

**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, 2008**

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**  
(State or other jurisdiction of  
incorporation or organization)

**13-4066229**  
(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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act: Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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, 2008 of \$14.41 as reported on the NASDAQ National Market, was \$399,989,005. This calculation does not reflect a determination that persons are affiliated for any other purpose.

As of February 29, 2009, 30,774,868 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 2009 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 into 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.

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## Forward-Looking Statements

In addition to historical information, this Form 10-K contains statements relating to our future results (including certain projections and business trends) that are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and are subject to the “safe harbor” created by those sections. Words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, “suggests”, “seeks”, “will” and variations of such words and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the section entitled “Item 1A – Risk Factors.” Readers should carefully review the “Risk Factors” section contained 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 2009.

Although we believe that these statements are based upon reasonable assumptions, we cannot guarantee future results and readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s opinions only as of the date of this filing. There can be no assurance that (i) we have correctly measured or identified all of the factors affecting our business or the extent of these factors’ likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct or (iv) our strategy, which is based in part on this analysis, will be successful. The Company undertakes no obligation to update or revise forward-looking statements.

## PART I

### Item 1. Business.

#### Overview of Our Company

We are a diversified leader in healthcare staffing services. We offer a comprehensive suite of staffing and outsourcing services to the healthcare market, which include being a leading national provider of nurse and allied staffing services and multi-specialty locum tenens (temporary physician staffing) services; a provider of clinical trials services to global pharmaceutical and biotechnology customers; and a provider of other human capital management services focused on healthcare.

We have a diversified revenue mix across business sectors and healthcare customers. For the fourth quarter ended December 31, 2008, our nurse and allied staffing business segment was 60% of our revenue and is comprised of travel and per diem nurse staffing and travel allied health staffing. Travel nurse staffing is our largest business. Our physician staffing business segment was 22% of our revenue and consists of temporary physician staffing (locum tenens) services. Our clinical trials services business segment was 12% of our revenue and consists of service offerings that include traditional staffing, as well as clinical trials management, drug safety monitoring and regulatory consulting services to pharmaceutical and biotechnology customers. Our other human capital management services business segment was 6% of our revenue and consists of education and training as well as retained search services related to physicians and healthcare executives. We have more than 5,000 contracts with hospitals and healthcare facilities, pharmaceutical and biotechnology customers, and other healthcare organizations to provide our healthcare staffing and outsourcing solutions. In 2008, no single client accounted for more than 3% of our revenue. In addition, our fees are paid directly by our clients and in certain cases by third-party administrative payers. As a result, we have no direct exposure to Medicare or Medicaid reimbursements.

In September 2008, we acquired substantially all of the assets of privately-held MDA Holdings, Inc. (MDA) and its subsidiaries for \$112.3 million in cash, plus additional earn-out payments based on 2008 and 2009 performance criteria. Headquartered in Norcross, Georgia, MDA provides multi-specialty temporary physician staffing (locum tenens) and allied staffing services to the healthcare industry in all 50 states. The locum tenens portion of MDA’s business is accounted for in our physician staffing business segment and the allied portion is accounted for in our nurse and allied staffing business segment.

In conjunction with this transaction, we entered into a \$200.0 million syndicated credit facility with Wachovia Capital Markets, LLC and certain of its affiliates, Banc of America Securities, LLC, and certain other lenders. Pursuant to this financing, we amended and kept in place our existing \$75.0 million revolving loan facility and entered into a new \$125.0 million 5-year term loan, from which the proceeds were used to finance the MDA acquisition and for future general corporate purposes.

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For the year ended December 31, 2008, our revenue was \$734.2 million and we had a net loss of \$142.9 million, or (\$4.61) per diluted share, including pre-tax non-cash goodwill and other intangible asset impairment charges. The net loss was a result of recording \$244.1 million (\$167.0 million after taxes, or \$5.39 per diluted share) in impairment charges in the fourth quarter of 2008, primarily related to our annual goodwill impairment testing. During 2008, we generated \$51.0 million in cash flow from operations. At year-end 2008 we had total debt of \$133.1 million and \$10.2 million of unrestricted cash on our balance sheet, resulting in a debt, net of unrestricted cash, to total capitalization ratio of 33.5% as of December 31, 2008.

### **Healthcare and Demographic Influences on Our Business**

According to a 2009 government report published in *Health Affairs*, healthcare spending in the U.S. increased 6.1% to \$2.2 trillion in 2007. Spending on hospital services increased 7.3% and comprised nearly one-third of all healthcare spending. Spending for physicians and clinical services grew by 6.5%, which was similar to the prior year. According to forecasts from the Centers for Medicare and Medicaid Services (CMS), healthcare spending is expected to almost double to approximately \$4.3 trillion in 2017 and account for 19.5% of the U.S. gross domestic product (GDP), up from 16.3% in 2007. Of this projected increase, spending on hospital services will rise to more than \$1.3 trillion by 2017 and represent 30% of overall healthcare spending.

This significant expansion in spending is expected to be driven, in large part, by greater demand for healthcare services due to an increasing and aging population:

- The U.S. population grew by 31% or by 70 million people between 1980 and 2005. As baby boomers age, the number of Americans over age 65 will double by 2030 from 35 million to 71 million, according to U.S. Census Bureau projections. And by 2050, the U.S. population will expand to 420 million people, of which the number of people age 65 and older is expected to approach 87 million, according to a Congressional Research Service report (March 2007). Meanwhile, the 55-to-64 age group is expected to increase to 40 million by 2014, including the oldest baby-boomers who turn 65 years of age and become eligible for Medicare beginning in 2011.
- Healthcare spending is higher for older people than younger people. Patients age 65 and older typically average six to seven doctor visits per year compared to two to four visits annually for those under age 65. If the annual number of visits continues at the present rate, the U.S. population will make 53% more trips to the doctor in 2020 than in 2000, according to a November 2008 report by the Association of American Medical Colleges (AAMC). Additionally, the most costly illnesses are more common among the elderly. As medical advances extend survival rates and improve quality of life for those with chronic conditions, the need for ongoing healthcare services will increase. The U.S. Centers for Disease Control and Prevention reported that 80% of people 65 and older have at least one chronic condition, such as diabetes, arthritis or cancer. Life expectancy for Americans is nearly 78 years, the highest in U.S. history, according to government statistics for 2005. Hospital utilization is significantly higher among older people. In 2005, the U.S. Department of Health and Human Services reported that people over the age of 65 comprised 38% of all inpatients. Projections from the American Hospital Association (AHA) expect hospital admissions for the over-age 65 group to rise to 56% in 2030 from 38% in 2004, while for the under-age 65 group decrease to 44% from 62% over the same period.

Overlaid on this expected increase in demand for healthcare services is an insufficient supply of registered nurses (RNs) and physicians to provide quality medical care. The RN workforce is aging and the nurse education system is constrained by an aging faculty and lack of teaching facilities, while at the same time there is a growing shortage of physicians in both hospitals and practice groups.

- The nursing shortage is expected to expand to 340,000 unfilled RN positions by 2020 due to a combination of an aging RN workforce that is unable to offset increasing numbers of RNs retiring from the workforce over the coming years with the number of new RNs entering the workforce (*Health Affairs*, January/February 2007). The average age of RNs is approximately 47 years, up from age 45 in 2000. By 2012, RNs in their fifties will comprise the largest age group in the profession, and by 2020, baby-boomer nurses will be in their sixties, although most are expected to have retired from working in acute care hospitals. Approximately 478,000 RNs are expected to retire between 2002 and 2012.
- Physicians are in short supply as well. While the root cause of this shortage dates back to the 1980s and 1990s when medical schools capped enrollment, researchers had earlier predicted a 50,000 shortfall by 2010 and 200,000 by 2020 (*Health Affairs January/February 2002*). However, a November 2008 report from the AAMC projects a shortage of 124,000 physicians by 2025. Nonetheless, both studies expect the shortage to be most severe among family physicians and general surgeons. Further, researchers believe it already is too late to avert a shortage since one-third of the nation's physicians (approximately 250,000) are age 55 and older and approximately 38% are considering retirement in the next one to three years. And while the number of applicants to U.S. medical schools is increasing, it has not kept on pace to

counter the expected future demand given the number of post-graduate years of training required. Surgical training, for example, requires eight to fourteen years.

Hospital and healthcare facility customers comprise the majority of our revenue base. Typically, they provide medical care 24x7, which requires RNs, physicians and other healthcare professionals to be staffed around the clock. Labor has historically been the largest component of a hospital's operating budget representing approximately 50% of the budget with nursing care accounting for about half or a quarter of total expenditures. Hospitals are capital-intensive organizations that are paid for their services through reimbursements from the Centers for Medicare & Medicaid Services (CMS), by insurance companies paying their members' covered claims, and by private-pay individuals. Our fees are paid directly by our clients and in certain cases, by third-party administrative payers. As a result, we have no direct exposure to any Medicare or Medicaid reimbursements.

Since the beginning of 2003, growth in hospital in-patient admissions has been flat-to-down. In addition, hospitals, healthcare facilities and physician practice groups have had to contend with changes in government reimbursements for their services, changes in legislation and agency regulations, a large universe of uninsured patients compounded by rising unemployment and consumerism for those with health insurance coverage, and rising bad debt and professional liability related to medical errors. More recently, hospitals and healthcare facilities have been affected by the financial and credit crisis, which has reduced their ability to access capital and/or substantially increased the cost of capital they are able to obtain. Also hospital expansion and construction projects, which experienced a robust up-surge during the past few years, have largely come to an abrupt halt.

The combination of these factors, as well as a weakening of the national labor market that triggered RNs to provide more hours of service directly to hospital employers at wages hospitals are willing and able to pay, has resulted in a decline in the demand for our nurse and allied staffing services while our physician staffing business continues to experience growth. Physicians are revenue generators for hospitals, healthcare facilities and practice groups while nurses are an un-reimbursed cost in the delivery of care.

The shortage of RNs and physicians is likely to increase over time, and could worsen by the adoption of universal healthcare coverage, according to a report by the AAMC in November 2008. Such broad-based healthcare coverage could add 4% to overall demand for physicians and increase the projected physician shortfall by 25%, or 31,000 physicians.

In our clinical trials services segment, the pharmaceutical and biotechnology industries have historically been less impacted by downturns in the economy and more impacted by mergers and acquisitions that result in evaluation of product mix and/or funding of research and development (R&D) efforts. While an increasing amount of R&D has been outsourced over the preceding years, the current global economic environment has led pharmaceutical companies to look more to in-licensing or acquiring new technologies and potential products while refocusing or scaling-back their R&D programs. The biotechnology industry has been impacted to a much greater degree by the recent lack of available funding from private and public sources. Consequently, the current economy has resulted in a number of companies being substantially down-sized, acquired or shut down – all of which have recently decreased R&D activity in this sector.

### **Nurse and Allied Staffing**

We are a leading provider of travel nurse staffing services in the U.S., as well as a provider of travel allied staffing and per diem nurse staffing services. Our 2008 segment revenue was \$525.8 million. We market our nurse and allied staffing services primarily to acute care hospitals, providing clients with staffing solutions through our Cross Country Staffing, MedStaff and Allied Health Group brands. We provide credentialed RNs for travel and per diem staffing assignments at public and private healthcare facilities, as well as for-profit and not-for-profit facilities located throughout the U.S. The vast majority of our assignments are at large acute-care hospitals, including teaching institutions and trauma centers, located in and around major metropolitan areas. We also provide other healthcare professionals in a wide range of specialties that include operating room technicians and various allied health professionals, such as rehabilitation therapists, radiology technicians and respiratory therapists, nurse practitioners, physician assistants and radiation therapy technicians to assignments in hospitals 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. Cross Country Staffing is our largest brand. As a part of its business strategy, Cross Country Staffing has in-place a number of exclusive vendor-managed and preferred provider relationships with hospital clients, and continues to pursue such additional opportunities. In doing so, it provides clients with a suite of solutions to facilitate the efficient management of their temporary nursing workforce, which range from efficiency-enhancing technology to full 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.

The nurse staffing businesses of our Cross Country Staffing and MedStaff brands are certified by The Joint Commission under its Health Care Staffing Services Certification Program.

### *Recruiting*

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

In 2008, 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 an important component of our recruitment efforts. We maintain a number of websites to allow potential applicants to obtain information about our brands and assignment opportunities, as well as to apply online.

Our recruiters are an essential element 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 databases with the demand for open orders posted by our hospital clients. At year-end 2008, we had 153 recruiters in our travel staffing business.

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 consideration. Account managers are knowledgeable about the specific requirements and operating environment of the hospitals that they service. In addition, our databases of open positions are kept updated by our account managers.

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.

### *Contracts with Field Employees and Hospital Clients*

Each of our traveling field employees works for us under a contract. Travel assignments are typically 13-weeks in duration. 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. 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.

### *Operations*

We operate our travel 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; Newtown Square, Pennsylvania and Norcross, Georgia. 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 Automatic Data Processing, Inc. 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 2008, we had an average of approximately 2,400 apartments open under lease 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 generally be extended on a month-to-month basis. We typically 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.

#### Overview of the Nurse and Allied Staffing Industry

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 or longer than three months. Travel assignments usually involve relocation to the geographic area of the assignment. Travel nurses provide hospitals and 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. 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. Consequently, housing and extensive travel are generally not required for this mode of staffing.

#### *Demand and Supply Drivers*

Using temporary personnel enables healthcare providers to manage their total staffing levels of internal and external nursing resources to better match variability in patient admissions, seasonal fluctuations, and other factors such as facility expansion and staff training activities. The use of temporary RNs is no longer a stop-gap measure, but has become a way of life for many hospitals according to a survey by the PricewaterhouseCoopers' Healthcare Research Institute in which hospital executives reported using temporary nurses for an average of 5% of all nursing hours. A separate national tracking study found as many as 75% of hospitals use temporary nurses. In addition, a study by researchers at the University of Pennsylvania's Center for Health Outcomes and Policy Research (*Journal of Nursing Administration*, August 2007) reported that hospital use of temporary RNs does not lower quality of care because these nurses are just as qualified  $\square$  50; and in many cases more qualified – than permanent staff nurses. The study also found that temporary nurses were more likely than permanent nurses to hold a 4-year baccalaureate or more advanced degrees and more likely to have received their education in the past 10 years when compared to permanent nurses.

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 dynamics of the national labor market and its impact on RN's spouses (approximately 70% of RNs in the U.S. are married) which influences the number of shifts or hours that full-and part-time RNs are willing to work directly for hospitals 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 expanding and aging population and an increasing shortage of nurses.

The environment for our nurse and allied staffing services in 2008 reflected both hospital admission trends that have been relatively flat since the first quarter of 2003 and a deteriorating national labor market resulting in higher levels of unemployment that translates into more uninsured people and fewer people with commercial health insurance coverage. Also, high unemployment typically results in nurses being more willing to work more hours at prevailing wages, which reduces the need for our outsourced staffing services to meet demand for patient care. It is likely the business environment for nurse and allied staffing will weaken further during 2009.

However, we were able to expand our margins through continued expansion of the bill-pay spread and a moderation of housing expenses and lower insurance costs. Bill rates, as measured by revenue per hour in our travel nurse staffing business, continued to rise in the low single-digit range in 2008 consistent with our experience over the past several years.

The number of RNs in the U.S. grew 7.9% between 2000 and 2004 to 2.9 million, according to the most recent information published by the Health Resources and Services Administration (HRSA) in December 2005. Of this total, 2.4 million were employed in nursing, and approximately 1.7 million RNs (58%) were working full-time and 725,000 RNs (25%) were working part-time. According to this information, the largest and most significant employment setting for RNs was hospitals (nearly 60%) where they represented the largest share of hospital employees at 28%.

Foreign-educated RNs also play a role in providing nursing services. Nearly 90,000 foreign-educated RNs work in American hospitals, or about 3.7% of the total RN workforce, according to a 2007 study by the National Foundation for America

Policy. However, entry into the U.S. can be blocked or delayed due to immigration quotas and a lack of appropriate temporary visa categories. The Philippines provides the largest share of foreign-educated RNs to the U.S., followed by India, Canada and South Korea. California employs the most foreign RNs, followed by Florida, New York and Texas.

The average age of RNs is approximately 47 years, up from age 45 in 2000 and age 41 in 1996, according to the 2005 HRSA survey, which also indicated 41% of RNs were age 50 or older. In comparison, in 1980 the largest age group of RNs was in their mid-to-late twenties and in 2005 they were in their forties. By 2012, RNs in their fifties will be the largest age group, and by 2020, those baby boomer RNs still in the workforce will be in their sixties.

While the aging trend of RNs is an important factor, the addition of new nurses and the retirement of older nurses has also become a key dynamic. While large numbers of RNs have been passing the required national licensing exam (NCLEX) and entering the profession in their late twenties and early thirties, the number of people entering nursing in their early to mid-twenties remains at its lowest point in forty years, according to the Health Affairs (January/February 2007) study. Approximately 478,000 RNs are expected to retire between 2002 and 2012. In fact, 55% of surveyed RNs reported their intention to retire between 2011 and 2020, based on findings from the Nursing Management Aging Workforce Survey published by the Bernard Hodes Group in July 2006. New jobs plus retirements lead to projections that 1.1 million additional RNs will need to be added to the inventory of RNs between 2002 and 2012 to maintain a steady state, according to an August 2007 study in Health Research and Educational Trust. 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 care hospital setting. We also believe the attrition of newer RNs leaving the profession after a short period in the nursing workforce is also a factor in this equation.

### *Educating Nurses*

As a result of more RNs entering the profession at an older age than they previously did, RNs are less likely to have obtained their nursing education immediately after high school, as was more common in the past. Instead, people are increasingly entering the nursing by graduating from a two-year associate degree program after a period 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 baccalaureate nursing programs increased 2.0% in 2008 from the prior year and graduations increased 8.2% from 2007 to 2008, according to preliminary survey data from the American Association of Colleges of Nursing (AACN) issued in December 2008. While this marks the eighth consecutive year of enrollment growth and the sixth consecutive year for graduations, this reduced level of growth in enrollments may indicate four-year nursing degree programs may have reached capacity.

Enrollment in master’s level nursing programs increased by 8.7% from 2007, but this represents a significantly lower growth rate similar to the decline realized in baccalaureate nursing program enrollment. Graduations from masters programs increased 10.6% in 2008, which was essentially the same growth rate compared to the prior year based on the AACN preliminary data.

Enrollment in doctoral nursing programs increased 9.7% and graduations increased 17.6% from 2007. However, the number of students enrolled in research-focused doctoral programs in 2008 decreased slightly by 0.4%, according to preliminary estimates.

Interest in the nursing profession remains high based on nursing schools continuing to receive more qualified applications than can be accommodated. The AACN preliminary data reflects that approximately 28,000 qualified applicants were turned away from baccalaureate nursing programs in 2008, with most nursing colleges and universities continuing to cite insufficient faculty, clinical placement sites, classroom space, and budget cuts as the primary reasons.

### *Legislation*

In the context of a worsening nursing shortage and legislative efforts to address nurse staffing ratios and the use of mandatory overtime at hospitals and healthcare facilities, 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, such as outlined below, has been passed and/or introduced at federal and state levels. The passage of such legislation is expected to increase the demand for nurses.

## *Nurse Staffing Plans and Ratios*

42 Code of Federal Regulations (42CFR 482.23(b) requires hospitals certified that participate in Medicare to "have adequate numbers of licensed registered nurses, licensed practical (vocational) nurses, and other personnel to provide nursing care to all patients as needed". However, it is left to the states to ensure that staffing is appropriate to meet patients' needs safely.

Reductions in nursing budgets have resulted in fewer nurses working longer hours, while caring for sicker patients. As a result, nurses have requested assistance from elected officials on the state and federal level related to adequate nurse staffing through legislative or regulatory means. Three general approaches have been proposed:

1. Require and hold hospitals accountable for implementation of nurse staffing plans, with input from practicing nurses, to assure safe nurse to patient ratios are based on patient need and other criteria.
2. Legislators mandate specific nurse to patient ratios in legislation or regulation.
3. A combination of nurse staffing plans and legislated nurse to patient ratios, along with making staffing information available to the public.

### Federal Legislation (pending)

The Registered Nurse Safe Staffing Act of 2007 (S. 73 / H.R. 4138) would amend title XVIII (Medicare) of the Social Security Act to: (1) require each participating hospital to adopt and implement a staffing system that ensures a number of registered nurses on each shift and in each unit of the hospital to ensure appropriate staffing levels for patient care; (2) provide for the public reporting of certain staffing information, including a daily posting for each shift in the hospital of the current number of licensed and unlicensed nursing staff directly responsible for patient care; (3) prescribe recordkeeping, data collection, and evaluation requirements for participating hospitals; (4) specify civil monetary penalties for violations of such requirements; and (5) provide whistleblower protections.

### State Legislation

To date, 13 states plus the District of Columbia have enacted legislation and/or adopted regulations to address nurse staffing: CA, CT, FL, IL, ME, NV, NJ, OH, OR, RI, TX, VT, and WA. During 2008, nurse staffing legislation was introduced in: AZ, CT, FL, HI, IA, MN, MO, NJ, NM, NY, OH, VA, and WV.

### *Mandatory Overtime*

Overtime is defined as the hours worked in excess of an agreed upon, predetermined, regularly scheduled full or part time work schedule, as determined by contract, established work scheduling practices, policies or procedures. Due to inadequate RN staffing, healthcare facility employers have used mandatory overtime to staff facilities. Concern for the long term effects of overtime include impact on the care-giver's health as well as the potential for errors or near misses from fatigue and diminished quality of care provided. Research indicates that risks of making an error are significantly increased when work shifts are longer than 12 hours, when nurses worked overtime, or when they worked more than 40 hours per week. Voluntary overtime is not affected.

### Federal Legislation (pending)

The Safe Nursing and Patient Care Act of 2007 (HR 2122 / S. 1842) would amend title XVIII of the Social Security Act to provide for patient protection by limiting the number of mandatory overtime hours a nurse may be required to work at certain providers of services to which payments are made under the Medicare Program.

### States Legislation

To date, 15 states have restrictions on the use of mandatory overtime for nurses. Twelve states have enacted legislation: CT, IL, MD, MN, NJ, NH, NY, OR, PA, RI, WA, and WV. Three states have provisions in regulations: CA, MO, and TX.

## **Physician Staffing**

Today, locum tenens is most commonly used to mean temporary physicians that contract with recruitment agencies to perform medical services over a certain period of time as an independent contractor at hospitals, practice groups or other healthcare organizations.

In using temporary physicians, the staffing needs of healthcare facilities are met while physicians gain flexibility in their schedules and professional experience in multiple practice settings. The locum tenens industry is more than 20 years old and continues to grow as more physicians choose this way of practicing medicine and healthcare organizations discover the value of temporary physician staffing.

Utilization of temporary physician coverage ranges from rural solo physician practices to the country's major health systems and managed care organizations. Healthcare facilities have found that supplemental healthcare professionals are needed for a variety of reasons: to compensate for a physician shortage, to fill in for an absent staff member who may be ill, on vacation, on maternity leave or sabbatical, as well as to cover while physicians attend continuing medical education courses, to supplement regular staff during busy times, or to staff new facilities while permanent providers are recruited. Many healthcare facilities across the country use temporary physicians as an integral part of their master staffing plan. In many cases, it is less costly and more efficient for them to staff at a minimum level and use temporary physicians to supplement their permanent staff, rather than always trying to staff at the maximum level and having many periods of time when the staff are not fully utilized.

Physicians choose temporary assignments for a variety of reasons and at various points in their careers. For example, it is an especially appealing option for new physicians just out of residency training. It provides them with the opportunity to sample different practices and areas of the country before making a long-term commitment in any one spot. While medical schools and residency programs teach the art of practicing medicine, new physicians frequently emerge from training without knowing just what style of practice will suit them best and many report being unhappy with their first practice setting. With temporary physician staffing, there's no pressure to rush into a permanent decision. And there are no immediate financial burdens such as "buying in" to a practice or permanently locating to the wrong place. Physicians can even use a temporary assignment to try out a specific practice opportunity before making a permanent commitment.

Temporary staffing is also the choice of many seasoned physicians who are not ready to retire, but want to scale down the rigors and administrative burdens of full-time practice. These physicians enjoy the chance to keep more reasonable hours and combine work with travel and time spent with family and friends. Other physicians choose temporary physician staffing work in mid-career as a way to find the right position in a new area, or while they are in professional transition, such as from military to civilian practice or while in the process of starting their own business.

#### *Demand and Supply Drivers*

Based on the economic principles of supply and demand, there are not enough physicians to fill the number of vacancies at U.S. hospitals, practice groups and other healthcare facilities – and the shortage is expected to grow even further. Due to population growth, aging and other factors, demand will outpace supply through at least 2025, according to the AAMC in its November 2008 report. Simply educating and training more physicians will not be enough to address the shortage. While the root cause of this shortage dates back to the 1980s and 1990s when medical schools capped enrollment, earlier this decade researchers predicted a 50,000 shortfall by 2010 and 200,000 by 2020 (*Health Affairs January/February 2002*). More recently, the report by the AAMC (November 2008) projects a shortage of 124,000 physicians by 2025. In either case, some of the causes behind the projected shortages include:

- Of the nearly 800,000 physicians practicing medicine today in the U.S. approximately one-third of physicians are over age 55. As the baby boomer generation begins to turn age 70, approximately 38% of these older physicians report they are considering retirement in the next one to three years, according to the American Medical Association. In absolute terms, the number of physician retirements is expected to rise to 23,000 per year in 2025 from approximately 9,000 in 2000, according to the AAMC.
- The shortage of primary care doctors is worsening each year, as only 20% of internal medicine third-year residents chose primary care in 2005. This was a decline from nearly 55% in 1998, according to a 2008 report from the Center for Studying Health System Change.
- More than half of U.S. hospitals consistently faced substantial gaps in specialist coverage in their emergency departments between 2005 and 2007, especially in orthopedics and neurology, according to the American Medical Association.
- The Bureau of Labor Statistics set the unemployment rate among U.S. physicians and surgeons at 0.7% in 2006, which essentially means there was no unemployment among doctors.

- Shortages exist for all types of physicians, especially for physicians specializing in emergency medicine, cardiology, family practice, general surgery, internal medicine, hospital medicine (hospitalists), oncology, orthopedics, psychiatry and urology.

### *Educating Physicians*

Despite the large increase in the population, the number of U.S. graduates with M.D. degrees from medical schools has remained flat at about 16,000 per year over the past several decades, although an increase in the supply of foreign-trained physicians and the number of graduates receiving Doctor of Osteopathy degrees has helped to augment the increase in demand for care, according to the AAMC Center For Workforce Studies.

In 2008, first-year enrollment at U.S. medical schools increased nearly 2% from the prior year to more than 18,000 students, the highest enrollment in history. However, the total number of applicants to medical schools leveled off at more than 42,000 after having increased in each of the prior five years. And while the overall applicant pool is one of the largest in more than a decade, where there was an average of more than 2 applicants for every available opening at a U.S. medical school, the number of first-time applicants to U.S. medical schools decreased 3% from the prior year. Looking farther out, the AAMC estimates first-year U.S. M.D. enrollment in medical school will grow by 21% in the 2012 academic year to nearly 20,000 from enrollment levels in 2002. This projected increase primarily reflects growth at existing medical schools, aided by several new medical schools hopeful of enrolling their first classes in the coming years.

### *Temporary Physician Staffing Drivers*

In 2007, temporary physician staffing accounted for approximately \$1.9 billion in revenue, according to estimates by the Staffing Industry Report. In addition, the locum tenens sector experienced double-digit growth in 2006 and 2007 (Staffing Industry Report - June 2008) and is projected to experience similar levels of growth in 2008 and 2009.

Physicians are attracted to the locum tenens industry at different stages of their career for a number of reasons, thereby maintaining an ongoing supply of physicians to the industry. Locum tenens gives a physician the opportunity to practice medicine and focus almost exclusively on patient care without having the administrative aspects of managing a business, reimbursement concerns, hospital politics, or malpractice costs. However, many other benefits to physicians correlate with the life stage of the physician.

- *Physicians age 35 and under.* Younger physicians who are recent residency program graduates look to experience different practice settings and locations before making more permanent career decisions. Approximately 68% of final year medical residents receive multiple job solicitations and in some specialties, such as radiology and cardiology, the number is even higher. Locum tenens allows the younger physician to try out different opportunities before settling on one. It can also assist physicians in paying-off their student loans.
- *Physicians 35-49.* Physicians in the middle stages of their career find a locum tenens practice to suit their lifestyle as a fulltime career, as a way to take a break from their current practices but remain working, as a transition opportunity or as a means to supplement their income.
- *Physicians age 50 or older.* Older physicians at the later stages of their career normally find a diverse travel practice with decreased time requirement to be appealing. They may look for job enrichment by choosing a locum tenens position or looking for employment in or before retirement. Physicians in this category may no longer wish to operate a practice and all the administrative issues that accompany it, but wish to continue working, even if just for a few months a year.

### *MDA Overview*

Founded in 1987 and based in Norcross, Georgia, MDA is one of the three largest providers of locum tenens in the U.S. In 2008, on a pro forma basis it generated revenue of \$175.3 million, as compared to revenue of \$158.0 million in the prior year. In 2008, MDA handled approximately 7,700 assignments for more than 1,300 clients utilizing its database of over 157,000 providers representing a wide range of medical specialties.

MDA also offers allied health providers temporary and permanent staffing opportunities at healthcare client facilities. In addition, MDA is one of only three locum tenens companies with an in-house Credentials Verification Organization certified by the NCQA (National Committee for Quality Assurance), which verifies critical credentials prior to MDA's assignments. The NCQA uses an extensive proprietary database and interfaces with MDA's professional liability carrier to obtain approvals of providers. It takes risk management decisions out of the sales process by verifying credentials of providers and approving specific assignments.

Quality medical malpractice liability insurance coverage is a critical component of the MDA business model. Clients usually require MDA to refer physicians with medical professional liability coverage, and physicians are attracted to MDA because it offers quality malpractice coverage.

MDA currently is the only multi-specialty medical staffing company that has procured an occurrence form policy from Medical Protective Company, a Berkshire-Hathaway insurance company (AAA-rated by Standard & Poor's). This represents a substantial competitive advantage in the recruitment of physicians. In addition, the occurrence based policy is of particular importance to physicians as it covers incidents occurring during the policy period regardless of when they are reported. The more common claims-made policy only covers physicians for claims reported during the policy period.

### *Recruiting*

Recruiters go through extensive training in both sales and marketing specialties in order to have continuity with providers and hospitals to facilitate quick and personal service to every customer. Each recruiter covers one specialty and one geographic region whereas competitors typically have separate sales and marketing personnel that can add more contacts and confusion to the staffing process. MDA currently employs approximately 120 physician staffing recruiters throughout its organization, including its Atlanta area headquarters, as well as offices in Denver and Dallas.

### *Operations*

MDA successfully operates a multi-site business model with employees/recruiters primarily staffed at several locations nationwide. Recruiters are responsible for managing accounts, and have incentives for collecting amounts due from customers. This enables MDA to have a single point of contact for customers.

When it was initially founded, the locum tenens industry primarily served clinics, group practices and rural hospitals. As the physician staffing industry matured, an increasing amount of business has been generated from serving hospitals (in both urban/suburban and rural settings). Large, nationwide hospital systems and associations continuously use MDA's services due to its ability to respond quickly to the hospital's needs, and offer quality physicians on a temporary or permanent basis. MDA also provide services to various U.S. government institutions, including the Indian Health Services, the Department of Veterans Affairs, the Army, Air Force and other agencies. In 2008, approximately 59% of MDA's business was from hospitals and approximately 41% was from physician practice groups and other healthcare facilities.

### **Clinical Trials Services**

The global pharmaceutical market reached \$712 billion in 2007, according to industry intelligence source IMS Health, and expects global sales to grow about 5% to more than \$820 billion in 2009.

The discovery and development of a new medicine is an expensive and lengthy process. In 2007, the U.S. pharmaceutical and biotechnology industry invested \$58.8 billion in research and development (R&D). The R&D process takes an average of more than 10 years to develop a drug at an estimated cost of \$1.3 billion for a new medicine and \$1.2 billion to develop a biological treatment, according to a recent study from the Tufts University Center for the Study of Drug Development (November 2006). For every 5,000 to 10,000 potential drug candidates that enter the discovery research stage, only about 2.5% to 5% make it to the preclinical phase. Of that percentage, only 0.05% to 0.1% will enter the clinical trial testing phase. The result of those 5,000 to 10,000 candidates is just one regulatory-approved drug to market. There are currently more than 2,700 medicines in clinical trials or undergoing review by the U.S. Food and Drug Administration (FDA) for 4,600 indications.

### *Overview of Clinical Trials*

Clinical trials are one of the most important parts of the drug development process and also one of the most time-consuming. Between 1999-2002 and 2003-2006, the length of the average clinical trial increased by nearly 70%, from 460 days to 780 days (Tufts CSDD). The clinical trial studies are not only expanding in time, but also growing in scope, as the average number of participants needed for each clinical study increased from 1,700 to 4,300 over the last three decades (CISCRP, Hoover Institution, US FDA). In addition, clinical studies are increasingly becoming more complex. In 2005, 72% of U.S. clinical studies involved more than 85 procedures, 70% more than the number of studies in 2000 (Accenture, PhRMA).

Approximately 80,000 clinical trials are conducted in the U.S. each year sponsored by both industry and government. These studies to advance medical science require the work of an estimated 200,000 research professionals and the involvement of millions of study participants each year (CenterWatch).

Clinical trials are conducted to collect data regarding the safety and efficacy of new drug and device development. There are several steps and stages of approval in the clinical trials process before a drug or device can be sold in the consumer market, if ever. Drug and device testing begins in the preclinical stage, which can involve years of experiments in animals and human cells. Before advancing to the clinical stage, researchers must submit an investigational new drug application, or IND, to the FDA for approval to continue research and testing in humans. Once approved, human testing of experimental drugs and devices can begin and is typically conducted in four phases. Each phase is considered a separate trial and, after completion of each phase, investigators are required to submit their data for approval from the FDA before continuing to the next phase.

Clinical trials are conducted by teams of physicians and other clinical and data professionals in university facilities, hospitals and physician offices around the world.

- Phase I studies assess the basic safety of a drug or device, including tolerance, absorption, metabolism and excretion. This initial phase of testing, which can take several months to complete, usually includes a small number of healthy volunteers (20 to 100), who are generally paid for participating in the study. About 70% of experimental drugs pass this phase of testing (CenterWatch).
- Phase II studies test the efficacy of a drug or device. This second phase of testing can last from several months to two years, and involves approximately 100 to 500 people. About one-third of experimental drugs successfully complete both Phase I and Phase II studies (CenterWatch).
- Phase III studies involve randomized and blind testing in several hundred to several thousand patients. This large-scale testing, which can last several years, provides the pharmaceutical company and the FDA with a more thorough understanding of the effectiveness of the drug or device, the benefits and the range of possible adverse reactions. 70% to 90% of drugs that enter Phase III studies successfully complete this phase of testing (CenterWatch). Once Phase III is complete, a pharmaceutical company can request FDA approval for marketing the drug.
- Phase IV studies, often called Post Marketing Surveillance Trials, are conducted after a drug or device has been approved for consumer sale. These studies have become more prevalent in recent years as the trials can be used to monitor long-term risks and benefits, evaluate dosage levels, and to record safety and efficacy data.

#### *Outsourcing of Clinical Research*

Research sponsors commonly partner with outsourcing providers to take advantage of their clinical research expertise, skilled workforce and resources to help accelerate the development of treatments for the cure and prevention of disease. In 2007, pharmaceutical and biotechnology companies spent approximately \$57 billion on outsourcing, according to the economics research and analytics division of Frost & Sullivan. Of this amount, approximately 25% was spent on clinical trials and is expected to increase to 35% over the next five years.

The outsourcing of clinical research and testing developed mostly in the late 1990's as pharmaceutical R&D efforts became more complex and competition in rapidly-growing therapeutic areas increased. Traditionally thought of as a short-term strategy, outsourcing is now being used to lever the pharmaceutical industry's core competencies to maximize productivity. The global market for contract clinical research services is highly fragmented and comprises contract research organizations (CROs) of varying size, as well as hundreds of niche service providers and independent consultants. In 2007, pharmaceutical and biotechnology companies spent approximately \$8.5 billion on contracted clinical services.

Outsourcing offers a number of advantages to pharmaceutical and biotechnology companies. Outsourcing provides solutions to the following issues pharmaceutical and biotechnology companies may face.

- Sponsors can convert the fixed costs of maintaining the personnel, expertise and facilities into variable costs
- Supplemental expertise not available in-house
- Knowledge of regulatory affairs in a particular country of interest
- Increased complexity of clinical trials
- Necessity for medical and clinical knowledge in specific therapeutic areas or indications
- Increased amount of data required from clinical trials
- Multinational and multi-center nature of current clinical trials

- Requirement for large patient populations
- Regionalized diseases

### *Current Outsourcing Market*

Over the last few years, economic and competitive forces have led pharmaceutical and biotechnology companies to reduce corporate expenses and scale down their development, manufacturing and marketing operations. Pharmaceutical companies have traditionally been highly insulated from economic down-turns because people relying on drug treatments still need their medications. Historically, the greatest influence on changes in R&D spending and the approach toward more or less outsourcing has been merger and acquisition activity where the acquirer re-evaluates the pipelines, consolidates and then moves forward again with their R&D activities. In the current economic environment, however, the global economy has negatively impacted pharmaceutical companies and, more so, smaller biotechnology companies constrained by a lack of access to private and public capital. While their research pipelines have been fairly diverse, pharmaceutical companies are now making a conscious effort to focus on their most promising development projects in their respective core clinical areas of expertise while significantly reducing or eliminating other projects. This has resulted in lay-offs, closures or sale of plant facilities, and other cost-saving measures. At the same time, pharmaceutical companies are seeking to bolster their pipelines by licensing and/or acquiring potential new products and technologies, and are also taking advantage of the current situation to acquire biotechnology companies at very low multiples.

### *Our Business*

We provide a flexible range of traditional contract staffing, clinical research outsourcing, drug safety monitoring, and regulatory consulting services to pharmaceutical, biotechnology and medical device companies, as well as to contract research organization (CRO) customers. In 2008, segment revenue was \$99.1 million. We market these services through multiple brand offerings, which have allowed us to establish a significant geographic footprint in the U.S. along with an important presence in the European market. The brands that comprise our clinical trials services segment are as follows:

- ClinForce provides clinical research professionals for in-sourced and out-sourced contract assignments and permanent placement services. Customers include pharmaceutical, biotechnology and medical device companies, as well as CROs. Acquired in March 2001, it is headquartered at the Research Triangle Park in Durham, North Carolina.
- Metropolitan Research Associates (MRA) provides clinical trials management services and functional drug safety solutions. MRA has extensive experience across a wide range of therapeutic areas, including: women's health, central nervous system (CNS), pain management, infectious disease and obesity. Customers include pharmaceutical, biotechnology and medical device companies. Acquired in August 2006, it is based in New York, New York.
- AKOS provides drug safety, regulatory and clinical trial services to pharmaceutical, biotechnology and medical device companies, as well as CROs, in Europe, the U.S., Canada and Asia. Acquired in June 2007, it is based in Harpenden Hertfordshire, England and is strategically located inside what is considered to be the UK's research triangle that extends outward from London to Cambridge and Oxford Universities.
- Assent provides contract staffing services to pharmaceutical and biotechnology customers primarily in the western U.S. Acquired in July 2007, it is based in Cupertino, California.

### *Recruitment*

We recruit qualified candidates for our clinical trials services segment from across the U.S. and internationally for clinical research opportunities, which include temporary and permanent positions with our clients and within our CRO services businesses. For our contract staffing services businesses, we recruit professionals from 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 preclinical related professionals. Recruiting for our CRO services businesses consist primarily of clinical monitors, clinical project managers, medical monitors, regulatory affairs personnel, and drug safety associates.

## Other Human Capital Management Services

### *Education and Training Services*

Our Cross Country Education (CCE) subsidiary, headquartered in Brentwood, 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 2008, CCE held more than 5,500 seminars and conferences that were attended by more than 170,000 registrants in 259 cities across the U.S. 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 in Creve Coeur, 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.

## Additional Information About Our Business

### *Growth and Investment Strategy*

Our long-term corporate strategy for growth includes: attracting additional healthcare facility customers and healthcare professional clients and providers; strengthening our market position and margins in our businesses; generating strong cash flow; making strategic acquisitions in high growth, high margin businesses that will strengthen and broaden our market presence; and maintaining a strong balance sheet to provide financial flexibility.

### *Competitive Strengths*

We are a diversified provider of healthcare staffing services. This allows us to offer the most comprehensive suite of staffing and outsourcing services to the U.S. healthcare market. Effective with the MDA acquisition, we believe:

- We are one of the top two providers of nurse and allied staffing services.
- We are one of the top three providers of locum tenens and physician search services.
- We are one of the top five providers of clinical trials staffing services.

Since becoming a public company in 2001, we have significantly expanded our revenue mix across sectors of healthcare staffing services and customers. For the fourth quarter of 2008, our nurse and allied staffing business segment was 60% of our revenue; our physician staffing business segment was 22% of our revenue; our clinical trials services business segment was 12% of our revenue and our other human capital management services business segment was 6% of our revenue. This compares to our revenue mix in 2001 in which 88% was from our nurse and allied staffing business segment, 6% from our clinical trials services business segment and 6% from our other human capital management services business segment.

Within our business segments, we also believe we have:

- *Brand Recognition.* We have operated in the travel nurse staffing industry for more than 30 years. 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 relationships with hospitals and healthcare facilities in supplying our travel nurse staffing services that we also are positioned to effectively market our allied health and per diem nurse staffing services to them. Our physician staffing business was founded in 1987 and has built a strong national brand reputation among hospital and physician practice group clients as well as physician providers. It has grown to become one of the largest physician staffing companies in the U.S. while competing in what continues to be the fastest growing sector of healthcare staffing. Since entering the clinical trials services business in 1998, our business has grown organically and by acquisition into a provider of a broad range of services to pharmaceutical, biotechnology and medical device companies from our strong national footprint in the U.S. along with an international presence. Our Cejka Search brand is ranked among the top five physician placement firms in the U.S.

- *Strong and Diverse Client Relationships.* We provide healthcare staffing and outsourcing solutions to a national client base represented by more than 5,000 contracts with hospitals and healthcare facilities, pharmaceutical and biotechnology companies, and other healthcare providers. No single client accounts for more than 3% of our revenue.
- *Vendor Management Capabilities.* Our Cross Country Staffing brand offers its vendor management services to large acute care hospitals and health systems. 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. Cross Country Staffing also seeks to gain preferred provider relationships with hospitals and health systems.
- *Recruiting and Employee Retention.* We are a leader in recruiting and retaining highly qualified healthcare professionals from throughout the U.S. and Canada. We also recruit RNs internationally 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 on assignments in domestic acute care hospitals. In 2008, 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.
- *The Joint Commission Certification.* Our nurse staffing brands of Cross Country Staffing and MedStaff are certified by The Joint Commission under its Health Care Staffing Services Certification Program.
- *Quality Assurance.* MDA's Credent credential verification division is NCQA certified, one of only a handful of competitors to achieve such certification.
- *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, as well as provide accredited continuing education to other healthcare professionals.
- *Scalable and Efficient Operating Structure.* At year-end 2008, the databases for our travel nurse and allied staffing businesses included more than 250,000 RNs and other healthcare professionals who completed job applications with us. Similarly, the database for our physicians staffing business included more than 150,000 physicians representing dozens of specialties. Our size and centralized staffing structure provide us with operating efficiencies in key areas such as recruiting, marketing and advertising, training, housing and insurance. Our proprietary information systems enable us to manage our recruitment and placement operations. Our systems are scalable and 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 growth and development of the healthcare staffing industry. Our management team averages more than 10 years of experience in the healthcare industry and has consistently demonstrated the ability to successfully identify, make and integrate strategic acquisitions.

### *Competitive Environment*

All of our businesses operate in highly competitive markets. In our nurse and allied and our physician staffing businesses, the principal competitive factors in attracting and retaining healthcare clients include the ability to fill client needs on a timely basis, price, customer service, quality assurance and screening capabilities, compliance with regulatory requirements, having an understanding of the client's work environment, risk management policies and coverages, and general industry reputation. Our clinical trials services business shares these same competitive factors while also recognizing that our pharmaceutical, biotechnology and medical device company customers operate in a highly regulated environment. Being able to successfully provide our staffing and outsourcing services for various types of clinical projects includes our clinical experience and expertise, understanding of the regulatory process, price, overall project management, recruitment and project oversight of personnel, quality control, data management, communication, and timely delivery of materials, documents and data. The level of demand for our temporary staffing and outsourcing services is influenced by, among other things, the number and acuity of patients requiring medical care in hospitals and physician offices, availability and affordability of healthcare insurance coverage, national healthcare spending and reimbursement for medical care, R&D efforts and spending related to development of potential new drugs and devices, mergers and acquisitions, general economic conditions and their impact on labor markets and healthcare employment, and the corresponding supply of healthcare professionals available to us for placement on assignments.

The principal competitive factors in attracting qualified candidates for temporary employment include a large national pool of desirable assignments based on geographic location and clinical setting, wages and benefits, speed of placements, recruitment

team customer service, quality of accommodations, and overall industry reputation. We believe that healthcare professionals seeking temporary employment through us are also pursuing employment through other means, including other temporary staffing firms. Therefore, the ability to move more quickly than our competitors to candidate inquiries and submit candidates for consideration, are important factors in our ability to fill assignments. We focus on retaining field employees by providing high-quality customer service along with long-term benefits, such as 401(k) plans and bonuses. Although we believe that the relative size of our databases and economies of scale derived from the size of our operations make us attractive for healthcare professionals seeking assignment opportunities, we expect competition for candidates to continue.

#### Nurse and Allied Staffing

The nurse and allied staffing market is highly competitive, barriers to entry are relatively low, but achieving substantial scale is very challenging. We believe the utilization of temporary nurse staffing services by hospitals is approximately one-quarter to one-third travel nurse staffing and approximately two-thirds to three-quarters per diem nurse staffing. We compete with a relatively small number of national travel nurse staffing companies, as well as hundreds of smaller and more localized staffing firms that have the capabilities to relocate nurses. We also compete in per diem nurse staffing with a small number of national or regional staffing firms along with thousands of small local providers. National competitors in nurse staffing include AMN Healthcare Services, Inc., On Assignment, Inc., CHG Group, Medfinders, Medical Staffing Network Holdings, Inc., and Jackson Healthcare.

#### Physician Staffing

Our physician staffing business competes in the healthcare staffing market on a national, regional and local basis with other staffing companies that offer comprehensive and or specialized services to provide hospitals, physician practice groups, healthcare facilities and systems, and government agencies with temporary physicians to fill assignments across a wide range of specialties. We also compete in the recruitment for qualified physicians with other staffing companies as well as hospitals, physician practice groups, and healthcare facilities and systems that have their own internal recruitment capabilities to attract and retain healthcare providers. Competitors include AMN Healthcare Services, Inc., CHG Group, On Assignment, Jackson Healthcare, and several other privately-held companies providing locum tenens.

#### Clinical Trials Services

The clinical trials services industry is highly competitive and fragmented. In addition to the same competitive factors outlined above, our clinical trials services business has the added challenges associated with pharmaceutical, biotechnology and medical device company customers that operate in a highly regulated environment. Being able to successfully provide our staffing and outsourcing services for various types of clinical projects includes our clinical experience and expertise, understanding of the regulatory process, price, overall knowledge of project management, recruitment and project oversight of personnel, quality control, data management, communication, and timely delivery of materials, documents and data. We also compete to recruit a wide range of qualified professionals in the U.S. and internationally across numerous clinical research disciplines for our staffing, drug safety, CRO and regulatory services assignments. Competitors include divisions of publicly-held companies such as Kforce, Inc., inVentiv Health, Inc. and Kelly Services, as well as hundreds of niche service providers and free-lance consultants. We also supply our clinical trials staffing services to, and sometimes compete with, large CROs such as Quintiles, Covance Inc., Pharmaceutical Products Development, Inc. and Kendle International, among others.

#### 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 the 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 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 systems are managed on PeopleSoft<sup>®</sup>. PeopleSoft is a leading enterprise resource planning software suite that provides modules used to manage our accounts receivable, accounts payable, general ledger, billing and human resources. This system is designed to accommodate significant future growth in our business.

### *Workers' Compensation and Professional Liability*

We record our estimate of the ultimate cost of, and reserves for, workers' compensation and professional liability benefits based on actuarial models prepared or reviewed by an independent actuary using our loss history as well as industry statistics. Furthermore, in determining our reserve, we include reserves for estimated claims incurred but not reported. The ultimate cost of workers' compensation and professional liability insurance costs will depend on actual costs incurred to settle the claims and may differ from the amounts reserved by us for those claims.

Workers' compensation benefits are provided under a partially self-insured plan. For claims reported prior to September 1, 2008, the workers' compensation insurance carrier required us to fund a reserve for payment of claims. Those funds are maintained by the insurance carrier. We had approximately \$5.0 million and \$6.7 million recorded as prepaid workers' compensation expense included in other current assets on the consolidated balance sheets at December 31, 2008 and December 31, 2007, respectively. Effective September 1, 2008, we have moved from a pre-funded program to a letter of credit structure to guarantee payments of claims. At December 31, 2008, we had outstanding \$3.3 million in standby letters of credit related to workers' compensation policies.

Professional liability benefits are provided under various self-insured, claims-made and occurrence based plans depending on the subsidiary and the applicable policy year. Effective October 2004, we implemented individual occurrence-based professional liability insurance policies with no deductible, for virtually all of our working nurses and allied professionals, other than those employed through our MedStaff subsidiary. This coverage substantially replaced a \$2.0 million per-claim layer of self-insured exposure. Effective October 1, 2008, the individual professional liability insurance policies were replaced with one policy that insures each individual nurse for \$2.0 million per occurrence and \$4.0 million in the aggregate, as well as the corporation which shares those limits. This policy has no deductible and does not cover healthcare professionals working through MedStaff or MDA.

Separately, our MedStaff subsidiary has a claims-made professional liability policy with a limit of \$2.0 million per occurrence, \$4.0 million in the aggregate and a \$25,000 deductible. In addition, MDA has an occurrence-based professional liability policy with a limit of \$1.0 million per occurrence, \$3.0 million in the aggregate and a \$0.5 million deductible for MDA, its independent contractor physicians, CRNAs and allied health professionals. MDA's \$0.5 million deductible is insured by Jamestown Indemnity Ltd., a Cayman Island company and a wholly-owned subsidiary of MDA Holdings, Inc. (the Captive). Under the terms of the Captive's reinsurance policy it is required to guarantee the payment of claims to its insured party's primary medical malpractice insurance carrier via a \$5.0 million letter of credit. The value of the letter of credit is secured by \$5.0 million of cash held by the Captive as restricted cash.

Subject to certain limitations, we also have \$5.0 million per occurrence and \$10.0 million in the aggregate in umbrella liability insurance coverage, after the individual policies, MedStaff's policy and the \$2.0 million self-insured primary coverage, as applicable, have been exhausted.

### *Professional Licensure*

Nurses, physicians 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 be certified to provide certain medical care, such as cardiopulmonary resuscitation (CPR) and Advanced Cardiac Life Support (ACLS), 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 endeavor to ensure 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. Pharmaceutical, biotechnology and medical diagnostic companies are subject to regulations of the FDA in the U.S. and similar regulatory agencies in other countries.

### *Immigration*

Changes in immigration law and procedures following September 11, 2001, have slowed 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 and the foreign jurisdictions in which we operate. In the U.S., 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, 2008, we had approximately 1,430 corporate employees and during 2008, we had an average of 4,463 full-time equivalent field employees in our nurse and allied staffing segment. 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 corporate website at [www.crosscountryhealthcare.com](http://www.crosscountryhealthcare.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.*

#### ***We may be unable to recruit enough healthcare professionals to meet our clients' demands.***

We rely significantly on our ability to attract, develop and retain healthcare professionals who possess the skills, experience and, as required, licensure necessary to meet the specified requirements of our healthcare clients. We compete for healthcare staffing personnel with other temporary healthcare staffing companies, as well as actual and potential clients such as healthcare facilities, physician groups and pharmaceutical and biotechnology companies, some of which seek to fill positions with either regular or temporary employees. Currently, there is a shortage of certain qualified nurses and physicians in most areas of the United States and competition for these professionals remains intense. The current slowdown in the economy may make these healthcare professionals less willing to travel to temporary assignments, thus further intensifying the competition with other temporary healthcare staffing companies to recruit these healthcare professionals. Although demand by our clients has slowed, at this time we still do not have enough nurses and physicians to meet all of our clients' demands for these staffing services. This shortage of healthcare professionals generally and their willingness to leave stable full-time jobs to travel on temporary assignments in the current environment may limit our ability to increase the number of healthcare professionals that we successfully recruit, decreasing our ability to grow our business.

#### ***The costs of attracting and retaining healthcare professionals may rise more than we anticipate.***

We compete with hospitals, healthcare facilities, physician groups and other healthcare staffing companies for qualified healthcare professionals. Because there is currently a shortage of qualified healthcare professionals, competition for them is intense. Our ability to recruit and retain healthcare professionals depends on our ability to, among other things, offer assignments that are attractive to healthcare professionals and offer them competitive wages and benefits or payments, as

applicable. Our competitors might increase hourly wages or other benefits to induce healthcare professionals to take assignments with them. 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 our healthcare professionals may be higher than we anticipate and, as a result, our margins could decline.***

We provide housing for certain of our healthcare professionals when on an assignment with us. 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 a nurse or allied healthcare professional. If the costs of renting apartments and furniture for these 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 have to forego otherwise profitable opportunities.

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

Our arrangements with hospitals, healthcare facilities and physician group clients are generally terminable upon 30 to 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 services business is conducted under longer-term contracts with individual clients that may perform numerous clinical trials. Some of these contracts are terminable by the clients without cause upon 30 to 60 days' notice. Sponsors may decide to immediately discontinue trials at any time if compounds or biologics being studied do not meet targeted expectations. Clients utilizing our clinical trials services may also decide to offshore work outside of the United States to countries where we do not currently provide those services and this could adversely impact our business. Clients may also develop their own in-house capabilities that may replace their need to utilize our staffing and outsourcing clinical trials services. The delay, loss, termination or unfavorable change in the scope of work performed under a clinical trials services contract could negatively impact our business.

***Decreases in demand by our clients may adversely affect the profitability of our business.***

Among other things, changes in the economy which result in higher unemployment and low job growth, a decrease or stagnation in the general level of in-patient admissions at our clients' facilities and the willingness of our hospital, healthcare facilities and physician group clients to develop their own temporary staffing pools and increase the productivity of their permanent staff may, individually or in the aggregate, significantly affect demand for our temporary healthcare staffing services and hamper our ability to attract, develop and retain clients. When a hospital's admissions increase, temporary employees or other healthcare professionals are often added before full-time employees are hired. As admissions decrease, clients may reduce their use of temporary employees or other healthcare professionals before undertaking layoffs of their regular employees. In a down market, healthcare professionals may be less likely to leave a full-time position to work on temporary assignments and clients are also more likely to focus on internal solutions for their temporary staffing needs. In addition, we also may experience more competitive pricing pressure during periods when in-patient admissions are stagnant for periods of time or declining. 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. These events individually or in the aggregate may cause a reduction in admissions that could negatively affect the demand for our services. Decreases in demand for our services may affect our ability to provide attractive assignments to our healthcare professionals thereby reducing our profitability.

***Any failure by our clinical trials services business to comply with certain policies and procedures and regulations specific to that business could harm our reputation and operating results.***

Our clinical trials service business operates in a highly regulated industry. Any failure on our part to comply with the policies and procedures established for a trial or to comply with existing regulations could result in the termination of ongoing research or the disqualification of data for submission to the Federal Drug Administration ("FDA") and other regulatory authorities. This could harm our reputation, our ability to win future business and our operating results. In addition, if the

FDA or another similar regulatory body finds a material breach by us of sound clinical practices, it could result in the termination of a clinical trial and that could harm our reputation, our ability to win future business and our operating results.

***The nature of our clinical trials services contracts could hurt our operating results.***

Some of our contracts are fixed price and, as such, we have limits on the amounts we can charge for our clinical trials services. As a result, the profitability of this business could be negatively impacted due to changes in the timing and progress of large contracts. In addition, we may be responsible for cost overruns on certain contracts unless the scope of work is revised from the original contract terms and we are able to negotiate an amendment with the client shifting the additional cost to the client. If we experience significant cost overruns, it may result in lower gross margins on those projects.

***Our clinical trials business exposes us to potential liability for personal injury and wrongful death claims that could affect our reputation and operating results.***

Our clinical trials services business is involved in the testing of new drugs and medical devices on volunteer human beings. Due to the risk of personal injury or death to patients participating in clinical trials, we are at risk for being sued in personal injury or wrongful death lawsuits due to possible unforeseen adverse side effects or the improper administration of a drug or device. Many of these patients are already seriously ill. Under our contracts, we are typically indemnified unless the resulting damages were caused by our negligence (e.g. serious adverse event is not reported timely to a sponsor or unblinding of material for a study is not done timely to respond with appropriate information for patient safety reasons). We have limited insurance coverage for certain events, however, the amount of our liability could materially impact our operating performance and our reputation and our insurance program may not cover such event.

***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. If these systems are damaged or disrupted and unable to function properly in order to support our business operations or require significant costs to repair, maintain or further develop, our business and financial results could be materially adversely affected. Our information systems are protected through a secure hosting facility and additional backup remote processing capabilities also exist in the event our primary systems fail or are not accessible. However, the business is still vulnerable to fire, storm, flood, power loss, telecommunications failures, physical or software break-ins and similar events which may prevent personnel from gaining access to systems necessary to perform their tasks in an automated fashion. In the event that critical information systems fail or are otherwise unavailable, these functions would have to be accomplished manually, which could impact our ability to identify business opportunities quickly, to maintain billing and clinical records reliably, to bill for services efficiently and to maintain our 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 do not maintain business interruption insurance for these events. We could suffer material financial losses as a result of such catastrophes.

***If applicable government regulations change, we may face increased costs that reduce our revenue and profitability.***

The temporary healthcare staffing industry is regulated in many states. For example, in some states, firms such as our nurse staffing companies 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.

***If certain of our healthcare professionals are reclassified from independent contractors to employees our profitability could be materially adversely impacted.***

Federal or state taxing authorities could re-classify our locum tenens physicians and certified registered nurse anesthetists as employees, despite both the general industry standard to treat them as independent contractors and many state laws prohibiting non-physician owned companies from employing physicians (e.g. the “corporate practice of medicine”). If they were re-classified as employees, we would be subject to, among other things, employment and payroll-related tax claims, as well as any applicable penalties and interest. Any such reclassification would have a material adverse impact on our business model for that business segment and would negatively impact our profitability.

***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 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.

***Substantial changes in healthcare reform or reimbursement trends could hinder 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 payers, many of our clients are reimbursed under the federal Medicare program and state Medicaid programs for the services they provide. Changes made by federal and state governments could reduce 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 and lack of liquidity in the credit markets may restrict our ability to make certain acquisitions.***

Our business strategy includes 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, even if we are able to negotiate acceptable terms at reasonable valuations, there can be no assurance that there will be sufficient liquidity available on terms favorable to us to complete such acquisition. If we are unable to secure necessary financing under our credit facility or otherwise, we may be unable to complete desirable acquisitions. Certain restrictive covenants in our credit facility may also limit our ability to complete 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 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
- Assumptions 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, state and international 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 (both domestic and foreign), we could incur civil and/or criminal penalties or be subject to equitable remedies.

***Impairment in the value of our goodwill or other intangible assets could adversely affect us.***

We are required to test goodwill and intangible assets with indefinite lives annually, including the goodwill associated with past acquisitions and any future acquisitions, to determine if impairment has occurred. Interim reviews must also be performed whenever events or changes in circumstances indicate that impairment may have occurred. If the testing performed indicates that impairment has occurred, we are required to record a non-cash impairment charge for the difference between the value of the goodwill or other intangible assets and the implied fair value of the goodwill or other intangible assets in the period the determination is made. During the fourth quarter of 2008, we recorded impairment charges of \$244.1 million, pretax, pursuant to these assessments. The testing of goodwill and other intangible assets for impairment requires us to make significant estimates about our future performance and cash flows, as well as other assumptions. These estimates can be affected by numerous factors, including changes in economic, industry or market conditions, changes in business operations, changes in competition or potential changes in our stock price and market capitalization. Changes in these factors, or changes in actual performance compared with estimates of our future performance, could affect the fair value of goodwill or other intangible assets, which may result in an impairment charge. We cannot accurately predict the amount and timing of any impairment of assets. Should the value of goodwill or other intangible assets become impaired, there could be an adverse effect on us. At December 31, 2008, goodwill and other identifiable intangible assets (net of amortization) represented 93.8% of our total assets.

***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, vicarious liability, violation of certain consumer protection acts, 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 corporate employees or healthcare professionals. In most instances, we are required to indemnify clients against some or all of these risks. A failure of any of our corporate employees or healthcare professionals 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 decision to allow a healthcare professional to provide services on behalf of the client. 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. While we do have certain business insurance, it may not be sufficient to cover our need. We caution you that actual outcomes or losses may differ materially from those estimated by our current assessments which would impact our profitability. Adverse developments in existing litigation claims or legal proceedings involving our Company or new claims could 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 remaining 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 seven members). Accordingly, they will be able to substantially influence:

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

Under our stockholders' agreement, the CEP Investors had 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 resale of CEP III's stock is presently in effect and sales of this stock could cause our stock price to decline.***

We presently maintain 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 1999 stock option plans and 1,500,000 shares of common stock for our 2007 Stock Incentive Plan. Options to purchase 2,059,974 shares of common stock were issued and outstanding as of February 28, 2009 of which, options to purchase 2,046,514 shares were vested. In addition, 316,164 shares of stock appreciation rights were issued and outstanding as of February 28, 2009, 40,626 of which were vested. Shares of restricted stock outstanding as of February 28, 2009, were 179,884. Common stock issued upon exercise of stock options, stock appreciation rights and restricted stock, 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.

***Market disruptions may adversely affect our operating results and financial condition.***

The current recessionary conditions and the continuation or intensification of any continued volatility in the financial markets may have an adverse impact on the availability of credit to our customers and businesses generally and could lead to a further weakening of the U.S. and global economies. To the extent that disruption in the financial markets continues and/or intensifies, it has the potential to materially affect our customers’ ability to tap into debt and/or equity markets to continue their ongoing operations, have access to cash and/or pay their debts as they come due, all of which could reasonably be expected to have an adverse impact on the number of open positions for healthcare staff they request, as well as their ability to pay for our temporary staffing services. Conditions in the credit markets and the economy generally could adversely impact our business and frustrate or prohibit us from refinancing the revolving loan portion of our indebtedness on terms favorable to us when it comes due on November 10, 2010.

