or by insurance proceeds.

b. Any ground lease rental;

c. Costs of items considered capital repairs, replacements, improvements and equipment under generally accepted accounting principles consistently applied or otherwise ("**Capital Items**")

d. Rentals for items which if purchased, rather than rented, would constitute a Capital Item;

e. Costs incurred by Landlord for the repair of damage to the Site, Building or Parking Facility not caused by Tenant or Tenant's employees, agents, contractors or invitees (however, such damage shall be subject to Section 12) and costs of all capital repairs, regardless of whether such repairs are covered by insurance;

f. Costs, including permit, license and inspection costs, incurred with respect to the installation of Tenant's or other occupants' improvements at the Site, Building or Parking Facility (as applicable) or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for other occupants of the Building;

g. Depreciation of the Site, Building or Parking Facility or any Capital Items;

h. Marketing costs, including, leasing commissions, attorneys' fees in connection with the negotiation and preparation of letters, deal memoranda, letters of intent, leases, subleases and assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and assignment negotiations and transactions with present or prospective tenants or other occupants of the Site;

i. Any overhead and profit increment paid to Landlord or to subsidiaries or affiliates of Landlord for goods and services in or to the Site, Building or Parking Facility to the extent such increment exceeds the costs of such goods and services rendered by unaffiliated third parties on a competitive basis;

j. Interest, principal, points and fees on debts or amortization on any mortgage or mortgages or any other debt instrument encumbering the Site, Building or Parking Facility;

k. Landlord's general corporate overhead and general and administrative expenses;

l. Electric power costs for which Tenant directly contracts with the local public service company and pays at Tenant's expense;

m. Excluding the Premises, costs incurred in connection with upgrading the Site, Building or Parking Facility or any portion thereof, to comply with any governmental requirement in effect before the Commencement Date, including, , the ADA, including penalties or damages incurred due to non-compliance with any such laws or regulations;

n. Tax penalties incurred as a result of Landlord's negligence or Landlord's inability or unwillingness to make payments or to file any tax or informational returns when due;

o. Costs for which Landlord has been compensated by a management fee and any management fees in excess of four percent (4%) of the sum of the then current Base Rent ("**Management Fee**");

p. Costs arising from the negligence or fault of Landlord's agents or vendors, contractors or providers of materials or services selected, hired or engaged by Landlord or its agents including, , the selection of building materials;

q. Costs arising from the presence of Hazardous Materials in or about the Site, Building or Parking Facility not caused by Tenant including, , Hazardous Materials in the groundwater or soil;

r. Costs arising from Landlord's charitable or political contributions;

s. Costs arising from latent defects in the base, shell or core of the Building, or improvements installed by Landlord for repair thereof;

t. Costs for sculpture, paintings or other objects of art;

u. Costs (including in connection therewith all attorneys' fees and costs of settlement, judgments and payments in lieu thereof) arising from claims, disputes or potential disputes in connection with potential or actual claims, litigation or arbitrations pertaining to Landlord or the Site, Building or Parking Facility;

v. Costs associated with the operation of the business of the entity which constitutes Landlord as distinguished from the costs of operation of the Site, Building or Parking Facility, including accounting and legal matters, costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Site, Building or Parking Facility, costs of any disputes between Landlord and Landlord's employees, disputes of Landlord with Premises management or outside fees paid in connection with disputes with other tenants;

w. Any entertainment, dining or travel expenses for any purpose;

x. Costs arising from insurance deductibles in excess of $25,000.00, environmental contamination insurance, and any other insurance not required to be maintained by Landlord pursuant to this Lease;

aa. "In house" legal and accounting fees;

bb. Any reserves for Operating Expenses or other costs;

cc. Any administrative fees or costs in excess of the Management Fee.

dd. Any other expenses which, in accordance with generally accepted accounting principles, consistently applied, would not normally be treated as operating expenses by comparable landlords of Comparable Buildings in the Davidson County, Tennessee area.

(d) If the cost incurred in making an improvement or replacing any equipment is not fully deductible as an expense in the year incurred in accordance with generally accepted accounting principles, the cost shall be amortized over the useful life of the improvement or equipment, as reasonably determined by Landlord, together with an interest factor of twelve percent (12%) per annum on the unamortized cost of such item.

(e) Tenant's Share of Operating Expense increases shall be payable by Tenant within thirty (30) days after a reasonably detailed statement of actual expenses is presented to Tenant by Landlord. At Landlord's option, however, Landlord may, from time to time, estimate what Tenant's Share of Operating Expense increases will be, and the same shall be payable by Tenant monthly during each Comparison Year of the Lease Term, on the same day as the Base Rent is due hereunder. In the event that Tenant pays Landlord's estimate of Tenant's Share of Operating Expense increases, Landlord shall use its best efforts to deliver to Tenant within one hundred eighty (180) days after the expiration of each Comparison Year a reasonably detailed statement showing Tenant's Share of the actual Operating Expense increases incurred during such year. Landlord's failure to deliver the statement to Tenant within said period shall not constitute Landlord's waiver of its right to collect said amounts or otherwise prejudice Landlord's rights hereunder. If Tenant's payments under this Section

4.2(f) during said Comparison Year exceed Tenant's Share as indicated on said statement, Tenant shall be entitled to immediate rent credit the amount of such overpayment against Tenant's Share of Operating Expense increases next falling due. If Tenant's payments under this Section 4.2(f) during said Comparison Year were less than Tenant's Share as indicated on said statement, Tenant shall pay to Landlord the amount of the deficiency within thirty (30) days after delivery by Landlord to Tenant of said statement. Landlord and Tenant shall forthwith adjust between them by cash payment any balance determined to exist with respect to that portion of the last Comparison Year for which Tenant is responsible for Operating Expense increases, notwithstanding that the Lease Term may have terminated before the end of such Comparison Year; and this provision shall survive the expiration or earlier te rmination of this Lease.

(f) For purposes of computing Tenant's Share of Operating Expense Increases, Operating Expenses (excluding those Operating Expenses attributable to real and personal property taxes and assessments, insurance costs, and utility services herein agreed to be uncontrollable expenses) in any calendar year will not increase by more than CPI as printed in the Wall Street Journal. Tenant will be required to pay 100% of any increase in Tenant's Share of Operating Expense Increases attributable to those Operating Expenses excluded from the CPI limitation.

5. Security Deposit. Tenant shall deliver to Landlord at the time it executes this Lease the security deposit set forth in Section 1.10 as security for Tenant's faithful performance of Tenant's obligations hereunder. If Tenant fails to pay Base Rent. Additional Rent (as defined below), or other amounts payable by Tenant hereunder, or otherwise defaults with respect to any provision of this lease, Landlord may use all or any portion of said deposit for the payment of any Base Rent or other charge due hereunder, to pay any other sum to which Landlord may become obligated by reason of Tenant's default, or to compensate Landlord for any loss or damage which Landlord may suffer thereby. If Landlord so uses or applies all or any portion of said deposit, Tenant shall, within ten (10) days after written demand therefore, deposit cash with Landlord in an amount sufficient to restore said deposit to its full amount. Landl ord shall not be required to keep said security deposit separate from its general accounts. If Tenant performs all of Tenant's obligations hereunder, said deposit, or so much thereof as has not heretofore been applied by Landlord, shall be returned, without payment of interest or other amount for its use, to Tenant (or, at Landlord's option, to the last assignee, if any, of Tenant's interest hereunder) at the expiration of the Term hereof, and after Tenant has vacated the Premises and complied with all of Tenant's obligations hereunder this Lease Agreement. No trust relationship is created herein between Landlord and Tenant with respect to said security deposit. Tenant acknowledges that the security deposit is not an advance payment of any kind or a measure of Landlord's damages in the event of Tenant's default.

6. Use

6.1 Use. The Premises shall be used and occupied only for the purpose set forth in Section 1.5 and for no other purpose. If Section 1.5 gives Tenant the right to use the Premises for general office use, by way of example and not limitation, general office use shall not include medical office use or any similar use, laboratory use, any use not characterized by applicable zoning and land use restrictions as general office use, or any use which would require Landlord or Tenant to obtain a conditional use permit or variance from any federal, state, or local authority. No exclusive use has been granted to Tenant hereunder.

6.2 Compliance with Law. Notwithstanding any permitted use inserted in Section 1.5, Tenant shall not use the Premises for any purpose which would violate the Project's certificate of occupancy, any conditional use permit, or variance applicable to the Project or violate any covenants, conditions, or other restrictions applicable to the Project. Tenant shall, at Tenant's expense, promptly comply with all applicable laws, ordinances, rules, regulations, orders, certificates of occupancy, conditional use permits, variances, covenants, and restrictions of record, and requirements of any fire insurance underwriters, rating bureaus, or government agencies, now in effect or which may hereafter come into effect, whether or not they reflect a change in policy from that now existing, during the Term or any part of the Term hereof, relating in any manner to the Premises and the occupation and use by Tenant of the Premises. Tenant shall conduct its business and use the Premises in a lawful manner and shall not use or permit the use of the Premises or the Common Areas in any manner that will tend to create waste or a nuisance or shall tend to disturb other occupants of the Project. Tenant shall obtain, at its sole expense, any permit or other governmental authorization required to operate its business from the Premises. Landlord shall not be liable for the failure of any other tenant or person to abide by the requirements of this section or to otherwise comply

with applicable laws and regulations, and Tenant shall not be excused from the performance of its obligations under this Lease due to such a failure.

6.3 Condition of Premises. Except as otherwise provided in this Lease, Tenant hereby accepts the Premises and the Project in their condition existing as of the date this Lease is executed by Landlord and Tenant, subject to all applicable federal, state, and local laws, ordinances, regulations, and permits governing the use of the Premises, the Project's certificate of occupancy, any applicable conditional use permits or variances, and any easements, covenants, or restrictions of record affecting the use of the Premises or the Project. Tenant shall comply with all federal, state, and local laws and regulations governing occupational safety and health at Tenant's sole cost and expense. Tenant acknowledges that it has satisfied itself by its own independent investigation that the Premises and the Project are suitable for its intended use, and that neither Landlord nor Landlord's agents have made any representation or warra nty as to the present or future suitability of the Premises or the Project for the conduct of Tenant's business.

7. Maintenance, Repairs, and Alterations

7.1 Landlord's Obligations. Landlord shall keep the Project (excluding the interior of the Premises and space leased to other occupants of the Project) in good condition and repair. Tenant shall report to Landlord immediately any defective condition in or about the Premises known to Tenant and if such defect is not so reported and such failure to promptly report results in other damage, Tenant shall be liable for same. Except as provided in Section 9.3, there shall be no abatement of rent or liability to Tenant on account of any injury or interference with Tenant's business with respect to any improvements, alterations, or repairs made by Landlord to the Project or any part thereof. .

7.2 Tenant's Obligations

(a) Subject to the requirements of Section 7.3, Tenant shall be responsible for payment of the cost of keeping the Premises in good condition and repair, and if Landlord makes any repairs to the Premises, the cost thereof shall be paid by Tenant to Landlord within ten (10) days after written demand therefore. Tenant shall be responsible for the cost of painting, repairing, or replacing wall coverings, and the cost of repairing or replacing any improvements made to the Premises by Landlord or Tenant. Landlord may, but shall not be obligated to, enter the Premises at all reasonable times to make such repairs, alterations, improvements, and additions to the Premises or to any equipment located therein as Landlord deems necessary in its sole discretion.

(b) On the last day of the Term hereof, or on any sooner termination, Tenant shall surrender the Premises to Landlord in the same condition as received, ordinary wear and tear excepted, clean and free of debris and Tenant's personal property. Tenant shall repair any damage to the Premises occasioned by the installation or removal of Tenant's trade fixtures, furnishings, and equipment. Except as otherwise stated in this Lease, Tenant shall leave the power panels, electrical distribution systems, lighting fixtures, HVAC, window coverings, wall coverings, carpets, wall paneling, ceilings, and plumbing at the Premises and in good operating condition, ordinary wear and tear excepted.

7.3 Alterations and Additions

(a) Tenant shall not, with Landlord's prior written consent, which shall not be unreasonably withheld, conditioned or delayed, make any alterations, improvements, additions, utility installations, or repairs (hereinafter collectively referred to as "Alterations") in, on, or about the Premises or the Project. As used in this Lease, the term "utility installation" shall mean carpeting or other floor covering, window and wall coverings, power panels, electrical distribution systems, lighting fixtures, telephone or computer system wiring, HVAC, and plumbing. At the expiration of the Term, Landlord may require the removal of any Alterations installed by Tenant after the initial tenant improvements by the Landlord and the restoration of the Premises and the Project to their prior condition, at Tenant's expense. If a work letter agreement is entered into by Landlord and Tenant, Tenant shall not be obligated to remove the tenant improvements constructed in accordance with the work letter agreement. Should Landlord permit Tenant to make its own Alterations, Tenant shall use only such contractor as has been expressly approved by Landlord, and Landlord may require Tenant to provide to Landlord, at Tenant's sole cost and expense, a lien and completion bond in an amount equal to the estimated cost of such Alterations, to insure Landlord against any liability for mechanics' and materialmen's liens and to insure completion of the work. Should Tenant make any Alterations without the prior approval of Landlord except as provided herein, or use a contractor not expressly approved by Landlord, Landlord may, at any time during the Term of this Lease, require that Tenant remove all or part of the Alterations and return the Premises to the condition it was in prior to the making of the Alterations.

In the event Tenant makes any Alterations, Tenant agrees to obtain or cause its contractor to obtain, prior to the commencement of any work, "builders all risk" insurance in an amount approved by Landlord and workers compensation insurance.

(b) Any Alterations in or about the Premises that Tenant shall desire to make shall be presented to Landlord in written form, with plans and specifications which are sufficiently detailed to obtain a building permit. If Landlord consents to an Alteration, the consent shall be deemed conditioned upon Tenant acquiring a building permit from the applicable governmental agencies, furnishing a copy thereof to Landlord prior to the commencement of the work, and compliance by Tenant with all conditions of said permit in a prompt and expeditious manner. Tenant shall provide Landlord with as-built plans and specifications for any Alterations made to the Premises.

(c) Tenant shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Tenant at or for use in the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or the Project, or any interest therein. Tenant shall have no right or authority whatever to incur or impose any lien on the Premises or the Project, or any interest therein, other than Tenant's leasehold interest.. If Tenant shall, on good faith, contest the validity of any such lien, Tenant shall furnish to Landlord a surety bond satisfactory to Landlord in an amount equal to such contested lien claim or demand indemnifying Landlord against liability arising out of such lien or claim. In addition, Landlord may require Tenant to pay Landlord's reasonable attorneys' fees and costs in participating in such action.

(d) Tenant shall give Landlord not less than ten (10) days' advance written notice prior to the commence-ment of any work in the Premises by Tenant, and Landlord shall have the right to post notices of non-responsibility in or on the Premises or the Project as provided by law.

(e) All alterations (whether or not such Alterations constitute trade fixtures of Tenant) which may be made to the Premises by Tenant shall be made and done in a good and workmanlike manner and with new materials satisfactory to Landlord and shall be the property of Landlord and remain upon and be surrendered with the Premises at the expiration of the Lease Term, unless Landlord requires their removal pursuant to Section 7.3(a). Provided Tenant is not in default, notwithstanding the provisions of this Section 7.3(e), Tenant's personal property and equipment, other than that which is affixed to the Premises so that it cannot be removed without material damage to the Premises or the Project, shall remain the property of Tenant and may be removed by Tenant subject to the provisions of Section 7.2(b).

7.4 Failure of Tenant to Remove Property. If this Lease is terminated due to the expiration of its Term or otherwise, and Tenant fails to remove its property as required by Section 7.2(b), in addition to any other remedies available to Landlord under this Lease, and subject to any other right or remedy Landlord may have under applicable law, Landlord may remove any property of Tenant from the Premises and store the same elsewhere at the expense and risk of Tenant and at any time (before or after Landlord stores said property), Landlord may sell any or all such property at public or private sale, in such a manner and at such times and places as Landlord, in its sole discretion, may deem proper, without notice to or on demand upon Tenant. Landlord shall apply the proceeds of such sale: first, to the cost and expenses of the sale, including reasonable attorneys' fees actually incurred; second, to the payment of the cost of or charge s for storing any such property; third, to the payment of any other sums of money which may then or thereafter be due to Landlord from Tenant under this Lease; and fourth, the balance, if any, to Tenant.

