**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, DC 20549**

# FORM 10-Q

☑ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
**For the Quarterly Period Ended September 30, 2010**

Or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
**For the Transition Period From _________ to _________**

# CROSS COUNTRY HEALTHCARE, INC.

*(Exact name of registrant as specified in its charter)*

| **Delaware** | **0-33169** | **13-4066229** |
|---|---|---|
| *(State or other jurisdiction of Incorporation or organization)* | *Commission file number* | *(I.R.S. Employer Identification Number)* |

**6551 Park of Commerce Blvd, N.W.**
**Boca Raton, Florida 33487**
*(Address of principal executive offices)(Zip Code)*

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

**Not Applicable**
*(Former name, former address and former fiscal year, if changed since last report)*

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). o Yes o No

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

Large accelerated filer ☐ Accelerated filer ☑
Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller Reporting Company ☐

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

The registrant had outstanding 31,102,682 shares of Common Stock, par value $0.0001 per share, as of October 29, 2010.

## INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

In addition to historical information, this Form 10-Q 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 expre ssed or implied by these forward-looking statements. These factors include, but are not limited to, the following: our ability to attract and retain qualified nurses, physicians and other healthcare personnel, costs and availability of short-term housing for our travel healthcare professionals, demand for the healthcare services we provide, both nationally and in the regions in which we operate, the functioning of our information systems, the effect of existing or future government regulation and federal and state legislative and enforcement initiatives on our business, our clients’ ability to pay us for our services, our ability to successfully implement our acquisition and development strategies, the effect of liabilities and other claims asserted against us, the effect of competition in the markets we serve, our ability to successfully defend the Company, its subsidiaries, and its officers and directors on the merits of any lawsuit or determine its potential liability, if any, and other factors set f orth in Item 1.A. “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2009, as filed and updated in our Quarterly Reports on Form 10-Q and other filings with the Securities and Exchange Commission.

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.

All references to “we”, “us”, “our”, or “Cross Country” in this Quarterly Report on Form 10-Q mean Cross Country Healthcare, Inc., its subsidiaries and affiliates.

**CROSS COUNTRY HEALTHCARE, INC.**

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**FORM 10-Q**

**September 30, 2010**

# PART I. – FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements

### Cross Country Healthcare, Inc.
### Condensed Consolidated Balance Sheets
### (Unaudited, amounts in thousands)

| | September 30, 2010 | December 31, 2009 |
|---|---|---|
| Current assets: | | |
| Cash and short-term cash investments | $ 8,839 | $ 8,569 |
| Accounts receivable, less allowance for doubtful accounts of $3,729 in 2010 and $4,545 in 2009 | 66,543 | 70,172 |
| Deferred tax assets | 12,601 | 11,794 |
| Income taxes receivable | — | 7,405 |
| Other current assets | 11,291 | 8,268 |
| Total current assets | 99,274 | 106,208 |
| Property and equipment, net of accumulated depreciation of $47,683 in 2010 and $41,760 in 2009 | 15,289 | 19,706 |
| Trademarks, net | 62,847 | 62,858 |
| Goodwill, net | 143,480 | 130,701 |
| Other identifiable intangible assets, net | 25,670 | 28,572 |
| Debt issuance costs, net | 2,342 | 1,536 |
| Non-current deferred tax assets | 5,010 | 5,390 |
| Other long-term assets | 2,961 | 1,618 |
| Total assets | $ 356,873 | $ 356,589 |
| | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 7,349 | $ 8,143 |
| Accrued employee compensation and benefits | 18,209 | 16,140 |
| Current portion of long-term debt | 6,395 | 5,733 |
| Income taxes payable | 332 | — |
| Interest rate swaps-current | 60 | 1,427 |
| Other current liabilities | 3,934 | 3,113 |
| Total current liabilities | 36,279 | 34,556 |
| | | |
| Long-term debt | 48,710 | 56,781 |
| Other long-term liabilities | 20,293 | 19,181 |
| Total liabilities | 105,282 | 110,518 |
| | | |
| Commitments and contingencies | | |
| | | |
| Stockholders' equity: | | |
| Common stock | 3 | 3 |
| Additional paid-in capital | 242,412 | 240,870 |
| Accumulated other comprehensive loss | (2,230) | (2,979) |
| Retained earnings | 11,406 | 8,177 |
| Total stockholders' equity | 251,591 | 246,071 |
| Total liabilities and stockholders' equity | $ 356,873 | $ 356,589 |

See accompanying notes to the condensed consolidated financial statements

**Cross Country Healthcare, Inc.**
**Condensed Consolidated Statements of Income**
**(Unaudited, amounts in thousands, except per share data)**

| | Three Months Ended September 30, 2010 | Three Months Ended September 30, 2009 | Nine Months Ended September 30, 2010 | Nine Months Ended September 30, 2009 |
|---|---|---|---|---|
| Revenue from services | $ 115,687 | $ 129,635 | $ 354,885 | $ 454,098 |
| Operating expenses: | | | | |
| Direct operating expenses | 83,258 | 94,955 | 255,171 | 335,987 |
| Selling, general and administrative expenses | 26,630 | 28,184 | 81,837 | 93,228 |
| Bad debt expense | 115 | (303) | 115 | (227) |
| Depreciation | 1,782 | 2,034 | 6,156 | 6,645 |
| Amortization | 963 | 1,005 | 2,887 | 3,046 |
| Total operating expenses | 112,748 | 125,875 | 346,166 | 438,679 |
| Income from operations | 2,939 | 3,760 | 8,719 | 15,419 |
| Other expenses (income): | | | | |
| Foreign exchange loss | 57 | 18 | 72 | 31 |
| Interest expense, net | 1,134 | 1,664 | 3,317 | 4,878 |
| Other income | — | (193) | — | (193) |
| Income before income taxes | 1,748 | 2,271 | 5,330 | 10,703 |
| Income tax expense | 832 | 1,303 | 2,101 | 4,407 |
| Net income | $ 916 | $ 968 | $ 3,229 | $ 6,296 |
| Net income per common share: | | | | |
| Basic | $ 0.03 | $ 0.03 | $ 0.10 | $ 0.20 |
| Diluted | $ 0.03 | $ 0.03 | $ 0.10 | $ 0.20 |
| Weighted average common shares outstanding: | | | | |
| Basic | 31,088 | 30,814 | 31,046 | 30,793 |
| Diluted | 31,112 | 31,002 | 31,162 | 30,963 |

See accompanying notes to the condensed consolidated financial statements

## Cross Country Healthcare, Inc.
## Condensed Consolidated Statements of Cash Flows
## (Unaudited, amounts in thousands)

| | Nine Months Ended September 30, 2010 | Nine Months Ended September 30, 2009 |
|---|---|---|
| **Operating activities** | | |
| Net income | $ 3,229 | $ 6,296 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 6,156 | 6,645 |
| Amortization | 2,887 | 3,046 |
| Bad debt expense | 115 | (227) |
| Deferred income tax benefit | (964) | (980) |
| Share-based compensation | 1,942 | 1,363 |
| Other noncash charges | 456 | 1,325 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 3,514 | 47,813 |
| Other current assets | (2,113) | 7,560 |
| Income taxes | 8,166 | 4,531 |
| Accounts payable and accrued expenses | 783 | (7,663) |
| Other liabilities | 614 | 215 |
| Net cash provided by operating activities | 24,785 | 69,924 |
| | |   |
| **Investing activities** | | |
| Acquisition of MDA Holdings, Inc. | (12,826) | (6,804) |
| Other acquisition related payments | — | (748) |
| Purchases of property and equipment | (1,254) | (2,101) |
| Other investing activities | (901) | — |
| Net cash used in investing activities | (14,981) | (9,653) |
| **Financing activities** | | |
| Repayment of debt | (11,893) | (79,209) |
| Borrowings under our revolving credit facility | 4,000 | 15,425 |
| Release of restricted cash | — | 5,000 |
| Debt issuance costs | (1,480) | — |
| Repurchase of stock for restricted stock tax withholdings | (200) | (48) |
| Exercise of stock options | — | 208 |
| Tax benefit of stock option exercises | — | 14 |
| Net cash used in financing activities | (9,573) | (58,610) |
| Effect of exchange rate changes on cash | 40 | 169 |
| Change in cash and short-term cash investments | 271 | 1,830 |
| Cash and short-term cash investments at beginning of period | 8,569 | 10,173 |
| Cash and short-term cash investments at end of period | $ 8,840 | $ 12,003 |

See accompanying notes to the condensed consolidated financial statements

## 1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements include the accounts of Cross Country Healthcare, Inc. and its direct and indirect wholly-owned subsidiaries (collectively, the Company). All material intercompany transactions and balances have been eliminated in consolidation. The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements. 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 am ounts in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These operating results are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

Unless otherwise disclosed in the notes to the condensed consolidated financial statements, the estimated fair value of financial assets and liabilities approximates carrying value. As of September 30, 2010 and December 31, 2009, cash and short-term cash investments include approximately $1.8 million and $1.7 million, respectively, of foreign investments in highly liquid time deposits with original maturities of six months or less. As of September 30, 2010, other current assets include approximately $0.9 million of foreign investments in highly liquid time deposits with original maturities greater than six months. The carrying value of these investments on the consolidated condensed balance sheet approximates their fair value. Subsequent events have been evaluated through the filing date of these unaudited condensed consolidated financial statements.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2009 included in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission. The December 31, 2009 condensed consolidated balance sheet included herein was derived from the December 31, 2009 audited consolidated balance sheet included in the Company's Annual Report on Form 10-K.

Certain prior year amounts have been reclassified to conform to the current period presentation.

## 2. COMPREHENSIVE INCOME

Total comprehensive income includes net income, foreign currency translation adjustments, net changes in the fair value of hedging transactions, and net changes in the fair value of marketable securities available for sale, net of any related deferred taxes.

The table that follows describes the components of comprehensive income in the three- and nine-month periods ending September 30, 2010 and 2009:

**Cross Country Healthcare, Inc.**
**Consolidated Statements of Other Comprehensive Income**
**(Amounts in thousands)**

| | Three Months Ended September 30, 2010 | Three Months Ended September 30, 2009 | Nine Months Ended September 30, 2010 | Nine Months Ended September 30, 2009 |
|---|---|---|---|---|
| Net income | $ 916 | $ 968 | $ 3,229 | $ 6,296 |
| Other comprehensive income (loss), before tax | | | | |
| Foreign currency translation adjustments | 639 | (386) | 71 | 968 |
| Net change in fair value of hedging transactions | 387 | 335 | 1,149 | 764 |
| Net change in fair value of marketable securities | (46) | (192) | (32) | 171 |
| Other comprehensive income (loss), before tax | 980 | (243) | 1,188 | 1,903 |
| Income tax expense related to items of other comprehensive income | 134 | 42 | 439 | 342 |
| Other comprehensive income (loss), net of tax | 846 | (285) | 749 | 1,561 |
| Comprehensive income | $ 1,762 | $ 683 | $ 3,978 | $ 7,857 |

Certain of the Company’s foreign operations use their respective local currency as their functional currency. In accordance with the *Foreign Currency Matters* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), assets and liabilities of these operations are translated at the exchange rates in effect on the balance sheet date. Income statement items are translated at the average exchange rates for the period. The cumulative impact of currency translation is included in accumulated other comprehensive loss (OCL) in the accompanying condensed consolidated balance sheets and was $2.2 million and $2.3 million at September 30, 2010 and December 31, 2009, respectively.

The net change in fair value of hedging transactions (including effective hedging reclassified to interest expense at cash settlement), related to the Company’s interest rate swap agreements, is included in accumulated OCL in the accompanying condensed consolidated balance sheets and was less than $0.1 million at September 30, 2010. See Note 7- Interest Rate Swap Agreements. The amount included in accumulated OCL at December 31, 2009 was $0.7 million, net of deferred taxes.

## 3. EARNINGS PER SHARE

In accordance with the requirements of the *Earnings Per Share* Topic of the FASB ASC, basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding including the vested portion of restricted shares. The denominator used to calculate diluted earnings per share reflects the dilutive effects of stock options, stock appreciation rights and nonvested 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 per share calculations because their effect would have been anti-dilutive.

## 4. ACQUISITIONS

*MDA Holdings, Inc.*

In September 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 Jamestown Indemnity Ltd. (the Captive), a Cayman Island company and wholly-owned subsidiary (collectively, MDA). This transaction included an earnout provision based on 2008 and 2009 performance criteria. This contingent consideration was not related to the sellers’ continued employment. In April 2009, the Company paid $6.7 million, related to the 2008 performance. In April 2010, the Company paid $12.8 million, related to the 2009 performance, satisfying all earnout amounts potentially due to the seller in accordance with the asset purchase agreement. Earnout payments were allocated to goodwill as additional purchase price, in accordance with the *Business Combinations* Topic of the FASB ASC. In May 2010, $1.7 mil lion was released to the seller from the indemnification escrow account leaving a balance of $5.4 million.

*Assent Consulting*

In July 2007, the Company completed the acquisition of all of the shares of privately-held Assent Consulting (Assent). This transaction included an earnout provision based on 2007 and 2008 performance criteria. This contingent consideration was not related to the sellers’ employment. In April 2008, the Company paid $4.6 million related to 2007 performance satisfying all earnout amounts potentially due to the seller in accordance with the asset purchase agreement. Approximately $2.0 million 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 to the sellers in the first quarter of 2009. The entire payment was allocated to goodwill as additional purchase price, in accordance with the *Business Combinations* Topic of the FASB ASC. In addition, in the first quarter of 2 009, the escrow for post-closing liabilities of $1.0 million was released to the sellers.

*AKOS Limited*

In June 2007, the Company acquired all of the shares of privately-held AKOS Limited (AKOS), based in the United Kingdom. This transaction included an earnout provision based on 2007 and 2008 performance, as defined by the share purchase agreement. In the first quarter of 2008, the Company paid £1.1 million (approximately $2.1 million) related to the 2007 performance. In the second quarter of 2009, the Company paid the sellers approximately £0.5 million (approximately $0.7 million) related to the 2008 performance. The payments have been allocated to goodwill as additional purchase price, in accordance with the *Business Combinations* Topic of the FASB ASC.

## 5. RESERVES FOR CLAIMS

Workers' compensation benefits are provided under a partially self-insured plan. For workers' compensation claims reported prior to September 1, 2009, the insurance carrier required the Company to fund a reserve for payment of claims. Those funds were maintained by the insurance carrier. Effective September 1, 2009, the Company completely moved from a pre-funded program to a letter of credit structure to guarantee payments of claims. At September 30, 2010 and December 31, 2009, the Company had outstanding $7.2 million and $7.1 million, respectively, in standby letters of credit related to this new structure.

## 6. DEBT

At September 30, 2010 and December 31, 2009, long-term debt consisted of the following:

| | September 30, 2010 | December 31, 2009 |
|---|---|---|
| | (Amounts in thousands) | |
| Term loan, interest 2.30% at September 30, 2010 and 1.99% at December 31, 2009 | $ 54,599 | $ 62,109 |
| Capital lease obligations | 506 | 405 |
| Total debt | 55,105 | 62,514 |
| Less current portion | (6,395) | (5,733) |
| Long-term debt | $ 48,710 | $ 56,781 |

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 credit facility, maturing in November 2010, 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.