The disruptions that the financial markets are currently undergoing have led to unprecedented governmental intervention on an emergency basis. The results of these actions have been unclear, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets. It is impossible to predict what, if any, additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on us, our customers and the operations of corporate entities generally in the United States.

***We could fail to generate sufficient cash to fund our liquidity needs and/or fail to satisfy the financial and other restrictive covenants to which we are subject under our existing indebtedness.***

Our existing credit facility currently contains financial covenants that require us to operate at or below a maximum leverage ratio. Further deterioration in our operating results could result in our inability to comply with these covenants which would result in a default under our credit facility. If an event of default exists, our lenders could call the indebtedness and we may be unable to renegotiate or secure other financing.

***Our results may be adversely affected by the impact that disruptions in the credit and financial markets have on our customers.***

The deterioration of the financial markets and the economy generally have created increasingly difficult conditions for our hospital clients and the financial institutions they rely on for access to liquidity. In recent months, such volatility has reached unprecedented levels. These events could negatively impact our results of operations and financial conditions if this economic downturn persists as it may negatively impact our clients’ financial conditions and their ability to pay for our healthcare staffing services. Although we monitor our credit risks to specific clients that we believe may present credit concerns, default risk or lack of access to liquidity may result from events or circumstances that are difficult to detect or foresee.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

We do not own any real property. Our principal leases as of December 31, 2008 are listed below.

<u>Location</u>	<u>Function</u>	<u>Square Feet</u>	<u>Lease Expiration</u>
Boca Raton, Florida	Headquarters and nurse and allied staffing administration	70,406	May 1, 2018
Norcross, Georgia	Temporary physician staffing and allied staffing offices	50,000	January 31, 2010 and February 28, 2014
Durham, North Carolina	Clinical trials staffing headquarters	37,851	September 30, 2013
Newtown Square, Pennsylvania	Nurse and allied staffing administration and general office use	31,959	February 1, 2014
Malden, Massachusetts	Nurse and allied staffing administration and general office use	31,662	June 30, 2012
Creve Coeur, Missouri	Retained search headquarters	27,051	June 14, 2017
New York, New York	Clinical trials staffing office	16,915	May 30, 2010
Tampa, Florida	Nurse and allied staffing administration and general office use	15,698	February 15, 2015
Ambler, Pennsylvania	Clinical trials staffing operations site	14,459	September 30, 2013
Brentwood, Tennessee	Education training corporate office	14,157	August 31, 2014

**Item 3. Legal Proceedings.*****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 relates to only MedStaff corporate employees working in California. The claims alleged under this lawsuit are generally similar in nature to those brought by Darrelyn Renee Henry in a lawsuit against the Company, which was dismissed (*Darrelyn Renee Henry vs. MedStaff, Inc., et.al.*).

The lawsuit 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, and 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; failed to keep appropriate records to keep track of time worked; failed to pay Plaintiffs and their purported class as required by law. Plaintiffs seek, among other things, an order enjoining MedStaff from engaging in the practices challenged in the complaint and for full restitution of all monies, 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. On October 16, 2008, MedStaff, Inc. filed a Motion to Decertify the class which was denied on December 19, 2008. The Company is unable to determine its potential exposure, if any, and intends to vigorously defend this matter.

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.

**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 2008.

## PART II

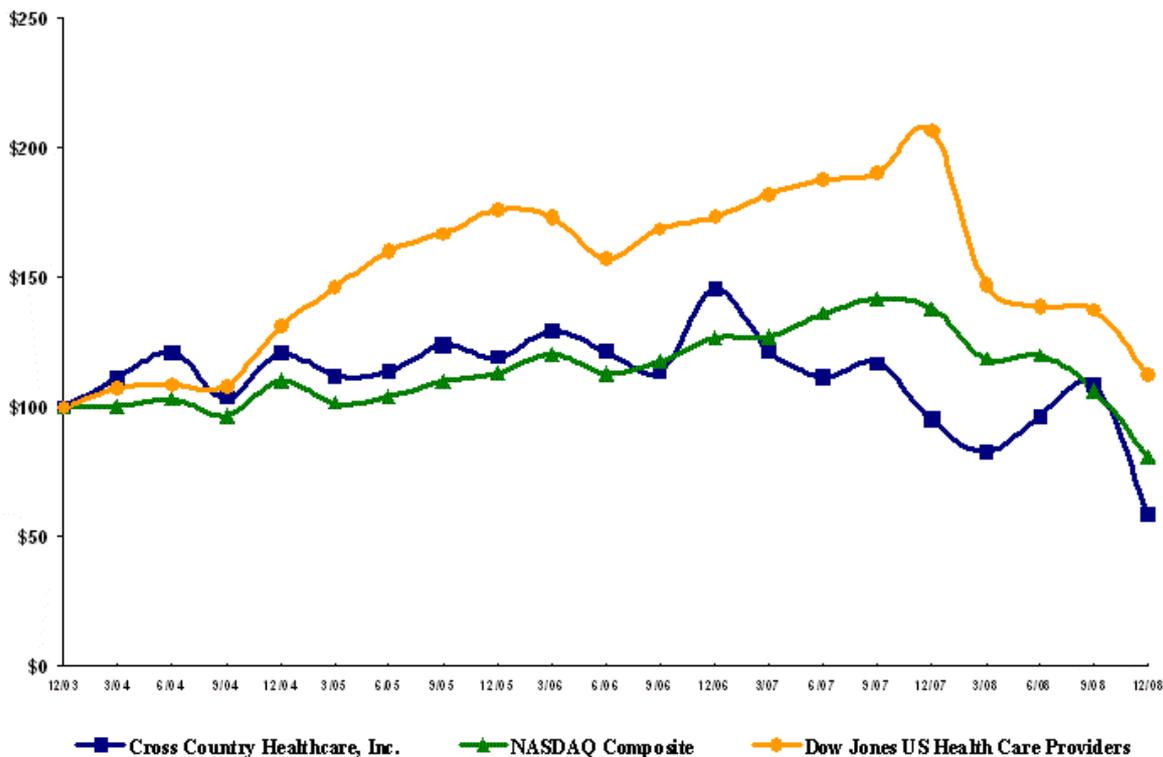
### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock currently trades under the symbol "CCRN" on the NASDAQ Global Select Market (NASDAQ), 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; such prices reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

<u>Calendar Period</u>	<u>Closing Sale Prices</u>	
	<u>High</u>	<u>Low</u>
<u>2008</u>		
Quarter Ended March 31, 2008	\$ 14.42	\$ 10.11
Quarter Ended June 30, 2008	\$ 15.99	\$ 11.49
Quarter Ended September 30, 2008	\$ 17.34	\$ 12.49
Quarter Ended December 31, 2008	\$ 16.71	\$ 7.11
<u>2007</u>		
Quarter Ended March 31, 2007	\$ 23.24	\$ 17.29
Quarter Ended June 30, 2007	\$ 20.61	\$ 16.16
Quarter Ended September 30, 2007	\$ 19.32	\$ 14.15
Quarter Ended December 31, 2007	\$ 19.01	\$ 12.97

The following graph compares the cumulative 5-year total return provided shareholders on Cross Country Healthcare, Inc.'s common stock relative to the cumulative total returns of the NASDAQ Composite index and the Dow Jones US Health Care Providers index. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our common stock and in each of the indexes on December 31, 2003, and its relative performance is tracked through December 31, 2008.

**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 12/31/03 in stock & index-including reinvestment of dividends.  
Fiscal year ending December 31.

	12/03	3/04	6/04	9/04	12/04	3/05	6/05	9/05	12/05	3/06
Cross Country Healthcare, Inc.	100.00	111.21	121.16	103.47	120.69	111.88	113.48	123.90	119.03	129.24
NASDAQ Composite	100.00	100.18	103.16	96.49	110.08	101.53	104.08	109.76	112.88	120.64
Dow Jones US Health Care Providers	100.00	107.34	108.54	108.14	130.85	145.97	160.11	166.90	176.06	173.25

	6/06	9/06	12/06	3/07	6/07	9/07	12/07	3/08	6/08	9/08	12/08
Cross Country Healthcare, Inc.	121.43	113.48	145.66	121.70	111.35	116.62	95.06	82.58	96.19	108.74	58.68
NASDAQ Composite	112.68	117.54	126.51	127.08	136.04	141.77	138.13	118.70	119.92	106.41	80.47
Dow Jones US Health Care Providers	157.28	168.73	173.30	181.78	187.57	190.30	206.57	146.98	138.85	137.38	112.23

*The stock price performance included in this graph is not necessarily indicative of future stock price performance.*

As of March 5, 2009, there were 104 stockholders of record of our common stock. In addition, there are approximately 3,484 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 and pay down debt. Covenants in our credit agreement limit our ability to repurchase our common stock and declare and pay cash dividends on our common stock. As of December 31, 2008, pursuant to the terms of our credit agreement covenants, we are not able to use cash for either dividend or stock repurchases.

On February 28, 2008, the Company's Board of Directors authorized a stock repurchase program whereby the Company may purchase up to an additional 1.5 million of our common shares, subject to the terms 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 the Company's discretion. The current stock repurchase authorization commenced upon the completion of the May 10, 2006 authorization to repurchase up to 1.5 million shares; which commenced upon the completion of the November 2002 authorization to purchase up to 1.5 million shares.

During the three month period ended December 31, 2008, we did not purchase any shares of our common stock due to a prohibition in our credit agreement that does not allow us to repurchase our shares if our debt leverage ratio is above 2 to 1.

## Item 6. Selected Financial Data.

The selected consolidated financial data as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007, and 2006 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, 2006, 2005 and 2004 and for the years ended December 31, 2005 and 2004, 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,				
	2008 (a)	2007 (b)	2006(c)	2005 (d)	2004
	(Dollars in thousands, except share and per share data)				
<b>Consolidated Statements of Operations Data</b>					
Revenue from services	\$ 734,247	\$ 718,272	\$ 655,152	\$ 645,393	\$ 654,111
Operating expenses:					
Direct operating expenses	541,660	543,608	502,468	503,103	509,571
Selling, general and administrative expenses	136,815	122,692	110,172	104,647	99,531
Bad debt expense	951	1,559	459	1,177	957
Depreciation	7,637	6,309	5,449	5,159	5,140
Amortization	3,166	2,051	1,570	1,424	1,580
Impairment charges (e)	244,094	—	—	—	—
Legal settlement charge (f)	—	34	6,704	—	—
Secondary offering costs (g)	—	—	154	151	4
Total operating expenses	934,323	676,253	626,976	615,661	616,783
(Loss) income from operations	(200,076)	42,019	28,176	29,732	37,328
Other expenses:					
Foreign exchange (gain) loss	(132)	93	—	—	—
Interest expense, net	4,225	2,587	1,464	3,458	4,789
Loss on early extinguishment of debt (h)	—	—	—	1,359	—
(Loss) income from continuing operations before income taxes	(204,169)	39,339	26,712	24,915	32,539
Income tax (benefit) expense	(61,224)	14,759	10,146	9,575	11,936
(Loss) income from continuing operations	(142,945)	24,580	16,566	15,340	20,603
Discontinued operations, net of income taxes:					
Income (loss) from discontinued operations (i)	—	—	70	(588)	56
Net (loss) income	\$ (142,945)	\$ 24,580	\$ 16,636	\$ 14,752	\$ 20,659
Net (loss) income per common share – basic:					
(Loss) income from continuing operations	\$ (4.64)	\$ 0.77	\$ 0.52	\$ 0.48	\$ 0.65
Discontinued operations	—	—	0.00	(0.02)	0.00
Net (loss) income	\$ (4.64)	\$ 0.77	\$ 0.52	\$ 0.46	\$ 0.65
Net (loss) income per common share – diluted:					
(Loss) income from continuing operations	\$ (4.61)	\$ 0.76	\$ 0.51	\$ 0.47	\$ 0.63
Discontinued operations	—	—	0.00	(0.02)	0.00
Net (loss) income	\$ (4.61)	\$ 0.76	\$ 0.51	\$ 0.45	\$ 0.63
Weighted-average common shares outstanding:					
Basic	30,825,099	31,972,681	32,077,240	32,228,978	31,992,752
Diluted	31,007,352	32,484,241	32,737,419	32,773,634	32,578,319

	Year Ended December 31,				
	2008	2007	2006	2005	2004
	(Net cash dollars in thousands)				

### Other Operating Data

#### Nurse and allied staffing statistical data:

FTEs (j)	4,463	5,025	5,001	5,194	5,408
Weeks worked (k)	232,076	261,300	260,052	270,088	281,216
Average revenue per FTE per week (l)	\$ 2,266	\$ 2,207	\$ 2,134	\$ 2,048	\$ 2,028

#### Cash flow data:

Net cash provided by operating activities	\$ 50,993	\$ 35,880	\$ 32,918	\$ 30,790	\$ 43,268
Net cash (used in) provided by investing activities	\$ (129,561)	\$ (35,328)	\$ (27,848)	\$ (8,412)	\$ 4,007
Net cash provided by (used in) financing activities	\$ 80,077	\$ 8,431	\$ (5,070)	\$ (22,378)	\$ (47,275)



Year Ended December 31,

	2008	2007	2006	2005	2004
	(Dollars in thousands)				
<b>Consolidated Balance Sheet Data</b>					
Working capital (m)	\$ 105,099	\$ 98,428	\$ 85,208	\$ 72,810	\$ 71,929
Cash and cash equivalents	\$ 10,173	\$ 9,067	\$ —	\$ —	\$ —
Total assets (m)	\$ 425,849	\$ 535,005	\$ 500,926	\$ 483,601	\$ 455,995
Total debt (n)	\$ 133,080	\$ 39,451	\$ 21,529	\$ 25,429	\$ 42,274
Stockholders' equity (e)	\$ 234,023	\$ 390,437	\$ 374,856	\$ 359,286	\$ 346,374

- (a) On September 9, 2008, the Company consummated the acquisition of substantially all of the assets of privately-held MDA Holdings, Inc. and its subsidiaries and all of the outstanding stock of a subsidiary of MDA Holdings, Inc. (collectively, MDA). Our 2008 results include results from the acquisition of MDA from September 1, 2008, the agreed upon effective date for accounting purposes. Refer to further discussion in our notes to the consolidated financial statements (Note 4 – Acquisitions).
- (b) Our 2007 results include results from the acquisitions of AKOS Limited (AKOS) and Assent Consulting (Assent) from their acquisition dates of June 6, 2007 and July 18, 2007, respectively. Refer to further discussion in our notes to the consolidated financial statements (Note 4 – Acquisitions).
- (c) Our 2006 results include the results from the acquisition of substantially all of the assets of Metropolitan Research Associates, LLC and Metropolitan Research Staffing Associates, LLC (collectively “Metropolitan Research”) from August 31, 2006, the date of acquisition. Refer to further discussion in our notes to the consolidated financial statements (Note 4-Acquisitions).
- (d) 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.
- (e) Impairment charges include goodwill and other intangible asset impairment charges pursuant to FASB Statement No. 142, *Goodwill and Other Intangible Assets* and FASB Statement No. 144, *Accounting for the Impairment of Long-Lived Assets*. As a result of its annual goodwill impairment analysis, in the fourth quarter of 2008, the Company recorded a \$241.0 million goodwill impairment related to its nurse and allied staffing business segment. In addition, the Company recorded a \$3.1 million impairment charge related to a specific customer relationship in its clinical trials services business segment. Refer to further discussion of these impairment charges in our notes to the consolidated financial statements (Note 3 – Goodwill and Other Identifiable Intangible Assets).
- (f) 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, which was paid in 2007.
- (g) Secondary offering costs include registration statement filings and public offering expenses incurred as a result of our secondary offerings in September 2006 and April 2005. 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 the consolidated financial statements (Note 13 – Stockholders' Equity).
- (h) 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.
- (i) Income (loss) from discontinued operations reflects the operating results of Cross Country Consulting, Inc. 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 in the year ended December 31, 2004. The remaining consulting practice was shut down in the third quarter of 2005 and, as a result, the shut-down costs were allocated to the impairment charge related to that business.
- (j) FTEs represent the average number of nurse and allied contract staffing personnel on a full-time equivalent basis.
- (k) Weeks worked is calculated by multiplying the FTEs by the number of weeks during the respective period.
- (l) Average nurse and allied staffing revenue per FTE, per week is calculated by dividing the nurse and allied staffing revenue by the number of weeks worked in the respective periods. Nurse and allied staffing revenue includes revenue from permanent placement of nurses.
- (m) The Company has classified its consolidated balance sheets for the years ended December 31, 2008 through 2004, 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). The Company has presented the current and non-current portions of its workers' compensation and professional liability accounts as of December 31, 2008 and has reclassified its balance

sheet as of December 31, 2006 to conform to the current presentation. Periods prior to December 31, 2006 have not been reclassified due to the excessive cost of applying the methodology, which, the Company believes outweighs the benefit of the additional information.

- (n) The Company's senior secured revolving credit facility entered into on November 10, 2005 was amended and restated as of September 9, 2008 ("Credit Agreement") in connection with the acquisition of MDA. The Credit Agreement kept in place an existing \$75.0 million revolving loan facility and provided for a 5 year \$125.0 million term loan facility with Wachovia Capital Markets, LLC and certain of its affiliates, Banc of America Securities LLC and certain other lenders. The proceeds from the term loan were used to fund the acquisition, pay financing related fees, and pay certain acquisition expenses. The remainder of the proceeds was used to reduce our borrowings under our revolving loan facility. See Note 7 to the consolidated financial statements. - Long-term Debt for more information about the term loan and amended Credit Agreement.

## **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 a diversified leader in healthcare staffing services. We offer a comprehensive suite of staffing and outsourcing services to the healthcare market, which together include being a leading provider of nurse and allied staffing services in the United States; a national provider of multi-specialty locum tenens (temporary physician staffing) services; a provider of clinical trials services to global pharmaceutical and biotechnology customers; and a provider of other human capital management services focused on healthcare.

We have a diversified revenue mix across business sectors and healthcare customers. For the quarter ended December 31, 2008, our nurse and allied staffing business segment represented approximately 60% of our revenue and is comprised of travel and per diem nurse staffing and travel allied health staffing. Travel nurse staffing represented approximately 50% of our total revenue and 84% of our nurse and allied staffing business segment revenue. Other nurse and allied staffing services include the placement of per diem nurses and allied healthcare professionals, such as radiology technicians, rehabilitation therapists and respiratory therapists. Our physician staffing business segment represented approximately 22% of 2008 fourth quarter revenue and consists of temporary physician staffing services (locum tenens). Our clinical trials services business segment represented approximately 12% of our revenue and consists of service offerings that include traditional staffing, as well as clinical trials management, drug safety monitoring and regulatory services to pharmaceutical and biotechnology customers. Our other human capital management services business segment represented approximately 6% of our revenue and consists of education and training and retained search services.

For the year ended December 31, 2008, our revenue was \$734.2 million, and we had a net loss of \$142.9 million, or \$(4.61) per diluted share. The net loss was a result of recording \$244.1 million (\$167.0 million after taxes) in impairment charges, a separate line item on our consolidated statement of operations, in the fourth quarter of 2008, primarily related to our annual goodwill impairment testing. During 2008, we generated \$51.0 million in cash flow from operations and we ended the year with total debt of \$133.1 million and \$10.2 million of unrestricted cash, resulting in a ratio of debt, net of unrestricted cash, to total capitalization of 33.5% as of December 31, 2008.

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

### **Nurse and Allied Staffing**

Our nurse and allied staffing services business segment is headquartered in Boca Raton, Florida. Our travel staffing business is operated from a relatively centralized business model servicing all of the assignments needs of our field employees and client facilities through operation centers located in Boca Raton, Florida; Malden, Massachusetts; Newtown Square, Pennsylvania; Tampa, Florida; and Norcross, Georgia. Our per diem staffing operations are provided through a network of brand offices serving major metropolitan markets predominantly located on the east and west coasts of the U.S.

Our nurse and allied staffing revenue and earnings are impacted by the relative supply of nurses and demand for our staffing services 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 and allied recruiting brands including Cross Country TravCorps, MedStaff, NovaPro, Cross Country Local, Allied Health Group 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.

Typically, as admissions increase for our hospital customers, temporary employees are often added before full-time employees are hired. As admissions decline, clients tend to reduce their use of temporary employees before undertaking layoffs of their staff employees. The current environment for our nurse and allied staffing services reflects both hospital admission trends that have been flat-to-down since the first quarter of 2003 and a deteriorating national labor market resulting in higher levels of unemployment that translates into more uninsured people and fewer people with commercial health insurance coverage. In a difficult operating environment, during the fourth quarter of 2008, demand for our travel nurse staffing services, as expressed by the number of orders from our hospital and healthcare facility customers, declined approximately 52 % from the prior year while our staffing volume decreased 15% year-over-year. However, we were able to improve our margins through continued expansion of the bill-pay spread and a moderation of housing expenses. Bill rates, as measured by revenue per hour in our travel nurse staffing business, continued to rise in the low single-digit range consistent with our experience over the past several years. In addition, we experienced a decrease in booking activity from our clients for future assignments. Our hospital clients have been increasingly reluctant to commit to a contract nurse, most often citing low patient census and budget reductions as factors for their hesitation. On the supply side, we believe a nurse's willingness to leave a full-time hospital staff position is affected by the overall economic environment and its potential impact on the employment security and income earnings potential of the nurse's spouse. We believe that recent weakness in the nation's employment statistics is likely having an adverse effect on the willingness of nurses to relinquish the security of a full-time hospital staff position in order to take a travel assignment with us. Due to these economic and market factors, there is the potential for the business environment for nurse and allied staffing to weaken further during 2009.

### **Physician Staffing**

We added the physician staffing business segment in 2008 with the acquisition of MDA Holdings, Inc. and its subsidiaries (collectively, MDA) as described in the Acquisitions section which follows. MDA is headquartered in Norcross, Georgia. Our physician staffing business segment provides multi-specialty locum tenens (temporary physician staffing) and allied staffing services to the healthcare industry in all 50 states.

### **Clinical Trials Services**

Our clinical trials services business segment is headquartered at the Research Triangle Park ("RTP") in Durham, North Carolina. We provide a flexible range of traditional contract staffing, clinical research outsourcing, drug safety monitoring, and regulatory consulting services to pharmaceutical, biotechnology and medical device companies, as well as contract research organization (CRO) customers. We market these services through multiple brand offerings that have allowed us to establish a significant geographic footprint in the U.S. along with an important presence in the European market.

Our clinical trials services business has also experienced a reluctance from its clients to commit to project start-ups. Certain projects scheduled to start in the fourth quarter were delayed until 2009. Pharmaceutical and biotechnology customers have become less willing to use temporary staffing and out-sourcing services to meet their clinical trials objectives. We believe this is driven by an effort to reduce expenses at all levels to conserve cash in the current economic environment at all levels. This includes research efforts, which effectively delays the start of some clinical projects. However, we believe there are a sufficient number of trials being planned that represent opportunities for this business both on a domestic and international basis.

## **Other Human Capital Management Services**

### *Education and Training Services*

Our Cross Country Education (CCE) subsidiary, headquartered in Brentwood, 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 2008, CCE held more than 5,500 seminars and conferences that were attended by more than 170,000 registrants in 259 cities across the U.S. 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 in Creve Coeur, 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.

## **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 2001, we changed our name to Cross Country, Inc., and in October 2001, we completed our initial public offering. Subsequently, in May 2003, we changed our name to Cross Country Healthcare, Inc.

In March 2002, and November 2004, Charterhouse and Morgan Stanley sold a portion of their ownership through secondary offerings. Subsequently, in 2005, Morgan Stanley completed the sale of its investment in the Company. During 2006, Charterhouse sold a majority of its remaining ownership in Cross Country Healthcare but still owns approximately 2.5 million shares as of December 31, 2008.

## **Revenue**

Our travel and per diem nurse staffing revenue is received primarily from acute care hospitals. Revenue from allied staffing services is received from numerous sources, including providers of radiation, rehabilitation and respiratory services at hospitals, nursing homes, sports medicine clinics and schools. Our physician staffing services revenue is primarily received from hospitals and group practices. Our clinical trials services 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 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 pay ers. 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' and independent contractors' estimated time worked but not yet invoiced. Similarly, accrued compensation includes an accrual for employees' and independent contractors' time worked but not yet paid. Each of our field employees and independent contractors on travel assignment works for us under a contract. The contract period is typically 13 weeks for our nurse and allied staffing employees and typically a shorter duration for physician independent contractors and typically a longer term for our clinical trials staffing employees. Our staffing 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. We typically bill clients at an hourly rate and assume all employer costs for our staffing employees, including payroll, withholding taxes, benefits,

professional liability insurance and Occupational Safety and Health Administration (OSHA) requirements, as well as any travel and housing arrangements.

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**

### *MDA Holdings, Inc.*

On September 9, 2008, we consummated the acquisition of MDA. We paid \$115.9 million in cash at closing, which included \$3.6 million as an estimated net working capital adjustment which was subject to final adjustments. Of the cash paid at closing, approximately \$8.7 million was being held in escrow to cover any post-closing liabilities (Indemnification Escrow) and \$0.3 million was being held in escrow to cover any net working capital adjustments (Net Working Capital Escrow). During the fourth quarter of 2008, approximately \$1.6 million of the Indemnification Escrow was released to us and recorded to goodwill as a reduction in purchase price. Also during the fourth quarter of 2008, we finalized the net working capital adjustment and calculated an additional payment to the sellers of approximately \$0.1 million which was paid and included in goodwill as additional purchase price. In connection with this net working capital adjustment, the entire Net Working Capital Escrow of \$0.3 million was also released to the sellers. Additionally, a post-closing adjustment to the purchase price of approximately \$0.3 million was paid to the sellers in the fourth quarter of 2008 and is included in goodwill as additional purchase price.

The transaction also includes an earnout provision based on 2008 and 2009 performance criteria. This contingent consideration is not related to the sellers' employment. If the earnout payments are made, they will be allocated to goodwill as additional purchase price, in accordance with FASB Statement No. 141, *Business Combinations*. In the second quarter of 2009, we expect to pay an earnout related to the 2008 performance, which amount has not been finalized at the date of this filing.

Our senior secured revolving credit facility entered into on November 10, 2005 was amended and restated as of September 9, 2008 ("Credit Agreement") in connection with the acquisition of MDA. The Credit Agreement kept in place an existing \$75.0 million revolving loan facility and provided for a 5 year \$125.0 million term loan facility with Wachovia Capital Markets, LLC and certain of its affiliates, Banc of America Securities LLC and certain other lenders. The proceeds from the term loan were used to fund the acquisition, pay financing related fees, and pay certain acquisition expenses. The remainder of the proceeds was used to reduce our borrowings under our revolving loan facility. See the consolidated financial statements Note 7 - Long-term Debt, for more information about the term loan and amended Credit Agreement.

Headquartered in Norcross, Georgia, MDA provides multi-specialty locum tenens (temporary physician staffing) and allied staffing services to the healthcare industry in all 50 states. MDA is a leading provider of locum tenens staffing solutions. MDA has an in-house NCQA-certified Credentials Verification Organization which verifies critical credentials prior to physician assignments. It also offers its physicians occurrence-based malpractice coverage, as compared to less desirable claims-made policies offered by its main competitors. The acquisition of MDA solidifies our position as a leading national provider of healthcare staffing solutions. We expect to benefit from a more diversified revenue stream as physicians are viewed as revenue generators by its hospital clients, as compared to nurses, who represent a cost center. We are also able to offer a more comprehensive suite of services to our healthcare clients and recognize there may be some potential synergies with our physician search business.

The acquisition has been accounted for in accordance with Financial Accounting Standards Board (FASB) Statement No. 141, *Business Combinations*, using the purchase method. The results of MDA's operations have been included in the consolidated statements of operations since September 1, 2008, the agreed-upon accounting date of the acquisition. MDA's allied staffing services have been included in our nurse and allied staffing business segment. MDA's physician staffing services have been reported as a new business segment, physician staffing, in accordance with FASB Statement No. 131, *Disclosure about Segments of an Enterprise and Related Information*.

Based on an independent third-party appraisal, we assigned the following values to intangible assets: \$46.0 million to trademarks with an indefinite life and not subject to amortization, \$21.0 million for customer relations with a useful life of

12 years, \$1.1 million to database with a useful life of 9 years, and \$1.0 million to noncompete agreements with a weighted average useful life of 4 years. The excess of purchase price over the fair value of net tangible and intangible assets acquired approximated \$26.4 million and was recorded as goodwill, which is expected to be deductible for tax purposes. Additional acquisition costs of approximately \$0.6 million were incurred during the year ended December 31, 2008, and are included as goodwill in the consolidated balance sheet.

#### *Assent Consulting*

On July 18, 2007, we completed an acquisition of the shares of privately-held Assent Consulting (Assent) for \$19.6 million in cash paid at closing, including \$1.0 million which was held in escrow to cover any post-closing liabilities. We financed this acquisition using our revolving loan facility. The purchase price was subject to a working capital adjustment that was settled with a payment of \$0.5 million to us in the fourth quarter of 2007. This transaction also includes an earnout provision up to a maximum of \$4.9 million based on 2007 and 2008 performance criteria. This contingent consideration was not related to the sellers' employment. In the second quarter of 2008, we paid \$4.6 million related to 2007 performance satisfying all earnout amounts potentially due to the seller in accordance with the asset purchase agreement. Of this payment, \$2.0 million was being held in escrow, subject to forfeiture to us, to the extent a 2008 performance milestone was not achieved. However, based on 2008 performance the full amount was released in the first quarter of 2009. The entire payment was allocated to goodwill as additional purchase price, in accordance with FASB Statement No. 141. In addition, in the first quarter of 2009, the escrow of \$1.0 million was released to the sellers.

Headquartered in Cupertino, California, Assent provides staffing services primarily consisting of highly qualified clinical research, biostatistics and drug safety professionals to companies in the pharmaceutical and biotechnology industries. We believe this acquisition expands our geographical presence on the West Coast of the U.S. and broadens our client base for our clinical trials services business.

The acquisition has been accounted for using the purchase method and it is included in the clinical trials services business segment. The results of Assent operations have been included in the consolidated statements of operations since the date of acquisition, in accordance with FASB Statement No. 141.

Based on an independent third-party appraisal, we assigned the following values to intangible assets: \$5.2 million for customer relations with a useful life of 10 years, \$0.5 million to database with a useful life of 6 years, \$0.4 million to a noncompete agreement with a useful life of 5 years, and \$0.3 million to trademarks with a useful life of 1.5 years. The excess of purchase price over the fair value of net tangible and intangible assets acquired approximated \$11.6 million and was recorded as goodwill, which is not subject to amortization but deductible for tax purposes.

#### *AKOS Limited*

On June 6, 2007, we acquired all of the shares of privately-held AKOS Limited (AKOS), based in the United Kingdom, for a total purchase price of up to £7.2 million, consisting of an up-front payment of £4.0 million and potential earnout payments up to £3.2 million in 2007 and 2008, plus a working capital adjustment. The share purchase agreement also specified an estimated additional payment of £0.5 million, paid at closing, consisting of cash purchased. An additional amount of £0.2 million was paid in the third quarter of 2007, based on changes in net working capital, as defined by the share purchase agreement, and has been allocated to goodwill as additional purchase price.

The consideration for this acquisition was approximately \$8.9 million in cash paid at closing, which included \$1.0 million for the additional payment and \$0.8 million which was held in escrow to cover any post-closing liabilities. The post-closing working capital adjustment paid by us equated to approximately \$0.3 million. We financed this transaction using our revolving loan facility.

The potential earnout payments were based on 2007 and 2008 performance, as defined by the share purchase agreement and is not related to the sellers' employment. In the first quarter of 2008, we paid £1.1 million (approximately \$2.1 million) related to 2007 performance. In the first quarter of 2009, we expect to pay £0.5 million related to 2008 performance. The payments have been and will be allocated to goodwill as additional purchase price, in accordance with FASB Statement No. 141. During the fourth quarter of 2008, all of the funds held in escrow were released to the sellers.

AKOS has been conducting business since 1986 and provides drug safety, regulatory and clinical trial services to pharmaceutical and biotechnology companies in Europe, the United States, Canada and Asia. AKOS is based approximately 30 miles north of London, England, and strategically located inside what is considered to be the United Kingdom's research triangle that extends outward from London to Cambridge and Oxford Universities. We believe the addition of AKOS will

allow us to provide a more global and comprehensive range of contract staffing and outsourcing services to pharmaceutical and biotech customers.

The acquisition has been accounted for using the purchase method and is included in the clinical trials services business segment. The results of AKOS' operations have been included in the consolidated statements of operations since the date of acquisition, in accordance with FASB Statement No. 141.

Based on an independent third-party appraisal, we assigned \$1.7 million to trademarks with an indefinite life and not subject to amortization. In addition, we assigned \$2.6 million to total other identifiable intangible assets subject to amortization as follows: \$2.2 million was assigned to customer relations with a useful life of 8.6 years, and \$0.4 million was assigned to other intangibles with an estimated useful life of 6 years. The excess of purchase price over the fair value of net tangible and intangible assets acquired approximated \$3.8 million and was recorded as goodwill, which is not subject to amortization and is not deductible locally for tax purposes. Additional direct acquisitions costs of \$0.4 million were incurred during year ended December 31, 2007, and are included as goodwill in the consolidated balance sheet.

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

Acquired Business	Acquisition Date	Primary Services	Purchase Price (a)	Potential Earnout	Earnout Earned
MDA Holdings, Inc.	September 2008	Temporary physician staffing and allied staffing services	\$114.7 million	(b)	(c)
Assent Consulting	July 2007	Clinical trials staffing of clinical research, biostatistics and drug safety professionals	\$19.1 million	\$4.9 million	\$4.6 million
AKOS Limited	June 2007	Clinical trials staffing, drug safety and regulatory services providing services to the U.S., Europe, Canada, and Asia	\$9.2 million (£4.6 million)	£3.2 million based on 2007 and 2008	£1.1 million for 2007 (c)
Metropolitan Research	August 2006	Clinical trials staffing, drug safety monitoring and contract research services	\$19.1 million	\$6.4 million based on 2006 and 2007	\$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) The potential earnout will be equal to the amount: (1) by which the Adjusted EBITDA (as defined by the purchase agreement) during the 2008 and 2009 fiscal years, respectively, exceeds \$10.0 million, times (2) a multiple of 1.5 and 2.37, respectively.
- (c) Earnout for 2008 results has not been finalized at the time of this filing.

### Goodwill and Other Identifiable Intangible Assets

Goodwill and other intangible assets represented 93.8% of our stockholders' equity as of December 31, 2008. 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 \$122.6 million and \$96.9 million, respectively, net of accumulated

amortization, at December 31, 2008. In accordance with FASB Statement No. 142, goodwill and certain other identifiable intangible assets are not subject to amortization; instead, we review impairment annually. Other identifiable intangible assets, which are subject to amortization, are being amortized using the straight-line method over their estimated useful lives ranging from 1 to 15 years.

FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, requires us to test the recoverability of long-lived assets, including identifiable intangible assets with definite lives, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In testing for potential impairment under FASB Statement No. 144, if the carrying value of the asset group exceeds the expected undiscounted cash flows, we must then determine the amount by which the fair value of those assets exceeds the carrying value and determine the amount of impairment, if any.

See Critical Accounting Principles and Estimates and our consolidated financial statements Note 3 – Goodwill and Other Identifiable Intangible Assets, for a detailed description of the results of the FASB Statement No. 142 and 144 impairment reviews in the fourth quarter of 2008 that resulted in total impairment charges of \$244.1 million.

## Results of Operations

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

	Year Ended December 31,		
	2008	2007	2006
Revenue from services	100.0%	100.0%	100.0%
Direct operating expenses	73.8	75.7	76.7
Selling, general and administrative expenses	18.6	17.1	16.8
Bad debt expense	0.1	0.2	0.1
Depreciation and amortization	1.5	1.1	1.1
Impairment charges	33.2	—	—
Legal settlement charge	—	0.0	1.0
(Loss) income from operations	(27.2)	5.9	4.3
Interest expense, net	0.6	0.4	0.2
(Loss) income from continuing operations before income taxes	(27.8)	5.5	4.1
Income tax (benefit) expense	(8.3)	2.1	1.6
(Loss) income from continuing operations	(19.5)	3.4	2.5
Discontinued operations, net of income taxes	—	—	0.0
Net (loss) income	(19.5)%	3.4%	2.5%

## Segment Information

Our nurse and allied staffing business segment primarily provides travel nurse and allied staffing services and per diem nurse services to acute care hospitals. Nurse and allied staffing services are also marketed to public and private healthcare facilities and for-profit and not-for-profit facilities throughout the U.S.

In the third quarter of 2008, we added the physician staffing business segment as a result of our acquisition of MDA (See Note 4 - Acquisitions in the notes to consolidated financial statements). MDA provides multi-specialty locum tenens and allied staffing services to the healthcare industry in all 50 states. MDA's locum tenens business comprises the physician staffing business segment while MDA's allied staffing services have been aggregated with our nurse and allied staffing business segment.

Our clinical trials services business segment provides clinical trials, drug safety and regulatory professionals on a contract staffing and outsourced basis to companies in the pharmaceutical, biotechnology and medical device industries, as well as to contract research organizations (CRO) and acute care hospitals conducting clinical research trials in the United States, Canada and Europe.

Our other human capital management services business segment includes the combined results of our Company's education and training and retained search businesses.

Information on operating segments and a reconciliation to (loss) income from operations for the periods indicated are as follows:

	Year ended December 31,		
	2008	2007	2006
Revenue from unaffiliated customers:			
Nurse and allied staffing	\$ 525,772	\$ 576,779	\$ 554,900
Physician staffing	56,558	—	—
Clinical trials services	99,129	90,613	53,348
Other human capital management services	52,788	50,880	46,904
	<u>\$ 734,247</u>	<u>\$ 718,272</u>	<u>\$ 655,152</u>
Contribution income (a):			
Nurse and allied staffing	\$ 53,822	\$ 54,941	\$ 52,950
Physician staffing	5,711	—	—
Clinical trials services	15,301	14,425	6,928
Other human capital management services	7,444	7,609	9,048
	<u>82,278</u>	<u>76,975</u>	<u>68,926</u>
Unallocated corporate overhead	27,457	26,562	26,873
Depreciation	7,637	6,309	5,449
Amortization	3,166	2,051	1,570
Impairment charges	244,094	—	—
Legal settlement charge	—	34	6,704
Secondary offering costs	—	—	154
(Loss) income from operations	<u>\$ (200,076)</u>	<u>\$ 42,019</u>	<u>\$ 28,176</u>

(a) We define contribution income as (loss) income from operations before depreciation, amortization, impairment charges, and other corporate expenses not specifically identified to a reporting segment. Contribution income is a measure used by management to assess operations and is provided in accordance with FASB Statement No. 131, *Disclosure About Segments of an Enterprise and Related Information*.

## Consolidated Information

*Year Ended December 31, 2008 compared to Year Ended December 31, 2007*

### **Revenue from services**

Revenue from services increased \$16.0 million, or 2.2%, to \$734.2 million for the year ended December 31, 2008, as compared to \$718.3 million for the year ended December 31, 2007. The increase was primarily due to the added revenue from the MDA acquisition and an increase in revenue from our clinical trials services and other human capital management services business segments substantially offset by a decrease in revenue from our nurse and allied staffing business segment. The increase in our clinical trials services business segment was due to the acquisitions of AKOS and Assent. Excluding the impact of acquisitions, consolidated revenue from services decreased \$57.8 million or 8.0%.

### *Nurse and allied staffing*

Revenue from our nurse and allied staffing business segment decreased \$51.0 million, or 8.8%, to \$525.8 million in the year ended December 31, 2008, from \$576.8 million in the year ended December 31, 2007. A decrease in volume versus the prior year more than offset improved pricing in our organic nurse and allied staffing business.

Average nurse and allied staffing revenue per FTEs and average bill rates increased approximately 3.0% during the year ended December 31, 2008, compared to the year ended December 31, 2007. The average number of nurse and allied staffing FTEs on contract during the year ended December 31, 2008, decreased 11.2% from the year ended December 31, 2007.

### *Physician staffing*

Revenue from our physician staffing business was \$56.6 million for the period from September 1, 2008 to December 31, 2008 resulting from the acquisition of MDA.

### *Clinical trials services*

Revenue from clinical trials services increased \$8.5 million, or 9.4%, to \$99.1 million in the year ended December 31, 2008, from \$90.6 million in the year ended December 31, 2007. Excluding the impact of the acquisitions of Assent and AKOS, revenue decreased \$5.4 million, or 6.0%. This decline was primarily due to a decrease in traditional contract staffing volume and a decrease in revenue from a specific drug safety contract; partially offset by an increase in revenue from CRO projects.

### *Other human capital management services*

Revenue from other human capital management services for the year ended December 31, 2008, increased \$1.9 million, or 3.8%, to \$52.8 million from \$50.9 million in the year ended December 31, 2007, reflecting increases in revenue from both our education and training and our retained search businesses.

### **Direct operating expenses**

Direct operating expenses are comprised primarily of field employee and independent contractor compensation expenses, housing expenses, travel expenses and field insurance expenses. Direct operating expenses decreased \$1.9 million, or 0.4%, to \$541.7 million for the year ended December 31, 2008, as compared to \$543.6 million for year ended December 31, 2007.

As a percentage of total revenue, direct operating expenses represented 73.8% of revenue for the year ended December 31, 2008, and 75.7% for the year ended December 31, 2007. This decrease is primarily due to a widening of our bill-pay spread in our travel staffing operations, a change in mix of revenue from our business segments, lower professional liability expenses and lower housing cost as a percentage of revenue; partially offset by higher health insurance claims. Our business mix changed, primarily due to the acquisition of the MDA, which comprises our physician staffing business segment. In addition, revenue from our clinical trials services and other human capital management services business segments were a higher percentage of total revenue from services in the year ended December 31, 2008, compared to the year ended December 31, 2007. Physician staffing, clinical trials services and other human capital management services tend to have lower direct costs as a percentage of revenue than our nurse and allied staffing business segment, which declined as a percentage of total revenue in the year ended December 31, 2008.

### **Selling, general and administrative expenses**

Selling, general and administrative expenses increased \$14.1 million, or 11.5%, to \$136.8 million for the year ended December 31, 2008, as compared to \$122.7 million for the year ended December 31, 2007. The increase in selling, general and administrative expenses was primarily due to additional expenses from acquisitions and higher compensation expense partially offset by lower legal fees.

Included in selling, general and administrative expenses is unallocated corporate overhead of \$27.5 million for year ended December 31, 2008, compared to \$26.6 million for the year ended December 31, 2007. As a percentage of consolidated revenue, unallocated corporate overhead was 3.7% during the years ended December 31, 2008 and 2007.

As a percentage of total revenue, selling, general and administrative expenses were 18.6% and 17.1%, respectively, for the years ended December 31, 2008 and 2007. This increase is primarily due to a combination of a change in mix of revenue from our business segments and higher expenses as discussed above. Our clinical trials services and other human capital management services business segments increased, as a percentage of total revenue, while our nursing and allied staffing business segment decreased. Clinical trial services and other human capital management services generally operate with a higher selling, general and administrative burden than our nursing and allied staffing and physician staffing business segments.

### **Bad debt expense**

Bad debt expense totaled \$1.0 million for the year ended December 31, 2008, compared to \$1.6 million in year ended December 31, 2007. Bad debt expense as a percentage of total revenue was 0.1% in the year ended December 31, 2008, compared to 0.2% in the year ended December 31, 2007. This decrease is due to improved collections during the year ended December 31, 2008.

### ***Contribution income***

Contribution income from our nurse and allied staffing segment for the year ended December 31, 2008, decreased \$1.1 million or 2.0%, to \$53.8 million from \$54.9 million in year ended December 31, 2007. As a percentage of nurse and allied staffing revenue, segment contribution income was 10.2% for the year ended December 31, 2008, and 9.5% for the year ended December 31, 2007. This increase is primarily due to a widening of our bill-pay spread, and secondarily by a moderation in the rate of increase of housing costs and lower professional liability expenses, partially offset by higher health insurance expense.

Contribution income from physician staffing for the year ended December 31, 2008, was \$5.7 million, representing the results of operations since our acquisition of this business. As a percentage of physician staffing revenue, contribution income was 10.1%.

Contribution income from clinical trials services for the year ended December 31, 2008, increased \$0.9 million to \$15.3 million, compared to \$14.4 million in the year ended December 31, 2007. As a percentage of clinical trials services revenue, segment contribution income was 15.4% in the year ended December 31, 2008, compared to 15.9% in the year ended December 31, 2007.

Contribution income from other human capital management services for the year ended December 31, 2008, decreased by \$0.2 million, or 2.2%, to \$7.4 million, from \$7.6 million in the year ended December 31, 2007 due to improved contribution income in the retained search business partially offset by lower contribution income from the education and training businesses. Contribution income as a percentage of other human capital management services revenue was 14.1% for the year ended December 31, 2008 and 15.0% for the year ended December 31, 2007.

### ***Depreciation and amortization expense***

Depreciation and amortization expense in the year ended December 31, 2008, totaled \$10.8 million as compared to \$8.4 million for the year ended December 31, 2007. As a percentage of revenue, depreciation and amortization expense was 1.5% for the year period ended December 31, 2008 and 1.2% for the year ended December 31, 2007. This increase is primarily due to higher amortization expense related to intangible assets recorded in connection with recent acquisitions and additional depreciation expense from fixed assets that were placed into service since the beginning of 2008 largely due to software upgrades.

### ***Impairment charges***

Impairment charges of \$244.1 million in the year ended December 31, 2008, represent impairment of goodwill and other identifiable intangible assets pursuant to the process and calculations of FASB Statement No. 142 and 144. The non-cash impairment charges relate almost entirely to a goodwill impairment charge in the nurse and allied staffing business segment resulting from our annual impairment testing. The goodwill impairment charge results from a combination of depressed equity market values and lower projected near-term growth rates for the nurse and allied staffing business arising from the significant down-turn in the U.S. economy and adverse labor and financial markets that deteriorated sharply during the fourth quarter of 2008. The majority of the goodwill impairment is attributable to the Company's initial capitalization in 1999, which was accounted for as an asset purchase, and the remainder to subsequent nurse staffing acquisitions made through 2003. See Critical Accounting Principles and Estimates Policies and Estimates and our consolidated financial statements Note 3 – Goodwill and Other Identifiable Intangible Assets, for more information.

### ***Interest expense, net***

Interest expense, net, totaled \$4.2 million for the year ended December 31, 2008 and \$2.6 million for the year ended December 31, 2007. This increase was due to higher average borrowings in the year ended December 31, 2008, partially offset by a lower effective interest rate. Higher borrowings in the year ended December 31, 2008, were primarily due to the financing of the MDA and 2007 acquisitions, stock repurchases and earnout payments. The effective interest rate on our borrowings for the year ended December 31, 2008, was 5.3% compared to a rate of 6.9% for the year ended December 31, 2007.

### ***Income tax (benefit) expense***

Income tax benefit totaled \$61.2 million for the year ended December 31, 2008, as compared to an income tax expense of \$14.8 million for the year ended December 31, 2007. The effective tax rate was 30.0% in the year ended December 31, 2008, compared to 37.5% in the year ended December 31, 2007. A portion of the impaired goodwill related to the TravCorps

acquisition was not deductible for tax purposes. Excluding the tax impact related to the impairment charges, the effective tax rate was 39.8% for the year ended December 31, 2008. The increase in the tax rate, excluding the effect of the impairment charges, primarily reflects the introduction of per diem allowances for our travel nurse and allied staffing field personnel in the third quarter of 2008. A portion of these allowances are not deductible for tax purposes.

*Year Ended December 31, 2007 compared to Year Ended December 31, 2006*

### ***Revenue from services***

Revenue from services increased \$63.1 million, or 9.6%, to \$718.3 million for year ended December 31, 2007 as compared to \$655.2 million for the year ended December 31, 2006. The increase was partially due to the additional revenue from acquisitions. Excluding the impact of acquisitions, revenue increased \$32.1 million or 4.9%. This increase was primarily due to an increase in revenue from our nurse and allied staffing business segment, supplemented by increases in revenue from our clinical trials services business segment and our other human capital management business services segment.

Revenue from our nurse and allied staffing business segment increased \$21.9 million, or 3.9%, to \$576.8 million in the year ended December 31, 2007, from \$554.9 million in the year ended December 31, 2006. The increase in revenue from our nurse and allied staffing business segment was primarily from improved pricing in our travel nurse staffing operations and was partially offset by a decrease in revenue from our per diem staffing and travel allied staffing operations.

Average nurse and allied staffing revenue per full-time equivalent (FTE) and average bill rates increased approximately 3.4% and 4.1%, respectively, during the year ended December 31, 2007, compared to the year ended December 31, 2006. The average number of nurse and allied staffing FTEs on contract in the year ended December 31, 2007, increased 0.5% from the year ended December 31, 2006.

During the year ended December 31, 2007, nurse staffing operations generated 92.5% of nurse and allied staffing segment revenue and 7.5% was generated by allied staffing operations. For the year ended December 31, 2006, 91.8% of nurse and allied staffing segment revenue was generated from nursing operations and 8.2% was generated by allied staffing operations.

Revenue from our clinical trials services business segment increased \$37.3 million or 69.9% to \$90.6 million in the year ended December 31, 2007, from \$53.3 million in the year ended December 31, 2006, primarily as a result of acquisitions. Excluding the impact of the acquisitions, revenue increased \$6.2 million, or 11.6%. This increase is primarily due to an increase in temporary staffing volume, partially offset by a decrease in pricing due to mix.

Revenue from our other human capital management services business segment for the year ended December 31, 2007, increased \$4.0 million, or 8.5%, to \$50.9 million from \$46.9 million in the year ended December 31, 2006, due to an increase in both our education and training business and our retained search business. Revenue from our education and training business increased due to increases in the number of seminars, the average attendance, and the average fee per registrant.

### ***Direct operating expenses***

Direct operating expenses are comprised primarily of field employee compensation expenses, housing expenses, travel expenses and field insurance expenses. Direct operating expenses increased \$41.1 million, or 8.2%, to \$543.6 million for the year ended December 31, 2007, as compared to \$502.5 million for year ended December 31, 2006. This increase was partially due to the impact of the clinical trials services acquisitions.

As a percentage of revenue, direct operating expenses represented 75.7% of revenue for the year ended December 31, 2007 and 76.7% for the year ended December 31, 2006. This decrease is primarily due to a change in mix of business segments due to the clinical trials services acquisitions. Clinical trials services tend to have lower direct costs as a percentage of revenue than our nurse and allied staffing business.

### ***Selling, general and administrative expenses***

Selling, general and administrative expenses increased \$12.5 million, or 11.4%, to \$122.7 million for the year ended December 31, 2007, as compared to \$110.2 million for the year ended December 31, 2006. The increase in selling, general and administrative expenses was primarily due to additional expenses from the clinical trials services acquisitions, higher compensation expense in our nurse and allied staffing business segment, higher direct mail costs in our education and training business, and higher legal expenses in our retained search business. As a percentage of revenue, selling, general and administrative expenses were 17.1% and 16.8% for the years ended December 31, 2007 and 2006, respectively.

Unallocated corporate overhead was \$26.6 million in the year ended December 31, 2007 compared to \$26.9 million in the year ended December 31, 2006. As a percentage of consolidated revenue, unallocated corporate overhead was 3.7% in the year ended December 31, 2007, and 4.1% in the year ended December 31, 2006, reflecting improved operating leverage.

#### ***Bad debt expense***

Bad debt expense totaled \$1.6 million in the year ended December 31, 2007 compared to approximately \$0.5 million in the year ended December 31, 2006. During the year ended December 31, 2007, we increased our reserves, based on the aging of certain accounts for a few slow-paying customers.

#### ***Contribution income***

Contribution income from our nurse and allied staffing segment for the year ended December 31, 2007, increased \$2.0 million or 3.8%, to \$54.9 million from \$53.0 million in the year ended December 31, 2006. As a percentage of nurse and allied staffing revenue, contribution income was 9.5% for both the years ended December 31, 2007 and 2006.

Contribution income from our clinical trials services segment for the year ended December 31, 2007, increased \$7.5 million to \$14.4 million, compared to \$6.9 million in the year ended December 31, 2006. As a percentage of segment revenue, contribution income from our clinical trials services business was 15.9% in the year ended December 31, 2007, compared to 13.0% in the year ended December 31, 2006. This increase is primarily due to the acquisitions, which had higher contribution margin than our base clinical trials services business coupled with a combination of higher margin business and improved operating leverage in our base clinical trials services business.

Contribution income from our other human capital management services business segment for the year ended December 31, 2007, decreased \$1.4 million, or 15.9%, to \$7.6 million from \$9.0 million in the year ended December 31, 2006. This decrease reflects a lower contribution from both our retained search and our education and training businesses. Contribution income as a percentage of segment revenue for the year ended December 31, 2007, was 15.0% compared to 19.3% for the year ended December 31, 2006 primarily due to higher direct mail expenses in our education and training business and higher legal and administrative expenses in our retained search business.

#### ***Depreciation and amortization expense***

Depreciation and amortization expense in the year ended December 31, 2007, totaled \$8.4 million as compared to \$7.0 million for the year ended December 31, 2006. As a percentage of revenue, depreciation and amortization expense were approximately 1.1% for both the years ended December 31, 2007 and 2006. Depreciation expense has increased as we continue to invest in new technology. Amortization expense has increased due to the intangible assets subject to amortization that were acquired in 2006 and 2007. See the Acquisitions section above.

#### ***Legal settlement charge***

Legal settlement charge was \$6.7 million for the year ended December 31, 2006. In the third quarter of 2006, we reached an agreement to settle the California wage and hour class action lawsuit filed against a subsidiary of the Company in Superior Court in Orange County, California, in August of 2003. The settlement payment made was approximately \$6.7 million, pretax, and was paid out in the first quarter of 2007.

#### ***Interest expense, net***

Interest expense, net totaled \$2.6 million for the year ended December 31, 2007, as compared to \$1.5 million for the year ended December 31, 2006. This increase was primarily due to higher average borrowings outstanding during the year ended December 31, 2007, compared to the year ended December 31, 2006, and a higher effective borrowing cost in the year ended December 31, 2007. The effective interest rate on our borrowings for the year ended December 31, 2007, was 6.9% compared to a rate of 6.6% for the year ended December 31, 2006. Higher borrowings outstanding in the year ended December 31, 2007 were primarily due to the acquisitions of Assent and AKOS and the legal settlement payment referred to above.

#### ***Income taxes***

Income taxes totaled \$14.8 million for the year ended December 31, 2007, as compared to \$10.1 million for the year ended December 31, 2006. The effective tax rate on continuing operations was 37.5% in the year ended December 31, 2007, compared to 38.0% in the year ended December 31, 2006. This decrease in the effective rate is due to changes in the jurisdictions from which our revenue is derived, that vary from period to period.

## **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 \$3.1 million, \$3.9 million and \$4.7 million in aggregate for the years ended December 31, 2008, 2007, and 2006, respectively. Accounts receivable due from these hospitals at December 31, 2008 and 2007 were approximately \$0.2 million and \$0.6 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, 2008, we had a current ratio, defined as the amount of current assets divided by current liabilities, of 2.9 to 1. Working capital increased by \$6.7 million to \$105.1 million as of December 31, 2008, compared to \$98.4 million as of December 31, 2007. Days' sales outstanding were 53 days, 59 days, and 60 days at December 31, 2008, 2007, and 2006, 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. We believe that our capital resources are sufficient to meet our working capital needs including our earnout payment commitments 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 \$45.0 million in Indebtedness (as defined by the credit agreement).

### *Stockholders' Equity*

#### **Stock Repurchase Programs**

On May 10, 2006, our Board of Directors authorized a stock repurchase program whereby we may purchase up to 1.5 million shares of our common stock. This repurchase program was completed and on February 28, 2008, our Board of Directors authorized an additional stock repurchase program whereby we may purchase up to an additional 1.5 million shares of our common stock, subject to the terms 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. We commenced repurchases under this authorization during the first quarter of 2008 upon the completion of the May 2006 authorization.

In November 2002, our Board of Directors authorized a stock repurchase program whereby we could purchase up to 1.5 million of our common shares at an aggregate price not to exceed \$25.0 million. Under this program, we purchased and retired 1.5 million shares of our common stock at an average cost of \$15.04 per share pursuant to the authorization. All of the common stock was retired. The cost of such purchases was approximately \$22.6 million. During the year ended December 31, 2007, the November 2002 stock repurchase program was depleted, and, accordingly, we commenced repurchases under the May 2006 authorization mentioned previously.

During the year ended December 31, 2008, we repurchased, under the May 2006 and February 2008 programs, a total of 924,235 shares at an average price of \$11.66. The cost of such purchases was approximately \$10.8 million. During the year ended December 31, 2007, we repurchased, under November 2002 and May 2006 programs, a total of 704,498 shares at an average cost of \$15.45 per share. The cost of such purchases was approximately \$10.9 million. All of the common stock was retired. At December 31, 2008, we had 1,441,139 shares of common stock left remaining to repurchase under our February 2008 authorization subject to the constraints of our credit agreement. See Credit Agreement section below and consolidated financial statements Note 7- Long-term Debt. At December 31, 2008 we had approximately 30.8 million shares of common stock outstanding.

#### **Secondary Offering**

In November 2004, we filed a Registration Statement on Form S-3 with the U.S. Securities and Exchange Commission (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 approximately \$0.2 million and included in secondary offering costs on the consolidated statements of operations.

### *Credit Agreement*

Our senior secured revolving credit facility entered into on November 10, 2005 was amended and restated as of September 9, 2008 (“Credit Agreement”) in connection with the acquisition of MDA. The Credit Agreement keeps in place an existing \$75.0 million revolving loan facility, maturing in November 2010, and provides for a 5 year \$125.0 million term loan facility with Wachovia Capital Markets, LLC and certain of its affiliates, Banc of America Securities LLC and certain other lenders. The revolving loan facility and term loan bear interest at a rate of, at our option, either: (i) London Interbank Offered Rate (“LIBOR”) plus a leverage-based margin or (ii) Base Rate (as defined in the Credit Agreement) plus a leverage-based margin.

The Credit Agreement was also amended for customary covenants for similar leveraged deals such as: 1) requiring us to hedge at least 40% of our floating rate exposure for 2 years; and 2) adding a mandatory prepayment provision from Excess Cash as defined by the Credit Agreement. In addition, pursuant to the provisions of the Credit Agreement, in October 2008, we entered into interest rate swap agreements to effectively fix the interest on \$70.0 million of our term debt for a period of 2 years at 3.04%, plus the applicable LIBOR spread. At December 31, 2008, the interest rate swap agreements had a fair value of \$(2.4) million, which is separately stated on our consolidated balance sheets. We have formally documented the hedging relationships and account for these arrangements as cash flow hedges.

The \$75.0 million revolving loan facility has a \$10.0 million sublimit for the issuance of Swingline Loans (as defined by the Credit Agreement) and a \$35.0 million sublimit for the issuance of standby letters of credit. Swingline Loans and letters of credit issued under this facility reduce the revolving loan facility on a dollar for dollar basis. The revolving loan facility is being 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.

As of December 31, 2008, interest on our credit facility was based on LIBOR plus a margin of 2.50% or Base Rate plus a margin of 1.50%. We are required to pay a quarterly commitment fee on the average daily unused portion of the revolving loan facility, which, as of December 31, 2008, was 0.50%. As of December 31, 2008, we had \$7.5 million of revolving loan borrowings and \$3.3 million of standby letters of credit outstanding under this facility, leaving \$64.2 million available for borrowing under our revolving loan facility. In addition, we had a letter of credit outstanding outside the Credit Agreement of \$5.0 million relating to MDA’s Captive. See our consolidated financial statements Note 2 - Summary of Significant Accounting Policies in the Reserves for Claims section for more information.

The provisions of the revolving loan portion generally allow us to borrow, repay and re-borrow debt for an uninterrupted period until the maturity date of the credit facility which extended beyond one year from the balance sheet date. 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*, \$33.5 million of borrowings under this facility is classified as long-term as of December 31, 2007. Short-term borrowings under this facility consist of borrowings that we intend to or have repaid as of the date of the issuance of these consolidated financial statements.

In addition to the above mentioned terms, the terms of the Credit Agreement include customary covenants and events of default. As of December 31, 2008, we were in compliance with the financial covenants and other covenants contained in the Credit Agreement. Specifically, the table below summarizes what we believe the key financial covenants, as defined by the Credit Agreement are, and our corresponding actual performance as of December 31, 2008.

	<u>Requirement</u>	<u>Actual</u>
Maximum Permitted Leverage Ratio (a)	2.75 to 1.00	2.08 to 1.00
Minimum Interest Coverage Ratio	5.00 to 1.00	7.30 to 1.00
Maximum Capital Expenditures for 2008 (b)	\$21.7 million	\$4.7 million

- (a) The limitation on our Leverage Ratio changes as of September 30, 2009 where it remains throughout the term of the Credit Agreement. At that time our Leverage Ratio must not be greater than 2.50 to 1.00.
- (b) Aggregate amount of Capital Expenditures in any fiscal year may not exceed \$15.0 million, but may be increased in any fiscal year by the amount of Capital Expenditures that were permitted but not made in the immediately preceding fiscal year.

The agreement also 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. The Credit Agreement provides for an amount allowed for stock repurchases/dividends. The limitation increases each year by 25% of net income provided that our Debt/EBITDA ratio (as defined in the Credit Agreement) is less than 2.00 to 1.00 and we have \$15.0 million in cash or available cash under the revolving loan facility. Our net loss for the year ended December 31, 2008, has had the effect of eliminating the allowable amount. We are also required to obtain the consent of the lenders to complete any acquisition which exceeds \$25.0 million (excluding the MDA acquisition) or would cause us to exceed \$125.0 million (excluding the MDA acquisition) in aggregate payments during the term of the agreement. The commitments under the Credit Agreement are secured by substantially all of our assets.

*Year Ended December 31, 2008 Compared to Year Ended December 31, 2007*

Net cash provided by operating activities during the year ended December 31, 2008 was \$51.0 million compared to \$35.9 million during the year ended December 31, 2007. This increase is primarily due to a decrease in accounts receivable. In addition, during the year ended December 31, 2007, we paid out the legal settlement amount of \$6.7 million, referenced previously. These increases in cash flow from operating activities were partially offset by the timing of other payments. Investing activities used \$129.6 million of cash during the year ended December 31, 2008, primarily for the acquisition of MDA and earnout payments related to our Metropolitan Research, AKOS and Assent acquisitions as well as capital expenditures of \$4.7 million. Investing activities used \$35.3 million during the year ended December 31, 2007, primarily for the purchases of Assent and AKOS as well as capital expenditures. Net cash provided by financing activities was \$80.1 million during the year ended December 31, 2008, primarily due to the financing of the MDA acquisition and stock repurchases, partially offset by repayments of our borrowings. Net cash provided by financing activities in the year ended December 31, 2007 was \$8.4 million. Cash flow from operations and net borrowings were used in 2007 primarily for acquisitions and stock repurchases. Cash was also provided by the exercise of employee stock options in both periods.