8. Insurance

8.1 Insurance-Tenant

(a) During the Term of the Lease and at such other times as Tenant occupies the Premises, Tenant shall keep in force at its expense "commercial general liability" insurance with respect to the Premises with limits of not less than One Million Dollars ($1,000,000) per occurrence/ $2,000,000 aggregate, or such commercially reasonable higher amount as Landlord may require in writing from time to time. The insurance shall cover liability arising out of Tenant's operations and liability arising out of work performed at the Premises by other persons on behalf of Tenant, and shall specifically include the contractual liability assumed by Tenant under this Lease. Such coverage, if written on a claims-made basis, must provide for a retroactive date which is prior to the date Tenant occupies the Premises, and the same retroactive date shall continue during the entire Term of this Lease. Tenant shall provide Landlord a certificate of in surance naming Landlord as an additional insured, along with a copy of an additional insured endorsement ISO number CG20 11 01 96 or its equivalent.

(b) Tenant will also maintain "all risk" property insurance, including flood coverage written on a one hundred percent (100%) replacement cost basis on Tenant's personal property, all tenant improvements installed at the Premises by Landlord or Tenant, Tenant's trade fixtures, and other property. If this Lease is terminated as the result of a casualty in accordance with Section 9, the proceeds of said insurance attributable to the replacement of all tenant improvements at the Premises shall be paid to Landlord. Tenant shall also maintain all risk Business Interruption Coverage in an amount no less than 100% of he annual rents and tenant's insurance policy shall contain a loss payable clause naming Landlord additional loss payee A.T.I.M.A. and certificate of insurance evidencing the foregoing coverages shall be given Landlord under an ACCORD 27 or its equivalent.

(c) Tenant shall, at all times during the Term hereof, maintain in effect workers' compensation insurance as required by applicable law and business interruption insurance satisfactory to Landlord.

8.2 Insurance-Landlord

(a) Landlord shall obtain and keep in force a policy of commercial general liability insurance with coverage against such risks and in such amounts as Landlord deems advisable insuring Landlord against liability arising out of the ownership, operation, and management of the Project.

(b) Landlord shall also obtain and keep in force during the Term of this Lease a policy or policies of "all risk" insurance covering loss or damage to the Project in the amount of not less than eighty percent (80%) of the full replacement cost thereof, as determined by Landlord from time to time. The terms and conditions of said policies and the perils and risks covered thereby shall be determined by Landlord from time to time, in Landlord's sole discretion. Tenant will not be named as an additional insured in any insurance policies carried by Landlord and shall have no right to any proceeds therefrom. At Landlord's option, Landlord may obtain insurance coverages and/or bonds related to the operation of the parking areas. At Landlord's option, Landlord may obtain coverage for flood and earthquake damages. In addition, Landlord shall have the right to obtain such additional insurance as is customarily carried by owners or operators of other comparable office buildings in the geographical area of the Project. The policies purchased by Landlord shall contain such deductibles as Landlord may determine. In addition to amounts payable by Tenant in accordance with Section 4.2, Tenant shall pay any increase in the property insurance premiums for the Project over what was payable immediately prior to the Commencement Date to the extent the increase is specified by Landlord's insurance carrier as being caused by the nature of the Tenant's occupancy or any act or omission of Tenant.

8.3 Insurance Policies. Tenant shall deliver to Landlord evidence of required insurance prior to the effective date of this Lease. All insurance policies required of Tenant shall contain language to the extent obtainable that: (i) any loss shall be payable notwithstanding any act or negligence of Landlord or Tenant that might otherwise result in forfeiture of the insurance, (ii) that the policies are primary and non-contributing with any insurance that Landlord may carry, and (iii) that the policies cannot be canceled, non-renewed, or coverage reduced except after thirty (30) days' prior notice to Landlord. If Tenant fails to provide Landlord with such certificates or other evidence of insurance coverage, Landlord may obtain such coverage and the cost of such coverage shall be Additional Rent payable by Tenant upon demand. Tenant shall, at least thirty (30) days prior to the expiration of such policies, furnish Landlord with evi dence of renewals thereof. Tenant represents to Landlord that Tenant self-insures the first $1,000,000 of loss through its parent company, Cross Country Healthcare, and Landlord agrees to allow such self insurance as long as such coverage is provided by the Tenant's parent, Cross Country Healthcare, and documented on the current certificate of insurance, to be signed by Cross Country Healthcare, that Tenant is required to deliver to Landlord

8.4 Waiver of Subrogation. Tenant and Landlord each hereby release and relieve the other, and waive their entire right of recovery against the other, for direct or consequential loss or damage arising out of or incident to the perils covered by insurance carried by such party (or required to be carried by such party by this Lease) to the extent of the insurance proceeds actually received, whether due to the negligence, willful misconduct or intentional or reckless act or omissions of Landlord or Tenant or their agents, employees, contractors, and/or invitees. Landlord and Tenant shall each cause the insurance policies they obtain in accordance with this Section 8 to provide that the insurance company waives all right of recovery by subrogation against either party in connection with any damage covered by any policy.

8.5 **Coverage.** Landlord makes no representation to Tenant that the limits or forms of coverage specified above or approved by Landlord are adequate to insure Tenant's property or Tenant's obligations under this Lease, and the limits of any insurance carried by Tenant shall not limit its obligations under this Lease.

9. Damage or Destruction

9.1 **Effect of Damage or Destruction.** If all or part of the Project is materially damaged (as defined in Section 9.2 below) by fire, earthquake, flood, explosion, the elements, riot, or any other casualty, Landlord shall have the right, in its sole and complete discretion, to repair or to rebuild the Project or to terminate this Lease. Landlord shall within ninety (90) days after the occurrence of such damage notify Tenant in writing of Landlord's intention to repair or to rebuild or to terminate this Lease. Tenant shall in no event be entitled to compensation or damages on account of annoyance or inconvenience in making any repairs, or on account of construction, or on account of Landlord's election to terminate this Lease. Notwithstanding the foregoing, if Landlord shall elect to rebuild or repair the Project, but in good faith determines that the Project cannot be built or repaired within one hundred eighty (180) day s after the date of the occurrence of the damage, without payment of overtime or other premiums, and the damage to the Project has rendered the Premises unusable, Landlord shall notify Tenant thereof in writing at the time of Landlord's election to rebuild or repair, and Tenant shall thereafter have a period of fifteen (15) days within which Tenant may elect to terminate this Lease, upon written notice to Landlord. Tenant's termination right described in the preceding sentence shall not apply if the damage was caused by the negligence, willful misconduct or intentional or reckless act or omissions of Tenant or Tenant's agents, contractors, employees, or invitees. Failure of Tenant to exercise said election with said period shall constitute Tenant's agreement to accept delivery of the Premises under this Lease whenever tendered by Landlord, provided Landlord thereafter pursues reconstruction or restoration diligently to completion, subject to delays beyond Landlord's reaso nable control.

9.2 **Definition of Material Damage.** The damage shall be deemed material if, in Landlord's reasonable judgement, the uninsured cost of repairing the damage will exceed Twenty-Five Thousand Dollars ($25,000). If insurance proceeds are available to Landlord in an amount which is sufficient to pay the entire cost of repairing all of the damage to the Project, the damage shall be deemed material if the cost of repairing the damage exceeds One Hundred Thousand Dollars ($100,000). Damage to the Project shall also be deemed material if (a) the Project cannot be repaired to substantially the same condition it was in prior to the damage due to laws or regulations in effect at the time the repairs will be made, (b) the holder of any mortgage or deed of trust encumbering the Project requires that insurance proceeds available to repair the damage in excess of Twenty-Five Thousand Dollars ($25,000) be applied to the repayment of the indebtednes s secured by the mortgage or the deed of trust, or (c) the damage occurs during the last twelve (12) months of the Lease Term.

9.3 **Abatement of Rent.** If Landlord elects to repair damage to the Project and all or part of the Premises will be unusable or inaccessible to Tenant in the ordinary conduct of its business until the damage is repaired, and the damage was not caused by the negligence or willful misconduct of Tenant or its employees, agents, contractors, or invitees, Tenant's Base Rent and Tenant's Share of Operating Expense increases shall be abated in proportion to the amount of the Premises which is unusable or inaccessible to Tenant in the ordinary conduct of its business until the repairs are completed.

9.4 **Tenant's Negligence.** If such damage or destruction occurs as a result of the negligence or willful misconduct of Tenant or Tenants' employees, agents, contractors, or invitees, and the proceeds of insurance which are actually received by Landlord are not sufficient to repair all of the damage, Tenant shall pay, at Tenant's sole cost and expense, to Landlord upon demand, the difference between the cost of repairing the damage and the insurance proceeds received by Landlord.

9.5 **Tenant's Property.** Landlord shall not be required to repair any injury or damage to, or to make any repairs or replacements of, any fixtures, furniture, equipment, or tenant improvements installed in the Premises, and Tenant shall repair and restore all such property at Tenant's sole expense.

9.6 **Waiver.** Landlord and Tenant hereby waive the provisions of any statutes which relate to the termination of leases when leased property is damaged or destroyed and agree that such event shall be governed by the terms of this Lease.

10. Real Property Taxes

10.1 Payment of Taxes. Landlord shall pay the real property tax, as defined in Section 10.2, applicable to the Project subject to reimbursement by Tenant of Tenant's Share of such taxes in accordance with the provisions of Section 4.2.

10.2 Definition of "Real Property Tax". As used herein, the term "real property tax" shall include any form of real estate tax or assessment, general, special, ordinary, or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy, or tax (other than inheritance, personal income, estate taxes, or Tennessee's franchise and excise tax) imposed on the Project or any portion thereof by any authority having the direct or indirect power to tax, including any city, county, state, or federal government, or any school, agricultural, sanitary, fire, street, drainage, or other improvement district thereof, as against any legal or equitable interest of Landlord in the Project or in any portion thereof, as against Landlord's right to rent or other income therefrom, or as against Landlord's business of leasing the Project. The term "real property tax" shall also include any tax, fee, levy, assessment, or charge (a) in substitution of, partially or totally, any tax, fee, levy, assessment, or charge hereinabove included within the definition of "real property tax", or (b) the nature of which was hereinbefore included within the definition of "real property tax", or (c) which is imposed as a result of a change in ownership, as defined by applicable local statutes for property tax purposes, of the Project or which is added to a tax or charge hereinbefore included within the definition of real property tax by reason of such change of ownership, or (d) which is imposed by reason of this transaction, any modifications, or changes hereto, or any transfers hereof, or (e) transportation taxes, fees, or assessments, including but not limited to, mass transportation fees, regional transportation district fees, metro rail fees, trip fees, and similar fees and assessments, or (f) fees assessed by an air quality management district or other governmental or quasi-governmental e ntity regulating pollution related to other tenant leases, or (g) parking fees or parking taxes paid by Landlord, or (h) any commercially reasonable expenses incurred by Landlord in attempting to reduce, or minimize real property taxes.

10.3 Personal Property Taxes. Tenant shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment, and all other personal property of Tenant contained in the Premises or related to Tenant's use of the Premises. If any of Tenant's personal property shall be assessed with Landlord's real property, Tenant shall pay to Landlord the taxes attributable to Tenant within ten (10) days after receipt of a written statement from Landlord setting forth the taxes applicable to Tenant's property.

11. Utilities

11.1 Services Provided by Landlord. Subject to all governmental rules, regulations, and guidelines applicable thereto, Landlord shall use its best efforts to provide HVAC to the Premises for normal office use during the times described in Section 11.3, reasonable amounts of electricity for normal office lighting and fractional horsepower office machines, water in the Premises or in the Common Area for reasonable and normal drinking and lavatory use, replacement light bulbs and/or fluorescent tubes and ballasts for standard overhead fixtures, and building standard janitorial services

Services Exclusive to Tenant. Tenant shall pay for all water, gas, heat, electricity, telephone, and other utilities and services supplied and/or metered exclusively to the Premises or to Tenant, together with any taxes thereon., If any such exclusive services are not separately metered to the Premises, Tenant shall pay, at Landlord's option, either Tenant's Share or a reasonable proportion to be determined by Landlord of all charges jointly metered with other premises in the Project. Notwithstanding, the rights of Landlord to charge Tenant for such exclusive services shall not be construed to allow Landlord to charge Tenant for the water, gas, heat, electricity, telephone, and other utilities and services that are contemplated as Operating Expenses under this Lease.

11.2 Hours of Service. Building services and utilities shall be provided Monday through Friday from 7:00 a.m. to 7:00 p.m. and Saturdays from 8:00 a.m. to 1:00 p.m. Janitorial services shall be provided Monday through Friday. HVAC and other Building services shall not be provided at other times or on nationally recognized holidays. Landlord shall use its best efforts to provide HVAC to Tenant at times other than those set forth above subject to (a) the payment by Tenant of Landlord's standard charge, as determined by Landlord from time to time, in Landlord's sole discretion, for after-hours HVAC only when requested by Tenant, and (b) Tenant providing to Landlord at least four (4) hour's advance notice of Tenant's need for after-hours HVAC. As of the date of this Lease, and subject to future increases the standard charge for after-hours HVAC is Fifty Dollars ($50.00) per hour. Tenant shall pay all a fter-hours HVAC charges to Landlord within ten (10) days after Landlord bills Tenant for said charges.

11.3 **Excess Usage by Tenant.** Notwithstanding the use set forth in Section 1.5, Tenant shall not use Building utilities or services in excess of those used by the average office building tenant using its premises for ordinary office and classroom use. Tenant shall not install at the Premises office machines, lighting fixtures, or other equipment which will generate above average heat, noise, or vibration at the Premises or which will adversely affect the temperature maintained by the HVAC system. If Tenant does use Building utilities or services in excess of those used by the average office building tenant, Landlord shall have the right, in addition to any other rights or remedies it may have under this Lease provided Landlord has notified Tenant in writing of such excess use and afforded Tenant a reasonable opportunity to cure, to (a) at Tenant's expense, install separate metering devices at the Premises, and to charge Tenant for its usage, (b) require Tenant to pay to Landlord all costs, expenses, and damages incurred by Landlord as a result of such usage, and (c) require Tenant to stop using excess utilities or services.

11.4 **Interruptions.** Tenant agrees that Landlord shall not be liable to Tenant for its failure to furnish utilities or other services when such failure is occasioned, in whole or in part, by repairs, replacements, or improvements, by a strike, lockout, or other labor trouble, by inability to secure electricity, gas, water, or other fuel at the Project after reasonable effort to do so, by any accident or casualty whatsoever, by act or default of Tenant or other parties, or by any other cause beyond Landlord's reasonable control, and such failures shall never be deemed to constitute an eviction or disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying rent or performing any of its obligations under this Lease. Furthermore, Landlord shall not be liable under any circumstances for loss of property or for injury to, or interference with, Tenant's business, including, without limita tion, loss of profits, however occurring, through or in connection with or incidental to a failure to furnish any of the services or utilities as set forth in this Section 11. Landlord may comply with voluntary controls or guidelines promulgated by any governmental entity relating to the use or conservation of energy, water, gas, light, or electricity or the reduction of automobile or other emissions without creating any liability of Landlord to Tenant under this Lease. Notwithstanding anything herein to the contrary, if as the result of a cause of loss insured by Landlord, Tenant is unable to reasonably conduct Tenant's business at the Premises during normal operating hours as contemplated by this Lease is interrupted for 96 continuous hours, Base Rent shall abate for the period commencing on the expiration of the 96 hour period and ending at such time that Tenant is able to reasonably conduct Tenant's business at the Premises during normal operating hours as contemplated by this Lease .