On May 28, 2010, the Company entered into a first amendment to its Credit Agreement with the lenders party thereto and Wells Fargo Bank, National Association (successor by merger to Wachovia Bank, National Association) as Administrative Agent. The Credit Agreement amendment, among other things, extends the maturity date of the revolving credit facility from November 2010 to September 2013 to be coterminous with the term loan facility, and reduces the existing revolving credit facility to $50.0 million, and the sublimit for letters of credit to $20.0 million from $35.0 million. The Company paid $1.5 million of financing fees related to this amendment, that have been capitalized as debt issuance costs on the condensed consolidated balance sheet as of September 30, 2010. Debt issuance costs related to this amendment are being amortized on a straight-line basis over the remaining term of the Credit Agreemen t. In addition, the Company wrote off an immaterial amount of debt issuance costs related to the reduction of the size of the revolving credit facility.

As of September 30, 2010, the Company did not have any borrowings outstanding under its revolving credit facility, but had $12.7 million of standby letters of credit outstanding under this facility, leaving $37.3 million available for borrowing.

In addition to the above mentioned changes, the terms of the Credit Agreement were adjusted to reflect customary covenants for similarly leveraged deals. As of September 30, 2010, interest on its revolving credit facility was based on LIBOR plus a margin of 3.50% or Base Rate (as defined by the Credit Agreement) plus a margin of 2.50%. The Company is required to pay a quarterly commitment fee on the average daily unused portion of the revolving loan facility, which, as of September 30, 2010 was 0.625%. The interest rate spreads on its term loans remained unchanged, and as of September 30, 2010 were based on LIBOR plus a margin of 2.00% or Base Rate plus a margin of 1.00%.

The table below summarizes what the Company believes are the key financial covenants, as defined by the Credit Agreement, as amended, and its corresponding actual performance as of September 30, 2010.

| | Requirement | Actual |
|---|---|---|
| Maximum Permitted Leverage Ratio (a) | 2.50 to 1.00 | 2.02 to 1.00 |
| Minimum Fixed Charge Coverage Ratio (b) | 1.75 to 1.00 | 6.9 to 1.00 |
| Maximum Capital Expenditures for 2010 (c) | $16.5 million | $1.3 million |

(a) The Company’s Leverage Ratio must not be greater than 2.50 to 1.00 for the duration of the Credit Agreement ending September 2013.

(b) The Company’s Fixed Charge Coverage Ratio (as defined by the Credit Agreement) must not be less than: 1) 1.75 to 1.00 through December 31, 2010; 2) 1.50 to 1.00 for the fiscal year 2011; 3) 1.25 to 1.00 for the fiscal year 2012 and 4) 1.15 to 1.00 thereafter.

(c) The Capital Expenditures limit as defined by the Credit Agreement 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 aggregate Capital Expenditures limit for the fiscal years following as defined by the Credit Agreement are: 1) $4.0 million in the fiscal year 2010; 2) $5.0 million in the fiscal year 2011; and 3) $7.0 million in the fiscal year 2012. The 2010 limit in the preceding table reflects an increase of $12.5 million representing the 2009 fiscal year excess that was permitted but not made.

Effective with the May 2010 amendment, the limitation on the Company’s ability to repurchase its common stock and declare and pay cash dividends on its common stock was adjusted. The Credit Agreement, as amended, provides for an amount allowed for stock repurchases/dividends subsequent to May 28, 2010, that is the lesser of $25.0 million and 50% of cumulative Consolidated Net Income (as defined by the Credit Agreement) for each fiscal quarter after March 31, 2010 where financial statements have been delivered; provided, that the Company’s Debt/EBITDA ratio (as defined by the Credit Agreement), after giving effect to the transaction, is less than 1.00 to 1.00 and there is $40.0 million in cash or available cash under its revolving loan facility. However, if the Company’s Debt/EBITDA ratio, after giving effect to the transaction is less than 2.00 to 1.00 but equal to or greater than 1.00 to 1.00, and there are no amounts outstanding under the revolving credit facility (other than letters of credit), the allowable amount for repurchases/dividends is $2.5 million. The Company’s requirement to obtain lender consent for acquisitions was also adjusted. Effective with the May 2010 amendment, the Company is required to obtain the consent of its lenders to complete any acquisition which exceeds $20.0 million or would cause the Company to exceed $50.0 million in aggregate cash and non-cash consideration for Permitted Acquisitions (as defined by the Credit Agreement) during the term of the Credit Agreement (excluding the MDA acquisition).

Long-term debt includes capital lease obligations that are subordinate to the Company’s senior secured facility.

Aggregate scheduled maturities of long-term debt as of September 30, 2010, are as follows:

| Through Year Ending December 31 (Amounts in thousands): | |
|---|---|
| 2010 | $ 1,592 |
| 2011 | 7,957 |
| 2012 | 18,473 |
| 2013 | 27,063 |
| 2014 | 20 |
| Thereafter | — |
| | $ 55,105 |

## 7. INTEREST RATE SWAP AGREEMENTS

The Company has used derivative instruments to manage fluctuations in cash flows resulting from interest rate risk on variable-rate debt financing. The objective of the hedges was to reduce the exposure to 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 involved 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.

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 $125.0 million term loan facility, or $50.0 million, for at least 2 years. No initial investments were made to enter into these agreements. The interest rate swap agreements required the Company to pay a fixed rate to the respective counterparty (fixed rate of 3.1625% per annum on a notional amount of $50.0 million and a fixed rate of 2.75% on $20.0 million), and to receive from the respective counterparty, interest payments, based on the applicable notional amounts and 1 m onth LIBOR, with no exchanges of notional amounts. The interest rate swaps effectively fixed the interest on $70.0 million of the Company's term debt for a period of 2 years at 3.04%, plus the applicable LIBOR spread.

The Company formally documented the hedging relationships and has accounted for these derivatives as cash flow hedges eligible for hedge accounting. Gains or losses resulting from changes in the fair value of these agreements have been recorded in accumulated OCL, net of tax, until the hedged item is recognized in earnings. The Company formally assessed, both at the hedge's inception and on an ongoing basis, whether the derivatives that were used in the hedging transactions were highly effective in offsetting changes in fair values or cash flows of the hedged items. Any ineffectiveness has been recorded directly to interest expense.

In the third quarter of 2009, the Company generated excess cash flow, which, along with cash on hand, allowed it to prepay an additional $22.5 million of term loan borrowings causing its $20.0 million notional amount interest rate swap to become ineffective. Subsequent prepayments were made of $5.0 million in the fourth quarter of 2009 and $4.0 million in the first quarter of 2010. The Company has continued to reclassify the after tax amount of estimated ineffectiveness from accumulated OCL to interest expense in the accompanying condensed consolidated income statements related to these prepayments, which was immaterial for the three months ended September 30, 2010, and $0.1 million for the nine months ended September 30, 2010. In the three-and nine-month periods ending September 30, 2010, the Company reclassified $0.1 million of the loss in accumulated OCL to interest expense coinciding with inter est payments on the underlying term loan portion that was hedged.

Changes in the cash flows of the $50.0 million notional amount interest rate swap remained highly effective at offsetting the changes in overall cash flows (i.e. changes in interest payments) attributable to fluctuations in the LIBOR rates on the Company's variable-rate debt. Changes in the fair value of derivatives deemed to be eligible for hedge accounting are reported in accumulated OCL on the condensed consolidated balance sheets. See Note 2 – Comprehensive Income.

As of September 30, 2010, the fair value of the interest rate swap agreements and the remaining balance in accumulated OCL was immaterial as the interest rate swaps were terminated effective October 9, 2010. As of December 31, 2009, the fair value of the interest rate swap agreements was $1.4 million and was recorded as a liability on the condensed consolidated balance sheet with offsets to accumulated OCL of $1.2 million for the effective portion and interest expense of $0.2 million for the ineffective portion. Deferred tax benefits of $0.5 million were also included in OCL, leaving a balance of $0.7 million as of December 31, 2009.

Interest rate swap payments are included in net cash provided by operating activities in the Company's condensed consolidated statements of cash flows.

## 8. FAIR VALUE MEASUREMENTS

The *Fair Value Measurements and Disclosures* Topic of the FASB ASC, 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. The *Fair Value Measurements and Disclosures* Topic also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

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

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

During the three and nine months ended September 30, 2010, the Company's only financial assets/liabilities required to be measured on a recurring basis were its interest rate swap agreements, its deferred compensation liability included in other long-term liabilities and marketable securities included in other long-term assets. The Company utilizes Level 1 inputs to value marketable securities and its deferred compensation liability and Level 2 inputs to value the interest rate swap agreements. Interest rate swap agreements are recorded at fair value based on available quotations provided by a recognized dealer in such hedging agreements. The Company did not hold any Level 3 assets or liabilities at September 30, 2010 or December 31, 2009. The *Fair Value Measurements and Disclosures* Topic of the FASB ASC also states that the fair value measurement of a financial asset or financial liab ility 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 September 30, 2010, 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 the interest rate swap agreements.

The table below summarizes the estimated fair values of the Company's financial assets and liabilities measured on a recurring basis as of September 30, 2010 and December 31, 2009:

| | Fair Value Measurements as of September 30, 2010 | | | Fair Value Measurements as of December 31, 2009 | | |
|---|---|---|---|---|---|---|
| **(Amounts in thousands)** | **Total** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Total** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** |
| Financial Assets: | | | | | | |
| Marketable securities | $ 91 | $ 91 | $ — | $ 123 | $ 123 | $ — |
| | | | | | | |
| Financial Liabilities: | | | | | | |
| Interest rate swaps-current | $ 60 | $ — | $ 60 | $ 1,427 | $ — | $ 1,427 |
| Deferred compensation | 1,347 | 1,347 | — | 1,376 | 1,376 | — |
| | $ 1,407 | $ 1,347 | $ 60 | $ 2,803 | $ 1,376 | $ 1,427 |

## 9. STOCKHOLDERS' EQUITY

*Stock Repurchase Program*

During the nine months ended September 30, 2010 and 2009, the Company was restricted under its Credit Agreement and did not repurchase shares of its common stock. Under its February 2008 authorization, the Company may purchase up to an additional 1,441,139 shares of common stock, subject to the constraints of the Company's Credit Agreement. At September 30, 2010, the Company had approximately 31.1 million shares of common stock outstanding.

*Share-Based Payments*

During the three and nine month periods ended September 30, 2010, $0.7 million and $1.9 million, respectively, was included in selling, general and administrative expenses related to share-based payments. In addition, a net of 78,182 shares of common stock were issued upon vesting of restricted stock awards in the nine month period ending September 30, 2010.

During the three and nine month periods ended September 30, 2009, $0.6 million and $1.4 million, respectively, was included in selling, general and administrative expenses related to share-based payments. In addition, a net of 22,831 shares of common stock were issued upon vesting of restricted stock awards and 26,814 shares were converted upon exercise of employee stock options, in the nine month period ending September 30, 2009 (of which 16,983 shares were converted upon exercise in the three months ended September 30, 2009).

On May 5, 2010, the Company's shareholders approved an amendment to its 2007 Stock Incentive Plan (Plan) to: (1) increase the number of shares of common stock, par value $0.0001 per share (Common Stock), of the Company that may be issued under the Plan from 1,500,000 shares to 3,500,000 shares and (2) increase the share sub-limit for awards that are not stock appreciation awards that may be granted pursuant to the Plan from 1,200,000 shares to 1,700,000 shares of Common Stock.

On June 1, 2010, 205,647 shares of restricted stock at a market price of $8.09 were granted to Directors and key employees of the Company. In addition, 254,000 stock appreciation rights were granted to key employees at a price of $8.09 and a weighted average valuation per share of $2.77. Similar to prior grants, the restricted stock vests ratably over a four year period on the anniversary date of the grant. The stock appreciation rights vest 25% per year over a four year period, expire after seven years and can only be settled with stock.

## 10. SEGMENT DATA

The Company reports the following business segments in accordance with the *Segment Reporting* Topic of the FASB ASC:

- *Nurse and allied staffing* - The nurse and allied staffing business segment provides travel nurse and allied staffing services and per diem nurse services primarily to 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.
- *Physician staffing* - The physician staffing business segment provides multi-specialty locum tenens to the healthcare industry in all 50 states.
- *Clinical trials services* - The clinical trials services business segment provides clinical trials, drug safety, and regulatory professionals and services 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.
- *Other human capital management services* - The other human capital management services business segment includes the combined results of the Company's education and training and retained search businesses.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| (Amounts in thousands) | | | | |
| Revenue from external customers: | | | | |
| Nurse and allied staffing | $ 58,256 | $ 64,053 | $ 182,743 | $ 247,664 |
| Physician staffing | 31,294 | 39,595 | 93,704 | 118,600 |
| Clinical trials services | 15,682 | 16,426 | 46,656 | 56,816 |
| Other human capital management services | 10,455 | 9,561 | 31,782 | 31,018 |
| | $ 115,687 | $ 129,635 | $ 354,885 | $ 454,098 |
| | | ; | | |
| Contribution income (a): | | | | |
| Nurse and allied staffing | $ 5,285 | $ 6,236 | $ 17,265 | $ 23,466 |
| Physician staffing | 3,503 | 3,961 | 10,094 | 11,334 |
| Clinical trials services | 1,771 | 1,652 | 5,055 | 6,111 |
| Other human capital management services | 673 | 682 | 2,489 | 1,940 |
| | 11,232 | 12,531 | 34,903 | 42,851 |
| Unallocated corporate overhead | 5,548 | 5,732 | 17,141 | 17,741 |
| Depreciation | 1,782 | 2,034 | 6,156 | 6,645 |
| Amortization | 963 | 1,005 | 2,887 | 3,046 |
| Income from operations | $ 2,939 | $ 3,760 | $ 8,719 | $ 15,419 |

(a) The Company defines contribution income as income from operations before depreciation, amortization and corporate expenses not specifically identified to a reporting segment. Contribution income is a financial measure used by management when assessing segment performance and is provided in accordance with the *Segment Reporting* Topic of the FASB ASC.

## 11. COMMITMENTS AND CONTINGENCIES

In July 2010, the Company entered into an agreement to lease 18,000 square feet of space in Pune, India for its in-house information systems and development support services as well as back-office processing services. The agreement was mutually cancelled in September 2010 when the landlord failed to meet its obligations. In October, 2010, the Company entered into a new lease agreement at a different location for 20,700 square feet in Pune, India. This lease has a three year lock in period beginning December 1, 2010, whereby the Company cannot terminate the agreement. Future minimum lease payments over the next three years total approximately $3.1 million at the September 30, 2010 balance sheet exchange rate. The Company has the option to continue the lease for an additional two years at rates prescribed by the agreement.

In July 2010, the Company renegotiated its lease in Malden, Massachusetts. The new lease, effective July 1, 2010, reduces the space occupied by the Company from approximately 31,662 square feet to approximately 22,767 square feet. In addition, the lease expiration was extended from June 30, 2012 to June 30, 2017, with an option to extend another three years. The revised lease has the effect of reducing the Company's lease payment commitments by approximately $0.2 million through June 30, 2012. However, the extension through 2017 added $1.3 million to the total commitment related to this property.

**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 filed a Motion to Decertify the class which was denied on December 19, 2008. Trial was scheduled to occur in the second quarter of 2010; however, in December 2009, the Company reached an agreement in principle to settle this matter. As a result, the Company accrued a pre-tax charge of $345,000 (approximately $209,000 after taxes) related to this lawsuit. In October 2010, the court granted preliminary approval of the settlement.

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.