*Year Ended December 31, 2007 Compared to Year Ended December 31, 2006*

Net cash provided by operating activities during the year ended December 31, 2007 was \$35.9 million compared to \$32.9 million during the year ended December 31, 2006. This increase is primarily due to higher net income partially offset by higher working capital requirements in 2007. During the year ended December 31, 2007, we paid out the legal settlement amount of \$6.7 million, referenced previously. Investing activities used \$35.3 million during the year ended December 31, 2007, primarily for the purchases of Assent Consulting and AKOS Limited as well as capital expenditures. During the year ended December 31, 2006, investing activities used \$27.8 million for the acquisition of Metropolitan Research and capital expenditures. Net cash provided by financing activities in 2007 was \$8.4 million. Cash flow from operations and net borrowings were used primarily for acquisitions and stock repurchases. Cash was also provided by the exercise of employee stock options. Net cash used in financing activities during the year ended December 31, 2006 was \$5.1 million. 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 the exercise of stock options and other financing activities.



trials services, 4) retained search and 5) education and training. As a result of the review, we recorded an impairment charge related to the nurse and allied staffing reporting unit of \$241.0 million, pretax. The impairment test requires us to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount including goodwill as step one. We estimate the fair value of our reporting units, primarily using a discounted cash flow methodology. If the estimated fair value is less than the carrying amount for a particular reporting unit, then we are required to calculate the implied fair value of all tangible and intangible net assets of the reporting unit (as determined in step one). In this step, we must allocate the fair value of the reporting unit to all of the reporting unit's assets and liabilities in a "hypothetical purchase price allocation." This also requires the identification of any previously unrecognized intangible assets. The implied value of goodwill is compared to the carrying amount to determine the amount of any impairment charge.

In addition, FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, requires us to test the recoverability of long-lived assets, including identifiable intangible assets with definite lives, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In testing for potential impairment under FASB Statement No. 144, if the carrying value of the asset group exceeds the expected undiscounted cash flows, we must then determine the amount by which the fair value of those assets exceeds the carrying value and determine the amount of impairment, if any. Based on our FASB Statement No. 144 impairment analysis, we concluded that the carrying value of a particular customer relationship in the clinical trials services business segment was higher than its respective estimated fair value and recorded a \$3.1 million impairment charge, pretax.

Total impairment charges resulting from the FASB Statement No. 142 and 144 reviews in the fourth quarter of 2008 was \$244.1 million and is included as a separate line item on the consolidated statements of operations.

The calculation of fair value used in these impairment assessments included a number of estimates and assumptions that required significant judgments, including projections of future income and cash flows, the identification of appropriate market multiples and the choice of an appropriate discount rate. Changes in these assumptions could materially affect the determination of fair value for each reporting unit. Specifically, further deterioration of demand for our services, further deterioration of labor market conditions, reduction of our stock price for an extended period, or other factors as described in Item 1.A. Risk Factors, may affect our determination of fair value of each reporting unit. If we are required to record an impairment charge in the future, it could have an adverse impact on our results of operations. 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. As of December 31, 2008, we had total goodwill and intangible assets not subject to amortization of \$187.0 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 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 actuarial models, as well as industry experience and trends. If such models indicate 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 as well as actual company experience and increases in national healthcare costs. As of December 31, 2008 and 2007, we had \$2.0 million and \$1.9 million accrued, respectively, for incurred but not reported health insurance claims. Corporate and field employees are covered through a partially self-insured health plan. At December 31, 2008 and 2007, \$0.8 million and \$0.6 million, respectively, of the incurred but not reported health insurance claims accrual related to corporate employees. Workers' compensation insurance accruals can fluctuate over time due to the number of employees and inflation, as well as additional exposures arising from the current policy year. As of December 31, 2008, we had \$4.6 million accrued for incurred but not reported workers' compensation claims and retentions, net of related insurance recoveries receivable, a decrease of \$0.2 million over the amount accrued at December 31, 2007. The accrual for workers' compensation is based on an actuarial model which is prepared or reviewed by an independent actuary. As of December 31, 2008, and 2007, we had \$12.3 million and \$6.6 million accrued, respectively, for incurred but not reported professional liability claims and retentions, net of related insurance recoveries receivable. The increased accrual is entirely due to the acquisition of MDA. The accrual for professional liability is based on an actuarial model which is prepared or reviewed by an independent actuary.
- 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, 2008, our allowance for doubtful accounts was \$6.4 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 us, other than ordinary routine litigation incidental to the business are described in Legal Proceedings.
- 5) We account for income taxes in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and other loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. As of December 31, 2008 and 2007, we have deferred tax assets related to certain state net operating loss carryforwards for which we have recorded a valuation allowance. In addition, the tax effect resulting from our goodwill impairment charge recorded in the year ended December 31, 2008, caused the net deferred tax liability position as of December 31, 2007, to change to a net deferred tax asset position. We have determined that it is more likely than not that the net deferred tax asset related to the goodwill impairment charge will be realized in the future with the exception of a specific state portion of the net deferred tax asset for which a valuation allowance has been recorded.

In considering whether or not a valuation allowance is appropriate we consider several sources of taxable income, including, but not limited to the following items:

- The reversal of taxable temporary differences to offset deductible temporary differences in the future.
- Carryback potential to support the utilization of the deferred tax asset.
- Projections of future taxable income exclusive of reversing temporary differences and carry forwards.

In our determination at December 31, 2008, we relied partially on projections of future taxable income, exclusive of reversing temporary differences, to reach our conclusion that no valuation allowance is necessary on the net deferred tax asset, except as otherwise discussed. However, if the levels of future taxable income we have projected are not achieved, there is a risk that the Company could not recover this entire net deferred tax asset. We will continue, in the future, to evaluate whether or not the net deferred tax assets will be fully realized prior to expiration.

In calculating the provision for income taxes on an interim basis, we use an estimate of the annual effective tax rate based upon the facts and circumstances known at each interim period. On a quarterly basis, the actual effective tax rate is adjusted as appropriate based upon the actual results as compared to those forecasted at the beginning of the fiscal year.

We are subject to income taxes in the United States and certain foreign jurisdictions. Significant judgment is required in determining our consolidated provision for income taxes and recording the related deferred tax assets and liabilities. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Accruals for unrecognized tax benefits are provided for in accordance with the requirements of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (FIN 48). An unrecognized tax benefit represents the difference between the recognition of benefits related to exposure items for income tax reporting purposes and financial reporting purposes. The current portion of the unrecognized tax benefit is classified as a component of the income taxes receivable account, and the non-current portion is included within other long-term liabilities on the consolidated balance sheets. We have a reserve for interest and penalties on exposure items, if applicable, which is recorded as a component of the overall income tax provision. We are regularly under audit by tax authorities. Although the outcome of tax audits is always uncertain, we believe that we have appropriate support for the positions taken on our tax returns and that our annual tax provision includes amounts sufficient to pay any assessments. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

## Recent Accounting Pronouncements

In April 2008, the FASB issued FASB Staff Position No. 142-3, *Determination of the Useful Life of Intangible Assets*, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets*. The intent of FASB Staff Position No. 142-3 is to improve the consistency between the useful life of a recognized intangible asset under FASB Statement No. 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141(R) and other U.S. generally accepted accounting principles (GAAP). FASB Staff Position No. 142-3 is effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years and early adoption is prohibited. We will implement FASB Staff Position No. 142-3 on January 1, 2009. We expect that FASB Staff Position No. 142-3 could have an impact on our future consolidated financial statements, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions we consummate after the effective date.

In February 2008, the FASB Staff Position No. 157-2 was issued, which delays the effective date for nonfinancial assets and nonfinancial liabilities included in FASB Statement No. 157, *Fair Value Measurements*, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The effective date has been deferred to fiscal years beginning after November 15, 2008 for these nonfinancial assets and liabilities. We do not expect the deferred portion of the adoption to have a material impact on our consolidated financial statements.

In December 2007, the FASB issued FASB No. 141R, *Business Combinations* (FASB 141R), which replaces FASB 141. FASB 141R applies to all transactions or other events in which an entity obtains control of one or more businesses and requires that all assets and liabilities of an acquired business as well as any noncontrolling interest in the acquiree be recorded at their fair values at the acquisition date. Among other things, FASB 141R requires the expensing of direct transaction costs, including deal costs and restructuring costs as incurred. In addition, contingent consideration arrangements will be recognized at their acquisition date fair values, with subsequent changes in fair value generally reflected in earnings. Pre-acquisition contingencies will also typically be recognized at their acquisition date fair values. In subsequent periods, contingent liabilities will be measured at the higher of their acquisition date fair values or the estimated amounts to be realized. In addition, material adjustments made to the initial acquisition purchase accounting will be required to be recorded back to the acquisition date. This will cause companies to revise previously reported results when reporting comparative financial information in subsequent filings. FASB 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We expect that FASB 141R could have an impact on our future consolidated financial statements, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions we consummate after the effective date.

## Seasonality

The number of nurse and allied professionals on assignment with us is subject to moderate seasonal fluctuations which may impact our quarterly revenue and earnings. Hospital patient census and staffing needs of our hospital and healthcare facilities fluctuate which impact our number of orders for a particular period. Many of our hospital and healthcare facility clients are located in areas that experience seasonal fluctuations in population during the winter and summer months. These facilities adjust their staffing levels to accommodate the change in this seasonal demand and many of these facilities utilize temporary healthcare professionals to satisfy these seasonal staffing needs. Likewise, the number of nurse and allied professionals on assignment may fluctuate due to the seasonal preferences for destinations of our temporary nurse and allied professionals. In addition, we expect our physician staffing business to experience higher demand in the summer months as physicians take vacations. This historical seasonality of revenue and earnings may vary due to a variety of factors and the results of any one quarter are not necessarily indicative of the results to be expected for any other quarter or for any year.

## 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 revolving loan and term loans under our Credit Agreement, which bears interest based on floating rates. Refer to Liquidity and Capital Resources – Credit Agreement included in Item 7. Management’s Discussion and Analysis above for further discussion about our Credit Agreement and related interest rate swaps. A 1% change in interest rates on variable rate debt would have resulted in interest expense fluctuating approximately \$0.7 million in 2008, \$0.3 million in 2007 and \$0.2 million in 2006.

We are exposed to the impact of foreign currency fluctuations. Changes in foreign currency exchange rates impact translations of foreign denominated assets and liabilities into U.S. dollars and future earnings and cash flows from transactions denominated in different currencies. Our international operations generated less than 1% of our consolidated revenue during the years ending December 31, 2008 and 2007, and were primarily from the United Kingdom. We have not entered into any foreign currency derivative instruments.

Our international operations transact business in their functional currency. As a result, fluctuations in the value of foreign currencies against the U.S. dollar have an impact on reported results. Revenues and expenses denominated in foreign currencies are translated into U.S. dollars at monthly average exchange rates prevailing during the period. Consequently, as the value of the U.S. dollar changes relative to the currencies of our non-U.S. markets, our reported results vary.

Fluctuations in exchange rates also impact the U.S. dollar amount of stockholders’ equity. The assets and liabilities of our non-U.S. subsidiaries are translated into U.S. dollars at the exchange rate in effect at the end of a reporting period. The resulting translation adjustments are recorded in stockholders’ equity, as a component of accumulated other comprehensive (loss) income, included in other stockholders’ equity on our consolidated balance sheet.

## **Item 8. Financial Statements and Supplementary Data.**

See Item 15 – Exhibits, Financial Statement Schedules 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, 2008, 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, 2008, 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, 2008 was effective. An assessment of the effectiveness of our internal control over financial reporting as of December 31, 2008 has been performed by Ernst & Young LLP, an independent registered public accounting firm. Ernst & Young LLP’s attestation report is included below.

## **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 Cross Country Healthcare, Inc.'s internal control over financial reporting as of December 31, 2008, 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 included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on 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, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, 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 unauthorized 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, Cross Country Healthcare, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, 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, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008 of Cross Country Healthcare, Inc. and our report dated March 12, 2009 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP  
Certified Public Accountants

West Palm Beach, Florida  
March 12, 2009

## 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 2008 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 beneficial ownership of 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, 2008, see table below:

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights (b)</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</u>
Equity compensation plans approved by security holders	2,381,143	\$14.90	975,026
Equity compensation plans not approved by security holders	<u>None</u>	<u>N/A</u>	<u>N/A</u>
<b>Total</b>	<u><u>2,381,143</u></u>	<u><u>\$14.90</u></u>	<u><u>975,026</u></u>

### 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

[Report of Independent Registered Public Accounting Firm](#)  
[Consolidated Balance Sheets as of December 31, 2008 and 2007](#)  
[Consolidated Statements of Operations for the Years Ended](#)  
[December 31, 2008, 2007 and 2006](#)  
[Consolidated Statement of Changes in Stockholders' Equity for the](#)  
[Years Ended December 31, 2008, 2007 and 2006](#)  
[Consolidated Statements of Cash Flows for the Years Ended](#)  
[December 31, 2008, 2007 and 2006](#)  
[Notes to Consolidated Financial Statements](#)

##### (2) Financial Statements Schedule

[Schedule II – Valuation and Qualifying Accounts for the Years Ended](#)  
[December 31, 2008, 2007 and 2006](#)

##### (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. BOSCHART

Name: Joseph A. Boschart

Title: Chief Executive Officer and President

Date: March 13, 2009

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:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ JOSEPH A. BOSCHART</u> Joseph A. Boschart	President, Chief Executive Officer, Director (Principal Executive Officer)	March 13, 2009
<u>/s/ EMIL HENSEL</u> Emil Hensel	Chief Financial Officer and Director (Principal Financial Officer)	March 13, 2009
<u>/s/ DANIEL J. LEWIS</u> Daniel J. Lewis	Chief Accounting Officer	March 13, 2009
<u>/s/ THOMAS C. DIRCKS</u> Thomas C. Dircks	Director	March 13, 2009
<u>/s/ W. LARRY CASH</u> W. Larry Cash	Director	March 13, 2009
<u>/s/ C. TAYLOR COLE</u> C. Taylor Cole	Director	March 13, 2009
<u>/s/ GALE FITZGERALD</u> Gale Fitzgerald	Director	March 13, 2009
<u>/s/ JOSEPH TRUNFIO</u> Joseph Trunfio	Director	March 13, 2009

## 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)
2.6	Share Purchase Agreement, dated June 6, 2007, among Cross Country Healthcare UK HoldCo Limited and Winston Paul John Evans, Susan Morag Evans and Cross Country Healthcare, Inc. (16)
2.7	Stock Purchase Agreement, dated July 13, 2007, among ClinForce LLC, the Stockholders of Assent Consulting and Cross Country Healthcare, Inc. (18)
2.8	Purchase Agreement, dated July 22, 2008, by and among StoneCo H, Inc., MDA Holdings, Inc., Medical Doctor Associates, Inc., Allied Health Group, Inc., Credent Verification and Licensing Services, Inc., Jamestown Indemnity, Ltd. and MDA Employee and Stock Ownership and 401(K) Plan ESOP Component Trust (22)
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)(16)
10.4	Employment Agreement, dated as of August 31, 2006, between Stacy Mamakos Martin and ARM Acquisition, Inc. (14)(16)
10.5	Executive Service Agreement, dated June 6, 2007, between Akos Limited and Paul Evans (14)(19)
10.6	Employment Agreement, dated July 13, 2007, between Assent Consulting and David Hnatek (14)(19)
10.7	Employment Agreement, dated July 13, 2007, between Assent Consulting and Robert Adzich (14)(19)
10.8	Lease Agreement, dated April 28, 1997, between Meridian Properties and the Registrant (1)
10.9	Lease Agreement, dated October 31, 2000, by and between Trustees of the Goldberg Brothers Trust, a Massachusetts Nominee Trust and TVCM, Inc. (1)

## EXHIBIT INDEX (CONTINUED)

No.	Description
10.10	222 Building Standard Office Lease between Clayton Investors Associates, LLC and Cejka & Company (1)
10.11	Amended and Restated 1999 Stock Option Plan of the Registrant (2)(14)
10.12	Amended and Restated Equity Participation Plan of the Registrant (2)(14)
10.13	Cross Country Healthcare, Inc. 2007 Stock Incentive Plan adopted April 5, 2007 (14)(20)
10.14	Amendment to Lease by and between Meridian Commercial Properties Limited Partnership and Cross Country, Inc. dated May 1, 2002 (3)
10.15	Cross Country, Inc. Deferred Compensation Plan (4)(14)
10.16	Restricted Stock Agreement between Company and Joseph A. Boshart (4)(14)
10.17	Restricted Stock Agreement between Company and Emil Hensel (4)(14)
10.18	Restricted Stock Agreement between Company and Vickie Anenberg (4)(14)
10.19	Restricted Stock Agreement between Company and Jonathan Ward (4)(14)
10.20	Amendment to Lease Agreement, as of May 1, 2002, by and between Meridian Commercial Properties Limited Partnership and Cross Country Healthcare, Inc. (3)
10.21	Lease Agreement by and between Edgewood General Partnership and HR Logic, dated July 6, 2000 (6)
10.22	First Amendment to Lease Agreement by and between Edgewood General Partnership and HR Logic, dated December 7, 2000 (6)
10.23	Second Amendment to Lease Agreement by and between Edgewood General Partnership and Cross Country TravCorps, dated April 29, 2002 (6)
10.24	Lease Agreement by and between Petula Associates, Ltd. and Principal Life Insurance Company and Clinical Trials Support Services, Inc. dated November 3, 1999 (6)
10.25	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)
10.26	Lease Agreement by and between Newtown Street Road Associates and Med-Staff, Inc., dated June 21, 2001 (6)
10.27	Lease Agreement by and between Newtown Street Road Associates and Med-Staff, Inc., dated June 23, 1998 (6)
10.28	Second Amendment to Lease, dated October 10, 2003, between Canterbury Hall IC, LLC and ClinForce, Inc. (7)
10.29	Lease Agreement, dated January 30, 2004, between Goldberg Brothers Real Estate, LLC and TVCM, Inc. (7)
10.30	First Amendment to Lease Agreement, dated December 11, 2001, between Clayton Investors Associates LLC and Cejka & Company (8)
10.31	First Amendment to Lease Agreement, dated December 22, 1999, between Newtown Street Road Associates and MedStaff, Inc. (8)
10.32	Second Amendment to Lease Agreement, dated June 21, 2001 between Newtown Street Road Associates and MedStaff, Inc. (8)
10.33	Lease Agreement between Corporex Key Limited Partnership No. 8 and Cross Country Seminars, Inc. (8)
10.34	Form of Incentive Stock Option Agreement (8)(14)
10.35	Third Amendment to Lease, dated October 6, 2004, between Canterbury Hall IC, LLC and ClinForce, Inc. (9)
10.36	First Amendment to Lease Agreement, dated February 24, 2005, between Blevens Family Storage, L.P., and Cross Country Seminars, Inc. (10)
10.37	Fourth Amendment to Lease Agreement, dated December 15, 2005, by and between Canterbury Hall, IC, LLC, and Clinforce, Inc. (13)
10.38	Lease Agreement, dated February 24, 2006, between MedStaff, Inc. and Campus Investors D Building, L.P. (13)
10.39	Lease Guaranty Agreement by and between Cross Country Healthcare, Inc. and Campus Investors D Building, L.P. dated February 17, 2006. (13)
10.40	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)

## EXHIBIT INDEX (CONTINUED)

<u>No.</u>	<u>Description</u>
10.41	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)
10.42	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)
10.43	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)
10.44	Lease Agreement between Highwoods Realty Limited Partnership and Metropolitan Research Staffing Associates, LLC, dated December 2, 2005 (12)
10.45	Sublease between Oppenheimer Wolff & Donnelly LLP and Metropolitan Research Associates, LLC, dated June 5, 2003 (12)
10.46	Sublease between Port City Press, Inc. and ARM Acquisition, Inc., dated August 31, 2006 (12)
10.47	Lease Agreement between Cornerstone Opportunity Ventures, LLC and Cejka Search, Inc., dated February 2, 2007 (15)
10.48	Lease Agreement between Self Service Mini Storage, L.P. and Cross Country Education, LLC, dated February 2, 2007 (15)
10.49	Second Amendment to Lease Agreement by and between Meridian Commercial Properties Limited Partnership and Cross Country Healthcare, Inc., dated February 17, 2007 (15)
10.50	First Amendment to Lease Agreement dated March 30, 2004, between Goldberg Brothers Real Estate, LLC and TVCM, Inc. (23)
10.51	Fifth Amendment to Lease Agreement dated March 5, 2008, by and between Canterbury hall IC, LLC and Principal Life Insurance Company, tenants in common, and ClinForce, Inc. (24)
10.52	Credit Agreement dated November 5, 2005 and Amended and Restated as of September 9, 2008 by and among Cross Country Healthcare, Inc. as Borrower and the Lenders referenced therein (25)
10.53	Lease Agreement dated February 1, 2007, by and between MDA Holdings, Inc. and ADKS Realty Corporation (26)
10.54	Lease Agreement dated March 1, 1999 by and between Medical Doctors Associates, Inc. and ADKS Realty Corporation (26)
10.55	Lease Agreement dated as of October 29, 2007, by and between Crestline Office Center Associates, LLC and MDA Holdings, Inc. (26)
10.56	Lease Agreement dated as of September 21, 2004, by and between TGS American Realty Limited Partnership and Medical Doctor Associates, Inc. (26)
10.57	First Amendment to Lease Agreement dated as of September 1, 2007, by and between Cornerstone Opportunity Ventures, LLC and Cejka Search, Inc. (26)
<a href="#">10.58</a>	Joinder Agreement dated September 9, 2008 to the Subsidiary Guaranty Agreement and the Collateral Agreement by and among Cross Country Healthcare, Inc., StoneCo H, Inc., StoneCo C, LLC, StoneCo M, LLC CC Local, Inc. and Wachovia Bank, National Association, as Administrative Agent
<a href="#">10.59</a>	Lease Agreement dated August, 2006, between Brandywine Operating Partnership, L.P. and ClinForce, Inc.
<a href="#">10.60</a>	First Amendment to Lease Agreement dated January 2, 2007, by and between Brandywine Operating Partnership, L.P. and ClinForce, Inc.
<a href="#">10.61</a>	Second Amendment to Lease Agreement dated September 23, 2008, by and between G & I VI 321/323 NORRISTOWN FE LLC (successor to Brandywine Operating Partnership, L.P.) and ClinForce, Inc.
<a href="#">10.62</a>	Employment Agreement by and between Jim Ginter and StoneCo H, Inc. (14)
<a href="#">10.63</a>	Employment Agreement by and between Mike Pretiger and StoneCo H, Inc. (14)
<a href="#">10.64</a>	Employment Agreement by and between Anne Anderson and StoneCo H, Inc. (14)
<a href="#">10.65</a>	Form of Restricted Stock Agreement under Cross Country Healthcare, Inc. 2007 Stock Incentive Plan (14)(28)
<a href="#">10.66</a>	Form of Stock Appreciation Rights Agreement under Cross Country Healthcare, Inc. 2007 Stock Incentive Plan (14) (21)

## EXHIBIT INDEX (CONTINUED)

<u>No.</u>	<u>Description</u>
<a href="#">10.67</a>	Third Amendment to Lease Agreement dated October 30, 2008, by and between G &I VI 321/323 NORRISTOWN FE LLC (successor to Brandywine Operating Partnership, L.P.) and ClinForce, Inc.
<a href="#">10.68</a>	Amended and Restated Executive Severance Policy of Cross Country Healthcare, Inc. dated as of January 1, 2008 (14)
10.69	First Amendment and Consent to Credit Agreement, dated June 2007 (17)
14.1	Code of Ethics (8)
<a href="#">21.1</a>	List of subsidiaries of the Registrant
<a href="#">23.1</a>	Consent of Independent Registered Public Accounting Firm
<a href="#">31.1</a>	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
<a href="#">31.2</a>	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
<a href="#">32.1</a>	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
<a href="#">32.2</a>	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.
(15)	Previously filed as exhibits in the Company's Form 10-K for the year ended December 31, 2006 and incorporated by reference herein.
(16)	Previously filed as exhibit in the Company's Form 8-K dated June 12, 2007 and incorporated by reference herein.
(17)	Previously filed as an exhibit in the Company's Form 8-K dated June 15, 2009 and incorporated herein by reference.
(18)	Previously filed as exhibit in the Company's Form 8-K dated July 13, 2007 and incorporated by reference herein.
(19)	Previously filed as exhibit in the Company's Form 10-Q for the quarter ended June 30, 2007 and incorporated by reference herein.

## EXHIBIT INDEX (CONTINUED)

- (20) Previously filed as exhibit in the Company's Form 8-K dated May 15, 2007 and incorporated by reference herein.
- (21) Previously filed as exhibit in the Company's Form 8-K dated October 15, 2007 and incorporated by reference herein.
- (22) Previously filed as an exhibit in the Company's Form 8-K filed on July 25, 2008 and incorporated herein by reference.
- (23) Previously filed as exhibit in the Company's Form 10-Q for the quarter ended March 31, 2008, and incorporated by reference herein.
- (24) Previously filed as an exhibit in the Company's Form 10-Q for the quarter ended June 30, 2008 and incorporated by reference herein.
- (25) Previously filed as an exhibit in the Company's Form 8-K dated September 11, 2008 and incorporated by reference herein.
- (26) Previously filed as an exhibit in the Company's Form 10-Q for the quarter ended September 30, 2008 and incorporated by reference herein.
- (27) Previously filed as an exhibit in the Company's Form 8-K dated November 25, 2008 and incorporated by reference herein.
- (28) Previously filed as an exhibit in the Company's S-8 dated August 15, 2007 and incorporated by reference herein.

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
<b>Cross Country Healthcare, Inc.</b>	
<a href="#"><u>Report of Independent Registered Public Accounting Firm</u></a>	F-2
<a href="#"><u>Consolidated Balance Sheets as of December 31, 2008 and 2007</u></a>	F-3
<a href="#"><u>Consolidated Statements of Operations for the Years Ended December 31, 2008, 2007 and 2006</u></a>	F-4
<a href="#"><u>Consolidated Statement of Changes in Stockholders' Equity for the Years Ended December 31, 2008, 2007 and 2006</u></a>	F-5
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<b>Financial Statement Schedule</b>	
<a href="#"><u>Schedule II – Valuation and Qualifying Accounts for the Years Ended December 31, 2008, 2007 and 2006</u></a>	II-1

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, 2008 and 2007, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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. at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, 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 2 to the consolidated financial statements, effective January 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cross Country Healthcare, Inc.'s internal control over financial reporting as of December 31, 2008, 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, 2009 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP  
Certified Public Accountants

West Palm Beach, Florida  
March 12, 2009

**CROSS COUNTRY HEALTHCARE, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2008	2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 10,172,841	\$ 9,066,537
Restricted cash	5,000,000	—
Accounts receivable, less allowance for doubtful accounts of \$6,408,772 in 2008 and \$5,585,286 in 2007	117,793,812	116,132,763
Deferred tax assets	11,287,126	5,869,361
Income taxes receivable	977,539	—
Prepaid rent on field employees' apartments	2,734,701	3,661,880
Other prepaid expenses	11,189,929	11,321,224
Deposits on field employees' apartments, net of allowance of \$187,726 in 2008 and \$280,681 in 2007	585,245	797,836
Insurance recoveries receivable	450,573	428,932
Other current assets	1,188,263	1,558,220
Total current assets	161,380,029	148,836,753
Property and equipment, net of accumulated depreciation and amortization of \$33,252,084 in 2008 and \$26,121,576 in 2007	25,984,710	23,460,030
Trademarks, net	64,443,351	19,152,629
Goodwill, net	122,597,725	326,118,839
Other identifiable intangible assets, net	32,459,083	15,995,632
Debt issuance costs, net of accumulated amortization of \$705,372 in 2008 and \$321,633 in 2007	2,675,608	423,872
Non-current deferred tax assets	15,064,598	—
Other long-term assets	1,244,340	1,017,034
Total assets	\$ 425,849,444	\$ 535,004,789
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 12,440,207	\$ 10,202,777
Accrued compensation and benefits	21,333,514	26,102,213
Current portion of long-term debt	15,825,642	5,066,757
Income taxes payable	—	1,222,191
Other current liabilities	6,682,120	7,815,181
Total current liabilities	56,281,483	50,409,119
Non-current deferred tax liabilities	—	49,244,028
Long-term debt	117,254,854	34,384,717
Interest rate swaps	2,382,444	—
Other long-term liabilities	15,907,551	10,529,727
Total liabilities	191,826,332	144,567,591
Commitments and contingencies		
Stockholders' equity:		
Common stock—\$0.0001 par value; 100,000,000 shares authorized; 30,774,868 and 31,576,959 shares issued and outstanding at December 31, 2008 and 2007, respectively	3,077	3,158
Additional paid-in capital	237,371,902	245,843,655
Accumulated other comprehensive (loss) income	(4,834,397)	163,242
Retained earnings	1,482,530	144,427,143
Total stockholders' equity	234,023,112	390,437,198
Total liabilities and stockholders' equity	\$ 425,849,444	\$ 535,004,789

See accompanying notes.

**CROSS COUNTRY HEALTHCARE, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Year ended December 31,		
	2008	2007	2006
Revenue from services	\$ 734,246,671	\$ 718,272,469	\$ 655,151,931
Operating expenses:			
Direct operating expenses	541,659,776	543,608,163	502,467,737
Selling, general and administrative expenses	136,815,286	122,692,133	110,172,095
Bad debt expense	950,711	1,558,626	459,368
Depreciation	7,636,712	6,309,538	5,448,441
Amortization	3,165,797	2,051,311	1,570,005
Impairment charges	244,094,000	—	—
Legal settlement charge	—	33,654	6,704,392
Secondary offering costs	—	—	153,450
Total operating expenses	934,322,282	676,253,425	626,975,488
(Loss) income from operations	(200,075,611)	42,019,044	28,176,443
Other expenses:			
Foreign exchange (income) loss	(131,956)	92,937	—
Interest expense, net	4,224,537	2,587,398	1,464,223
(Loss) income from continuing operations before income taxes	(204,168,192)	39,338,709	26,712,220
Income tax (benefit) expense	(61,223,579)	14,759,200	10,145,868
(Loss) income from continuing operations	(142,944,613)	24,579,509	16,566,352
Income from discontinued operations	—	—	70,037
Net (loss) income	\$ (142,944,613)	\$ 24,579,509	\$ 16,636,389
Net (loss) income per common share—basic:			
(Loss) income from continuing operations	\$ (4.64)	\$ 0.77	\$ 0.52
Discontinued operations	—	—	0.00
Net (loss) income	\$ (4.64)	\$ 0.77	\$ 0.52
Net (loss) income per common share—diluted:			
(Loss) income from continuing operations	\$ (4.61)	\$ 0.76	\$ 0.51
Discontinued operations	—	—	0.00
Net (loss) income	\$ (4.61)	\$ 0.76	\$ 0.51
Weighted average common shares outstanding—basic	30,825,099	31,972,681	32,077,240
Weighted average common shares outstanding—diluted	31,007,352	32,484,241	32,737,419

See accompanying notes.

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

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Dollars				
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
Cumulative effect of a change in accounting principle	—	—	—	—	(732,099)	(732,099)
Exercise of stock options	182,112	18	1,899,196	—	—	1,899,214
Tax benefit of stock option exercises	—	—	276,967	—	—	276,967
Stock repurchase and retirement	(704,498)	(70)	(10,881,806)	—	—	(10,881,876)
Equity compensation	—	—	276,663	—	—	276,663
Comprehensive income:						
Foreign currency cumulative translation adjustment	—	—	—	163,242	—	163,242
Net income	—	—	—	—	24,579,509	24,579,509
Total comprehensive income	—	—	—	—	—	24,742,751
Balance at December 31, 2007	31,576,959	3,158	245,843,655	163,242	144,427,143	390,437,198
Exercise of stock options	104,626	10	1,013,863	—	—	1,013,873
Vesting of restricted stock	17,518	1	(92,236)	—	—	(92,235)
Tax benefit of stock option exercises	—	—	151,865	—	—	151,865
Stock repurchase and retirement	(924,235)	(92)	(10,775,313)	—	—	(10,775,405)
Equity compensation	—	—	1,230,068	—	—	1,230,068
Comprehensive loss:						
Foreign currency cumulative translation adjustment	—	—	—	(3,541,727)	—	(3,541,727)
Net unrealized losses on hedging transactions	—	—	—	(1,455,912)	—	(1,455,912)
Net loss	—	—	—	—	(142,944,613)	(142,944,613)
Total comprehensive loss	—	—	—	—	—	(147,942,252)
Balance at December 31, 2008	<u>30,774,868</u>	<u>\$ 3,077</u>	<u>\$ 237,371,902</u>	<u>\$ (4,834,397)</u>	<u>\$ 1,482,530</u>	<u>\$ 234,023,112</u>

See accompanying notes.

**CROSS COUNTRY HEALTHCARE, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Year Ended December 31,		
	2008	2007	2006
<b>Operating activities</b>			
Net (loss) income	\$ (142,944,613)	\$ 24,579,509	\$ 16,636,389
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Bad debt expense	950,711	1,558,626	459,368
Depreciation	7,636,712	6,309,538	5,448,441
Amortization	3,165,797	2,051,311	1,570,005
Impairment charges	244,094,000	—	—
Legal settlement charge	—	—	6,704,392
Deferred income tax (benefit) expense	(68,223,408)	11,347,518	7,038,932
Amortization of debt issuance costs	383,739	150,318	147,552
Equity compensation	1,230,068	276,663	46,798
Other noncash charges	—	75,987	210,555
Income from discontinued operations	—	—	(70,037)
Changes in operating assets and liabilities:			
Accounts receivable	19,255,354	84,988	(3,674,803)
Prepaid rent, deposits, and other current assets	3,537,056	494,414	4,835,667
Income taxes	(2,249,691)	—	—
Accounts payable and accrued expenses	(14,878,174)	(8,327,094)	(8,343,755)
Accrued legal settlement charge	—	(6,704,392)	—
Other current liabilities	(964,378)	3,982,408	1,659,479
Net cash provided by continuing operations	50,993,173	35,879,794	32,668,983
Net cash provided by discontinued operations	—	—	248,687
Net cash provided by operating activities	50,993,173	35,879,794	32,917,670
<b>Investing activities</b>			
Purchases of property and equipment, net	(4,688,610)	(8,277,884)	(9,310,075)
Acquisition of MDA Holdings, Inc., net of cash acquired	(111,740,667)	—	—
Acquisition of Assent Consulting, net of cash acquired	(4,551,715)	(18,551,859)	—
Acquisition of AKOS Limited, net of cash acquired	(2,143,648)	(7,983,185)	—
Acquisition of assets of Metropolitan Research Associates, LLC and Metropolitan Research Staffing Associates, LLC	(6,436,000)	(515,167)	(18,537,444)
Net cash used in investing activities	(129,560,640)	(35,328,095)	(27,847,519)
<b>Financing activities</b>			
Debt issuance costs	(2,635,475)	(11,298)	(21,331)
Exercise of stock options	1,013,873	1,899,214	1,292,797
Tax benefit of stock option exercises	151,865	276,967	411,426
Stock repurchase and retirement	(10,775,405)	(10,881,876)	(2,764,293)
Repayment of debt and note payable	(99,494,759)	(162,335,324)	(92,458,750)
Proceeds from issuance of debt	191,817,000	179,483,000	88,470,000
Net cash provided by (used in) financing activities	80,077,099	8,430,683	(5,070,151)
Effect of exchange rate changes on cash	(403,328)	84,155	—
Change in cash and cash equivalents	1,106,304	9,066,537	—
Cash and cash equivalents at beginning of year	9,066,537	—	—
Cash and cash equivalents at end of year	<u>\$ 10,172,841</u>	<u>\$ 9,066,537</u>	<u>\$ —</u>
<b>Supplemental disclosure of noncash investing and financing activities</b>			
Equipment purchased through capital lease obligations	<u>\$ 1,306,781</u>	<u>\$ 775,083</u>	<u>\$ 113,097</u>
<b>Supplemental disclosure of cash flow information</b>			
Interest paid	<u>\$ 3,809,038</u>	<u>\$ 2,170,975</u>	<u>\$ 1,395,068</u>
Income taxes paid	<u>\$ 8,632,450</u>	<u>\$ 2,413,120</u>	<u>\$ 3,343,756</u>

See accompanying notes.

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**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 travel nurse and allied health staffing services 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 originally recorded as goodwill and other identifiable intangible assets. See Note 3 – 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 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). Subsequent acquisitions and dispositions were made and currently, the Company is a leading provider of nurse and allied staffing services in the United States, a national provider of multi-specialty locum tenens (temporary physician staffing) services, a provider of clinical trials services to global pharmaceutical and biotechnology customers, as well as a provider of other human capital management services focused on healthcare.

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), MCVT, Inc., Cross Country Local, Inc. (f/k/a Flexstaff, Inc.), CC Local, 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), MRA Search, Inc., 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), Assent Consulting, Cross Country Holdco (Cyprus) Limited, Cross Country Healthcare UK HoldCo Limited, AKOS Limited (UK), Cross Country Consulting, Inc., MDA Holdings, Inc., Medical Doctor Associates, LLC, Allied Health Group, LLC, Credent Verification and Licensing Services, LLC, and Jamestown Indemnity, Ltd. In December 2007, TVCM, Inc. was merged into the Company and NovaPro, Inc. was merged into Cross Country TravCorps, Inc. In December 2005, Cross Country Consulting, Inc. was dissolved. All 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. The Company typically invests its excess cash in highly rated overnight funds and other highly rated liquid accounts.

**2. Summary of Significant Accounting Policies (continued)**

**Accounts Receivable and Concentration of Credit Risk**

Accounts receivable potentially subject the Company to concentrations of credit risk. The Company's customers are primarily healthcare providers and pharmaceutical and biotech companies and accounts receivable represent amounts due from them. 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 of 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 typically require payment between 30 to 60 days from the date services are provided and are considered past due based on the particular negotiated contract terms. Overall, based on the large number of customers in differing geographic areas, primarily throughout the United States and its territories, the Company believes the concentration of credit risk is limited. No single customer accounted for more than 3% of the Company's revenue during 2008 and 4% during 2007 or 2006. An aggregate of approximately 11% of the Company's outstanding accounts receivable as of December 31, 2008 and 2007, 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 operations. 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 3-7 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 operations 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 ready for use and is included in depreciation expense in the accompanying consolidated statements of operations. Software development costs are being amortized using the straight-line method over three to 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 1 to 15 years (See Note 3 – Goodwill and Other 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.

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. As of December 31, 2008, the Company had five reporting units: 1) nurse and allied staffing, 2) physician staffing, 3) clinical trials services, 4) retained search and 5) education and training. During the fourth quarter of 2008, the Company performed its annual impairment testing and determined that the fair value of the goodwill related to its nurse and allied staffing reporting unit was lower than its carrying value. A number of significant assumptions and estimates are

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**2. Summary of Significant Accounting Policies (continued)**

involved in the application of the discounted cash flow methodology to forecasted operating cash flows, including sales volumes and prices, discount rate, and working capital changes. Management considers historical experience and all available information at the time the fair values of its reporting units are estimated. However, fair values that could be realized in an actual transaction may differ from those used to evaluate the impairment of goodwill. As a result of its analysis, a non-cash pretax charge of approximately \$241,000,000 was recorded to reduce the carrying value of goodwill related to its nurse and allied staffing reporting unit to its estimated fair value. This charge is reflected in impairment charges in the consolidated statements of operations. See Note 3 – Goodwill and Other Identifiable Intangible Assets. During the fourth quarter of 2007, 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, 2007.

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. During the fourth quarter of 2008, the Company recorded a non-cash pretax impairment charge of approximately \$3,094,000 related to a particular customer relationship in its clinical trials services reporting unit. This charge is reflected in impairment charges in the accompanying consolidated statements of operations. See Note 3 – Goodwill and Other Identifiable Intangible Assets.

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, 2008 and 2007, the Company believes no other impairment of long-lived assets or identifiable intangible assets existed.

**Reserves for Claims**

The Company provides its eligible temporary healthcare professionals with 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 actuarial models prepared or 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 health care insurance accrual is for claims that have occurred but have not been reported and is based on the Company's historical claim submission patterns. The ultimate cost of workers' compensation, professional liability and health insurance costs will depend on actual costs incurred to settle the claims and may differ from the amounts reserved by the Company for those claims.

Workers' compensation benefits are provided under a partially self-insured plan. For workers' compensation claims reported prior to September 1, 2008, the insurance carrier required the Company to fund a reserve for payment of claims. Those funds are maintained by the insurance carrier. The Company had approximately \$5,025,000 and \$6,719,000 recorded as prepaid workers' compensation expense included in other prepaid expenses on the consolidated balance sheets at December 31, 2008 and 2007, respectively. Effective September 1, 2008, the Company has moved from a pre-funded program to a letter of credit structure to guarantee payments of claims. At December 31, 2008, the Company had \$3,340,000 of outstanding standby letters of credit related to this new structure.

Professional liability benefits are provided under various self-insured, claims made and occurrence based plans depending on the subsidiary and the applicable policy year. Effective October 2004, the Company implemented individual occurrence-based professional liability insurance policies with no deductible, for virtually all of its working nurses and allied professionals, other than those employed through its MedStaff subsidiary. This coverage substantially replaced a \$2,000,000 per-claim layer of self-insured exposure. The Company provides primary coverage with a \$2,000,000 self-insured retention for nurses and allied professionals who did not qualify for this coverage during the years, as well as for the Company's independent liabilities (such as negligent hiring) during these policy years. Effective October 1, 2008, the individual professional liability insurance policies were replaced with one policy that insures each individual nurse for \$2,000,000 per occurrence and \$4,000,000 in the aggregate, as well as the corporation which shares those limits. This policy has no deductible and does not cover healthcare professionals working through MedStaff or MDA Holdings, Inc. or its subsidiaries (collectively, MDA).

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**2. Summary of Significant Accounting Policies (continued)**

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. In addition, MDA has an occurrence-based professional liability policy with a limit of \$1,000,000 per occurrence, \$3,000,000 in the aggregate and a \$500,000 deductible for MDA, its independent contractor physicians, CRNAs and allied health professionals. MDA's \$500,000 deductible is insured by Jamestown Indemnity Ltd., a Cayman Island company and a wholly-owned subsidiary of MDA Holdings, Inc. (the Captive). Under the terms of the Captive's reinsurance policy it is required to guarantee the payment of claims to its insured party's primary medical malpractice insurance carrier via a \$5,000,000 letter of credit. The value of the letter of credit is secured by \$5,000,000 of cash held by the Captive as restricted cash.

Subject to certain limitations, the Company also has \$5,000,000 per occurrence and \$10,000,000 in the aggregate in umbrella liability insurance coverage, after the individual policies, MedStaff's policy and the \$2,000,000 self-insured primary coverage, as applicable, have been exhausted.

The Company records the receivable portion of its claims-made policy insurance claims in accordance with Emerging Issues Task Force (EITF) No. 03-8, *Accounting for Claims-Made Insurance and Retroactive Insurance Contracts by the Insured Entity*. The Company's consolidated balance sheet as of December 31, 2008 and 2007 reflects the current portion of the receivable of its claims-made insurance claims as insurance recoveries receivable and the long-term portion as other long-term assets. The related current liability is included in accrued compensation and benefits and the long-term portion of the liability is recorded in other long-term liabilities. See Note 6 – Accrued Compensation and Benefits.

**Debt Issuance Costs**

Deferred costs related to the issuance of the Company's senior secured revolving credit facility (see Note 7 – Long-term Debt) have been capitalized and are being amortized using the straight line method, over the five-year term of the debt. Deferred costs related to the Company's senior secured term loan facility have been capitalized and are being amortized using the effective interest method over the respective five-year term of the related debt.

**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' and independent contractors' estimated time worked but not yet invoiced. At December 31, 2008 and 2007, the amounts accrued are approximately \$20,465,000 and \$16,149,000, 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 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 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 2008, 2007 and 2006, 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.

**Share-Based Compensation**

The Company has, from time to time, granted stock options, stock appreciation rights and restricted stock for a fixed number of common shares to employees. Under FASB Statement No. 123(R) – *Share-Based Payments*, companies may choose from

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**2. Summary of Significant Accounting Policies (continued)**

alternative valuation models. The Company uses the Black-Scholes method of valuing its options and stock appreciation rights. 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 values its restricted stock awards by reference to the Company's stock price on the date of grant.

The Company has elected to recognize compensation expense on a straight-line basis over the requisite service period of the entire award. The Company uses historical data of options with similar characteristics to estimate pre-vesting option forfeitures as it believes that historical behavior patterns are the best indicators of future behavior patterns. Compensation expense is included in selling, general and administrative expenses in the consolidated statement of operations and totaled approximately \$1,230,000, during the year ended December 31, 2008. Related deferred tax benefits of approximately \$436,000 were recorded during the year ended December 31, 2008. Compensation expense and related tax benefits during the years ended December 31, 2007 and 2006 were immaterial.

See Note 13 – Stockholders' Equity for more information about the Company's current share-based compensation programs.

**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 \$6,419,000, \$5,936,000, and \$5,279,000 for the years ended December 31, 2008, 2007 and 2006, 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, 2008 and 2007, approximately \$1,553,000 and \$1,336,000, 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 with rent expense over the respective lease term.

**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.

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 recorded as an adjustment to opening retained earnings. The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes. See Note 12 - Income Taxes for more information.

**Comprehensive (Loss) Income**

Total comprehensive (loss) income includes net (loss) income, net change in derivative transactions (net of related deferred taxes) and foreign currency translation adjustments. There were no other components of comprehensive (loss) income other than net income during the year ended December 31, 2006.

The Company's foreign operations use their respective local currency as their functional currency. In accordance with FASB Statement No. 52, *Foreign Currency Translation*, assets and liabilities of these operations are translated at the exchange rates in effect on the balance sheet date. Statement of operation items are translated at the average exchange rates for the period.

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**2. Summary of Significant Accounting Policies (continued)**

The impact of currency fluctuation is included in accumulated other comprehensive (loss) income on the consolidated balance sheets and was approximately \$3,378,000 and \$163,000, at December 31, 2008 and 2007, respectively. The impact of net changes in derivative instruments included in other comprehensive (loss) income on the consolidated balance sheets was approximately \$1,456,000, net of deferred taxes, at December 31, 2008. See *Interest Rate Swap Agreements* below and Note 8 - Interest Rate Swap Agreements for further information.

Total comprehensive (loss) income is stated on the face of the Company's Statement of Changes in Stockholders' Equity.

**Fair Value Measurements**

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 amounts of the revolving loan facility and term loan approximate fair value as the interest rates are tied to a quoted variable index. Derivative financial instruments (interest rate swap agreements) are recorded at fair value based on available quotations provided by a recognized dealer in such hedging agreements.

On January 1, 2008, the Company adopted FASB issued Statement No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value under U.S. generally accepted accounting principles and expands disclosures about fair value measurements. In the year ended December 31, 2008, the Company's only financial asset/liability required to be measured on a recurring basis was its interest rate swap agreements. See Note 8 - Interest Rate Swap Agreements and Note 9 - Fair Value Measurements for relevant disclosures.

**Interest Rate Swap Agreements**

FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended (FASB Statement No. 133(R)) requires the Company to recognize all derivative instruments as either assets or liabilities on the balance sheet at fair value. Gains or losses resulting from changes in the fair value of those derivatives are accounted for depending upon the use of the derivative and whether it qualifies for hedge accounting.

The Company uses derivative instruments to manage the fluctuations in cash flows resulting from interest rate risk on variable-rate debt financing. The objective of the hedges is to reduce the exposure to adverse fluctuations in floating interest rates tied to LIBOR borrowings as required by the Company's credit agreement and not for trading purposes. The interest rate swap agreements involve the receipt of variable rate amounts in exchange for fixed rate interest payments over the life of the agreement without an exchange of the underlying principal amount. As of December 31, 2008, approximately 53% of the Company's variable rate debt had its interest payments designated as the hedged forecasted transactions. The Company has formally documented the hedging relationships and accounts for these derivatives as cash flow hedges. Gains or losses resulting from changes in the fair value of these agreements are recorded in other comprehensive income, net of tax, until the hedged item is recognized in earnings. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in the hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items. Any ineffectiveness would be recorded directly to earnings.

The Company has elected to early adopt FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133* in conjunction with its only derivatives and hedging activities, interest rate swap agreements. See Note 8 - Interest Rate Swap Agreements for full disclosures of interest rate swap agreements entered into in 2008.

**Reclassifications**

Certain 2007 and 2006 amounts have been reclassified to conform to the 2008 presentation.

**Recent Accounting Pronouncements**

In April 2008, the FASB issued FASB Staff Position No. 142-3, *Determination of the Useful Life of Intangible Assets*, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142. The intent of FASB Staff Position No. 142-3 is to

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**2. Summary of Significant Accounting Policies (continued)**

improve the consistency between the useful life of a recognized intangible asset under FASB Statement No. 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141(R), *Business Combinations* (FASB 141R) and other U.S. generally accepted accounting principles. FASB Staff Position No. 142-3 is effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years and early adoption is prohibited. The Company will implement FASB Staff Position No. 142-3 on January 1, 2009. The Company expects that FASB Staff Position No. 142-3 could have an impact on its future consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions the Company consummates after the effective date.

In February 2008, the FASB Staff Position No. 157-2 was issued, which delays the effective date for nonfinancial assets and nonfinancial liabilities included in FASB Statement No. 157, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The effective date has been deferred to fiscal years beginning after November 15, 2008 for these nonfinancial assets and liabilities. The Company does not expect the deferred portion of the adoption to have a material impact on its consolidated financial statements.

In December 2007, the FASB issued FASB 141R, which replaces FASB Statement No. 141, *Business Combinations*. FASB 141R applies to all transactions or other events in which an entity obtains control of one or more businesses and requires that all assets and liabilities of an acquired business as well as any noncontrolling interest in the acquiree be recorded at their fair values at the acquisition date. Among other things, FASB 141R requires the expensing of direct transaction costs, including deal costs and restructuring costs as incurred. In addition, contingent consideration arrangements will be recognized at their acquisition date fair values, with subsequent changes in fair value generally reflected in earnings. Pre-acquisition contingencies will also typically be recognized at their acquisition date fair values. In subsequent periods, contingent liabilities will be measured at the higher of their acquisition date fair values or the estimated amounts to be realized. In addition, material adjustments made to the initial acquisition purchase accounting will be required to be recorded back to the acquisition date. This will cause companies to revise previously reported results when reporting comparative financial information in subsequent filings. The statement is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company expects that FASB 141R could have an impact on its future consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions the Company consummates after the effective date.

**3. Goodwill and Other Identifiable Intangible Assets**

As of December 31, 2008 and 2007, the Company had the following acquired intangible assets:

	December 31, 2008			December 31, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Databases	\$ 14,268,522	\$ 12,166,806	\$ 2,101,716	\$ 13,268,510	\$ 11,788,255	\$ 1,480,255
Customer relations	34,828,432	5,814,065	29,014,367	17,841,001	4,118,707	13,722,294
Non-compete agreements	4,153,000	2,810,000	1,343,000	3,153,000	2,359,917	793,083
Trademark	340,000	330,556	9,444	340,000	103,889	236,111
	<u>\$ 53,589,954</u>	<u>\$ 21,121,427</u>	<u>\$ 32,468,527</u>	<u>\$ 34,602,511</u>	<u>\$ 18,370,768</u>	<u>\$ 16,231,743</u>
Intangible assets not subject to amortization:						
Goodwill	\$ 124,490,569	\$ 1,892,844	\$ 122,597,725	\$ 346,736,509	\$ 20,617,670	\$ 326,118,839
Trademarks	65,835,076	1,401,169	64,433,907	20,317,687	1,401,169	18,916,518
	<u>\$ 190,325,645</u>	<u>\$ 3,294,013</u>	<u>\$ 187,031,632</u>	<u>\$ 367,054,196</u>	<u>\$ 22,018,839</u>	<u>\$ 345,035,357</u>

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**3. Goodwill and Other Identifiable Intangible Assets (continued)**

Estimated annual amortization expense is approximately as follows:

Year Ending December 31:	
2009	\$ 4,000,000
2010	3,858,000
2011	3,472,000
2012	3,220,000
2013	3,069,000
Thereafter	14,850,000
	<u>\$ 32,469,000</u>

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

	Nurse and Allied Segment	Physician Staffing Segment	Clinical Trials Services Segment	Other Human Capital Management Services Segment	Total
Balance as of December 31, 2007	\$ 257,667,352	\$ —	\$ 49,144,425	\$ 19,307,062	\$ 326,118,839
Acquisition of MDA	1,173,859	24,666,270	—	—	25,840,129
Earnout payment for Assent Consulting	—	—	4,551,715	—	4,551,715
Earnout payment for Metropolitan Research	—	—	6,436,000	—	6,436,000
Earnout payment and net working capital adjustment for AKOS	—	—	2,507,134	—	2,507,134
Impairment charge	(241,000,000)	—	—	—	(241,000,000)
Currency translation adjustment for AKOS	—	—	(1,856,092)	—	(1,856,092)
Balance as of December 31, 2008	<u>\$ 17,841,211</u>	<u>\$ 24,666,270</u>	<u>\$ 60,783,182</u>	<u>\$ 19,307,062</u>	<u>\$ 122,597,725</u>

*Impairment of Goodwill and Other Intangible Assets*

In accordance with FASB Statement No. 142, during the fourth quarter of 2008, the Company determined that the fair value of the goodwill related to its nurse and allied staffing reporting unit was lower than its carrying value. See Note 2 - Summary of Significant Accounting Policies. The decrease in value results from a combination of depressed equity market values and lower projected near-term growth rates for the nurse and allied staffing business arising from the significant down-turn in the U.S. economy and adverse labor and financial markets that rapidly deteriorated during the fourth quarter of 2008. The majority of the goodwill impairment is attributable to the Company's initial capitalization in 1999, which was accounted for as an asset purchase (see Note 1 – Organization and Basis of Presentation), and subsequent nurse staffing acquisitions made through 2003. A non-cash pretax charge of approximately \$241,000,000 was recorded to reduce the carrying value of goodwill to its estimated fair value. This charge is included in impairment charges on the consolidated statements of operations.

During the fourth quarter of 2008, in accordance with FASB Statement No. 144, the Company conducted an assessment of a particular customer relationship in its clinical trials services segment due to a change in circumstance that indicated the carrying amount of this intangible asset may not be recoverable. The relationship with this customer remains in good standing; however, the customer has begun to use offshore staffing to meet some of its needs and will not be renewing one of its contracts due to expire in the first quarter of 2009. The expiration of this particular contract has impacted the projected revenue stream utilized in assessing the value of this intangible asset. The Company does have other ongoing contracts with this customer that are expected to continue to generate business, but they are not significant or sufficient enough to replace the revenue stream that will be ending in the first quarter of 2009. In addition, the Company was unable to estimate any significant revenue stream in order to properly calculate an estimated fair value of this relationship. Based on these circumstances, the Company recorded a pre-tax non-cash impairment charge which represented the entire carrying value of this customer relationship of approximately \$3,094,000. This charge is also included in impairment charges on the consolidated statement of operations for the year ended December 31, 2008.

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**4. Acquisitions**

*MDA Holdings, Inc.*

On September 9, 2008, the Company consummated the acquisition of substantially all of the assets of privately-held MDA Holdings, Inc. and its subsidiaries and all of the outstanding stock of a subsidiary of MDA Holdings, Inc. (collectively, MDA). The Company paid \$115,870,000 in cash at closing, which included \$3,554,000 as an estimated net working capital adjustment which was subject to final adjustments. Of the cash paid at closing, approximately \$8,690,000 was being held in escrow to cover any post-closing liabilities (Indemnification Escrow) and \$250,000 was being held in escrow to cover any net working capital adjustments (Net Working Capital Escrow). During the fourth quarter of 2008, approximately \$1,590,000 of the Indemnification Escrow was released to the Company and recorded to goodwill as a reduction in purchase price. Also during the fourth quarter of 2008, the Company finalized the net working capital adjustment and calculated an additional payment to the sellers of approximately \$100,000 which was paid and included in goodwill as additional purchase price. In connection with this net working capital adjustment, the entire Net Working Capital Escrow of \$250,000 was also released to the sellers. Additionally, a post-closing adjustment to the purchase price of approximately \$302,000 was paid to the sellers in the fourth quarter of 2008 and included in goodwill as additional purchase price.

The transaction also includes an earnout provision based on 2008 and 2009 performance criteria. This contingent consideration is not related to the sellers' employment. If the earnout payments are made, they will be allocated to goodwill as additional purchase price, in accordance with FASB Statement No. 141. In the second quarter of 2009, the Company expects to pay an earnout related to the 2008 performance, which amount has not been finalized at the date of this filing.

The Company's senior secured revolving credit facility was amended and restated in connection with the acquisition of MDA. The \$200,000,000 Credit Agreement, dated as of November 10, 2005 and Amended and Restated as of September 9, 2008 (the Credit Agreement) kept in place an existing \$75,000,000 revolving loan facility and provided for a 5-year \$125,000,000 term loan facility with Wachovia Capital Markets, LLC and certain of its affiliates, Banc of America Securities LLC and certain other lenders. The proceeds from the term loan were used to fund the acquisition, pay financing related fees, and pay certain acquisition expenses. The remainder of the proceeds was used to reduce borrowings under its revolving loan facility. See Note 7- Long-term Debt for more information.

Headquartered in Norcross, Georgia, MDA provides multi-specialty locum tenens (temporary physician staffing) and allied staffing services to the healthcare industry in all 50 states. MDA is a provider of locum tenens staffing solutions through its independent contract physicians. In addition, MDA has an in-house Credentials Verification Organization that is certified by the National Committee for Quality Assurance (NCQA). The NCQA verifies critical credentials prior to physician assignments. It also offers its physicians occurrence-based malpractice coverage. See Note 2 – Reserves for Claims for additional information. The Company acquired MDA to solidify its position as a national provider of healthcare staffing solutions. The Company expects to benefit from a more diversified revenue stream as physicians are viewed as revenue generators by its hospital clients, as compared to nurses who represent a cost center. The Company is also able to offer a more comprehensive suite of services to its healthcare clients and recognizes there may be some potential synergies with its physician search business.

The acquisition has been accounted for in accordance with FASB Statement No. 141, using the purchase method. The results of MDA's operations have been included in the consolidated statements of operations since September 1, 2008, the agreed upon accounting date of the acquisition. MDA's allied staffing services have been combined with the Company's nurse and allied staffing business segment. MDA's physician staffing services have been reported as a new business segment for the Company, Physician Staffing, in accordance with FASB Statement No. 131, *Disclosure about Segments of an Enterprise and Related Information*.

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**4. Acquisitions (continued)**

The estimates of assets acquired and liabilities assumed were revised, during the fourth quarter of 2008, based on final financial statements and the final independent third-party appraisal. The following table summarizes the approximate fair values of the assets acquired and liabilities assumed.

Current assets:	
Cash	\$ 3,550,000
Restricted cash	5,000,000
Accounts receivable, net	22,463,000
Other current assets	2,302,000
Total current assets	<u>33,315,000</u>
Property and equipment	4,304,000
Trademarks	46,000,000
Goodwill	26,419,000
Other identifiable intangible assets	23,100,000
Total assets acquired	<u>133,138,000</u>
Current liabilities:	
Accounts payable and accrued expenses	5,735,000
Accrued employee compensation and benefits	<u>11,533,000</u>
Total liabilities assumed	<u>17,268,000</u>
Net assets acquired	<u>\$ 115,870,000</u>

Based on the final independent third-party appraisal, the Company assigned the following values to intangible assets: \$46,000,000 to trademarks with an indefinite life and not subject to amortization, \$21,000,000 for customer relations with a useful life of 12 years, \$1,100,000 to database with a useful life of 9 years, and \$1,000,000 to noncompete agreements with a weighted average useful life of 4 years. The excess of purchase price over the fair value of net tangible and intangible assets acquired approximated \$26,419,000 and was recorded as goodwill, which is expected to be deductible for tax purposes. Additional acquisition costs of approximately \$610,000 were incurred during the year ended December 31, 2008, and are included as goodwill on the consolidated balance sheet.

The following unaudited pro forma financial information approximates the consolidated results of operations of the Company as if the MDA acquisition had occurred as of the beginning of each period presented, after giving effect to certain adjustments, including amortization of specifically identifiable intangible assets, deduction of net expenses related to the previous Employee Stock Ownership Plan of MDA, incremental interest expense and related income tax effects.

	<u>Year Ended December 31,</u>	
	<u>2008</u>	<u>2007</u>
	(unaudited, amounts in thousands)	
Revenue from services	\$ 849,780	\$ 876,294
Net (loss) income	<u>(141,654)</u>	<u>26,394</u>
Net (loss) income per common share – basic	<u>\$ (4.60)</u>	<u>\$ 0.83</u>
Net (loss) income per common share – diluted	<u>\$ (4.57)</u>	<u>\$ 0.81</u>

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**4. Acquisitions (continued)**

*Assent Consulting*

On July 18, 2007, the Company completed the acquisition of all of the shares of privately-held Assent Consulting (Assent) for approximately \$19,573,000 in cash paid at closing, including \$1,000,000 which was held in escrow to cover any post-closing liabilities. The purchase price was subject to a working capital adjustment of approximately \$490,000 that was settled with a payment to the Company in the fourth quarter of 2007. This transaction also included an earnout provision up to a maximum of \$4,900,000 based on 2007 and 2008 performance criteria. This contingent consideration was not related to the sellers' employment. In the year ended December 31, 2008, the Company paid \$4,552,000 related to 2007 performance satisfying all earnout amounts potentially due to the seller in accordance with the asset purchase agreement. Approximately \$2,000,000 of the payment was being held in escrow, subject to forfeiture to the Company, to the extent a 2008 performance milestone was not achieved. Based on 2008 performance, the full amount was released in the first quarter of 2009. The entire payment was allocated to goodwill as additional purchase price, in accordance with FASB Statement No. 141. In addition, in the first quarter of 2009, the escrow of \$1.0 million was released to the sellers. The Company financed this acquisition using its revolving loan facility.

Headquartered in Cupertino, California, Assent provides staffing services primarily consisting of highly qualified clinical research, biostatistics and drug safety professionals to companies in the pharmaceutical and biotechnology industries. This acquisition provides a greater geographical presence on the West Coast of the U.S. and broadens the Company's client base for its clinical trials services business.

The acquisition has been accounted for using the purchase method and is included in the clinical trials services business segment. The results of Assent's operations have been included in the consolidated statements of operations since the date of acquisition, in accordance with FASB Statement No. 141.