12. Assignment and Subletting

12.1 **Landlord's Consent Required.** Tenant shall not voluntarily or by operation of law assign, transfer, hypothecate, mortgage, sublet, or otherwise transfer or encumber all or any part of Tenant's interest in this Lease or in the Premises (hereinafter collectively a "Transfer"), without Landlord's prior written consent, which shall not be unreasonably withheld, conditioned or delayed. Landlord shall respond to Tenant's written request for consent hereunder within ten(10) business days after Landlord's receipt of the written request from Tenant. Any attempted Transfer without such consent shall be void and shall constitute a material default and breach of this Lease. Tenant's written request for Landlord's consent shall include, and Landlord's ten (10) day response period referred to above shall not commence, unless and until Landlord has received from Tenant all of the follo wing information: (1) financial statements for the proposed assignee or subtenant for the past two (2) years prepared in accordance with generally accepted accounting principles, (b) federal tax returns for the proposed assignee or subtenant for the past two (2) years, (c) a TRW credit report or similar report on the proposed assignee or subtenant, (d) a detailed description of the business the assignee or subtenant intends to operate at the Premises, (e) the proposed effective date of the assignment or sublease, (f) a copy of the proposed sublease or assignment agreement which includes all of the terms and conditions of the proposed assignment or sublease,(g) a detailed description of any ownership or commercial relationship between Tenant and the proposed assignee or subtenant. If the obligations of the proposed assignee or subtenant will be guaranteed by any person or entity, Tenant's written request shall not be considered complete until the information described in (a), (b), and (c) of the pr evious sentence has been provided with respect to each proposed guarantor. "Transfer" shall also include the transfer (a) if Tenant is a corporation, and Tenant's stock is not publicly traded over a recognized securities exchange, of more than fifty-one percent (51%) of the voting stock of such corporation during the term of this Lease (whether or not in one or more transfers) or the dissolution or merger of the corporation, or (b) if Tenant is a partnership or other entity, of more than twenty-five percent (25%) of the profit and loss participation in such partnership or entity during the term of this Lease (whether or not in one or more transfers) or the dissolution or liquidation of the partnership.

But Tenant may transfer its interest in the Lease to its parent, a wholly owned subsidiary, a corporation wholly owned by the same parent, or to another entity acquiring substantially all of Tenant's

assets by an asset sale, merger, or consolidation without Landlord's further consent if the following conditions have been satisfied:

(i) At least **10** days before the effective date of any proposed transfer, Tenant delivers written notice to Landlord stating: (A) the legal name of the proposed transferee; (B) documentation of the proposed transferee's right to transact business in this state; (C) as applicable, evidence that the proposed transferee has net assets (or will have on completion of the transaction net assets) at least equal to the greater of Tenant's net assets on the Effective Date or at that time; and (D) documentation of the proposed transaction between Tenant and the proposed transferee.

(ii) Before the effective date of any such transfer, Tenant and the proposed transferee, must deliver to Landlord a fully executed copy of the transfer documents, which must: (A) provide Tenant and each Guarantor will remain fully liable to Landlord for any and all obligations under this Lease; (B) state, as of the effective date of the transfer, Landlord is not in default under the Lease or specify the nature of Landlord's default; (C) provide the proposed transferee will assume all obligations under this Lease and confirm that its interest in the Premises is subordinate to this Lease; (D) require that the proposed transferee must pay to Landlord all rent and other consideration for the use or occupancy of the Premises; and (E) require that the proposed transferee use the Premises for engaging in the same business as the Tenant.

12.2 Standard for Approval. Landlord shall not unreasonably withhold its consent to a Transfer provided that Tenant has complied with each and every requirement, term, and condition of this Section 12. Tenant acknowledges and agrees that each requirement, term, and condition in this Section 12 is a reasonable requirement, term, or condition. It shall be deemed reasonable for Landlord to withhold its consent to a Transfer if any requirement, term, or condition of this Section 12 is not complied with or (a) the Transfer would cause Landlord to be in violation of its obligations under another lease or agreement to which Landlord is a party; b) in Landlord's reasonable judgment, a proposed assignee or subtenant has a smaller net worth than Tenant had on the date this Lease was entered into with Tenant or is less able financially to pay the rents due under this Lease as and when they are due and payable; (c) a proposed assignee's or subtenant's business will impose a burden on the Project's parking facilities, elevators, Common Areas, or utilities that is greater than the burden imposed by Tenant, in Landlord's reasonable judgment; (d) the terms of a proposed assignment or subletting will allow the proposed assignee or subtenant to exercise a right of renewal, right of expansion, right of first offer, right of first refusal, or similar right held by Tenant; (e) a proposed assignee or subtenant does not, in Landlord's reasonable judgment, have a good credit rating; (f) a proposed assignee or subtenant refuses to enter into a written assignment agreement or sublease, reasonably satisfactory to Landlord, which provides that it will abide by and assume all of the terms and conditions of this Lease for the term of any assignment or sublease (g) any guarantor of this Lease refuses to consent to the Transfer or to execute a written agreement reaffirming the guaranty; (h) Tenant is in default as defined in Section 13.1 at the time of the request; or (l) if requested by Landlord, the assignee or sublessee refuses to sign a nondisturbance and attornment agreement in favor of Landlord's lender.

12.3 Additional Terms and Conditions. The following terms and conditions shall be applicable to any Transfer:

(a) Regardless of Landlord's consent, no Transfer shall release Tenant from Tenant's obligations hereunder or alter the primary liability of Tenant to pay the rent and other sums due Landlord hereunder and to perform all other obligations to be performed by Tenant hereunder or release any guarantor from its obligations under its guaranty.

(b) Landlord may accept rent from any person other than Tenant pending approval or disapproval of an assignment or subletting.

(c) Neither a delay in the approval or disapproval of a Transfer, nor the acceptance of rent, shall constitute a waiver or estoppel of Landlord's right to exercise its rights and remedies for the breach of any of the terms or conditions of this Section 12.

(d) The consent by Landlord to any Transfer shall not constitute a consent to any subsequent Transfer by Tenant or to any subsequent or successive Transfer by an assignee or subtenant. However, Landlord may consent to subsequent Transfers or any amendments or modifications thereto without notifying Tenant or anyone else liable on the Lease and without obtaining their consent, and such action shall not relieve such persons from liability under this Lease.

(e) In the event of any default under this Lease, Landlord may proceed directly against Tenant, any guarantors, or anyone else responsible for the performance of this Lease, including any subtenant or assignee, without first exhausting Landlord's remedies against any other person or entity responsible therefore to Landlord, or any security held by Landlord.

(f) Landlord's written consent to any Transfer by Tenant shall not constitute an acknowledgement that no default then exists under this Lease nor shall such consent be deemed a waiver of any then existing default.

(g) The discovery of the fact that any financial statement relied upon by Landlord in giving its consent to an assignment or subletting was materially false shall, at Landlord's election, render Landlord's consent null and void.

(h) Landlord shall not be liable under this Lease or under any assignment or sublease to any assignee or subtenant.

(i) No assignment or sublease may be modified or amended without Landlord's prior written consent.

12.4 Additional Terms and Conditions Applicable to Subletting

(a) Tenant hereby absolutely and unconditionally assigns and transfers to Landlord all of Tenant's interest in all rentals and income arising from any sublease entered into by Tenant, and Landlord may collect such rent and income and apply same toward Tenant's obligations under this Lease; provided, however, that until a default shall occur in the performance of Tenant's obligations under this Lease, Tenant may receive, collect, and enjoy the rents accruing under such sublease. Landlord shall not, by reason of this or any other assignment of such rents to Landlord nor by reason of the collection of the rents from a subtenant, be deemed to have assumed or recognized any sublease or to be liable to the subtenant for any failure of Tenant to perform and comply with any of Tenant's obligations to such subtenant under such sublease, including, but not limited to, Tenant's obligation to return any security deposit. Tenant hereb y irrevocably authorizes and directs any such subtenant, upon receipt of a written notice from Landlord stating that a default exists in the performance of Tenant's obligations under this Lease, to pay to Landlord the rents due as they become due under the sublease. Tenant agrees that such subtenant shall have the right to rely upon any such statement and request from Landlord, and that such subtenant shall pay such rents to Landlord without any obligation or right to inquire as to whether such default exists and notwithstanding any notice from or claim from Tenant to the contrary.

(b) In the event Tenant shall default in the performance of its obligations under this Lease, Landlord, at its option and without any obligation to do so, may require any subtenant to attorn to Landlord, in which event Landlord shall undertake the obligations of Tenant under such sublease from the time of the exercise of said option to the termination of such sublease; provided, however, Landlord shall not be liable for any prepaid rents or security deposit paid by such subtenant to Tenant or for any other prior defaults of Tenant under such sublease.

12.5 Transfer Premium from Assignment or Subletting. Landlord shall be entitled to receive from Tenant (as and when received by Tenant) after Tenant has deducted all reasonable direct and out of pocket expenses, as an item of additional rent fifty percent (50%) of all amounts received by Tenant from such assignee or subtenant in excess of the amounts payable by Tenant to Landlord hereunder (the "Transfer Premium"). "Transfer Premium" shall mean all Base Rent, additional rent, or other consideration of any type whatsoever payable by the assignee or subtenant in excess of the Base Rent and additional rent payable by Tenant under this Lease. If less than all of the Premises is transferred, the Base Rent and the additional rent shall be determined on a per rentable square foot basis.

12.6 Landlord's Option to Recapture Space. Notwithstanding anything to the contrary contained in this Section 12, Landlord shall have the option, by giving written notice to Tenant within ten(10) business days after receipt of any request by Tenant to assign this Lease or to sublease space in the Premises, to terminate this Lease with respect to said space as of the date thirty (30) days after Landlord's election. In the event of a recapture by Landlord, if this Lease shall be canceled with respect to less than the entire Premises, the Base Rent, Tenant's Share of Operating Expense increase, and the number of parking spaces Tenant may use shall be adjusted on the basis of the number of rentable square feet retained by Tenant in proportion to the number of rentable square feet contained in the original Premises, and this Lease as so amended shall

continue thereafter in full force and effect, and upon request of either party, the parties shall execute written confirmation of same. If Landlord recaptures only a portion of the Premises, it shall construct and erect at its sole cost such partitions as may be required to sever the space to be retained by Tenant from the space recaptured by Landlord. Landlord may, at its option, lease any recaptured portion of the Premises to the proposed subtenant or assignee or to any other person or entity without liability to Tenant. Tenant shall not be entitled to any portion of the profit, if any, Landlord may realize on account of such termination and reletting. Tenant acknowledges that the purpose of this Section 12.6 is to enable Landlord to control the leasing of space in the Project.?? Tenant acknowledges and agrees that the requirements of the Section 12.6 are commercially reasonable and are consistent with the intentions of Landlord and Tenant.

12.7 Landlord's Expenses. In the event Tenant shall assign this Lease or sublet the Premises or request the consent of Landlord to any Transfer, then Tenant shall pay Landlord's reasonable costs and expenses incurred in connection therewith, including, but not limited to, attorneys', architects', accountants', engineers', or other consultants' fees limited to five thousand ($5,000.00).

13. Default; Remedies

13.1 Default by Tenant. Landlord and Tenant hereby agree that the occurrence of any one or more of the following events is a material default by Tenant under this Lease and that said default shall give Landlord the rights described in Section 13.2. Landlord or Landlord's authorized agent shall have the right to serve any notice of default, notice to pay rent or quit, or similar notice.

(a) Tenant's failure to make any payment of Basic Rent, Tenant's Share of Operating Expense increases, parking charges, charges for after-hours HVAC, late charges, or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of three (3) days after written notice thereof from Landlord to Tenant. In the event that Landlord serves Tenant with a notice to pay rent or quit pursuant to applicable unlawful detainer statutes, such notice shall also constitute the notice required by this Section 13.1(a).

(b) The abandonment of the Premises by Tenant in which event Landlord shall not be obligated to give any notice of default to Tenant.

(c) The failure by Tenant to observe or perform any of the covenants, conditions, or provisions of this Lease to be observed or performed by Tenant (other than those referenced in Sections 13.1(a) and (b) above), where such failure shall continue for a period of ten (10) days after written notice thereof from Landlord to Tenant; provided, however, that if the nature of Tenant's nonperformance is such that more than ten (10) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said ten (10) day period and thereafter diligently pursues such cure to completion. In the event that Landlord serves Tenant with a notice to quit pursuant to applicable unlawful detainer statues, said notice shall also constitute the notice required by this Section 13.1(c).

(d) (i) The making by Tenant or any guarantor of any general arrangement or general assignment for the benefit of creditors; (ii) Tenant or any guarantor becoming a "debtor" as defined in 11 U.S.C. 101 or any successor statute thereto (unless, in the case of a petition filed against Tenant or guarantor, the same is dismissed within sixty (60) days; (iii) the institution of proceedings seeking the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days or the institution of a foreclosure proceeding against Tenant's real or personal property; or (iv) the attachment, execution, or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where su ch seizure is not discharged within thirty (30) days. In the event that any provision of this Section 13.1(d) is contrary to any applicable law, such provision shall be of no force or effect.

(e) The discovery by Landlord that any financial statement, representation, or warranty given to Landlord by Tenant, or by any guarantor of Tenant's obligations hereunder, is or was materially false.

(f) If Tenant is a corporation, partnership, limited liability company or other form of business entity, the dissolution or liquidation of Tenant.

13.2 Remedies

(a) In the event of any default or breach of this Lease by Tenant, Landlord may, at any time thereafter, with or without notice or demand, and without limiting Landlord in the exercise of any right or remedy which Landlord may have by reason of such default:

(i) terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease and the Term hereof shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. If Landlord terminates this Lease, Landlord may recover from Tenant (a) the worth at the time of award of the unpaid rent which had been earned at the time of termination; (b) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (c) the worth at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; and (d) any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant 46;s failure to perform its obligations under the Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, the cost of recovering possession of the Premises, expenses of re-leasing, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, any real estate commissions actually paid by Landlord, and the unamortized value of any free rent, reduced rent, tenant improvement allowance, or other economic concessions provided by Landlord. Landlord shall in no event be liable in any way whatsoever for failure to relet the Premises or, in the event that the Premises or any part or parts thereof are relet, for failure to collect the rent thereof under such reletting. The "worth at time of award" of the amounts referred to in Section 13.2(a)(i)(a) and (b) shall be computed by allowing interest at the lesser of two percent (2%) per annum over the "prime rate" as established by Bank of America o f Tennessee, N.A., or the maximum interest rate permitted by applicable law. The worth at the time of award of the amount referred to in Section 13.2(a)(i)(c) shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of Baltimore at the time of award plus one percent (1%). For purposes of this Section 13.2(a)(i), "rent" shall be deemed to be all monetary obligations required to be paid by Tenant pursuant to the terms of this Lease.

(ii) maintain Tenant's right of possession in which event Landlord shall have the remedy which permits Landlord to continue this Lease in effect after Tenant's breach and abandonment and recover rent as it becomes due.

(iii) collect sublease rents (or appoint a receiver to collect such rent) and otherwise perform Tenant's obligations at the Premises, it being agreed, however, that the appointment of a receiver for Tenant shall not constitute an election by Landlord to terminate this Lease.

(iv) pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the state in which the Premises are located.

(b) No remedy or election hereunder shall be deemed exclusive, but shall, wherever possible, be cumulative with all other remedies at law or in equity.

(c) If Tenant abandons or vacates the Premises, Landlord may re-enter the Premises and such re-entry shall not be deemed to constitute Landlord's election to accept a surrender of the Premises or to otherwise relieve Tenant from liability for its breach of this Lease. No surrender of the Premises shall be effective against Landlord unless Landlord has entered into a written agreement with Tenant in which Landlord expressly agrees to (i) accept a surrender of the Premises and (ii) relieve Tenant of liability under the Lease. The delivery of keys to Landlord or any employee or agent of Landlord shall not constitute the termination of the Lease or the surrender of the Premises.