## 12. INCOME TAXES

The Company's effective tax rate for the full year is estimated to be approximately 41%. The effective tax rate was 47.6% and 39.4% in the three and nine months ended September 30, 2010, respectively. The Company had a lower tax rate in the first half of 2010 due to certain discrete items, including an immaterial prior year correction related to a tax election the Company made on behalf of a subsidiary acquired in 2008 as part of the MDA acquisition. Excluding these items, the effective tax rate in the three and nine months ended September 30, 2010 was 38.2% and 38.5%, respectively.

In accordance with the *Income Taxes* Topic of the FASB ASC, a reconciliation of the beginning and ending amounts of unrecognized tax benefits, including estimated interest and penalties, is as follows:

| | (Amounts in thousands) |
|---|---|
| Balance at January 1, 2010 | $ 4,443 |
| Additions based on tax positions related to prior years | 131 |
| Additions based on tax positions related to current year | 487 |
| Balance at September 30, 2010 | $ 5,061 |

As of September 30, 2010, the Company had approximately $4.3 million of unrecognized tax benefits, which would affect the effective tax rate if recognized. During the nine months ended September 30, 2010, the Company had gross increases of $0.6 million to its current year unrecognized tax benefits related to federal and state tax issues.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes. The Company had accrued approximately $0.8 million and $0.7 million for the payment of interest and penalties at September 30, 2010 and December 31, 2009, respectively.

The tax years 2007 through 2009 remain open to examination by the major taxing jurisdictions to which the Company is subject, with the exception of certain states in which the statute of limitations has been extended. In April 2010, the Company received a federal tax refund of $5.6 million substantially related to its election, under the Worker, Homeownership, and Business Assistance Act of 2009, of a 5 year carryback period for its 2009 estimated taxable net operating loss. The Company expects to receive an additional $0.7 million related to this election resulting from the filing of its final tax return for 2009.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's condensed consolidated financial statements present a consolidation of all its operations. This discussion supplements the detailed information presented in the condensed consolidated financial statements and notes thereto which should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K, filed for the year ended December 31, 2009, and is intended to assist the reader in understanding the financial results and condition of the Company.

### Overview

We are a diversified leader in healthcare staffing services offering a comprehensive suite of staffing and outsourcing services to the healthcare market. We report our financial results according to four business segments: (1) nurse and allied staffing, (2) physician staffing (locum tenens), (3) clinical trials services and (4) other human capital management services. We believe we are one of the top two providers of travel nurse and allied staffing services in the United States; one of the top four providers of temporary physician staffing services; and a leading provider of clinical trials staffing services and retained physician search services. We are also a provider of educational seminars, specifically for the healthcare marketplace.

We have a diversified revenue mix across business sectors and healthcare customers. For the quarter ended September 30, 2010, our nurse and allied staffing business segment represented approximately 50% of our revenue and is comprised of travel and per diem nurse staffing and travel allied health staffing. Travel nurse staffing represented approximately 37% of our total revenue and 74% 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 27% of third quarter 2010 revenue and consists of temporary physician staffing services (locum tenens). Our clinical trials services business segment represented approximately 14% of our revenue and consists of service offerings that include traditional staffing, drug safety monitoring and regulatory services to pharmaceutical and biotechnology customers. Our other human capital management services business segment represented approximately 9% of our revenue and consists of education and training and retained search services.

For the quarter ended September 30, 2010, our revenue was $115.7 million, and net income was $0.9 million, or $0.03 per diluted share. Cash flow provided by operating activities for the nine months ended September 30, 2010, was $24.8 million, which was primarily used to pay the final earnout payment related to our acquisition of privately-held MDA Holdings, Inc. and its subsidiaries and all of the outstanding stock of Jamestown Indemnity Ltd. (the Captive), a Cayman Island company and wholly-owned subsidiary (collectively, MDA), and to repay debt. We ended the third quarter of 2010 with total debt of $55.1 million and $8.8 million of cash, resulting in a ratio of debt, net of cash, to total capitalization of 15.1%.

In general, we evaluate the Company's financial condition and operating results by revenue, contribution income (see Segment Information), and net 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 open orders, contract bookings, number of FTEs, days filled and price.

*Nurse and Allied Staffing*

Our nurse and allied staffing business' results in the third quarter of 2010 reflected soft demand earlier this year, which we believe was caused by the weak national labor market. In addition, our results were impacted by the temporary loss of a long-standing vendor managed account earlier in the year that re-engaged us at the end of September under the same terms we had with them previously. While demand for our nurse and allied staffing services is well below levels of two to three years ago, since the beginning of June of this year, we have experienced a significant increase in demand in most areas of the country, particularly for travel nurse staffing. In addition, relative bookings for our nurse and allied staffing business segment, which measures net weeks booked as a percentage of the average field FTE count, improved from 88% in the first quarter of 2010, to 97% in the second quarter and 107% in the third quar ter of 2010 and have averaged 123% so far in the fourth quarter. It takes several months for sequential volume growth to materialize after booking trends begin to improve due to the typical three-month contract length and normal one-month delay from the time a contract is booked to the assignment start date. We would expect a sequential increase in segment staffing volume in the fourth quarter 2010 and continuing into the first quarter of 2011 if trends persist.

*Physician Staffing*

We believe the lingering effects of the recession and the weak housing market have delayed the retirement plans of many older physicians. These factors, along with a reduction in surgeries and a trend in which hospitals have had increasing success in directly hiring physicians for staff positions, have resulted in a decrease in demand for temporary physicians. The decline was particularly large in anesthesiology, which historically has been one of our largest specialty areas. Despite this decrease in current demand, we believe the long-term demographic drivers of this business are still favorable. These drivers include an aging population demanding more healthcare, an aging physician population from the baby boom generation nearing retirement age, and more females entering the profession, which historically have provided relatively less hours of service on average than males. Due to these factors, we believe the long-term prospects for an acute physician shortage are just as strong now as they were before the current downturn. In addition, we believe the increase in the insured population that will result from the enactment of healthcare reform should increase demand for primary care physicians which should benefit our business.

*Clinical Trials Services*

Over the past two years, the environment for clinical trials services weakened due to a slow-down in clinical trials caused largely by economic factors and financial market conditions, along with uncertainty concerning research and development activities following the recent wave of mergers and acquisitions in the pharmaceutical and biotechnology sectors. Nevertheless, we have been seeing gradual improvement in our core contract staffing component of this business, which represented approximately 93% of the business segment’s revenue in the third quarter of 2010, while continuing to experience weakness in our drug safety monitoring and regulatory compliance service offerings. Despite the recent industry weaknesses, demographic factors and advances in biotechnology should drive long-term growth for this business segment.

**Results of Operations**

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | | | &n bsp; | |
| Revenue from services | 100.0% | 100.0% | 100.0% | 100.0% |
| Direct operating expenses | 72.0 | 73.2 | 71.9 | 74.0 |
| Selling, general and administrative expenses | 23.0 | 21.8 | 23.1 | 20.5 |
| Bad debt expense | 0.1 | (0.2) | 0.0 | 0.0 |
| Depreciation and amortization | 2.4 | 2.3 | 2.5 | 2.1 |
| Income from operations | 2.5 | 2.9 | 2.5 | 3.4 |
| Foreign exchange loss | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest expense, net | 1.0 | 1.3 | 1.0 | 1.0 |
| Other income | — | (0.2) | — | 0.0 |
| Income before income taxes | 1.5 | 1.8 | 1.5 | 2.4 |
| Income tax expense | 0.7 | 1.1 | 0.6 | 1.0 |
| Net income | 0.8% | 0.7% | 0.9% | 1.4% |

**Acquisitions**

*MDA Holdings, Inc.*

In September 2008, we 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). This transaction included an earnout provision based on 2008 and 2009 performance criteria. This contingent consideration is not related to the sellers' continued employment. In the second quarter of 2009, we paid $6.7 million, related to the 2008 performance. In April 2010, we paid $12.8 million, related to the 2009 performance, satisfying all earnout amounts potentially due to the seller in accordance with the asset purchase agreement. The earnout payments were allocated to goodwill as additional purchase price, in accordance with the *Business Combinations* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). In addition, in May&nb sp;2010, $1.7 million was released to the seller from the indemnification escrow account leaving a balance of $5.4 million.

*Assent Consulting*

In July 2007, we completed an acquisition of the shares of privately-held Assent Consulting (Assent). This transaction also included an earnout provision 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 to the seller in the first quarter of 2009. The entire payment was allocated to goodwill as additional purchase price, in accordance the *Business Combinations* Topic of the FASB ASC. In addition, in the first quarter of 2009, the escrow for post-closing liabilities o f $1.0 million was released to the sellers.

*AKOS Limited*

In June 2007, we acquired all of the shares of privately-held AKOS Limited (AKOS), based in the United Kingdom. This transaction included an earnout provision based on 2007 and 2008 performance, as defined by the share purchase agreement. In the first quarter of 2008, we paid £1.1 million (approximately $2.1 million) related to the 2007 performance. In the second quarter of 2009, we paid the sellers approximately £0.5 million (approximately $0.7 million) related to the 2008 performance. The payments have been allocated to goodwill as additional purchase price, in accordance with the *Business Combinations* Topic of the FASB ASC.

**Goodwill and Other Identifiable Intangible Assets**

Goodwill and other intangible assets represented 92% of our stockholders' equity as of September 30, 2010. Goodwill and other identifiable intangible assets (including trademarks) from the acquisition of the assets of our predecessor, Cross Country Staffing, a partnership, as well as from subsequent acquisitions were $143.5 million and $88.5 million, respectively, net of accumulated amortization, at September 30, 2010. In accordance with the *Intangibles-Goodwill and Other* Topic of the FASB ASC, 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 4.5 to 15 years.

**Segment Information**

We report the following business segments in accordance with the *Segment Reporting* Topic of the FASB ASC:

- *Nurse and allied staffing* - The nurse and allied staffing business segment provides travel nurse and allied staffing services and per diem nurse services primarily to acute care hospitals which include public and private healthcare and for-profit and not-for-profit facilities throughout the U.S. We aggregate the different brands that we market to our customers in this business segment.

- *Physician staffing* - The physician staffing business segment provides multi-specialty locum tenens to the healthcare industry in all 50 states.

- *Clinical trials services* - The clinical trials services business segment provides clinical trials, drug safety, and regulatory professionals and services 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.
- *Other human capital management services* - The other human capital management services business segment includes the combined results of our education and training and retained search businesses.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| (Amounts in thousands) | | | | |
| Revenue from external customers: | | | | |
| Nurse and allied staffing | $ 58,256 | $ 64,053 | $ 182,743 | $ 247,664 |
| Physician staffing | 31,294 | 39,595 | 93,704 | 118,600 |
| Clinical trials services | 15,682 | 16,426 | 46,656 | 56,816 |
| Other human capital management services | 10,455 | 9,561 | 31,782 | 31,018 |
| | $ 115,687 | $ 129,635 | $ 354,885 | $ 454,098 |
| | | ; | | |
| Contribution income (a): | | | | |
| Nurse and allied staffing | $ 5,285 | $ 6,236 | $ 17,265 | $ 23,466 |
| Physician staffing | 3,503 | 3,961 | 10,094 | 11,334 |
| Clinical trials services | 1,771 | 1,652 | 5,055 | 6,111 |
| Other human capital management services | 673 | 682 | 2,489 | 1,940 |
| | 11,232 | 12,531 | 34,903 | 42,851 |
| Unallocated corporate overhead | 5,548 | 5,732 | 17,141 | 17,741 |
| Depreciation | 1,782 | 2,034 | 6,156 | 6,645 |
| Amortization | 963 | 1,005 | 2,887 | 3,046 |
| Income from operations | $ 2,939 | $ 3,760 | $ 8,719 | $ 15,419 |

(a) We define contribution income as income from operations before depreciation, amortization and other corporate expenses not specifically identified to a reporting segment. Contribution income is a measure used by management to access operations and is provided in accordance with the *Segment Reporting* Topic of the FASB ASC.

*Comparison of Results for the Three Months Ended September 30, 2010 compared to Three Months Ended September 30, 2009*

***Revenue from services***

Revenue from services decreased $13.9 million, or 10.8%, to $115.7 million for the three months ended September 30, 2010, as compared to $129.6 million for the three months ended September 30, 2009. The decrease was due to lower revenue from our nurse and allied staffing, physician staffing and clinical trials services business segments, partially offset by an increase in revenue from our other human capital services business segment. The decrease in revenue primarily reflects decreased demand from our physician and nurse staffing customers which we believe was caused largely by the weak national labor market.

*Nurse and allied staffing*

Revenue from our nurse and allied staffing business segment decreased $5.8 million, or 9.1%, to $58.3 million in the three months ended September 30, 2010, from $64.1 million in the three months ended September 30, 2009, primarily due to lower staffing volume, as well as lower pricing, partially resulting from changes in geographic mix.

The average number of nurse and allied staffing FTEs on contract during the three months ended September 30, 2010, decreased 6.6% from the three months ended September 30, 2009. Average nurse and allied staffing revenue per FTE per day decreased approximately 2.6% in the three months ended September 30, 2010 compared to the three months ended September 30, 2009, primarily due to a decline of 2.1% in the average bill rate in our travel staffing operations.

*Physician staffing*

Revenue from our physician staffing business decreased $8.3 million or 21.0% to $31.3 million for the three months ended September 30, 2010, compared to $39.6 million in the three months ended September 30, 2009. The revenue decline reflects decreased demand for our temporary physician staffing services, and in particular, anesthesiology.

Physician staffing days filled is a metric that we use to measure volume in this business segment. Physician staffing days filled is equivalent to total hours filled during the respective period divided by eight hours. Physician staffing days filled decreased 17.3% to 20,177 in the three months ended September 30, 2010, compared to the three months ended September 30, 2009. Revenue per day filled for the three months ended September 30, 2010 was $1,551, a 4.4% decrease from the three months ended September 30, 2009, reflecting a change in the mix of specialties. Revenue per day filled is calculated by dividing total physician staffing revenue by days filled for the respective period.

*Clinical trials services*

Revenue from clinical trials services decreased $0.7 million, or 4.5%, to $15.7 million in the three months ended September 30, 2010, from $16.4 million in the three months ended September 30, 2009. This decline was primarily due to the conclusion, in the third quarter of 2009, of a large clinical trial we were contracted to manage and a decrease in revenue from a specific drug safety contract, partially offset by higher average bill rates resulting from a change in mix to higher value activities. Contract staffing represented approximately 93% of this business segment's revenue in the three months ended September 30, 2010 compared to 84% in the three months ended September 30, 2009.

*Other human capital management services*

Revenue from other human capital management services for the three months ended September 30, 2010, increased $0.9 million, or 9.4%, to $10.5 million from $9.6 million in the three months ended September 30, 2009, reflecting an increase in revenue from both our education and training and 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 $11.7 million, or 12.3%, to $83.3 million for the three months ended September 30, 2010, as compared to $95.0 million for three months ended September 30, 2009.

As a percentage of total revenue, direct operating expenses represented 72.0% of revenue for the three months ended September 30, 2010, and 73.2% for the three months ended September 30, 2009. The decrease is primarily due to a change in the business mix among segments, coupled with a widening of the bill-pay spread and lower housing costs in our travel staffing operations, partially offset by higher workers' compensation insurance expense due to unfavorable loss developments. The year over year comparison of workers' compensation insurance expense was magnified by the unusually good experience in the prior policy year.