The purchase price was allocated to assets acquired and liabilities assumed based on estimates of fair value at the date of acquisition, utilizing unaudited financial statements and an independent third-party appraisal. The following table summarizes the approximate fair values of the assets acquired and liabilities assumed at the date of acquisition:

Current assets:	
Cash	\$ 644,000
Accounts receivable, net	1,951,000
Other current assets	29,000
Total current assets	<u>2,624,000</u>
Property and equipment	63,000
Goodwill	11,580,000
Trademarks	340,000
Other identifiable intangible assets	6,040,000
Total assets acquired	<u>20,647,000</u>
Current liabilities:	
Accounts payable and accrued expenses	769,000
Accrued employee compensation and benefits	305,000
Total liabilities assumed	<u>1,074,000</u>
Net assets acquired	<u>\$ 19,573,000</u>

Based on an independent third-party appraisal, the Company assigned the following values to intangible assets: \$5,200,000 for customer relations with a useful life of 10 years, \$480,000 to database with a useful life of 6 years, \$360,000 to a noncompete agreement with a useful life of 5 years, and \$340,000 to trademarks with a useful life of 1.5 years. The excess of purchase price over the fair value of net tangible and intangible assets acquired was recorded as goodwill, which is expected to be deductible for tax purposes. Additional direct acquisition costs of approximately \$113,000 were incurred during the year ended December 31, 2007 and are included as goodwill in the consolidated balance sheets.

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**4. Acquisitions (continued)**

*AKOS Limited*

On June 6, 2007, the Company acquired all of the shares of privately-held AKOS Limited (AKOS), based in the United Kingdom, for a total purchase price of up to £7,179,000, consisting of an up-front payment of £3,971,000 and potential earnout payments up to a maximum of £3,209,000 in 2007 and 2008. The share purchase agreement also specified an estimated additional payment of £500,000, paid at closing, consisting of cash purchased, along with a post-closing net working capital adjustment. An additional amount of £175,000 was paid in the third quarter of 2007, based on changes in net working capital, as defined by the share purchase agreement.

The consideration for this acquisition equated to approximately \$8,867,000 in cash paid at closing, which included approximately \$992,000 for the additional payment and \$763,000 which was held in escrow to cover any post-closing liabilities. The post-closing working capital adjustment equated to approximately \$349,000. The Company financed this transaction using its revolving loan facility.

The potential earnout payments are based on 2007 and 2008 performance, as defined by the share purchase agreement and would be recorded in U.S. dollars using the exchange rate at the time of payment. This contingent consideration is not related to the sellers' employment. In 2008, the Company paid £1,054,000 (approximately \$2,111,000) related to the 2007 performance. In the first quarter of 2009, the Company expects to pay approximately £500,000 related to the 2008 performance. The payments have been or will be allocated to goodwill as additional purchase price, in accordance with FASB Statement No. 141. During the fourth quarter of 2008, all of the funds held in escrow were released to the sellers.

AKOS, conducting business since 1986, is a provider of drug safety, regulatory and clinical trial services to pharmaceutical and biotechnology companies in Europe, the United States, Canada and Asia. AKOS is based approximately 30 miles north of London, England, and strategically located inside what is considered to be the United Kingdom's research triangle that extends outward from London to Cambridge and Oxford Universities. The Company believes, with the addition of AKOS, it will provide a more global and comprehensive range of contract staffing and outsourcing services to pharmaceutical and biotech customers.

The acquisition has been accounted for using the purchase method and is included in the clinical trials services segment. The results of AKOS' operations have been included in the consolidated statements of operations since the date of acquisition, in accordance with FASB Statement No. 141. The purchase price was allocated to assets acquired and liabilities assumed based on estimates of fair value at the date of acquisition, utilizing unaudited financial statements and an independent third-party appraisal. The following table summarizes the approximate fair values of the assets acquired and liabilities assumed at the date of acquisition:

Current assets:	
Cash	\$ 1,257,000
Accounts receivable, net	1,078,000
Other current assets	106,000
Total current assets	<u>2,441,000</u>
Property and equipment	165,000
Trademarks	1,707,000
Goodwill	3,849,000
Other identifiable intangible assets	2,581,000
Total assets acquired	<u>10,743,000</u>
Current liabilities:	
Accounts payable and accrued expenses	175,000
Income taxes payable	52,000
Other current liabilities	405,000
Deferred taxes	1,244,000
Total liabilities assumed	<u>1,876,000</u>
Net assets acquired	<u>\$ 8,867,000</u>

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**4. Acquisitions (continued)**

Based on an independent third-party appraisal, the Company assigned \$1,707,000 to trademarks with an indefinite life and not subject to amortization. In addition, the Company assigned \$2,581,000 to total other identifiable intangible assets subject to amortization, as follows: \$2,213,000 was assigned to customer relations with a useful life of 8.6 years, and \$368,000 was assigned to other intangibles with an estimated useful life of 6 years. The excess of purchase price over the fair value of net tangible and intangible assets acquired was recorded as goodwill, which is not deductible locally for tax purposes. Additional direct acquisition costs of approximately \$373,000 were incurred during the year ended December 31, 2007 and are included as goodwill in the consolidated balance sheets.

*Metropolitan Research*

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. The remaining approximate \$2,500,000 of the purchase price was paid during the fourth quarter of 2006 as the associated milestones defined by the asset purchase agreement were reached. These payments were allocated to goodwill as additional purchase price. The Company financed this transaction using its revolving loan facility. During the year ended December 31, 2007, a post-closing adjustment of approximately \$510,000, which included a net working capital adjustment, was paid and allocated to goodwill.

The asset purchase agreement also provided for a potential earnout payment of up to a maximum of \$6,436,000 based on 2006 and 2007 performance, as defined. During the year ended December 31, 2008, the Company paid the entire \$6,436,000 satisfying all earnout payments. This contingent consideration was not related to the sellers' employment and was allocated to goodwill as additional purchase price, in accordance with FASB Statement No. 141.

**5. Property and Equipment**

At December 31, 2008 and 2007, property and equipment consist of the following:

	Useful Lives	December 31,	
		2008	2007
Computer equipment	3-5 years	\$ 11,358,404	\$ 9,267,318
Computer software	3-5 years	37,551,372	30,880,711
Office equipment	5-7 years	3,875,451	3,692,390
Furniture and fixtures	5-7 years	3,495,817	3,268,976
Leasehold improvements	(a)	2,955,750	2,472,210
		59,236,794	49,581,605
		(33,252,084)	(26,121,575)
		<u>\$ 25,984,710</u>	<u>\$ 23,460,030</u>

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

**6. Accrued Compensation and Benefits**

At December 31, 2008 and 2007, accrued compensation and benefits consist of the following:

	December 31,	
	2008	2007
Salaries and payroll taxes	\$ 8,730,101	\$ 13,451,314
Bonuses	4,160,245	4,897,946
Accrual for workers' compensation claims	2,446,313	2,608,767
Accrual for health care benefits	2,027,380	1,921,190
Accrual for professional liability insurance	2,040,764	1,550,148
Accrual for vacation	1,928,711	1,672,848
	<u>\$ 21,333,514</u>	<u>\$ 26,102,213</u>

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**6. Accrued Compensation and Benefits (continued)**

Workers' compensation and professional liability amounts are also included in the following accounts, as follows:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Insurance recoveries receivable:		
Insurance recovery for workers' compensation	\$ 312,573	\$ 346,932
Insurance recovery for professional liability	138,000	82,000
	<u>\$ 450,573</u>	<u>\$ 428,932</u>
Other long-term assets:		
Insurance recovery for workers' compensation - long-term	\$ 362,602	\$ 396,680
Insurance recovery for professional liability - long-term	881,738	620,354
	<u>\$ 1,244,340</u>	<u>\$ 1,017,034</u>
Other long-term liabilities:		
Unrecognized tax benefits - long-term	\$ 1,831,937	\$ 1,751,675
Accrual for workers' compensation claims - long-term	2,837,862	2,982,846
Accrual for professional liability insurance - long-term	11,237,752	5,795,206
	<u>\$ 15,907,551</u>	<u>\$ 10,529,727</u>

**7. Long-term Debt**

At December 31, 2008 and 2007, long-term debt consists of the following:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Term loan, interest at 4.33%	\$ 123,437,500	\$ —
Revolving Loan Facility, weighted average interest rate of 2.97% and 6.81% at December 31, 2008 and 2007, respectively	7,500,000	38,000,000
Capital lease obligations	2,142,996	1,451,474
	<u>133,080,496</u>	<u>39,451,474</u>
Less current portion	(15,825,642)	(5,066,757)
	<u>\$ 117,254,854</u>	<u>\$ 34,384,717</u>

The Company's senior secured revolving credit facility entered into on November 10, 2005 was amended and restated as of September 9, 2008 in connection with the acquisition of MDA. The Credit Agreement keeps in place an existing \$75,000,000 revolving loan facility, maturing in November 2010, and provides for a 5 year \$125,000,000 term loan facility with Wachovia Capital Markets, LLC and certain of its affiliates, Banc of America Securities LLC and certain other lenders. The revolving loan facility and term loan bear interest at a rate of, at the Company's option, either: (i) London Interbank Offered Rate ("LIBOR") plus a leverage-based margin or (ii) Base Rate (as defined in the Credit Agreement) plus a leverage-based margin.

The Credit Agreement was also amended for customary covenants for similar leveraged deals such as: 1) requiring the Company to hedge at least 40% of its floating rate exposure for 2 years; and 2) adding a mandatory prepayment provision from Excess Cash as defined by the Credit Agreement. In addition, pursuant to the provisions of the Credit Agreement, in October 2008, the Company entered into interest rate swap agreements to effectively fix the interest on \$70,000,000 of its term debt for a period of 2 years at 3.04%, plus the applicable LIBOR spread.

The \$75,000,000 revolving loan facility has a \$10,000,000 sublimit for the issuance of Swingline Loans (as defined by the 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 loan facility on a dollar for dollar basis. The revolving loan facility is

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**7. Long-term Debt (continued)**

being 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.

As of December 31, 2008, interest on the credit facility was based on LIBOR plus a margin of 2.50% or Base Rate plus a margin of 1.50%. The Company is required to pay a quarterly commitment fee on the average daily unused portion of the revolving loan facility, which, as of December 31, 2008, was 0.50%. As of December 31, 2008, the Company had \$3,340,000 of standby letters of credit outstanding under this facility, leaving \$64,160,000 available for borrowing under the revolving loan facility. In addition, the Company has a \$5,000,000 letter of credit outstanding outside the Credit Agreement relating to MDA's Captive. See Note 2-Summary of Significant Accounting Policies -Reserves for Claims.

The provisions of the revolving loan portion generally allow the Company to borrow, repay and re-borrow debt for an uninterrupted period until the maturity date of the credit facility which extended beyond one year from the balance sheet date. 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*, \$33,500,000 of borrowings under this facility is classified as long-term as of December 31, 2007. Short-term borrowings under this facility consist of borrowings that the Company intends to or has repaid as of the date of the issuance of these consolidated financial statements.

In addition to the above mentioned terms, the terms of the Credit Agreement include customary covenants and events of default. As of December 31, 2008, the Company was in compliance with the financial covenants and other covenants contained in the agreement. Specifically, the table below summarizes what the Company believes are the key financial covenants, as defined by the Credit Agreement, and its corresponding actual performance as of December 31, 2008.

	<u>Requirement</u>	<u>Actual</u>
Maximum Permitted Leverage Ratio (a)	2.75 to 1.00	2.08 to 1.00
Minimum Interest Coverage Ratio	5.00 to 1.00	7.30 to 1.00
Maximum Capital Expenditures for 2008 (b)	\$21.7 million	\$4.7 million

- (a) The limitation on the Company's Leverage Ratio changes as of September 30, 2009 where it remains throughout the term of the Credit Agreement. At that time the Company's Leverage Ratio must not be greater than 2.50 to 1.00.
- (b) Aggregate amount of Capital Expenditures in any fiscal year may not exceed \$15,000,000, but may be increased in any fiscal year by the amount of Capital Expenditures that were permitted but not made in the immediately preceding fiscal year.

The agreement 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 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. The Credit Agreement provides for an amount allowed for stock repurchases/dividends. The limitation increases each year by 25% of net income provided that the Company's Debt/EBITDA ratio (as defined in the Credit Agreement) is less than 2.00 to 1.00 and it has \$15,000,000 in cash or available cash under the revolving loan facility. The Company's net loss for the year ended December 31, 2008, has had the effect of eliminating the allowable amount. The Company is also required to obtain the consent of its lenders to complete any acquisition which exceeds \$25,000,000 (excluding the MDA acquisition) or would cause the Company to exceed \$125,000,000 (excluding the MDA acquisition) in aggregate payments during the term of the agreement. The commitments under the Credit Agreement are secured by substantially all of the Company's assets.

Long-term debt includes capital lease obligations that are subordinate to the Company's senior secured facility. As of December 31, 2008, the Company's capital lease obligations are shown in the preceding table and mature serially through December 31 as follows: 2009 - \$1,294,392; 2010 - \$845,599; and 2011 - \$3,005.

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**7. Long-term Debt (continued)**

As of December 31, 2008, the aggregate scheduled maturities of term debt are as follows:

<b>Through Year Ending December 31:</b>	
2009	\$ 7,031,250
2010	10,156,250
2011	15,625,000
2012	36,718,750
2013	53,906,250
	<u>\$ 123,437,500</u>

Subsequent to December 31, 2008, the Company repaid \$7,500,000 on its revolving loan facility. However, the Company is able to reborrow that amount through November 10, 2010. In addition, the Company made an optional prepayment of \$6,000,000 of its borrowings under the term loan portion of its senior credit facility. Optional prepayments are applied pro rata to the remaining scheduled maturities, as per the terms of the Credit Agreement.

**8. Interest Rate Swap Agreements**

Pursuant to the provisions of the Credit Agreement and not for trading purposes, in October 2008, the Company entered into two interest rate swap agreements, both with effective dates of October 9, 2008 and termination dates of October 9, 2010. The Company was required to execute Interest Rate Contract(s) (as defined in the Credit Agreement) to hedge its variable interest rate exposure in an aggregate amount of at least 40% of its \$125,000,000 term loan facility, or \$50,000,000 for at least 2 years. No initial investments were made to enter into these agreements. The interest rate swap agreements require the Company to pay a fixed rate to the respective counterparty (fixed rate of 3.1625% per annum on a notional amount of \$50,000,000 and a fixed rate of 2.75% on \$20,000,000), and to receive from the respective counterparty, interest payments based on the applicable notional amounts and 1 month LIBOR, with no exchanges of notional amounts. The interest rate swaps effectively fix the interest on \$70,000,000 of the Company's term debt for a period of 2 years at 3.04%, plus the applicable LIBOR spread.

Changes in the cash flows of the interest rate swap are expected to be highly effective at offsetting the changes in overall cash flows (i.e. changes in interest payments) attributable to fluctuations in the risk-free LIBOR rates on the Company's variable-rate debt. The Company considers the interest rate swaps to be cash flow hedges and eligible for hedge accounting. Changes in the fair value of derivatives deemed to be eligible for hedge accounting are reported in accumulated other comprehensive income.

As of December 31, 2008, the fair value of the interest rate swap agreements was approximately \$(2,382,000) and was recorded as a liability on the consolidated balance sheet with an offset to other comprehensive income. A deferred tax benefit was also recorded to other comprehensive (loss) income, leaving a balance of approximately \$1,456,000 in other comprehensive income related to these swap agreements. The Company expects that approximately \$923,000 of the net estimated pretax fair value recorded in other comprehensive (loss) income will be reclassified to interest expense over the next twelve months coinciding with interest payments on the underlying term loan portion that is hedged. Interest rate swap payments are included in net cash provided by operating activities on the Company's consolidated statement of cash flows.

**9. Fair Value Measurements**

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

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

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**9. Fair Value Measurements (continued)**

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

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

In the year ended December 31, 2008, the Company's only financial asset/liability required to be measured on a recurring basis was the interest rate swap agreements. See Note 2 - Summary of Significant Accounting Policies. The Company utilizes Level 2 inputs to value the interest rate swap agreements. In addition, FASB Statement No. 157 states that the fair value measurement of a financial asset or financial liability must reflect the nonperformance risk of the entity and the counterparty. Therefore, the impact of the counterparty's creditworthiness will be considered when in an asset position and the Company's credit worthiness will be considered when it is in a liability position. As of December 31, 2008, both counterparties are expected to continue to perform under their contractual terms of the instrument and the creditworthiness did not have a material impact on the fair value of our interest rate swap agreements.

The table below summarizes the estimated fair values of the Company's financial liabilities measured on a recurring basis as of December 31, 2008:

Financial Liabilities:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Interest rate swaps	\$ —	\$ 2,382,000	\$ —
	<u>\$ —</u>	<u>\$ 2,382,000</u>	<u>\$ —</u>

**10. 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. Eligible MDA employees were covered under this plan as of October 1, 2008. 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 \$2,666,000, \$2,766,000 and \$2,627,000 for the years ended December 31, 2008, 2007 and 2006, 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. 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 \$46,000, \$27,000 and \$78,000 for the years ended December 31, 2008, 2007 and 2006, 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 \$1,094,000 and \$1,131,000 at December 31, 2008 and 2007, respectively.

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**11. 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 and allowances for tenant improvements. The rent escalations and incentives have been reflected in the following table. Future minimum lease payments, as of December 31, 2008, associated with these agreements with terms of one year or more are approximately as follows:

<b>Through Year Ending December 31:</b>	
2009	\$ 6,992,000
2010	6,165,000
2011	5,829,000
2012	5,507,000
2013	4,761,000
Thereafter	9,373,000
	<u>\$ 38,627,000</u>

Total operating lease expense from continuing operations included in selling, general and administrative expenses was approximately \$7,885,000, \$7,310,000 and \$6,099,000 for the years ended December 31, 2008, 2007, and 2006, respectively.

**Contingencies:**

***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 relates to only MedStaff corporate employees working in California. The claims alleged under this lawsuit are generally similar in nature to those brought by Darrelyn Renee Henry in a lawsuit against the Company, which was dismissed (*Darrelyn Renee Henry vs. MedStaff, Inc., et. al.*).

The lawsuit 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, and 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; failed to keep appropriate records to keep track of time worked; failed to pay Plaintiffs and their purported class as required by law. Plaintiffs seek, among other things, an order enjoining MedStaff from engaging in the practices challenged in the complaint and for full restitution of all monies, 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. On October 16, 2008, MedStaff, Inc. filed a Motion to Decertify the class which was denied on December 19, 2008. The Company is unable to determine its potential exposure, if any, and intends to vigorously defend this matter.

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

During the year ended December 31, 2007, the Company paid \$6,704,392 to settle the California wage and hour class action lawsuit filed against a subsidiary of the Company in Superior Court in Orange County, California, in August of 2003.

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 material effect on the Company's consolidated financial position or results of operations.

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**12. Income Taxes**

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

	Year Ended December 31,		
	2008	2007	2006
Continuing operations:			
Current			
Federal	\$ 4,883,160	\$ 2,628,622	\$ 2,398,737
State	1,541,492	258,504	646,642
Foreign	575,177	524,556	61,557
	<u>6,999,829</u>	<u>3,411,682</u>	<u>3,106,936</u>
Deferred	(68,223,408)	11,347,518	7,038,932
	<u>(61,223,579)</u>	<u>14,759,200</u>	<u>10,145,868</u>
Discontinued operations-current			
Tax benefit on loss from discontinued operations	—	—	(4,299)
Discontinued operations-deferred			
Tax expense from discontinued operations	—	—	141,040
	<u>—</u>	<u>—</u>	<u>136,741</u>
	<u><u>\$ (61,223,579)</u></u>	<u><u>\$ 14,759,200</u></u>	<u><u>\$ 10,282,609</u></u>

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.

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

	December 31,	
	2008	2007
Current deferred tax assets:		
Accrued other and prepaid expenses	\$ 4,006,062	\$ 3,163,992
Accrued professional liability	188,297	560,145
Allowance for doubtful accounts	1,791,125	1,676,712
Impairment charges	5,195,666	—
Other	452,417	771,284
Gross deferred tax assets	<u>11,633,567</u>	<u>6,172,133</u>
Valuation allowance	(346,441)	(302,772)
Deferred tax assets	<u>11,287,126</u>	<u>5,869,361</u>
Non-current deferred tax (liabilities) and assets:		
Amortization	(52,499,218)	(45,256,147)
Depreciation	(5,040,910)	(5,061,766)
Identifiable intangibles	(3,201,513)	(3,465,175)
Noncurrent deferred tax assets	3,452,944	3,529,833
Impairment charges	72,734,484	—
State net operating loss carryforwards	1,955,323	1,229,417
Gross deferred tax assets (liabilities)	<u>17,401,110</u>	<u>(49,023,838)</u>
Valuation allowance	(2,336,512)	(220,189)
Deferred tax assets (liabilities)	<u>15,064,598</u>	<u>(49,244,027)</u>
Net deferred taxes	<u><u>\$ 26,351,724</u></u>	<u><u>\$ (43,374,666)</u></u>

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**12. Income Taxes (continued)**

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, 2008 and 2007, respectively, the Company had deferred tax assets of approximately \$1,955,000 and \$1,229,000 related to state net operating loss carryforwards. The state carry forwards will expire between 2009 and 2027. A valuation allowance for the state net operating losses has been recorded at December 31, 2008 and 2007, to reduce the Company's deferred tax asset to an amount that is more likely than not to be realized. As of December 31, 2008, the Company has deferred tax assets of approximately \$77,930,000 related to goodwill impairment. The Company has recorded a valuation allowance based upon the uncertainty of the realization of a particular subsidiary's state portion of its deferred tax asset that arose from the goodwill impairment.

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

	Year Ended December 31,	
	2008	2007
Tax at U.S. statutory rate	\$ (72,715,908)	\$ 12,704,282
State taxes, net of federal benefit	(5,147,143)	881,449
Non-deductible meals and entertainment	849,734	60,742
Non-deductible other	32,638	35,100
Foreign tax expense	575,177	654,958
Valuation allowances	2,159,993	202,912
Nondeductible goodwill impairment	14,123,967	—
Other	(1,102,037)	219,757
Total income tax (benefit) expense	\$ (61,223,579)	\$ 14,759,200

The Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, as of January 1, 2007. As a result of the implementation of FIN 48, the Company recognized an approximate \$1,734,000 increase in the liability for unrecognized tax benefits of which, \$732,000 was accounted for as a reduction to the January 1, 2007 balance of retained earnings.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

Balance at January 1, 2008	\$ 2,606,000
Additions based on tax positions related to the current year	1,051,000
Settlements of tax positions related to prior years	(798,000)
Reductions for tax positions as a result of a lapse of the applicable statute of limitations	(231,000)
Balance at December 31, 2008	\$ 2,628,000

As of the date of adoption, the Company had approximately \$1,330,000 of unrecognized tax benefits, which would affect the effective tax rate if recognized. As of December 31, 2008 the Company had approximately \$1,914,000 of unrecognized tax benefits, which would affect the effective tax rate if recognized. During the year, the Company had gross increases of \$1,051,000 to its current year unrecognized tax benefits, related to federal and state tax issues. In addition, the Company had gross decreases of \$1,029,000 to its unrecognized tax benefits related to both the closure of a certain federal tax controversies and the closure of open tax years.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes. The Company had accrued approximately \$515,000 and \$672,000 for the payment of interest penalties at December 31, 2008 and 2007, respectively.

The tax years 2005 through 2008 remain open to examination by the major taxing jurisdictions to which the Company is subject.

### **13. Stockholders' Equity**

#### **Stock Repurchase Programs**

On May 10, 2006, the Company's Board of Directors authorized a stock repurchase program whereby the Company may purchase up to 1,500,000 shares of its common stock. This repurchase program was completed and on February 28, 2008, the Company's Board of Directors authorized an additional stock repurchase program, whereby it may purchase up to an additional 1,500,000 shares of its common stock, subject to the terms of the Company's 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 the Company's discretion. The Company commenced repurchases under the February 2008 authorization during the first quarter of 2008 upon the completion of the May 2006 authorization.

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 Company purchased and retired 1,500,000 shares of its common stock at an average cost of \$15.04 per share pursuant to the authorization. All of the common stock was retired. The cost of such purchases was approximately \$22,557,000. During the year ended December 31, 2007, the November 2002 stock repurchase program was depleted and, accordingly, the Company commenced purchases under the May 2006 authorization.

During the year ended December 31, 2008, the Company repurchased and retired, under both the May 2006 and February 2008 programs, a total of 924,235 shares at an average price of \$11.66. The cost of such purchases was approximately \$10,775,000. During the year ended December 31, 2007, the Company repurchased and retired, under both the November 2002 and the May 2006 programs, a total of 704,498 shares at an average cost of \$15.45 per share. The cost of such purchases was approximately \$10,882,000. At December 31, 2008, the Company had 1,441,139 shares of common stock left remaining to repurchase under its February 2008 Authorization, subject to the constraints of the Company's Credit Agreement. See Note 7- Long-term Debt.

#### **Stock Options**

##### *2007 Stock Incentive Plan*

The Company's 2007 Stock Incentive Plan (2007 Plan) was approved by its stockholders at its 2007 Annual Meeting of Stockholders, held in May of 2007. The 2007 Plan provides for the issuance of stock options, stock appreciation rights, restricted stock, performance shares, and other stock-based awards, all as defined by the 2007 Plan, to eligible employees, consultants and non-employee Directors. The aggregate number of shares of common stock which may be issued or used for reference purposes under the 2007 Plan or with respect to which awards may be granted may not exceed 1,500,000 shares, which may be either authorized and unissued common stock or common stock held in or acquired for the treasury of the Company; provided, however, that 1,200,000 shares of this aggregate limit may be used for awards that are not "appreciation awards" (including restricted stock, performance shares or certain other stock-based awards). Due to the adoption of the 2007 Plan, no further grants will be issued under the Company's 1999 Plans referred to below.

Under the 2007 Plan, the Compensation Committee of the Company's Board of Directors (the Committee), has the discretion to determine the terms of the awards at the time of the grant. Provided, however, that, in the case of stock options and stock appreciation rights (share options): 1) the exercise price per share of the award is not less than 100% (or, in the case of 10% or more stockholders, the exercise price of the incentive stock options (ISOs) granted may not be less than 110%) of the fair market value of the common stock at the time of the grant; and 2) the term of the award will be no more than 10 years after the date the option is granted (or, shall not exceed five years, in the case of a 10% or more stock holder). In the case of restricted stock, the purchase price may be zero to the extent permitted by applicable law.

During the year ended December 31, 2007, a total of 8,700 stock options, 170,500 stock appreciation rights and 92,775 shares of restricted stock were granted under the 2007 Plan to the Company's Directors and management team. An additional 158,664 stock appreciation rights and 110,310 shares of restricted stock were granted to the Company's Directors and management team during the year ended December 31, 2008. The stock appreciation rights can only be settled with stock. The awards granted vest over a 4 year period. Upon exercise, the Company's policy is to issue new shares from its authorized but unissued balance of common stock outstanding or shares of common stock reacquired by the Company.

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**13. Stockholders' Equity (continued)**

*1999 Stock Option Plan and Equity Participation Plan*

On December 16, 1999, the Company's Board of Directors approved the 1999 Stock Option Plan and Equity Participation Plan (collectively, the 1999 Plans), which was amended and restated on October 25, 2001 and provided for the issuance of 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. In the fourth quarter of 2005, all unvested and outstanding options as of December 31, 2005 were modified to accelerate vesting effective December 31, 2005.

Share option changes, under both plans, during the year ended December 31, 2008, were as follows:

	December 31, 2008		
	Shares	Option Price	Weighted Average Exercise Price
Share options outstanding at beginning of year	2,363,983	\$7.75-37.13	\$14.83
Granted	158,664	\$11.07-\$13.02	\$12.98
Canceled	(32,286)	\$7.75-\$26.15	\$17.10
Exercised	(109,218)	\$7.75-\$15.50	\$9.99
Share options outstanding at end of year	<u>2,381,143</u>	<u>\$7.75-\$37.13</u>	<u>\$14.90</u>
Share options exercisable at end of year	<u>2,088,458</u>	<u>\$7.75-\$37.13</u>	<u>\$14.83</u>

As of December 31, 2008, the Company had outstanding 2,345,086 share options that were fully vested or expected to vest at a weighted average exercise price of \$14.89, aggregate intrinsic value of approximately \$244,000, and weighted average contractual life of 2.7 years. As of December 31, 2008, 87.7% of share options outstanding, or 2,088,458 share options, were fully exercisable at a weighted average exercise price of \$14.83, an aggregate intrinsic value of approximately \$244,000 and a remaining contractual life of 2.2 years.

The following table represents information about stock options and stock appreciation rights granted and exercised in each year. During the years ended December 31, 2008, 2007 and 2006, the Company only issued options and stock appreciation rights at market price.

	Year Ended December 31,		
	2008	2007	2006
Share option grants	158,664	187,000	27,650
Weighted average grant date fair value of options granted during the period	\$ 6.38	\$ 9.24	\$ 9.26
Total intrinsic value of options exercised	\$ 577,558	\$ 1,606,538	\$ 1,436,792

The fair value of options granted 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,		
	2008	2007	2006
Expected dividend yield	0.00 %	0.00 %	0.00 %
Expected volatility	48.02	49.06	52.34
Risk-free interest rate	3.56 %	4.27 %	4.82 %
Expected life	6 years	6 years	5 years

The expected life of the options is based on historical exercise behavior. The Company computes expected volatility using the historical volatility of the market price of the Company's common stock.

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**13. Stockholders' Equity (continued)**

**Restricted Stock**

Restricted stock awards granted under the Company's 2007 Plan entitle the holder to receive, at the end of a vesting period, a specified number of shares of the Company's common stock. Share-based compensation expense is measured by the market value of the Company's stock on the date of grant. During the year ended December 31, 2008 and 2007, the Company issued 110,310 shares of restricted stock and 92,775 shares of restricted stock, respectively. The shares vest ratably over a four year period ending on the anniversary date of the grant. There is no partial vesting and any unvested portion is forfeited.

The following table summarizes restricted stock award activity for the year ended December 31, 2008:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested restricted stock awards, January 1, 2008	92,775	\$ 18.26
Granted	110,310	\$ 13.24
Vested	(23,201)	\$ 18.26
Forfeited	—	—
Unvested restricted stock awards at December 31, 2008	<u>179,884</u>	<u>\$ 15.18</u>

As of December 31, 2008, there was approximately \$2,374,000 pretax total unrecognized compensation cost related to non-vested restricted stock awards which will be adjusted for future changes in forfeitures. The Company expects to recognize such cost over a period of 3.1 years.

**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. 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 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 \$153,000 and are recorded as secondary offering costs in the consolidated statements of operations for the year ended December 31, 2006.

**14. 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 2008, 2007 and 2006 per share calculations because their effect would have been anti-dilutive. Such shares amounted to 1,665,690, 636,167, and 347,019 during the years ended December 31, 2008, 2007 and 2006, respectively. For the years ended December 31, 2008, 2007 and 2006, respectively, 182,253, 511,561 and 660,179 incremental shares of common stock were included in diluted weighted average shares outstanding.

**15. 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 \$3,077,000, \$3,896,000 and \$4,656,000, in 2008, 2007 and 2006, respectively. Accounts receivable due from these hospitals at December 31, 2008 and 2007 were approximately \$231,000 and \$613,000, respectively.

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**16. Segment Information**

The nurse and allied staffing business segment primarily provides travel nurse and allied staffing services and per diem nurse services to primarily acute care hospitals which include public and private healthcare and for-profit and not-for-profit facilities throughout the U.S. The Company aggregates the different brands that it markets to its customers in this business segment.

In the third quarter of 2008, the Company added a physician staffing business segment as a result of the MDA acquisition (See Note 4- Acquisitions). MDA provides multi-specialty locum tenens and allied staffing services to the healthcare industry in all 50 states. MDA's locum tenens business comprises the physician staffing business segment while MDA's allied staffing services have been aggregated with the Company's nurse and allied staffing business segment.

The clinical trials services business segment provides clinical trials, drug safety, and regulatory professionals on a contract staffing and outsourced basis to companies in the pharmaceutical, biotechnology and medical device industries, as well as to contract research organizations, primarily in the United States, Canada and Europe.

The other human capital management services business 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 revenue and contribution income (which is defined as (loss) income from operations before depreciation, amortization, impairment charges 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.

Information on operating segments and a reconciliation of such information to (loss) income from operations for the periods indicated are as follows:

	Year ended December 31,		
	2008	2007	2006
Revenue from unaffiliated customers:			
Nurse and allied staffing	\$ 525,771,381	\$ 576,779,440	\$ 554,899,857
Physician staffing	56,558,079	—	—
Clinical trials services	99,128,952	90,613,046	53,347,791
Other human capital management services	52,788,259	50,879,983	46,904,283
	<u>\$ 734,246,671</u>	<u>\$ 718,272,469</u>	<u>\$ 655,151,931</u>
Contribution income (a):			
Nurse and allied staffing	\$ 53,821,735	\$ 54,941,170	\$ 52,949,624
Physician staffing	5,710,995	—	—
Clinical trials services	15,300,776	14,425,052	6,927,662
Other human capital management services	7,444,039	7,609,281	9,048,367
	<u>82,277,545</u>	<u>76,975,503</u>	<u>68,925,653</u>
Unallocated corporate overhead	27,456,647	26,561,956	26,872,922
Depreciation	7,636,712	6,309,538	5,448,441
Amortization	3,165,797	2,051,311	1,570,005
Impairment charges	244,094,000	—	—
Legal settlement charge	—	33,654	6,704,392
Secondary offering costs	—	—	153,450
(Loss) income from operations	<u>\$ (200,075,611)</u>	<u>\$ 42,019,044</u>	<u>\$ 28,176,443</u>

(a) The Company defines contribution income as (loss) income from operations before depreciation, amortization, impairment charges 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*.

**CROSS COUNTRY HEALTHCARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

**17. Quarterly Financial Data (Unaudited)**

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter(a)</u>	<u>Fourth Quarter (b)</u>
<b>2008</b>				
Revenue from services	<u>\$ 179,251,306</u>	<u>\$ 170,950,829</u>	<u>\$ 178,133,832</u>	<u>\$ 205,910,704</u>
Gross profit	<u>\$ 45,177,234</u>	<u>\$ 45,639,904</u>	<u>\$ 47,437,381</u>	<u>\$ 54,332,376</u>
Net income (loss)	\$ 5,850,488	\$ 6,370,077	\$ 6,171,128	\$ (161,336,306)
Net income (loss) per common share:				
Net income (loss) – basic	<u>\$ 0.19</u>	<u>\$ 0.21</u>	<u>\$ 0.20</u>	<u>\$ (5.24)</u>
Net income (loss) –diluted	<u>\$ 0.19</u>	<u>\$ 0.21</u>	<u>\$ 0.20</u>	<u>\$ (5.22)</u>
	<u>First Quarter</u>	<u>Second Quarter (c)</u>	<u>Third Quarter(d)</u>	<u>Fourth Quarter</u>
<b>2007</b>				
Revenue from services	<u>\$ 176,092,899</u>	<u>\$ 175,339,421</u>	<u>\$ 185,124,029</u>	<u>\$ 181,716,120</u>
Gross profit	<u>\$ 40,488,529</u>	<u>\$ 41,604,110</u>	<u>\$ 45,857,977</u>	<u>\$ 46,713,690</u>
Net income	<u>\$ 4,802,204</u>	<u>\$ 5,460,881</u>	<u>\$ 7,049,107</u>	<u>\$ 7,267,317</u>
Net income per common share:				
Net income– basic	<u>\$ 0.15</u>	<u>\$ 0.17</u>	<u>\$ 0.22</u>	<u>\$ 0.23</u>
Net income– diluted	<u>\$ 0.15</u>	<u>\$ 0.17</u>	<u>\$ 0.22</u>	<u>\$ 0.23</u>

- (a) During the third quarter of 2008, the Company completed its acquisition of MDA Holdings, Inc. Refer to discussion in Note 4 – Acquisitions.
- (b) During the fourth quarter of 2008, the Company recorded impairment charges of \$244,094,000. As a result of its annual goodwill impairment analysis, the Company recorded \$241,000,000 as goodwill impairment related to its nurse and allied staffing business segment. In addition, the Company recorded a \$3,094,000 impairment charge related to a specific customer relationship in its clinical trials services business segment. Refer to discussion in Note 3 – Goodwill and Other Identifiable Intangible Assets.
- (c) During the second quarter of 2007, the Company completed its acquisition of AKOS Limited. Refer to discussion in Note 4 – Acquisitions.
- (d) During the third quarter of 2007, the Company completed its acquisition of Assent Consulting. Refer to discussion in Note 4 – Acquisitions.

**CROSS COUNTRY HEALTHCARE, INC.**  
**VALUATION AND QUALIFYING ACCOUNTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008, 2007, AND 2006**

<u>Allowance for Doubtful Accounts</u>	<u>Balance at Beginning of Period</u>	<u>Charged to Costs and Expenses</u>	<u>Write-offs</u>	<u>Recoveries</u>	<u>Other Changes</u>	<u>Balance at End of Period</u>
Year ended December 31, 2008	\$5,585,286	\$ 950,711	\$(1,072,319)	\$ 40,944	\$904,150 (a)	\$6,408,772
Year ended December 31, 2007	4,373,799	1,558,626	(472,690)	60,596	64,955 (b)	5,585,286
Year ended December 31, 2006	4,206,162	459,368	(519,245)	137,514	90,000 (c)	4,373,799

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- (a) Includes the allowance for doubtful accounts on receivables acquired in the MDA acquisition.
- (b) Includes the allowance for doubtful accounts on receivables acquired in the AKOS and Assent acquisitions.
- (c) Includes the allowance for doubtful accounts on receivables acquired in the Metropolitan Research acquisition.

## JOINDER AGREEMENT

THIS JOINDER AGREEMENT, dated as of September 9th, 2008 (the "Agreement"), to the Subsidiary Guaranty Agreement and the Collateral Agreement referred to below is entered into by and among Cross Country Healthcare, Inc., a Delaware corporation (the "Borrower"), StoneCo H, Inc., a Delaware corporation ("StoneCo H"), StoneCo A, LLC., a Delaware limited liability company, StoneCo C, LLC., a Delaware limited liability company, StoneCo M, LLC, a Delaware limited liability company, CC Local, Inc., a Delaware corporation, each a "New Subsidiary" and collectively, the "New Subsidiaries"), and Wachovia Bank, National Association, a national banking association, as Administrative Agent (the "Administrative Agent") under the Amended and Restated Credit Agreement referred to below.

### Statement of Purpose

Reference is hereby made to the Credit Agreement dated as of November 10, 2005 and Amended and Restated as of September 9th, 2008 (as supplemented hereby and as further amended, restated, supplemented or otherwise modified, the "Amended and Restated Credit Agreement") by and among the Borrower, the Lenders who are or may become party thereto and the Administrative Agent. In connection with the Amended and Restated Credit Agreement, the Borrower and certain of its Subsidiaries have entered into the Collateral Agreement referred to therein and certain Subsidiaries of the Borrower have entered into the Subsidiary Guaranty Agreement referred to therein.

StoneCo H is a Domestic Subsidiary of Borrower. StoneCo H owns all New Subsidiaries of Borrower. CC Local is a Domestic Subsidiary of Borrower. In connection therewith and pursuant to Section 9.11 of the Amended and Restated Credit Agreement, (a) each New Subsidiary is required to execute, among other documents, a Joinder Agreement in order (i) to become a Guarantor under the Subsidiary Guaranty Agreement and (ii) to become a Grantor and a Subsidiary Issuer under the Collateral Agreement, (b) StoneCo H is required, pursuant to the Joinder Agreement, to pledge one hundred percent (100%) of the Capital Stock of each New Subsidiary and (c) Borrower is required to, pursuant to the Joinder Agreement, to pledge one hundred percent (100%) of the Capital Stock of StoneCo H.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the parties hereto hereby agree as follows:

#### Section 1.1 Guaranty Agreement Supplement.

(a) Each New Subsidiary hereby agrees that by execution of this Agreement it is a Guarantor under the Subsidiary Guaranty Agreement as if a signatory thereof on the Closing Date of the Amended and Restated Credit Agreement, and each New Subsidiary (i) shall comply with, and be subject to, and have the benefit of, all of the terms, conditions, covenants, agreements and obligations set forth in the Subsidiary Guaranty Agreement and (ii) hereby makes each representation and warranty set forth in the Subsidiary Guaranty Agreement.

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(b) The Borrower and each New Subsidiary hereby agree that each reference to a “Guarantor”, the “Guarantors”, a “Subsidiary Guarantor” or the “Subsidiary Guarantors” in the Amended and Restated Credit Agreement, the Subsidiary Guaranty Agreement and other Loan Documents shall include each New Subsidiary, and each reference to the “Subsidiary Guaranty Agreement”, “Subsidiary Guaranty” or “Guaranty” as used therein shall mean the Subsidiary Guaranty Agreement as supplemented hereby.

Section 2.1 Collateral Agreement Supplement.

(a) Joinder to the Collateral Agreement.

(i) In order to secure the Amended and Restated Credit Agreement in accordance with the terms thereof, and to secure the payment and performance of all of the Obligations, (A) each New Subsidiary hereby grants to the Administrative Agent, for the ratable benefit of itself and the Lenders, a continuing security interest in and to all of such New Subsidiary’s right, title and interest in and to all Collateral whether now or hereafter owned or acquired by such New Subsidiary or in which such New Subsidiary now has or hereafter has or acquires any rights, and wherever located (collectively, the “New Collateral”) and (B) the Borrower and StoneCo H each hereby (1) confirms and reaffirms the Security Interests in and to all of the Collateral of the Borrower and StoneCo H granted to the Administrative Agent, for the ratable benefit of itself and the Lenders, under the Collateral Agreement and (2) confirms and reaffirms that the Collateral of the Borrower and StoneCo H respectively includes the equity interests and other ownership interests owned by the Borrower and StoneCo H respectively in each applicable New Subsidiary (collectively, the “Additional Investment Collateral”).

(ii) The Security Interests are granted as security only and shall not subject the Administrative Agent or any Lender to, or transfer to the Administrative Agent or any Lender, or in any way affect or modify, any obligation or liability of the Borrower, StoneCo H or any New Subsidiary with respect to any of the New Collateral, the Additional Investment Collateral or any transaction in connection therewith.

(iii) The Borrower, StoneCo H and each New Subsidiary hereby agree that by execution of this Agreement each New Subsidiary is a party to the Collateral Agreement as if a signatory thereof as a Grantor and as a Subsidiary Issuer on the Closing Date of the Amended and Restated Credit Agreement, and each New Subsidiary shall (A) comply with, and be subject to, and have the benefit of, all of the terms, covenants, conditions, agreements and obligations set forth in the Collateral Agreement and (B) hereby makes each representation and warranty set forth in the Collateral Agreement.

(iv) The Borrower, StoneCo H and each New Subsidiary hereby agree that each reference to a “Grantor” or the “Grantors” in the Collateral Agreement and other Loan Documents shall include the New Subsidiary and each reference to a “Subsidiary Issuer” or “Issuer” in the Collateral Agreement and the other Loan Documents shall include each New Subsidiary. Furthermore, the Borrower, StoneCo H and each New Subsidiary hereby agree that “Collateral” as used therein shall include all New Collateral and the Additional Investment Collateral pledged pursuant hereto and the Collateral Agreement, “Investment Collateral” as used therein shall include

the Additional Investment Collateral pledged pursuant hereto and the Collateral Agreement and “Collateral Agreement” or “Agreement” as used therein shall mean the Collateral Agreement as supplemented hereby.

(b) Filing Information and Perfection. The Borrower, StoneCo H and each New Subsidiary hereby agree that they shall deliver to the Administrative Agent such certificates and other documents (including, without limitation, UCC-1 Financing Statements, Capital Stock and Capital Stock powers) and take such action as the Administrative Agent shall reasonably request in order to effectuate the terms hereof and the Collateral Agreement.

(c) Acknowledgement and Consent. Each New Subsidiary acknowledge receipt of a copy of the Collateral Agreement and the other Loan Documents and agrees for the benefit of the Administrative Agent and the Lenders to be bound thereby and to comply with the terms thereof insofar as such terms are applicable to it.

Section 3.1 Effectiveness. This Agreement shall become effective upon receipt by the Administrative Agent of (a) an originally executed counterpart hereof, (b) the UCC-1 Financing Statements required to be delivered pursuant hereto, (c) the Additional Investment Collateral and any other agreement or document required to be delivered pursuant to this Agreement and the Collateral Agreement, and (d) any other agreement or document required to be delivered in accordance with Section 9.11 of the Amended and Restated Credit Agreement (including, without limitation, any other agreement or document required to be delivered in connection with the Amended and Restated Credit Agreement or any other Loan Document).

Section 4.1 General Provisions.

(a) Representations and Warranties.

(i) The Borrower hereby confirms that each representation and warranty made under the Loan Documents is true and correct as of the date hereof (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct as of the earlier date) and that no Default or Event of Default has occurred or is continuing under the Amended and Restated Credit Agreement.

(ii) The Borrower hereby represents and warrants that as of the date hereof there are no claims or offsets against or defenses or counterclaims to the obligations of the Borrower and its Subsidiaries under the Amended and Restated Credit Agreement or any other Loan Document.

(iii) Each New Subsidiary hereby acknowledge it has received a copy of the Loan Documents (including, without limitation, the Subsidiary Guaranty Agreement and the Collateral Agreement) and that it has read and understands the terms thereof.

(b) Limited Effect. Except as supplemented hereby, the Amended and Restated Credit Agreement and each other Loan Document shall continue to be, and shall remain, in full force and effect. This Agreement shall not be deemed (i) to be a waiver of, or consent to, or a modification or amendment of, any other term or condition of the Amended and Restated Credit Agreement or any

other Loan Document or (ii) to prejudice any right or rights which the Administrative Agent or any Lender may now have or may have in the future under or in connection with the Amended and Restated Credit Agreement or the other Loan Documents or any of the instruments or agreements referred to therein, as the same may be amended or modified from time to time.

(c) Costs and Expenses. The Borrower hereby agrees that it shall pay or reimburse the Administrative Agent for all of its reasonable and customary out-of-pocket costs and expenses incurred in connection with the preparation, negotiation and execution of this Agreement including, without limitation, the reasonable fees and disbursements of counsel.

(d) Counterparts. This Agreement may be executed by one or more of the parties hereto in any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

(e) Definitions. All capitalized terms used and not defined herein shall have the meanings given thereto in the Amended and Restated Credit Agreement or the applicable Loan Document referred to therein.

(f) GOVERNING LAW. **THIS AGREEMENT SHALL BE GOVERNED BY, CONSTRUED, INTERPRETED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 AND SECTION 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK) WITHOUT REGARD TO THE CONFLICTS OR CHOICE OF LAW PROVISIONS OF SUCH STATE.**

(SIGNATURE PAGES FOLLOW)

IN WITNESS WHEREOF the undersigned hereby causes this Agreement to be executed and delivered as of the date first above written.

**CROSS COUNTRY HEALTHCARE, INC.,**  
as Borrower

By: /s/ Emil Hensel  
Name: Emil Hensel  
Title: Chief Financial Officer

**STONECO H, INC.** as a Subsidiary of the  
Borrower

By: /s/ Susan E. Ball  
Name: Susan E. Ball  
Title: Secretary

**STONECO A, LLC.**, as a New Subsidiary

By: /s/ Victor Kalafa  
Name: Victor Kalafa  
Title: Executive Vice President

**STONECO C, LLC.**, as a New Subsidiary

By: /s/ Victor Kalafa  
Name: Victor Kalafa  
Title: Executive Vice President

**STONECO M, LLC**, as a New Subsidiary

By: /s/ Victor Kalafa  
Name: Victor Kalafa  
Title: Executive Vice President

**CC LOCAL, INC.**, as a New Subsidiary

By: /s/ Susan E. Ball  
Name: Susan E. Ball  
Title: Secretary

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**WACHOVIA BANK, NATIONAL  
ASSOCIATION, as Administrative Agent**

By: /s/ Kirk Tesch

Name: Kirk Tesch

Title: Vice President

Tenant: ClinForce, Inc.  
 Premises: Suite 200, 321 Norristown Road, Ambler, PA

LEASE

THIS LEASE ("Lease") is entered into as of the 7<sup>th</sup> day of August, 2006, between BRANDYWINE OPERATING PARTNERSHIP, L.P., a Delaware limited partnership ("Landlord"), and CLINFORCE, INC., a Delaware corporation with its principal place of business at 4815 Emperor Boulevard, Durham, NC 27713 ("Tenant").

In consideration of the mutual covenants stated below, and intending to be legally bound, the parties covenant and agree as follows:

1. PREMISES. Landlord leases to Tenant and Tenant leases from Landlord Suite No. 200, which the parties stipulate and agree is 4,739 rentable square feet as shown on the space plan entitled "SP1" prepared by CMA Architects dated May 17, 2006, attached hereto as Exhibit "A" ("Premises"), located at 321 Norristown Road, Ambler, PA, 19002 ("Building"), which is a part of the project located at Springhouse Corporate Center ("Project"). The Premises shall be delivered to Tenant on an "As Is" basis except as indicated in Exhibit "A".

2. TERM. The Term of this Lease shall commence (the "Commencement Date") on the date which is the earlier of (i) when Tenant, with Landlord's prior consent, assumes possession of the Premises for its Permitted Uses, or (ii) upon substantial completion of the improvements required to be made by Landlord, if any under Article 1. Substantial completion means that the initial improvements called for by this Lease have been completed to the extent that the Premises may be occupied by Tenant for its Permitted Use, subject only to completion of minor finishing, adjustment of equipment, and other minor construction aspects, and Landlord has procured a temporary or permanent certificate of occupancy permitting the occupancy of the Premises, if required by law (hereafter, "substantial completion"). The estimated occupancy date shall be October 1, 2006. The Term shall be for a period of 60 months ("Term") ending on the last day of the calendar month. The Commencement Date shall be confirmed by Landlord and Tenant by the execution of a Confirmation of Lease Term ("COLT") in the form attached hereto as Exhibit "B". If Tenant fails to execute or object to the COLT within ten (10) business days of its delivery, Landlord's determination of such dates shall be deemed accepted by Tenant.

3. FIXED RENT; SECURITY DEPOSIT.

(a) Commencing on the Commencement Date and on the first (1<sup>st</sup>) day of each month thereafter during the Term, Tenant shall pay to Landlord without notice or demand, and without set-off, deduction or counterclaim the monthly installment of annual Fixed Rent as set forth below by (i) check sent to Landlord, P.O. Box 8538-363, Philadelphia, PA 19171 or (ii) wire transfer of immediately available funds to the account at Wachovia Bank, Salem NJ account no. 2030000359075 ABA #031201467; such transfer to be confirmed by Landlord's accounting department upon written request by Tenant. **All payments must include the following information: Building # 125 and Lease #\_\_\_\_\_.** The Lease # will be provided to Tenant in the Confirmation of Lease Term. Fixed Rent and all other sums due from Tenant under this Lease shall collectively be defined as "Rent".

<u>LEASE YEAR</u>	<u>PER R.S.F.</u>	<u>INSTALLMENTS</u>	<u>FIXED RENT</u>
Months 1-12	\$18.50	\$7,305.96	\$87,671.50
Months 13-24	\$19.00	\$7,503.42	\$90,041.00
Months 25-36	\$19.50	\$7,700.88	\$92,410.50
Months 37-48	\$20.00	\$7,898.33	\$94,780.00
Months 49-60	\$20.50	\$8,095.79	\$97,149.50

(b) Tenant shall pay the first full month's installment of Fixed Rent (or such initial partial month) and the Security Deposit (as defined below) by two separate checks upon the Tenant's execution of this Lease. If any amount due from Tenant is not paid to Landlord when due, Tenant shall also pay as Additional Rent (as defined in Article 4 hereof) a late fee of five (5%) percent of the total payment then due. The late fee shall accrue on the initial date of a payment's due date, irrespective of any grace period granted hereunder. Tenant shall be required to pay a security deposit of \$7,305.96 under this Lease (the "Security Deposit"), as security for the prompt and complete performance by Tenant of every provision of this Lease. No interest shall be paid to Tenant on the Security Deposit. If Tenant fails to perform any of its obligations hereunder, Landlord may use, apply or retain the whole or any part of the Security Deposit for the payment of (i) any rent or other sums of money which Tenant may not have paid when due, (ii) any sum expended by Landlord in accordance with the provisions of this Lease, and/or (iii) any sum which Landlord may expend or be required to expend by reason of Tenant's default. The use of the Security Deposit by Landlord shall not prevent Landlord from exercising any other remedy provided by this Lease or by law and shall not operate as either liquidated damages or as a limitation on any recovery to which Landlord may



otherwise be entitled. If any portion of the Security Deposit is used, applied or retained by Landlord, Tenant agrees, within five (5) days after the written demand therefor is made by Landlord, to deposit cash with the Landlord in an amount sufficient to restore the Security Deposit to its original amount. In addition to the foregoing, if Tenant defaults (irrespective of the fact that Tenant cured such default) more than once in its performance of a monetary obligation and such monetary defaults aggregate in excess of \$21,917.88 under this Lease, Landlord may require Tenant to increase the Security Deposit to the greater of twice the (i) Fixed Rent then paid monthly, or (ii) the initial amount of the Security Deposit. If Tenant shall fully comply with all of the provisions of this Lease, the Security Deposit, or any balance thereof, shall be returned to Tenant within a reasonable time after the later of expiration of the Term or Tenant's surrender of the Premises as required hereunder. Upon the return of the Security Deposit to the original Tenant hereunder, or the remaining balance thereof, Landlord shall be completely relieved of liability with respect to the Security Deposit. In the event of a transfer of the Building, Landlord shall have the right to transfer the Security Deposit and Landlord shall thereupon be released by Tenant from all liability for the return of such Security Deposit. Upon the assumption of such Security Deposit by the transferee, Tenant agrees to look solely to the new landlord for the return of said Security Deposit.

4. ADDITIONAL RENT. Commencing on the Commencement Date, and in each calendar year thereafter during the Term, Tenant shall pay in advance on a monthly basis to Landlord, Tenant's Share of the "Recognized Expenses", without deduction, counterclaim or setoff, to the extent such Recognized Expenses exceed the Recognized Expenses in calendar year 2006 ("Base Year"). Tenant's Share is 7.90%, which is 4,739/59,994 which Share may increase or decrease as the Building size increases or decreases. Recognized Expenses are (i) all reasonable operating costs and expenses related to the maintenance, operation and repair of the Project incurred by Landlord, including but not limited to management fee not to exceed five (5%) percent of Rent; common area electric; and capital expenditures and capital repairs and replacements shall be included as operating expenses solely to the extent of the amortized costs of same over the useful life of the improvement in accordance with generally accepted accounting principles; (ii) all insurance premiums payable by Landlord for insurance with respect to the Project and (iii) Taxes payable on the Project. Each of the Recognized Expenses shall for all purposes be treated and considered as Additional Rent. Tenant shall pay, in monthly installments in advance, on account of Tenant's Share of Recognized Expenses, the estimated amount of the increase of such Recognized Expenses for such year in excess of the Base Year as determined by Landlord in its reasonable discretion. Prior to the end of the calendar year in which the Lease commences and thereafter for each successive calendar year (each, a "Lease Year"), or part thereof, Landlord shall send to Tenant a statement of projected increases in Recognized Expenses in excess of the Base Year and shall indicate what Tenant's Share of Recognized Expenses shall be. The Base Year shall be adjusted to exclude from the Base Year "extraordinary items" incurred in such calendar year. For purposes of this subparagraph, extraordinary items shall mean either (X) cost increases over the prior calendar year of eleven and one quarter percent (11.25%) or more, or (Y) items which increase Landlord's total expenses and such items have not been included in the determination of expenses by the Landlord (or the Landlord's predecessor in interest) for the prior three years of operating the Building. As soon as administratively available, Landlord shall send to Tenant a statement of actual for Recognized Expenses for the prior Lease Year showing the Share due from Tenant. In the event the amount prepaid by Tenant exceeds the amount that was actually due then Landlord shall issue a credit to Tenant in an amount equal to the over charge, which credit Tenant may apply to future payments on account of Recognized Expenses until Tenant has been fully credited with the over charge. If the credit due to Tenant is more than the aggregate total of future rental payments, Landlord shall pay to Tenant the difference between the credits in such aggregate total. In the event Landlord has undercharged Tenant, then Landlord shall send Tenant an invoice with the additional amount due, which amount shall be paid in full by Tenant within thirty (30) days of receipt. Notwithstanding anything in this Lease to the contrary, Controllable Expenses in any Lease Year shall not increase by more than four percent (4%) over the prior Lease Year's Controllable Expenses. "Controllable Expenses" shall mean all Operating Expenses except Taxes, utilities, janitorial and snow and ice removal.

5. ELECTRICITY CHARGES. Landlord shall not be liable for any interruption to any utility service for any reason unless caused by the gross negligence or willful misconduct of Landlord. Tenant shall pay to Landlord, as Additional Rent, within fifteen (15) business days of receipt of Landlord's billing statement therefor, all charges incurred by Landlord for electricity, such charges to be based upon Tenant's consumption, as measured by Landlord's submeter for the Premises. Landlord, during the hours of 8:00 A.M. to 6:00 P.M. on weekdays and on Saturdays from 8:00 A.M. to 1:00 P.M. ("Working Hours"), excluding legal holidays, shall furnish the Premises with heat and air-conditioning in the respective seasons, and provide the Premises with electricity for lighting and usual office equipment.

6. SIGNS; USE OF PREMISES AND COMMON AREAS. Landlord shall provide the original Tenant hereinabove named with standard identification signage on all Building directories and at the entrance to the Premises. No other signs shall be placed, erected or maintained by Tenant at any place upon the Premises, Building or Project. Tenant's use of the Premises shall be limited to general office use and storage incidental thereto ("Permitted Use"). The Permitted Use shall be subject to all applicable laws and governmental rules and regulations and to all reasonable requirements of the insurers of the Building Tenant shall not install in or for the Premises, any equipment which requires more electric current than is standard. Tenant shall have the right, non-exclusive and in common with others, to use (i) the exterior paved driveways and walkways of the Building for vehicular and pedestrian access to the Building, (ii) the internal common area, including elevators and (iii) the designated parking areas of the Project for the parking of automobiles of Tenant and its employees and business visitors; provided Landlord shall have the right in its sole discretion and from time to time, to construct, maintain, operate, repair, close, limit, take out of service, alter, change and modify all or any part of the common areas of the Project, including without limitation, reasonably restrict or limit Tenant's utilization of the parking areas in the event the same



become overburdened and in such case to equitably allocate on proportionate basis or assign parking spaces among Tenant and the other tenants of the Building.

7. ENVIRONMENTAL MATTERS. Tenant shall not generate, manufacture, refine, transport, treat, store, handle, dispose, bring or otherwise cause to be brought or permit any of its agents, employees, contractors or invitees to bring in, on or about any part of the Premises, Building or Project, any hazardous substance or hazardous waste in violation of applicable law.

8. TENANT'S ALTERATIONS. Tenant will not cut or drill into or secure any fixture, apparatus or equipment or make alterations, improvements or physical additions (collectively, "Alterations") of any kind to any part of the Premises without first obtaining the written consent of Landlord, such consent not to be unreasonably withheld. Notwithstanding anything in this Lease to the contrary, all furniture, movable trade fixtures and equipment (including telephone, security and communication equipment system wiring and cabling) installed by or for Tenant, its assignees or sublessees shall be removed by Tenant at the termination of this Lease.

9. ASSIGNMENT AND SUBLETTING.

a. Tenant shall not, without the prior written consent of Landlord, which consent shall not be unreasonably withheld, assign this Lease or any interest herein or sublet the Premises or any part thereof. Any of the foregoing acts without such consent shall be void. If at any time during the Term Tenant desires to assign this Lease or sublet all or any part of the Premises, Tenant shall give notice to Landlord of such desire, including the name, address and contact party for the proposed assignee or subtenant, the effective date of the proposed assignment or sublease (including the proposed occupancy date by the proposed assignee or sublessee), and in the instance of a proposed sublease, the square footage to be subleased, a floor plan professionally drawn to scale depicting the proposed sublease area, and a statement of the duration of the proposed sublease (which shall in any and all events expire by its terms prior to the scheduled expiration of this Lease, and immediately upon the sooner termination hereof). Landlord may, at its option, exercisable by notice given to Tenant within forty-five (45) days next following Landlord's receipt of Tenant's notice, elect to recapture the Premises if Tenant is proposing to sublet or terminate this Lease in the event of an assignment. Regardless of Landlord's consent, no subletting or assignment shall release Tenant of Tenant's obligation or alter the primary liability of Tenant to pay the Rent and to perform all other obligations to be performed by Tenant hereunder for the remainder of the then current Lease Term.

b. The parties agree that it shall not be unreasonable for Landlord to withhold its consent to any assignment or sublease if: (i) the proposed assignee or sublessee shall have a net worth which is not acceptable to Landlord in Landlord's reasonable discretion; (ii) the proposed assignee or sublessee shall have no reliable credit history or an unfavorable credit history, or other reasonable evidence exists that the proposed assignee or sublessee will experience difficulty in satisfying its financial or other obligations under this Lease; (iii) the proposed assignee or sublessee, in Landlord's reasonable opinion, is not reputable and of good character; (iv) the portion of the Premises requested to be subleased renders the balance of the Premises unleaseable as a separate area; (v) Tenant is proposing a sublease at a rental or subrental rate which is less than the then fair market rental rate for the portion of the Premises being subleased or assigned, or Tenant is proposing to assign or sublease to an existing tenant of the Building or another property owned by Landlord or by its partners, or to another prospect with whom Landlord or its partners, or their affiliates are then negotiating; (vi) the proposed assignee or sublessee will cause Landlord's existing parking facilities to be reasonably inadequate, or in violation of code requirements, or require Landlord to increase the parking area or the number of parking spaces to meet code requirements, or the nature of such party's business shall reasonably require more than four (4) parking spaces per 1,000 rentable square feet of floor space, or (vii) the nature of such party's proposed business operation would or might reasonably permit or require the use of the Premises in a manner inconsistent with the "Permitted Use" specified herein, would or might reasonably otherwise be in conflict with express provisions of this Lease, would or might reasonably violate the terms of any other lease for the Building, or would, in Landlord's reasonable judgment, otherwise be incompatible with other tenancies in the Building.

10. LANDLORD'S RIGHT OF ENTRY. Landlord and persons authorized by Landlord may enter the Premises at all reasonable times upon reasonable advance notice (or any time without notice in the case of an emergency). Landlord shall not be liable for inconvenience to or disturbance of Tenant by reason of any such entry; provided, however, that in the case of repairs or work, such shall be done, so far as practicable, so as to not unreasonably interfere with Tenant's use of the Premises.

11. REPAIRS AND MAINTENANCE. Except as specifically otherwise provided in subparagraphs (b) and (c) of this Article, Tenant, at its sole cost and expense, shall keep and maintain the Premises in good order and condition, free of rubbish, and shall promptly make all non-structural repairs necessary to keep and maintain such good order and condition. Tenant shall have the option of replacing lights, ballasts, tubes, ceiling tiles, outlets and similar equipment itself or it shall have the ability to advise Landlord of Tenant's desire to have Landlord make such repairs. If requested by Tenant, Landlord shall make such repairs to the Premises within a reasonable time of notice to Landlord and shall charge Tenant for such services at Landlord's standard rate (such rate to be competitive with the market rate for such services). When used in this Article 11, the term "repairs" shall include replacements and renewals when necessary. All repairs made by Tenant shall utilize materials and equipment which are at least



equal in quality and usefulness to those originally used in constructing the Building and the Premises. Landlord shall provide the janitorial services for the Premises set forth on Exhibit "C". Tenant shall not use or permit the use of any portion of the Premises for outdoor storage. Landlord shall maintain all HVAC systems serving the Building and the Premises. Tenant's allocated share of Landlord's cost for HVAC service, maintenance and repairs shall be included as a portion of Recognized Expenses.