13.3 Multiple Defaults by Tenant.

(a) Tenant acknowledges that any rights or options of first refusal, or to extend the Term, to expand the size of the Premises, to purchase the Premises or the Building, or other similar rights or options which have been granted to Tenant under this Lease are conditioned upon the prompt and diligent performance of the terms of this Lease by Tenant. Accordingly, should Tenant default under this Lease on two (2) or more occasions during any twelve (12) month period, in addition to all other remedies available to Landlord, all such rights and options shall automatically, and without further action on the part of any party, expire and be of no further force and effect.

(b) Should Tenant default in the payment of Base Rent, Additional Rent, or any other sums payable by Tenant under this Lease Agreement on two (2) or more occasions during any twelve (12) month period, regardless of whether Landlord permits such default to be cured, then, in addition to all other remedies otherwise available to Landlord, Tenant shall, within ten (10) days after demand by Landlord, post a Security Deposit in, or increase the existing Security Deposit to, a sum equal to three (3) months' installments of Base Rent. The additional Security Deposit shall be governed by the terms of this Lease.

(c) Should Tenant default under this Lease on two (2) or more occasions during any twelve (12) month period, in addition to all other remedies available to Landlord, any default notice requirements or cure periods otherwise set forth in this Lease Agreement with respect to a default by Tenant shall not apply.

13.4 Default by Landlord. Landlord shall not be in default under this Lease unless Landlord fails to perform obligations required of Landlord within thirty (30) days after written notice by Tenant to Landlord and to the holder of any mortgage or deed of trust encumbering the Project whose name and address shall have theretofore been furnished to Tenant in writing, specifying wherein Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its cure, then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently pursues the same to completion. This Lease and the obligations of Tenant hereunder shall not be affected or impaired because Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is ca used by reason of strike or other labor problems, acts of God, riot, insurrection, governmental actions or requirements, or any other cause beyond the reasonable control of Landlord, and the time for Landlord's performance shall be extended for the period of any such delay.

13.5 Late Charges. Tenant hereby acknowledges that late payment by Tenant to Landlord of Base Rent, Tenant's Share of Operating Expense increases, parking charges, after-hours HVAC charges, or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord by the terms of any mortgage or trust deed encumbering the Project. Accordingly, if any installment of Base Rent, Tenant's Share of Operating Expense increases, parking charges, after-hours HVAC charges, or any other sum due from Tenant shall not be received by Landlord when such amount shall be due, then, without any requirement for notice to Tenant, Tenant shall pay to Landlord a late charge equal to six percent (6%)of the monthly base rent.. The parties hereby agree that such late charge represents a fair and reasonable estimate of the additional costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder including the assessment of interest under Section 13.5. Notwithstanding, Landlord shall waive its Late Charge one (1) time during any calendar year provided Landlord receives the Base Rent payment or other non-payment within five (5) days from Landlord's written notice that the payment was not received.

13.6 Interest on Past-due Obligations. Except as expressly herein provided, any amount due to Landlord that is not paid when due shall bear interest at the lesser of two percent (2%) per annum over the "prime rate" as established by Bank of America of Tennessee, N.A. from time to time, or the maximum rate permitted by applicable law. Payment of such interest shall not excuse or cure any default by Tenant under this Lease, provided, however, that interest shall not be payable on late charges incurred by Tenant nor on any amounts upon which late charges are paid by Tenant.

13.7 Payment of Rent after Default. If Tenant fails to pay Base Rent, Tenant's Share of Operating Expense increases, parking charges, or any other monetary obligation due hereunder on the date it is due, after Tenant's third failure to pay any monetary obligation on the date it is due, at Landlord's option, all monetary obligations of Tenant hereunder shall thereafter be paid by cashier's check. If Landlord has required Tenant to make said payments by cashier's check, Tenant's failure to make a payment by cashier's check shall be a material default hereunder.

14. Landlord's Right to Cure Tenant's Default; Payments by Tenant. All covenants and agreements to be kept or performed by Tenant under this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any reduction of rent. If Tenant shall fail to perform any of its obligations under this Lease, within a reasonable time after such performance is required by the terms of this Lease, Landlord may, but shall not be obligated to, after three (3) days' prior written notice to Tenant, make any such payment or perform any such act on Tenant's behalf without waiving its rights based upon any default of Tenant and without releasing Tenant from any obligations hereunder. Tenant shall pay to

Landlord, within ten (10) days after delivery by Landlord to Tenant of statements therefore, an amount equal to the expenditures reasonably made by Landlord in connection with the remedying by Landlord of Tenant's defaults pursuant to the provisions of this Section 14.

15. Condemnation. If any portion of the Premises or the Project is taken under the power of eminent domain, or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs, provided that if so much of the Premises or Project are taken by such condemnation as would substantially and adversely affect the operation and profitability of Tenant's business conducted from the Premises and said taking lasts for ninety (90) days or more, Tenant shall have the option, to be exercised only in writing within thirty (30) days after Landlord shall have given Tenant written notice of such taking (or in the absence of such notice, within thirty (30) days after the condemning authority shall have taken possession), to terminate this Lease as of the date the condemn ing authority takes such possession. If a taking lasts for less than ninety (90) days, Tenant's rent shall be abated during said period but Tenant shall not have the right to terminate this Lease. If Tenant does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining except that the rent and Tenant's Share of Operating Expenses shall be reduced in the proportion that the usable floor area of the Premises taken bears to the total usable floor area of the Premises. Common Areas taken shall be excluded from the Common Areas usable by Tenant and no reduction of rent shall occur with respect thereto or by reason thereof. Landlord shall have the option, in its sole discretion, to terminate this Lease as of the taking of possession by the condemning authority by giving written notice to Tenant of such election within thirty (30) days after receipt of notice of a taking by condemnation of any part of the Premises or the Project. Any award for the taking of all or any part of the Premises or the Project under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Landlord, whether such award shall be made as compensation for diminution in value of the leasehold or for the taking of the fee as severance damages or as damages for tenant improvements, provided, however, that Tenant shall be entitled to any separate award for loss of or damage to Tenant's trade fixtures and removable personal property and any award available for the relocation of Tenant's business. In the event that this Lease is not terminated by reason of such condemnation and subject to the requirements of any lender that has made a loan to Landlord encumbering the Project, Landlord shall, to the extent of severance damages received by Landlord in connection with such condemnation, repair any damage to the Project caused by such condemnation exc ept to the extent that Tenant has been reimbursed therefore by the condemning authority. Tenant shall pay any amount in excess of such severance damages required to complete such repair. Except as set forth in this Section 15, Landlord shall have no liability to Tenant for interruption of Tenant's business upon the Premises, diminution of Tenant's ability to use the Premises, or other injury or damage sustained by Tenant as a result of such condemnation.

16. Vehicle Parking

16.1 Use of Parking Facilities. During the Term and subject to the rules and regulations attached hereto as Exhibit "C" as modified by Landlord from time to time (the "Rules"), Tenant shall be entitled to use the number of parking spaces set forth in Section 1.13 in the parking facility of the Project at no cost to Tenant, unless as provided or required elsewhere herin. Landlord may, in its sole discretion, assign tandem parking spaces to Tenant and designate the location of any reserved parking spaces. Landlord reserves the right at any time to relocate Tenant's reserved and unreserved parking spaces so long as the relocated parking spaces remain proximate to the Project. If Tenant commits or allows in the parking facility any of the activities prohibited by the Lease or the Rules, then Landlord shall have the right, without notice, in addition to such other rights and remedies that it may have, to remov e or tow away the vehicle involved and charge the cost to Tenant, which cost shall be immediately payable by Tenant upon demand by Landlord. Tenant's parking rights are the personal rights of Tenant and Tenant shall not transfer, assign, or otherwise convey its parking rights separate and apart from this Lease.

17. Broker's Fee. Tenant and Landlord each represent and warrant to the other that neither has had any dealings or entered into any agreements with any person, entity, broker, or finder other than the persons, if any, listed in Section 1.15 in connection with the negotiation of this Lease, and no other broker, person, or entity is entitled to any commission or finder's fee in connection with the negotiation of this Lease, and Tenant and Landlord each agree to indemnify, defend, and hold the other harmless from and against any claims, damages, costs, expenses, attorneys' fees, or liability for compensation or charges which may be claimed by any such unnamed broker, finder, or other similar party by reason of any dealings, actions, or agreements of the indemnifying party.

18. Estoppel Certificate

18.1 Delivery of Certificate. Tenant shall at any time upon not less than ten (10) days' prior written notice from Landlord execute, acknowledge, and deliver to Landlord a statement in writing certifying such information as Landlord may reasonably request including, but not limited to, the following: (a) that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect), (b) the date to which the Base Rent and other charges are paid in advance and the amounts so payable, (c) that there are not, to Tenant's knowledge, any uncured defaults or unfulfilled obligations on the part of Landlord, or specifying such defaults or unfulfilled obligations, if any are claimed, and (d) that all tenant improvements to be constructed by Landlord, if any, have been completed in accordance with Landlord's obligations and Tenant has taken possession of the Premises. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Project.

18.2 Failure to Deliver Certificate. At Landlord's option, the failure of Tenant to deliver such statement within such time shall constitute a material default of Tenant hereunder, or it shall be conclusive upon Tenant that (a) this Lease is in full force and effect, without modification except as may be represented by Landlord, (b) there are no uncured defaults in Landlord's performance, (c) not more than one month's Base Rent has been paid in advance, and (d) all tenant improvements to be constructed by Landlord, if any, have been completed in accordance with Landlord's obligations and Tenant has taken possession of the Premises.

18.3 Financial Information. Two (2) times per calendar year, if Landlord desires to finance, refinance, or sell the Project or any part thereof, Tenant hereby agrees to deliver, and to cause any guarantor of Tenant's obligations to deliver, to any lender or purchaser designated by Landlord such financial statements of Tenant or any guarantor and other information as may be reasonably required by such lender or purchaser. All such financial statements shall be received by Landlord and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

19. Landlord's Liability. Tenant acknowledges that Landlord shall have the right to transfer all or any portion of its interest in the project and to assign this Lease to the transferee. Tenant agrees that in the event of such a transfer Landlord shall automatically be released from all liability under this Lease; and Tenant hereby agrees to look solely to Landlord's transferee for the performance of Landlord's obligations hereunder after the date of the transfer. Upon such a transfer, Landlord shall, at its option, return Tenant's security deposit to Tenant or transfer Tenant's security deposit to Landlord's transferee and, in either event, Landlord shall have no further liability to Tenant for the return of its security deposit. Subject to the rights of any lender holding a mortgage or deed of trust encumbering all or part of the Project, Tenant agrees to look solely to Landlord's equity interest in the Project for the collection of any judgment requiring the payment of money by Landlord arising out of (a) Landlord's failure to perform its obligations under this Lease, or (b) the negligence or willful misconduct of Landlord, its partners, employees, and agents. No partner, employee, or agent of Landlord shall be personally liable for the performance of Landlord's obligations hereunder or be named as a party in any lawsuit arising out of or related to, directly or indirectly, this Lease and the obligations of Landlord hereunder. The obligations under this Lease do not constitute personal obligations of the individual partners of Landlord, and Tenant shall not seek recourse against the individual partners of Landlord or their assets.

20. Indemnity.

20.1 Tenant's Indemnification. Tenant shall indemnify, defend, and hold harmless Landlord, its agents, partners, and employees from and against any and all claims for damage to the person or property of any person or entity arising from Tenant's use of the Project, or from the conduct of Tenant's business, or from any activity, work, or things done, permitted, or suffered by Tenant in or about the Project and shall further indemnify, defend, and hold harmless Landlord, its agents, partners, and employees from and against any and all claims, costs, and expenses arising from any breach or default in the performance of any obligation of Tenant to be performed under the terms of this Lease, or arising from any act or omission of Tenant, or any of Tenant's agents, contractors, employees, or invitees, and from and against all costs, attorneys' fees, expenses, and liabilities incurred by Landlord, its agents, partners, and employees as the result of any such use, conduct, activity, default, or negligence. In case any action or proceeding is brought against Landlord, its agents, partners, and employees, Tenant shall defend Landlord and its agents, partners, and employees at Tenant's expense by counsel reasonably satisfactory to Landlord and Landlord shall cooperate with Tenant in such defense. Landlord need not have first paid any claim in order to be so indemnified. This indemnity shall survive the expiration or sooner termination of this Lease.

20.2 Landlord's Indemnification. Landlord shall indemnify, defend, and hold harmless Tenant, its agents, partners, and employees from and against any and all claims for damage to the person or property of any person or entity arising from Landlord's use of the Project, or from the conduct of Landlord's business, or from any activity, work, or things done, permitted, or suffered by Landlord in or about the Project and shall further indemnify, defend, and hold harmless Tenant, its agents, partners, and employees from and against any and all claims, costs, and expenses arising from any breach or default in the performance of any obligation of Landlord to be performed under the terms of this Lease, or arising from any act or omission of Landlord, or any of Landlord's agents, contractors, employees, or invitees, and from and against all costs, attorneys' fees, expenses, and liabilities incurred by Tenant, its agents, partners, and emp loyees as the result of any such use, conduct, activity, default, or negligence. In case any action or proceeding is brought against Tenant, its agents, partners, and employees, Landlord shall defend Tenant and its agents, partners, and employees at Landlord's expense by counsel reasonably satisfactory to Tenant and tenant shall cooperate with Landlord in such defense. Tenant need not have first paid any claim in order to be so indemnified. This indemnity shall survive the expiration or sooner termination of this Lease. Such indemnification by Landlord shall not include an indemnification of Tenant against losses arising from acts or omissions of other tenants. Landlord does covenant and agree to use commercially reasonable efforts to enforce the obligation of such other *t*enants (or their insurance companies) with respect to such losses.

21. Exemption of Landlord from Liability. Tenant hereby agrees that Landlord shall not be liable for injury to Tenant's business or any loss of income therefrom or for loss of or damage to the goods, wares, merchandise, or other property of Tenant, Tenant's employees, invitees, customers, or any other person in or about the Project, nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents, or contractors,, whether such damage or injury is caused by or results from any cause whatsoever including, but not limited to, theft, criminal activity at the Project, negligent security measures, bombings or bomb scares, hazardous waste, fire, steam, electricity, gas, water, or rain, breakage of pipes, sprinklers, plumbing, air conditioning, or lighting fixtures, or from any other cause, whether said damage or injury results from conditions arising upon the Premises or upon other portions of the Project, or from other sources or places, or from new construction or the repair, alteration, or improvement of any part of the Project, or of the equipment, fixtures, or appurtenances applicable thereto, and regardless of whether the cause of the damage or injury arises out of Landlord's or its employees' or agents' negligent or intentional acts. Landlord shall not be liable for any damages arising from any act or neglect of any other tenant, occupant, or user of the Project, nor from the failure of Landlord to enforce the provisions of the Lease or any other tenant of the Project. Tenant, as a material part of the consideration to Landlord hereunder, hereby assumes all risk of damage to property of Tenant or injury to persons in, upon, or about the Project arising from any cause, including Landlord's negligence or the negligence of its agents, partners, or employees, and Tenant hereby waives all claims in respect thereof against Landlord, its agents, partners, and employees.

22. Hazardous Material. For purposes of this Lease, the term "Hazardous Material" means any hazardous substance, hazardous waste, infectious waste, or toxic substance, material, or waste which becomes regulated or is defined as such by any local, state, or federal governmental authority. Except for small quantities of ordinary office supplies such as copier toners, liquid paper, glue, ink, and common household cleaning materials, Tenant shall not cause or permit any Hazardous Material to be brought, kept, or used in or about the Premises or the Project by Tenant, its agents, employees, contractors, or invitees. Any Hazardous Materials that Tenant is authorized to bring, keep or use in or about the Premises shall be stored, used and disposed of in accordance with all requirements of applicable law. Tenant hereby agrees to indemnify Landlord from and against any breach by Tenant of the obligations stated in the preceding sentenc e, and agrees to defend and hold Landlord harmless from and against any and all claims, judgments, damages, penalties, fees, costs, liabilities, or losses, including, without limitation, diminution in value of the Project, damages for the loss or restriction or use of rentable space or of any amenity of the Project, damages arising from any adverse impact on marketing of space in the Project, sums paid in settlement of claims, attorneys' fees, consultant fees, and expert fees) which arise during or after the Term of this Lease as a result of such breach. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions and any cleanup, remedial removal, or restoration work required due to the presence of Hazardous Material. Tenant shall promptly notify Landlord of any release of a Hazardous Material in the Premises or at the Project of which Tenant becomes aware, whether caused by Tenant or any other person or enti ty. The provisions of this Section 22 shall survive the termination of the Lease.