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

Selling, general and administrative expenses decreased $1.6 million, or 5.5%, to $26.6 million for the three months ended September 30, 2010, as compared to $28.2 million for the three months ended September 30, 2009. The decrease in selling, general and administrative expenses was primarily due to our efforts to reduce overhead expenses.

Included in selling, general and administrative expenses is unallocated corporate overhead of $5.5 million for three months ended September 30, 2010, compared to $5.7 million for the three months ended September 30, 2009. As a percentage of consolidated revenue, unallocated corporate overhead was 4.8% for the three month period ended September 30, 2010 and 4.4% for the three month period ended September 30, 2009. Share-based compensation, included in unallocated corporate overhead, was $0.7 million in the three months ended September 30, 2010 and $0.6 million in the three months ended September 30, 2009.

As a percentage of total revenue, selling, general and administrative expenses were 23.0% and 21.8%, for the three months ended September 30, 2010 and 2009, respectively. This increase is primarily due to negative operating leverage, partially offset by efforts to reduce overhead expenses.

***Bad debt expense***

In the three month period ended September 30, 2010, we recorded $0.1 million of additional reserves for bad debt, representing 0.1% of consolidated revenue from services. In the three months ended September 30, 2009, $0.3 million of our reserve for bad debt expense was reversed due to the improved quality of our receivables.

***Contribution income***

*Nurse and allied staffing*

Contribution income from our nurse and allied staffing segment for the three months ended September 30, 2010, decreased $1.0 million or 15.3%, to $5.3 million from $6.2 million in three months ended September 30, 2009. As a percentage of nurse and allied staffing revenue, segment contribution income was 9.1% for the three months ended September 30, 2010, and 9.7% for the three months ended September 30, 2009. This decrease is primarily due to negative operating leverage and higher workers' compensation insurance expenses, partially offset by a widening of our bill-pay spread and lower housing expenses.

*Physician staffing*

Contribution income from physician staffing for the three months ended September 30, 2010 decreased 11.6% to $3.5 million, from $4.0 million in the three months ended September 30, 2009. As a percentage of physician staffing revenue, contribution income was 11.2% in the three months ended September 30, 2010 compared to 10.0% in the three months ended September 30, 2009. The improvement in contribution income as a percentage of revenue is primarily due to lower professional liability and selling expenses in the three months ended September 30, 2010 compared to the three months ended September 30, 2009. The lower professional liability expenses reflect a change in the mix of our business to lower risk specialties and geographic locations, as well as better than expected loss development.

*Clinical trials services*

Contribution income from clinical trials services for the three months ended September 30, 2010, increased $0.1 million, or 7.2%, to $1.8 million, from $1.7 million in the three months ended September 30, 2009. As a percentage of clinical trials services revenue, segment contribution income was 11.3% in the three months ended September 30, 2010 compared to 10.1% in the three months ended September 30, 2009, primarily due to a reduction in selling, general and administrative expenses.

*Other human capital management services*

Contribution income from other human capital management services was essentially flat at $0.7 million in the three months ended September 30, 2010 and 2009. Contribution income as a percentage of other human capital management services revenue was 6.4% for the three months ended September 30, 2010 and 7.1% for the three months ended September 30, 2009, primarily reflecting an increase in marketing costs in our education and training business.

***Depreciation and amortization expense***

Depreciation and amortization expense in the three months ended September 30, 2010, totaled $2.7 million as compared to $3.0 million for the three months ended September 30, 2009. As a percentage of revenue, depreciation and amortization expense was 2.4% for the three months ended September 30, 2010 and 2.3% for the three months ended September 30, 2009.

***Interest expense, net***

Interest expense, net, totaled $1.1 million for the three months ended September 30, 2010 and $1.7 million for the three months ended September 30, 2009. The decrease in interest expense was due to lower average borrowings in the three months ended September 30, 2010, partially offset by a higher average effective interest rate on our borrowings. The effective interest rate on our borrowings was 5.8% for the three month period ended September 30, 2010 and 4.7% for the three month period ended September 30, 2009.

***Income tax expense***

Income tax expense totaled $0.8 million for the three months ended September 30, 2010, as compared to $1.3 million for the three months ended September 30, 2009. The effective tax rate was 47.6% in the three months ended September 30, 2010, compared to 57.4% in the three months ended September 30, 2009. Both periods were impacted by discrete items. Excluding discrete items, the effective tax rate in the three months ended September 30, 2010 was 38.2% compared to 41.2% in the three months ended September 30, 2009.

*Comparison of Results for the Nine Months Ended September 30, 2010 compared to Nine Months Ended September 30, 2009*

***Revenue from services***

Revenue from services decreased $99.2 million, or 21.9%, to $354.9 million for the nine months ended September 30, 2010, as compared to $454.1 million for the nine months ended September 30, 2009. The decrease was due to a decrease in revenue from our nurse and allied, physician staffing and clinical research services business segments. The decreases in revenue reflect the challenging operating environment all of our business segments have experienced resulting from a decrease in demand from our customers.

*Nurse and allied staffing*

Revenue from our nurse and allied staffing business segment decreased $64.9 million, or 26.2%, to $182.7 million in the nine months ended September 30, 2010, from $247.7 million in the nine months ended September 30, 2009, primarily due to lower staffing volume.

The average number of nurse and allied staffing FTEs on contract during the nine months ended September 30, 2010, decreased 23.3% from the nine months ended September 30, 2009. Average nurse and allied staffing revenue per FTE per day decreased approximately 3.8% in the nine months ended September 30, 2010 compared to the nine months ended September 30, 2009, primarily due to a decline of 2.7% in the average bill rate in our travel staffing operations and a relatively higher mix of per diem staffing operations, which typically has a lower average bill rate than travel staffing due to the mix of healthcare professionals.

*Physician staffing*

Revenue from our physician staffing business decreased $24.9 million, or 21.0%, to $93.7 million for the nine months ended September 30, 2010, compared to $118.6 million in the nine months ended September 30, 2009. The revenue decline reflects decreased demand for our temporary physician staffing services, and in particular, anesthesiology. Physician staffing days filled decreased 17.6% to 60,422 in the nine months ended September 30, 2010, compared to 73,348 in the nine months ended September 30, 2009. Revenue per day filled for the nine months ended September 30, 2010 was $1,551, a 4.1% decrease from the nine months ended September 30, 2009, reflecting an unfavorable change in the mix of specialties.

*Clinical trials services*

Revenue from clinical trials services decreased $10.2 million, or 17.9%, to $46.7 million in the nine months ended September 30, 2010, from $56.8 million in the nine months ended September 30, 2009. This decline was primarily due to several clinical research projects that ended in the third quarter of 2009, a decrease in revenue from a specific drug safety contract and a decrease in contract staffing volume.

*Other human capital management services*

Revenue from other human capital management services for the nine months ended September 30, 2010, increased $0.8 million, or 2.5%, to $31.8 million from $31.0 million in the nine months ended September 30, 2009, reflecting an increase in revenue from our education and training business due to higher seminar attendance partially offset by a decrease in revenue related to the number of retained searches performed.

***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 $80.8 million, or 24.1%, to $255.2 million for the nine months ended September 30, 2010, as compared to $336.0 million for nine months ended September 30, 2009.

As a percentage of total revenue, direct operating expenses represented 71.9% of revenue for the nine months ended September 30, 2010, and 74.0% for the nine months ended September 30, 2009. The decrease is primarily due to a change in the business mix among segments, coupled with a widening of the bill-pay spread in our travel staffing operations and lower housing costs, partially offset by higher workers' compensation insurance expense. The year over year comparison of workers' compensation insurance expense was magnified by the unusually good experience in the prior policy year.

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

Selling, general and administrative expenses decreased $11.4 million, or 12.2%, to $81.8 million for the nine months ended September 30, 2010, as compared to $93.2 million for the nine months ended September 30, 2009. The decrease in selling, general and administrative expenses was primarily due to our efforts to reduce overhead expenses.

Included in selling, general and administrative expenses is unallocated corporate overhead of $17.1 million for nine months ended September 30, 2010, compared to $17.7 million for the nine months ended September 30, 2009. As a percentage of consolidated revenue, unallocated corporate overhead was 4.8% for the nine month period ended September 30, 2010 and 3.9% for the nine month period ended September 30, 2009. Share-based compensation, included in unallocated corporate overhead, was $1.9 million in the nine months ended September 30, 2010 and $1.4 million in the nine months ended September 30, 2009.

As a percentage of total revenue, selling, general and administrative expenses were 23.1% and 20.5%, for the nine months ended September 30, 2010 and 2009, respectively. This increase is primarily due to negative operating leverage.

***Bad debt expense***

Bad debt expense was $0.1 million in the nine months ended September 30, 2010. In the nine months ended September 30, 2009, bad debt expense of $0.2 million was reversed due to the improved quality of our receivables.

***Contribution income***

*Nurse and allied staffing*

Contribution income from our nurse and allied staffing segment for the nine months ended September 30, 2010, decreased $6.2 million, or 26.4%, to $17.3 million from $23.5 million in nine months ended September 30, 2009. As a percentage of nurse and allied staffing revenue, segment contribution income was 9.4% for the nine months ended September 30, 2010, and 9.5% for the nine months ended September 30, 2009. This decrease is primarily due to higher workers' compensation insurance expense and negative operating leverage largely offset by a widening of our bill-pay spread and lower housing expenses as a percentage of revenue.

*Physician staffing*

Contribution income from physician staffing for the nine months ended September 30, 2010 decreased 10.9% to $10.1 million, from $11.3 million in the nine months ended September 30, 2009. As a percentage of physician staffing revenue, contribution income was 10.8% in the nine months ended September 30, 2010 compared to 9.6% in the nine months ended September 30, 2009. The improvement in contribution income as a percentage of revenue is primarily due to lower professional liability expense in the nine months ended September 30, 2010 compared to the nine months ended September 30, 2009, reflecting a change in mix to lower risk specialties and geographic locations, as well as better than expected loss development.

*Clinical trials services*

Contribution income from clinical trials services for the nine months ended September 30, 2010, decreased $1.1 million, or 17.3%, to $5.1 million, from $6.1 million in the nine months ended September 30, 2009. As a percentage of clinical trials services revenue, segment contribution income was 10.8% in both the nine months ended September 30, 2010 and 2009.

*Other human capital management services*

Contribution income from other human capital management services for the nine months ended September 30, 2010, increased by $0.5 million, or 28.3%, to $2.5 million, from $1.9 million in the nine months ended September 30, 2009 primarily due to an increase from our education and training business, partly offset by a decrease from the retained search business. Contribution income as a percentage of other human capital management services revenue was 7.8% for the nine months ended September 30, 2010 and 6.3% for the nine months ended September 30, 2009, reflecting improved leverage in our education and training business, partially offset by negative operating leverage in our retained search business.

***Depreciation and amortization expense***

Depreciation and amortization expense in the nine months ended September 30, 2010, totaled $9.0 million as compared to $9.7 million for the nine months ended September 30, 2009. As a percentage of revenue, depreciation and amortization expense was 2.5% for the nine months ended September 30, 2010 and 2.1% for the nine months ended September 30, 2009.

***Interest expense, net***

Interest expense, net, totaled $3.3 million for the nine months ended September 30, 2010 and $4.9 million for the nine months ended September 30, 2009. The decrease in interest expense was due to lower average borrowings in the nine months ended September 30, 2010, partially offset by a higher average effective interest rate on our borrowings. The effective interest rate on our borrowings was 5.7% for the nine month period ended September 30, 2010 and 4.5% for the nine month period ended September 30, 2009.

***Income tax expense***

Income tax expense totaled $2.1 million for the nine months ended September 30, 2010, as compared to $4.4 million for the nine months ended September 30, 2009. The effective tax rate was 39.4% in the nine months ended September 30, 2010, compared to 41.2% in the nine months ended September 30, 2009. The lower tax rate in the 2010 was due to certain discrete items, including an immaterial prior year correction related to a tax election we made on behalf of a subsidiary we acquired in 2008 as part of the MDA acquisition. Excluding these items, the effective tax rate in the nine months ended September 30, 2010 and 2009 was 38.5% and 35.1%, respectively.

## Liquidity and Capital Resources

As of September 30, 2010, we had a current ratio, defined as the amount of current assets divided by current liabilities, of 2.7 to 1. Working capital decreased by $8.7 million to $63.0 million as of September 30, 2010, compared to $71.7 million as of December 31, 2009. The decrease in working capital was primarily due to a decrease in accounts receivable and income taxes receivable. In April 2010, we received a federal tax refund of $5.6 million substantially related to our election, under the Worker, Homeownership, and Business Assistance Act of 2009, of a five year carryback period for our 2009 taxable net operating loss. This cash, along with cash on hand was used, in the second quarter of 2010, to repay our remaining earnout obligation for our acquisition of MDA.

Net cash provided by operating activities during the nine months ended September 30, 2010, was $24.8 million, compared to $69.9 million in the nine months ended September 30, 2009. The decrease is primarily due to lower collections of accounts receivable in the nine months ended September 30, 2010 compared to the nine months ended September 30, 2009, primarily due to declining revenue since December 2008. Number of days' sales outstanding increased by one day to 53 days at September 30, 2010, compared to 52 days at December 31, 2009.

Investing activities used $15.0 million in the nine months ended September 30, 2010, compared to $9.7 million in the nine months ended September 30, 2009. In the nine months ended September 30, 2010, we used $12.8 million to pay the final earnout payment due on the MDA acquisition based on 2009 performance and $0.9 million in other investing activities. In the nine months ended September 30, 2009, we used $6.8 million to pay the earnout payment related to 2008 performance on our MDA acquisition. An additional $0.8 million was used primarily to pay the final earnout related to our acquisition of AKOS Ltd. and as well as other acquisition related payments related to MDA. Investing activities also used $1.3 million and $2.1 million, respectively, in cash, during the nine months ended September 30, 2010 and 2009, for capital expenditures.

Net cash used in financing activities during the nine months ended September 30, 2010, was $9.6 million compared to $58.6 million during the nine months ended September 30, 2009. We repaid, in the nine months ended September 30, 2010, a net of $7.9 million on our total debt, compared to a net of $63.8 million in the nine months ended September 30, 2009. In addition, in the nine months ended September 30, 2010, we paid $1.5 million in debt issuance costs to amend our current Credit Agreement, as discussed in the Credit Facility section. Both periods also included any cash flows relating to the vesting and exercise of share-based payments.

**Stockholders' Equity**

During the nine months ended September 30, 2010 and 2009, we were restricted under our Credit Agreement and we did not make any repurchases of shares of our common stock. Under the remainder of the February 2008 authorization, we can purchase up to an additional 1,441,139 shares, subject to the constraints of the Credit Agreement. At September 30, 2010, we had approximately 31.1 million shares of common stock outstanding.

On May 5, 2010, our shareholders approved an amendment to its 2007 Stock Incentive Plan (Plan) to: (1) increase the number of shares of common stock, par value $0.0001 per share (Common Stock), of the Company that may be issued under the Plan from 1,500,000 shares to 3,500,000 shares and (2) increase the share sub-limit for awards that are not stock appreciation awards that may be granted pursuant to the Plan from 1,200,000 shares to 1,700,000 shares of Common Stock.

On June 1, 2010, 205,647 shares of restricted stock at a market price of $8.09 were granted to directors and key employees. In addition, 254,000 stock appreciation rights were granted to key employees at a price of $8.09 and weighted average valuation per share of $2.77. Similar to prior grants, the restricted stock vests ratably over a four year period on the anniversary date of the grant. The stock appreciation rights vest 25% per year over a four year period, expire after seven years and can only be settled with stock.