(b) Landlord, throughout the Term of this Lease and at Landlord's sole cost and expenses, shall make all necessary repairs to the footings and foundations and the structural steel columns and girders forming a part of the Premises and the HVAC, plumbing and electric systems serving the Premises. Tenant shall pay Tenant's Allocated Share of the cost of all work to be performed by Landlord pursuant to this Article 11 as Additional Rent as provided in Article 4 hereof.

(c) Landlord, throughout the Term of this Lease, shall make all necessary repairs to the Building outside of the Premises and the common areas, including the roof, walls, exterior portions of the Premises and the Building, utility lines, equipment and other utility facilities in the Building, which serve more than one tenant of the Building, and to any driveways, sidewalks, curbs, loading, parking and landscaped areas, and other exterior improvements for the Building; provided, however, that Landlord shall have no responsibility to make any repairs unless and until Landlord receives written notice of the need for such repair. Tenant shall pay its Allocated Share of the cost of all repairs to be performed by Landlord pursuant to this Article 11(c) as Additional Rent as provided, in Article 4 hereof.

(d) Landlord shall keep and maintain all common areas appurtenant to the Building and any sidewalks, parking areas, curbs and access ways adjoining the Property in a clean and orderly condition, free of accumulation of dirt, rubbish, snow and ice, and shall keep and maintain all landscaped areas in a neat and orderly condition. Tenant shall pay its Allocated Share of the cost of all work to be performed by Landlord pursuant to this Paragraph (d) as Additional Rent as provided in Article 4 hereof.

(e) Notwithstanding anything herein to the contrary, repairs to the Premises, Building or Project and its appurtenant common areas made necessary by a negligent or willful act or omission of Tenant or any employee, agent, contractor, or invitee of Tenant shall be made at the sole cost and expense of Tenant.

12. INSURANCE; SUBROGATION RIGHTS. Tenant shall obtain and keep in force at all times during the term hereof, at its own expense, commercial general liability insurance including contractual liability and personal injury liability and all similar coverage, with combined single limits of \$3,000,000.00 on account of bodily injury to or death of one or more persons as the result of any one accident or disaster and on account of damage to property, or in such other amounts as Landlord may from time to time require. Tenant shall also require its movers to procure and deliver to Landlord a certificate of insurance naming Landlord as an additional insured. Tenant shall, at its sole cost and expense, maintain in full force and effect on all Tenant's trade fixtures, equipment and personal property on the Premises, a policy of "special form" property insurance covering the full replacement value of such property. All liability insurance required hereunder shall not be subject to cancellation without at least thirty (30) days prior notice to all insureds, and shall name Tenant as insured and Landlord and Brandywine Realty Trust as additional insureds, and, if requested by Landlord, shall also name as an additional insured any mortgagee or holder of any mortgage which may be or become a lien upon any part of the Premises. Prior to the commencement of the Term, Tenant shall provide Landlord with certificates which evidence that the coverages required have been obtained for the policy periods. Tenant shall also furnish to Landlord throughout the Term replacement certificates at least thirty (30) days prior to the expiration dates of the then current policy or policies. All the insurance required under this Lease shall be issued by insurance companies authorized to do business in the Commonwealth of Pennsylvania with a financial rating of at least an A-X as rated in the most recent edition of Best's Insurance Reports and in business for the past five years. The limit of any such insurance shall not limit the liability of Tenant hereunder. If Tenant fails to maintain such insurance, Landlord may, but is not required to, procure and maintain the same, at Tenant's expense to be reimbursed by Tenant as Additional Rent within ten (10) days of written demand. Any deductible under such insurance policy in excess of Twenty Five Thousand (\$25,000) must be approved by Landlord in writing prior to issuance of such policy. Tenant shall not self-insure without Landlord's prior written consent. Each party hereto, and anyone claiming through or under them by way of subrogation, waives and releases any cause of action it might have against the other party and Brandywine Realty Trust and their respective employees, officers, members, partners, trustees and agents, on account of any loss or damage that is insured against under any insurance policy required to be obtained hereunder. Each party agrees that it will use its best efforts to cause its insurance carrier to endorse all applicable policies waiving the carrier's right of recovery under subrogation or otherwise against the other party.

13. INDEMNIFICATION. Tenant shall defend, indemnify and hold harmless Landlord, Brandywine Realty Trust and their respective employees and agents from and against any and all third-party claims, actions, damages, liability and expense (including all reasonable attorney's fees, expenses and liabilities incurred in defense of any such claim or any action or proceeding brought thereon) arising from any activity, work or things done, permitted or suffered by Tenant or its agents, licensees or invitees in or about the Premises, the Building or the Project contrary to the requirements of this Lease, and any negligence or willful act of Tenant or any of Tenant's agents, contractors, employees or invitees. Without limiting the generality of the foregoing, Tenant's obligations shall include any case in which Landlord or Brandywine Realty Trust shall be made a party to any litigation



commenced by or against Tenant, its agents, subtenants, licensees, concessionaires, contractors, customers or employees, in which case Tenant shall defend, indemnify and hold harmless Landlord and Brandywine Realty Trust and shall pay all costs, expenses and reasonable attorney's fees incurred or paid by Landlord and Brandywine Realty Trust in connection with such litigation, after notice to Tenant and Tenant's refusal to defend such litigation, and upon notice from Landlord shall defend the same at Tenant's expense by counsel satisfactory to Landlord.

14. **FIRE DAMAGE.** If (i) the casualty damage is of a nature or extent that, in Landlord's reasonable judgment, the repair and restoration work would require more than two hundred ten (210) consecutive days to complete after the casualty (assuming normal work crews not engaged in overtime), or (ii) more than thirty (30%) percent of the total area of the Building is extensively damaged, or (iii) the casualty occurs in the last Lease Year of the Term and Tenant has not exercised a renewal right or (iv) insurance proceeds are unavailable or insufficient, either party shall have the right to terminate this Lease and all the unaccrued obligations of the parties hereto, by sending written notice of such termination to the other within thirty (30) days of the date of casualty. Such notice is to specify a termination date no less than fifteen (15) days after its transmission. In the event of damage or destruction to the Premises or any part thereof as set forth in subsections (i), (ii) or (iii) above and neither party has terminated this Lease, Tenant's obligation to pay Fixed Rent and Additional Rent shall be equitably adjusted or abated for such time as the Premises is not capable of being used by Tenant for its Permitted Use.

15. **SUBORDINATION; RIGHTS OF MORTGAGEE.** This Lease shall be subordinate at all times to the lien of any mortgages now or hereafter placed upon the Premises, Building and/or Project and land of which they are a part without the necessity of any further instrument or act on the part of Tenant to effectuate such subordination. Tenant further agrees to execute and deliver within ten (10) day of demand such further instrument evidencing such subordination and attornment as shall be reasonably required by any mortgagee. If Landlord shall be or is alleged to be in default of any of its obligations owing to Tenant under this Lease, Tenant shall give to the holder of any mortgage (the "Mortgagee") now or hereafter placed upon the Premises, Building and/or Project, notice by overnight mail of any such default which Tenant shall have served upon Landlord. Tenant shall not be entitled to exercise any right or remedy as there may be because of any default by Landlord without having given such notice to the Mortgagee. If Landlord shall fail to cure such default, the Mortgagee shall have forty-five (45) additional days within which to cure such default.

16. **CONDEMNATION.** If in Landlord's reasonable judgement a taking renders the Building unsuitable at Landlord's option, this Lease shall, at either party's option, terminate as of the date title to the condemned real estate vests in the condemnor, and the Rent herein reserved shall be apportioned and paid in full by Tenant to Landlord to that date and all rent prepaid for period beyond that date shall forthwith be repaid by Landlord to Tenant and neither party shall thereafter have any liability hereunder. If this Lease is not terminated after any such taking or condemnation, the Fixed Rent and the Additional Rent shall be equitably reduced in proportion to the area of the Premises which has been taken for the balance of the Term. Tenant shall have the right to make a claim against the condemnor for moving expenses and business dislocation damages to the extent that such claim does not reduce the sums otherwise payable by the condemnor to Landlord.

17. **ESTOPPEL CERTIFICATE.** Each party agrees at any time and from time to time, within ten (10) days after the other party's written request, to execute and deliver to the other party a written instrument in recordable form certifying all information reasonably requested.

18. **DEFAULT.** If: Tenant fails to pay any installment of Rent when due; provided, however, Landlord shall provide written notice of the failure to pay such Rent and Tenant shall have a three (3) business day grace period from its receipt of such Landlord's notice within which to pay such Rent without creating a default hereunder. The late fee set forth in Article 3 hereof shall be due on the first day after such payment is due irrespective of the foregoing notice and grace period; Tenant "vacates" the Premises (other than in the case of a permitted subletting or assignment) or permits the same to be unoccupied; Tenant fails to bond over a construction or mechanics lien within ten (10) days of demand; Tenant fails to observe or perform any of Tenant's other non-monetary agreements or obligations herein contained within ten (10) days after written notice specifying the default, or the expiration of such additional time period as is reasonably necessary to cure such default, provided Tenant immediately commences and thereafter proceeds with all due diligence and in good faith to cure such default; then, in any such event, an "Event of Default" shall be deemed to exist and Tenant shall be in default hereunder.

If an Event of Default shall occur, the following provisions shall apply and Landlord shall have, in addition to all other rights and remedies available at law or in equity, including the right to terminate the Lease, the rights and remedies set forth herein, which may be exercised upon or at any time following the occurrence of an Event of Default. 1. **Acceleration of Rent.** By notice to Tenant, Landlord shall have the right to accelerate all Rent and all expense due hereunder and otherwise payable in installments over the remainder of the Term; and the amount of accelerated rent to the termination date, without further notice or demand for payment, shall be due and payable by Tenant within five (5) days after Landlord has so notified Tenant, such amount collected from Tenant shall be discounted to present value using an interest rate of six percent (6%) per annum. Additional Rent which has not



been included, in whole or in part, in accelerated rent, shall be due and payable by Tenant during the remainder of the Term, in the amounts and at the times otherwise provided for in this Lease. 2. Landlord's Damages. The damages which Landlord shall be entitled to recover from Tenant shall be the sum of: (i) all Fixed Rent and Additional Rent accrued and unpaid as of the termination date; and (ii)(a) all reasonable costs and expenses incurred by Landlord in recovering possession of the Premises, including legal fees, and removal and storage of Tenant's property, (ii)(b) the reasonable costs and expenses of restoring the Premises to the condition in which the same were to have been surrendered by Tenant as of the expiration of the Term, and (ii)(c) the costs of reletting commissions; and (iii) all Fixed Rent and Additional Rent otherwise payable by Tenant over the remainder of the Term as reduced to present value and all consequential damages relating to Tenant's breach of this Lease. Less deducting from the total determined under subsections (i), (ii) and (iii) above, all Rent which Landlord receives from other tenant(s) by reason of the leasing of the Premises during any period falling within the otherwise remainder of the Term. 3. Landlord's Right to Cure. Without limiting the generality of the foregoing, if Tenant shall fail to perform any of its obligations hereunder, Landlord may, in addition to any other rights it may have in law or in equity, cure such default on behalf of Tenant, and Tenant shall reimburse Landlord upon demand for any sums paid or costs incurred by Landlord in curing such default, including reasonable attorneys' fees and other legal expenses, together with interest at a rate of twelve (12%) percent ("Default Rate") from the dates of Landlord's incurring of costs or expenses. 4. Interest on Damage Amounts. Any sums payable by Tenant hereunder, which are not paid after the same shall be due, shall bear interest at the Default Rate. 5. No Waiver by Landlord. No delay or forbearance by Landlord in exercising any right or remedy hereunder, or Landlord's undertaking or performing any act or matter which is not expressly required to be undertaken by Landlord shall be construed, respectively, to be a waiver of Landlord's rights or to represent any agreement by Landlord to undertake or perform such act or matter thereafter. Waiver by Landlord of any breach by Tenant of any covenant or condition herein contained (which waiver shall be effective only if so expressed in writing by Landlord) or failure by Landlord to exercise any right or remedy in respect of any such breach shall not constitute a waiver or relinquishment for the future of Landlord's right to have any such covenant or condition duly performed or observed by Tenant, or of Landlord's rights arising because of any subsequent breach of any such covenant or condition nor bar any right or remedy of Landlord in respect of such breach or any subsequent breach.

In addition to, and not in lieu of any of the foregoing rights granted to Landlord: **TENANT HEREBY EMPOWERS ANY PROTHONOTARY, CLERK OF COURT OR ATTORNEY OF ANY COURT OF RECORD TO APPEAR FOR TENANT IN ANY AND ALL ACTIONS WHICH MAY BE BROUGHT FOR ANY RENT, OR ANY CHARGES HEREBY RESERVED OR DESIGNATED AS RENT OR ANY OTHER SUM PAYABLE BY TENANT TO LANDLORD UNDER OR BY REASON OF THIS LEASE, INCLUDING, WITHOUT LIMITATION, ANY SUM PAYABLE HEREUNDER, AND TO SIGN FOR TENANT AN AGREEMENT FOR ENTERING IN ANY COMPETENT COURT AN ACTION OR ACTIONS FOR THE RECOVERY OF SAID RENT, CHARGES AND OTHER SUMS, AND IN SAID SUIT OR IN SAID ACTION OR ACTIONS TO CONFESS JUDGMENT AGAINST TENANT FOR ALL OR ANY PART OF THE RENT SPECIFIED IN THIS LEASE AND THEN UNPAID INCLUDING, AT LANDLORD'S OPTION, THE RENT FOR THE ENTIRE UNEXPIRED BALANCE OF THE TERM OF THIS LEASE, AND ALL OR ANY PART OF ANY OTHER OF SAID CHARGES OR SUMS, AND FOR INTEREST AND COSTS TOGETHER WITH REASONABLE ATTORNEY'S FEES OF 5%. SUCH AUTHORITY SHALL NOT BE EXHAUSTED BY ONE EXERCISE THEREOF, BUT JUDGMENT MAY BE CONFESSED AS AFORESAID FROM TIME TO TIME AS OFTEN AS ANY OF SAID RENT OR SUCH OTHER SUMS, CHARGES, PAYMENTS, COSTS AND EXPENSES SHALL FALL DUE OR BE IN ARREARS, AND SUCH POWERS MAY BE EXERCISED AS WELL AFTER THE EXPIRATION OF THE TERM OR DURING ANY EXTENSION OR RENEWAL OF THIS LEASE.**

WHEN THIS LEASE OR TENANT'S RIGHT OF POSSESSION SHALL BE TERMINATED BY COVENANT OR CONDITION BROKEN, OR FOR ANY OTHER REASON, EITHER DURING THE TERM OF THIS LEASE OR ANY RENEWAL OR EXTENSION THEREOF, AND ALSO WHEN AND AS SOON AS THE TERM HEREBY CREATED OR ANY EXTENSION THEREOF SHALL HAVE EXPIRED, IT SHALL BE LAWFUL FOR ANY ATTORNEY AS ATTORNEY FOR TENANT TO FILE AN AGREEMENT FOR ENTERING IN ANY COMPETENT COURT AN ACTION TO CONFESS JUDGMENT IN EJECTMENT AGAINST TENANT AND ALL PERSONS CLAIMING UNDER TENANT, WHEREUPON, IF LANDLORD SO DESIRES, A WRIT OF EXECUTION OR OF POSSESSION MAY ISSUE FORTHWITH, WITHOUT ANY PRIOR WRIT OF PROCEEDINGS, WHATSOEVER, AND PROVIDED THAT IF FOR ANY REASON AFTER SUCH ACTION SHALL HAVE BEEN COMMENCED THE SAME SHALL BE DETERMINED AND THE POSSESSION OF THE PREMISES HEREBY DEMISED REMAIN IN OR BE RESTORED TO TENANT, LANDLORD SHALL HAVE THE RIGHT UPON ANY SUBSEQUENT DEFAULT OR DEFAULTS, OR UPON THE TERMINATION OF THIS LEASE AS HEREINBEFORE SET FORTH, TO BRING ONE OR MORE ACTION OR ACTIONS AS HEREINBEFORE SET FORTH TO RECOVER POSSESSION OF THE SAID PREMISES.

In any action to confess judgment in ejectment or for rent in arrears, Landlord shall first cause to be filed in such action an affidavit made by it or someone acting for it setting forth the facts necessary to authorize the entry of judgment, of which facts such affidavit shall be conclusive evidence, and if a true copy of this Lease (and of the truth of the copy such affidavit shall be sufficient evidence) be filed in such action, it shall not be necessary to file the original as a warrant of attorney, any rule of Court, custom or practice to the contrary notwithstanding.

TS (INITIAL). TENANT WAIVER. TENANT SPECIFICALLY ACKNOWLEDGES



**THAT TENANT HAS VOLUNTARILY, KNOWINGLY AND INTELLIGENTLY WAIVED CERTAIN DUE PROCESS RIGHTS TO A PREJUDGMENT HEARING BY AGREEING TO THE TERMS OF THE FOREGOING PARAGRAPHS REGARDING CONFESSION OF JUDGMENT. TENANT FURTHER SPECIFICALLY AGREES THAT IN THE EVENT OF DEFAULT, LANDLORD MAY PURSUE MULTIPLE REMEDIES INCLUDING OBTAINING POSSESSION PURSUANT TO A JUDGMENT BY CONFESSION AND ALSO OBTAINING A MONEY JUDGMENT FOR PAST DUE AND ACCELERATED AMOUNTS AND EXECUTING UPON SUCH JUDGMENT. IN SUCH EVENT AND SUBJECT TO THE TERMS SET FORTH HEREIN, LANDLORD SHALL PROVIDE FULL CREDIT TO TENANT FOR ANY MONTHLY CONSIDERATION WHICH LANDLORD RECEIVES FOR THE LEASED PREMISES IN MITIGATION OF ANY OBLIGATION OF TENANT TO LANDLORD FOR THAT MONEY. FURTHERMORE, TENANT SPECIFICALLY WAIVES ANY CLAIM AGAINST LANDLORD AND LANDLORD'S COUNSEL FOR VIOLATION OF TENANT'S CONSTITUTIONAL RIGHTS IN THE EVENT THAT JUDGMENT IS CONFESSED PURSUANT TO THIS LEASE.**

19. **SURRENDER.** Tenant shall, at the expiration of the Term, promptly quit and surrender the Premises in good order and condition and in conformity with the applicable provisions of this Lease. Tenant shall have no right to hold over beyond the expiration of the Term and in the event Tenant fails to deliver possession of the Premises as herein provided, Tenant's occupancy shall not be construed to effect or constitute anything other than a tenancy at sufferance. During any period of occupancy beyond the expiration of the Term the amount of rent owed to Landlord by Tenant shall automatically extend, at Landlord's option, for an additional month or year at two hundred percent (200%), the sum of the Rent as those sums are at that time calculated under the provisions of the Lease. The acceptance of rent by Landlord or the failure or delay of Landlord in notifying or evicting Tenant following the expiration or sooner termination of the Term shall not create any tenancy rights in Tenant and any such payments by Tenant may be applied by Landlord against its costs and expenses, including attorney's fees, incurred by Landlord as a result of such holdover.

20. **RULES AND REGULATIONS.** At all times during the Term, Tenant, its employees, agents, invitees and licensees shall comply with all rules and regulations specified on Exhibit "D" attached hereto and made a part hereof, together with all reasonable rules and regulations as Landlord may from time to time promulgate provided they do not materially increase the financial burdens of Tenant or take away any rights specifically provided to Tenant in this Lease. In the event of an inconsistency between the rules and regulations and this Lease, the provisions of this Lease shall control.

21. **GOVERNMENTAL REGULATIONS.** Tenant shall, in the use and occupancy of the Premises and the conduct of Tenant's business or profession therein, at all times comply with all applicable laws, ordinances, orders, notices, rules and regulations of the federal, state and municipal governments. Landlord shall be responsible for compliance with Title III of the Americans with Disabilities Act of 1990, 42 U.S.C. §12181 et seq. and its regulations, (collectively, the "ADA") (i) as to the design and construction of exterior and interior common areas (e.g. sidewalks and parking areas) and (ii) with respect to the initial design and construction by Landlord. Except as set forth above in the initial sentence hereto, Tenant shall be responsible for compliance with the ADA in all other respects concerning the use and occupancy of the Premises, which compliance shall include, without limitation (i) provision for full and equal enjoyment of the goods, services, facilities, privileges, advantages or accommodations of the Premises as contemplated by and to the extent required by the ADA, (ii) compliance relating to requirements under the ADA or amendments thereto arising after the date of this Lease and (iii) compliance relating to the design, layout, renovation, redecorating, refurbishment, alteration, or improvement to the Premises made or requested by Tenant at any time following completion of the Landlord's Work.

22. **NOTICES.** Wherever a notice is required, notice shall be deemed to have been duly given if in writing and either: (i) personally served; (ii) delivered by pre-paid nationally recognized overnight courier service; (iii) forwarded by Registered or Certified mail, return receipt requested, postage prepaid; (iv) facsimile with a copy mailed by first class U.S. mail or (v) e-mailed with evidence of receipt and delivery of a copy of the notice by first class mail; in all such cases addressed to the parties at the following addresses:

Tenant: ClinForce, Inc.  
4815 Emperor Blvd.  
Durham, NC 27713  
Attn: Maria Phillips  
Fax No:  
E-Mail:

Landlord: Brandywine Operating Partnership, L.P.  
555 East Lancaster Ave., Suite 100  
Radnor, PA 19087  
Attn: Phil Schenkel, Vice President  
Fax No.: 610-325-5622  
E-Mail: [phil.schenkel@brandywinerealty.com](mailto:phil.schenkel@brandywinerealty.com)

Brandywine Realty Trust  
555 East Lancaster Ave., Suite 100  
Radnor, PA 19087  
Attn: Brad A. Molotsky, General Counsel  
E-Mail: [brad.molotsky@brandywinerealty.com](mailto:brad.molotsky@brandywinerealty.com)



Each such notice shall be deemed to have been given to or served upon the party to which addressed on the date the same is delivered or delivery is refused.

23. **BROKERS.** Landlord and Tenant each represents and warrants to the other that such party has had no dealings, negotiations or consultations with respect to the Premises or this transaction with any broker or finder other than CRESA Partners. Each party shall indemnify and hold the other harmless from and against all liability, cost and expense, including attorney's fees and court costs, arising out of any misrepresentation or breach of warranty under this Article.

24. **LANDLORD'S LIABILITY.** Landlord's obligations hereunder shall be binding upon Landlord only for the period of time that Landlord is in ownership of the Building; and, upon termination of that ownership, Tenant, except as to any obligations which are then due and owing, shall look solely to Landlord's successor in interest in the Building for the satisfaction of each and every obligation of Landlord hereunder. Landlord shall have no personal liability under any of the terms, conditions or covenants of this Lease and Tenant shall look solely to the equity of Landlord in the Building for the satisfaction of any claim, remedy or cause of action accruing to Tenant as a result of the breach of any section of this Lease by Landlord. In addition to the foregoing, no recourse shall be had for an obligation of Landlord hereunder, or for any claim based thereon or otherwise in respect thereof, against any past, present or future trustee, member, partner, shareholder, officer, director, partner, agent or employee of Landlord, whether by virtue of any statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such other liability being expressly waived and released by Tenant with respect to the above-named individuals and entities.

25. **RELOCATION.** Landlord, at its sole expense, on at least sixty (60) days' prior written notice to Tenant, may require Tenant to move from the Premises to another suite of substantially comparable size and decor in the Building or in the Project. In the event of any such relocation, Landlord shall pay all the expenses of preparing and decorating the new premises so that they will be substantially similar to the Premises, shall pay the expenses of moving Tenant's furniture and equipment to the new premises, shall pay for data wiring to the new premises and shall replenish office supplies and marketing materials up to a maximum of \$2,000 rendered obsolete by an address change.

26. **MISCELLANEOUS PROVISIONS.** (a) **Successors.** The respective rights and obligations provided in this Lease shall bind and inure to the benefit of the parties hereto, their successors and assigns; provided, however, that no rights shall inure to the benefit of any successors or assigns of Tenant unless Landlord's written consent for the transfer to such successor and/or assignee has first been obtained as provided in **Article 9** hereof; (b) **Governing Law.** This Lease shall be construed, governed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, without regard to principles relating to conflicts of law; (c) **Entire Agreement.** This Lease, including the Exhibits and any Riders hereto, supersedes any prior discussions, proposals, negotiations and discussions between the parties and the Lease contains all the agreements, conditions, understandings, representations and warranties made between the parties hereto with respect to the subject matter hereof, and may not be modified orally or in any manner other than by an agreement in writing signed by both parties hereto or their respective successors in interest. Without in any way limiting the generality of the foregoing, this Lease can only be extended pursuant to the terms hereof, with the due exercise of an option (if any) contained herein pursuant to a written agreement signed by both Landlord and Tenant specifically extending the term. No negotiations, correspondence by Landlord or offers to extend the term shall be deemed an extension of the termination date for any period whatsoever; (d) **Time of the Essence.** **TIME IS OF THE ESSENCE IN ALL PROVISIONS OF THIS LEASE, INCLUDING ALL NOTICE PROVISIONS TO BE PERFORMED BY OR ON BEHALF OF TENANT;** (e) **Accord and Satisfaction.** No payment by Tenant or receipt by Landlord of a lesser amount than any payment of Fixed Rent or Additional Rent herein stipulated shall be deemed to be other than on account of the earliest stipulated Fixed Rent or Additional Rent due and payable hereunder, nor shall any endorsement or statement or any check or any letter accompanying any check or payment as Rent be deemed an accord and satisfaction. Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Rent or pursue any other right or remedy provided for in this Lease, at law or in equity; (f) **Guaranty.** In order to induce Landlord to execute this Lease, Tenant agrees that Landlord may, at its option, at the time of the execution of this Lease or at any time during the Term, require a guaranty of the obligations of the Tenant hereunder by a person, firm, corporation, or other entity other than Tenant but with a business interest in Tenant, acceptable to Landlord, which guaranty shall be in a form satisfactory to Landlord. (g) **Force Majeure.** If by reason of strikes or other labor disputes, fire or other casualty (or reasonable delays in adjustment of insurance), accidents, orders or regulations of any Federal, State, County or Municipal authority, or any other cause beyond Landlord's reasonable control, Landlord is unable to furnish or is delayed in furnishing any utility or service required to be furnished by Landlord under the provisions of this Lease or is unable to perform or make or is delayed in performing or making any installations, decorations, repairs, alterations, additions or improvements, or is unable to fulfill or is delayed in fulfilling any of Landlord's other obligations under this Lease, no such inability or delay shall constitute an actual or constructive eviction, in whole or in part, or entitle Tenant to any abatement or diminution of Fixed Rent, or relieve Tenant from any of its obligations under this Lease, or impose any liability upon Landlord or its agents, by reason of inconvenience or annoyance to Tenant, or injury to or interruption of Tenant's business, or otherwise. (h) **Financial Statements.** Tenant shall furnish to Landlord, Landlord's Mortgagee, prospective Mortgage or purchaser reasonably requested financial information; (i) **Authority.** Tenant represents and warrants that (a) Tenant is duly organized,



validly existing and legally authorized to do business in the Commonwealth of Pennsylvania, and (b) the persons executing this Lease are duly authorized to execute and deliver this Lease on behalf of Tenant; (j) Attorneys' Fees. In connection with any litigation arising out of this Lease, the prevailing party, Landlord or Tenant, shall be entitled to recover all costs incurred, including reasonable attorneys' fees; (k) NAIC Number. Tenant acknowledges and agrees that its NAIC Number is \_\_\_\_\_.

27. CONSENT TO JURISDICTION. Tenant hereby consents to the exclusive jurisdiction of the state courts located in Montgomery and Delaware County and to the federal courts located in the Eastern District of Pennsylvania.

28. OFAC. Tenant represents, warrants and covenants that neither Tenant nor any of its partners, officers, directors, members or shareholders (i) is listed on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Asset Control, Department of the Treasury ("OFAC") pursuant to Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) ("Order") and all applicable provisions of Title III of the USA Patriot Act (Public Law No. 107-56 (October 26, 2001)); (ii) is listed on the Denied Persons List and Entity List maintained by the United States Department of Commerce; (iii) is listed on the List of Terrorists and List of Disbarred Parties maintained by the United States Department of State, (iv) is listed on any list or qualification of "Designated Nationals" as defined in the Cuban Assets Control Regulations 31 C.F.R. Part 515; (v) is listed on any other publicly available list of terrorists, terrorist organizations or narcotics traffickers maintained by the United States Department of State, the United States Department of Commerce or any other governmental authority or pursuant to the Order, the rules and regulations of OFAC (including without limitation the Trading with the Enemy Act, 50 U.S.C. App. 1-44; the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-06; the un repealed provision of the Iraq Sanctions Act, Publ.L. No. 101-513; the United Nations Participation Act, 22 U.S.C. § 2349 as-9; The Cuban Democracy Act, 22 U.S.C. §§ 6001-10; The Cuban Liberty and Democratic Solidarity Act, 18 U.S.C. §§ 2332d and 233; and The Foreign Narcotic Kingpin Designation Act, Publ. L. No. 106-120 and 107-108, all as may be amended from time to time); or any other applicable requirements contained in any enabling legislation or other Executive Orders in respect of the Order (the Order and such other rules, regulations, legislation or orders are collectively called the "Orders"); (vi) is engaged in activities prohibited in the Orders; or (vii) has been convicted, pleaded nolo contendere, indicted, arraigned or custodially detained on charges involving money laundering or predicate crimes to money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes or in connection with the Bank Secrecy Act (31 U.S.C. §§ 5311 et. seq.).

29. RENEWAL. Provided Tenant is neither in default at the time of exercise nor has Tenant ever been in default (irrespective of the fact that Tenant cured such default) of any monetary obligations under this Lease more than twice during the Term and such monetary default aggregates in excess of \$21,917.88, and Tenant is fully occupying the Premises and the Lease is in full force and effect, Tenant shall have the right to renew this Lease for one (1) term of five (5) years beyond the end of the initial Term ("Renewal Term"). Tenant shall furnish written notice of intent to renew nine (9) months prior to the expiration of the applicable Term, failing which, such renewal right shall be deemed waived; time being of the essence. The terms and conditions of this Lease during each Renewal Term shall remain unchanged except that the annual Fixed Rent for each Renewal Term shall be the greater of (i) the Fixed Rent for the term expiring, and (ii) Fair Market Rent (as such term is hereinafter defined). Anything herein contained to the contrary notwithstanding, Tenant shall have no right to renew the term hereof other than or beyond the one (1) term of five (5) years hereinabove described. It shall be a condition of such Renewal Term that Landlord and Tenant shall have executed, not less than six (6) months prior to the expiration of the then expiring term hereof, an appropriate amendment to this Lease, in form and content satisfactory to each of them, memorializing the extension of the term hereof for the next ensuing Renewal Term.

For purposes of this Lease, "Fair Market Rent and Terms" shall mean the base rent and Lease terms including free rent and improvement allowances, for comparable space. In determining the Fair Market Rent, Landlord, Tenant and any appraiser shall take into account applicable measurement and the loss factors, applicable lengths of lease term, differences in size of the space demised, the location of the Building and comparable buildings, amenities in the Building and comparable buildings, the ages of the Building and comparable buildings, differences in base years or stop amounts for operating expenses and tax escalations and other factors normally taken into account in determining Fair Market Rent. The Fair Market Rent shall reflect the level of improvement made or to be made by Landlord to the space and the Recognized Expenses and Taxes under this Lease. If Landlord and Tenant cannot agree on the Fair Market Rent, the Fair Market Rent shall be established by the following procedure: (1) Tenant and Landlord shall agree on a single MAI certified appraiser who shall have a minimum of ten (10) years experience in real estate leasing in the market in which the Premises is located, (2) Landlord and Tenant shall each notify the other (but not the appraiser), of its determination of such Fair Market Rent and the reasons therefor, (3) during the next seven (7) days both Landlord and Tenant shall prepare a written critique of the other's determination and shall deliver it to the other party, (4) on the tenth (10th) day following delivery of the critiques to each other, Landlord's and Tenant's determinations and critiques (as originally submitted to the other party, with no modifications whatsoever) shall be submitted to the appraiser, who shall decide whether Landlord's or Tenant's determination of Fair Market Rent is more correct. The determinations so chosen shall be the Fair Market Rent. The appraiser shall not be empowered to choose any number other than the Landlord's or Tenant's. The fees of the appraiser shall be paid by the non-prevailing party.

30. PORTFOLIO EXPANSION. Tenant may notify Landlord at any time during the Extension Term that Tenant desires to lease additional space within the portfolio of properties owned or controlled by Landlord,



Brandywine Realty Trust or any affiliate thereof ("BRT Portfolio") in the thirty (30) mile geographic region surrounding the Building, which additional space must represent an expansion of at least 130% from the Premises on a square foot basis. Subject to Tenant not being in default, nor Tenant ever having been in default under this Lease, Landlord shall then notify Tenant with regard to space that is available for lease within the BRT Portfolio that meets the requirements set forth above, if such space is available, and Landlord shall propose the basic economic terms upon which Landlord would be prepared to entertain the negotiation of a new lease for such space. Provided Landlord and Tenant negotiate, execute and deliver a lease in good faith for such space containing terms mutually acceptable to Landlord and Tenant in their sole discretion, Landlord and Tenant shall terminate this Lease and Tenant shall surrender the Premises upon the commencement date of the new lease.

31. EARLY TERMINATION. Tenant shall have a one-time right to terminate this Lease, at the end of the 36<sup>th</sup> month of the Term, provided Tenant (i) is not then in default, (ii) gives Landlord not less than nine (9) months prior written notice, and (iii) pays to Landlord, at the time of said notice, an amount equal to the unamortized cost of the transaction, amortized at 12% interest ("Termination Payment"). The unamortized cost will be calculated by submitting to Tenant an amortization schedule (Exhibit "E") of those specific costs (brokerage fees and contractor's invoices) to complete Landlord's Work. Failure to provide written notice and payment within the prescribed time frame will be considered by Landlord, without the necessity of additional notice, as a waiver of this right to terminate. Tenant acknowledges and agrees that the Termination Payment is not a penalty and is fair and reasonable compensation to Landlord for the loss of expected rentals from Tenant over the remainder of the scheduled term.

IN WITNESS WHEREOF, the parties hereto have executed this Lease, under Seal, the day and year first above written.

WITNESS:

LANDLORD:

BRANDYWINE OPERATING PARTNERSHIP, L.P.

By: Brandywine Realty Trust,  
its general partner

By: //SIGNED//Phillip M. Schenkel

Name: Phillip M. Schenkel

Title: Regional Vice President

ATTEST:

TENANT:

CLINFORCE, INC.

By: //SIGNED//Tony Sims 7/27/06

\_\_\_\_\_  
Name:

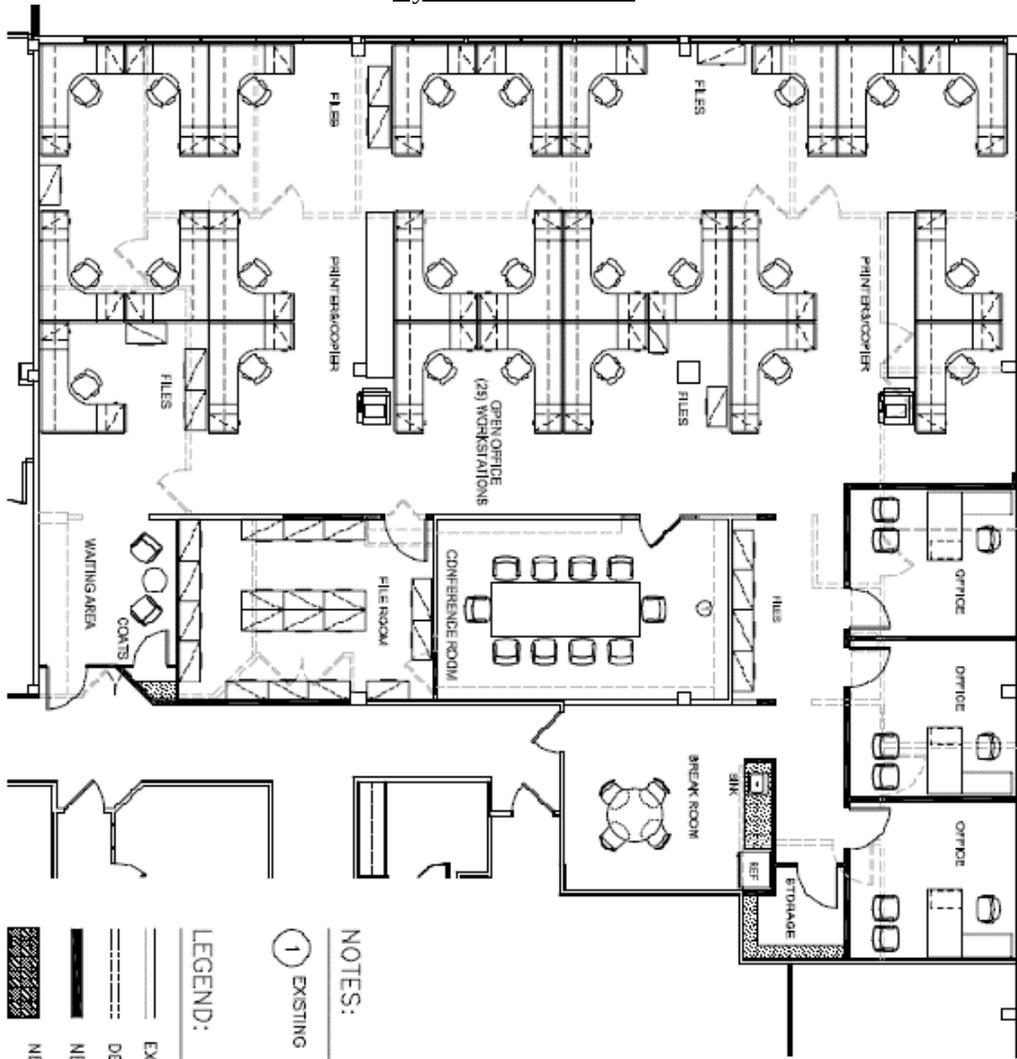
Title: Secretary

Name: Tony Sims

Title: President

**IF THIS LEASE IS NOT SIGNED BY TENANT BY JULY 31, 2006, IT WILL AUTOMATICALLY BECOME NULL AND VOID.**

**EXHIBIT "A"**  
**SPACE PLAN (SP1)**  
 May 17, 2006  
 By: CMA Architects



- LEGEND:**
- EXISTING PARTITIONS
  - - - DEMOLITION
  - NEW PARTITIONS
  - NEW MILLWORK

**NOTES:**

① EXISTING BOOKCASES TO BE REMOVED.

SP-1 <small>CMA NO. 260004.03</small>	REVISIONS	SPRINGHOUSE CORP. CENTER SECOND FLOOR 321 NORRISTOWN ROAD AMBLER, PA	<b>CMA</b> CHARLES MATSINGER ASSOCIATES <small>A PROFESSIONAL CORPORATION</small> 400 MARKET STREET SUITE 600 PHILADELPHIA, PA 19106 TEL: 215-576-5266 FAX: 215-576-5267	ARCHITECTURE PLANNING INTERIORS
	DATE: 05/17/06 DR: LS CR: SLW SCALE: 1/8" = 1'-0"			

EXHIBIT "B"

Tenant: ClinForce, Inc.  
Premises: Suite 200, 321 Norristown Rd., Ambler, PA  
Square Footage: 4,739

CONFIRMATION OF LEASE TERM

THIS MEMORANDUM is made as of the \_\_\_ day of \_\_\_\_\_, 2006, between BRANDYWINE OPERATING PARTNERSHIP, L.P., a Delaware limited partnership, with an office at 555 East Lancaster Ave., Suite 100, Radnor PA 19087 ("Landlord") and CLINFORCE, INC. with its principal place of business at 4815 Emperor Blvd., Durham, NC 27713 ("Tenant"), who entered into a lease dated for reference purposes as of \_\_\_\_\_, 2006, covering certain premises located at Suite 200, 321 Norristown Rd., Ambler, PA. All capitalized terms, if not defined herein, shall be defined as they are defined in the Lease.

1. The Parties to this Memorandum hereby agree that the date of \_\_\_\_\_, 2006 is the "Commencement Date" of the Term and the date \_\_\_\_\_ is the expiration date of the Lease.

2. Tenant hereby confirms the following:

(a) That it has accepted possession of the Premises pursuant to the terms of the Lease;

(b) That the improvements, including the Landlord Work, required to be furnished according to the Lease by Landlord have been substantially completed;

(c) That Landlord has fulfilled all of its duties of an inducement nature or is otherwise set forth in the Lease;

(d) That there are no offsets or credits against rentals, and the \$7,305.96 Security Deposit has been paid as provided in the Lease;

(e) That there is no default by Landlord or Tenant under the Lease and the Lease is in full force and effect.

3. Landlord hereby confirms to Tenant that its Building Number is 125 and its Lease Number is \_\_\_\_\_. This information must accompany each Rent check or wire payment.

4. Tenant's Notice Address is:

Tenant's Billing Address is:

ClinForce, Inc.  
4815 Emperor Blvd.  
Durham, NC 27713  
Attn: Maria Phillips  
Phone No. \_\_\_\_\_  
Fax No. \_\_\_\_\_  
E-mail: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_  
Phone No.: \_\_\_\_\_  
Fax No.: \_\_\_\_\_  
E-mail: \_\_\_\_\_

5. This Memorandum, each and all of the provisions hereof, shall inure to the benefit, or bind, as the



case may require, the parties hereto, and their respective successors and assigns, subject to the restrictions upon assignment and subletting contained in the Lease.

WITNESS:

\_\_\_\_\_

WITNESS:

LANDLORD:

BRANDYWINE OPERATING PARTNERSHIP, L.P.

By: Brandywine Realty Trust,  
its general partner

By: \_\_\_\_\_

TENANT:

CLINFORCE, INC.

By: \_\_\_\_\_

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EXHIBIT "C"

OFFICE CLEANING SPECIFICATIONS

DAILY

- Empty Trash and Recycle
- Remove Spots/Spills from Carpet
- Remove Visible Debris/Litter from Carpet
- Spot Clean Desks and Tables
- Straighten Chair – Furniture
- Turn Off Lights

WEEKLY

- Dust Desks and Computer Monitors
- Vacuum Carpet
- Clean Wastebaskets
- Clean Light Fixtures and Vents
- Clean Telephones
- Clean Walls, Switch Plates and Baseboards
- Dust File Cabinets, Partitions and Bookshelves
- Clean Chairs
- Clean Doors
- Clean Tables
- Dust Pictures and Surfaces Over 5'
- Dust Window Sills, Ledges and Radiators
- Spot Clean Side Light Glass

RESTROOM CLEANING SPECIFICATIONS

DAILY

- Sinks
- Floors
- Counters
- Trash Receptacle
- Toilet/Urinals
- Dispensers
- Door
- Spot Clean Walls
- Spot Clean Partitions

WEEKLY

- Dust Lights
- Dust Surfaces Over 5'
- Ceiling Vents
- Clean Walls
- Clean Partitions

FLOOR CARE SPECIFICATIONS

DAILY

- Spot Clean Carpet

WEEKLY

- Burnish Polished Surfaces

MONTHLY

- Machine Scrub Restroom Floors
- Scrub and Recoat Copy Room Floors
- Scrub and Recoat Kitchenette Floors

ONCE EVERY FOUR MONTHS

- Shampoo Conference Room Carpets

YEARLY

- Strip and Refinish all vinyl tile

*THESE SPECIFICATIONS ARE SUBJECT TO CHANGE WITHOUT NOTICE.*

*THE COST FOR ANY CLEANING OVER AND ABOVE THE STANDARD CLEANING SPECIFICATIONS IS TO BE BORNE BY THE  
TENANT*

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## EXHIBIT "D"

### BUILDING RULES AND REGULATIONS

Landlord reserves the right to rescind any of these rules and make such other and further rules and regulations as in the judgment of Landlord shall from time to time be needed for the safety, protection, care and cleanliness of the Project, the operations thereof, the preservation of good order therein and the protection and comfort of its tenants, their agents, employees and invitees, which rules when made and notice thereof given to Tenant shall be binding upon him, her or it in a like manner as if originally prescribed.

1. Sidewalks, entrances, passages, elevators, vestibules, stairways, corridors, halls, lobby and any other part of the Building shall not be obstructed or encumbered by any Tenant or used for any purpose other than ingress or egress to and from each tenant's premises. Landlord shall have the right to control and operate the common portions of the Building and exterior facilities furnished for common use of the tenants (such as the eating, smoking, and parking areas) in such a manner as Landlord deems appropriate.
2. No awnings or other projections shall be attached to the outside walls of the Building without the prior written consent of Landlord. All drapes, or window blinds, must be of a quality, type and design, color and attached in a manner approved by Landlord.
3. No showcases or other articles shall be put in front of or affixed to any part of the exterior of the Building, or placed in hallways or vestibules without prior written consent of Landlord.
4. Restrooms and other plumbing fixtures shall not be used for any purposes other than those for which they were constructed and no debris, rubbish, rags or other substances shall be thrown therein. Only standard toilet tissue may be flushed in commodes. All damage resulting from any misuse of these fixtures shall be the responsibility of the tenant who, or whose employees, agents, visitors, clients, or licensees shall have caused same.
5. No tenant, without the prior consent of Landlord, shall mark, paint, drill into, bore, cut or string wires or in any way deface any part of the Premises or the Building of which they form a part except for the reasonable hanging of decorative or instructional materials on the walls of the Premises.
6. Tenants shall not construct or maintain, use or operate in any part of the project any electrical device, wiring or other apparatus in connection with a loud speaker system or other sound/communication system which may be heard outside the Premises. Any such communication system to be installed within the Premises shall require prior written approval of Landlord.
7. No mopeds, skateboards, scooters or other vehicles and no animals, birds or other pets of any kind shall be brought into or kept in or about the Building other than a service animal performing a specified task.
8. No tenant shall cause or permit any unusual or objectionable odors to be produced upon or permeate from its premises.
9. No space in the Building shall be used for the manufacture of goods for sale in the ordinary course of business, or for sale at auction of merchandise, goods or property of any kind.
10. No tenant, or employees of tenant, shall make any unseemly or disturbing noises or disturb or interfere with the occupants of this or neighboring buildings or residences by voice, musical instrument, radio, talking machines, or in any way. All passage through the Building's hallways, elevators, and main lobby shall be conducted in a quiet, business-like manner. Skateboarding, rollerblading and rollerskating shall not be permitted in the Building or in the common areas of the Project.
11. No tenant shall throw anything out of the doors, windows, or down corridors or stairs of the Building.
12. Tenant shall not place, install or operate on the Premises or in any part of the Project, any engine, stove or machinery or conduct mechanical operations or cook thereon or therein (except for coffee machine, microwave oven, toasters and/or vending machine), or place or use in or about the Premises or Project any explosives, gasoline, kerosene oil, acids, caustics or any other flammable, explosive, or hazardous material without prior written consent of Landlord.
13. No smoking is permitted in the Building, including but not limited to the Premises, rest rooms, hallways, elevators, stairs, lobby, exit and entrances vestibules, sidewalks, parking lot area except for the designated exterior smoking area. All cigarette ashes and butts are to be deposited in the containers provided for same, and not disposed of on sidewalks, parking lot areas, or toilets within the Building rest rooms.

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14. Tenants are not to install any additional locks or bolts of any kind upon any door or window of the Building without prior written consent of Landlord. Each tenant must, upon the termination of tenancy, return to the Landlord all keys for the Premises, either furnished to or otherwise procured by such tenant, and all security access cards to the Building.
15. All doors to hallways and corridors shall be kept closed during business hours except as they may be used for ingress or egress.
16. Tenant shall not use the name of the Building, Project or Landlord in any way in connection with his business except as the address thereof. Landlord shall also have the right to prohibit any advertising by tenant, which, in its sole opinion, tends to impair the reputation of the Building or its desirability as a building for offices, and upon written notice from Landlord, tenant shall refrain from or discontinue such advertising.
17. Tenants must be responsible for all security access cards issued to them, and to secure the return of same from any employee terminating employment with them. Lost cards shall cost \$35.00 per card to replace. No person/company other than Building tenants and/or their employees may have security access cards unless Landlord grants prior written approval.
18. All deliveries by vendors, couriers, clients, employees or visitors to the Building which involve the use of a hand cart, hand truck, or other heavy equipment or device must be made via the Freight Elevator, if such Freight Elevator exists in the Building. Tenant shall be responsible to Landlord for any loss or damage resulting from any deliveries made by or for tenant to the Building. Tenant shall procure and deliver a certificate of insurance from tenant's movers which certificate shall name Landlord as an additional insured.
19. Landlord reserves the right to inspect all freight to be brought into the Building, and to exclude from the Building all freight or other material which violates any of these rules and regulations.
20. Tenant will refer all contractors, contractor's representatives and installation technicians, rendering any service on or to the premises for tenant, to Landlord for Landlord's approval and supervision before performance of any contractual service or access to Building. This provision shall apply to all work performed in the Building including installation of telephones, telegraph equipment, electrical devices and attachments and installations of any nature affecting floors, walls, woodwork, trim, windows, ceilings, equipment or any other physical portion of the Building. Landlord reserves right to require that all agents of contractors/vendors sign in and out of the Building.
21. 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 Landlord's management or security personnel.
22. Landlord may require, at its sole option, all persons entering the Building after 6 PM or before 7 AM, Monday through Friday and at any time on Holidays, Saturdays and Sundays, to register at the time they enter and at the time they leave the Building.
23. No space within the Building, or in the common areas such as the parking lot, may be used at any time for the purpose of lodging, sleeping, or for any immoral or illegal purposes.
24. No employees or invitees of tenant shall use the hallways, stairs, lobby, or other common areas of the Building as lounging areas during "breaks" or during lunch periods.
25. No canvassing, soliciting or peddling is permitted in the Building or its common areas by tenants, their employees, or other persons.
26. No mats, trash, or other objects shall be placed in the public corridors, hallways, stairs, or other common areas of the Building.
27. Tenant must place all recyclable items of cans, bottles, plastic and office recyclable paper in appropriate containers provided by Landlord in each tenant's space. Removal of these recyclable items will be by Landlord's janitorial personnel.
28. Landlord does not maintain suite finishes which are non-standard, such as kitchens, bathrooms, wallpaper, special lights, etc. However, should the need arise for repair of items not maintained by Landlord, Landlord at its sole option, may arrange for the work to be done at tenant's expense.
29. Drapes installed by tenant, which are visible from the exterior of the Building, must be cleaned by Tenant, at its own expense, at least once a year.
30. No pictures, signage, advertising, decals, banners, etc. are permitted to be placed in or on windows in such a manner as they are visible from the exterior, without the prior written consent of Landlord.
31. Tenant or tenant's employees are prohibited at any time from eating or drinking in hallways, elevators, rest rooms, lobby or lobby vestibules.

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32. Tenant shall be responsible to Landlord for any acts of vandalism performed in the Building by its employees, agents, invitees or visitors.
33. No tenant shall permit the visit to its Premises of persons in such numbers or under such conditions as to interfere with the use and enjoyment of the entrances, hallways, elevators, lobby or other public portions or facilities of the Building and exterior common areas by other tenants.
34. Landlord's employees shall not perform any work or do anything outside of their regular duties unless under special instructions from Landlord. Requests for such requirements must be submitted in writing to Landlord.
35. Tenant agrees that neither tenant nor its agents, employees, licensees or invitees will interfere in any manner with the installation and/or maintenance of the heating, air conditioning and ventilation facilities and equipment.
36. Landlord will not be responsible for lost or stolen personal property, equipment, money or jewelry from tenant's area or common areas of the Project regardless of whether such loss occurs when area is locked against entry or not.
37. Landlord will not permit entrance to tenant's Premises by use of pass key controlled by Landlord, to any person at any time without written permission of tenant, except employees, contractors or service personnel supervised or employed by Landlord.
38. Tenant and its agents, employees and invitees shall observe and comply with the driving and parking signs and markers on the Building grounds and surrounding areas.
39. Tenant and its employees, invitees, agents, etc. shall not enter other separate tenants' hallways, restrooms or premises unless they have received prior approval from Landlord's management.
40. Tenant shall not use or permit the use of any portion of the Premises for outdoor storage.

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## FIRST AMENDMENT TO LEASE

This First Amendment to Lease ("Amendment") made and entered into this 2nd day of January, 2007, by and between BRANDYWINE OPERATING PARTNERSHIP, L.P., a Delaware limited partnership ("Landlord"), and CLINFORCE, INC., a Delaware corporation with its principal place of business at 4815 Emperor Boulevard, Durham, NC 27713 ("Tenant").

WHEREAS, Landlord leased certain premises consisting of 4739 rentable square feet of space commonly referred to Suite 200 ("Original Premises") located at 321 Norristown Road, Ambler, PA, 19002 ("Building"), to Tenant pursuant to that certain Lease dated August, 2006, hereinafter referred to as "Lease," the Premises being more particularly described therein; and

WHEREAS, Tenant desires to expand the size of the Premises that they Lease by adding an additional 2,979 rentable square feet ("RSF") of space on the second floor of the Building (Suite 205) under the Lease;

WHEREAS, Landlord and Tenant wish to amend the Lease as follows;

NOW, THEREFORE, in consideration of these present and the agreement of each other, Landlord and Tenant agree that the Lease shall be and the same is hereby amended as follows:

1. Incorporation of Recitals. The recitals set forth above, the Lease referred to therein and the exhibits attached hereto are hereby incorporated herein by reference as if set forth in full in the body of this Amendment. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Lease.

2. Lease of Additional Premises.

(a) The Lease is hereby amended to provide that Landlord hereby demises and lets unto Tenant, and Tenant hereby leases and hires from Landlord, all that certain space on the second floor of the Building (Suite 205) containing approximately 2,979 RSF of space (the "Additional Premises"), as shown on Exhibit "A" which is attached hereto and made a part hereof. The term of the Lease for the Additional Premises shall commence on the date which is the earlier of (i) when Tenant, with Landlord's prior consent, assumes possession of the Additional Premises for its Permitted Uses, or (ii) upon substantial completion of the improvements required to be made by Landlord, if any under Article 2(b) below ("Additional Premises Commencement Date"). Substantial completion means that the initial improvements called for by this First Amendment have been completed to the extent that the Additional Premises may be occupied by Tenant for its Permitted Use, subject only to completion of minor finishing, adjustment of equipment, and other minor construction aspects, and Landlord has procured a temporary or permanent certificate of occupancy permitting the occupancy of the Additional Premises, if required by law (hereafter, "substantial completion"). It is the mutual intention of Landlord and Tenant that the Additional Premises shall be leased to and occupied by Tenant on and subject to all of the terms, covenants and conditions of the Lease except as otherwise expressly provided to the contrary in this First Amendment, and to that end Landlord and Tenant hereby agree that from and after the Additional Premises Commencement Date the word "Premises", as defined in the Lease, shall mean and include both the Original Premises and the Additional Premises, containing a total of 7,718 RSF, unless the context otherwise requires.

(b) The Additional Premises shall be delivered to Tenant on an "As Is" basis except as indicated on the mutually agreed upon Plan/Construction Scope of Work which shall be completed using building standard finishes ("Landlord's Work"), which is attached hereto, made a part hereof and marked as Exhibit "B". Upon completion of Landlord's Work, Landlord and Tenant shall schedule a pre-occupancy inspection of the Additional Premises at which time a punchlist of outstanding items, if any, shall be completed. Landlord shall use reasonable efforts to complete the items on the punchlist within thirty (30) days, or if the nature of the items requires additional time, within such additional time as is reasonable necessary.

(c) The Additional Premises Commencement Date shall be confirmed by Landlord and Tenant by the execution of a Confirmation of Lease Term in the form attached hereto as Exhibit "C". If Tenant fails to execute or object to the Confirmation of Lease Term within ten (10) business days of its delivery, Landlord's determination of such dates shall be deemed accepted.

3. Term: The Lease Term for the Additional Premises shall commence on the Additional Premises Commencement Date and terminate coterminously with the Lease.

4. Fixed Rent:

(a) From and after the Additional Premises Commencement Date, Tenant shall pay to Landlord Fixed Rent for the Premises (7,718 RSF) as follows:

<u>TIME PERIOD</u>	<u>PER RSF</u>	<u>MONTHLY INSTALLMENT</u>	<u>ANNUAL BASE RENT</u>
Additional Premises Commencement Date- Month 12 of Lease	\$18.50	\$11,898.58	\$142,783.00
Months 13-24 of Lease	\$19.00	\$12,220.17	\$146,642.00
Months 25-36 of Lease	\$19.50	\$12,541.75	\$150,501.00
Months 37-48 of Lease	\$20.00	\$12,863.33	\$154,360.00
Months 49-60 of Lease	\$20.50	\$13,184.92	\$158,219.00

(b) Tenant shall pay to Landlord without notice or demand, and without set-off, except as set forth in this Lease, the annual Fixed Rent payable in the monthly installments of Fixed Rent as set forth above, in advance on the first day of each calendar month during the Term by Term by (i) check sent to Landlord, P.O. Box 8538-363, Philadelphia, PA 19171 or (ii) wire transfer of immediately available funds to the account at Wachovia Bank, Salem NJ account no. 2030000359075 ABA #031201467; such transfer to be confirmed by Landlord's accounting department upon written request by Tenant. **All payments must include the following information: Building #125 and Lease #\_\_\_\_\_.** Such numbers shall be provided by Landlord within a reasonable time following execution of this Second Amendment.

5. Tenant's Proportionate Share. From and after the Additional Premises Commencement Date, Tenant's Proportionate Share shall be 12.86%.

6. Tenant Representations: Tenant hereby confirms that (i) the Lease is in full force and effect and Tenant is in possession of the Original Premises; (ii) there are no defaults by Landlord under the Lease, (iii) Tenant's security deposit is \$7,305.96; and (iv) the Base Year for the Original Premises and for the Additional Premises is 2006.

7. Brokerage Commission. Landlord and Tenant mutually represent and warrant to each other that they have not dealt, and will not deal, with any real estate broker or sales representative in connection with this proposed transaction except for John Behm of CRESA Partners. Each party agrees to indemnify, defend and hold harmless the other and their directors, officers and employees from and against all threatened or asserted claims, liabilities, costs and damages (including reasonable attorney's fees and disbursements) which may occur as a result of a breach of this representation.

8. Binding Effect. Except as expressly amended hereby, the Lease remains in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this agreement on the date first above written.

WITNESS:

//SIGNED//David Palasso

ATTEST:

\_\_\_\_\_

LANDLORD:

BRANDYWINE OPERATING PARTNERSHIP, L.P.

By: Brandywine Realty Trust, its general partner

By: //SIGNED//Philip M. Schenkel

Name: Philip M. Schenkel

Title: Regional Vice President

TENANT:

CLINFORCE, INC

By: //SIGNED//Tony Sims

Name: Tony Sims

Title: President

EXHIBIT "A"  
SPACE PLAN

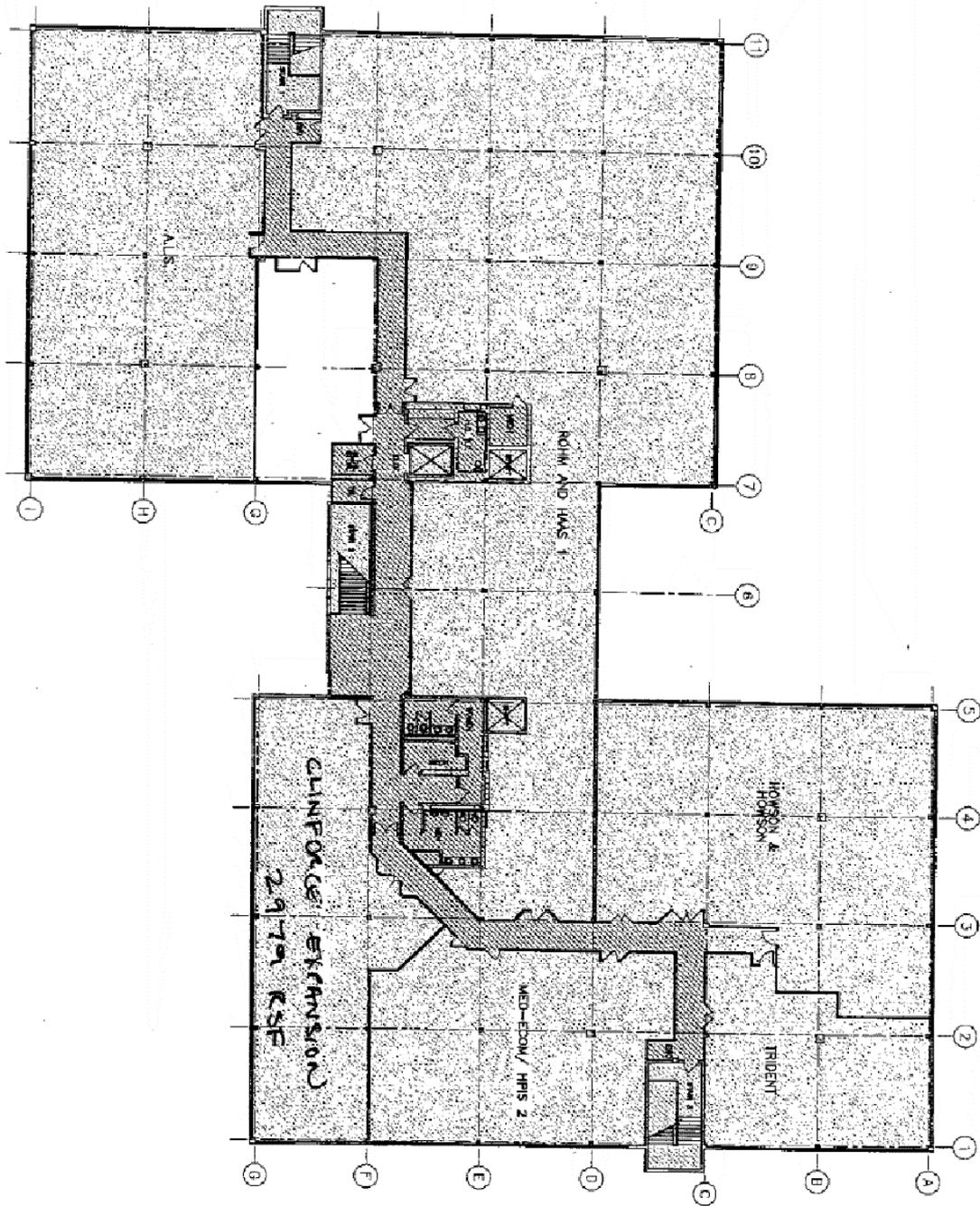
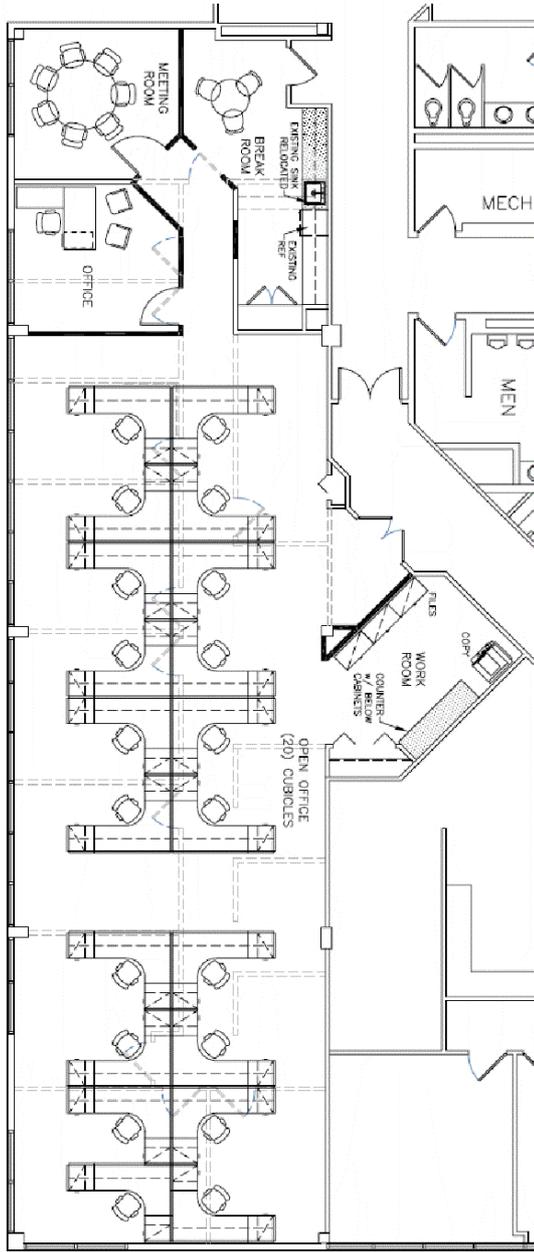


EXHIBIT "B"  
LANDLORD'S WORK



LEGEND:

-  EXISTING PARTITIONS
-  DEMOLITION
-  NEW PARTITIONS
-  NEW MILLWORK

SP-1	CMA CHARLES MATTHEWS ASSOCIATES <small>A Professional Corporation</small>	Architect Planning Interior
		400 MARKET STREET SUITE 600 PHILADELPHIA, PA 19106 TEL 215 525 4200 FAX 215 525 8537
DATE 11/13/06	SPRINGHOUSE CORP. CENTER SECOND FLOOR	
DWG. NO. LS	321 NORRISTOWN ROAD AMBLER, PA	
SCALE 1/8"=1'-0"		
DRAWN BY SLW		
CMA NO. 26006.07		

EXHIBIT "C"

Tenant: ClinForce, Inc.