23. Medical Waste Disposal. If Tenant produces medical waste, Landlord may, at its option, provide medical waste disposal services to Tenant. If Landlord elects to provide such services, Landlord may require Tenant to use said services. Landlord, at its option, may bill Tenant directly for such services, which amounts shall then constitute additional rent hereunder, or Landlord may include the cost of providing such services in Operating Expenses. Tenant waives its right to the

fullest extent allowed by law to assert any claim against Landlord in connection with the negligent provision of medical waste disposal services by Landlord. In the event Landlord is unable or chooses not to provide such disposal services to Tenant, Tenant shall arrange for the disposal of its medical waste and such disposal shall be done in compliance with all applicable laws. Tenant hereby agrees to indemnify, defend, and hold harmless Landlord against any cost, loss, ability, action, suit, or expense (including attorneys' fees) arising out of or relating to the existence of or the disposal of medical waste produced by Tenant at the Premises.

24. Tenant Improvements. Tenant acknowledges and agrees that Landlord shall not be obligated to construct any tenant improvements on behalf of Tenant unless the improvements are shown on Schedule 1 attached to the lease. The space plan shall not be effective unless separately initialed by Landlord. Except as set forth in Schedule 1, it is specifically understood and agreed that Landlord has no obligation and has made no promises to alter, remodel, improve, renovate, repair, or decorate the Premises, the Project, or any part thereof, or to provide any allowances for such purposes, and that no representations respecting the condition of the Premises or the Project have been made by Landlord to Tenant.

25. Subordination

25.1 Effect of Subordination. This Lease, and any Option (as defined in Section 26 below) granted hereby shall be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation or security now or hereafter placed upon the Project and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements, and extensions thereof. Notwithstanding such subordination, Tenant's right to quiet possession of the Premises shall not be disturbed if Tenant is not in default and so long as Tenant shall pay the rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms. At the request of any mortgagee, trustee, or ground lessor, Tenant shall attorn to such person or entity. If any mortgagee, trustee, or ground lessor shall elect to have this Lease and any Options granted hereby prior to the lien of i ts mortgage, deed of trust, or ground lease, and shall give written notice thereof to Tenant, this Lease and such Options shall be deemed prior to such mortgage, deed of trust, or ground lease, whether this Lease or such Options are dated prior or subsequent to the date of said mortgage, deed of trust, or ground lease or the date of recording thereof.

25.2 Execution of Documents. Tenant agrees to execute and acknowledge any documents required to effectuate an attornment, a subordination, or to make this Lease or any Option granted herein prior to the lien of any mortgage, deed of trust, or ground lease, as the case may be. Tenant's failure to execute such documents within ten (10) days after written demand shall constitute a material default by Tenant hereunder or, at Landlord's option, Landlord shall have the right to execute such documents on behalf of Tenant as Tenant's attorney-in-fact. Tenant does hereby make, constitute, and irrevocably appoint Landlord as Tenant's attorney-in-fact and in Tenant's name, place, and stead, to execute such documents in accordance with this Section 25.2, said appointment to be a power during the Term of this Lease coupled with an interest and irrevocable.

26. Options

26.1 Definition. As used in this Lease, the word "Option" has the following meaning: (1) the right or option to extend the Term of this Lease or to renew this Lease, and (2) the option or right of first refusal to lease the Premises or the right of first offer to lease the Premises or the right of first refusal to lease other space within the Project or the right of first offer to lease other space within the Project. Any Option granted to Tenant by Landlord must be evidenced by a written option agreement attached to this Lease as a rider or addendum or said option shall be of no force or effect

26.2 Options Personal. Each Option granted to Tenant in this Lease, if any, is personal to the original Tenant and may be exercised only by the original Tenant while occupying the entire Premises and may not be exercised or be assigned, voluntarily or involuntarily, by or to any person or entity other than Tenant, including, without limitation, any permitted transferee as defined in Section 12. The Options, if any, herein granted to Tenant are not assignable separate and apart from this Lease nor may any Option be separated from this Lease in any manner, either by reservation or otherwise. If at any time an Option is exercisable by Tenant, the Lease has been assigned, or a sublease exists as to any portion of the Premises, the Option shall be deemed null and void and neither Tenant nor any assignee or subtenant shall have the right to exercise the Option.

26.3 Multiple Options. In the event that Tenant has multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Option to extend or renew this Lease has been so exercised.

26.4 Effect of Default on Options. Tenant shall have no right to exercise an Option (i) during the time commencing from the date Landlord gives to Tenant a notice of default pursuant to Section 13.1 and continuing until the noncompliance alleged in said notice of default is cured, or (ii) if Tenant is in default of any of the terms, covenants, or conditions of this Lease. The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise an Option because of the provisions of this Section 26.4.

26.5 Limitations on Options. Notwithstanding anything to the contrary contained in any rider or addendum to this Lease, any options, rights of first refusal, or rights of first offer granted hereunder shall be subject and secondary to Landlord's right to first offer and lease any such space to any tenant who is then occupying or leasing such space at the time the space becomes available for leasing and shall be subject and subordinated to any other options, rights of first refusal, or rights of first offer previously given to any other person or entity. Any options in this lease will be secondary to expansion and purchase rights of existing tenants within the Building.

27. Landlord Reservations. Landlord shall have the right: (a) to change the name and address of the Project or Building upon not less than ninety (90) days prior written notice; (b) to, at Tenant's expense, provide and install Building standard graphics on or near the door of the Premises and such portions of the Common Areas as Landlord shall determine, in Landlord's sole discretion; (c) to permit any tenant the exclusive right to conduct any business as long as such exclusive right does not conflict with any rights expressly given herein; and (d) to place signs, notices, or displays upon the roof, interior, exterior, or Common Areas of the Project. Tenant shall not use a representation (photographic or otherwise) of the Building or the Project or their name(s) in connection with Tenant's business or suffer or permit anyone, except in an emergency, to go upon the roof of the Building. Landlord reserves the right to use t he exterior walls of the Premises, and the area beneath, adjacent to, and above the Premises together with the right to install, use, maintain, and replace equipment, machinery, pipes, conduits, and wiring through the Premises which serve other parts of the Project provided that Landlord's use does not unreasonably interfere with Tenant's use of the Premises.

28. Changes to Project. Landlord shall have the right, in Landlord's sole discretion, from time to time, to make changes to the size, shape, location, number, and extent of the improvements comprising the Project (hereinafter referred to as "Changes") including, but not limited to, the Project interior and exterior, the Common Areas, elevators, escalators, restrooms, HVAC, electrical systems, communication systems, fire protection and detection systems, plumbing systems, security systems, parking control systems, driveways, entrances, parking spaces, parking areas, and landscaped areas. In connection with the Changes, Landlord may, among other things, erect scaffolding or other necessary structures at the Project, limit or eliminate access to portions of the Project, including portions of the Common Areas, or perform work in the Building, which work may create noise, dust, or leave debris in the Building. Tenant hereby agrees t hat such Changes and Landlord's actions in connection with such Changes shall in no way constitute a constructive eviction of Tenant or entitle Tenant to any abatement of rent. Landlord shall have no responsibility or for any reason be liable to Tenant for any direct or indirect injury to or interference with Tenant's business arising from the Changes, nor shall Tenant be entitled to any compensation or damages from Landlord for any inconvenience or annoyance occasioned by such Changes or Landlord's actions with such Changes. Notwithstanding, Landlord shall use commercially reasonable efforts to minimize the interference to Tenant's Use as provided herein as well as access to the Premises by Tenant's employees, customers, contractors and visitors.

29. Substitution of Other Premises. "INTENTIONALLY DELETED"

30. Holding Over. If Tenant remains in possession of the Premises or any part thereof after the expiration or earlier termination of the term hereof with Landlord's consent, such occupancy shall be a tenancy from month to month upon all the terms and conditions of this Lease pertaining to the obligations of Tenant, except that the Base Rent payable shall be one hundred and fifty percent (150%) of the Base Rent payable immediately preceding the termination date of this Lease and all Options, if any, shall be deemed terminated and be of no further effect. If Tenant remains in possession of the Premises or any part thereof after the expiration of the Term hereof without Landlord's consent, Tenant shall, at Landlord's option, be treated as a tenant at sufferance or a trespasser. Nothing contained herein shall be construed to constitute Landlord's consent to Tenant holding over at the expiration or earlier termination of the Le ase Term. In the event Tenant holds over, and Landlord provides Tenant written notification of Landlord's eminent re-tenanting of the Premises, and Tenant thereafter holds over for more than ninety (90) from the date of such notification then Tenant hereby agrees to indemnify, hold harmless, and defend Landlord from any cost, loss, claim, or liability (including attorneys' fees) Landlord may incur as a result of Tenant's failure to surrender possession of the Premises to Landlord upon the termination of this Lease.

31. Landlord's Access

31.1 Access. Landlord and Landlord's agents and employees shall have the right to enter the Premises at reasonable times for the purpose of inspecting the Premises, performing any services required of Landlord, showing the Premises to prospective purchasers, lenders, or tenants, undertaking safety measures, and making alterations, repairs, improvements, or additions to the Premises or the Project. In the event of an emergency, Landlord may gain access to the Premises by any reasonable means, and Landlord shall not be liable to Tenant for damage to the Premises or to Tenant's property resulting from such access. Landlord may at any time place on or about the Building For Sale or For Lease signs, and Landlord may at any time during the last one hundred twenty (120) days of the Term hereof place on or about the Premises For Lease signs.

31.2 Keys. Landlord shall have the right to retain keys to the Premises and to unlock all doors at the Premises, and, in the case of emergency, to enter the Premises by any reasonably appropriate means, and any such entry shall not be deemed a forcible or unlawful entry or detainer of the Premises or an eviction. Tenant waives any claims for damages or injuries or interference with Tenant's property or business in connection therewith. Tenant shall provide Landlord with one key for each lock in the Premises.

32. Security Measures. Tenant hereby acknowledges that Landlord shall have no obligation whatsoever to provide guard service or any other security measures for the benefit of the Premises or the Project, and Landlord shall have no liability to Tenant due to its failure to provide such services. Tenant assumes all responsibility for the protection of Tenant, its agents, employees, contractors, invitees, and the property of Tenant and of Tenant's agents, employees, contractors, and invitees from acts of third parties. Nothing herein contained shall prevent Landlord, at Landlord's sole option, from implementing security measures for the Project or any part thereof, in which event Tenant shall participate in such security measures and the cost thereof shall be included within the definition of Operating Expenses. Landlord shall have the right, but not the obligation, to require all persons entering or leaving the Project to identi fy themselves to a security guard and to reasonably establish that such person should be permitted access to the Project.

33. Easements. Landlord reserves to itself the right, from time to time, to grant such easements, rights, and dedications that Landlord deems necessary or desirable, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights, dedications, maps, and restrictions do not unreasonably interfere with the use of the Premises by Tenant. Tenant shall sign any of the aforementioned documents within ten (10) days after Landlord's request, and Tenant's failure to do so shall constitute a material default by Tenant. The obstruction of Tenant's view, air, or light by any structure erected in the vicinity of the Project, whether by Landlord or third parties, shall in no way affect this Lease or impose any liability upon Landlord.

34. Transportation Management. Tenant shall fully comply with all present or future programs implemented or required by any governmental or quasi-governmental entity or Landlord to manage parking, transportation, air pollution, or traffic in and around the Project or the metropolitan area in which the Project is located.

35. Severability. The invalidity of any provision of this Lease as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof.

36. Time of Essence. Time is of the essence with respect to each of the obligations to be performed by Tenant under this Lease.

37. Definition of Additional Rent. All monetary obligations of Tenant to Landlord under the terms of this Lease, including, but not limited to, Base Rent, Tenant's Share of Operating Expenses, parking charges, and charges for after-hours HVAC shall be deemed to be rent.

38. Incorporation of Prior Agreements. This Lease and the attachments listed in Section 1.16 contain all agreements of the parties with respect to the lease of the Premises and any other matter mentioned herein. No prior or contemporaneous agreement or understanding pertaining to any such matter shall be effective. Except as otherwise stated in this Lease, Tenant hereby acknowledges that no real estate broker nor Landlord or any employee or agents of any of said persons has made any oral or written warranties or representations to Tenant concerning the condition or use by Tenant of the Premises or the Project or concerning any other matter addressed by this Lease.

39. Amendments. This Lease may be modified in writing only, signed by the parties in interest at the time of the modification.

40. Notices. Any notice required or permitted to be given hereunder shall be in writing and may be given by certified mail, return receipt requested, personal delivery, Federal Express, or other delivery service. If notice is given by certified mail, return receipt requested, notice shall be deemed given three (3) days after the notice is deposited with the U.S. Mail, postage prepaid, addressed to Tenant or to Landlord at the address set forth in Section 1.17. If notice is given by personal delivery, Federal Express, or other delivery service, notice shall be deemed given on the date the notice is actually received by Landlord or Tenant. Either party may, by notice to the other, specify a different address for notice purposes. Notwithstanding the address set forth in Section 1.17 for Tenant, upon Tenant's taking possession of the Premises, the Premises shall constitute Tenant's address for notice purposes. A copy o f all notices required or permitted to be given to Landlord hereunder shall be concurrently transmitted to such party or parties at such addresses as Landlord may from time to time designate by notice to Tenant.

41. Waivers. No waiver by Landlord of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Tenant of the same or any other provision. Landlord's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act by Tenant. The acceptance of rent hereunder by Landlord shall not be a waiver of any preceding breach by Tenant of any provision hereof, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlords' knowledge of such preceding breach at the time of acceptance of such rent. No acceptance by Landlord of partial payment of any sum due from Tenant shall be deemed a waiver by Landlord of its right to receive the full amount due, nor shall any endorsement or statement on any check or accompanying letter from Tenant be deemed an accord and satisfacti on

42. Covenants. This Lease shall be construed as though the covenants contained herein are independent and not dependent, and Tenant hereby waives the benefit of any statute to the contrary.

43. Binding Effect; Choice of Law; Exclusive Venue. Subject to any provision hereof restricting assignment or subletting by Tenant, this Lease shall bind the parties, their heirs, personal representatives, successors, and assigns. This Lease is made pursuant to and shall be construed and enforced according to the substantive laws of the State of Tennessee and without regard to its laws concerning choice of law. The parties agree that any legal action brought by either party hereto in connection with this Lease shall be maintained only in the Chancery Court for Williamson County, Tennessee and each party hereby irrevocably submits to the jurisdiction of said courts.

44. Attorneys' Fees. If Landlord or Tenant shall employ an attorney to enforce or defend any of Landlord's or Tenant's rights or remedies hereunder, to seek a judicial declaration of the parties' rights, or otherwise in connection with any default by the other party, the defaulting party agrees to pay all reasonable attorneys fees, court costs and discretionary costs, all costs of litigation, collection or enforcement and other expenses incurred by prevailing in connection therewith. Further, Landlord or Tenant shall be entitled to reasonable attorneys' fees and all other costs and expenses incurred in the preparation and service of notices of default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such default.

45. Auctions. Tenant shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises or the Common Areas. The holding of any auction on the Premises or Common Areas in violation of this Section 45 shall constitute a material default hereunder.

46. Signs. Tenant shall not place any sign upon the Premises (including on the inside or the outside of the doors or windows of the Premises) or the Project without Landlord's prior written consent, which may be given or withheld in Landlord's sole discretion. Landlord shall have the right to place any sign it deems appropriate on any portion of the Project except the interior of the Premises.

47. Merger. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, or a termination by Landlord, shall not result in the merger of Landlord's and Tenant's estates, and shall, at the option of Landlord, terminate all or any existing subtenancies or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.