**Credit Facility**

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 credit facility, maturing in November 2010, 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.

On May 28, 2010, we entered into a first amendment to our Credit Agreement with the lenders party thereto and Wells Fargo Bank, National Association (successor by merger to Wachovia Bank, National Association) as Administrative Agent. The Credit Agreement amendment, among other things, extends the maturity date of the revolving credit facility from November 2010 to September 2013, to be coterminous with the term loan, and reduces the existing revolving credit facility to $50.0 million, and the sublimit for letters of credit to $20.0 million from $35.0 million. We paid $1.5 million of financing fees related to this amendment, that have been capitalized as debt issuance costs on the condensed consolidated balance sheet as of September 30, 2010. Debt issuance costs related to this amendment are being amortized on a straight-line basis over the remaining term of the Credit Agreement. In addition, we wrote off an immaterial a mount of debt issuance costs related to the reduction of the size of the revolving credit facility.

In addition to the above mentioned changes, the terms of the Credit Agreement were adjusted to reflect customary covenants for similarly leveraged deals. As of September 30, 2010, interest on our revolving credit facility was based on LIBOR plus a margin of 3.50% or Base Rate (as defined by the Credit Agreement) plus a margin of 2.50%. The Company is required to pay a quarterly commitment fee on the average daily unused portion of the revolving loan facility, which, as of September 30, 2010 was 0.625%. The interest rate spreads on our term loans remained unchanged, and as of September 30, 2010 were based on LIBOR plus a margin of 2.00% or Base Rate plus a margin of 1.00%.

The table below summarizes what we believe are the key financial covenants, as defined by the Credit Agreement, as amended, and its corresponding actual performance as of September 30, 2010.

| | Requirement | Actual |
|---|---|---|
| Maximum Permitted Leverage Ratio (a) | 2.50 to 1.00 | 2.02 to 1.00 |
| Minimum Fixed Charge Coverage Ratio (b) | 1.75 to 1.00 | 6.9 to 1.00 |
| Maximum Capital Expenditures for 2010 (c) | $16.5 million | $1.3 million |

(a) Our Leverage Ratio must not be greater than 2.50 to 1.00 for the duration of the Credit Agreement, September 2013.

(b) Our Fixed Charge Coverage Ratio (as defined by the Credit Agreement) must not be less than: 1) 1.75 to 1.00 through December 31, 2010; 2) 1.50 to 1.00 for the fiscal year 2011; 3) 1.25 to 1.00 for the fiscal year 2012 and 4) 1.15 to 1.00 thereafter.

(c) The Capital Expenditures limit as defined by the Credit Agreement 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 aggregate Capital Expenditures limit for the fiscal years following as defined by the Credit Agreement are: 1) $4.0 million in the fiscal year 2010; 2) $5.0 million in the fiscal year 2011; and 3) $7.0 million in the fiscal year 2012. The 2010 limit in the preceding table reflects an increase of $12.5 million representing the 2009 fiscal year excess that was permitted but not made.

Effective with the May 2010 amendment, the limitation on our ability to repurchase our common stock and declare and pay cash dividends on our common stock has been adjusted. The Credit Agreement, as amended, provides for an amount allowed for stock repurchases/dividends subsequent to May 28, 2010, that is the lesser of $25.0 million and 50% of cumulative Consolidated Net Income (as defined by the Credit Agreement) for each fiscal quarter after March 31, 2010 where financial statements have been delivered; provided, that the Company's Debt/EBITDA ratio (as defined by the Credit Agreement), after giving effect to the transaction, is less than 1.00 to 1.00 and there is $40.0 million in cash or available cash under its revolving loan facility. However, if the Company's Debt/EBITDA ratio, after giving effect to the transaction is less than 2.00 to 1.00 but equal to or greater than 1.00 to 1.00, and there are no amounts outstanding under the revolving credit facility (other than letters of credit), the allowable amount for repurchases/dividends is $2.5 million. Our requirement to obtain lender consent for acquisitions has also been adjusted. Effective with the May 2010 amendment, we are required to obtain the consent of our lenders to complete any acquisition which exceeds $20.0 million or would cause us to exceed $50.0 million in aggregate cash and non-cash consideration for Permitted Acquisitions (as defined by the Credit Agreement) during the term of the Credit Agreement (excluding the MDA acquisition).

## Commitments and Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

The following table reflects our contractual obligations and other commitments as of September 30, 2010:

| Commitments | Total | 2010 | 2011 | 2012 | 2013 | 2014 | Thereafter |
|---|---|---|---|---|---|---|---|
| | (Amounts in thousands) | | | | | | |
| Senior secured credit facility (a) | $ 54,599 | $ 1,560 | $ 7,800 | $ 18,330 | $ 26,909 | $ — | $ — |
| Capital lease obligations | 505 | 31 | 158 | 143 | 154 | 19 | — |
| Operating leases obligations (b) | 29,411 | 1,654 | 6,031 | 5,756 | 5,292 | 3,263 | 7,415 |
| Purchase obligations (c) | 715 | 203 | 461 | 51 | — | — | — |
| Legal settlement (d) | 345 | — | 345 | — | — | — | — |
| | $ 85,575 | $ 3,448 | $ 14,795 | $ 24,280 | $ 32,355 | $ 3,282 | $ 7,415 |

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

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

(c) Other contractual obligations include contracts for information systems, maintenance and support, consulting and other services and application hosting.

(d) During the fourth quarter of 2009, the Company reached an agreement in principle to settle a class action lawsuit, *Maureen Petray and Carina Higareda v. MedStaff, Inc*., which settlement was preapproved by the Court in early October 2010. In the fourth quarter of 2009, the Company accrued a pre-tax charge of $0.3 million ($0.2 million after taxes) related to this lawsuit. We expect the distribution of funds to occur in 2011.

In July 2010, we entered into an agreement to lease 18,000 square feet of space in Pune, India for our in-house information systems and development support services as well as back-office processing services. The agreement was mutually cancelled in September 2010 when the landlord failed to meet its obligations. In October 2010 we entered into a new lease agreement at a different location for 20,700 square feet in Pune, India. This lease has a three year lock in period beginning December 1, 2010, whereby we cannot terminate the agreement. Future minimum lease periods over the three year period total approximately $3.1 million at the September 30, 2010 balance sheet exchange rate. We have the option to continue the lease for an additional two years at rates prescribed by the agreement.

In July 2010, we renegotiated our lease in Malden, Massachusetts. The new lease, effective July 1, 2010, reduces the space we occupy from approximately 31,662 square feet to approximately 22,767 square feet. In addition, the lease expiration was extended from September 30, 2012 to September 30, 2017, with an option to extend another three years. The revised lease has the effect of reducing our lease payment commitments by $0.2 million through September 30, 2012. However, the extension through 2017 added $1.3 million to our total commitment related to this property.

## Critical Accounting Principles and Estimates

Our critical accounting principles remain consistent with those reported in our Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the Securities and Exchange Commission.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion supplements the detailed information presented in our Annual Report on Form 10-K filed for the year ended December 31, 2009.

Our term loan bears interest at a rate of, at our option, either: (i) LIBOR plus a leverage-based margin or (ii) Base Rate plus a leverage-based margin. Excluding the impact of our interest rate swap agreements, a 1% change in interest rates would have resulted in interest expense fluctuating less than $0.1 million in the nine months ended September 30, 2010 and $0.2 million in the nine months ended September 30, 2009. Considering the effect of our interest rate swap agreements a 1% change in interest rates on our variable rate debt would have resulted in interest expense fluctuating approximately $0.4 million the nine months ended September 30, 2010 and $0.8 million in the nine months ended September 30, 2009.

## ITEM 4. CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this report. Based upon the evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective. Disclosure controls and procedures are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is recorded, processed, summarized, communicated to management, including the Chief Executive Officer and the Chief Financial Officer, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. The disclosure controls and procedures are designed to ensure that information required to be disclosed by us in reports required under the Exchange Act of 1934, as amended, is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, in order to allow timely decisions regarding any required disclosure.

The evaluation has not identified any changes in the Company’s internal controls over financial reporting or in other factors that occurred during the last fiscal quarter that have materially affected or that are reasonably likely to materially affect the Company’s internal control over financial reporting.

## PART II. – OTHER INFORMATION

### ITEM 1. 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 corporate employees while in on-call status with 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 com plaint 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 filed a Motion to Decertify the class which was denied on December 19, 2008. Trial was scheduled to occur in the second quarter of 2010; however, in December 2009, the Company reached an agreement in principle to settle this matter. As a result, the Company accrued a pre-tax charge of $345,000 (approximately $209,000 after taxes) related to this lawsuit. In October 2010, the court granted preliminary approval of the settlement.

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 1A.RISK FACTORS

There are no material changes to our Risk Factors as previously disclosed in our Form 10-K for the year ended December 31, 2009.

### ITEM 6. EXHIBITS

See Exhibit Index immediately following signature page.

## SIGNATURES

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

**CROSS COUNTRY HEALTHCARE, INC.**

| | | | |
|---|---|---|---|
| Date: | November 5, 2010 | By: | /s/ EMIL HENSEL<br>Emil Hensel<br>Chief Financial Officer and Director<br>(Principal Financial Officer) |
| Date: | November 5, 2010 | By: | /s/ DANIEL J. LEWIS<br>Daniel J. Lewis<br>Chief Accounting Officer<br>(Principal Accounting Officer) |

# EXHIBIT INDEX

| No. | Description |
| --- | --- |
| 10.1 | Deed of Cancellation of The Leave and License Agreement, dated July 28, 2010, between Subhash Gaikwad, Hindu Undivided Family and Crosscountry Infotech Pvt. Ltd. |
| 10.2 | Leave and License Agreement dated October 15, 2010 between Cross Country InfoTech, Ltd. And Shri Subhash Dattatraya Angal |
| 31.1 | Certification pursuant to Rule 13a-14(a) and Rule 15d-14 (a) by Joseph A. Boshart, President and Chief Executive Officer |
| 31.2 | Certification pursuant to Rule 13a-14(a) and Rule 15d-14 (a) by Emil Hensel, Chief Financial Officer |
| 32.1 | Certification pursuant to 18 U.S.C. Section 1350 by Joseph A. Boshart, Chief Executive Officer |
| 32.2 | Certification pursuant to 18 U.S.C. Section 1350 by Emil Hensel, Chief Financial Officer |

**DEED OF CANCELLATION OF THE LEAVE AND LICENSE AGREEMENT DATED 28TH JULY 2010**

THIS DEED OF CANCELLATION OF THE LEAVE AND LICENSE AGREEMENT DATED 28th July 2010 made at PUNE this 8th day of September 2010 at Pune

**Between**

**Subhash Gaikwad, Hindu Undivided Family**, and having residential address at Survey no 126/2B, OFF ITI Road, Opp National Housing society , Aundh, Pune-7, and represented by its Karta, Mr. SUBHASH GAIKWAD, hereinafter referred to as **"the Licensor"** (which expression shall unless repugnant to the context or meaning thereof be deemed to mean and include its successors and assigns) of the One Part

**AND**

**Cross Country Infotech Pvt. Ltd.,** a company incorporated under the Companies Act, 1956 and having its registered office at G1, Sigma House, Near ICC Tech Park, Senapati Bapat Road, Pune-411016, Maharashtra, India, hereinafter referred to as "the **Licensee**" of the Other Part.

The term 'Licensor' and 'Licensee', wherever the context so permits shall mean and include their respective Assignees, Nominees, Authorized Representatives, Heirs, Executors, Administrators and person or persons claiming through or under any of them. (Where the context so permits and requires, the LESSOR and the LESSEE shall hereafter each be referred to as a "**Party**" and collectively referred to as the "**Parties**").

WHEREAS the Licensor and the Licensee earlier entered into a Leave and License Agreement dated 28th July 2010 in respect of premises situated at Ground and First Floor in the building "AG Inspire", survey no 126/2 Off. ITI Road, Aundh, Pune 411 007, admeasuring built-up area of 18,000 sq.ft. ("Licensed Premises") for a period of five years;

WHEREAS, the said Leave and License Agreement dated 28th July 2010 was registered as Document No. HAVAL19-06937-2010 on 28th July 2010 with the Sub-Registrar Class 2 Haveli Pune 19;

WHEREAS, the under the said Leave and License Agreement the Licensee has paid a sum of Rs. 60,00,000/- (Rupees Sixty Lakhs Only) to the Licensor towards security deposit;

WHEREAS subsequent to the entering into the above Leave and License Agreement dated 28th July 2010, the Licensee faced various problems and third party obstructions in accessing the Licensed Premises from the main road and approach road connecting the building (wherein the Licensed Premises situated) with the main road i.e., from Shree Nanda Hotel to building AG Inspire;

WHEREAS, in view of the said obstructions and problems experienced by the Licensee in accessing the Licensed Premises, the Licensor and the Licensee has negotiated between themselves and on mutual consent agreed to fully terminate and cancel the above Leave and License Agreement dated 28th July 2010 was registered as Document No. HAVAL19-06937-2010 on 28th July 2010 with the Sub-Registrar Class 2 Haveli Pune 19, under the terms and conditions of this Deed of Cancellation.

NOW THIS DEED OF CANCELLATION WITNESSETH:

1. The Licensor and the Licensee hereby agree & confirm that the Leave and License Agreement dated 28th July 2010 was registered as Document No. HAVAL19-06937-2010 on 28th July 2010 with the Sub-Registrar Class 2 Haveli Pune 19, do hereby stands fully terminated and cancelled without any surviving and subsisting obligations and rights on the part of the parties to the said License Agreement dated 28th July 2010, except the rights provided to and reserved by the Licensee in this Deed of Cancellation.

2. The Licensor hereby confirms and agrees that a sum of Rs 60,00,000/- (Sixty Lakhs) already received by licensor from the licensee is fully refundable to the Licensee by the Licensor on the above cancellation of the License Agreement dated 28th July 2010 however, represents that from out of the above said security deposit of Rs. 60,00,000/- received by the Licensor from the Licensee, a sum of Rs. 15,00,000 has been spent by the Licensor for fabricating and preparing furniture for the Licensed Premises for the use of the Licensee and requested the Licensee to take over the said furnitures. According the Licensee hereby agrees that on the Licensor providing proper accounts and supportings in respect of the above said amount of Rs. 15,00,000 having been sp ent by the Licensor for the furnitures to be provided in the Licensed Premises, the Licensee shall take over the said furtnitures on cost-to-cost basis from the Licensor.