Premises: Suites 200 and 205, 321 Norristown Rd., Ambler, PA

Square Footage: 7,718

CONFIRMATION OF LEASE TERM

THIS MEMORANDUM is made as of the \_\_\_ day of \_\_\_\_\_, 2006, between BRANDYWINE OPERATING PARTNERSHIP, L.P., a Delaware limited partnership, with an office at 555 East Lancaster Ave., Suite 100, Radnor PA 19087 ("Landlord") and CLINFORCE, INC. with its principal place of business at 4815 Emperor Blvd., Durham, NC 27713 ("Tenant"), who entered into a lease dated for reference purposes as of \_\_\_\_\_, 2006, covering certain premises located at Suites 200 and 205, 321 Norristown Rd., Ambler, PA. All capitalized terms, if not defined herein, shall be defined as they are defined in the Lease.

1. The Parties to this Memorandum hereby agree that the date of \_\_\_\_\_, 200\_ is the "Commencement Date" of the Term and the date \_\_\_\_\_ is the expiration date of the Lease.

2. Tenant hereby confirms the following:

(a) That it has accepted possession of the Premises pursuant to the terms of the Lease;

(b) That the improvements, including the Landlord Work, required to be furnished according to the Lease by Landlord have been substantially completed;

(c) That Landlord has fulfilled all of its duties of an inducement nature or is otherwise set forth in the Lease;

(d) That there are no offsets or credits against rentals, and the \$7,305.96 Security Deposit has been paid as provided in the Lease;

(e) That there is no default by Landlord or Tenant under the Lease and the Lease is in full force and effect.

3. Landlord hereby confirms to Tenant that its Building Number is 125 and its Lease Number is \_\_\_\_\_. This information must accompany each Rent check or wire payment.

4. Tenant's Notice Address is:

Tenant's Billing Address is:

ClinForce, Inc.  
4815 Emperor Blvd.  
Durham, NC 27713  
Attn: Maria Phillips  
Phone No. 919-433-3830  
Fax No. 919-433-2099  
E-mail: mphilips@clinforce.com

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_  
Phone No.: \_\_\_\_\_  
Fax No.: \_\_\_\_\_  
E-mail: \_\_\_\_\_

5. This Memorandum, each and all of the provisions hereof, shall inure to the benefit, or bind, as the case may require, the parties hereto, and their respective successors and assigns, subject to the restrictions upon assignment and subletting contained in the Lease.

WITNESS:

\_\_\_\_\_

WITNESS:

LANDLORD:

BRANDYWINE OPERATING PARTNERSHIP, L.P.

By: Brandywine Realty Trust,  
its general partner

By: \_\_\_\_\_

TENANT:

CLINFORCE, INC.

By: //SIGNED//Tony Sims  
\_\_\_\_\_

**SECOND AMENDMENT TO LEASE**

This Second Amendment to Lease ("Amendment") made and entered into this 23<sup>rd</sup> day of September, 2008, by and between G & I VI 321/323 NORRISTOWN FE LLC, a Delaware limited liability company and successor to Brandywine Operating Partnership, L.P., hereinafter referred to as "Landlord" and CLINFORCE, INC., a Delaware corporation with its principal place of business at 4815 Emperor Boulevard, Durham, NC 27713, hereinafter referred to as "Tenant"

WHEREAS, Landlord leased two non-adjacent suites totaling 7,718 rentable square feet ("RSF") of space commonly referred to as Suite 200 (4,739 RSF) and Suite 205 (2,979 RSF) (collectively, the "Original Premises") located at 321 Norristown Road, Ambler, PA, 19002 ("Building"), to Tenant pursuant to that certain Lease dated August 7, 2006, as amended January 2, 2007, hereinafter collectively referred to as "Lease," the Original Premises being more particularly described therein; and

WHEREAS, Tenant desires to expand the size of the Original Premises by adding an additional 3,436 RSF of space (Suite 215) under the Lease;

WHEREAS, Landlord and Tenant wish to amend the Lease as follows;

NOW, THEREFORE, in consideration of these present and the agreement of each other, Landlord and Tenant agree that the Lease shall be and the same is hereby amended as follows:

1. Incorporation of Recitals. The recitals set forth above, the Lease referred to therein and the exhibits attached hereto are hereby incorporated herein by reference as if set forth in full in the body of this Amendment. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Lease.

2. Lease of Additional Premises.

(a) The Lease is hereby amended to provide that Landlord hereby demises and lets unto Tenant, and Tenant hereby leases and hires from Landlord, all that certain space on the second floor of the Building containing approximately 3,436 RSF of space (Suite 215) (the "Additional Premises"), as shown on Exhibit "A", attached hereto and made a part hereof.

(b) The term of the Lease for the Additional Premises shall commence on the date which is the earlier of (i) when Tenant, with Landlord's prior consent, assumes possession of the Additional Premises for its Permitted Uses, or (ii) upon substantial completion of the improvements required to be made by Landlord to the Additional Premises under Article 2(c) below ("Additional Premises Commencement Date"). Substantial completion means that the initial improvements called for by this Second Amendment have been completed to the extent that the Additional Premises may be occupied by Tenant for its Permitted Use, subject only to completion of minor finishing, adjustment of equipment, and other minor construction aspects, and Landlord has procured a temporary or permanent certificate of occupancy permitting the occupancy of the Additional Premises, if required by law (hereafter, "substantial completion"). It is estimated that the Additional Premises Commencement Date will be November 1, 2008. It is the mutual intention of Landlord and Tenant that the Additional Premises shall be leased to and occupied by Tenant on and subject to all of the terms, covenants and conditions of the Lease except as otherwise expressly provided to the contrary in this Second Amendment, and to that end, Landlord and Tenant hereby agree that from and after the Additional Premises Commencement Date, the word "Premises", as defined in the Lease, shall mean and include both the Original Premises and the Additional Premises, containing a total of 11,154 RSF, unless the context otherwise requires.

(c) The Additional Premises shall be delivered to Tenant on an "As Is" basis except as indicated on the mutually agreed upon Plan/Construction Scope of Work entitled "SP-3", dated July 18, 2008 and drawn by Charles Matsinger Associates, which shall be turn-keyed by Landlord using building standard finishes ("Landlord's Work"), and which is attached hereto, made a part hereof and marked as Exhibit "B".

(c) Upon completion of Landlord's Work, Landlord and Tenant shall schedule a pre-occupancy inspection of the Additional Premises, at which time a punchlist of outstanding items, if any, shall be completed. Landlord shall use reasonable efforts to complete the items on the punchlist within thirty (30) days, or if the nature of the items requires additional time, within such additional time as is reasonable necessary.

(d) The Additional Premises Commencement Date shall be confirmed by Landlord and Tenant by the execution of a Confirmation of Lease Term in the form attached hereto as Exhibit "C". If Tenant fails to execute or object to the Confirmation of Lease Term within ten (10) business days of its delivery, Landlord's determination of such dates shall be deemed accepted.

3. Term: The Lease Term for the Additional Premises shall commence on the Additional Premises Commencement Date. The Additional Premises shall terminate 60 months following the Additional Premises Commencement Date ("Additional Premises Termination Date"). The Lease Term for the Original Premises shall now terminate coterminously with the Additional Premises on the Additional Premises Termination Date.

4. Fixed Rent:

(a) From and after the Additional Premises Commencement Date, Tenant shall pay to Landlord Fixed Rent for the Original Premises and the Additional Premises (11,154 RSF) as follows:

<u>TIME PERIOD</u>	<u>PER RSF</u>	<u>MONTHLY INSTALLMENT</u>	<u>ANNUAL BASE RENT</u>
Additional Premises Commencement Date- 9/30/09	\$19.50	\$18,125.25	\$217,503.00
10/1/09-9/30/10	\$20.00	\$18,590.00	\$223,080.00
10/1/10-9/30/11	\$20.50	\$19,054.75	\$228,657.00
10/1/11-9/30/12	\$21.00	\$19,519.50	\$234,234.00
10/1/12- Additional Premises Termination Date	\$21.50	\$19,984.25	\$239,811.00

(b) Tenant shall pay to Landlord without notice or demand, and without set-off, except as set forth in this Lease, the annual Fixed Rent payable in the monthly installments of Fixed Rent as set forth above, in advance on the first day of each calendar month during the Term by (i) check sent to Landlord at G & I VI Interchange Office LLC, Lockbox #6921, PO Box 8500, Philadelphia, PA 17178-6921 or (ii) wire transfer of immediately available funds to the account at Wachovia Bank, G & I VI Interchange Office LLC, Account #2000030594526, ABA #031201467; such transfer to be confirmed by Landlord's accounting department upon written request by Tenant. **All payments must include the following information: Building #D125 and Lease #008518.** Such numbers shall be provided by Landlord within a reasonable time following execution of this Second Amendment.

5. Tenant's Proportionate Share. From and after the Additional Premises Commencement Date, Tenant's Proportionate Share shall be 18.59%.

6. **Tenant Representations:** Tenant hereby confirms that (i) the Lease is in full force and effect and Tenant is in possession of the Original Premises; (ii) there are no defaults by Landlord under the Lease, (iii) Tenant's security deposit is \$7,305.96; and (iv) the Base Year for the Original Premises and for the Additional Premises is 2006.

7. **Brokerage Commission:** Landlord and Tenant mutually represent and warrant to each other that they have not dealt, and will not deal, with any real estate broker or sales representative in connection with this proposed transaction except for CRESA Partners. Each party agrees to indemnify, defend and hold harmless the other and their directors, officers and employees from and against all threatened or asserted claims, liabilities, costs and damages (including reasonable attorney's fees and disbursements) which may occur as a result of a breach of this representation.

8. **Binding Effect.** Except as expressly amended hereby, the Lease remains in full force and effect in accordance with its terms. **Tenant specifically acknowledges and agrees that Article 18 of the Lease concerning Confession of Judgment is and shall remain in full force and effect in accordance with its terms.**

9. **New Notice Addresses for Landlord:** All notices under the Lease shall be sent to Landlord at the following addresses:

G & I VI 321/323 NORRISTOWN FE, LLC  
c/o DRA Advisors LLC  
220 East 42<sup>nd</sup> Street  
New York, New York 10017

with a copy to

Brandywine Operating Partnership, L.P.  
555 East Lancaster Ave.  
Suite 200  
Radnor, PA 19087  
Attn: H. Jeffrey DeVuono  
Phone No. 610-325-5600  
Fax No. 610-325-5622  
E-mail: [jeff.devuono@bdnreit.com](mailto:jeff.devuono@bdnreit.com)

Brandywine Realty Trust  
555 East Lancaster Ave.  
Suite 100  
Radnor, PA 19087  
Attn: Brad A. Molotsky  
Phone No. 610-325-5600  
Fax No. 610-832-4928  
E-mail: [brad.molotsky@bdnreit.com](mailto:brad.molotsky@bdnreit.com)

10. **OFAC/PATRIOT ACT COMPLIANCE.** Tenant represents, warrants and covenants that Tenant is not (i) listed on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Asset Control, Department of the Treasury ("OFAC") pursuant to Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) ("Order") and all applicable provisions of Title III of the USA Patriot Act (Public Law No. 107-56 (October 26, 2001)); (ii) listed on the Denied Persons List and Entity List maintained by the United States Department of Commerce; (iii) listed on the List of Terrorists and List of Disbarred Parties maintained by the United States Department of State, (iv) listed on any list or qualification of "Designated Nationals" as defined in the Cuban Assets Control Regulations 31 C.F.R. Part 515; (v) listed on any other publicly available list of terrorists, terrorist organizations or narcotics traffickers maintained by the United States Department of State, the United States Department of Commerce or any other governmental authority or pursuant to the Order, the rules and regulations of OFAC (including without limitation the Trading with the Enemy Act, 50 U.S.C. App. 1-44; the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-06; the unpealed provision of the Iraq Sanctions Act, Publ.L. No. 101-513; the United Nations Participation Act, 22 U.S.C. § 2349 as-9; The Cuban Democracy Act, 22 U.S.C. §§ 6001-10; The Cuban Liberty and Democratic Solidarity Act, 18 U.S.C. §§ 2332d and 233; and The Foreign Narcotic Kingpin Designation Act, Publ. L. No. 106-120 and 107-108, all as may be amended from time to time); or any other applicable requirements contained in any enabling legislation or other Executive Orders in respect of the Order (the Order and such other rules, regulations, legislation or orders are collectively called the "Orders"); (vi) engaged in activities prohibited in the Orders; or (vii) (and has not been) convicted, pleaded nolo contendere, indicted, arraigned or custodially detained on charges involving money laundering or predicate crimes to money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes or in connection with the Bank Secrecy Act (31 U.S.C. §§ 5311 et. seq.). Tenant further represents, warrants and

covenants that Tenant shall conduct its business operations in compliance with the forgoing laws, rules, orders and regulations.

Tenant hereby agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities, and expenses (including attorney's fees and costs) arising from or related to any breach of the foregoing representations, warranties and covenants. The breach of either of the above representations, warranties and covenants by Tenant shall be an Event of Default under this Lease.

11. Additional Rent. The management fee in Article 4 of the Lease is hereby amended to provide that it shall not exceed 3% of Rent.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this agreement on the date first above written.

LANDLORD:  
G & I VI 321/323 NORRISTOWN FE LLC

WITNESS:

//SIGNED//Y. Alexander

By: //SIGNED//Jean Marie Apruzzese  
Name: Jean Marie Apruzzese  
Title: Vice President

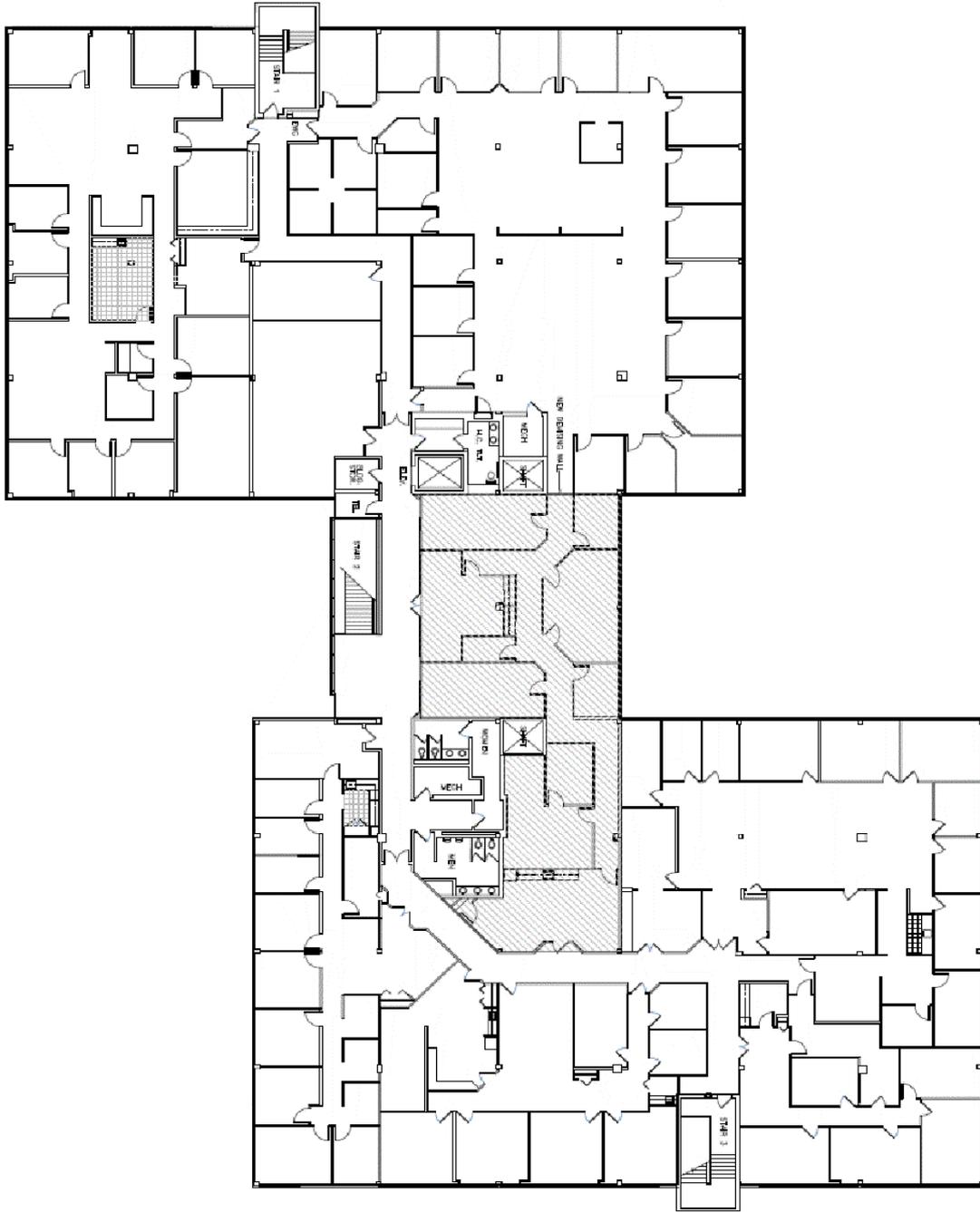
TENANT:  
CLINFORCE, INC

ATTEST:

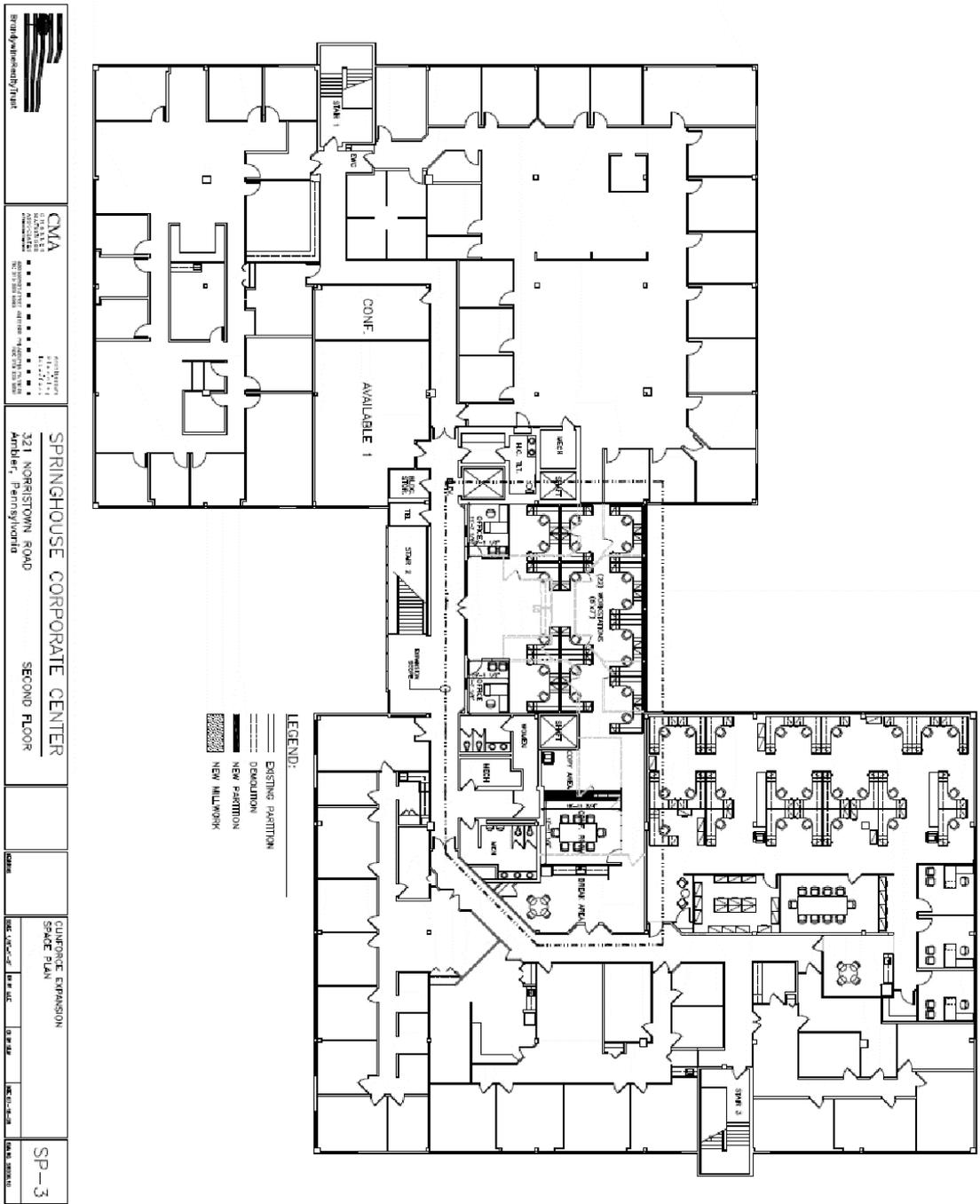
//SIGNED//Maria Phillips

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

EXHIBIT "A"  
SPACE PLAN OF THE ADDITIONAL PREMISES



**EXHIBIT "B"**  
**LANDLORD'S WORK**



**CMA**  
COMMERCIAL  
MANAGEMENT  
ASSOCIATES  
L.L.C.  
1000 MARKET STREET  
SUITE 200  
PHILADELPHIA, PA 19102  
TEL: 215-581-1000  
WWW.CMAA.COM

**SPRINGHOUSE CORPORATE CENTER**  
321 NORRISTOWN ROAD  
Andler, Pennsylvania  
**SECOND FLOOR**

DATE: 08/11/10

CLIENT: CLURGROVE EXPANSION  
SPACE PLAN  
DESIGNER: BENTWOOD/LEHIGH VALLEY  
DATE: 08/11/10

**SP-3**

Tenant: ClinForce, Inc.

Premises: Suite 215, 321 Norristown Rd., Ambler, PA

Total Square Footage: 11,154

CONFIRMATION OF LEASE TERM

THIS MEMORANDUM is made as of the \_\_\_ day of \_\_\_\_\_, 2008, between G & I VI 321/323 NORRISTOWN FE LLC, a Delaware limited liability company, with an office at 220 East 42<sup>nd</sup> Street, New York, New York ("Landlord") and CLINFORCE, INC. with its principal place of business at 4815 Emperor Blvd., Durham, NC 27713 ("Tenant"), who entered into an amendment dated for reference purposes as of \_\_\_\_\_, 2008, covering certain premises located at Suite 215, 321 Norristown Rd., Ambler, PA. All capitalized terms, if not defined herein, shall be defined as they are defined in the Lease.

1. The Parties to this Memorandum hereby agree that the date of \_\_\_\_\_, 200\_ is the "Additional Premises Commencement Date" of the Term and the date \_\_\_\_\_ is the expiration date of the Lease.

2. Tenant hereby confirms the following:

(a) That it has accepted possession of the Additional Premises pursuant to the terms of the Second Amendment;

(b) That the improvements, including the Landlord's Work, required to be furnished according to the Lease by Landlord have been substantially completed;

(c) That Landlord has fulfilled all of its duties of an inducement nature or is otherwise set forth in the Second Amendment;

(d) That there are no offsets or credits against rentals, and the \$7,305.96 Security Deposit has been paid as provided in the Lease;

(e) That there is no default by Landlord or Tenant under the Lease and the Lease is in full force and effect.

3. Landlord hereby confirms to Tenant that its Building Number is D125 and its Lease Number is \_\_\_\_\_. This information must accompany each Rent check or wire payment.

4. Tenant's Notice Address is:

Tenant's Billing Address is:

ClinForce, Inc.  
4815 Emperor Blvd.  
Durham, NC 27713  
Attn: Maria Phillips  
Phone No. \_\_\_\_\_  
Fax No. \_\_\_\_\_  
E-mail: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_  
Phone No.: \_\_\_\_\_  
Fax No.: \_\_\_\_\_  
E-mail: \_\_\_\_\_

5. This Memorandum, each and all of the provisions hereof, shall inure to the benefit, or bind, as the

case may require, the parties hereto, and their respective successors and assigns, subject to the restrictions upon assignment and subletting contained in the Lease.

WITNESS:

\_\_\_\_\_

WITNESS:

LANDLORD:

G & I VI 321/323 NORRISTOWN FE LLC

By: \_\_\_\_\_

TENANT:

CLINFORCE, INC.

By: \_\_\_\_\_

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (“**Agreement**”) is made this 9th day of September, 2008, by and between **JAMES E. GINTER** (“**Employee**”) and **STONECO H, INC.** (“**Company**”), a Delaware corporation.

WITNESSETH:

WHEREAS, Company has acquired substantially all of the assets and business of MDA Holdings, Inc., a Georgia corporation (“**Holdings**”), Medical Doctor Associates, Inc., a Georgia corporation (“**MDA - GA**”), Allied Health Group, Inc., a Georgia corporation (“**AHG**”), Credent Verification and Licensing, Inc., a Georgia corporation (“**CVL**”) and all of the issued and outstanding shares of Jamestown Indemnity, Ltd. (“**Jamestown**,” together with Holdings, MDA-GA, AHG and CVL, collectively referred to herein as “**MDA**”);

WHEREAS, Employee previously served as the former President of Holdings;

WHEREAS, Company is engaged in the business of contracting with physicians and allied health professionals for temporary and/or permanent assignments at healthcare facilities throughout the United States and the Employee will be involved in that business after the date hereof;

WHEREAS, Employee possesses certain skills which Company wishes to utilize in its business, and Employee wishes to provide certain services to Company upon the terms and conditions set forth in this Agreement; and

NOW, THEREFORE, in consideration of the premises and of the mutual promises and agreements contained herein and other good and valuable consideration, the receipt, legal adequacy and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Employment.** Company engages Employee to serve as the President of Company, and, subject to the limitations on the assignment of duties set forth in Section 3(a), Employee agrees to serve Company as an employee in any capacity as the CEO of Cross Country Healthcare, Inc. and its Board of Directors may, from time to time, determine, upon the terms and conditions hereinafter set forth. Unless otherwise directed by the CEO of Cross Country Healthcare, Inc. or its Board of Directors, Employee shall report to the CEO of Cross Country Healthcare, Inc.

2. **Term; Renewal.** The term of Employee’s employment under this Agreement shall be for an initial term commencing and ending on the dates set forth on **Addendum A** attached hereto and incorporated herein by reference, which term shall automatically renew for successive one (1) year terms, on the same terms and conditions set forth herein, unless either Company or Employee gives written notice to the other, at least sixty (60) days prior to the expiration of the initial term or any renewal term, that the then current term will not renew.

3. **Services; Duties.**

(a) During the term of Employee’s employment hereunder, Employee shall serve in the capacities and perform the duties and responsibilities described in numbered item 5 of **Addendum A**, or as are normally associated with the position of

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President. The Employee shall also perform such additional or other duties as may be delegated to Employee by the CEO of Cross Country Healthcare, Inc. or its Board of Directors; provided, however, that such additional or other duties shall be (i) consistent with the needs of Company, (ii) consistent with Employee's skills and experience, and (iii) commensurate with Employee's title and level of compensation. Any material diminution or increase in Employee's duties or responsibilities, or change in duties or responsibilities that would require Employee to engage in employment outside the Atlanta metropolitan area for periods of time materially greater than those required while Employee was employed by Holdings, must be approved by Employee.

- (b) During the term of Employee's employment hereunder, except for periods of illness, disability, reasonable vacation periods, and reasonable leaves of absence, all subject to policies generally applicable to other senior executives of Company or Cross Country Healthcare, Inc. ("**Cross Country**"), Employee shall devote substantially all of Employee's business time, attention, energy and skill to the business of Company, and shall perform such services in a faithful, competent, and diligent manner at the direction of the CEO of Cross Country Healthcare, Inc. Employee shall take actions that are reasonable and consistent with Employee's past practices as the former President. Employee agrees that Employee will not hold any concurrent employment or business positions without the prior express written consent of Company. Employee shall be eligible to participate as a member in community, civic, religious, or similar organizations, including service on the board of directors or trustees of such organizations, and may pursue personal investments which do not present any conflict of interest with Company, or unfavorably affect the performance of Employee's duties pursuant to this Agreement.
- (c) During the term of Employee's employment hereunder, Company shall provide Employee with such equipment, office space and administrative support as Company determines in its business judgment to be appropriate for Employee to perform Employee's duties and responsibilities hereunder.
- (d) The Employee shall comply with all reasonable policies and procedures generally applicable to senior executives of Company adopted by Company from time to time.
- (e) The office of Employee shall be located at Company's main office in Norcross, Georgia, or at such other location within thirty (30) miles of the main office in Norcross, Georgia, as Company may from time to time designate..

**4. Compensation as Employee.**

- (a) At all times during the initial term or any renewal term of this Agreement, Company shall pay Employee's base compensation as reflected on Addendum B attached hereto and incorporated herein by reference ("**Employee's Initial Base Salary**"), payable at Company's usual payroll dates, and provide Employee with the opportunity to earn bonuses under a bonus plan, also as set forth on Addendum B, and any other benefits set forth in Addendum B. During the initial term or any renewal term hereof, Employee's base compensation shall not be

reduced below Employee's Initial Base Salary and Employee's bonuses shall be substantially similar to the bonus described on **Addendum B** and, in no event, any less favorable to Employee than such bonus plan. All amounts paid hereunder by Company to Employee shall be subject to all applicable local, state and federal withholding taxes.

- (b) Company shall pay or reimburse Employee for all reasonable travel and other expenses incurred by Employee in the performance of Employee's obligations and duties under this Agreement. Upon submission of such vouchers, receipts and other evidence as may be required by Company, Employee shall be entitled to receive reimbursement from Company, in accordance with Company's reimbursement practices for expenses for other senior executives of Company or Cross Country.

**5. Termination of Employment.**

- (a) In the event the employment of Employee is terminated (i) for cause; or (ii) Employee resigns Employee's employment with Company (other than for good reason) or fails to accept Company's renewal of this Agreement upon terms that are substantially the same as those contained herein; or (iii) Company does not renew the initial or any renewal term of this Agreement for any reason other than for cause, Employee (or Employee personal representative) shall be paid all accrued salary, earned bonus pursuant to Addendum B, and any other benefits which have then accrued and to which Employee is entitled to as of the date of termination. However, in the event of a termination described in this subsection (a), Employee shall not be entitled to the severance compensation provided for in subsection (b). Provided, further, if Employee's employment is terminated under any of the circumstances described in subsections (a)(i), (a)(ii) or (a)(iii) of this Section 5, Employee also shall be subject to the restrictive covenant provisions of Section 7 as well as Employee independent nondisclosure obligations set forth in Section 8.
- (b) In the event (i) the employment of Employee is terminated for any reason other than the circumstances described in subsection (a) of this Section 5 or (ii) Employee terminates this Agreement "for good reason" (as such term is defined in Section 5(f), then in addition to receiving all accrued salary, earned bonus pursuant to Addendum B any other benefits which have then accrued and to which Employee is entitled to as of the date of termination, Company further agrees, subject to its right of set off provided for in Section 9(a) and subject to Employee's performance of the restrictive covenants provided for in Section 7 as well as Employee independent nondisclosure obligations set forth in Section 8 respectively, to provide Employee with severance compensation. The amount of such severance compensation shall be equal to the average of Employee's annual compensation as reported on IRS Form W-2, for the two full calendar years preceding the date of Employee's termination of employment. The severance compensation will be paid for a period equal to one (1) year (which is the period of non-competition and non-solicitation provided for under this Agreement).

- (c) The portion of Employee's severance compensation which constitutes payments equal to Employee average compensation shall be paid by Company to Employee in equal installments over the months specified in subsection (b), commencing on the date of Employee's termination of employment under this Agreement. Such severance payments shall be made on Company's usual payroll dates.
- (d) All amounts paid under subsections (b) and (c) to Employee shall be subject to any applicable local, state or federal withholding taxes.
- (e) For purposes of this Agreement, "**for cause**" means (i) Employee's gross negligence in the performance or intentional nonperformance of any of Employee's material duties and responsibilities as an officer or employee of Company which is not due to a medical impairment (as certified in writing by an independent physician selected by Employee with the approval of Company, which approval shall not be unreasonably withheld, and licensed to practice medicine in the State of Georgia) or total disability and which is not remedied within thirty (30) days after receipt by Employee of written notice thereof from Company, (ii) conviction of any felony, (iii) Employee's proven commission of fraud, (iv) Employee's confirmed positive illegal drug test result, or (v) Employee's proven willful breach of this Agreement that materially and adversely affects Company.
- (f) For purposes of this Agreement, "**for good reason**" means any situation during the term of this Agreement in which the status, character, capacity, location, or circumstances of Employee's employment have been materially and adversely altered by Company, whether by (1) any relocation of Employee's office to a location that is more than thirty (30) miles of Company's main office in Norcross without Employees consent, (2) any change in duties or responsibilities that would require Employee to engage in employment outside the Atlanta metropolitan area for periods of time materially greater than those required while Employee was employed by Holdings, (3) any material breach of this Agreement by Company, (4) any material and adverse change in the title, reporting relationship(s), responsibilities, or perquisites of Employee, and/or (5) any assignment of duties materially and adversely inconsistent with Employee's position and duties as described in this Agreement or inconsistent with Employee's skill and experience.
- (g) For purposes of this Agreement, "**total disability**" shall mean the inability of Employee to perform the material aspects of Employee's duties under this Agreement for a period of at least ninety (90) substantially consecutive days, as determined by an independent physician selected by Employee with the approval of Company, which approval shall not be unreasonably withheld, and licensed to practice medicine in the State of Georgia.
- (h) In the event that Employee's employment is terminated under Section 5 (b), then Company shall pay Employee an additional amount equal to Employee's cost of COBRA health continuation coverage for Employee and Employee's dependants for so long as Employee and Employee's eligible dependants are entitled to receive COBRA continuation coverage from Company under the applicable laws, rules and regulations governing COBRA. For purposes of this Section 5 (i) and

the Employee's right to elect continued coverage under Company's group health plan under COBRA, in the case of a termination of the Employee's employment with Company under Section 5 (b), Employee's "qualifying event" (within the meaning of Internal Revenue Code Section 4980B(f)(3)) shall be deemed to occur as of the date termination under Section 5 (b) begins.

**6. Employee Benefits.**

- (a) In addition to Employee's basic annual salary, Employee shall be entitled to earn bonuses in accordance with the bonus plan described in **Addendum B**.
- (b) During the term of Employee's employment under this Agreement, Employee shall be entitled to participate in the Cross Country Healthcare, Inc. 2007 Equity Participation Plan, savings plans, and retirement plans applicable generally to other senior executives of Company or Cross Country, on the same basis as such other senior executives, unless otherwise prohibited by the terms of such plans.
- (c) During the term of Employee's employment hereunder, Employee shall be entitled to participate and receive benefits from, upon the same terms and conditions applicable to employees generally, in any life, health, hospitalization, any other insurance program, and any other health and employee welfare benefit plan or program which Company may from time to time provide or make available to other senior executives of Company or Cross Country and for which Employee is eligible and qualified. Provided, however, if the inclusion of Employee under any such program or plan causes or would cause either such program or plan to be terminated or Company to incur a materially disproportionate additional cost, Company may elect to provide benefits of a substantially similar nature which avoids such adverse effects.
- (d) Employee shall be entitled, without loss of pay, to vacation and sick leave as set forth on **Addendum C** attached hereto and incorporated herein by reference.
- (e) Except as otherwise provide by law, Employee's tenure during Employee's employment with Holdings shall be considered tenure with Company for purposes of qualifying for participation and vesting in any of the benefit programs addressed in Sections 6(b),(c), and (d). Under no circumstances shall the benefits provided to Employee pursuant Sections 6(b),(c), and (d) be materially less beneficial than the benefits provided to Employee while Employee was employed with Holdings.

**7. Restrictive Covenants.**

- (a) During Employee's service hereunder and for a period of one (1) year following the date of termination, regardless of the reason, cause, or method of termination, Employee will not, directly or indirectly, for Employee's own benefit or the benefit of any other person or entity:
  - (i) Manage, operate, or be employed as an officer, President or in any position (whatsoever the title) in which the Employee will use the same skills, knowledge, and expertise as he did as President of Company in any

business, including but not limited to, a business association, corporation, sole proprietorship or partnership, that engages in the placement of physicians or allied health professionals in the United States. Employee specifically agrees and acknowledges that Company has a reasonable interest in protecting its business and goodwill from competition with the Employee as set forth in the previous sentence. Employee specifically agrees and acknowledges that because Company operates throughout the United States and because Employee specific duties and responsibilities involve management and operation of Company throughout the United States that the territorial restriction is reasonable.

- (ii) Solicit in any manner or seek to obtain the business of any customer or prospective customer of Company with whom Employee had material contact (meaning contact either on behalf of Company, MDA, or their respective affiliates, or in an effort to further the business of Company, MDA, or their respective affiliates) during Employee's employment with Company or MDA, other than for Company, or attempt to influence or encourage any customers, prospective customers, vendors, agents, consultants, referral sources, suppliers, landlords or other business contacts with whom Employee had contact during the one year prior to termination of Employee's employment with Company (including during Employee's employment by Holdings) to terminate, reduce, withdraw, curtail, cancel or otherwise cease or materially and adversely modify their business relationship with Company and/or its affiliates ; or
- (iii) Solicit the employment of or hire, or encourage any employee with whom Employee interacted during the one year prior to Employee's termination of employment with Company (including during Employee's employment by Holdings prior to the date of this Agreement) to terminate Employee's employment with Company.

Nothing in this subsection (a) shall prohibit Employee from acquiring, directly or indirectly, less than a five percent (5.0%) interest in any business, including a business which competes with Company, the equity securities of which are readily tradeable on an established securities market.

- (b) For purposes of this Agreement, a “**customer**” shall be deemed to be any person, business, partnership, proprietorship, firm, organization or corporation with whom or which the Employee has had material contact within one (1) year prior to the date of the termination of Employee's employment under this Agreement, and the phrase “**service the business of any customer**” means the development, modification, enhancement or improvement of any product or service offered by Company or which is reasonably related to the products or services offered by Company. The term “**prospective customer**” as used herein shall apply to any person or entity that has been identified by Company as a potential customer and has been contacted by one or more representatives of Company regarding the potential provision of any professional service within one (1) year prior to the last day of Employee's employment with Company; this definition shall include only individuals and entities for which Company has a reasonable prospect of providing professional services in the future. The Employee hereby acknowledges

that, by virtue of Employee's position and access to information, Employee will have advantageous familiarity and personal contacts with Company's customers, wherever located, and that the restrictions contemplated hereby are reasonable for the protection of Company's goodwill and customer base, and Company's efforts in the development of such customers.

- (c) In the event that Employee is entitled to severance compensation under Section 5(b) and Company defaults in its obligation to pay such severance compensation and fails to cure such default within ten (10) days after receipt by Company of written notice thereof from Employee, then all obligations of Employee under this Section 7 shall automatically terminate without affecting Employee's rights to collect all severance compensation due to Employee.

#### **8. Covenant Not to Disclose Confidential Information.**

**"Confidential Information"** means any and all information regarding the business of Company and the affiliates that is (1) not publicly known and (2) commercially valuable, including but not limited to trade secrets, customer lists, information, know-how, skills, knowledge, ideas, knowledge of customer's commercial requirements, pricing, pricing methods, customer lists, sales and marketing techniques and agreements, consultant relationships and agreements, financial information, intellectual property, codes, research, development, research and development programs, processes, documentation, or devices used in or pertaining to Company's business and (i) which relates in any way to Company's business, products or processes, or (ii) which is discovered, conceived, developed or reduced to practice by Employee, either alone or with others either (x) during the term of this Agreement, or (y) at Company's expense, or (z) on Company's premises. The term **"Confidential Information"** shall not include information that has become generally known to the public or easily obtained from public sources or public records unless Employee wrongfully causes the Confidential Information to become generally known or easily obtained from public sources or public records. The term **"Confidential Information"** shall not include information that was known to Employee prior to becoming employed by Holdings.

- (a) During the course of Employee's services hereunder, Employee may become knowledgeable about, or become in possession of, Confidential Information. Employee understands and acknowledges that as a result of Employee's position with Company and Employee's previous position with Holdings prior to the date of this Agreement, Employee became knowledgeable about, or came into possession of, Confidential Information. Employee acknowledges and agrees that if such Confidential Information were to be divulged or become known to any competitor of Company or to any other person outside the employ of Company, Company would be harmed, and that the parties have entered into this Agreement in part to guard against such potential harm.
- (b) The Employee shall not, directly or indirectly, use any Confidential Information for any purpose other than for the benefit of Company. The Employee shall not communicate, deliver, exhibit or provide any Confidential Information to any person, firm, partnership, corporation, organization or entity, except to other employees or agents of Company as required in the normal course of Employee's service as an employee or except as the CEO of Cross Country Healthcare, Inc. or any authorized officer of Company may direct in writing.

- (c) With respect to Confidential Information not qualifying for protection under the law as a trade secret, the covenant contained in this Section 8 shall be binding upon Employee during the term of Employee's employment under this Agreement and for the two (2) year period following the termination hereof ("**Effective Period**"). During the Effective Period, Employee agrees not to disclose any Confidential Information unless allowed by the Section 8, including Section 8(e) or unless Employee is required to disclose such information by law. The Employee may not, under any circumstances, disclose Confidential Information qualifying for protection as a trade secret under O.C.G.A. § 10-1-761(4) for so long as that information remains a trade secret, unless required by law. The Employee agrees to notify Company within three (3) business days of the receipt of any such court order, subpoena, or other legal process demanding disclosure of Confidential Information and agrees not to disclose any Confidential Information in response to such a request without written consent of Company.
- (d) The Employee agrees that all Confidential Information and all records, documents and materials relating to all of such Confidential Information, shall be and remain the sole and exclusive property of Company.
- (e) It is expressly agreed and understood by Company that Employee may use such Confidential Information as is reasonably necessary or appropriate to the Wind Down.

**9. Remedies.**

- (a) The Employee agrees that Company will suffer irreparable damage and injury and will not have an adequate remedy at law in the event of any breach by Employee of any provision of Section 7 or 8. Accordingly, in the event of a breach or of a threatened or attempted breach by Employee of Section 7 or 8, in addition to all other remedies to which Company and its shareholders are entitled under law, in equity, or otherwise, including but not limited to the recovery of any damages, Company and/or any of its shareholders shall be entitled to a temporary restraining order and permanent injunction (without the necessity of showing any actual damage) or a decree of specific performance of the provisions of Section 7 or 8 and no bond or other security shall be required in that connection and may suspend the payment of any severance amounts being paid to the Employee under Section 5. In the event any party hereto is required to engage in legal action, whether before a court of competent jurisdiction or before an arbitrator, against any other party hereto, either as plaintiff or defendant, in order to enforce or defend any of the party's rights under this Agreement, and such action results in a final judgment or binding arbitration award in favor of one or more parties, then the party or parties against whom said final judgment or binding arbitration award is obtained shall reimburse the prevailing party or parties for all legal fees and expenses incurred by the prevailing party or parties in asserting or defending the party's rights hereunder.
- (b) The Employee acknowledges and agrees that in the event of termination of this Agreement for any reason whatsoever, Employee can obtain other employment not in violation of Section 7 of this Agreement, and that the issuance of an

injunction to enforce the provisions of Section 7 or 8 will not prevent Employee from earning a livelihood.

- (c) The covenants on the part of Employee contained in Sections 7 and 8 are essential terms and conditions to Company entering into this Agreement, and shall be construed as independent of any other provision in this Agreement. The existence of any claim or cause of action Employee has against Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Company of these covenants.

**10. Inventions.**

- (a) The Employee shall disclose fully to Company all inventions (i) which relate in any way to Company's business, products or processes, or (ii) which are discovered, conceived, developed or reduced to practice by Employee, either alone or with others either (x) during the term of Employee's employment hereunder, or (y) at Company's expense, or (iii) on Company's business premises. Such inventions shall belong solely to Company and shall not belong to Employee. During the term of this Agreement, Employee shall assign to Company, exclusively and free from any royalty obligation or any other legal or equitable title or right of Employee, all such inventions referred to above and all patents, trademarks, copyrights, and maskworks, and any and all applications and rights pertaining thereto on a worldwide basis. The Employee shall assist Company, during and subsequent to the term hereof, in every proper way, but without any further compensation or additional consideration, to transfer and assign such inventions to and for Company's benefit and enjoyment and to cooperate as may be reasonably requested to perfect Company's ownership therein and, if requested by Company, to prosecute or direct in prosecuting any application for or registration with respect to any patent or other applicable intellectual property right, including, but not in limitation thereof, the execution and delivery of applications for the registration of one or more intellectual property rights and assignments of the same as may be deemed necessary or desirable by Company in any office selected by Company. The judgment of Company with respect to the ability to register any particular item of intellectual property shall be final and conclusive.
- (b) Any improvements made upon such inventions by Employee subsequent to the term hereof shall be presumed to have been developed during the term hereof and by and for the benefit of Company and accordingly shall be the property of Company.
- (c) The Employee agrees to execute such other standard forms relating to the invention or development of inventions and other intellectual properties as Company may require of its consultants and employees generally.

**11. Surrender of Records.** Upon termination of Employee's employment for any reason, Employee shall immediately surrender to Company any and all records, notes, documents, forms, manuals, photographs, instructions, lists, drawings, blueprints, programs, diagrams or other written, printed or electronic material (including any and all copies made at any time whatsoever) in Employee's possession or control which pertain to the business of

Company. Employee also agree to delete permanently from any personal electronic devices such as mobile phones, Blackberries®, PDAs, and computers and not to retain in any form whatsoever all Confidential Information, except as may be allowed by the CEO of Cross Country Healthcare, Inc. with express written permission.

**12. Termination.**

(a) During the initial term or any renewal term, the employment of Employee may be terminated by Company:

- i. Without cause by giving Employee sixty (60) days prior written notice;
- ii. Immediately for cause, as defined in Section 5(e);
- iii. Immediately, upon Employee's death; or
- iv. By the mutual agreement of the parties.

(b) During the initial term or any renewal term, the employment of Employee may be terminated by Employee:

- i. Without cause by giving Company sixty (60) days prior written notice;
- ii. Immediately for good reason, as defined in Section 5(f); or
- iii. By the mutual agreement of the parties.

**13. Time is of the Essence.** Time is of the essence with respect to all payments to be made hereunder to Employee and the delivery of all benefits to be delivered to Employee hereunder.

**14. Parties Bound.** All provisions of this Agreement shall inure to the benefit of and be binding upon the parties hereto, their heirs, personal representatives, successors and, as allowed hereunder, their assigns.

**15. Representation.** Employee represents that Employee has read this Agreement and has employed legal counsel to review the meaning of the provisions and to provide advice regarding this Agreement prior to Employee's execution of it.

**16. Entire Agreement.** This Agreement sets forth the entire understanding of the parties hereto with respect to its subject matter, merges and supersedes all prior and contemporaneous understandings with respect to its subject matter, and may not be waived or modified, in whole or in part, except by a writing signed by each of the parties hereto. No waiver of any provision of this Agreement in any instance shall be deemed to be a waiver by any party of the same or any other provision in any other instance.

**17. Effect and Modification.** This Agreement comprises the entire agreement between the parties with respect to the subject matter hereof and supersedes all other earlier agreements relating to the subject matter hereof. No statement or promise, except as herein set forth, has been made with respect to the subject matter of this Agreement. No modification or amendment hereof shall be effective unless in writing and signed by Employee and an officer of

Company (other than Employee), and no agreement by any party that is inconsistent with the provisions hereof shall be enforceable unless evidenced by the written consent of such party. The exchange of copies and signature pages of this Agreement and any amendments thereto by facsimile or Portable Document Format (PDF) transmission (with evidence of confirmed receipt) shall constitute effective execution and delivery of this Agreement and any amendment thereto as to the parties and may be used in lieu of the original Agreement or amendment for all purposes. Signatures of the parties transmitted by facsimile or Portable Document Format (PDF) shall be deemed to be their original signatures for all purposes.

**18. Non-Waiver.** Company's or Employee's failure or refusal to enforce all or any part of, or Company's or Employee's waiver of any breach of this Agreement, shall not be a waiver of Company's or Employee's continuing or subsequent rights under this Agreement, nor shall such failure or refusal or waiver have any affect on the subsequent enforceability of this Agreement.

**19. Non-Assignability.** This Agreement contemplates that Employee will personally provide the services described herein, and accordingly, Employee may not assign Employee's rights or obligations hereunder, whether by operation of law or otherwise, in whole or in part, without the prior written consent of Company. Company may assign this Agreement in its entirety or any portion thereof or rights thereunder in its sole discretion provided that the assignee agrees to assume all of Company's obligations hereunder.

**20. Severability/Interpretation.** The unenforceability or invalidity of any provision in this Agreement shall not affect the enforceability or validity of any remaining provisions in this Agreement, which shall be interpreted and construed to fully carry out the intention of the parties. The judicial body interpreting this Agreement shall be authorized and instructed to rewrite any aspect of this Agreement which is unenforceable as written in such a fashion so that they may be enforced to the greatest extent legally possible. Employee acknowledges and agrees that the covenants and agreements contained in this Agreement shall be construed as covenants and agreements independent of each other or any other contract between the parties hereto and that the existence of any claim or cause of action by Employee against Company shall not constitute a defense to the enforcement by Company of said covenants and agreements, except as otherwise provided herein. The judicial body interpreting this Agreement shall not more strictly construe the terms of this Agreement against one party, it being agreed that both parties and/or their attorneys or agents have negotiated and/or participated in the preparation hereof.

**21. Notice.** Any notice, request, demand, instruction, other communication, or other document to be given hereunder to any party shall be in writing and shall be deemed to have been duly given if (a) delivered in person, (b) made by facsimile transmission, or (c) sent by overnight courier service (with all fees prepaid), as follows:

If to Employee:                   550 Silver Pine Trail  
Roswell, GA 30076

With a copy to:                   Chorey, Taylor & Feil, A Professional Corporation  
3399 Peachtree Road, N.E.  
Suite 1700, The Lenox Building  
Atlanta, Georgia 30326  
Fax: (404) 841-3221  
Attn: Thomas V. Chorey, Jr., Esq.

If to Company: STONECO H, INC.  
6551 Park of Commerce Blvd, N.W.  
Boca Raton, Florida 33487  
Attn: Susan E. Ball, General Counsel  
Facsimile: (800) 440-5790

Any such notice, request, demand, instruction, other communication, or other document shall be deemed to be given if delivered in person, on the date delivered, if made by facsimile transmission, on the date transmitted, or, if sent by overnight courier service, on the date sent as evidenced by the date of the bill of lading; and shall be deemed received if delivered in person, on the date of personal delivery, if made by facsimile transmission, upon confirmation of receipt, or if sent by overnight courier service, on the first business day after the date sent. Any party sending a notice, request, demand or other communication by facsimile transmission shall also send a hard copy of such notice, request, demand or other communication by one of the other means of providing notice set forth in this Section 21. Any notice, request, demand or other communication shall be given to such other representative or at such other address as a party to this Agreement may furnish to the other parties in writing pursuant to this Section 21.

22. **Governing Law.** This Agreement is being delivered in and shall be construed and enforced in accordance with the laws of the State of Georgia, other than its rules with respect to choice of laws. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement shall exclusively be brought against any of the parties in the courts of the State of Georgia, County of Gwinnett, or, if it has or can acquire jurisdiction, in the United States District Court for the Northern District of Georgia, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein.

23. **Prior Agreements.** Employee represents and warrants to Company that Employee is not a party to or otherwise bound by any agreement that would restrict in any way the performance by Employee of Employee's duties, services and obligations under this Agreement, that Employee has disclosed to Company all employment type agreements to which Employee has been bound, including without limitation employment agreements, consulting agreements, non-compete agreements or covenants, confidentiality or non-disclosure agreements or covenants, and intellectual property assignment agreements, and that Company will not have any liability to any third party arising out of Employee entering into this Agreement or performing hereunder.

24. **Headings.** The headings of the Agreement sections are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written, but effective as of September \_\_, 2008.

**EMPLOYEE:**

/s/ Jim Ginter  
\_\_\_\_\_  
James E. Ginter,

**COMPANY:**

**STONECO H, INC, a Delaware corporation**

By: /s/ Victor Kalafa  
\_\_\_\_\_  
Victor Kalafa, Executive Vice President

**CROSS COUNTRY:**

**CROSS COUNTRY HEALTHCARE, INC,  
a Delaware corporation**

By: /s/ Joseph A. Boshart  
\_\_\_\_\_  
Joseph A. Boshart, President and CEO

**ADDENDUM A**  
**TO EMPLOYMENT AGREEMENT**  
**BETWEEN JAMES E. GINTER AND**  
**STONECO H, INC.,**  
**EFFECTIVE AS OF SEPTEMBER 9, 2008**

This Addendum relates to the Employment Agreement between StoneCo H, Inc. (the “**Company**”) and James E. Ginter (“**Employee**”), effective as of September \_\_, 2008. This Addendum is incorporated therein by reference and shall be an integral part of the Employment Agreement.

1. Name of Employee: James E. Ginter
2. Date of Commencement: September 9, 2008
3. Date Initial Term Ends: December 31, 2010
4. Title: President
5. Job Description and Duties: As President, responsible for the overall growth, direction and profitability of the Company in concert with its Board of Directors.

Other duties include the following:

- Chairing or being a part of a formal weekly/monthly meeting with HR LT vice-presidents, Compliance Committee, Executive Committee, Marketing and Government Departments.
- Oversight of Dallas and Denver offices.
- Collaborating with EVP, Finance and Administration and EVP and other senior managers in the development of more efficient credentialing, financial and reporting systems.
- Budgeting and planning annually with monthly reviews.
- Assisting HR in identifying and developing future consultants and managers.
- Communicating clearly to employees on company goals and accomplishments.

Date: September 9, 2008

**ADDENDUM B**  
**TO**  
**EMPLOYMENT AGREEMENT**

This Addendum relates to the Employment Agreement between StoneCo H, Inc., (“**Company**”) and James E. Ginter (“**Employee**”), effective as of September 9, 2008. This Addendum is incorporated therein by reference and shall be an integral part of the Employment Agreement.

Officer Compensation Structure  
Effective September 9, 2008

**BASE COMPENSATION**

James E. Ginter - \$225,000

**BONUS**

The Compensation Committee of the Board of Directors for MDA has established a bonus for the above referenced officer based on a targeted EBITDA for a 100% performance at \$220,000.

	<b><u>Revenue Target</u></b>	<b><u>EBITDA TARGET</u></b>
	\$170,412,000	\$14,375,000
Bonus	\$110,000	\$110,000

Earn Rates for Bonus Pool

Target Achievement Level (%)	Earn Rate (%)
.00%-89.99%	.00%
90.00%	80.00%
90.01%-100.00%	For each one hundredth of a percentage point of target achievement above 90% but not more than 100% the Earn Rate increases by <b>two</b> one-hundredth's of a percentage point up to 100% of allocated bonus pool amount.
100.01%-125.00%	For each one hundredth of a percentage point of target achievement above 100% but not more than 125% the Earn Rate increases by <b>one</b> one-hundredth's of a percentage point up to 125% of allocated bonus pool amount.
125.01% and above	125%

## Payment Schedule

### Quarterly Non Forfeitable Payments

The bonus is an annual bonus plan. However, quarterly non forfeitable bonus payments will be made for a bonus component when at least 90% of a bonus component target is achieved not to exceed a 100% Earn Rate. The quarterly bonus payment will equal 75% of the cumulative bonus earned less previous quarterly payments. The quarterly payments will be made on April 30, 2008, July 31, 2008 and October 31, 2008.

### Annual Calculation

As soon as practical after December 31, 2008, a final bonus calculation is to be prepared. If the Bonus Earned exceeds the sum of all quarterly bonus payments, the excess shall be paid in full on the pay date following the audit committee's acceptance of the audited financial statements for December 31, 2008 from the company's independent auditors. If the final bonus calculation does not exceed the sum of all quarterly bonus payments, the employee will not be required to pay back the excess of the quarterly payments.

### Quarterly Targets

The following quarterly targets are to be used for purposes of calculating the quarterly bonus payments.

	<b>Revenue Component</b>	<b>EBITDA Component</b>
<b>Q1</b>	\$38,946,000	\$2,654,240
<b>Q2</b>	\$43,292,000	\$4,202,464
<b>Q3</b>	\$45,902,000	\$3,957,900
<b>Q4</b>	\$42,272,000	\$3,560,396
<b>Total</b>	<b>\$170,412,000</b>	<b>\$14,375,000</b>

### Previous Payments by Holdings and Assumption by Company

Prior to Company's acquisition of the assets of Holdings, Holdings made the Q1 payment for the quarter ending on March 31, 2008 to Employee on or before April 30, 2008 and the Q2 payment for the quarter ending on June 30, 2008 to Employee on or before July 31, 2008. Company agrees to make the Q3 payment for the quarter ending on September 30, 2008 to Employee on or before October 31, 2008 and to calculate and pay the final bonus as soon as practical after December 31, 2008. In calculating the Q3 payment for the quarter ending on September 30, 2008 and the final bonus, Company shall include the EBITDA generated by Holdings in 2008 prior to the closing of the Asset Purchase Agreement among Holdings, Company and Cross Country Healthcare, Inc.

### **Effect of Termination on Bonus**

In the event that the employment of Employee is terminated by Company for any reason other than for cause or terminated by Employee for good reason in any quarter of the calendar year other than the fourth quarter, Employee shall be entitled to receive (i) the non forfeitable bonus payment to which Employee would have been entitled as if Employee were employed for the entire quarter in which the employment of Employee is terminated and (ii) the amount by which the final bonus exceeds the non forfeitable bonus payments for all quarters prior to and including the quarter in which the employment of Employee is terminated.

In the event that the employment of Employee is terminated by Company for any reason other than for cause or terminated by Employee for good reason in the fourth quarter of the calendar year, Employee shall be entitled to receive the full final bonus for the year as if employed at the end of the fourth quarter. In the event th at the employment of Employee is terminated by Company for cause or terminated by Employee without good reason during a quarter of the calendar year, Employee would not receive the bonus for that partial quarter or any final bonus for that year, but would receive bonuses for all completed quarters at the time of termination. All bonus payments made hereunder shall be made on the dates provided above.

### **ADDENDUM C** **TO** **EMPLOYMENT AGREEMENT**

1. Employee shall be entitled to an annual vacation and sick leave benefit ("**PTO**") of 25 days, together with all customary holidays.
2. At the end of each year, if Employee has any unused days of PTO, Employee may "roll over" up to 10 days of PTO to the next year. Employee receives no remuneration for unused days of PTO.

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("**Agreement**") is made this 9th day of September, 2008, by and between **MICHAEL L. PRETIGER** ("**Employee**") and **STONECO H, INC.** ("**Company**"), a Delaware corporation.

WITNESSETH:

WHEREAS, Company has acquired substantially all of the assets and business of MDA Holdings, Inc., a Georgia corporation ("**Holdings**"), Medical Doctor Associates, Inc., a Georgia corporation ("**MDA - GA**"), Allied Health Group, Inc., a Georgia corporation ("**AHG**"), Credent Verification and Licensing, Inc., a Georgia corporation ("**CVL**") and all of the issued and outstanding shares of **Jamestown** Indemnity, Ltd. ("Jamestown," together with Holdings, MDA-GA, AHG and CVL, collectively referred to herein as "**MDA**");

WHEREAS, Employee previously served as the former Chief Financial Officer of Holdings;

WHEREAS, Company is engaged in the business of contracting with physicians and allied health professionals for temporary and/or permanent assignments at healthcare facilities throughout the United States and the Employee will be involved in that business after the date hereof;

WHEREAS, Employee possesses certain skills which Company wishes to utilize in its business, and Employee wishes to provide certain services to Company upon the terms and conditions set forth in this Agreement; and

NOW, THEREFORE, in consideration of the premises and of the mutual promises and agreements contained herein and other good and valuable consideration, the receipt, legal adequacy and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Employment.** Company engages Employee to serve as the EVP, Finance and Administration of Company, and, subject to the limitations on the assignment of duties set forth in Section 3(a), Employee agrees to serve Company as an employee in any capacity as the Executive Vice President, Finance and Administration of Company and its Board of Directors may, from time to time, determine, upon the terms and conditions hereinafter set forth. Unless otherwise directed by the President or Company's Board of Directors, Employee shall report to the President of Company.