48. Quiet Possession. Provided Tenant is not in default hereunder, Tenant shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease.

49. Authority. If Tenant is a corporation, trust, general or limited partnership, limited liability company or other form of business entity, Tenant, and each individual executing this Lease on behalf of such entity, represents and warrants that such individual is duly authorized to execute and deliver this Lease on behalf of said entity, that said entity is duly authorized to enter into this Lease, and that this Lease is enforceable against said entity in accordance with its terms. If Tenant is a corporation, trust, general or limited partnership, limited liability company or other form of business entity, Tenant shall deliver to Landlord upon demand evidence of such authority satisfactory to Landlord.

50. Conflict. Except as otherwise provided herein to the contrary, any conflict between the printed provisions, Exhibits, Addenda, or Riders of this Lease and the typewritten or handwritten provisions, if any, shall be controlled by the typewritten or handwritten provisions.

51. Multiple Parties. If more than one person or entity is named as Tenant herein, the obligations of Tenant shall be the joint and several responsibility of all persons or entities named herein as Tenant. Service of a notice in accordance with Section 40 on one Tenant shall be deemed service of notice on all Tenants.

52. Interpretation. This Lease shall be interpreted as if it were prepared by both parties, and ambiguities shall not be resolved in favor of Tenant because all or a portion of this Lease was prepared by Landlord. The captions contained in this Lease are for convenience only and shall not be deemed to limit or alter the meaning of this Lease. As used in this Lease, the words "tenant" and "landlord" include the plural as well as the singular. Words used in the neuter gender include the masculine and feminine gender.

53. Prohibition Against Recording. Neither this Lease, nor any memorandum, affidavit, or other writing with respect thereto, shall be recorded by Tenant or by anyone acting through, under, or on behalf of Tenant. Landlord shall have the right to record a memorandum of this Lease, and Tenant shall execute, acknowledge, and deliver to Landlord for recording any memorandum prepared by Landlord.

54. Relationship of Parties. Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, partnership, joint venturer, or any association between Landlord and Tenant.

55. Rules and Regulations. Tenant agrees to abide by and conform to the Rules and to cause its employees, suppliers, customers, and invitees to so abide and conform. Landlord shall have the right, from time to time, to modify, amend, and enforce the Rules. Landlord shall not be responsible to Tenant for the failure of other persons, including, but not limited to, other tenants, their agents, employees, and invitees, to comply with the Rules.

56. Right to Lease. Landlord reserves the absolute right to effect such other tenancies in the Project as Landlord in its sole discretion shall determine, and Tenant is not relying on any representation that any specific tenant or number of tenants will occupy the Project.

57. Security Interest. “INTENTIONALLY DELETED”

58. Security for Performance of Tenant’s Obligations. Notwithstanding any security deposit held by Landlord pursuant to Section 5 and any security interest held by Landlord pursuant to Section 5, Tenant hereby agrees that in the event of a default by Tenant, Landlord shall be entitled to seek and obtain a writ of attachment and/or a temporary protective order and Tenant hereby waives any rights or defenses to contest such a writ of attachment and/or temporary protective order on the basis of the State of Tennessee or any other related statute or rule.

59. Financial Statements. From time to time, at Landlord’s request, Tenant shall cause the following financial information to be delivered to Landlord, at Tenant’s sole cost and expense, upon not less than ten (10) days’ advance written notice from Landlord: (a) a current financial statement for Tenant and Tenant’s financial statements for the previous two accounting years, (b) a current financial statement for any guarantor(s) of this Lease and the guarantor’s financial statements for the previous two accounting years, and (c) such other financial information pertaining to Tenant or any guarantor as Landlord or

any lender or purchase of Landlord may reasonably request. All financial statements shall be prepared in accordance with generally accepted accounting principles consistently applied and, if such is the normal practice of Tenant, shall be audited by an independent certified public accountant.

60. Attachments. The items listed in Section 1.16 are a part of this Lease and are incorporated herein by this reference.

61. Waiver of Jury Trial. LANDLORD AND TENANT HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM, OR CROSS-COMPLAINT IN ANY ACTION PROCEEDING, AND/OR HEARING BROUGHT BY EITHER LANDLORD AGAINST TENANT OR TENANT AGAINST LANDLORD ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, OR REGULATION, EMERGENCY, OR OTHERWISE, NOW OR HEREAFTER IN EFFECT.

Landlord and Tenant acknowledge that they have carefully read and reviewed this Lease and each term and provision contained herein and, by execution of this Lease, show their informed and voluntary consent thereto. The Parties hereby agree that, at the time this Lease is executed, the terms of this Lease are commercially reasonable and effectuate the intent and purpose of Landlord and Tenant with respect to the Premises. Tenant acknowledges that it has been given the opportunity to have this Lease reviewed by its legal counsel prior to its execution. Preparation of this Lease by Landlord or Landlord's agent and submission of same to Tenant shall not be deemed an offer by Landlord to lease the Premises to Tenant or the grant of an option to Tenant to lease the Premises. This Lease shall become binding upon Landlord and Tenant only when fully executed by both Parties and when Landlord has delivered a fully executed original of this Lease t o Tenant.

LANDLORD:	**TENANT:**
SELF SERVICE MINI STORAGE an Ohio general partnership	**CROSS COUNTRY EDUCATION, LLC** a Delaware corporation
By: /s/ Gerald C. Forstner, Jr. (Signature)	By: /s/ Gregory Greene (Signature)
Gerald C. Forstner, Jr. (Printed Name)	Gregory Greene (Printed Name)
Its: General Partner	Its: President, Cross Country Education
_____ (Printed Title)	_____ (Printed Title)

Exhibit B

Verification of Commencement Letter

The Undersigned Tenant hereby confirms and agrees the Commencement Date pursuant to that certain Office Lease dated the __ day of _____, 2007 by and between Self Service Mini Storage. as Landlord and Cross Counrty Education, LLC as Tenant is the __ day of _____ 2007.

TENANT

BY:

TITLE:

EXHIBIT C

RULES AND REGULATIONS

GENERAL RULES

Tenant shall faithfully observe and comply with the following Rules and Regulations:

1. Tenant shall not alter any locks or install any new or additional locks or bolts on any doors or windows of the Premises without obtaining Landlord's prior written consent. Tenant shall bear the cost of any lock changes or repairs required by Tenant. Keys required by Tenant must be obtained from Landlord at a reasonable cost to be established by Landlord.

2. All doors opening to public corridors shall be kept closed at all times except for normal ingress and egress to the Premises. Tenant shall assume any and all responsibility for protecting the Premises from theft, robbery, and pilferage, which includes keeping doors locked and other means of entry to the Premises closed.

3. Landlord reserves the right to close and keep locked all entrance and exit doors of the Project except during the Project's normal hours of business as defined in Section 11.3 of the Lease. Tenant, its employees, and agents must be sure that the doors to the Project are securely closed and locked when leaving the Premises if it is after the normal hours of business of the Project. Tenant, its employees, agents, or any other persons entering or leaving the Project at any time when it is so locked, or any time when it is considered to be after normal business hours for the Project, may be required to sign the Project register. Access to the Project may be refused unless the person seeking access has proper identification or has a previously received authorization for access to the Project. Landlord and its agents shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Project of any person. In case of invasion, mob, riot, public excitement, or other commotion, Landlord reserves the right to prevent access to the Project during the continuance thereof by any means it deems appropriate for the safety and protection of life and property.

4. No furniture, freight, or equipment of any kind shall be brought into the Project without Landlord's prior authorization. All moving activity into or out of the Project shall be scheduled with Landlord and done only at such time and in such manner as Landlord designates. Landlord shall have the right to prescribe the weight, size, and position of all safes and other heavy property brought into the Project and also the times and manner of moving the same in and out of the Project. Safes and other heavy objects shall, if considered necessary by Landlord, stand on supports of such thickness as is necessary to properly distribute the weight, and Tenant shall be solely responsible for the cost of installing all supports. Landlord will not be responsible for loss of or damage to any such safe or property in any case. Any damage to any part of the Project, its contents, occupants, or visitors by moving or maintaining any such s afe or other property shall be the sole responsibility and expense of Tenant.

5. The requirements of Tenant will be attended to only upon application at the management office for the Project or at such office location designated by Landlord. Tenant shall not ask employees of Landlord to do anything outside their regular duties without special authorization from Landlord.

6. Tenant shall not disturb, solicit, or canvass any occupant of the Project and shall cooperate with Landlord and its agents to prevent the same. Tenant, its employees, and agents shall not loiter in or on the entrances, corridors, sidewalks, lobbies, halls, stairways, elevators, or any Common Areas for the purpose of smoking tobacco products or for any other purpose, nor in any way obstruct such areas, and shall use them only as a means of ingress and egress for the Premises. Smoking shall not be permitted in the Common Areas.

7. The toilet rooms, urinals, and wash bowls shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage, or damage resulting from the violation of this rule shall be borne by the Tenant who, or whose employees or agents, shall have caused it.

8. Except for vending machines intended for the sole use of Tenant's employees and invitees, no vending machine or machines other than fractional horsepower office machines shall be installed, maintained, or operated upon the Premises without the written consent of Landlord.

9. Tenant shall not use or keep in or on the Premises or the Project any kerosene, gasoline, or other inflammable or combustible fluid or material. Tenant shall not bring into or keep within the Premises or the Project any animals, birds, bicycles, or other vehicles.

10. Tenant shall not use, keep, or permit to be used or kept, any foul or noxious gas or substance in or on the Premises, or permit or allow the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Project by reason of noise, odors, or vibrations, or to otherwise interfere in any ways with the use of the Project by other tenants.

11. No cooking shall be done or permitted on the Premises, nor shall the Premises be used for the storage of merchandise, for loading, or for any improper, objectionable, or immoral purposes, Notwithstanding the foregoing, Underwriters' Laboratory approved equipment and microwave ovens may be used in the Premises for heating food and brewing coffee, tea, hot chocolate, and similar beverages for employees and visitors of Tenant, provided that such use is in accordance with all applicable federal, state, and city laws, codes, ordinances, rules, and regulations, and provided further that such cooking does not result in odors escaping from the Premises.

12. Landlord shall have the right to approve where and how telephone wires are to be introduced to the Premises. No boring or cutting for wires shall be allowed without the consent of Landlord. The location of telephone call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord. Tenant shall not mark, drive nails or screws, or drill into the partitions, woodwork, or plaster contained in the Premises or in any way deface the Premises or any part thereof without Landlord's prior written consent. Tenant shall not install any radio or television antenna, satellite dish, loudspeaker, or other device on the roof or exterior walls of the Project. Tenant shall not interfere with broadcasting or reception from or in the Project or elsewhere.

13. Landlord reserves the right to exclude or expel from the Project any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs or who shall in any manner do any act in violation of any of these Rules and Regulations.

14. Tenant shall not waste electricity, water, or air conditioning and agrees to cooperate fully with Landlord to ensure the most effective operation of the Project's heating and air conditioning system, and shall refrain from attempting to adjust any controls. Tenant shall not, without the prior written consent of landlord, use any method of heating or air conditioning other than that supplied by Landlord.

15. Tenant shall store all its trash and garbage within the interior of the Premises. No material shall be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash in the vicinity of the Project without violation of any law or ordinate governing such disposal. All trash, garbage, and refuse disposal shall be made only through entryways and elevators provided for such purposes at such times as Landlord shall designate.

16. Tenant shall comply with all safety, fire protection, and evacuation procedures and regulations established by Landlord or any governmental agency.

17. No awnings or other projection shall be attached to the outside walls or windows of the Project by Tenant. No curtains, blinds, shades, or screens shall be attached to or hung in any window or door of the Premises without the prior written consent of Landlord. All electrical ceiling fixtures hung in the Premises must be fluorescent and/or of a quality, type, design, and bulb cover approved by Landlord. Tenant shall abide by Landlord's regulations concerning the opening and closing of window coverings which are attached to the windows in the Premises. The skylights, windows, and doors that reflect or admit light and air into the halls, passageways, or other public places in the Project shall not be covered or obstructed by Tenant, nor shall any bottles, parcels, or other articles be placed on the windowsills.

18. Tenant shall not employ any person or persons other than the janitor of Landlord for the purpose of cleaning the Premises unless otherwise agreed to in writing by Landlord. Except with the prior written consent of Landlord, no person or persons other than those approved by Landlord shall be permitted to enter the Project for the purpose of cleaning same. Landlord shall in no way be responsible to Tenant for any loss of property on the Premises, however occurring, or for any damage done to the effects of Tenant or any of its employees or other persons by the janitor of Landlord. Janitor service shall include ordinary dusting and cleaning by the janitor assigned to such work and shall not include cleaning of carpets or rugs, except normal vacuuming, or moving of furniture and other special services. Window cleaning shall be done only by Landlord at reasonable intervals and as Landlord deems necessary.

PARKING RULES

1. Parking areas shall be used only for parking by vehicles no longer than full-size, passenger automobiles herein called "Permitted Size Vehicles".

2. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's employees, suppliers, shippers, customers, or invitees to be loaded, unloaded, or parked in areas other than those designated by Landlord for such activities. Users of the parking area will obey all posted signs and park only in the areas designated for vehicle parking.

3. Parking stickers or identification devices shall be the property of Landlord and shall be returned to Landlord by the holder thereof upon termination of the holder's parking privileges. Tenant will pay such replacement charges as is reasonably established by Landlord for the loss of such devices. Loss or theft of parking identification stickers or devices from automobiles must be reported to the parking operator immediately. Any parking identification stickers or devices reported lost or stolen found on any unauthorized car will be confiscated and the illegal holder will be subject to prosecution.

4. Landlord reserves the right to relocate all or a part of parking spaces from floor to floor, within one floor, and/or to reasonably adjacent off-site location(s), and to allocate them between compact, standard size, and tandem spaces as long as the same complies with applicable laws, ordinances, and regulations.

5. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. Landlord will not be responsible for any damage to vehicles, injury to persons, or loss of property, all of which risks are assumed by the party using the parking area.

6. Validation of visitor parking, if established, will be permissible only by such method or methods as Landlord may establish at rates determined by Landlord, in Landlord's sole discretion.

7. The maintenance, washing, waxing, or cleaning of vehicles in the parking structure or Common Areas is prohibited.

8. Tenant shall be responsible for seeing that all of its employees, agents, and invitees comply with the applicable parking rules, regulations, laws, and agreements. Garage managers or attendants are not authorized to make or allow any exceptions to these Parking Rules and Regulations. Landlord reserves the right to terminate parking rights for any person or entity that willfully refuses to comply with these rules and regulations.