3. The Licensor hereby further agrees, confirms and undertakes that the balance sum of Rs. 45,00,000/- (from out of the total security deposit amount of Rs. 60,00,000/- paid by the Licensee to the Licensor and after deducting a sum of Rs. 15,00,000/- to be the paid by the Licensee to the Licensor in respect of the furnitures to be taken over by the Licensee as stated above) shall be paid and refunded by the Licensor to the Licensee in the following manner:-

   a. A sum of Rs. 15,00,000/- being 1/3rd of the net amount payable by the Licensor to the Licensee, on 8th November 2010;
   b. A sum of Rs. 15,00,000/- being another 1/3rd of the net amount payable by the Licensor to the Licensee, on 8th January 2011; and
   c. A sum of Rs. 15,00,000/- being the balance 1/3rd of the net amount payable by Licensor to the Licensee on 8th March 2011

4. In discharge of the above payment and refund liabilities of the Licensor towards the Licensee, the Licensor is hereby handing over the following cheques to the Licensee drawn in favour of the Licensee:-

| S.No. | Cheque No | Date | Amount/Rs. | Drawn on |
|---|---|---|---|---|
| 1. | 337419 | 08/11/2010 | 15,00,000 | PUNJAB NATIONAL |
| 2. | 337420 | 08/01/2011 | 15,00,000 | PUNJAB NATIONAL |
| 3. | 337421 | 08/03/2011 | 15,00,000 | PUNJAB NATIONAL |

5. The Licensor hereby confirms and undertakes that

a. the above cheques handed over the Licensor to the Licensee in discharges of the liabilities of the Licensors towards the Licensee would be honoured on presentation of the said cheqes on the respective dates for which the cheques have been issued, without fail or any default;
b. the bank account from which the cheques have been issued shall not be closed unless all the above cheques are duly honoured by the Licensor;
c. shall not under any circumstances dispute, impede or otherwise hinder the encashment of the above cheques by the Licensee; and
d. if for any reason any of the above cheques are returned or unpaid or dishonoured, the Licensee shall, in addition to other rights available to it under law for such dishonour of cheques shall also be fully entitled to an interest @ 18% p.a. on all unpaid amounts from the date of this Deed of Cancellation and simultaneously the licesee hall also have all its rights and claims against the Licensor under the Leave and License Agreement dated 28th July 2010 for inconvenience faced and losses or damages suffered by the Licensee due to problems faced in accessing the Licensed Premises or otherwise due to any reason attributable to the licensee.

6. The Licensor hereby further agrees, confirms and acknowledges that on execution of this cancellation deed the Licensor shall not have any right or claim of whatsoever nature; against the Licensee under the Leave and License Agreement dated 28th July 2010 or otherwise.

7. The Licensor hereby further agrees and confirms that notwithstanding the above provision of cheques by the Licensor to the Licensee, if pending encashment of the above cheques or any of them by the Licensee, the Licensed Premises is licensed to any third party the Licensor shall on receipt of the advance or deposit from the prospective licensee of the Licensed Premises immediately and forthwith pay to the Licensee all the amounts due to the licensee under any cheque that has not been encashed by the Licensee.

8. Accordingly, until the entire amounts payable by the Licensor to the Licensee under this Deed of Cancellation is duly received by the Licensee, the Licensee shall have its charge, lien and security interest over any future license fees or advance that may be received by the Licensor in relation to the Licensed Premises from any prospective licensee(s), in future.

9. Any dispute arising out of this Deed of Cancellation or in any manner touching upon it shall be settled through arbitration by a sole arbitrator under Arbitration and Conciliation Act, 1996, at Pune. Courts at Pune shall have exclusive competent jurisdiction.

10. The Licensor shall extend its full co-operation for registration of this Deed of Cancellation with Sub Registrar of Assurances, having jurisdiction, if it is necessary to register this document. The cost of such registration will be borne by Licensee.

IN WITNESS WHEREOF THE PARTIES HEREIN HAVE SUBSCRIBED THEIR RESPECTIVE HANDS ON THE DATE, MONTH, YEAR AND PLACE FIRST ABOVE WRITTEN.

**For Subhash Gaikwad (HUF)**

/s/ Subhash Gaikwad
**Subhash Gaikwad,**
**(Karta)**

**For Cross Country Infotech Pvt. Ltd.,**

/s/ Srinivas Chidumalla
**Authorized Signatory**

**WITNESSES:**

**1.**
/s/ Sudhir Gaikwad

**2.**
/s/ Sanjay Bajaj

**LEAVE AND LICENSE AGREEMENT**

THIS AGREEEMENT OF LEAVE AND LICENSE made at PUNE this ___15th___ day of October, 2010.

**Between**

**Shri Subhash Dattatraya Angal,** having address at 783/B, "Vishnu Prasad",Opp. Kamla Nehru Park,Pune- 411004., hereinafter referred to as **"the Licensor"** (which expression shall unless repugnant to the context or meaning thereof be deemed to mean and include his successors and assigns) of the One Part

**AND**

**CrossCountry Infotech Pvt. Ltd.,** a company incorporated under the Companies Act, 1956 and having its registered office at G1, Sigma House, Near ICC Tech Park, Senapati Bapat Road, Pune-411016, Maharashtra, India, hereinafter referred to as "the **Licensee**" of the Other Part.

WHEREAS

(i) The Licensor represented that he is owner and absolutely seized and possessed of or otherwise is well and sufficiently entitled as a lawful owner to give the commercial office space at the Building “Meridian Plaza”, consisting of Basement, Ground, First, Second, Third, Fourth and Fifth Floor and situated at Sr. No. 108 / 8 / 1 + 2 /1; Senapati Bapat Road, Pune 411 053, totally admeasuring built-up area of 20,700 sq.ft. (hereinafter referred to as the “Licensed Premises”), which is more particularly described in the Schedule I of this Agreement.

(ii) The Licensor represented that the property originally belonged to the joint family of his father, Dr. Dattatraya Sadashiv Angal. The Licensor further represented that, the said Dr. Dattatraya Sadashiv Angal along with his wife, Mrs. Kamalbai and 2 sons namely, Subhash Dattatraya Angal (the Licensor herein) and Jayant, executed a Deed of Partition dated 16th August 1963 and registered as Serial No. 1510 at SRO Haveli by which the lands comprised in SF No. 108/8 (Hissa 1 and 2) (upon which the Licensed Premises has been built up) devolved into the share of Dr. Dattatraya Sadashiv Angal, Kamalabai and Subash Dattatraya Angal.

(iii) The Licensor further represented that, Dr. Dattatraya Sadashiv Angal executed his Last will and Testament dated 7th December 1966 bequeathed his share in the lands comprised in SF No.108/8 (Hissa 1 and 2) to and in favour of the Licensor herein and the Last Will and Testament of Dr. Dattatraya Sadashiv Angal came into effect after his demise on 18th January 1981.

(iv) The Licensor further represented that, Dr. Dattatraya Sadashiv Angal, Mrs. Kamalabai, (being the parents of the Licensor) and the Licensor partitioned various properties of the joint family vide a Deed of Partition dated 23rd July 1969 and registered as Serial No. 3811 at SRO Haveli.

(v) The Licensor further represented that the said Dr. Dattatraya Sadashiv Angal, Mrs. Kamalabai and the Licensor had represented to the Pune Municipal Corporation for the amalgamation and renumbering of the Survey Field No. 108/8 Hissa 1 and Survey Field No. 108/8 Hissa 2 and the Pune Municipal Corporation has, vide its letter dated 8th November 1968 renumbered the same as Survey Field No. 108/8/1+2/1 measuring an extent of about 13,307.55 Sq.Ft and Survey Field No. 108/8/1+2/2 measuring an extent of about 15,247 Sq.Ft respectively.

(vi) The Licensor further represented that, subsequent to the demise of his father, Dr. Dattatraya Sadashiv Angal on 18th January 1981 and as per the Last Will and Testament of Dr. Dattatraya Sadashiv Angal, his share in the land comprised in Survey Filed Nos. 108/8/1+2/1 and 108/8/1+2/2 had been bequeathed to and in favour of the Licensor herein.

(vii) The Licensor further represented that, the Licensor herein and Mrs. Kamalabai, mother of the Licensor herein entered into a Deed of Partition dated 24th July 1985 and registered as Serial No. 6142 at SRO Haveli II and vide the said Deed of Partition, the lands comprised in Survey Field Nos. 108/8/1+2/1 and 108/8/1+2/2 devolved upon in favour of the Licensor herein and thus the Licensor became the absolute owner and titleholder in possession of the said lands comprised in Survey Field Nos. 10/8/1+2/1 and 10/8/1+2/2 and after observing all formalities and obtaining due sanction of the construction plan and permission from municipal authorities he has built the building “Meridian Plaza”.

(viii) The Licensee is engaged in the business of Information Technology & Information Technology Enabled Services with due registration of Software Technology Parks of India.

(ix) The Licensor represented that he is sufficiently entitled to License the Licensed Premises and have not, nor anyone on their behalf done, committed or omitted any act, deed, matter or thing whereby their right to own, hold, use, occupy, sell or transfer the Licensed Premises is or can be forfeited, extinguished or rendered void or voidable. Notwithstanding any arrangement that the Licensor may have with any third party in respect of the Building including financial institutions, the Licensor hereby represents that he has the absolute right and legal authority to negotiate/enter into Leave and License Agreement in favour of the Licensee in respect of the Licensed Premises.

(x) The Licensor further represented and confirmed that the Licensed Premises and the lands upon which it has been built are not the subject of any existing, perceived, or anticipated litigation or claims of any nature whatsoever, made by any party, including claims by any court of law, government authority or regulatory body or any acquisition proceedings (intended or actual).

(xi) The Licensor represented and confirmed that he has already received the all licenses and permissions, including the final Occupancy Certificate in respect of the entire Licensed Premises and provided a copy of the same to the Licensee. The Licensor fully confirms that the Licensed Premises are constructed as per the Sanctioned Plan and there is no deviation or violation of whatsoever nature.

(xii) The Licensor represented and confirmed that the Licensed Premises conforms in all respects with all applicable laws required for occupation and use as an IT unit registered with Software Technology Parks of India or otherwise.

(xiii) The Licensor represented and confirmed that all property taxes and all other outgoings in respect of the Building including the Licensed Premises have been properly remitted and there are no arrears, outstanding or dues payable to any government authorities, agencies or statutory bodies.

(xiv) Based on the above representations, confirmations and assurances of the Licensor, the Licensee has approached the Licensor with a request to allow the Licensee to use and occupy the said premise for carrying on its business, for a period of 60 Months (5 Years), on Leave and License basis, with a lock in period of 36 (thirty six) months.

(xv) The Licensor agrees to grant to the Licensee and Licensee accepts from the Licensors the License to enter upon, use, occupy, possess and enjoy the Licensed Premises, being the office premises situated at the Basement, Ground, $1^{st}$, $2^{nd}$, $3^{rd}$, $4^{th}$ and $5^{th}$ Floor of the building “Meridian Plaza”, situated at survey Sr. No. 108 / 8 / 1 + 2 /1; Senapati Bapat Road, Pune 411 053 totally admeasuring built-up area of 20,700 sq. ft. on the terms and co nditions and for the consideration as mentioned herein under.

(xvi) The Effective Date of this Leave and License agreement shall be $1^{st}$ December 2010.

**NOW THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED BY AND BETWEEN THE PARTIES HERETO AS UNDER:**

**1. GRANT OF LICENSE**

(i) In consideration of the license fees hereby reserved and in further consideration of the covenant hereinafter contained on the part of the Licensee, to be paid, observed and performed, the Licensor hereby grants to the Licensee and the Licensee hereby accepts from the Licensor the license to use and occupy the Licensed Premises situated at Basement+Ground+5 floors in the building "Meridian Plaza", Sr. No. 108 / 8 / 1 + 2 /1; Senapati Bapat Road, Pune 411 053, admeasuring built-up area of 20,7000 sq.ft. for a period of 5 Years, There will be a lock in period of 36 (thirty six) months effective 1st December 2010 to 30th November 2013 ("L ock in Period") and either party shall not be entitled to terminate this License. On completion of the lock in period the Licensee shall be entitled to terminate this agreement by giving a three month notice. It is hereby fully clarified that notice to terminate the License can be given by the Licensee even during the lock in period in the manner that the termination of License by the Licensee takes effect immediately on completion/expiry of the Lock-in period. Notwithstanding the above lock in period above, in case the Licensor breaches any terms and conditions of the agreement or any of his representations and warranties proves to be incorrect or misleading in any material respect, the Licensee shall be fully entitled to terminate the license even during the lock in period, by giving a 30 (thirty) days notice to the Licensor. After the Lock in Period, the use of the Licensed Premises by the Licensee for additional period of 24 months will be at the sole option o f the Licensee.

## 2. PURPOSE

The Licensee shall use the Licensed Premises solely and exclusively for the purpose of carrying on business of software solutions, developments, and services and such other related services in the Information Technology sector (“the said business”) and for no other purpose.

## 3. COMMENCEMENT DATE

The Licensor hereby grants to the Licensee the premises on license from 1st December 2010 thereby granting unrestricted and uninterrupted right to Possess, occupy and use the Licensed Premises. The License granted and the payment of License Fees herein shall commence from the day of 1st Decembe r 2010 (hereinafter referred to as “the Commencement Date”).

## 4. TERMS OF LICENSE

This License shall be for a period of 5 years from the Commencement Date i.e. 1st December 2010 to 30th November 2015 (“the License Period”). It is clarified that except as provided in this Agreement, neither the Licensee nor the Licensor shall be entitled to terminate this Agreement subject to clause 1 and clause 9 hereof, before the first 36 months.

## 5. LICENSE FEE AND OTHER AMOUNTS

The Licensee shall from the Commencement Date pay, without demand and/or demur (subject to deduction of income tax at source) to the Licensor for use and occupation of the Licensed Premises along with the interior and fit outs, all-inclusive compensation or License fee aggregating to Rs. -12,42,000 (Rupees –Twelve Lakhs Forty Two Thousand Only) per month calculated at Rs. 60/- per sq.ft. of the built-up area of **20,700 sq.ft**) for the Income Tax Laws or any other statutory laws applicable or as may be in force from time to time. The Licensee shall deduct such taxes applicable from the amount payable to the Licensor, save and except the service tax. It has also been agreed that the Licensee shall pay without demand and/or demur the License fee in advance to the Licensor on or before the 10th day of each calendar month. Any delay on the part of the Licensee to make payment of the License fee on the respective due date shall entitle the Licensor to charge interest on the due amount at rate of 12% p.a from the respective due date till the date of payment. The aforesaid right of the Licensor to charge interest shall be in addition to and without prejudice to its right to terminate this Agreement as provided in clause 9 of this agreement. It has also been agreed by and between the parties hereto that after completion of every 1 year the rental (license fees) shall stand increased by 5%. The License fees schedule for the license period will be as follows: -

| Agreement Period | License Fees INR/Month |
|---|---|
| 1st December 2010 to 30th November 2011 | 1242000 |
| 1st December 2011 to 30th November 2012 | 1304100 |
| 1st December 2012 to 30th November 2013 | 1369305 |
| 1st December 2013 to 30th November 2014 | 1437770 |
| 1st December 2014 to 30th November 2015 | 1509659 |

5.1 On and from the Commencement Date, the Licensee shall, in addition to the payments mentioned in clause 5.1, be liable to pay/reimburse without delay and/or demur, directly to the all charges for electricity actually consumed for its own use in the Licensed Premises as per the bills sent by the Electricity Authorities to the Licensee in this regards based on the actual amount charged by the electricity authorities or received by the Licensee directly from the electricity company. In this regard the Licensor has a separate electricity meter(s) for 3 phase connection of required capacity in the licensed property, licensee will do the transfer of the meter on Licensee's name by paying the initial deposit, demand charges, etc., as may be required by the Electricity Authorities. It is here by fully clarified that subsequent to the occupancy of the Licensed Premises by the Licensee, if the Electricity Authorities raise any demand seeking any incremental deposit or load charges or demand charges in respect of the electricity meter(s) through which electricity being consumed by the Licensee commensurate with its business requirements, the same shall be fully borne by the Licensee. Licensee shall be also obligated to pay only the electricity charges as per its own consumption, as per the electricity bill that will be received by the respective electricity authorities. Besides, if any additional deposit / load charges / demand charges in respect of the electricity connection in the Licensed Premises becomes payable by the Licensee for any reason, the same shall be treated as advance and the Licensee shall be fully entitled to obtain the refund of the same from the Licensor at the time of vacating the Licenses Premises, in the same manner as would be the case for the refu nd of the security deposit. The Licensee shall also, on and from the Commencement Date, be entitled to obtain telephone connection in the Licensed Premises and shall be liable to pay the charges thereon directly to the service provider, as per bills received from the said service provider.