2. **Term; Renewal.** The term of Employee's employment under this Agreement shall be for an initial term commencing and ending on the dates set forth on **Addendum A** attached hereto and incorporated herein by reference, which term shall automatically renew for successive one (1) year terms, on the same terms and conditions set forth herein, unless either Company or Employee gives written notice to the other, at least sixty (60) days prior to the expiration of the initial term or any renewal term, that the then current term will not renew.

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3. **Services; Duties.**

- (a) During the term of Employee's employment hereunder, Employee shall serve in the capacities and perform the duties and responsibilities described in numbered item 5 of **Addendum A**, or as are normally associated with the position of Executive Vice President. The Employee shall also perform such additional or other duties as may be delegated to Employee by the President or the Board of Directors; provided, however, that such additional or other duties shall be (i) consistent with the needs of Company, (ii) consistent with Employee's skills and experience, and (iii) commensurate with Employee's title and level of compensation. Any material diminution or increase in Employee's duties or responsibilities, or change in duties or responsibilities that would require Employee to engage in employment outside the Atlanta metropolitan area for periods of time materially greater than those required while Employee was employed by Holdings, must be approved by Employee.
- (b) During the term of Employee's employment hereunder, except for periods of illness, disability, reasonable vacation periods, and reasonable leaves of absence, all subject to policies generally applicable to other senior executives of Company or Cross Country Healthcare, Inc. ("**Cross Country**"), Employee shall devote substantially all of Employee's business time, attention, energy and skill to the business of Company, and shall perform such services in a faithful, competent, and diligent manner at the direction of the President. Employee shall take actions that are reasonable and consistent with Employee's past practices as the former Chief Financial Officer of Holdings. Employee agrees that Employee will not hold any concurrent employment or business positions without the prior express written consent of Company. Employee shall be eligible to participate as a member in community, civic, religious, or similar organizations, including service on the board of directors or trustees of such organizations, and may pursue personal investments which do not present any conflict of interest with Company, or unfavorably affect the performance of Employee's duties pursuant to this Agreement.
- (c) The foregoing notwithstanding, Company acknowledges and agrees that
- (i) Employee will be engaged by Holdings as an independent contractor (with signature authority) to provide certain services to Holdings that are necessary and appropriate to wind down, liquidate, and dissolve the MDA businesses and the ESOP Trust that owns Holdings (the "**Wind Down**");
  - (ii) Employee will require limited access to Company's computer systems and the former books and records of Holdings for the purpose of preparing tax returns and performing other necessary and appropriate tasks related to the Wind Down; and
  - (iii) Employee will receive compensation from Holdings in respect of such services.

- (iv) Employee agrees not to subcontract with any other employee of Company or its affiliates on behalf of Holdings, its shareholders or affiliates, or otherwise engage any other employee of Company or its affiliates to assist with any services provided to Holdings under this Section 3, without the prior approval of Joseph A. Boshart, CEO of Cross Country.

Employee may engage in the activities that are necessary and appropriate to the Wind Down at any time so long as Employee does so in a manner that is not disruptive to the Company's business and so long as Employee faithfully, competently, and diligently performs Employee's duties under this Agreement

- (d) During the term of Employee's employment hereunder, Company shall provide Employee with such equipment, office space and administrative support as Company determines in its business judgment to be appropriate for Employee to perform Employee's duties and responsibilities hereunder.
- (e) The Employee shall comply with all reasonable policies and procedures generally applicable to senior executives of Company adopted by Company from time to time.
- (f) The office of Employee shall be located at Company's main office in Norcross, Georgia, or at such other location within thirty (30) miles of the main office in Norcross, Georgia, as Company may from time to time designate..

#### **4. Compensation as Employee.**

- (a) At all times during the initial term or any renewal term of this Agreement, Company shall pay Employee's base compensation as reflected on **Addendum B** attached hereto and incorporated herein by reference ("**Employee's Initial Base Salary**"), payable at Company's usual payroll dates, and provide Employee with the opportunity to earn bonuses under a bonus plan, also as set forth on **Addendum B**, and any other benefits set forth in **Addendum B**. During the initial term or any renewal term hereof, Employee's base compensation shall not be reduced below Employee's Initial Base Salary and Employee's bonuses shall be substantially similar to the bonus described on **Addendum B** and, in no event, any less favorable to Employee than such bonus plan. All amounts paid hereunder by Company to Employee shall be subject to all applicable local, state and federal withholding taxes.
- (b) Company shall pay or reimburse Employee for all reasonable travel and other expenses incurred by Employee in the performance of Employee's obligations and duties under this Agreement. Upon submission of such vouchers, receipts and other evidence as may be required by Company, Employee shall be entitled to receive reimbursement from Company, in accordance with Company's reimbursement practices for expenses for other senior executives of Company or Cross Country.

5. **Termination of Employment.**

- (a) In the event the employment of Employee is terminated (i) for cause; or (ii) Employee resigns Employee's employment with Company (other than for good reason) or fails to accept Company's renewal of this Agreement upon terms that are substantially the same as those contained herein; or (iii) Company does not renew the initial or any renewal term of this Agreement for any reason other than for cause, Employee (or Employee personal representative) shall be paid all accrued salary, earned bonus pursuant to Addendum B, and any other benefits which have then accrued and to which Employee is entitled to as of the date of termination. However, in the event of a termination described in this subsection (a), Employee shall not be entitled to the severance compensation provided for in subsection (b). Provided, further, if Employee's employment is terminated under any of the circumstances described in subsections (a)(i), (a)(ii) or (a)(iii) of this Section 5, Employee also shall be subject to the restrictive covenant provisions of Section 7 as well as Employee independent nondisclosure obligations set forth in Section 8.
- (b) In the event (i) the employment of Employee is terminated for any reason other than the circumstances described in subsection (a) of this Section 5 or (ii) Employee terminates this Agreement "for good reason" (as such term is defined in Section 5(f)), then in addition to receiving all accrued salary, earned bonus pursuant to Addendum B any other benefits which have then accrued and to which Employee is entitled to as of the date of termination, Company further agrees, subject to its right of set off provided for in Section 9(a) and subject to Employee's performance of the restrictive covenants provided for in Section 7 as well as Employee independent nondisclosure obligations set forth in Section 8 respectively, to provide Employee with severance compensation. The amount of such severance compensation shall be equal to the average of Employee's annual compensation as reported on IRS Form W-2, for the two full calendar years preceding the date of Employee's termination of employment. The severance compensation will be paid for a period equal to one (1) year (which is the period of non-competition and non-solicitation provided for under this Agreement).
- (c) The portion of Employee's severance compensation which constitutes payments equal to Employee average compensation shall be paid by Company to Employee in equal installments over the months specified in subsection (b), commencing on the date of Employee's termination of employment under this Agreement. Such severance payments shall be made on Company's usual payroll dates.
- (d) All amounts paid under subsections (b) and (c) to Employee shall be subject to any applicable local, state or federal withholding taxes.
- (e) For purposes of this Agreement, "**for cause**" means (i) Employee's gross negligence in the performance or intentional nonperformance of any of Employee's material duties and responsibilities as an officer or employee of Company which is not due to a medical impairment (as certified in writing by an independent physician selected by Employee with the approval of Company, which approval shall not be unreasonably withheld, and licensed to practice

medicine in the State of Georgia) or total disability and which is not remedied within thirty (30) days after receipt by Employee of written notice thereof from Company, (ii) conviction of any felony, (iii) Employee's proven commission of fraud, (iv) Employee's confirmed positive illegal drug test result, or (v) Employee's proven willful breach of this Agreement that materially and adversely affects Company.

- (f) For purposes of this Agreement, "**for good reason**" means any situation during the term of this Agreement in which the status, character, capacity, location, or circumstances of Employee's employment have been materially and adversely altered by Company, whether by (1) any relocation of Employee's office to a location that is more than thirty (30) miles of Company's main office in Norcross without Employees consent, (2) any change in duties or responsibilities that would require Employee to engage in employment outside the Atlanta metropolitan area for periods of time materially greater than those required while Employee was employed by Holdings, (3) any material breach of this Agreement by Company, (4) any material and adverse change in the title, reporting relationship(s), responsibilities, or perquisites of Employee, and/or (5) any assignment of duties materially and adversely inconsistent with Employee's position and duties as described in this Agreement or inconsistent with Employee's skill and experience.
- (g) For purposes of this Agreement, "**total disability**" shall mean the inability of Employee to perform the material aspects of Employee's duties under this Agreement for a period of at least ninety (90) substantially consecutive days, as determined by an independent physician selected by Employee with the approval of Company, which approval shall not be unreasonably withheld, and licensed to practice medicine in the State of Georgia.
- (h) In the event that Employee's employment is terminated under Section 5 (b), then Company shall pay Employee an additional amount equal to Employee's cost of COBRA health continuation coverage for Employee and Employee's dependants for so long as Employee and Employee's eligible dependants are entitled to receive COBRA continuation coverage from Company under the applicable laws, rules and regulations governing COBRA. For purposes of this Section 5 (i) and the Employee's right to elect continued coverage under Company's group health plan under COBRA, in the case of a termination of the Employee's employment with Company under Section 5 (b), Employee's "qualifying event" (within the meaning of Internal Revenue Code Section 4980B(f)(3)) shall be deemed to occur as of the date termination under Section 5 (b) begins.

## **6. Employee Benefits.**

- (a) In addition to Employee's basic annual salary, Employee shall be entitled to earn bonuses in accordance with the bonus plan described in **Addendum B**.
- (b) During the term of Employee's employment under this Agreement, Employee shall be entitled to participate in the Cross Country Healthcare, Inc. 2007 Equity Participation Plan, savings plans, and retirement plans applicable generally to

other senior executives of Company or Cross Country, on the same basis as such other senior executives, unless otherwise prohibited by the terms of such plans.

- (c) During the term of Employee's employment hereunder, Employee shall be entitled to participate and receive benefits from, upon the same terms and conditions applicable to employees generally, in any life, health, hospitalization, any other insurance program, and any other health and employee welfare benefit plan or program which Company may from time to time provide or make available to other senior executives of Company or Cross Country and for which Employee is eligible and qualified. Provided, however, if the inclusion of Employee under any such program or plan causes or would cause either such program or plan to be terminated or Company to incur a materially disproportionate additional cost, Company may elect to provide benefits of a substantially similar nature which avoids such adverse effects.
- (d) Employee shall be entitled, without loss of pay, to vacation and sick leave as set forth on **Addendum C** attached hereto and incorporated herein by reference.
- (e) Except as otherwise provide by law, Employee's tenure during Employee's employment with Holdings shall be considered tenure with Company for purposes of qualifying for participation and vesting in any of the benefit programs addressed in Sections 6(b),(c), and (d). Under no circumstances shall the benefits provided to Employee pursuant Sections 6(b),(c), and (d) be materially less beneficial than the benefits provided to Employee while Employee was employed with Holdings.

**7. Restrictive Covenants.**

- (a) During Employee's service hereunder and for a period of one (1) year following the date of termination, regardless of the reason, cause, or method of termination, Employee will not, directly or indirectly, for Employee's own benefit or the benefit of any other person or entity:
  - (i) Manage, operate, or be employed as an officer, EVP, Finance and Administration, or chief financial officer or in any position (whatsoever the title) in which the Employee will use the same skills, knowledge, and expertise as he did as EVP, Finance and Administration of Company in any business, including but not limited to, a business association, corporation, sole proprietorship or partnership, that engages in the placement of physicians or allied health professionals in the United States. Employee specifically agrees and acknowledges that Company has a reasonable interest in protecting its business and goodwill from competition with the Employee as set forth in the previous sentence. Employee specifically agrees and acknowledges that because Company operates throughout the United States and because Employee specific duties and responsibilities involve management and operation of Company throughout the United States that the territorial restriction is reasonable.

- (ii) Solicit in any manner or seek to obtain the business of any customer or prospective customer of Company with whom Employee had material contact (meaning contact either on behalf of Company, MDA, or their respective affiliates, or in an effort to further the business of Company, MDA, or their respective affiliates) during Employee's employment with Company or MDA, other than for Company, or attempt to influence or encourage any customers, prospective customers, vendors, agents, consultants, referral sources, suppliers, landlords or other business contacts with whom Employee had contact during the one year prior to termination of Employee's employment with Company (including during Employee's employment by Holdings) to terminate, reduce, withdraw, curtail, cancel or otherwise cease or materially and adversely modify their business relationship with Company and/or its affiliates; or
- (iii) Solicit the employment of or hire, or encourage any employee with whom Employee interacted during the one year prior to Employee's termination of employment with Company (including during Employee's employment by Holdings prior to the date of this Agreement) to terminate Employee's employment with Company.

Nothing in this subsection (a) shall prohibit Employee from acquiring, directly or indirectly, less than a five percent (5.0%) interest in any business, including a business which competes with Company, the equity securities of which are readily tradeable on an established securities market.

- (b) For purposes of this Agreement, a "**customer**" shall be deemed to be any person, business, partnership, proprietorship, firm, organization or corporation with whom or which the Employee has had material contact within one (1) year prior to the date of the termination of Employee's employment under this Agreement, and the phrase "**service the business of any customer**" means the development, modification, enhancement or improvement of any product or service offered by Company or which is reasonably related to the products or services offered by Company. The term "**prospective customer**" as used herein shall apply to any person or entity that has been identified by Company as a potential customer and has been contacted by one or more representatives of Company regarding the potential provision of any professional service within one (1) year prior to the last day of Employee's employment with Company; this definition shall include only individuals and entities for which Company has a reasonable prospect of providing professional services in the future. The Employee hereby acknowledges that, by virtue of Employee's position and access to information, Employee will have advantageous familiarity and personal contacts with Company's customers, wherever located, and that the restrictions contemplated hereby are reasonable for the protection of Company's goodwill and customer base, and Company's efforts in the development of such customers.
- (c) In the event that Employee is entitled to severance compensation under Section 5(b) and Company defaults in its obligation to pay such severance compensation and fails to cure such default within ten (10) days after receipt by Company of written notice thereof from Employee, then all obligations of Employee under this

Section 7 shall automatically terminate without affecting Employee's rights to collect all severance compensation due to Employee.

**8. Covenant Not to Disclose Confidential Information.**

**"Confidential Information"** means any and all information regarding the business of Company and the affiliates that is (1) not publicly known and (2) commercially valuable, including but not limited to trade secrets, customer lists, information, know-how, skills, knowledge, ideas, knowledge of customer's commercial requirements, pricing, pricing methods, customer lists, sales and marketing techniques and agreements, consultant relationships and agreements, financial information, intellectual property, codes, research, development, research and development programs, processes, documentation, or devices used in or pertaining to Company's business and (i) which relates in any way to Company's business, products or processes, or (ii) which is discovered, conceived, developed or reduced to practice by Employee, either alone or with others either (x) during the term of this Agreement, or (y) at Company's expense, or (z) on Company's premises. The term **"Confidential Information"** shall not include information that has become generally known to the public or easily obtained from public sources or public records unless Employee wrongly causes the Confidential Information to become generally known or easily obtained from public sources or public records. The term **"Confidential Information"** shall not include information that was known to Employee prior to becoming employed by Holdings.

- (a) During the course of Employee's services hereunder, Employee may become knowledgeable about, or become in possession of, Confidential Information. Employee understands and acknowledges that as a result of Employee's position with Company and Employee's previous position with Holdings prior to the date of this Agreement, Employee became knowledgeable about, or came into possession of, Confidential Information. Employee acknowledges and agrees that if such Confidential Information were to be divulged or become known to any competitor of Company or to any other person outside the employ of Company, Company would be harmed, and that the parties have entered into this Agreement in part to guard against such potential harm.
- (b) The Employee shall not, directly or indirectly, use any Confidential Information for any purpose other than for the benefit of Company. The Employee shall not communicate, deliver, exhibit or provide any Confidential Information to any person, firm, partnership, corporation, organization or entity, except to other employees or agents of Company as required in the normal course of Employee's service as an employee or except as the President or any authorized officer of Company may direct in writing.
- (c) With respect to Confidential Information not qualifying for protection under the law as a trade secret, the covenant contained in this Section 8 shall be binding upon Employee during the term of Employee's employment under this Agreement and for the two (2) year period following the termination hereof ("**Effective Period**"). During the Effective Period, Employee agrees not to disclose any Confidential Information unless allowed by the Section 8, including Section 8(e) or unless Employee is required to disclose such information by law. The Employee may not, under any circumstances, disclose Confidential Information

qualifying for protection as a trade secret under O.C.G.A. § 10-1-761(4) for so long as that information remains a trade secret, unless required by law. The Employee agrees to notify Company within three (3) business days of the receipt of any such court order, subpoena, or other legal process demanding disclosure of Confidential Information and agrees not to disclose any Confidential Information in response to such a request without written consent of Company.

- (d) The Employee agrees that all Confidential Information and all records, documents and materials relating to all of such Confidential Information, shall be and remain the sole and exclusive property of Company.
- (e) It is expressly agreed and understood by Company that Employee may use such Confidential Information as is reasonably necessary or appropriate to the Wind Down.

**9. Remedies.**

- (a) The Employee agrees that Company will suffer irreparable damage and injury and will not have an adequate remedy at law in the event of any breach by Employee of any provision of Section 7 or 8. Accordingly, in the event of a breach or of a threatened or attempted breach by Employee of Section 7 or 8, in addition to all other remedies to which Company and its shareholders are entitled under law, in equity, or otherwise, including but not limited to the recovery of any damages, Company and/or any of its shareholders shall be entitled to a temporary restraining order and permanent injunction (without the necessity of showing any actual damage) or a decree of specific performance of the provisions of Section 7 or 8 and no bond or other security shall be required in that connection and may suspend the payment of any severance amounts being paid to the Employee under Section 5. In the event any party hereto is required to engage in legal action, whether before a court of competent jurisdiction or before an arbitrator, against any other party hereto, either as plaintiff or defendant, in order to enforce or defend any of the party's rights under this Agreement, and such action results in a final judgment or binding arbitration award in favor of one or more parties, then the party or parties against whom said final judgment or binding arbitration award is obtained shall reimburse the prevailing party or parties for all legal fees and expenses incurred by the prevailing party or parties in asserting or defending the party's rights hereunder.
- (b) The Employee acknowledges and agrees that in the event of termination of this Agreement for any reason whatsoever, Employee can obtain other employment not in violation of Section 7 of this Agreement, and that the issuance of an injunction to enforce the provisions of Section 7 or 8 will not prevent Employee from earning a livelihood.
- (c) The covenants on the part of Employee contained in Sections 7 and 8 are essential terms and conditions to Company entering into this Agreement, and shall be construed as independent of any other provision in this Agreement. The existence of any claim or cause of action Employee has against Company, whether

predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Company of these covenants.

**10. Inventions.**

- (a) The Employee shall disclose fully to Company all inventions (i) which relate in any way to Company's business, products or processes, or (ii) which are discovered, conceived, developed or reduced to practice by Employee, either alone or with others either (x) during the term of Employee's employment hereunder, or (y) at Company's expense, or (iii) on Company's business premises. Such inventions shall belong solely to Company and shall not belong to Employee. During the term of this Agreement, Employee shall assign to Company, exclusively and free from any royalty obligation or any other legal or equitable title or right of Employee, all such inventions referred to above and all patents, trademarks, copyrights, and maskworks, and any and all applications and rights pertaining thereto on a worldwide basis. The Employee shall assist Company, during and subsequent to the term hereof, in every proper way, but without any further compensation or additional consideration, to transfer and assign such inventions to and for Company's benefit and enjoyment and to cooperate as may be reasonably requested to perfect Company's ownership therein and, if requested by Company, to prosecute or direct in prosecuting any application for or registration with respect to any patent or other applicable intellectual property right, including, but not in limitation thereof, the execution and delivery of applications for the registration of one or more intellectual property rights and assignments of the same as may be deemed necessary or desirable by Company in any office selected by Company. The judgment of Company with respect to the ability to register any particular item of intellectual property shall be final and conclusive.
- (b) Any improvements made upon such inventions by Employee subsequent to the term hereof shall be presumed to have been developed during the term hereof and by and for the benefit of Company and accordingly shall be the property of Company.
- (c) The Employee agrees to execute such other standard forms relating to the invention or development of inventions and other intellectual properties as Company may require of its consultants and employees generally.

**11. Surrender of Records.** Upon termination of Employee's employment for any reason, Employee shall immediately surrender to Company any and all records, notes, documents, forms, manuals, photographs, instructions, lists, drawings, blueprints, programs, diagrams or other written, printed or electronic material (including any and all copies made at any time whatsoever) in Employee's possession or control which pertain to the business of Company. Employee also agree to delete permanently from any personal electronic devices such as mobile phones, Blackberries®, PDAs, and computers and not to retain in any form whatsoever all Confidential Information, except as may be allowed by the President of Company with express written permission.

**12. Termination.**

(a) During the initial term or any renewal term, the employment of Employee may be terminated by Company:

- (i) Without cause by giving Employee sixty (60) days prior written notice;
- (ii) Immediately for cause, as defined in Section 5(e);
- (iii) Immediately, upon Employee's death; or
- (iv) By the mutual agreement of the parties.

(b) During the initial term or any renewal term, the employment of Employee may be terminated by Employee:

- (i) Without cause by giving Company sixty (60) days prior written notice;
- (ii) Immediately for good reason, as defined in Section 5(f); or
- (iii) By the mutual agreement of the parties.

**13. Time is of the Essence.** Time is of the essence with respect to all payments to be made hereunder to Employee and the delivery of all benefits to be delivered to Employee hereunder.

**14. Parties Bound.** All provisions of this Agreement shall inure to the benefit of and be binding upon the parties hereto, their heirs, personal representatives, successors and, as allowed hereunder, their assigns.

**15. Representation.** Employee represents that Employee has read this Agreement and has employed legal counsel to review the meaning of the provisions and to provide advice regarding this Agreement prior to Employee's execution of it.

**16. Entire Agreement.** This Agreement sets forth the entire understanding of the parties hereto with respect to its subject matter, merges and supersedes all prior and contemporaneous understandings with respect to its subject matter, and may not be waived or modified, in whole or in part, except by a writing signed by each of the parties hereto. No waiver of any provision of this Agreement in any instance shall be deemed to be a waiver by any party of the same or any other provision in any other instance.

**17. Effect and Modification.** This Agreement comprises the entire agreement between the parties with respect to the subject matter hereof and supersedes all other earlier agreements relating to the subject matter hereof. No statement or promise, except as herein set forth, has been made with respect to the subject matter of this Agreement. No modification or amendment hereof shall be effective unless in writing and signed by Employee and an officer of Company (other than Employee), and no agreement by any party that is inconsistent with the provisions hereof shall be enforceable unless evidenced by the written consent of such party. The exchange of copies and signature pages of this Agreement and any amendments thereto by facsimile or Portable Document Format (PDF) transmission (with evidence of confirmed receipt)

shall constitute effective execution and delivery of this Agreement and any amendment thereto as to the parties and may be used in lieu of the original Agreement or amendment for all purposes. Signatures of the parties transmitted by facsimile or Portable Document Format (PDF) shall be deemed to be their original signatures for all purposes.

**18. Non-Waiver.** Company's or Employee's failure or refusal to enforce all or any part of, or Company's or Employee's waiver of any breach of this Agreement, shall not be a waiver of Company's or Employee's continuing or subsequent rights under this Agreement, nor shall such failure or refusal or waiver have any affect on the subsequent enforceability of this Agreement.

**19. Non-Assignability.** This Agreement contemplates that Employee will personally provide the services described herein, and accordingly, Employee may not assign Employee's rights or obligations hereunder, whether by operation of law or otherwise, in whole or in part, without the prior written consent of Company. Company may assign this Agreement in its entirety or any portion thereof or rights thereunder in its sole discretion provided that the assignee agrees to assume all of Company's obligations hereunder.

**20. Severability/Interpretation.** The unenforceability or invalidity of any provision in this Agreement shall not affect the enforceability or validity of any remaining provisions in this Agreement, which shall be interpreted and construed to fully carry out the intention of the parties. The judicial body interpreting this Agreement shall be authorized and instructed to rewrite any aspect of this Agreement which is unenforceable as written in such a fashion so that they may be enforced to the greatest extent legally possible. Employee acknowledges and agrees that the covenants and agreements contained in this Agreement shall be construed as covenants and agreements independent of each other or any other contract between the parties hereto and that the existence of any claim or cause of action by Employee against Company shall not constitute a defense to the enforcement by Company of said covenants and agreements, except as otherwise provided herein. The judicial body interpreting this Agreement shall not more strictly construe the terms of this Agreement against one party, it being agreed that both parties and/or their attorneys or agents have negotiated and/or participated in the preparation hereof.

**21. Notice.** Any notice, request, demand, instruction, other communication, or other document to be given hereunder to any party shall be in writing and shall be deemed to have been duly given if (a) delivered in person, (b) made by facsimile transmission, or (c) sent by overnight courier service (with all fees prepaid), as follows:

- If to Employee: 5642 Creekside Drive  
Norcross, GA 30092
  
- With a copy to: Chorey, Taylor & Feil, A Professional Corporation  
3399 Peachtree Road, N.E.  
Suite 1700, The Lenox Building  
Atlanta, Georgia 30326  
Fax: (404) 841-3221  
Attn: Thomas V. Chorey, Jr., Esq.
  
- If to Company: STONECO H, INC.  
6551 Park of Commerce Blvd, N.W.

Any such notice, request, demand, instruction, other communication, or other document shall be deemed to be given if delivered in person, on the date delivered, if made by facsimile transmission, on the date transmitted, or, if sent by overnight courier service, on the date sent as evidenced by the date of the bill of lading; and shall be deemed received if delivered in person, on the date of personal delivery, if made by facsimile transmission, upon confirmation of receipt, or if sent by overnight courier service, on the first business day after the date sent. Any party sending a notice, request, demand or other communication by facsimile transmission shall also send a hard copy of such notice, request, demand or other communication by one of the other means of providing notice set forth in this Section 21. Any notice, request, demand or other communication shall be given to such other representative or at such other address as a party to this Agreement may furnish to the other parties in writing pursuant to this Section 21.

**22. Governing Law.** This Agreement is being delivered in and shall be construed and enforced in accordance with the laws of the State of Georgia, other than its rules with respect to choice of laws. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement shall exclusively be brought against any of the parties in the courts of the State of Georgia, County of Gwinnett, or, if it has or can acquire jurisdiction, in the United States District Court for the Northern District of Georgia, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein.

**23. Prior Agreements.** Employee represents and warrants to Company that Employee is not a party to or otherwise bound by any agreement that would restrict in any way the performance by Employee of Employee's duties, services and obligations under this Agreement, that Employee has disclosed to Company all employment type agreements to which Employee has been bound, including without limitation employment agreements, consulting agreements, non-compete agreements or covenants, confidentiality or non-disclosure agreements or covenants, and intellectual property assignment agreements, and that Company will not have any liability to any third party arising out of Employee entering into this Agreement or performing hereunder.

**24. Headings.** The headings of the Agreement sections are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written, but effective as of September \_\_, 2008.

**EMPLOYEE:**

/s/ Michael L. Pretiger

\_\_\_\_\_  
Michael L. Pretiger

**COMPANY:**

**STONECO H, INC, a Delaware corporation**

By: /s/ Jim Ginter

\_\_\_\_\_  
James E. Ginter,

**CROSS COUNTRY:**

**CROSS COUNTRY HEALTHCARE, INC,  
a Delaware corporation**

By: /s/ Victor Kalafa

\_\_\_\_\_  
Victor Kalafa, VP Corporate Development

**ADDENDUM A**  
**TO EMPLOYMENT AGREEMENT**  
**BETWEEN MICHAEL L. PRETIGER AND**  
**STONECO H, INC.,**  
**EFFECTIVE AS OF SEPTEMBER 9, 2008**

This Addendum relates to the Employment Agreement between StoneCo H, Inc. (the “**Company**”) and Michael Pretiger (“**Employee**”), effective as of September \_\_, 2008. This Addendum is incorporated therein by reference and shall be an integral part of the Employment Agreement.

1. Name of Employee: Michael L. Pretiger
2. Date of Commencement: September 9, 2008
3. Date Initial Term Ends: December 31, 2010
4. Title: EVP, Finance and Administration
5. Job Description and Duties: As a member of the executive team, Employee shares responsibility for the overall strategic direction, growth and profitability of Company and its subsidiary companies. Employee’s responsibilities include, among other things, the following:
  - All accounting, finance, treasury, investment management, banking and tax functions.
  - All information system and information technology functions.
  - All financial reporting, financial forecasting, business process improvement management, financial analysis and performance measurement.

Date: September 9, 2008

**ADDENDUM B**  
**TO**  
**EMPLOYMENT AGREEMENT**

This Addendum relates to the Employment Agreement between StoneCo H, Inc., (“**Company**”) and Michael L. Pretiger (“**Employee**”), effective as of September \_\_, 2008. This Addendum is incorporated therein by reference and shall be an integral part of the Employment Agreement.

Officer Compensation Structure  
Effective September 9, 2008

**BASE COMPENSATION**

Michael L. Pretiger - \$175,000

**BONUS PLAN**

Holdings previously established a bonus plan for the above referenced officer based on a targeted EBITDA of MDA for a 100% performance at \$110,000 and the bonus plan is being assumed by Company, all as described below.

**ANNUAL MDA EBITDA TARGET – CALENDAR YEAR 2008**

\$14,375,000

**BONUS POOL**

\$110,000

**Earn Rates for Bonus Pool**

Target Achievement Level (%)	Earn Rate (%)
.00%-89.99%	.00%
90.00%	80.00%
90.01%-100.00%	For each one hundredth of a percentage point of target achievement above 90% but not more than 100% the Earn Rate increases by <b>two</b> one-hundredth's of a percentage point up to 100% of allocated bonus pool amount.
100.01%-125.00%	For each one hundredth of a percentage point of target achievement above 100% but not more than 125% the Earn Rate increases by <b>one</b> one-hundredth's of a percentage point up to 125% of allocated bonus pool amount.
125.01% and above	125%

## Payment Schedule

### Quarterly Non Forfeitable Payments

The bonus plan is an annual bonus plan. However, quarterly non forfeitable bonus payments will be made for a bonus component when at least 90% of a bonus component target is achieved not to exceed a 100% earn rate. The quarterly bonus payment will equal 75% of the cumulative bonus earned less previous quarterly payments. The quarterly payments will be made on April 30, 2008, July 31, 2008 and October 31, 2008.

### Annual Calculation

As soon as practical after December 31, 2008, a final bonus calculation is to be prepared. If the bonus earned exceeds the sum of all quarterly bonus payments, the excess shall be paid in full on the pay date following the audit committee's acceptance of the audited financial statements for December 31, 2008 from Company's independent auditors. If the final bonus calculation does not exceed the sum of all quarterly bonus payments, Employee will not be required to pay back the excess of the quarterly payments.

### Quarterly Targets

The following quarterly targets are to be used for purposes of calculating the quarterly bonus payments.

	<b>EBITDA Component</b>
<b>Q1</b>	\$2,654,240
<b>Q2</b>	\$4,202,464
<b>Q3</b>	\$3,957,900
<b>Q4</b>	\$3,560,396
<b>Total</b>	<b>\$14,375,000</b>

### Previous Payments by Holdings and Assumption by Company

Prior to Company's acquisition of the assets of Holdings, Holdings made the Q1 payment for the quarter ending on March 31, 2008 to Employee on or before April 30, 2008 and the Q2 payment for the quarter ending on June 30, 2008 to Employee on or before July 31, 2008. Company agrees to make the Q3 payment for the quarter ending on September 30, 2008 to Employee on or before October 31, 2008 and to calculate and pay the final bonus as soon as practical after December 31, 2008. In calculating the Q3 payment for the quarter ending on September 30, 2008 and the final bonus, Company shall include the EBITDA generated by Holdings in 2008 prior to the closing of the Asset Purchase Agreement among Holdings, Company and Cross Country Healthcare, Inc.

### **Effect of Termination on Bonus**

In the event that the employment of Employee is terminated by Company for any reason other than for cause or terminated by Employee for good reason in any quarter of the calendar year other than the fourth quarter, Employee shall be entitled to receive (i) the non forfeitable bonus payment to which Employee would have been entitled as if Employee were employed for the entire quarter in which the employment of Employee is terminated and (ii) the amount by which the final bonus exceeds the non forfeitable bonus payments for all quarters prior to and including the quarter in which the employment of Employee is terminated.

In the event that the employment of Employee is terminated by Company for any reason other than for cause or terminated by Employee for good reason in the fourth quarter of the calendar year, Employee shall be entitled to receive the full final bonus for the year as if employed at the end of the fourth quarter. In the event th at the employment of Employee is terminated by Company for cause or terminated by Employee without good reason during a quarter of the calendar year, Employee would not receive the bonus for that partial quarter or any final bonus for that year, but would receive bonuses for all completed quarters at the time of termination. All bonus payments made hereunder shall be made on the dates provided above.

**ADDENDUM C**  
**TO**  
**EMPLOYMENT AGREEMENT**

1. Employee shall be entitled to an annual vacation and sick leave benefit ("**PTO**") of 25 days, together with all customary holidays.
2. At the end of each year, if Employee has any unused days of PTO, Employee may "roll over" up to 10 days of PTO to the next year. Employee receives no remuneration for unused days of PTO.

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (“**Agreement**”) is made this 9th day of September, 2008, by and between **ANNE B. ANDERSON** (“**Employee**”) and **STONECO H, INC.** (“**Company**”), a Delaware corporation.

WITNESSETH:

WHEREAS, Company has acquired substantially all of the assets and business of MDA Holdings, Inc., a Georgia corporation (“**Holdings**”), Medical Doctor Associates, Inc., a Georgia corporation (“**MDA - GA**”), Allied Health Group, Inc., a Georgia corporation (“**AHG**”), Credent Verification and Licensing, Inc., a Georgia corporation (“**CVL**”) and all of the issued and outstanding shares of Jamestown Indemnity, Ltd. (“**Jamestown**,” together with Holdings, MDA-GA, AHG and CVL, collectively referred to herein as “**MDA**”);

WHEREAS, Employee previously served as the former Executive Vice President of Holdings;

WHEREAS, Company is engaged in the business of contracting with physicians and allied health professionals for temporary and/or permanent assignments at healthcare facilities throughout the United States and the Employee will be involved in that business after the date hereof;

WHEREAS, Employee possesses certain skills which Company wishes to utilize in its business, and Employee wishes to provide certain services to Company upon the terms and conditions set forth in this Agreement; and

NOW, THEREFORE, in consideration of the premises and of the mutual promises and agreements contained herein and other good and valuable consideration, the receipt, legal adequacy and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Employment.** Company engages Employee to serve as the Executive Vice President of Company, and, subject to the limitations on the assignment of duties set forth in Section 3(a), Employee agrees to serve Company as an employee in any capacity as the Executive Vice President of Company and its Board of Directors may, from time to time, determine, upon the terms and conditions hereinafter set forth. Unless otherwise directed by the President or Company’s Board of Directors, Employee shall report to the President of Company.

2. **Term; Renewal.** The term of Employee’s employment under this Agreement shall be for an initial term commencing and ending on the dates set forth on **Addendum A** attached hereto and incorporated herein by reference, which term shall automatically renew for successive one (1) year terms, on the same terms and conditions set forth herein, unless either Company or Employee gives written notice to the other, at least sixty (60) days prior to the expiration of the initial term or any renewal term, that the then current term will not renew.

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3. **Services; Duties.**

- (a) During the term of Employee's employment hereunder, Employee shall serve in the capacities and perform the duties and responsibilities described in numbered item 5 of **Addendum A**, or as are normally associated with the position of Executive Vice President. The Employee shall also perform such additional or other duties as may be delegated to Employee by the President or the Board of Directors; provided, however, that such additional or other duties shall be (i) consistent with the needs of Company, (ii) consistent with Employee's skills and experience, and (iii) commensurate with Employee's title and level of compensation. Any material diminution or increase in Employee's duties or responsibilities, or change in duties or responsibilities that would require Employee to engage in employment outside the Atlanta metropolitan area for periods of time materially greater than those required while Employee was employed by Holdings, must be approved by Employee.
- (b) During the term of Employee's employment hereunder, except for periods of illness, disability, reasonable vacation periods, and reasonable leaves of absence, all subject to policies generally applicable to other senior executives of Company or Cross Country Healthcare, Inc. ("**Cross Country**"), Employee shall devote substantially all of Employee's business time, attention, energy and skill to the business of Company, and shall perform such services in a faithful, competent, and diligent manner at the direction of the President. Employee shall take actions that are reasonable and consistent with Employee's past practices as the former Executive Vice President of Holdings. Employee agrees that Employee will not hold any concurrent employment or business positions without the prior express written consent of Company. Employee shall be eligible to participate as a member in community, civic, religious, or similar organizations, including service on the board of directors or trustees of such organizations, and may pursue personal investments which do not present any conflict of interest with Company, or unfavorably affect the performance of Employee's duties pursuant to this Agreement.
- (c) The foregoing notwithstanding, Company acknowledges and agrees that
- (i) Employee will be engaged by Holdings as an independent contractor (with signature authority) to provide certain services to Holdings that are necessary and appropriate to wind down, liquidate, and dissolve the MDA businesses and the ESOP Trust that owns Holdings (the "**Wind Down**");
  - (ii) Employee will require limited access to Company's computer systems and the former books and records of Holdings for the purpose of preparing tax returns and performing other necessary and appropriate tasks related to the Wind Down; and
  - (iii) Employee will receive compensation from Holdings in respect of such services.

- (iv) Employee agrees not to subcontract with any other employee of Company or its affiliates on behalf of Holdings, its shareholders or affiliates, or otherwise engage any other employee of Company or its affiliates to assist with any services provided to Holdings under this Section 3, without the prior approval of Joseph A. Boshart, CEO of Cross Country.

Employee may engage in the activities that are necessary and appropriate to the Wind Down at any time so long as Employee does so in a manner that is not disruptive to the Company's business and so long as Employee faithfully, competently, and diligently performs Employee's duties under this Agreement

- (d) During the term of Employee's employment hereunder, Company shall provide Employee with such equipment, office space and administrative support as Company determines in its business judgment to be appropriate for Employee to perform Employee's duties and responsibilities hereunder.
- (e) The Employee shall comply with all reasonable policies and procedures generally applicable to senior executives of Company adopted by Company from time to time.
- (f) The office of Employee shall be located at Company's main office in Norcross, Georgia, or at such other location within thirty (30) miles of the main office in Norcross, Georgia, as Company may from time to time designate..

#### **4. Compensation as Employee.**

- (a) At all times during the initial term or any renewal term of this Agreement, Company shall pay Employee's base compensation as reflected on **Addendum B** attached hereto and incorporated herein by reference ("**Employee's Initial Base Salary**"), payable at Company's usual payroll dates, and provide Employee with the opportunity to earn bonuses under a bonus plan, also as set forth on **Addendum B**, and any other benefits set forth in **Addendum B**. During the initial term or any renewal term hereof, Employee's base compensation shall not be reduced below Employee's Initial Base Salary and Employee's bonuses shall be substantially similar to the bonus described on **Addendum B** and, in no event, any less favorable to Employee than such bonus plan. All amounts paid hereunder by Company to Employee shall be subject to all applicable local, state and federal withholding taxes.
- (b) Company shall pay or reimburse Employee for all reasonable travel and other expenses incurred by Employee in the performance of Employee's obligations and duties under this Agreement. Upon submission of such vouchers, receipts and other evidence as may be required by Company, Employee shall be entitled to receive reimbursement from Company, in accordance with Company's reimbursement practices for expenses for other senior executives of Company or Cross Country.

5. **Termination of Employment.**

- (a) In the event the employment of Employee is terminated (i) for cause; or (ii) Employee resigns Employee's employment with Company (other than for good reason) or fails to accept Company's renewal of this Agreement upon terms that are substantially the same as those contained herein; or (iii) Company does not renew the initial or any renewal term of this Agreement for any reason other than for cause, Employee (or Employee personal representative) shall be paid all accrued salary, earned bonus pursuant to Addendum B, and any other benefits which have then accrued and to which Employee is entitled to as of the date of termination. However, in the event of a termination described in this subsection (a), Employee shall not be entitled to the severance compensation provided for in subsection (b). Provided, further, if Employee's employment is terminated under any of the circumstances described in subsections (a)(i), (a)(ii) or (a)(iii) of this Section 5, Employee also shall be subject to the restrictive covenant provisions of Section 7 as well as Employee independent nondisclosure obligations set forth in Section 8.
- (b) In the event (i) the employment of Employee is terminated for any reason other than the circumstances described in subsection (a) of this Section 5 or (ii) Employee terminates this Agreement "for good reason" (as such term is defined in Section 5(f)), then in addition to receiving all accrued salary, earned bonus pursuant to Addendum B any other benefits which have then accrued and to which Employee is entitled to as of the date of termination, Company further agrees, subject to its right of set off provided for in Section 9(a) and subject to Employee's performance of the restrictive covenants provided for in Section 7 as well as Employee independent nondisclosure obligations set forth in Section 8 respectively, to provide Employee with severance compensation. The amount of such severance compensation shall be equal to the average of Employee's annual compensation as reported on IRS Form W-2, for the two full calendar years preceding the date of Employee's termination of employment. The severance compensation will be paid for a period equal to one (1) year (which is the period of non-competition and non-solicitation provided for under this Agreement).
- (c) The portion of Employee's severance compensation which constitutes payments equal to Employee average compensation shall be paid by Company to Employee in equal installments over the months specified in subsection (b), commencing on the date of Employee's termination of employment under this Agreement. Such severance payments shall be made on Company's usual payroll dates.
- (d) All amounts paid under subsections (b) and (c) to Employee shall be subject to any applicable local, state or federal withholding taxes.
- (e) For purposes of this Agreement, "**for cause**" means (i) Employee's gross negligence in the performance or intentional nonperformance of any of Employee's material duties and responsibilities as an officer or employee of Company which is not due to a medical impairment (as certified in writing by an independent physician selected by Employee with the approval of Company, which approval shall not be unreasonably withheld, and licensed to practice

medicine in the State of Georgia) or total disability and which is not remedied within thirty (30) days after receipt by Employee of written notice thereof from Company, (ii) conviction of any felony, (iii) Employee's proven commission of fraud, (iv) Employee's confirmed positive illegal drug test result, or (v) Employee's proven willful breach of this Agreement that materially and adversely affects Company.

- (f) For purposes of this Agreement, "**for good reason**" means any situation during the term of this Agreement in which the status, character, capacity, location, or circumstances of Employee's employment have been materially and adversely altered by Company, whether by (1) any relocation of Employee's office to a location that is more than thirty (30) miles of Company's main office in Norcross without Employees consent, (2) any change in duties or responsibilities that would require Employee to engage in employment outside the Atlanta metropolitan area for periods of time materially greater than those required while Employee was employed by Holdings, (3) any material breach of this Agreement by Company, (4) any material and adverse change in the title, reporting relationship(s), responsibilities, or perquisites of Employee, and/or (5) any assignment of duties materially and adversely inconsistent with Employee's position and duties as described in this Agreement or inconsistent with Employee's skill and experience.
- (g) For purposes of this Agreement, "**total disability**" shall mean the inability of Employee to perform the material aspects of Employee's duties under this Agreement for a period of at least ninety (90) substantially consecutive days, as determined by an independent physician selected by Employee with the approval of Company, which approval shall not be unreasonably withheld, and licensed to practice medicine in the State of Georgia.
- (h) In the event that Employee's employment is terminated under Section 5 (b), then Company shall pay Employee an additional amount equal to Employee's cost of COBRA health continuation coverage for Employee and Employee's dependants for so long as Employee and Employee's eligible dependants are entitled to receive COBRA continuation coverage from Company under the applicable laws, rules and regulations governing COBRA. For purposes of this Section 5 (i) and the Employee's right to elect continued coverage under Company's group health plan under COBRA, in the case of a termination of the Employee's employment with Company under Section 5 (b), Employee's "qualifying event" (within the meaning of Internal Revenue Code Section 4980B(f)(3)) shall be deemed to occur as of the date termination under Section 5 (b) begins.

**6. Employee Benefits.**

- (a) In addition to Employee's basic annual salary, Employee shall be entitled to earn bonuses in accordance with the bonus plan described in **Addendum B.**
- (b) During the term of Employee's employment under this Agreement, Employee shall be entitled to participate in the Cross Country Healthcare, Inc. 2007 Equity Participation Plan, savings plans, and retirement plans applicable generally to

other senior executives of Company or Cross Country, on the same basis as such other senior executives, unless otherwise prohibited by the terms of such plans.

- (c) During the term of Employee's employment hereunder, Employee shall be entitled to participate and receive benefits from, upon the same terms and conditions applicable to employees generally, in any life, health, hospitalization, any other insurance program, and any other health and employee welfare benefit plan or program which Company may from time to time provide or make available to other senior executives of Company or Cross Country and for which Employee is eligible and qualified. Provided, however, if the inclusion of Employee under any such program or plan causes or would cause either such program or plan to be terminated or Company to incur a materially disproportionate additional cost, Company may elect to provide benefits of a substantially similar nature which avoids such adverse effects.
- (d) Employee shall be entitled, without loss of pay, to vacation and sick leave as set forth on **Addendum C** attached hereto and incorporated herein by reference.
- (e) Except as otherwise provide by law, Employee's tenure during Employee's employment with Holdings shall be considered tenure with Company for purposes of qualifying for participation and vesting in any of the benefit programs addressed in Sections 6(b),(c), and (d). Under no circumstances shall the benefits provided to Employee pursuant Sections 6(b),(c), and (d) be materially less beneficial than the benefits provided to Employee while Employee was employed with Holdings.

**7. Restrictive Covenants.**

- (a) During Employee's service hereunder and for a period of one (1) year following the date of termination, regardless of the reason, cause, or method of termination, Employee will not, directly or indirectly, for Employee's own benefit or the benefit of any other person or entity:
  - (i) Manage, operate, or be employed as an officer, Executive Vice President or in any position (whatsoever the title) in which the Employee will use the same skills, knowledge, and expertise as he did as VP, Finance and Administration of Company in any business, including but not limited to, a business association, corporation, sole proprietorship or partnership, that engages in the placement of physicians or allied health professionals in the United States. Employee specifically agrees and acknowledges that Company has a reasonable interest in protecting its business and goodwill from competition with the Employee as set forth in the previous sentence. Employee specifically agrees and acknowledges that because Company operates throughout the United States and because Employee specific duties and responsibilities involve management and operation of Company throughout the United States that the territorial restriction is reasonable.

- (ii) Solicit in any manner or seek to obtain the business of any customer or prospective customer of Company with whom Employee had material contact (meaning contact either on behalf of Company, MDA, or their respective affiliates, or in an effort to further the business of Company, MDA, or their respective affiliates) during Employee's employment with Company or MDA, other than for Company, or attempt to influence or encourage any customers, prospective customers, vendors, agents, consultants, referral sources, suppliers, landlords or other business contacts with whom Employee had contact during the one year prior to termination of Employee's employment with Company (including during Employee's employment by Holdings) to terminate, reduce, withdraw, curtail, cancel or otherwise cease or materially and adversely modify their business relationship with Company and/or its affiliates; or
- (iii) Solicit the employment of or hire, or encourage any employee with whom Employee interacted during the one year prior to Employee's termination of employment with Company (including during Employee's employment by Holdings prior to the date of this Agreement) to terminate Employee's employment with Company.

Nothing in this subsection (a) shall prohibit Employee from acquiring, directly or indirectly, less than a five percent (5.0%) interest in any business, including a business which competes with Company, the equity securities of which are readily tradeable on an established securities market.

- (b) For purposes of this Agreement, a “**customer**” shall be deemed to be any person, business, partnership, proprietorship, firm, organization or corporation with whom or which the Employee has had material contact within one (1) year prior to the date of the termination of Employee's employment under this Agreement, and the phrase “**service the business of any customer**” means the development, modification, enhancement or improvement of any product or service offered by Company or which is reasonably related to the products or services offered by Company. The term “**prospective customer**” as used herein shall apply to any person or entity that has been identified by Company as a potential customer and has been contacted by one or more representatives of Company regarding the potential provision of any professional service within one (1) year prior to the last day of Employee's employment with Company; this definition shall include only individuals and entities for which Company has a reasonable prospect of providing professional services in the future. The Employee hereby acknowledges that, by virtue of Employee's position and access to information, Employee will have advantageous familiarity and personal contacts with Company's customers, wherever located, and that the restrictions contemplated hereby are reasonable for the protection of Company's goodwill and customer base, and Company's efforts in the development of such customers.
- (c) In the event that Employee is entitled to severance compensation under Section 5(b) and Company defaults in its obligation to pay such severance compensation and fails to cure such default within ten (10) days after receipt by Company of written notice thereof from Employee, then all obligations of Employee under this

Section 7 shall automatically terminate without affecting Employee's rights to collect all severance compensation due to Employee.

#### **8. Covenant Not to Disclose Confidential Information.**

**"Confidential Information"** means any and all information regarding the business of Company and the affiliates that is (1) not publicly known and (2) commercially valuable, including but not limited to trade secrets, customer lists, information, know-how, skills, knowledge, ideas, knowledge of customer's commercial requirements, pricing, pricing methods, customer lists, sales and marketing techniques and agreements, consultant relationships and agreements, financial information, intellectual property, codes, research, development, research and development programs, processes, documentation, or devices used in or pertaining to Company's business and (i) which relates in any way to Company's business, products or processes, or (ii) which is discovered, conceived, developed or reduced to practice by Employee, either alone or with others either (x) during the term of this Agreement, or (y) at Company's expense, or (z) on Company's premises. The term **"Confidential Information"** shall not include information that has become generally known to the public or easily obtained from public sources or public records unless Employee wrongly causes the Confidential Information to become generally known or easily obtained from public sources or public records. The term **"Confidential Information"** shall not include information that was known to Employee prior to becoming employed by Holdings.

- (a) During the course of Employee's services hereunder, Employee may become knowledgeable about, or become in possession of, Confidential Information. Employee understands and acknowledges that as a result of Employee's position with Company and Employee's previous position with Holdings prior to the date of this Agreement, Employee became knowledgeable about, or came into possession of, Confidential Information. Employee acknowledges and agrees that if such Confidential Information were to be divulged or become known to any competitor of Company or to any other person outside the employ of Company, Company would be harmed, and that the parties have entered into this Agreement in part to guard against such potential harm.
- (b) The Employee shall not, directly or indirectly, use any Confidential Information for any purpose other than for the benefit of Company. The Employee shall not communicate, deliver, exhibit or provide any Confidential Information to any person, firm, partnership, corporation, organization or entity, except to other employees or agents of Company as required in the normal course of Employee's service as an employee or except as the President or any authorized officer of Company may direct in writing.
- (c) With respect to Confidential Information not qualifying for protection under the law as a trade secret, the covenant contained in this Section 8 shall be binding upon Employee during the term of Employee's employment under this Agreement and for the two (2) year period following the termination hereof (**"Effective Period"**). During the Effective Period, Employee agrees not to disclose any Confidential Information unless allowed by the Section 8, including Section 8(e) or unless Employee is required to disclose such information by law. The Employee may not, under any circumstances, disclose Confidential Information qualifying for protection as a trade secret under O.C.G.A. § 10-1-761(4) for so

long as that information remains a trade secret, unless required by law. The Employee agrees to notify Company within three (3) business days of the receipt of any such court order, subpoena, or other legal process demanding disclosure of Confidential Information and agrees not to disclose any Confidential Information in response to such a request without written consent of Company.

- (d) The Employee agrees that all Confidential Information and all records, documents and materials relating to all of such Confidential Information, shall be and remain the sole and exclusive property of Company.
- (e) It is expressly agreed and understood by Company that Employee may use such Confidential Information as is reasonably necessary or appropriate to the Wind Down.

**9. Remedies.**

- (a) The Employee agrees that Company will suffer irreparable damage and injury and will not have an adequate remedy at law in the event of any breach by Employee of any provision of Section 7 or 8. Accordingly, in the event of a breach or of a threatened or attempted breach by Employee of Section 7 or 8, in addition to all other remedies to which Company and its shareholders are entitled under law, in equity, or otherwise, including but not limited to the recovery of any damages, Company and/or any of its shareholders shall be entitled to a temporary restraining order and permanent injunction (without the necessity of showing any actual damage) or a decree of specific performance of the provisions of Section 7 or 8 and no bond or other security shall be required in that connection and may suspend the payment of any severance amounts being paid to the Employee under Section 5. In the event any party hereto is required to engage in legal action, whether before a court of competent jurisdiction or before an arbitrator, against any other party hereto, either as plaintiff or defendant, in order to enforce or defend any of the party's rights under this Agreement, and such action results in a final judgment or binding arbitration award in favor of one or more parties, then the party or parties against whom said final judgment or binding arbitration award is obtained shall reimburse the prevailing party or parties for all legal fees and expenses incurred by the prevailing party or parties in asserting or defending the party's rights hereunder.
- (b) The Employee acknowledges and agrees that in the event of termination of this Agreement for any reason whatsoever, Employee can obtain other employment not in violation of Section 7 of this Agreement, and that the issuance of an injunction to enforce the provisions of Section 7 or 8 will not prevent Employee from earning a livelihood.
- (c) The covenants on the part of Employee contained in Sections 7 and 8 are essential terms and conditions to Company entering into this Agreement, and shall be construed as independent of any other provision in this Agreement. The existence of any claim or cause of action Employee has against Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Company of these covenants.

**10. Inventions.**

- (a) The Employee shall disclose fully to Company all inventions (i) which relate in any way to Company's business, products or processes, or (ii) which are discovered, conceived, developed or reduced to practice by Employee, either alone or with others either (x) during the term of Employee's employment hereunder, or (y) at Company's expense, or (iii) on Company's business premises. Such inventions shall belong solely to Company and shall not belong to Employee. During the term of this Agreement, Employee shall assign to Company, exclusively and free from any royalty obligation or any other legal or equitable title or right of Employee, all such inventions referred to above and all patents, trademarks, copyrights, and maskworks, and any and all applications and rights pertaining thereto on a worldwide basis. The Employee shall assist Company, during and subsequent to the term hereof, in every proper way, but without any further compensation or additional consideration, to transfer and assign such inventions to and for Company's benefit and enjoyment and to cooperate as may be reasonably requested to perfect Company's ownership therein and, if requested by Company, to prosecute or direct in prosecuting any application for or registration with respect to any patent or other applicable intellectual property right, including, but not in limitation thereof, the execution and delivery of applications for the registration of one or more intellectual property rights and assignments of the same as may be deemed necessary or desirable by Company in any office selected by Company. The judgment of Company with respect to the ability to register any particular item of intellectual property shall be final and conclusive.
- (b) Any improvements made upon such inventions by Employee subsequent to the term hereof shall be presumed to have been developed during the term hereof and by and for the benefit of Company and accordingly shall be the property of Company.
- (c) The Employee agrees to execute such other standard forms relating to the invention or development of inventions and other intellectual properties as Company may require of its consultants and employees generally.

**11. Surrender of Records.** Upon termination of Employee's employment for any reason, Employee shall immediately surrender to Company any and all records, notes, documents, forms, manuals, photographs, instructions, lists, drawings, blueprints, programs, diagrams or other written, printed or electronic material (including any and all copies made at any time whatsoever) in Employee's possession or control which pertain to the business of Company. Employee also agree to delete permanently from any personal electronic devices such as mobile phones, Blackberries®, PDAs, and computers and not to retain in any form whatsoever all Confidential Information, except as may be allowed by the President of Company with express written permission.

**12. Termination.**

- (a) During the initial term or any renewal term, the employment of Employee may be terminated by Company:

- (i) Without cause by giving Employee sixty (60) days prior written notice;
  - (ii) Immediately for cause, as defined in Section 5(e);
  - (iii) Immediately, upon Employee's death; or
  - (iv) By the mutual agreement of the parties.
- (b) During the initial term or any renewal term, the employment of Employee may be terminated by Employee:
- (i) Without cause by giving Company sixty (60) days prior written notice;
  - (ii) Immediately for good reason, as defined in Section 5(f); or
  - (iii) By the mutual agreement of the parties.

**13. Time is of the Essence.** Time is of the essence with respect to all payments to be made hereunder to Employee and the delivery of all benefits to be delivered to Employee hereunder.

**14. Parties Bound.** All provisions of this Agreement shall inure to the benefit of and be binding upon the parties hereto, their heirs, personal representatives, successors and, as allowed hereunder, their assigns.

**15. Representation.** Employee represents that Employee has read this Agreement and has employed legal counsel to review the meaning of the provisions and to provide advice regarding this Agreement prior to Employee's execution of it.

**16. Entire Agreement.** This Agreement sets forth the entire understanding of the parties hereto with respect to its subject matter, merges and supersedes all prior and contemporaneous understandings with respect to its subject matter, and may not be waived or modified, in whole or in part, except by a writing signed by each of the parties hereto. No waiver of any provision of this Agreement in any instance shall be deemed to be a waiver by any party of the same or any other provision in any other instance.

**17. Effect and Modification.** This Agreement comprises the entire agreement between the parties with respect to the subject matter hereof and supersedes all other earlier agreements relating to the subject matter hereof. No statement or promise, except as herein set forth, has been made with respect to the subject matter of this Agreement. No modification or amendment hereof shall be effective unless in writing and signed by Employee and an officer of Company (other than Employee), and no agreement by any party that is inconsistent with the provisions hereof shall be enforceable unless evidenced by the written consent of such party. The exchange of copies and signature pages of this Agreement and any amendments thereto by facsimile or Portable Document Format (PDF) transmission (with evidence of confirmed receipt) shall constitute effective execution and delivery of this Agreement and any amendment thereto as to the parties and may be used in lieu of the original Agreement or amendment for all purposes. Signatures of the parties transmitted by facsimile or Portable Document Format (PDF) shall be deemed to be their original signatures for all purposes.

**18. Non-Waiver.** Company's or Employee's failure or refusal to enforce all or any part of, or Company's or Employee's waiver of any breach of this Agreement, shall not be a waiver of Company's or Employee's continuing or subsequent rights under this Agreement, nor shall such failure or refusal or waiver have any affect on the subsequent enforceability of this Agreement.

**19. Non-Assignability.** This Agreement contemplates that Employee will personally provide the services described herein, and accordingly, Employee may not assign Employee's rights or obligations hereunder, whether by operation of law or otherwise, in whole or in part, without the prior written consent of Company. Company may assign this Agreement in its entirety or any portion thereof or rights thereunder in its sole discretion provided that the assignee agrees to assume all of Company's obligations hereunder.

**20. Severability/Interpretation.** The unenforceability or invalidity of any provision in this Agreement shall not affect the enforceability or validity of any remaining provisions in this Agreement, which shall be interpreted and construed to fully carry out the intention of the parties. The judicial body interpreting this Agreement shall be authorized and instructed to rewrite any aspect of this Agreement which is unenforceable as written in such a fashion so that they may be enforced to the greatest extent legally possible. Employee acknowledges and agrees that the covenants and agreements contained in this Agreement shall be construed as covenants and agreements independent of each other or any other contract between the parties hereto and that the existence of any claim or cause of action by Employee against Company shall not constitute a defense to the enforcement by Company of said covenants and agreements, except as otherwise provided herein. The judicial body interpreting this Agreement shall not more strictly construe the terms of this Agreement against one party, it being agreed that both parties and/or their attorneys or agents have negotiated and/or participated in the preparation hereof.

**21. Notice.** Any notice, request, demand, instruction, other communication, or other document to be given hereunder to any party shall be in writing and shall be deemed to have been duly given if (a) delivered in person, (b) made by facsimile transmission, or (c) sent by overnight courier service (with all fees prepaid), as follows:

If to Employee: 3452 Forest Vista Drive  
Dacula, GA 30019

With a copy to: Chorey, Taylor & Feil, A Professional Corporation  
3399 Peachtree Road, N.E.  
Suite 1700, The Lenox Building  
Atlanta, Georgia 30326  
Fax: (404) 841-3221  
Attn: Thomas V. Chorey, Jr., Esq.

If to Company: STONECO H, INC.  
6551 Park of Commerce Blvd, N.W.  
Boca Raton, Florida 33487  
Attn: Susan E. Ball, General Counsel  
Facsimile: (800) 440-5790

Any such notice, request, demand, instruction, other communication, or other document shall be deemed to be given if delivered in person, on the date delivered, if made by facsimile transmission, on the date transmitted, or, if sent by overnight courier service, on the date sent as evidenced by the date of the bill of lading; and shall be deemed received if delivered in person, on the date of personal delivery, if made by facsimile transmission, upon confirmation of receipt, or if sent by overnight courier service, on the first business day after the date sent. Any party sending a notice, request, demand or other communication by facsimile transmission shall also send a hard copy of such notice, request, demand or other communication by one of the other means of providing notice set forth in this Section 21. Any notice, request, demand or other communication shall be given to such other representative or at such other address as a party to this Agreement may furnish to the other parties in writing pursuant to this Section 21.

22. **Governing Law.** This Agreement is being delivered in and shall be construed and enforced in accordance with the laws of the State of Georgia, other than its rules with respect to choice of laws. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement shall exclusively be brought against any of the parties in the courts of the State of Georgia, County of Gwinnett, or, if it has or can acquire jurisdiction, in the United States District Court for the Northern District of Georgia, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein.

23. **Prior Agreements.** Employee represents and warrants to Company that Employee is not a party to or otherwise bound by any agreement that would restrict in any way the performance by Employee of Employee's duties, services and obligations under this Agreement, that Employee has disclosed to Company all employment type agreements to which Employee has been bound, including without limitation employment agreements, consulting agreements, non-compete agreements or covenants, confidentiality or non-disclosure agreements or covenants, and intellectual property assignment agreements, and that Company will not have any liability to any third party arising out of Employee entering into this Agreement or performing hereunder.

24. **Headings.** The headings of the Agreement sections are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written, but effective as of September \_\_, 2008.

**EMPLOYEE:**

/s/ Anne Anderson

\_\_\_\_\_  
Anne Anderson

**COMPANY:**

**STONECO H, INC, a Delaware corporation**

By: /s/ Jim Ginter

\_\_\_\_\_  
James E. Ginter, President

**CROSS COUNTRY:**

**CROSS COUNTRY HEALTHCARE, INC,  
a Delaware corporation**

By: /s/ Victor Kalafa

\_\_\_\_\_  
Victor Kalafa, VP Corporate Development

**ADDENDUM A  
TO EMPLOYMENT AGREEMENT  
BETWEEN ANNE B. ANDERSON AND  
STONECO H, INC.,  
EFFECTIVE AS OF SEPTEMBER 9, 2008**

This Addendum relates to the Employment Agreement between StoneCo H, Inc. (the “**Company**”) and Anne B. Anderson (“**Employee**”), effective as of September \_\_, 2008. This Addendum is incorporated therein by reference and shall be an integral part of the Employment Agreement.