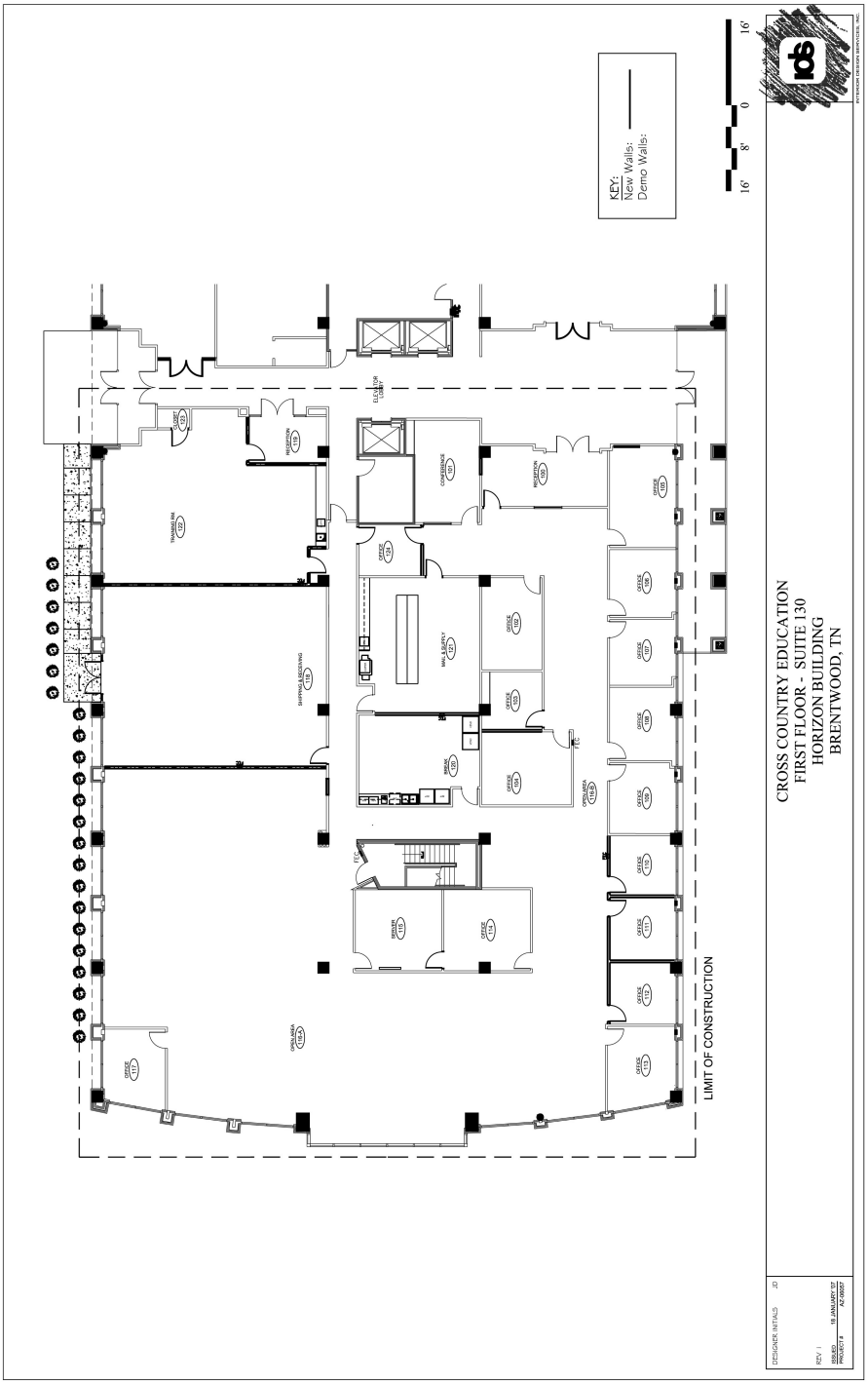
9. Every driver is required to park his own car. Where there are tandem spaces, the first car shall pull all the way to the front of the space leaving room for a second car to park behind the first car. The driver parking behind the first car must leave his key with the parking attendant. Failure to do so shall subject the driver of the second car to a Fifty Dollar ($50.00) fine. Refusal of the driver to leave his key when parking in a tandem space shall be cause for termination of the right to park in the parking facilities. The parking operator, or his employees or agents, shall be authorized to move cars that are parked in tandem should it be necessary for the operation of the garage. Tenant agrees that all responsibility for damage to cars or the theft of or from cars is assumed by the driver, and further agrees that Tenant will hold Landlord harmless for any such damages or theft.

10. No vehicles shall be parked in the parking garage overnight. The parking garage shall only be used for daily parking and no vehicle or other property shall be stored in a parking space.

Landlord reserves the right at any time to change or rescind any one or more of these Rules and Regulations, or to make such other and further reasonable Rules and Regulations as in Landlord's judgment may from time to time be necessary for the management, safety, care, and cleanliness of the Project, and for the preservation of good order therein as well as for the convenience of other occupants and tenants therein.

EXHIBIT A

PREMISES



SCHEDULE 1

TENANT IMPROVEMENTS

1. **Base Building Work.** Landlord and Tenant understand and acknowledge that the attached description and plan ("Landlord's Work") represent the complete agreement of Landlord's obligation to Tenant in terms of Tenant Improvements to the Premises.

(a) Prior to the Commencement Date, Landlord at Landlord's expense, shall supply, construct and install all of the improvements to the Leased Premises as specified and in accordance with Schedule 1, attached hereto and made a part hereof ("Landlord's Work"), provided however that Landlord shall not be responsible for the cost of Landlord's Work which exceeds $200,000(collectively, the "Leasehold Improvement Allowance").

(b) In the event that Landlord's Work will reasonably exceed the Leasehold Improvement Allowance, Landlord shall present Tenant, for Landlord's approval, a cost estimate for Landlord's Work as well as all bid(s) submitted to Landlord for Landlord's Work. Tenant shall have the right, subject to Landlord's consent, which shall not be unreasonably withheld, to have a contractor of its choice bid on Landlord's Work. That amount so approved by Tenant and spent by Landlord on Landlord's Work which is in excess of the Leasehold Improvement Allowance, up to a maximum of $20,000 shall constitute the "Additional Improvement Allowance". If Tenant approves Landlord to spend any of the Additional Improvement Allowance, Tenant will reimburse Landlord the amount spent up to the maximum within thirty (30) days of the receipt of documentation of the expenditure by Landlord of such excess cost. In the event Landlord's Work exceeds an amount in excess of Leasehold Improvement Allowance and the Additional Improvement Allowance, Tenant will be solely responsible for the expenditure and payment of such excess cost.

Change in Plans. In the event that Tenant requests a change in the Plans subsequent to approval of the Tenant's Plan, Landlord shall advise Tenant as to any increases in the cost of the Improvements and as to any delay such change would cause in the construction of the Improvements, which delay would constitute a Tenant Delay. Tenant shall approve or disapprove such change within five (5) days of written notice. In the event that Tenant approves such change, Tenant shall accompany its approval with payment in the amount of the increase.

Construction Supervisory Fee. The cost of the Improvements shall include a construction supervisory fee for the supervision of the construction of the Improvements by Landlord.

Interior Design
Services, Inc.

PRICING NARRATIVE

Date: 18 January 2007

Project: Cross Country Education

Project #: AZ-06057

Issue To: Billy Lyell – Nashville Commercial

From: Jenn Dudley – IDS

Attachments: Space plan, **Demo Pricing Plan**

DESCRIPTION

The following pricing narrative describes the scope of work related to the above referenced project. Follow base building design standards unless noted otherwise. Refer to floor plans attached for project layout. This pricing narrative is intended only for the purpose of establishing probable cost of construction. Changes to this scope may occur as the result of code requirements, Tenant or Owner requests, or construction necessities, and may affect the final cost of construction.

Wall Construction:

1. Standard walls – to grid
2. Insulation – at offices 112,111,110, 125 and conference room 101, in new walls and 4' either side of wall above grid
3. 1 Hour Rated walls – Meeting Rm. 112, Shipping & Receiving 119
4. Demising wall/Corridor walls – existing to remain

Door Requirements

5. Doors and Hardware Finish: Building Standard
6. 3'-0" Flush Solid Core Doors except as noted below
7. Store Front Exterior Doors – Shipping & Receiving 119 (2- 3' x 7')
8. Rated doors – Meeting Rm. 122, Office 118, and Reception 124
9. Locksets –offices
10. Latchsets – remaining doors
11. Closers – rated doors
12. Windows – 5' x 3' view window in hollow metal frame located in Reception 119

209 Powell Place
Brentwood, TN 37027
Tel 615.376.1200
Fax 615.376.1245

Interior Design
Services, Inc.

Casework

13. Base cabinets and upper cabinets – plastic laminate base, overhead cabinets, and counter – Approximately 75'-0" linear feet per plan

Finishes

14. Provide flooring as noted below:

    Carpet – Loop ($25 installed) in Offices, Loop ($25 installed) in Conference,

    VCT - Break 120, Mail & Supply 121, Server 115 – two color pattern

    VCT – 5' X 9' landing at Shipping & Receiving 119

15. Base – 4" standard Rubber Base
16. Paint Walls – throughout
17. Ceiling – Replace any discolored or damaged tiles to match existing
18. Accent Finishes – two accent paints

Mechanical Requirements

19. Special Requirements – Dedicated A/C unit for Server 115

Plumbing Requirements

20. Sink – SS Single at Meeting 122, Double Bowl at Break 120
21. Dishwasher – yes
22. Disposal – yes
23. Refrigerator – 2 tenant supplied refrigerators with icemaker hookup
24. Hot Water Heater – sized for sinks, dishwasher, and water dispenser

Light Fixtures

25. Building Standard 2x4 – Existing
26. Can Fixtures – approximately 20 at Meeting 122
27. Dimmers – 2 at Meeting 122

Electrical Requirements

28. Typical Office Requirements – 2 duplex, 1 voice/data at each office
29. GFCI above sink area – as required
30. Equipment Requirements – Copy, Fax, Printer, Ref (2), HW Heater, Water Dispenser, Vending machine (2)
31. Special Telecom/Audio Visual – Ceiling Mounted Projector and Retractable Projection Screen at Meeting 122
32. Systems Furniture – as required
33. Phone Board – Server 115

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Emergency Equipment

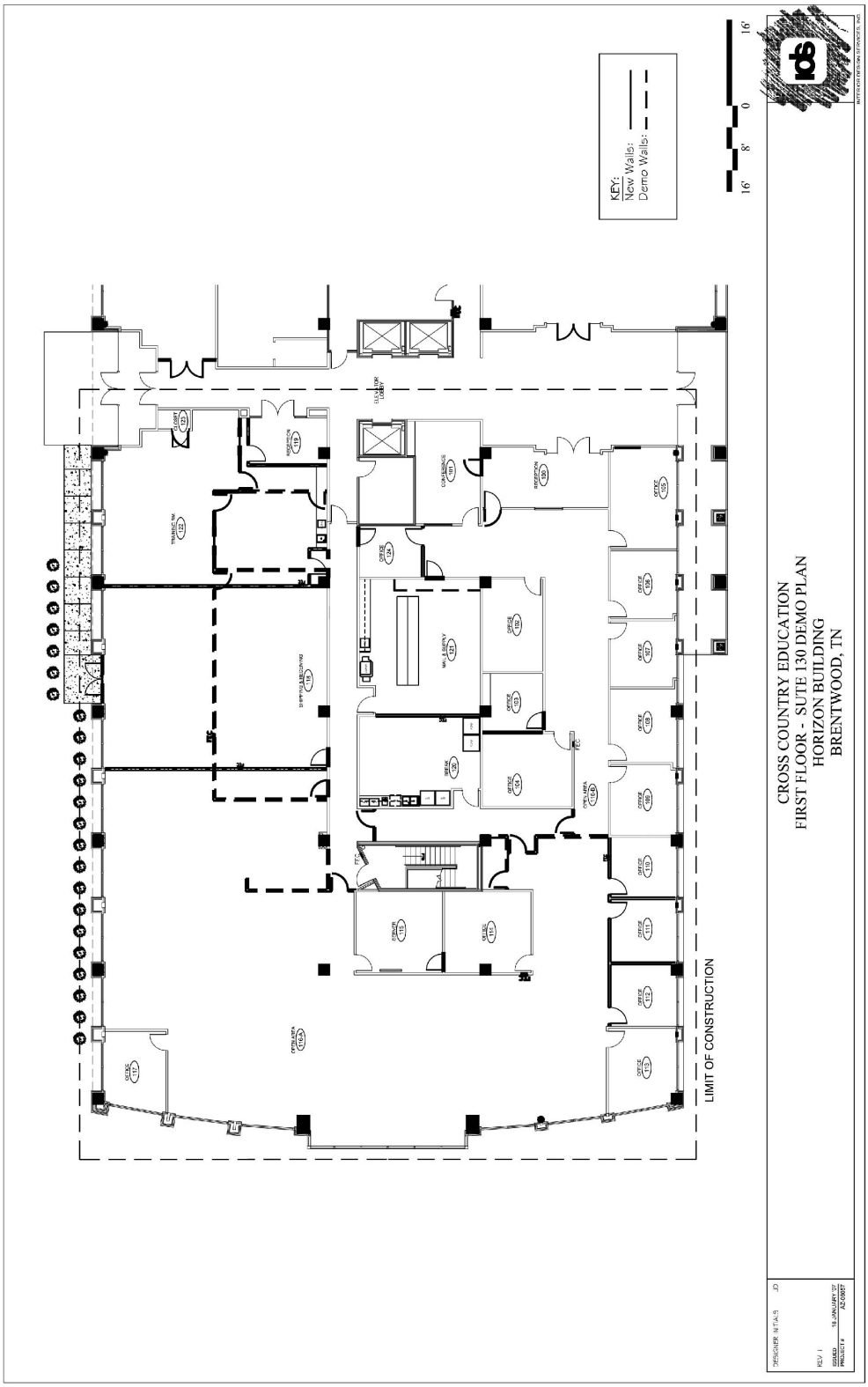
34. One fire extinguisher every 75', type: recessed extinguisher cabinet per building standard or wall mount at break (relocate existing fire extinguishers as needed)
35. Building Standard Exit Signs, as required (to match building standard suite)
36. Horns/Strobes, as required
37. Emergency Lighting – battery operated fixtures or wall mount pack at open area, lobby, meeting room, etc. per code requirements

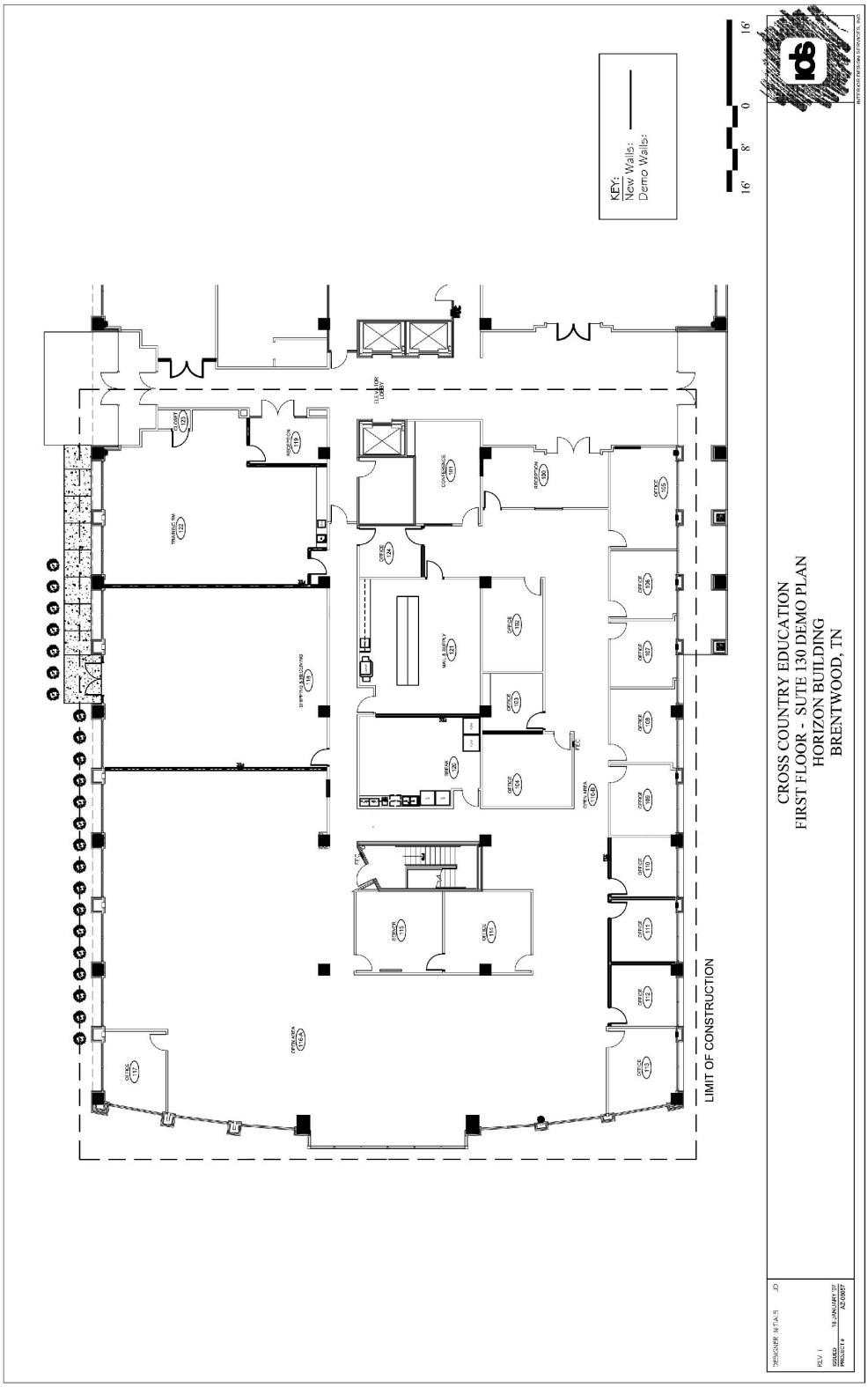
Security Equipment

38. Keycard Access – Reception 100 and 124
39. Door Chime – Exterior door at Shipping & Receiving 110

Site Work

40. 48' long x 5' wide reinforced concrete sidewalk from existing entry slab to proposed exterior double doors at Shipping & Receiving 119.