5.2 During the period of the agreement and any renewal thereof, Licensee shall, save as provided herein, not bear and pay any taxes and or outgoing payable in respect of the said premises and the Licensor shall pay all the Municipal taxes, ground rent, cesses, property tax, Duties and other outgoings due in respect of the said premises and all increases thereto arising during the period of the agreement or any renewal thereof. The Licensee shall not be required to make any such aforesaid payment. All applicable service taxes and any increase in the service taxes shall be borne by the Licensee. In this regard the Licensor fully understands that as an exporter of software products and services, the License is fully entitled to refund / waiver of service tax paid / payable by it. Accordingly, the Licensor hereby agrees and confirms that any service tax collected from the Licensee by the Licensor shall be duly deposited with the authorities by the Licensor and proof of the said deposit would be provided to the Licensee to facilitate the Licensee obtaining refund of the same.

5.3 The Licensor shall provide the entire space available for parking on basement and ground floor for Car and two wheeler parking which will be reserved for the Licensee in the building in which the Licensed Premises are situated for the exclusive use of the Licensee, at no additional cost to the Licensee.

5.4 The Licensor shall provide space for recreation like Table Tennis, Pool table and cafeteria etc. on the terrace of the Licensed Premises for the exclusive use and enjoyment of the Licensee at no additional cost. In this regard, it is agreed that the Licensee shall be entitled to cover the space on terrace with temporary roofing and place movable equipments at its own cost with prior permission in writing from the Licensor.

5.5 There will be no maintenance charges which shall be payable by the Licensee to the Licensor in respect of the maintenance of the Licensed Premises and the maintenance of the Licensed Premises shall be at the cost and to the choice of the Licensee.

**6. SECURITY DEPOSIT**

**The licensee has agreed to pay the licensor a total security deposit of 10 months rent in the following manner:**

- On execution of the LoI Dated 22nd September 2010, the Licensee has paid the Licensor a sum of Rs. 12, 42,000/- (Rupees Twelve Lakhs Forty Two Thousand Only) as interest free security deposit.

- The balance deposit amounting to Rs 1, 11, 78,000 /-(Rupees One Crore Eleven Lakhs Seventy Eight Thousand only) shall be paid by the licensee to the licensor on 1st December 2010 or possession of the Licensed Premises whichever is later.

The said deposit will remain with the Licensor during the terms of the Leave and License under this Agreement and the same will be refunded to the Licensee on expiry of terms of Leave and License or on early termination of this Agreement and simultaneously and forthwith at the time of the Licensee handing over the vacant possession of the Licensed Premises to the Licensor.

6.1 **Refund of Security Deposit**

On the expiry of the said period of 60 months (5 Years) or sooner determination/ termination thereof, the Licensor shall save as provided in clause 9 herein, refund to the Licensee the said security deposit, without interest simultaneously with the Licensee removing itself, its agents, employees, staff and all other person/s in occupation of the Licensed Premises. The Licensor shall refund the said security deposit after deducting there from all or any amount outstanding towards arrears of rent, if any and payable by the Licensee to the Licensor under this Agreement for the Licensed Premises. In this regard the Licensor shall, within 10 days from the date of notice terminating the License under this Agreement or 10 days prior to the effective date of termination of the License, as the case may be, duly notify the Licensee, all such deductions in writing, along with copies of all supporting substantiating the claim of the Licensor and shall provide adequate opportunity to the Licensee to fully verify and confirm such deductions. It is hereby fully clarified that such deductions shall not be made towards expenses/charges in respect of normal wear and tear of the Licensed Premises due to passage of time and usage. If the Licensor fails and neglects to refund the security deposit or balance security deposit on the Licensee ready to handover vacant and peaceful possession of said Licensed Premises, in that event Licensee shall be entitled to the refund of said security deposit together with 18% interest from date when the Licensee is willing to handover the possession of the licensed premises till payment by the Licensor and realization thereof by the Licensee. In addition, in such event of failure by the Licensor to refund the Security deposit, the Licensee shall continue to remain in possession of the Licensed Premises, without paying the Licensor any amount by way of license fees or otherwise, until such time the Licensor refunds the entire Security deposit together with interest thereon at the rate 18% p.a to be calculated from the date on which the amount of the Security deposit becomes refundable and payable by the Licensor till the date on which the actual amount of the security deposits is refunded to the Licensee. Until the Licensor refunds the entire Security deposit to the Licensee, the Licensee shall constitute and have a charge on the Licensed Premises without prejudice to and in addition to the other legal rights of the Licensee. Besides, notwithstanding whatever is stated hereinabove and without prejudice to the rights conferred on the Licensee for such failure on the part of the Licensor, in case of the Licensor fails to refund the amount of the Security deposit to the Licensee within 3 months from the date of expiry or earlier determina tion/termination of this agreement, as the case may be, the Licensee shall have the right to sublease / sublicense the entire or any portion of the Licensed Premises and receive the rent thereon to be appropriated towards the dues of the Licensee.

6.2 The Licensee shall be fully entitled to bring in and install its furniture, fit outs and equipments in the Licensed Premises and on termination of this Agreement the Licensee shall remove all Server, Computers Hardware and Software, Computer Networking, EPBX, Telephone Instruments, and all other office Equipments belonging to the Licensee from the Licensed Premises (save and except all the furniture, fitting and fixtures, floorings, ceilings, Air Conditions, Electrical fittings, UPSs and wiring/cabling which has been provided by the Licensor). It is hereby fully clarified that all Licensee made improvements and fit outs in the Licensed Premises shall be always owned by the Licensee and at the expiry or earlier termination of the License, the Licensee shall be fully entitled to remove and take away such improvements and fit outs to the extent possible or otherwise deal with the same as long as the same does not cause any material damage to the Licensed Premises.

## 7. LICENSEE'S COVENANTS

7.1 The Licensed Premises shall be utilized by the Licensee solely and exclusively for carrying on the business as aforesaid and for no other purpose whatsoever.

7.2 The Licensee shall carry on business only in their products/services/software/ trade name as specified in clause 2 hereinabove and shall not carry on any other business or activity from the Licensed Premises throughout the License period.

7.3 The Licensee shall use the Licensed Premises for the purpose of carrying on the aforesaid business on all days on 24 X 7 days basis subject to the provisions of Shops and Establishment Act and Rules thereof or any other enactment / rules prevailing from time to time.

7.4 The Licensee shall pay to the Licensor the license fee as stipulated in clause 5.1 above promptly and on the respective due dates thereof and if the Licensee without any reasonable cause fails and neglects to pay the said Licensed fee on its due dates for a period of three consequent months in spite of a 30 days notice from the Licensor in that event the Licensor shall be entitled to deduct the outstanding License fee from the interest free security deposit of the Licensee lying with the Licensor and terminate this Agreement by giving one month's further notice to the Licensee.

7.5 The Licensee shall not do or suffer to be done anything in the Licensed Premises, which is or is likely to be a nuisance or annoyance to the other occupants of the neighboring premises or to prejudice the right of the Licensor as the owner of the Licensed Premises in any manner whatsoever. The Licensee shall not do or cause or allow or permit to be done in or around the Licensed Premises anything of an illegal or immoral nature.

7.6 The Licensee shall not store or allow being stored and/or displaying or selling in the Licensed Premises any goods, articles or things of a hazardous inflammable explosive corrosive toxic or combustible nature and / or any contraband goods.

7.7 The Licensee shall not do or suffer to be done anything whereby the Licensor's right to hold the Licensed Premises is voided, forfeited or extinguished.

7.8 The Licensee shall pay the said License fee in advance to the Licensor on or before the 10th day of each calendar month. It is hereby agreed by the Licensee that in the event of Licensor's arranging with any bank or financial institution for discounting the amount of License Fee receivable by it under this Agreement, the Licensee, upon receipt of written instruction from the Licensor to that effect, shall pay the amount of License Fee payable under this agreement to the Bank or Financial institution as the case may be as directed by the Licensor and the Licensor hereby confirms and agrees that such payment shall constitute a proper, valid and effective discharge of the Licensee's obligations for payment of the License Fee to the extent of amount paid under this Agreement.

7.9 The Licensee shall not transfer, assign or induct any third party or creates any third party interest in the Licensed Premises or any part or portion thereof. However, concurrent usage of the Licensed Premises by any group company shall not be treated as inducting a third party or creation of any third party interest.

7.10 The Licensee shall not make any structural alteration to the Licensed Premises and shall not make any construction or erection of a permanent nature in the Licensed Premises without prior permission from the Licensor, which permission shall not be unreasonably withheld.

7.11 The Licensee shall not do or suffer to be done in or around or upon the Licensed Premises any act or omission, whereby any policy of insurance taken by the Licensor in respect of the Licensed Premises may become void or voidable or whereby the premium payable in respect thereof may be increased.

7.12 The Licensee shall during the License period, observe, perform, conform and comply strictly with the provisions hereof, the rules, regulations, enactments and bye-laws of the Municipal Corporation of Pune.

7.13 The Licensee shall remove itself and its permitted belongings as mentioned elsewhere in this Agreement, employees, staff, and agent and all other person from the Licensed Premises upon expiry or sooner determination of this Agreement on the Licensor simultaneously and forthwith refunding the interest free security deposit to the Licensee.

7.14 In addition to the payment of the License Fee, the Licensee shall also be liable during the License period pay to the concerned authorities directly or reimburse the amount for the following charges based on actuals and on the proof of actual payment having been provided by the Licensor, the following: -

(a) Telephone charges and rental in respect of separate telephone lines, leased lines and any other telecom infrastructure either taken directly by the Licensee in its own name or provided by Licensor in the Licensed Premises;

(b) Electricity charges for the electricity consumed by the Licensee in the Licensed Premises in accordance with the electricity bills received for separate electricity meter provided by the respective electricity authorities in the Licensed Premises.

7.15 The Licensee hereby covenants with the Licensor that it will obtain all necessary approvals/licenses and sanctions from the concerned authorities for carrying on its business and comply with all the conditions of such licenses/approvals/ sanctions and take appropriate insurance policy and third party insurance at its own cost for furniture, fixtures, goods and articles belonging to the Licensee and lying in / brought in to the Licensed Premises. The claim shall lie with the Licensee till the expiration or termination of this Agreement. In the event the fitments and interiors provided by the Licensor are damaged due to any cause attributed to the Licensee (normal wear and tear and expiry of useful life due to passage of time are excepted) during the Licensee period, the Licensee shall redo the interiors and fitments in the licensed premises.

7.16 The Licensee shall keep and maintain and use the Licensee premises in good order and condition except for reasonable wear and tear during the term of this Agreement.

7.17 The Licensee shall permit the Licensor, its agents, employees and/or authorized representative to enter upon the Licensed Premises for inspection and to carry out repair at reasonable time as and when necessary on giving two working days advance notice in writing. Any such inspection or repair shall not disturb the normal working of the Licensee in the Licensed Premises.

7.18 Licensor has leased space to various ATMs on the ground floor of the building, licensee agrees to provide an access for installation or maintenance of the Dish Antennas/ Communication Equipments on terrace of the building with advance notice to Licensee from the respective representatives.

7.19 The Licensee agree and confirm that the rights granted to the Licensee under this Agreement is limited and restricted to use of the Licensed Premises.

7.20 The Licensee shall be liable for maintenance of the Licensed Premises as per its own choice and at its own cost.

7.21 AMCs of the equipments;

i. AC, UPS, Lifts, Access Control System will be under comprehensive AMC will be done by the licensee.

ii. Diesel Generators & AMS Panels will be done by the licensee. Any replacements of the parts/ goods are required in the above mentioned equipments which are not covered under AMC; cost of the same will be borne by the Licensor. In case the said equipments needs to be replaced completely the same will carried out by the Licensor at his own cost, promptly and expeditiously.

7.22 In case Licensee fails to vacate the premises on expiry of the leave license agreement without there being any fault, lapse or breach on the part of the Licensor and the Licensor is ready and willing to refund the interest free security deposit of the Licensee, Licensee shall be liable to pay INR 10,00,000 per month as liquidated damages to the licensor in addition to the monthly license fees.

7.23 The Licensee will observe and perform following terms and conditions.

A. To employ and engage as its own employee or subcontractors for running the Licensed Premises and to pay their wages and salaries promptly.

B. To ensure that all persons employed behave in an orderly and disciplined manner and that the said employees are prohibited from carrying any unfair activities in the Licensed Premises and/or within the said building and / or in the vicinity of the said building.

C. The Licensee and its staff shall not do any act which may cause nuisance or annoyance to the Licensor or other occupants of the neighboring premises.

D. The Licensee shall not affix or exhibit any other signage on the exterior of the Licensed Premises other than the earmarked space without the written permission of the Licensor.

E. To keep the Licensed Premises clean and respectable.

7.24 **Indemnity**

TheLicensee hereby agrees to indemnify and keep indemnified the Licensor against any claim and loss or damages the Licensor may actually sustain or suffer or costs charges and expenses the Licensor may incur or for which the Licensor may become or be held liable or responsible, if any of its customer or any one else including any public authorities should hold them responsible or liable for payment of any loss or damage or costs, charges or expenses or proceedings of any nature whatsoever arising out of any act deed matter or thing done or not done or committed or any negligence or default or breach of promise or contract or violation on the part of the Licensee or its representatives in the course of rendering services or otherwise to the customers of the Licensee or otherwise, provided that cause of all such loss or damages are directly attributed to the Licensee. The Licensor shall indemnify and hold harmless the Licensee, for any loss, damage or expenses incurred or suffered by it arising out of any act deed matter or thing done or not done or committed or any negligence or default or breach of promise or contract or violation on the part of the Licensor or any of the Licensor's employees, servants or agents with regard to the Licensors property and / or the Licensed Premises or for any of the Licensors Covenants, representations or warranties proving to be false or misleading in any material respect or otherwise.

**8. Licensors Covenants**

8.1 The Licensor hereby confirms that save and except creating security by way of mortgage / charges in or upon the said licensed premises in favour of Bank / Financial Institution for raising finance, the Licensor has not created any third party interest in the Licensed Premises or the Licensee fees to be received therefrom. In the event the Licensor defaults the payments of such mortgage, the Licensor shall indemnify and hold harmless the Licensee and shall safeguard all the rights of the Licensee, till the term of this Agreement including extensions if any.

8.2 Notwithstanding anything contained in this Agreement, the parties hereto expressly agree and declare that the Licensor shall be entitled at its discretion to sell and / or otherwise dispose of the Licensed Premises or any portion thereof during the subsistence of this Agreement to any third party whomsoever with a prior written notice of a period of 60 (Sixty) days to the Licensee. Provided however that such third party enters into an identical agreement with the Licensee for the remainder of the License period of this Agreement and the rights of the Licensee are not affected in any manner.