1. Name of Employee: Anne B. Anderson
2. Date of Commencement: September 9, 2008
3. Date Initial Term Ends: December 31, 2010
4. Title: Executive Vice President
5. Job Description and Duties: Credent Verification and Licensing Services, Inc.  
(“Credent”)

- Responsible for operations of Credent. Oversight through the Vice President of Credent, all activities and services including compliance, risk management and credentials verification..

Jamestown Indemnity, Ltd.

- Responsible for operations of insurance company, including profit and loss, policy issuance, investment strategy, risk management and compliance.

Risk Management

- Negotiate and maintain policies of insurance, including professional liability, general liability, workers compensation and errors and omissions.
- Identification of risk issues and implementation of processes to address them.
- Oversight of professional liability claims against providers and companies
- Oversight of compliance activities

Human Resources

- Responsible for the Human Resources functions of StoneCo H, StoneCo M, Inc., StoneCo A, Inc. and StoneCo C., Inc. (the “StoneCo Entities”). Through the Vice President of Human Resources, establish and implement HR policies, maintain employee benefit plans and ensure compliance with applicable laws.

Travel, Housing and ther Administrative Functions

- Oversee the travel and housing functions of the StoneCo Entities, including coordination of long distance service, cellular phone service and front desk services.

Date: September 9, 2008

**ADDENDUM B**  
**TO**  
**EMPLOYMENT AGREEMENT**

This Addendum relates to the Employment Agreement between StoneCo H, Inc., (“**Company**”) and Anne Anderson (“**Employee**”), effective as of September 9, 2008. This Addendum is incorporated therein by reference and shall be an integral part of the Employment Agreement.

Officer Compensation Structure  
Effective September 9, 2008

**BASE COMPENSATION**

Anne Anderson - \$175,000

**BONUS PLAN**

Holdings previously established a bonus plan for the above referenced officer based on a targeted EBITDA of MDA for a 100% performance at \$110,000 and the bonus plan is being assumed by Company, all as described below.

**ANNUAL MDA EBITDA TARGET – CALENDAR YEAR 2008**

\$14,375,000

**BONUS POOL**

\$110,000

**Earn Rates for Bonus Pool**

Target Achievement Level (%)	Earn Rate (%)
.00%-89.99%	.00%
90.00%	80.00%
90.01%-100.00%	For each one hundredth of a percentage point of target achievement above 90% but not more than 100% the Earn Rate increases by <b>two</b> one-hundredth's of a percentage point up to 100% of allocated bonus pool amount.
100.01%-125.00%	For each one hundredth of a percentage point of target achievement above 100% but not more than 125% the Earn Rate increases by <b>one</b> one-hundredth's of a percentage point up to 125% of allocated bonus pool amount.
125.01% and above	125%

## Payment Schedule

### Quarterly Non Forfeitable Payments

The bonus plan is an annual bonus plan. However, quarterly non forfeitable bonus payments will be made for a bonus component when at least 90% of a bonus component target is achieved not to exceed a 100% earn rate. The quarterly bonus payment will equal 75% of the cumulative bonus earned less previous quarterly payments. The quarterly payments will be made on April 30, 2008, July 31, 2008 and October 31, 2008.

### Annual Calculation

As soon as practical after December 31, 2008, a final bonus calculation is to be prepared. If the bonus earned exceeds the sum of all quarterly bonus payments, the excess shall be paid in full on the pay date following the audit committee's acceptance of the audited financial statements for December 31, 2008 from Company's independent auditors. If the final bonus calculation does not exceed the sum of all quarterly bonus payments, Employee will not be required to pay back the excess of the quarterly payments.

### Quarterly Targets

The following quarterly targets are to be used for purposes of calculating the quarterly bonus payments.

	<b>EBITDA Component</b>
<b>Q1</b>	\$2,654,240
<b>Q2</b>	\$4,202,464
<b>Q3</b>	\$3,957,900
<b>Q4</b>	\$3,560,396
<b>Total</b>	<b>\$14,375,000</b>

### Previous Payments by Holdings and Assumption by Company

Prior to Company's acquisition of the assets of Holdings, Holdings made the Q1 payment for the quarter ending on March 31, 2008 to Employee on or before April 30, 2008 and the Q2 payment for the quarter ending on June 30, 2008 to Employee on or before July 31, 2008. Company agrees to make the Q3 payment for the quarter ending on September 30, 2008 to Employee on or before October 31, 2008 and to calculate and pay the final bonus as soon as practical after December 31, 2008. In calculating the Q3 payment for the quarter ending on September 30, 2008 and the final bonus, Company shall include the EBITDA generated by Holdings in 2008 prior to the closing of the Asset Purchase Agreement among Holdings, Company and Cross Country Healthcare, Inc.

### **Effect of Termination on Bonus**

In the event that the employment of Employee is terminated by Company for any reason other than for cause or terminated by Employee for good reason in any quarter of the calendar year other than the fourth quarter, Employee shall be entitled to receive (i) the non forfeitable bonus payment to which Employee would have been entitled as if Employee were employed for the entire quarter in which the employment of Employee is terminated and (ii) the amount by which the final bonus exceeds the non forfeitable bonus payments for all quarters prior to and including the quarter in which the employment of Employee is terminated.

In the event that the employment of Employee is terminated by Company for any reason other than for cause or terminated by Employee for good reason in the fourth quarter of the calendar year, Employee shall be entitled to receive the full final bonus for the year as if employed at the end of the fourth quarter. In the event th at the employment of Employee is terminated by Company for cause or terminated by Employee without good reason during a quarter of the calendar year, Employee would not receive the bonus for that partial quarter or any final bonus for that year, but would receive bonuses for all completed quarters at the time of termination. All bonus payments made hereunder shall be made on the dates provided above.

### **ADDENDUM C TO EMPLOYMENT AGREEMENT**

1. Employee shall be entitled to an annual vacation and sick leave benefit ("PTO") of 25 days, together with all customary holidays.
2. At the end of each year, if Employee has any unused days of PTO, Employee may "roll over" up to 10 days of PTO to the next year. Employee receives no remuneration for unused days of PTO.

**RESTRICTED STOCK AGREEMENT  
PURSUANT TO THE  
CROSS COUNTRY HEALTHCARE, INC.  
2007 STOCK INCENTIVE PLAN**

THIS AGREEMENT (this "Agreement"), made as of the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by and between Cross Country Healthcare, Inc. (the "Company") and \_\_\_\_\_ (the "Participant").

**W I T N E S S E T H:**

**WHEREAS**, the Company has adopted the Cross Country Healthcare, Inc. 2007 Stock Incentive Plan (the "Plan"), which, with respect to Non-Employee Directors is administered by the Company's Board of Directors (the "Board"); and

**WHEREAS**, pursuant to Section 8.1 of the Plan, the Board may grant to Non-Employee Directors shares of its common stock, par value \$0.0001 per share ("Common Stock" or the "Shares"); and

**WHEREAS**, such Shares are to be subject to certain restrictions.

**NOW, THEREFORE**, for and in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Grant of Shares.** Subject to the restrictions, terms and conditions of this Agreement, the Company hereby awards to the Participant [\_\_\_\_\_] shares of validly issued Common Stock. To the extent required by law, the Participant shall pay the Company the par value (\$0.0001) for each Share awarded to the Participant simultaneously with the execution of this Agreement. Pursuant to Section 2 hereof, the Shares are subject to certain restrictions, which restrictions relate to the passage of time as a director of the Company or its Affiliates. While such restrictions are in effect, the Shares subject to such restrictions shall be referred to herein as "Restricted Stock."

2. **Restrictions on Transfer.** The Participant shall not sell, transfer, pledge, hypothecate, assign or otherwise dispose of the Shares, except as set forth in the Plan or this Agreement. Any attempted sale, transfer, pledge, hypothecation, assignment or other disposition of the Shares in violation of the Plan or this Agreement shall be void and of no effect and the Company shall have the right to disregard the same on its books and records and to issue "stop transfer" instructions to its transfer agent.

3. **Restricted Stock.**

(a) **Retention of Certificates.** Promptly after the date of this Agreement, the Company shall issue stock certificates representing the Restricted Stock unless it elects to recognize such ownership through book entry or another similar method pursuant to Section 8

herein. The stock certificates shall be registered in the Participant's name and shall bear any legend required under the Plan or Section 4(a) of this Agreement. Unless held in book entry form, such stock certificates shall be held in custody by the Company (or its designated agent) until the restrictions thereon shall have lapsed. Upon the Company's request, the Participant shall deliver to the Company a duly signed stock power, endorsed in blank, relating to the Restricted Stock. If the Participant receives a stock dividend or extraordinary cash dividend on the Restricted Stock or the Shares of Restricted Stock are split or the Participant receives any other shares, securities, moneys or property representing a dividend on the Restricted Stock (other than regular cash dividends on and after the date of this Agreement) or representing a distribution or return of capital upon or in respect of the Restricted Stock or any part thereof, or resulting from a split-up, reclassification or other like changes of the Restricted Stock, or otherwise received in exchange therefor, and any warrants, rights or options issued to the Participant in respect of the Restricted Stock (collectively "RS Property"), the Participant will also immediately deposit with and deliver to the Company any of such RS Property, including any certificates representing shares duly endorsed in blank or accompanied by stock powers duly executed in blank, and such RS Property shall be subject to the same restrictions, including that of this Section 3(a), as the Restricted Stock with regard to which they are issued and shall herein be encompassed within the term "Restricted Stock."

(b) **Rights with Regard to Restricted Stock.** The Participant will have the right to vote the Restricted Stock, to receive and retain any dividends payable to holders of Shares of record on and after the transfer of the Restricted Stock (although such dividends shall be treated, to the extent required by applicable law, as additional compensation for tax purposes if paid on Restricted Stock and stock dividends will be subject to the restrictions provided in Section 3(a)), and to exercise all other rights, powers and privileges of a holder of Common Stock with respect to the Restricted Stock set forth in the Plan, with the exceptions that: (i) the Participant will not be entitled to delivery of the stock certificate or certificates representing the Restricted Stock until the Restriction Period shall have expired; (ii) the Company (or its designated agent) will retain custody of the stock certificate or certificates representing the Restricted Stock and the other RS Property during the Restriction Period; (iii) no RS Property shall bear interest or be segregated in separate accounts during the Restriction Period; and (iv) the Participant may not sell, assign, transfer, pledge, exchange, encumber or dispose of the Restricted Stock during the Restriction Period.

(c) **Vesting.** The Restricted Stock shall become vested and cease to be Restricted Stock (but shall remain subject to Section 5 of this Agreement) pursuant to the following schedule, which shall be cumulative; provided that the Participant has not had a Termination of Directorship any time prior to the applicable vesting date:

<u>Vesting Date</u>	<u>Number of Shares</u>
First Anniversary of Grant Date	25%
Second Anniversary of Grant Date	25%
Third Anniversary of Grant Date	25%
Fourth Anniversary of Grant Date	25%

There shall be no proportionate or partial vesting in the periods prior to each vesting date and all vesting shall occur only on the appropriate vesting date; provided that no Termination has occurred prior to such date.

The Shares of Restricted Stock will become fully vested on a Change in Control.

When any Shares of Restricted Stock become vested, the Company shall promptly issue and deliver, unless the Company is using book entry, to the Participant a new stock certificate registered in the name of the Participant for such Shares without the legend set forth in Section 4(a) hereof and deliver to the Participant any related other RS Property, subject to applicable withholding.

(d) **Detrimental Activity.** The provisions in the Plan regarding Detrimental Activity shall not apply to the Restricted Stock.

(e) **Termination of Directorship; Forfeiture.** The Participant shall forfeit to the Company, without compensation, other than repayment of any par value paid by the Participant for such Shares (if any), any and all Restricted Stock (but no vested Shares) and RS Property upon the Participant's Termination of Directorship for any reason.

(f) **Taxes.** The Participant shall be solely responsible for all applicable federal, state and local or foreign taxes the Participant incurs from the grant or vesting of the Restricted Stock.

(g) **Section 83(b).** If the Participant properly elects (as required by Section 83(b) of the Code) within 30 days after the issuance of the Restricted Stock to include in gross income for federal income tax purposes in the year of issuance the fair market value of such Shares of Restricted Stock, the Participant shall be solely responsible for any federal, state or local taxes the Participant incurs in connection with such election. The Participant acknowledges that it is the Participant's sole responsibility, and not the Company's, to file timely and properly the election under Section 83(b) of the Code and any corresponding provisions of state tax laws if the Participant elects to utilize such election.

(h) **Delivery Delay.** The delivery of any certificate representing the Restricted Stock or other RS Property may be postponed by the Company for such period as may be required for it to comply with any applicable federal or state securities law, or any national securities exchange listing requirements and the Company is not obligated to issue or deliver any securities if, in the opinion of counsel for the Company, the issuance of such Shares shall constitute a violation by the Participant or the Company of any provisions of any applicable federal or state law or of any regulations of any governmental authority or any national securities exchange.

4. **Legend.** All certificates representing the Restricted Stock shall have endorsed thereon the following legends:

(a) "The anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge of the shares of stock represented hereby are subject to the terms

and conditions (including forfeiture) of the Cross Country Healthcare, Inc. (the “Company”) 2007 Stock Incentive Plan (as the same may be amended or supplemented from time to time, the “Plan”) and an agreement entered into between the registered owner and the Company dated \_\_\_\_\_. Copies of such Plan and agreement are on file at the principal office of the Company.”

(b) Any legend required to be placed thereon by applicable blue sky laws of any state.

Notwithstanding the foregoing, in no event shall the Company be obligated to issue a certificate representing the Restricted Stock prior to the vesting dates set forth above.

5. **Securities Representations.** The Shares are being issued to the Participant and this Agreement is being made by the Company in reliance upon the following express representations and warranties of the Participant.

The Participant acknowledges, represents and warrants that:

(a) the Participant has been advised that the Participant may be an “affiliate” within the meaning of Rule 144 under the Securities Act of 1933, as amended (the “Act”) and in this connection the Company is relying in part on the Participant’s representations set forth in this section.

(b) If the Participant is deemed an affiliate within the meaning of Rule 144 of the Act, the Shares must be held indefinitely unless an exemption from any applicable resale restrictions is available or the Company files an additional registration statement (or a “re-offer prospectus”) with regard to such Shares and the Company is under no obligation to register the Shares (or to file a “re-offer prospectus”).

(c) If the Participant is deemed an affiliate within the meaning of Rule 144 of the Act, the Participant understands that the exemption from registration under Rule 144 will not be available unless (i) a public trading market then exists for the Common Stock of the Company, (ii) adequate information concerning the Company is then available to the public, and (iii) other terms and conditions of Rule 144 or any exemption therefrom are complied with; and that any sale of the Shares may be made only in limited amounts in accordance with such terms and conditions.

6. **No Obligation to Continue Directorship.** This Agreement is not an agreement of directorship. This Agreement does not guarantee that the Company or its Affiliates will retain, or to continue to retain the Participant as a director of the Company during the entire, or any portion of the, term of this Agreement, including but not limited to any period during which the Restricted Stock is outstanding, nor does it modify in any respect the Company or its Affiliate’s right to terminate or modify the Participant’s directorship or compensation.

7. **Power of Attorney.** The Company, its successors and assigns, is hereby appointed the attorney-in-fact, with full power of substitution, of the Participant for the purpose of carrying out the provisions of this Agreement and taking any action and executing any

instruments which such attorney-in-fact may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. The Company, as attorney-in-fact for the Participant, may in the name and stead of the Participant, make and execute all conveyances, assignments and transfers of the Restricted Stock, Shares and property provided for herein, and the Participant hereby ratifies and confirms all that the Company, as said attorney-in-fact, shall do by virtue hereof. Nevertheless, the Participant shall, if so requested by the Company, execute and deliver to the Company all such instruments as may, in the judgment of the Company, be advisable for the purpose.

8. **Uncertificated Shares.** Notwithstanding anything else herein, to the extent permitted under applicable law, the Board may, issue the Shares in the form of uncertificated shares. Such uncertificated shares of Restricted Stock shall be credited to a book entry account maintained by the Company (or its designee) on behalf of the Participant. If thereafter certificates are issued with respect to the uncertificated shares of Restricted Stock, such issuance and delivery of certificates shall be in accordance with the applicable terms of this Agreement.

9. **Rights as a Stockholder.** The Participant shall have no rights as a stockholder with respect to any Shares covered by the Restricted Stock unless and until the Participant has become the holder of record of the Shares. No adjustments shall be made to the Shares or the Restricted Stock for dividends in cash or other property, distributions or other rights in respect of any such Shares, except as otherwise specifically provided for in the Plan or this Agreement.

10. **Provisions of Plan Control.** This Agreement is subject to all the terms, conditions and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. Capitalized terms in this Agreement that are not otherwise defined shall have the same meaning as set forth in the Plan. If and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes any prior agreements between the Company and the Participant with respect to the subject matter hereof.

11. **Notices.** Any notice or communication given hereunder (each a "**Notice**") shall be in writing and shall be sent by personal delivery, by courier or by United States mail (registered or certified mail, postage prepaid and return receipt requested), to the appropriate party at the address set forth below:

If to the Company, to:

Cross Country Healthcare, Inc.  
6551 Park of Commerce Blvd.  
Boca Raton, Florida 33487  
Attention: Paula C. Donayri, Corporate Benefits Director

If to the Participant, to the address for the Participant on file with the Company;

or such other address or to the attention of such other person as a party shall have specified by prior Notice to the other party. Each Notice will be deemed given and effective upon actual receipt (or refusal of receipt).

12. **Acceptance.** As required by Section 8.2(b) of the Plan, the Participant shall forfeit the Restricted Stock if the Participant does not execute this Agreement within a period of 60 days from the date the Participant receives this Agreement (or such other period as the Board shall provide).

13. **Governing Law.** All questions concerning the construction, validity and interpretation of this Agreement will be governed by, and construed in accordance with, the domestic laws of the State of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

14. **Consent to Jurisdiction.** In the event of any dispute, controversy or claim between the Company or any Affiliate and the Participant in any way concerning, arising out of or relating to the Plan or this Agreement (a "**Dispute**"), including without limitation any Dispute concerning, arising out of or relating to the interpretation, application or enforcement of the Plan or this Agreement, the parties hereby (a) agree and consent to the personal jurisdiction of the courts of the State of Florida located in Palm Beach County and/or the Federal courts of the United States of America located in the Florida Southern District (collectively, the "**Agreed Venue**") for resolution of any such Dispute, (b) agree that those courts in the Agreed Venue, and only those courts, shall have exclusive jurisdiction to determine any Dispute, including any appeal, and (c) agree that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of Florida. The parties also hereby irrevocably (i) submit to the jurisdiction of any competent court in the Agreed Venue (and of the appropriate appellate courts therefrom), (ii) to the fullest extent permitted by law, waive any and all defenses the parties may have on the grounds of lack of jurisdiction of any such court and any other objection that such parties may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court (including without limitation any defense that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum), and (iii) consent to service of process in any such suit, action or proceeding, anywhere in the world, whether within or without the jurisdiction of any such court, in any manner provided by applicable law. Without limiting the foregoing, each party agrees that service of process on such party pursuant to a Notice as provided in Section 11 shall be deemed effective service of process on such party. Any action for enforcement or recognition of any judgment obtained in connection with a Dispute may be enforced in any competent court in the Agreed Venue or in any other court of competent jurisdiction.

15. **Counterparts.** This Agreement may be executed (including by facsimile transmission) with counterpart signature pages or in separate counterparts each of which shall be an original and all of which taken together shall constitute one and the same agreement.

16. **Miscellaneous.**

(a) This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.

(b) The failure of any party hereto at any time to require performance by another party of any provision of this Agreement shall not affect the right of such party to require performance of that provision, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right under this Agreement.

[Remainder of page intentionally left blank – signature page follows]

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the date and year first above written.

PARTICIPANT:

CROSS COUNTRY HEALTHCARE, INC.



\_\_\_\_\_  
**First and Last Name**

By: \_\_\_\_\_  
Emil Hensel, Chief Financial Officer

**STOCK APPRECIATION RIGHTS AGREEMENT  
PURSUANT TO THE  
CROSS COUNTRY HEALTHCARE, INC.  
2007 STOCK INCENTIVE PLAN**

THIS AGREEMENT (this "Agreement"), made as of the \_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Grant Date"), by and between Cross Country Healthcare, Inc. (the "Company") and \_\_\_\_\_ (the "Participant").

Preliminary Statement

The Board of Directors of the Company (the "Board") or a committee appointed by the Board (the "Committee") to administer the Cross Country Healthcare, Inc. 2007 Stock Incentive Plan (the "Plan"), has authorized this grant of Non-Tandem Stock Appreciation Rights ("SARs") to the Participant, as an Eligible Employee of the Company or an Affiliate (collectively, the Company and all Affiliates and Parents of the Company shall be referred to as the "Employer"). Unless otherwise indicated, any capitalized term used but not defined herein shall have the meaning ascribed to such term in the Plan. A copy of the Plan has been delivered to the Participant. By signing and returning this Agreement, the Participant acknowledges having received and read a copy of the Plan and agrees to comply with it, this Agreement and all applicable laws and regulations.

Accordingly, the parties hereto agree as follows:

1. Grant of SARs. Subject in all respects to the Plan and the terms and conditions set forth herein and therein, the Participant is hereby granted \_\_\_\_\_ SARs entitling the Participant to receive, for each of the SARs exercised, up to, but no more than, an amount in Common Stock equal in value to the excess of the Fair Market Value of one share of Common Stock on the date the SARs are exercised over \$\_\_\_\_\_.<sup>1</sup> Fractional shares of Common Stock resulting from any exercise of the SARs shall be aggregated until, and eliminated at, the time of exercise by rounding-down for fractions less than one-half and rounding-up for fractions equal to or greater than one-half. No cash settlements shall be made with respect to fractional shares eliminated by rounding.

2. Exercise. (a) The SARs will become exercisable in installments as provided below, which shall be cumulative. To the extent that the SARs have become exercisable with respect to a percentage of the SARs granted, the SARs may thereafter be exercised by the Participant, in whole or in part, at any time or from time to time prior to the expiration of the SARs. The following table indicates the dates (each a "Vesting Date" and collectively, the "Vesting Dates") upon which the Participant shall be entitled to exercise the SARs, provided that the Participant has been continuously employed by the Company or an Affiliate through each applicable Vesting Date:

---

1. Fair Market Value of one share of Common Stock on the grant date.

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Vesting Date	Percentage of SARs
First Anniversary of Grant Date	25%
Second Anniversary of Grant Date	25%
Third Anniversary of Grant Date	25%
Fourth Anniversary of Grant Date	25%

To the extent that the SARs become vested and exercisable with respect to a percentage of SARs as provided above, the SARs may thereafter be exercised by the Participant, in whole or in part, at any time or from time to time prior to the expiration or termination of the SARs as provided in Sections 3 and 4 of this Agreement by giving written notice of exercise to the Company specifying the number of SARs to be exercised. Upon expiration of the SARs, the SARs shall be canceled and no longer exercisable.

There shall be no proportionate or partial vesting in the periods prior to each vesting date and all vesting shall occur only on the appropriate vesting date.

- (b) The provisions in Section 7.4(c) of the Plan regarding Detrimental Activity shall apply to the SARs.
- (c) The SARs will become fully vested on a Change in Control

3. Term. The term of the SARs shall be seven (7) years after the Grant Date, subject to earlier termination in the event of the Participant's Termination as specified in Section 4 below.

4. Termination.

Subject to the terms of the Plan and this Agreement, the SARs, to the extent vested at the time of the Participant's Termination, shall remain exercisable as follows:

(a) In the event of the Participant's Termination by reason of death, Disability, or Retirement, the vested portion of the SARs shall remain exercisable until the earlier of (i) one (1) year from the date of such Termination or (ii) the expiration of the stated term of the SARs pursuant to Section 3 hereof; provided, however, that in the case of Disability or Retirement, if the Participant dies within such one (1) year exercise period, any unexercised SARs held by the Participant shall thereafter be exercisable by the legal representative of the Participant's estate, to the extent to which it was exercisable at the time of death, for a period of one (1) year from the date of death, but in no event beyond the expiration of the stated term of the SARs pursuant to Section 3 hereof.

(b) In the event of the Participant's involuntary Termination without Cause, any SARs that are vested and exercisable at the time of the Participant's Termination shall remain exercisable until the earlier of (i) ninety (90) days from the date of such Termination or (ii) the expiration of the stated term of the SARs pursuant to Section 3 hereof.

(c) In the event of the Participant's voluntary Termination (other than a voluntary termination described in Section 4(d) below, or a Retirement), the vested portion of the SARs shall remain exercisable until the earlier of (i) thirty (30) days from the date of such Termination or (ii) the expiration of the stated term of the SARs pursuant to Section 3 hereof.

(d) In the event of the Participant's Termination for Cause or in the event of the Participant's voluntary Termination or Retirement, in each case after the occurrence of an event that would be grounds for a Termination for Cause, all of the Participant's SARs (whether or not vested) shall terminate and expire upon such Termination.

(e) Any portion of the SARs that is not vested as of the date of the Participant's Termination for any reason shall terminate and expire as of the date of such Termination.

5. Restriction on Transfer of SARs. No part of the SARs shall be Transferred other than by will or by the laws of descent and distribution and during the lifetime of the Participant, may be exercised only by the Participant. In addition, the SARs shall not be assigned, negotiated, pledged or hypothecated in any way (except as provided by law or herein), and the SARs shall not be subject to execution, attachment or similar process. Upon any attempt to Transfer the SARs or in the event of any levy upon the SARs by reason of any execution, attachment or similar process contrary to the provisions hereof, such transfer shall be void and of no effect and the Company shall have the right to disregard the same on its books and records and to issue "stop transfer" instructions to its transfer agent.

6. Rights as a Stockholder. The Participant shall have no rights as a stockholder with respect to any shares payable upon exercise of the SARs unless and until the Participant has become the holder of record of the shares, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares, except as otherwise specifically provided for in the Plan.

7. Provisions of Plan Control. This Agreement is subject to all the terms, conditions and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. If and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof (other than any exercise notice or other documents expressly contemplated herein or in the Plan) and supersedes any prior agreements between the Company and the Participant with respect to the subject matter hereof.

8. Amendment. To the extent applicable, the Board or the Committee may at any time and from time to time amend, in whole or in part, any or all of the provisions of this Agreement to comply with Section 409A of the Code and the regulations thereunder or any other applicable law and may also amend, suspend or terminate this Agreement subject to the terms of the Plan.

9. Notices. Any notice or communication given hereunder (each a “**Notice**”) shall be in writing and shall be sent by personal delivery, by courier or by United States mail (registered or certified mail, postage prepaid and return receipt requested), to the appropriate party at the address set forth below:

If to the Company, to:

Cross Country Healthcare, Inc.  
6551 Park of Commerce Blvd.  
Boca Raton, Florida 33487  
Attention: Paula C. Donayri, Corporate Benefits Director

If to the Participant, to the address for the Participant on file with the Company;

or such other address or to the attention of such other person as a party shall have specified by prior Notice to the other party. Each Notice will be deemed given and effective upon actual receipt (or refusal of receipt).

10. No Obligation to Continue Employment. This Agreement is not an agreement of employment. This Agreement does not guarantee that the Employer will employ the Participant for any specific time period, nor does it modify in any respect the Employer’s right to terminate or modify the Participant’s employment or compensation.

11. Governing Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by, and construed in accordance with, the domestic laws of the State of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

12. Consent to Jurisdiction. In the event of any dispute, controversy or claim between the Company or any Affiliate and the Participant in any way concerning, arising out of or relating to the Plan or this Agreement (a “**Dispute**”), including without limitation any Dispute concerning, arising out of or relating to the interpretation, application or enforcement of the Plan or this Agreement, the parties hereby (a) agree and consent to the personal jurisdiction of the courts of the State of Florida located in Palm Beach County and/or the Federal courts of the United States of America located in the Florida Southern District (collectively, the “**Agreed Venue**”) for resolution of any such Dispute, (b) agree that those courts in the Agreed Venue, and only those courts, shall have exclusive jurisdiction to determine any Dispute, including any appeal, and (c) agree that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of Florida. The parties also hereby irrevocably (i) submit to the jurisdiction of any competent court in the Agreed Venue (and of the appropriate appellate courts therefrom), (ii) to the fullest extent permitted by law, waive any and all defenses the parties may have on the grounds of lack of jurisdiction of any such court and any other objection that such parties may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court (including without limitation any defense that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum), and (iii) consent to service of process in any such suit,

action or proceeding, anywhere in the world, whether within or without the jurisdiction of any such court, in any manner provided by applicable law. Without limiting the foregoing, each party agrees that service of process on such party pursuant to a Notice as provided in Section 9 shall be deemed effective service of process on such party. Any action for enforcement or recognition of any judgment obtained in connection with a Dispute may be enforced in any competent court in the Agreed Venue or in any other court of competent jurisdiction.

13. Counterparts. This Agreement may be executed (including by facsimile transmission) with counterpart signature pages or in separate counterparts each of which shall be an original and all of which taken together shall constitute one and the same agreement.

14. Miscellaneous.

- (a) This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.
- (b) The failure of any party hereto at any time to require performance by another party of any provision of this Agreement shall not affect the right of such party to require performance of that provision, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right under this Agreement.

[Remainder of page intentionally left blank – signature page follows]

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the date and year first above written.

PARTICIPANT:

CROSS COUNTRY HEALTHCARE, INC.



By: \_\_\_\_\_

\_\_\_\_\_  
**First and Last Name**

Emil Hensel, Chief Financial Officer

### THIRD AMENDMENT TO LEASE

This Third Amendment to Lease (“Amendment”) made and entered into this 30th day of October, 2008, by and between G & I VI 321/323 NORRISTOWN FE LLC, a Delaware limited liability company, hereinafter referred to as “Landlord” and CLINFORCE, INC., a Delaware corporation with its principal place of business at 4815 Emperor Boulevard, Durham, NC 27713, hereinafter referred to as “Tenant”

WHEREAS, Landlord leased a total of 11,154 rentable square feet (“RSF”) of space commonly referred to as Suite 200 (4,739 RSF), Suite 205 (2,979 RSF) and Suite 215 (3,436 RSF) (collectively, the “Original Premises”) located at 321 Norristown Road, Ambler, PA, 19002 (“Building”), to Tenant pursuant to that certain Lease dated August 7, 2006, as amended January 2, 2007, and as amended September 23, 2008, hereinafter collectively referred to as “Lease,” the Original Premises being more particularly described therein; and

WHEREAS, Tenant desires to expand the size of the Original Premises by adding an additional 3,305 RSF of space (Suite 225) under the Lease;

WHEREAS, Landlord and Tenant wish to amend the Lease as follows;

NOW, THEREFORE, in consideration of these present and the agreement of each other, Landlord and Tenant agree that the Lease shall be and the same is hereby amended as follows:

1. Incorporation of Recitals. The recitals set forth above, the Lease referred to therein and the exhibits attached hereto are hereby incorporated herein by reference as if set forth in full in the body of this Amendment. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Lease.

2. Lease of Additional Premises.

(a) The Lease is hereby amended to provide that Landlord hereby demises and lets unto Tenant, and Tenant hereby leases and hires from Landlord, all that certain space on the second floor of the Building containing approximately 3,305 RSF of space (Suite 225) (the “Additional Premises”), as shown on Exhibit “A”, attached hereto and made a part hereof.

(b) The term of the Lease for the Additional Premises shall commence on the date which is the earlier of (i) when Tenant, with Landlord's prior consent, assumes possession of the Additional Premises for its Permitted Uses, or (ii) upon substantial completion of the improvements required to be made by Landlord to the Additional Premises under Article 2(c) below (“Additional Premises Commencement Date”). Substantial completion means that the initial improvements called for by this Third Amendment have been completed to the extent that the Additional Premises may be occupied by Tenant for its Permitted Use, subject only to completion of minor finishing, adjustment of equipment, and other minor construction aspects, and Landlord has procured a temporary or permanent certificate of occupancy permitting the occupancy of the Additional Premises, if required by law (hereafter, “substantial completion”). ; It is estimated that the Additional Premises Commencement Date will be December 1, 2008. It is the mutual intention of Landlord and Tenant that the Additional Premises shall be leased to and occupied by Tenant on and subject to all of the terms, covenants and conditions of the Lease except as otherwise expressly provided to the contrary in this Third Amendment, and to that end, Landlord and Tenant hereby agree that from and after the Additional Premises Commencement Date, the word “Premises”, as defined in the Lease, shall mean and include both the Original Premises and the Additional Premises, containing a total of 14,459 RSF, unless the context otherwise requires.

(c) The Additional Premises shall be delivered to Tenant on an “As Is” basis except as indicated on the mutually agreed upon Plan/Construction Scope of Work entitled “SP-2”, dated August 20, 2008 and drawn by Charles Matsinger Associates, which shall be turn-keyed by Landlord using building standard finishes (“Landlord’s Work”), and which is attached hereto, made a part hereof and marked as Exhibit “B”.

(d) Upon completion of Landlord’s Work, Landlord and Tenant shall schedule a pre-occupancy

inspection of the Additional Premises, at which time a punchlist of outstanding items, if any, shall be completed. Landlord shall use reasonable efforts to complete the items on the punchlist within thirty (30) days, or if the nature of the items requires additional time, within such additional time as is reasonable necessary.

(e) The Additional Premises Commencement Date shall be confirmed by Landlord and Tenant by the execution of a Confirmation of Lease Term in the form attached hereto as Exhibit "C". If Tenant fails to execute or object to the Confirmation of Lease Term within ten (10) business days of its delivery, Landlord's determination of such dates shall be deemed accepted.

3. Term: The Lease Term for the Additional Premises shall commence on the Additional Premises Commencement Date. The Additional Premises shall expire co-terminous with the Second Amendment to Lease dated September 23, 2008, 59 months following the Additional Premises Commencement Date ("Additional Premises Termination Date").

4. Fixed Rent:

(a) From and after the Additional Premises Commencement Date, Tenant shall pay to Landlord Fixed Rent for the Original Premises and the Additional Premises (14,459 RSF) as follows:

<u>TIME PERIOD</u>	<u>PER RSF</u>	<u>MONTHLY INSTALLMENT</u>	<u>ANNUAL BASE RENT</u>
Additional Premises Commencement Date- 9/30/09	\$19.50	\$23,495.88	\$281,950.50
10/1/09-9/30/10	\$20.00	\$24,098.33	\$289,180.00
10/1/10-9/30/11	\$20.50	\$24,700.79	\$296,409.50
10/1/11-9/30/12	\$21.00	\$25,303.25	\$303,639.00
10/1/12- Additional Premises Termination Date	\$21.50	\$25,905.71	\$310,868.50

(b) Tenant shall pay to Landlord without notice or demand, and without set-off, except as set forth in this Lease, the annual Fixed Rent payable in the monthly installments of Fixed Rent as set forth above, in advance on the first day of each calendar month during the Term by (i) check sent to Landlord at G & I VI Interchange Office LLC, Lockbox #6921, PO Box 8500, Philadelphia, PA 17178-6921 or (ii) wire transfer of immediately available funds to the account at Wachovia Bank, G & I VI Interchange Office LLC, Account #2000030594526, ABA #031201467; such transfer to be confirmed by Landlord's accounting department upon written request by Tenant. **All payments must include the following information: Building #D125 and Lease #008638.** The Lease number shall be provided by Landlord within a reasonable time following execution of this Second Amendment.

5. Tenant's Proportionate Share. From and after the Additional Premises Commencement Date, Tenant's Proportionate Share shall be 24.10%.

6. Tenant Representations: Tenant hereby confirms that (i) the Lease is in full force and effect and Tenant is in possession of the Original Premises; (ii) there are no defaults by Landlord under the Lease, (iii) Tenant's security deposit is \$7,305.96; and (iv) the Base Year for the Original Premises and for the Additional Premises is 2006.

7. **Brokerage Commission.** Landlord and Tenant mutually represent and warrant to each other that they have not dealt, and will not deal, with any real estate broker or sales representative in connection with this proposed transaction except for CresaPartners. Each party agrees to indemnify, defend and hold harmless the other and their directors, officers and employees from and against all threatened or asserted claims, liabilities, costs and damages (including reasonable attorney's fees and disbursements) which may occur as a result of a breach of this representation.

8. **Binding Effect.** Except as expressly amended hereby, the Lease remains in full force and effect in accordance with its terms. **Tenant specifically acknowledges and agrees that Article 18 of the Lease concerning Confession of Judgment is and shall remain in full force and effect in accordance with its terms.**

9. **OFAC/PATRIOT ACT COMPLIANCE.** Tenant represents, warrants and covenants that Tenant is not (i) listed on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Asset Control, Department of the Treasury ("OFAC") pursuant to Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) ("Order") and all applicable provisions of Title III of the USA Patriot Act (Public Law No. 107-56 (October 26, 2001)); (ii) listed on the Denied Persons List and Entity List maintained by the United States Department of Commerce; (iii) listed on the List of Terrorists and List of Disbarred Parties maintained by the United States Department of State, (iv) listed on any list or qualification of "Designated Nationals" as defined in the Cuban Assets Control Regulations 31 C.F.R. Part 515; (v) listed on any other publicly available list of terrorists, terrorist organizations or narcotics traffickers maintained by the United States Department of State, the United States Department of Commerce or any other governmental authority or pursuant to the Order, the rules and regulations of OFAC (including without limitation the Trading with the Enemy Act, 50 U.S.C. App. 1-44; the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-06; the unrepealed provision of the Iraq Sanctions Act, Publ.L. No. 101-513; the United Nations Participation Act, 22 U.S.C. § 2349 as-9; The Cuban Democracy Act, 22 U.S.C. §§ 6001-10; The Cuban Liberty and Democratic Solidarity Act, 18 U.S.C. §§ 2332d and 233; and The Foreign Narcotic Kingpin Designation Act, Publ. L. No. 106-120 and 107-108, all as may be amended from time to time); or any other applicable requirements contained in any enabling legislation or other Executive Orders in respect of the Order (the Order and such other rules, regulations, legislation or orders are collectively called the "Orders"); (vi) engaged in activities prohibited in the Orders; or (vii) (and has not been) convicted, pleaded nolo contendere, indicted, arraigned or custodially detained on charges involving money laundering or predicate crimes to money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes or in connection with the Bank Secrecy Act (31 U.S.C. §§ 5311 et. seq.). Tenant further represents, warrants and covenants that Tenant shall conduct its business operations in compliance with the forgoing laws, rules, orders and regulations. Tenant hereby agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities, and expenses (including attorney's fees and costs) arising from or related to any breach of the foregoing representations, warranties and covenants. The breach of either of the above representations, warranties and covenants by Tenant shall be an Event of Default under this Lease.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this agreement on the date first above written.

LANDLORD:  
G & I VI 321/323 NORRISTOWN FE LLC

WITNESS:

//SIGNED//Y. Alexander

By: //SIGNED//Jean Marie Apruzzese  
Name: Jean Marie Apruzzese  
Title: Vice President

TENANT:  
CLINFORCE, INC

ATTEST:

//SIGNED//Maria Phillips

By: //SIGNED//Tony Sims 10/23/08  
Name: Tony Sims  
Title: President

EXHIBIT "A"  
SPACE PLAN OF THE ADDITIONAL PREMISES

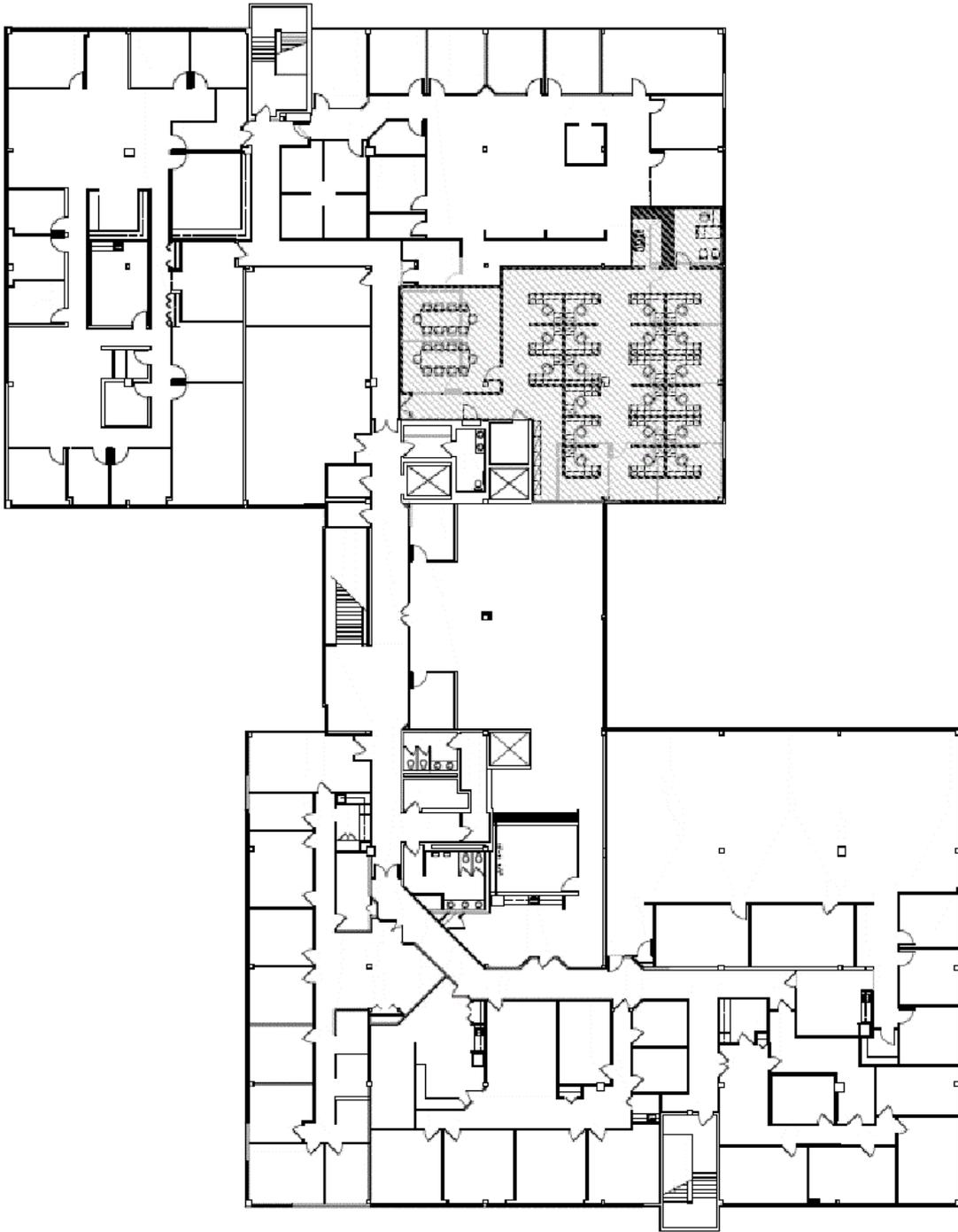




EXHIBIT "C"

Tenant: ClinForce, Inc.

Premises: Suite \_\_\_\_, 321 Norristown Rd., Ambler, PA

Total Square Footage: 14,459 RSF

CONFIRMATION OF LEASE TERM

THIS MEMORANDUM is made as of the \_\_\_\_ day of \_\_\_\_\_, 2008, between G & I VI 321/323 NORRISTOWN FE LLC, a Delaware limited liability company, with an office at 220 East 42<sup>nd</sup> Street, New York, New York ("Landlord") and CLINFORCE, INC. with its principal place of business at 4815 Emperor Blvd., Durham, NC 27713 ("Tenant"), who entered into an amendment dated for reference purposes as of \_\_\_\_\_, 2008, covering certain premises located at Suite \_\_\_\_, 321 Norristown Rd., Ambler, PA. All capitalized terms, if not defined herein, shall be defined as they are defined in the Lease.

1. The Parties to this Memorandum hereby agree that the date of \_\_\_\_\_, 200\_ is the "Additional Premises Commencement Date" of the Term and the date \_\_\_\_\_ is the expiration date of the Lease.

2. Tenant hereby confirms the following:

(a) That it has accepted possession of the Additional Premises pursuant to the terms of the Third Amendment;

(b) That the improvements, including the Landlord's Work, required to be furnished according to the Lease by Landlord have been substantially completed;

(c) That Landlord has fulfilled all of its duties of an inducement nature or is otherwise set forth in the Third Amendment;

(d) That there are no offsets or credits against rentals, and the \$7,305.96 Security Deposit has been paid as provided in the Lease;

(e) That there is no default by Landlord or Tenant under the Lease and the Lease is in full force and effect.

3. Landlord hereby confirms to Tenant that its Building Number is D125 and its Lease Number is \_\_\_\_\_. This information must accompany each Rent check or wire payment.

4. Tenant's Notice Address is:

Tenant's Billing Address is:

ClinForce, Inc.  
4815 Emperor Blvd.  
Durham, NC 27713  
Attn: Maria Phillips

Phone No. \_\_\_\_\_  
Fax No. \_\_\_\_\_  
E-mail: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_  
Phone No.: \_\_\_\_\_  
Fax No.: \_\_\_\_\_  
E-mail: \_\_\_\_\_

5. This Memorandum, each and all of the provisions hereof, shall inure to the benefit, or bind, as the

case may require, the parties hereto, and their respective successors and assigns, subject to the restrictions upon assignment and subletting contained in the Lease.

WITNESS:

\_\_\_\_\_

WITNESS:

LANDLORD:  
G & I VI 321/323 NORRISTOWN FE LLC

By: \_\_\_\_\_

TENANT:  
CLINFORCE, INC.

By: \_\_\_\_\_

**CROSS COUNTRY HEALTHCARE, INC.**  
**EXECUTIVE**  
**SEVERANCE POLICY**  
**(amended and restated effective as of January 1, 2008)**

I. Purposes

- A. Cross Country Healthcare, Inc. (the “Company”) may, from time to time, consider the possibility of, or be subject to, a Change of Control (as defined herein). The Board of Directors of the Company (the “Board”) recognizes that such a transaction can be a distraction to the Employees (as defined below) and may cause the Employees to consider alternative employment opportunities.
- B. The Board believes that it is in the best interest of the Company and its stockholders to provide the Employees with an incentive to continue their employment and to maximize the value of the Company for the benefit of its stockholders.
- C. In order to provide the Employees with enhanced financial security and sufficient encouragement to remain with the Company notwithstanding the possibility of a Change of Control, the Board believes that it is imperative to provide the Employees with certain severance benefits upon the Employees’ termination of employment under such circumstances. Accordingly, the Company maintains the Cross Country Healthcare, Inc. Executive Severance Policy (the “Severance Policy”), which is hereby amended and restated as set forth herein effective as of January 1, 2008.

II. Eligibility

This Severance Policy shall only be applicable: (i) upon a Change of Control and (ii) with respect to those employees listed on Exhibit A attached hereto (each an “Employee”) who satisfy the conditions set forth herein.

III. Definitions

- A. “Cause” shall mean (i) in the case where there is no employment agreement, or similar agreement in effect between the Company or an affiliate and the Employee on the Employee’s Termination Date (as defined in III(H) below) (or where there is such an agreement but it does not define “cause” (or words of like import)), termination due to an Employee’s insubordination, dishonesty, fraud, incompetence, moral turpitude, misconduct, refusal to perform his or her duties or responsibilities for any reason other than illness or incapacity or materially unsatisfactory performance of his or her duties for the Company or an affiliate as determined by the Compensation Committee of the Board in its sole discretion; or (ii) in the case where there is an employment agreement, or similar agreement in effect between the Company or an affiliate and the Employee at the Termination Date that defines “cause” (or words of like import), “cause” as defined under such agreement; provided, however, that with regard to any agreement that conditions “cause” on occurrence of a change of control,
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such definition of “cause” shall not apply until a change of control actually takes place and then only with regard to a termination thereafter. Notwithstanding the foregoing, an Employee shall be deemed to be terminated for “Cause” if the Employee: (i) breaches the terms of any agreement between the Company or an affiliate and the Employee including, without limitation, an employment agreement or non-competition agreement or (ii) discloses to anyone outside the Company or its affiliates, or uses in other than the Company’s or its affiliates’ business, without written authorization from the Company, any confidential information or proprietary information, relating to the business of the Company or its affiliates acquired by the Employee prior to the Termination Date.

B. “CEP” means the Charterhouse Equity Partners III, L.P. and its affiliates or successors.

C. “Change of Control” shall mean and shall be deemed to have occurred:

- (i) upon any “person” as such term is used in Sections 13(d) and (14(d) of the Exchange Act (other than CEP, MSDWCP, the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company, or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of common stock of the Company), becoming the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company’s then outstanding securities;
- (ii) during any period of two consecutive years (“Board Measurement Period”), individuals who at the beginning of a Board Measurement Period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in paragraph (a), (c), or (d) of this Section or a director whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such term is used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation proxies or consents by or on behalf of a person other than the Board) whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds (the “Required Vote”) of the directors then still in office who either were directors at the beginning of the applicable Board Measurement Period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board; provided, that in the event an Employee experiences a Pre-Change of Control Termination (as defined below), then with respect to such Employee the Board Measurement Period shall be any period of 12 consecutive months and the Required Vote shall be at least a majority.

- (iii) a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 35% of the combined voting power of the voting securities of the Company or such surviving entity or such surviving entity's parent outstanding immediately after such merger or consolidation; or
- (iv) upon the approval by the stockholders of the Company of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets other than the sale or disposition of all or substantially all of the assets of the Company to a person or persons who beneficially own, directly or indirectly, at least 50% or more of the combined voting power of the outstanding voting securities of the Company at the time of the sale; provided, that in the event an Employee experiences a Pre-Change of Control Termination, then in lieu of the foregoing, a Change of Control shall be deemed to have occurred with respect to such Employee under this subsection (iv) solely upon the consummation of the sale or disposition by the Company of all or substantially all of the Company's assets other than the sale or disposition of all or substantially all of the assets of the Company to a person or persons who beneficially own, directly or indirectly, at least 50% or more of the combined voting power of the outstanding voting securities of the Company at the time of the sale.

D. "Compensation Continuation Period" means:

- (i) Section 16(b) Officers. With respect to the Employees listed on Exhibit A attached hereto who are designated Section 16(b) officers on such exhibit, subject to Sections V and IX, a period of twelve (12) months following the Employee's Termination Date.
- (ii) Other Employees. With respect to the Employees listed on Exhibit A attached hereto who are not designated as Section 16(b) officers on such exhibit, subject to Sections V and IX, a period of six (6) months following the Employee's Termination Date.

E. "MSDWCP" means Morgan Stanley Dean Witter Capital Partners IV, L.P. and its affiliates or successors.

F. "Exchange Act" means the Securities Exchange Act of 1934, as amended.

G. "Involuntary Termination" means (i) without the Employee's express written consent, a significant reduction of the Employee's duties, position or responsibilities relative to the Employee's duties, position or responsibilities in

effect immediately prior to such reduction, or the removal of the Employee from such position, duties and responsibilities, unless the Employee is provided with comparable duties, position and responsibilities; provided, however, that a reduction in duties, position or responsibilities solely by virtue of the Company being acquired and made part of a larger entity (as, for example, when the Chief Financial Officer of the Company remains as such following a Change of Control but is not made the Chief Financial Officer of the acquiring entity) shall not constitute an “Involuntary Termination”; (ii) a reduction by the Company of the Employee’s base salary as in effect immediately prior to such reduction; (iii) a material reduction by the Company in the kind or level of employee benefits to which the Employee is entitled immediately prior to such reduction with the result that the Employee’s overall benefits package is materially reduced (unless such reduction is applicable to all Employees); or (iv) without the Employee’s express written consent, the relocation of the Employee to a facility or a location more than thirty-five (35) miles from his or her current location.

- H. “Termination Date” means the effective date of any notice of termination delivered by the Company to the Employee or vice versa.
- I. “Trigger Date” means, (i) with respect to an Employee who has experienced a Pre-Change of Control Termination, (as defined in Section V below), the date of the consummation of a Change of Control, and (ii) with respect to an Employee who has experienced a Post-Change of Control Termination, (as defined in Section V below), the Employee’s Termination Date.

#### IV. At Will Employment

Unless the Employee has a valid and enforceable employment agreement with the Company, the Employee’s employment is “at will,” as defined under the laws of the State of Florida. If the Employee’s employment terminates for any reason, the Employee shall not be entitled to any payments, benefits, damages, awards or compensation, except as set forth in his or her employment agreement or in this Severance Policy. Any Employee that is a party to an employment agreement with the Company shall receive the severance compensation applicable to him or her in accordance with the terms and conditions of such employment agreement only and the same shall supersede and replace this Severance Policy with respect to such Employee.

#### V. Severance Benefits

- A. If the Employee’s employment with the Company (i) is terminated by the Company for any reason other than for Cause or (ii) if the Employee terminates his or her employment with the Company as a result of an Involuntary Termination, in either case at any time (x) within sixty (60) days prior to a Change of Control (a “Pre-Change of Control Termination”) or (y) concurrently with or within six (6) months after a Change of Control (a “Post-Change of Control Termination”), then following the Employee’s Trigger Date the Employee shall be entitled to receive, subject to

Section IX hereof, severance pay for the applicable Compensation Continuation Period at a rate equal to the rate of the Employee's base salary in effect immediately prior to (I) the Employee's Termination Date in the case of a Pre-Change of Control Termination or (II) the Change of Control in the case of a Post-Change of Control Termination. Subject to Section IX, such severance amount shall be paid in accordance with the Company's (or its successor's) normal payroll practices during the applicable Compensation Continuation Period, provided that any severance amount payable pursuant to a Post-Change of Control Termination shall be subject to the Delay Period set forth in Section X(B) hereof. In addition, for the applicable Compensation Continuation Period, the Company shall continue to make available (either directly or through COBRA) to the Employee and Employee's spouse and dependents covered under any group health, life or other similar insurance plans of the Company on the date of such termination (the "Covered Dependents"), and pay for, to the extent as paid prior to the termination of employment, all group health, life and other similar insurance plans in which Employee or such Covered Dependents participate on the date of the Employee's termination. The Employee will continue to be responsible for paying all applicable co-payments and all other costs associated with all such benefits (e.g. deductibles). Deferrals with respect to an Employee's 401(K) Plan or other ERISA Plans will not be permitted following an Employee's Termination Date. The Company will also provide appropriate outplacement assistance for the Employees in accordance with its then current policy.

- B. If the Employee's employment with the Company terminates other than as specifically provided in Section V(A) above, then the Employee shall not be entitled to receive severance or other benefits described in Section V(A) above.
- C. In addition to any severance payable pursuant to Section V(A) above, and to the extent not included in such payment: (1) the Company shall pay the Employee any unpaid base salary due for periods prior to the Employee's Termination Date; (2) the Company shall pay the Employee all of the Employee's accrued and unused vacation through the Employee's Termination Date; and (3) following submission of proper expense reports by the Employee, the Company shall reimburse the Employee for all expenses reasonably and necessarily incurred by the Employee in connection with the business of the Company prior to the Employee's Termination Date. These payments shall be made promptly upon termination in accordance with the Company's normal payroll practices and policies and within any period of time mandated by law.

## VI. Successors

- A. Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall perform in the same manner and to the same extent as the Company would be required to perform under this Severance Policy in the absence of a successor.

B. Employees' Successors. Employee may not, without the Company's written consent, assign or transfer Employee's rights under this Severance Policy to any other person or entity; provided, however, that all such rights of the Employee shall inure to the benefit of, and be enforceable by, Employee's personal or legal representatives, executors, administrators, successors and heirs.

VII. Mitigation

No Employee shall be required to mitigate the amount of any payment contemplated by this Severance Policy, nor shall any such payment be reduced by any earnings that the Employee may receive from any other sources.

VIII. Employment Taxes

All payments made pursuant to this Severance Policy shall be subject to withholding of applicable income and employment taxes.

IX. Agreement and General Release

Within seven (7) days following an Employee's Trigger Date, the Company will provide the Employee with an Agreement and General Release in the form attached hereto as Exhibit B (with such changes therein, if any, as are legally necessary or advisable as determined by the Company in its sole discretion at the time of execution to make it enforceable), which Agreement and General Release, when effective, shall bind the Company to the terms contained in this Severance Policy and shall require the Employee to waive and release all claims he or she has or may have against the Company and/or its affiliates as consideration for the severance benefits. An Employee will forfeit his or her right to receive the payments and benefits provided under Section V in the event that the Employee does not provide the Company with an executed copy of the Agreement and General Release that has become effective within sixty (60) days following the Employee's Trigger Date. Upon satisfaction of the requirements of this Section IX, except to the extent delayed pursuant to the Delay Period set forth in Section X(B), the first payment of the severance payment payable to an Employee under Section V will be made on the first Company payroll date on or following the sixtieth (60th) day following the Employee's Trigger Date (the "Payment Commencement Date"), which first payment shall include payment of any amounts that would otherwise be due prior thereto calculated from the Employee's Termination Date and any remaining payments due to the Employee under this Severance Policy shall be paid in accordance with the normal payment dates specified for them herein. To the extent that the foregoing applies to the provision of any ongoing welfare benefits provided to an Employee following the Employee's Termination Date, prior to the Employee's Payment Commencement Date the Employee shall pay the full cost of the premiums for such welfare benefits and on the Employee's Payment Commencement Date the Company shall pay the Employee a lump sum amount equal to the amount of such premiums paid by the Employee from the Employee's Termination Date through the Employee's Payment Commencement Date.

X. Section 409A

- A. Although the Company does not guarantee the Employees any particular tax treatment relating to the payments and benefits under this Severance Policy, it is intended that such payments and benefits be exempt from, or comply with, Section 409A of the Internal Revenue Code of 1986, as amended (“Code”) and the regulations and guidance promulgated thereunder (collectively “Code Section 409A”), and all provisions of this Severance Policy shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A. In no event whatsoever will the Company be liable for any additional tax, interest or penalties that may be imposed on an Employee by Code Section 409A or any damages for failing to comply with Code Section 409A or this Section X.
- B. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Severance Policy providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a “separation from service” within the meaning of Code Section 409A and, for purposes of any such provision of this Severance Policy, references to a “termination,” “termination of employment” or like terms shall mean “separation from service.” If an Employee is deemed on his or her Termination Date to be a “specified employee,” within the meaning of that term under Code Section 409A(a)(2)(B) and using the identification methodology selected by the Company from time to time, or if none, the default methodology, then with regard to any payment or the providing of any benefit that constitutes “non-qualified deferred compensation” pursuant to Code Section 409A, to the extent required to be delayed in compliance with Code Section 409A(a)(2)(B), such payment or benefit shall not be made or provided prior to the earlier of (i) the expiration of the six-month period measured from the date of the Employee’s “separation from service” and (ii) the date of the Employee’s death (such period, the “Delay Period”). On the first day of the seventh month following the date of the Employee’s “separation from service” or, if earlier, on the date of his or her death, all payments delayed pursuant to the Delay Period (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Employee in a lump sum, and any remaining payments and benefits due under this Severance Policy shall be paid or provided in accordance with the normal payment dates specified for them herein. Notwithstanding the foregoing, to the extent that the foregoing applies to the provision of any ongoing welfare benefits provided to an Employee that would not be required to be delayed if the premiums therefore were paid by Employee, the Employee shall pay the full cost of the premiums for such welfare benefits during the Delay Period and the Company shall pay the Employee an amount equal to the amount of such premiums paid by the Employee during the Delay Period promptly after its conclusion.
- C. To the extent any reimbursement of costs or expenses provided for herein constitutes taxable income to an Employee for Federal income tax purposes, all such reimbursements shall be made no later than December 31 of the calendar year next following the calendar year in which the expenses to be reimbursed are incurred.

D. If under this Severance Policy, an amount is to be paid in two or more installments, for purposes of Code Section 409A, each installment shall be treated as a separate payment.

XI. ERISA Provisions

This Severance Policy is intended to be a “top hat” welfare benefit plan within the meaning of U.S. Department of Labor Regulation Section 2520.104-24. The claims procedures set forth U.S. Department of Labor Regulation Section 2560.503-1 are hereby incorporated by reference into this Severance Policy.

**Exhibit A**

President and Chief Executive Officer, Cross Country Healthcare, Inc.

Chief Financial Officer, Cross Country Healthcare, Inc.,

Chief Accounting Officer, Cross Country Healthcare, Inc.

General Counsel, Cross Country Healthcare, Inc.

Vice President Corporate Development and Strategy, Cross Country Healthcare, Inc.

Vice President Human Resources, Cross Country Healthcare, Inc.

Chief Information Officer, Cross Country Healthcare, Inc.

President, Cross Country Staffing

Executive Vice President, Cross Country Staffing

Chief Nursing Officer, Cross Country Staffing

President, Clinical Trials Services

President, Cejka Search, Inc.

President, MDA Holdings, Inc. (superceded by that certain Employment Agreement, dated September 9, 2008, if and only to the extent it is in full force and effect)

President, Cross Country Education, LLC

Vice President of Field Human Resources, Cross Country Staffing

Vice President of Field Operations, Cross Country Staffing

## LIST OF SUBSIDIARIES

<b>Subsidiary</b>	<b>Place of Incorporation</b>
Akos Limited	United Kingdom
Allied Health Group, LLC	Delaware
Assent Consulting	California
Assignment America, Inc.	Delaware
Cejka Search, Inc.	Delaware
CC Staffing, Inc.	Delaware
ClinForce, LLC (f/k/a ClinForce, Inc.)	Delaware
Credent Verification and Licensing Services, LLC	Delaware
Cross Country Capital, Inc.	Delaware
Cross Country Healthcare UK Holdco	United Kingdom
Cross Country Holdco (Cyprus) Limited	Cyprus
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
Jamestown Indemnity, Ltd.	Cayman Islands
MCVT, Inc.	Delaware
MDA Holdings, Inc.	Delaware
Med-Staff, Inc. (f/k/a Cross Country Nurses, Inc.)	Delaware
Medical Doctor Associates, LLC	Delaware
Metropolitan Research Associates, Inc.	Delaware
Metropolitan Research Staffing Associates, Inc.	Delaware
MRA Search, Inc.	Delaware

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-3 No. 333-120189) and the related Prospectus of Cross Country Healthcare, Inc.;
- (2) 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; and
- (3) Registration Statement (Form S-8 No. 333-145484) pertaining to Cross Country Healthcare, Inc.'s 2007 Stock Incentive Plan

of our report dated March 12, 2009, with respect to the consolidated financial statements and schedule of Cross Country Healthcare, Inc., and our report dated March 12, 2009, with respect to the effectiveness of internal control over financial reporting of Cross Country Healthcare, Inc. in this Annual Report (Form 10-K) for the year ended December 31, 2008.

/s/ ERNST & YOUNG LLP  
Certified Public Accountants

West Palm Beach, Florida  
March 12, 2009

## 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 13, 2009

/s/ JOSEPH A. BOSHA RT

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Joseph A. Boshart

President and Chief Executive Officer

## 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 13, 2009

/s/ EMIL HENSEL

Emil Hensel  
Chief Financial Officer

**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, 2008 (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 13, 2009

/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.

**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, 2008 (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 13, 2009

/s/ EMIL HENSEL

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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.