KEY:
New Walls:
Demo Walls:
16'
0
8'
16'
LIMIT OF CONSTRUCTION
CROSS COUNTRY EDUCATION
FIRST FLOOR - SUTE 130 DEMO PLAN
HORIZON BUILDING
BRENTWOOD, TN
DESIGNER INITIALS JD
REV. 1
ISSUED 18 JANUARY 07
PROJECT # AC4007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BRENTWOOD, TN
DESIGNER INITIALS
JD
KEY
ISSUED
18 JANUARY 07
PROJECT #
AS NOTED

EXHIBIT D

*****RIGHT OF FIRST OFFER*****

1. Tenant shall have the right to send to Landlord a notice ("Request Notice") advising Landlord that Tenant is interested in possibly leasing additional space located on the first floor of the Project . Within ten (10) days of receipt of a Request Notice, Landlord shall promptly notify Tenant of when and what such first floor space is or will be so available within the next six (6) months. Such available space is referred to as the Advice Space. Tenant thereupon shall have the right ("ROFO") to lease all or any part of such Advice Space at the Fair Market Rental Rate for the remaining term of the Lease, except that Tenant shall have no such right, if:

a. Tenant is in default pursuant to the terms of the Lease; or

b the portion of the Advice Space not leased by Tenant is not in a rentable configuration pursuant to Landlord's sole determination.

2. The ROFO shall be exercised by Tenant's notifying Landlord, within ten (10) days after Tenant's receipt of the notice of availability of the Advice Space, of Tenant's exercise of its right to lease such Advice Space (or such portion of such Advice Space identified by Tenant in such notice which thereupon shall be deemed the Advice Space) upon the terms of this Exhibit. If Tenant so notifies Landlord, Landlord shall deliver the Advice Space to Tenant upon the date such space is available and shall prepare an amendment to this Lease adding the Advice Space to the Premises on the date of delivery on the terms set forth in this Exhibit, which amendment shall be delivered to Tenant promptly after exercise and executed by Tenant within thirty (30) days after Tenant's receipt of same from Landlord. The Privileges for parking which Tenant receives in connection with the Advice Space shall be at 5 spaces per 1,000 square feet o f area of the Advice Space.

3. Tenant may not send a Request Notice until six (6) months have elapsed since the day Tenant previously sent a Request Notice to Landlord following the execution by Tenant of a rejection of the right to lease the Advice Space.

4. If Landlord and Tenant are unable to agree as to the Fair Market Rental Rate within thirty (30) days following Tenant's exercise of each such ROFO, then Landlord must lease such Advice Space to Tenant at the Fair Market Rental Rate determined in accordance with Section 6 of this Exhibit D.

5. Rent for the Advice Space shall commence upon the earlier of (i) the date Tenant commences business operations from such Advice Space or (ii) sixty (60) days after delivery to Tenant of the Advice Space ("Build Out Period")

6 Fair Market Rental Rate. For the purposes of this Exhibit D the term "Fair Market Rental Rate" shall mean the annual amount per rentable square foot that Landlord has accepted in current transactions between non-affiliated parties from new, non-expansion (unless the expansion is pursuant to a comparable definition of Fair Market Rental Rate), non-renewal (unless the renewal is pursuant to a comparable definition of Fair Market Rental Rate) and non-equity tenants of comparable credit-worthiness, for comparable space (size and height), for a comparable use for a comparable period of time ("Comparable Transactions") in the Building, or to the extent there are not a sufficient number of Comparable Transactions in the Building, then Comparable Transactions will also include what a comparable landlord of a Comparable Building with comparable vacancy factors would accept in Comparable Transactions. "Comparable Buildings " shall be buildings of comparable size and vintage and construction in the Brentwood and Cool Springs Submarkets of Nashville, Tennessee. In any determination of Comparable Transactions appropriate consideration shall be given to the annual rental rates per rentable square foot, the standard of measurement by which the rentable square footage is measured, the ratio of rentable square feet to usable square feet, the type of escalation clause (e.g., on a gross basis, and, whether such increases are determined according to a base year or a base dollar amount expense stop), the extent of Tenant's liability under the Lease, parking rights and obligations, signage rights, abatement provisions reflecting free rent and/or no rent during the period of construction or subsequent to the commencement date as to the space in question, brokerage commissions, if any, which would be payable by Landlord in similar transactions, length of the lease term, size and location of premises being leased, building st andard work letter and/or tenant improvement allowances, if any, the condition of the base building and the Landlord's responsibility with respect thereto, the value, if any, of the existing tenant improvements (with such value being judged with respect to the utility of such existing tenant improvements to the general business office user and not this particular Tenant) and other generally applicable conditions of tenancy for such Comparable Transactions. The intent is that Tenant will obtain the same rent and other economic benefits that Landlord would otherwise give in Comparable Transactions and that Landlord will make, and receive the same economic payments and concessions that Landlord would otherwise make, and receive in Comparable Transactions.

Landlord shall determine the Fair Market Rental Rate by using its good faith judgment. Landlord shall provide written notice of such amount within fifteen (15) days (but in no event later than twenty (20) days) after Tenant provides the notice to Landlord exercising Tenant's option rights which require a calculation of the Fair Market Rental Rate. Tenant shall have thirty (30) days ("Tenant's Review Period") after receipt of Landlord's notice of the new rental within which to accept such rental in writing. Failure of Tenant to so elect in writing within Tenant's Review Period shall conclusively be deemed its disapproval of the Fair Market Rental Rate determined by Landlord.

In the event Tenant fails to accept the new rental proposed by Landlord, Landlord and Tenant shall attempt to agree upon such Fair Market Rental Rate, using their best good faith efforts. If Landlord and Tenant fail to reach agreement within fifteen (15) days following Tenant's Review Period ("Outside Agreement Date"), then each party shall place in a separate sealed envelope their final proposal as to Fair Market Rental Rate and such determination shall be submitted to arbitration in accordance with subsections (a) through (e) below.

In the event that Landlord fails to timely generate the initial written notice of Landlord's opinion of the Fair Market Rental Rate which triggers the negotiation period of this section, then Tenant may commence such negotiations by providing the initial notice, in which event Landlord shall have fifteen (15) days ("Landlord's Review Period") after receipt of Tenant's notice of the new rental within which to accept such rental. In the event Landlord fails to accept in writing such rental proposed by Tenant, then such proposal shall be deemed rejected, and Landlord and Tenant shall attempt in good faith to agree upon such Fair Market Rental Rate, using their best good faith efforts. If Landlord and Tenant fail to reach agreement within fifteen (15) days following Landlord's Review Period (which shall be, in such event, the "Outside Agreement Date" in lieu of the above definition of such date), then each party sha ll place in a separate sealed envelope their final proposal as to Fair Market Rental Rate and such determination shall be submitted to arbitration in accordance with subsections (a) through (e) below.

(a) Landlord and Tenant shall meet with each other within five (5) business days of the Outside Agreement Date and exchange the sealed envelopes and then open such envelopes in each other's presence. If Landlord and Tenant do not mutually agree upon the Fair Market Rental Rate within one (1) business day of the exchange and opening of envelopes, then, within ten (10) business days of the exchange and opening of envelopes Landlord and Tenant shall agree upon and jointly appoint a single arbitrator who shall by profession be a real estate lawyer or broker who shall have been active over the five (5) year period ending on the date of such appointment in the leasing of comparable commercial properties in the vicinity of the Building. Neither Landlord nor Tenant shall consult with such broker or lawyer directly or indirectly as to his or her opinion as to Fair Market Rental Rate prior to the appoi ntment. The determination of the arbitrator shall be limited solely to the issue of whether Landlord's or Tenant's submitted Fair Market Rental Rate for the Premises is the closer to the actual Fair Market Rental Rate for the Premises as determined by the arbitrator, taking into account the requirements of this section. Such arbitrator may hold such hearings and require such briefs as the arbitrator, in his or her sole discretion, determines is necessary. In addition, Landlord or Tenant may submit to the arbitrator with a copy to the other party within five (5) business days after the appointment of the arbitrator any market data and additional information that such party deems relevant to the determination of Fair Market Rental Rate ("FMRR Data") and the other party may submit a reply in writing within five (5) business days after receipt of such FMRR Data.

(b) The arbitrator shall, within thirty (30) days of his or her appointment, reach a decision as to whether the parties shall use Landlord's or Tenant's submitted Fair Market Rental Rate, and shall notify Landlord and Tenant of such determination.

(c) The decision of the arbitrator shall be binding upon Landlord and Tenant, except as provided below.

(d) If Landlord and Tenant fail to agree upon and appoint an arbitrator, then the appointment of the arbitrator shall be made by the Presiding Judge of the Superior Court, or, if he or she refuses to act, by any judge having jurisdiction over the parties.

(e) The cost of arbitration shall be paid by Landlord and Tenant equally.

7. Documentation. Immediately after the base rent for the applicable Advise Space is determined pursuant to this Exhibit, Landlord and Tenant shall execute an amendment to the Lease stating the additional space to be leased, and the base rental rate in effect.

8. Terms. All terms used in this Exhibit unless otherwise defined in this Exhibit shall have the same meaning as the terms defined in the Lease.

EXHIBIT 10.45

SECOND AMENDMENT TO LEASE

THIS SECOND AMENDMENT TO LEASE ("this Amendment"), made as of the 17th day of February, 2007, by and between **MERIDIAN COMMERCIAL PROPERTIES LIMITED PARTNERSHIP,** a Florida limited partnership, with offices c/o L&J Schmier Management and Investment Co., 7777 Glades Road, Suite 201, Boca Raton, Florida 33434 (the **"Landlord")** and **CROSS COUNTRY HEALTHCARE, INC.,** a Delaware corporation, with offices at 6651 Park of Commerce Boulevard, Boca Raton, Florida (the **"Tenant"),** is based upon the following

RECITALS:

A. Landlord as successor to Meridian Properties, a Michigan general partnership **("Meridian"),** is the Landlord and Tenant as successor to Cross Country, Inc., a Delaware corporation, is the Tenant under a certain Lease, made as of April 28,1997 and amended under a certain Amendment to Lease as of May 1,2002 (the **"Original Lease")** relating to certain premises situated in a building (the **"Building")** in the Meridian Commerce Center, located at 6651 Park of Commerce Boulevard (the **"Property");** and

B. Landlord and Tenant have agreed to amend the Original Lease upon the terms and conditions hereinafter set forth,

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby mutually acknowledged, Landlord and Tenant do hereby acknowledge, confirm and memorialize their mutual understandings in the following

AGREEMENT:

1. Tenant hereby exercises its second option to extend the term of the Original Lease (as such term was extended by Tenant's exercise of its first option to extend) for five (5) additional years, such that the new expiration date of the Original Lease shall be May 1, 2018.

2. Landlord hereby gives Tenant an option to extend the term of the OriginaI Lease, as extended hereby, for a third five (5) year term, upon and subject to the terms and conditions set forth in Article 3, Section 1 of the Original Lease.

3. Landlord hereby agrees to pay Tenant a refurbishing allowance, with such allowance to be used at Tenant's discretion, in the amount of $5.00 per square foot ($350,030) and payable to Tenant upon the earlier of (i) Landlord's refinance of the mortgage existing on the Property as of the date hereof and (ii) June 30, 2007.

4. Except to the extent amended herein, the Original Lease is hereby ratified and confirmed by the parties and declared by them as remaining valid and binding obligations of each of such parties. All capitalized terms contained in this Amendment that are not expressly defined herein shall have the same meanings, if any, as are ascribed to such terms in the Original Lease. This Amendment may be executed by the parties hereto in separate counterparts, all of which, when taken together, shall constitute one and the same agreement No agreement shall exist pursuant to this Amendment unless and until this Amendment or a separate counterpart hereof is signed by each of the parties hereto. Facsimile counterparts of this Amendment as executed by such parties shall be deemed and treated as executed originals for all purposes.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the day and year first above written.

LANDLORD:

MERIDIAN COMMERCIAL PROPERTIES

LIMITED PARTNERSHIP,

By HSGS, INC.

Its General Partner

By: /s/ Jeff Schmier

Name:

Title:

TENANT:

CROSS COUNTRY HEALTHCARE, INC.

By: /s/ Joseph A. Boshart

Name: Joseph A. Boshart

Title: Pressident and Chief Executive Officer

Exhibit 21.1

LIST OF SUBSIDIARIES

Subsidiary	State of Incorporation
Assignment America, Inc.	Delaware
Cejka Search, Inc.	Delaware
CC Staffing, Inc.	Delaware
ClinForce, LLC (f/k/a ClinForce, Inc.)	Delaware
Cross Country Capital, Inc.	Delaware
Cross Country Infotech, Pvt, Ltd.	India
Cross Country Local, Inc. (f/k/a Flex Staff, Inc.)	Delaware
Cross Country Education, LLC (f/k/a Cross Country Education, Inc., Cross Country Seminars, Inc., and CCS /Heritage Acquisition Corp.)	Delaware
Cross Country TravCorps, Inc.	Delaware
HealthStaffers, Inc.	Delaware
MCVT, Inc.	Delaware
Med-Staff, Inc. (f/k/a Cross Country Nurses, Inc.)	Delaware
NovaPro, Inc.	Delaware
Metropolitan Research Associates, Inc.	Delaware
Metropolitan Research Staffing Associates, Inc.	Delaware
TVCM, Inc.	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-74862) pertaining to Cross Country Healthcare, Inc.'s Amended and Restated 1999 Stock Option Plan and Cross Country Healthcare, Inc.'s Amended and Restated Equity Participation Plan of our reports dated March 12, 2007, with respect to the consolidated financial statements and schedule of Cross Country Healthcare, Inc., Cross Country Healthcare, Inc.'s management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Cross Country Healthcare, Inc., included in this Annual Report on Form 10-K for the year ended December 31, 2006.

/s/ ERNST & YOUNG LLP
Certified Public Accountants

West Palm Beach, Florida,
March 12, 2007

Exhibit 31.1

CERTIFICATION

I, Joseph A. Boshart, certify that:

1. I have reviewed this annual report on Form 10K of Cross Country Healthcare, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: March 15, 2007

/s/ JOSEPH A. BOSHART

Joseph A. Boshart
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Emil Hensel, certify that:

1. I have reviewed this annual report on Form 10K of Cross Country Healthcare, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: March 15, 2007

/s/ EMIL HENSEL

Emil Hensel
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying Annual Report on Form 10-K of Cross Country Healthcare, Inc. (the "Company") for the year ended December 31, 2006 (the "Periodic Report"), I, Joseph A. Boshart, Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2007

/s/ JOSEPH A. BOSHART
Joseph A. Boshart
Chief Executive Officer

The foregoing certification is provided solely for purposes of complying with the provisions of Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying Annual Report on Form 10-K of Cross Country Healthcare, Inc. (the "Company") for the year ended December 31, 2006 (the "Periodic Report"), I, Emil Hensel, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2007

/s/ EMIL HENSEL
Emil Hensel
Chief Financial Officer

The foregoing certification is provided solely for purposes of complying with the provisions of Section 906 of the Sarbanes-Oxley Act of 2002.