8.3 That the Licensor represents and warrants that he is the lawful owner and titleholder of the Licensed Premises and the land upon which the Licensed Premises has been built and is fully empowered, authorized and able to execute this Leave and License Agreement.

8.4 That the Licensor represents and warrants that the Licensed Premises including the building in which the Licensed Premises are situated having constructed strictly as per the approved plan of Municipal Authorities / Town Planning bodies in Pune and there is no deviation or violation of such approved / sanctioned plan. Besides, all necessary permissions and approvals in respect of constructing, using and occupying the building in which the Licensed Premises are situated have been duly obtained and the terms and conditions stipulated therein have been and is being duly complied with.

8.5 That the Licensee shall be fully able to access the Licensed Premises from the main road and approach road connecting the building "Meridian Plaza" with the main road, without any let, hindrance, obstruction or objection of whatsoever nature from anybody.

8. 6 The Licensor covenants that upon the Licensee paying the License fee herein reserved and all other payments and observing and performing the terms and conditions on the Licensees part herein contained, the Licensee shall be entitled to peaceful and quiet use and enjoyment of the Licensed Premises during the period of the License free from any interference, objection, evictions, claim, interruptions and demand whatsoever by the Licensor or any other person connected to or claim through the Licensor.

8.7 The Licensor by way of this Agreement grants to the Licensee the right of way to the entire Licensed Premises for the exclusive use and enjoyment of the same.

8.8 The Licensor shall fully insure the Licensed Premises along with all equipments, furniture and fixtures provided by the Licensor thereon against flood, fire, earthquake, other natural calamities and other insurable risks and may provide proof of such insurance policies to the Licensee.

8.9 For the purpose of its business, the Licensee shall be required to install communication tower, dish antenna, equipment, etc., at the terrace of the Licensed Premises. The Licensor shall ensure that the Licensee is able to do so and if any permission in this regard is necessary in this regard from any governmental authority and any NOC or other document is required from the Licensor in this regard, the Licensor shall provide all such NOCs, documents and papers which are required by the Licensee for the purpose of installation of such communication tower, etc.

8.10 The Licensee shall be conducting its business in the Licensed Premises in the field of Information Technology Enabled Services and BPO activities under the STP Scheme of Government of India. Therefore the Licensee shall be fully entitled to register the Licensed Premises with STPI under STP Scheme and bond the Licensed Premises with the customs authorities and the Licensor or anybody connected with the Licensed Premises shall not have any objection whatsoever in this regard and shall provide all necessary documents, papers, no objection letters, etc., to the Licensee.

**9 TERMINATION & CONSEQUENCES**

9.1 In the event of the Licensee committing a breach of any of the terms of this Agreement and failing, within 60 days, to remedy or make good such breach on receipt of notice in writing from the Licensor, the Licensor shall be entitled to forthwith terminate this Agreement and to refund the balance amount of the interest free security deposit, after deducting any outstanding lawful dues from the Licensee for which consequences along with outstanding Electricity charges, Telephone charges and interest @ 12% p .a on said amount, or any part thereof without prejudice to any other rights or remedies which the Licensor may have under the License Agreement or under any other Agreement or under law and in such event the consequences stipulated in clause 9.3, shall apply.

9.2 Apart from the specific termination right of the Licensee as provided under Clause 1 herein above, the Licensee may after the lock in period of 36 months terminate this agreement by giving to the Licensor 3 (Three) month’s written notice of their intention to terminate this agreement. However, it is hereby fully clarified that the notice to terminate the License can be given by the Licensee even during the Lock-in period in the manner that the termination of License by the Licensee takes effect immediately on completion/expiry of the Lock-in period. Upon the expiry of the said period of three months, the Licensee shall vacate the said licensed premises as stipulated elsewhere in this Agreement on receipt of refund of the security deposit from the Licensor and if the Licensor fails to refund the security deposit simultaneously at the time of Licensee prepared to vacate the Licensed Premises, the consequences detailed herein above in Clause 6.1 for non-refund of security deposit by the Licensor, shall automatically ensue.

9.3 Upon termination of the Agreement as mentioned hereinabove or sooner determination of this Agreement for any reason whatsoever

(a) The Licensee shall remove or cause to be removed itself, its agents and all its employees and all other person or persons and their respective belongings, chattels, articles and things from the Licensed Premises and shall hand over to the Licensor, on simultaneously receiving the refund of the security deposit from the Licensor, vacant, quiet, peaceful and furnished possession of the Licensed Premises together with the furniture, fittings and fixtures provided by the Licensor in good condition, except normal wear and tear or expiry of useful life due to passage of time or usage.

(b) Without prejudice to any other rights or remedies with the Licensor may have under this Agreement with the Licensee or under laws or otherwise howsoever including the right to recover the Licensed Premises as aforesaid and in addition there to, until such time as the Licensee or any of its employees or its servants and/or agents or any other person as aforesaid shall use and occupy the Licensed Premises or any part thereof after expiration or sooner determination of this License and such use and occupation of Licensee is not due to failure on the part of the Licensor to refund the security deposit of the Licensee, and there being no fault laps e or breach on the part of the Licensor, the Licensee shall, over and above the License Fee stated in clause 5 above, be liable to pay to the Licensor, INR 10,00,000 along with the applicable license fees until the Licensee vacate the Licensed Premises as aforesaid as and by way of Liquidized damages and not by way of penalty.

(c) In the event of failure and/or neglect on the part of the Licensor to refund the interest free deposit, against the Licensee vacating the Licensed Premises by itself and/or by its agents/servants and employees, the Licensee shall be entitled to receive interest calculable @ 18% p.a on the amounts to be refunded by the Licensor to the Licensee from the date it became refundable till the date of refund and the same shall be in addition to the right of the Licensee as provided under Clause 6.1 herein above.

**10. NO LEASE, TENANCY ETC:**

10.1 The use and occupation by the Licensee of the Licensed Premises is confined only to the Licensed Premises and except the rights provided under this Agreement the same neither amounts to nor is it intended to create any tenancy, sub-tenancy rights or as transferring any rights, title and interest of any nature whatsoever in favour of the Licensee in, over or upon the Licensed Premises or any part or parts thereof, save group companies, subsidiaries and affiliates.

10.2 At no point of time, irrespective of any change in law, the Licensee will claim and, or anyone on behalf of the Licensee contained that this Agreement or the use and occupation of the Licensed Premises amounts to create on lease, tenancy or sub-tenancy rights or creates or transfers any right title, interest, easement of any nature whatsoever in favour of the Licensee in, over or upon the Licensed premises of any parts thereof.

10.3 The Licensed premises is given to the Licensee on a Leave and License basis and the Licensee will not be entitled to transfer the benefits of this Agreement to anybody else or will not be entitled to allow anybody else and / or any other person or entity to occupy the Licensed Premises or any part thereof, save group companies, subsidiaries and affiliates.

10.4 It is expressly agreed by and between the parties hereto that the License fee payable by the Licensee to the Licensor shall for all purposes be deemed to be the fair and reasonable License fee and the Licensee shall not under any circumstances challenge the same in any court of law or any other authority or tribunal or forum as not being fair License fee in respect of the License herein granted of the Licensed Premises.

10.5 If as a result of any legislation, the Licensee becomes entitled to continue the use or occupation of the Licensed Premises against the will or desire of the Licensor or if any of the rights, powers or privileges of the Licensor becomes incapable of legal recognition or enforcement in their entirety, in such event, the Licensee shall not take advantage of such legislation and shall continue to use the Licensed premises in accordance with this Agreement and the provisions of such legislation shall, so far they are inconsistent with the provisions of this Agreement, be deemed to have been waived by the Licensee.

**11. NOTICE**

11.1 Any notice required to be served upon the Licensee shall be sufficiently served upon if posted by Registered A/D post or hand-delivered to the Licensee in the Licensed Premises on taking proper acknowledgement with a copy to the parent company of the Licensee M/s. Cross Country Healthcare Inc at 6551 Park of Commerce Blvd, NW Boca Raton, Florida 33487, USA by fax (001-800-565-9774) and a confirmation copy by registered airmail for the attention of Ms. Susan Ball, General Counsel.

11.2 Any notice required to be served upon the Licensor shall be sufficiently served upon if posted by Registered A/D post or left at the address of the Licensor first given.

**12. STAMP DUTY & REGISTRATION**

The **Licensee** shall bear and pay the Stamp Duty and Registration Charges payable in respect of execution and registration of this Leave and License Agreement. The Original of this Leave and License Agreement shall be retained by the Licensee and its duly executed copy shall be retained by the Licensor.

**13. NON-WAIVER**

No failure on the part of the Licensor / Licensee to exercise, and no delay on the part of the Licensor / Licensee in exercising any right hereunder, shall operate as a waiver thereof, nor shall any single or partial exercise of any such right preclude any other or future exercise thereof or the exercise of any other right. The remedies herein are cumulative and not exclusive of any remedies provide by law.

**14. PARTIAL INVALIDITY**

If at any time, any provision of this Agreement shall become or be held illegal, invalid or unenforceable in any respect under any law, then the legality, validity or enforceability of the remaining provisions shall not in any way be thereby effected or impaired. Any invalid or unenforceable provisions of this Agreement shall be replaced with a provision which is valid and enforceable and most nearly reflects the original intent of the invalid or enforceable provision.

**15. SUPERSESSION**

This Agreement constitutes the entire agreement between the Licensor and Licensee and supersedes all prior understandings and writings between the parties.

**16. DISPUTE RESOLUTION MECHANISM**

It is hereby agreed by and between the parties hereto that in case any disputes or difference arises between the parties with regards to the terms and conditions of this Agreements of relating to the Interpretation thereof, the same shall be referred to an arbitrator appointed on mutual consent of the Licensor and Licensee and such arbitration shall be in accordance with the provision of the Arbitration and Conciliation Act, 1996, or any statutory modification or re-enactment thereof for the time being in force. The arbitration shall be held in Pune and the proceedings shall be conducted in the English language. The parties agree that the arbitration awards shall be final and may be enforced as a decree. The parties further agree that only the competent courts of jurisdiction at Pune shall have exclusive jurisdiction in all matter s arising there under. Notwithstanding the pending of settlement of any disputes or difference between the parties, the Licensee shall continue to pay License Fee to the Licensor regularly and punctually, so long as the Licensee is in use and occupation of the Licensed Premises and the Licensor is not in violation of any of its obligations.

No alteration amendment or modification of any of the terms of this Agreement shall be valid and binding unless signed by or on behalf of both the parties hereto.

This Agreement shall be governed by Indian laws to the exclusive jurisdiction of the Courts in Pune only.

**18.** The Licensee Company by its Resolution of the Board of Directors dated 11$^{th}$ October 2010 has approved this agreement and has authorized the signatory hereunder to execute and register this agreement . Copy of the said Resolution is annexed herewith.

**19. Stamp Duty Calculations:**

Agreement period- 5 Years,
Applicable Stamp Duty per year of L&L - INR 4000
**Total Stamp Duty Applicable – INR 20,000 (Twenty Thousand Only)**

**SCHEDULE 1**

**THE SCHEDULE ABOVE REFERRED TO**

**(Description of said Licensed Premises)**

All that piece and parcel of land and the building constructed thereon in the name of Meridian Plaza totally admeasuring Built up area. 20,700 sq.ft. with Carpet area of 15525 sqft comprised of Ground+ Basement+ 5 floors of the building, situated at Sr. No. 108 / 8 / 1 + 2 /1; Senapati Bapat Road, Pune 411 0 16 with the right to use and enjoy the terrace of the building and all areas and compounds around the building.

**IN WITNESS WHEREOF** the parties hereto have executed this Agreement in duplicate the day and year first herein above written.

**SIGNED AND DELIVERED**

Licensor

**SUBHASH DATTATRAY ANGAL** /s/ Subhash Dattatray Angal

Subhash Dattatraya Angal in the presence of

1) /s/ Sudhir Gaikwad

2) /s/ Akalpita Gaikwad

**SIGNED AND DELIVERED**

for and on behalf of Licensee

**Crosscountry Infotech Pvt. Ltd** **)**

**Mr. Srinivas Chidumalla** ) /s/ Srinivas Chidumalla

)

In the presence of

)

1) /s/ Sudhir Gaikwad )

2) /s/ Akalpita Gaikwad )

**Annexure A- List of Furniture and Fixtures +Assets provided**

| Sr. No | Item | Make | Model/Quantity |
|---|---|---|---|
| 1 | Civil and Furniture | | False ceiling, full height partitions, cabin/conf room doors etc. |
| 2 | Electrical, voice and network cabling | | For all Workstations and networking equipments. |
| 3 | AC Machines with ducting | Hitachi | 11T-6nos, 8.3T-2nos, 5.5T-6 nos, 3.5T-1 no, 2T-2 nos. |
| 4 | Modular Furniture | MOF | 3 PL/PM cubicles, 36 cabins, 171 wrkstns. Wrkstns size : 1500mm x 1500mm x 1200mm |
| 5 | UPS & Batteries | UPS - DB,<br>Batteries- Rocket | 7.5 KVA - 3 nos, 10 KVA - 5nos, 5 KVA - 2 nos, Batteries : 42 AH- 144 nos, 40AH- 20nos, 65AH- 20 nos. |
| 6 | Carpet | | Excluding passages |
| 7 | Chairs | Inertia | 300 nos |
| 8 | Access control system | Zicom | 4 doors controlled with access control Readers - 7 nos. |
| 9 | Fire Alarm System | Zicom | Conventional 4 Zone fire alarm panel (1no) with 150 nos detectors. |
| 10 | Vertical blinds | | |
| 11 | Fire Extinguishers | | 11 nos ABC 2 kg, 3 nos ABC 5kg, 5 nos DCP 5 kg, 10 nos CO2 2 kg |
| 12 | Frames & pictures | | |
| 13 | LCD TV | LG | 2 nos |
| 14 | Cafeteria furniture | | 6 plastic tables and 24 plastic chairs |
| 15 | Reception furniture | | |
| 16 | Elevator | Schindler | 2 nos |
| 17 | DG sets | Kirloskar | 160 KVA -2 nos with AMF Panels |

**EXHIBIT 31.1**

## Certification

I, Joseph A. Boshart, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 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 functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

| | |
|---|---|
| Date: November 5, 2010 | /s/ JOSEPH A. BOSHART |
| | Joseph A. Boshart |
| | President and Chief Executive Officer |

**EXHIBIT 31.2**

## Certification

I, Emil Hensel, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 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 functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2010

/s/ EMIL HENSEL
Emil Hensel
Chief Financial Officer

**EXHIBIT 32.1**

## CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying Quarterly Report on Form 10-Q of Cross Country Healthcare, Inc. (the "Company") for the quarterly period ended September 30, 2010, (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: November 5, 2010 | /s/ JOSEPH A. BOSHART |
| | Joseph A. Boshart |
| | President and Chief Executive Officer |

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Cross Country Healthcare, Inc. and will be retained by Cross Country Healthcare, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is provided solely for purposes of complying with the provisions of Section 906 of the Sarbanes-Oxley Act of 2002.

**EXHIBIT 32.2**

## CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying Quarterly Report on Form 10-Q of Cross Country Healthcare, Inc. (the "Company") for the quarterly period ended September 30, 2010, (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: November 5, 2010

/s/ Emil Hensel
Emil Hensel
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Cross Country Healthcare, Inc. and will be retained by Cross Country Healthcare, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is provided solely for purposes of complying with the provisions of Section 906 of the Sarbanes-Oxley Act of 2002.