

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-K**

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

For the Fiscal Year Ended December 31, 2003

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-33169



**Cross Country Healthcare, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**13-4066229**

(I.R.S. Employer Identification No.)

**6551 Park of Commerce Boulevard, N.W.  
Boca Raton, Florida 33487**

(Address of principal executive offices, zip code)

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

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

Securities registered pursuant to Section 12(g) of the act:

**Common Stock, \$0.0001 Par Value Per Share**

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the closing price of Common Stock on June 30, 2003 of \$13.16 as reported on the Nasdaq National Market, was \$268,196,312. This calculation does not reflect a determination that persons are affiliated for any other purpose.

As of February 29, 2004, 31,903,379 shares of Common Stock, \$0.0001 par value per share, were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

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

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## TABLE OF CONTENTS

	Page
<b>PART I</b>	
ITEM 1. BUSINESS	1
RISK FACTORS	13
ITEM 2. PROPERTIES	18
ITEM 3. LEGAL PROCEEDINGS	19
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	19
<b>PART II</b>	
ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	20
ITEM 6. SELECTED FINANCIAL DATA	21
ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	24
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	38
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	39
ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	39
ITEM 9A. CONTROLS AND PROCEDURES	39
<b>PART III</b>	
ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT	40
ITEM 11. EXECUTIVE COMPENSATION	40
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	40
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	40
ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES	40
<b>PART IV</b>	
ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K	41
SIGNATURES	42

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

### Forward-Looking Statements

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to those discussed in the section entitled "Business-Risk Factors". Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Readers should carefully review the Risk Factors described in other documents we file from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q to be filed by us in fiscal year 2004.

## PART I

### ITEM 1. BUSINESS

#### Overview of Our Company

We are one of the largest providers of healthcare staffing services in the United States. As of the fourth quarter of 2003, our healthcare staffing business segment represented approximately 92% of our 2003 revenue and is comprised of travel and per diem nurse staffing, allied health staffing as well as clinical research trials staffing. Travel nurse staffing was approximately 77% of our total revenue. Our other human capital management services business segment represented approximately 8% of our revenue and consists of education and training, healthcare consulting, and physician and healthcare executive search services.

We have a diverse client base that includes approximately 3,000 hospitals, pharmaceutical companies and other healthcare providers across all 50 states. Our fees are paid directly by our clients rather than by government or other third-party payors. As a result, we have no direct exposure to Medicare or Medicaid reimbursements. No single hospital accounts for more than 3% of our revenue. We believe we are well positioned in the current environment for healthcare staffing services to take advantage of longer-term industry and demographic dynamics that include a growing shortage and aging of registered nurses, an aging U.S. population expected to result in growth of hospital admissions, state and federal legislation regarding minimum nurse staffing levels and maximum allowable overtime, and the long-term secular trend among hospitals toward outsourcing to provide flexibility and variable costs in meeting their staffing requirements. For the year ended December 31, 2003, our revenue was \$686.9 million and our net income was \$25.8 million, or \$0.79 per diluted share.

In June 2003, we acquired the assets of Med-Staff, Inc., (Med-Staff) one of the largest privately held travel nurse and per diem nurse staffing companies in the U.S., for \$102.2 million in cash, net of a post-closing working capital adjustment. We made the strategic Med-Staff acquisition to broaden our travel nurse recruiting and placement efforts, to provide us with a sizeable platform in per diem nurse staffing, and to give us a direct presence in nurse staffing at military hospitals and clinics.

#### Overview of Our Industry

Over the coming decades, demand for healthcare services is expected to increase due to an aging U.S. population, while the national supply of registered nurses is projected to decline. The expected result is a pronounced shortage of registered nurses. Contributing to this shortage is a rapidly aging population of working registered nurses, lower overall enrollment in nursing schools over the past decade, and a nurse education faculty even more advanced in age than working nurses with fewer doctoral candidates as potential replacement educators. Hospitals and other healthcare facilities utilize

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outsourced nurse staffing as a means of supplementing their own recruiting and retention programs, and benefit from the flexibility and variable cost that outsourcing provides in managing their changing nurse staffing requirements. Similarly, nurses have turned to outsourced nurse staffing for job flexibility and better working conditions.

#### *Temporary Nurses*

The most common temporary nurse staffing alternatives available to hospital administrators are travel nurses and per diem nurses. Travel nurse staffing involves placement of registered nurses on a contracted, fixed-term basis. Assignments may range from several weeks to one year, but are typically 13 weeks long and usually involve temporary relocation to the geographic area of the assignment. Travel nurses provide hospitals and other healthcare facilities with the flexibility and variable cost to manage changes in their staffing needs due to shifts in demand, represent a pool of potential full-time job candidates, and enable healthcare facilities to provide their patients with continuity of care. The staffing company generally is responsible for providing travel nurses with customary employment benefits and for coordinating travel and housing arrangements. Per diem nurse staffing comprises the majority of temporary healthcare staffing and involves the placement of locally-based healthcare professionals on short-term assignments, often for daily shift work, with little advance notice of assignments by the client.

*Temporary Decrease in Demand.* Several factors have combined to temporarily reduce demand for outsourced nurse staffing services since mid-2002:

- During the second half of 2002 and continuing throughout 2003, we believe our rate of revenue growth was negatively impacted by budgetary actions taken by hospitals to reduce their use of outsourced nurse staffing in response to higher than average utilization during the late 1990s through 2001. Such actions by the hospitals resulted in increased reliance on staff nurse overtime, increased patient-to-nurse ratios and higher wages and compensation, including sign-on bonuses.
- While the U.S. economy continued to improve last year, the labor market has been slower to recover. This has resulted in many nurses' spouses being unemployed, under-employed or concerned about the future. Consequently, full-time and part-time nurses have increased the number of hours worked directly for hospital employers at prevailing wages to supplement family income. In addition, economic conditions and higher wages also resulted in nurses re-entering the workforce, according to a recent study in Health Affairs, co-authored by Peter Buerhaus, Associate Dean of Vanderbilt University's School of Nursing. Between 2001 and 2002, hospitals had hired approximately 100,000 new nurses. The clear message of the study was that RNs over age fifty and foreign-born RNs account for practically all of the increase in RN employment in hospitals in 2002. We believe that these incremental nurses, 94% of whom are married, are likely to reduce their employment when the economy improves. Real nurse wages, adjusted for inflation, also increased over the past year by 5% after remaining essentially flat over the prior seven years.
- Unexpectedly low patient census, particularly during the first half of 2003, decreased demand for nurse staffing services. As occupancy rates increase, temporary employees are often added before full-time employees are hired. As occupancy rates decrease, hospitals tend to reduce their use of temporary employees before undertaking layoffs of their staff nurses. While hospitals could not explain the decline in patient census, it affected the degree to which they were willing to bring outsourced nurse staffing labor into their facilities. And, by the second half of 2003, we believe they were much more willing to be understaffed than overstaffed.
- Many travel nurses have been disappointed by the decline in the amount and diversity of staffing opportunities. This has heightened their perceived risk in the ability of nurse staffing companies

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to keep them working contract after contract in a setting and location that they desire. Some have chosen to stop traveling to take full-time or part-time positions with hospitals. While we believe this may not be their first choice, they may delay returning to travel nursing until they become more comfortable in being able to be consistently employed by nurse staffing companies.

While we believe these dynamics to be temporary, the relative benefit of our outsourced nurse staffing services to hospital clients was impacted as there was a greater supply of nurses willing to work directly for hospital employers at the wages hospitals wanted to pay. The Staffing Industry Report, an independent staffing industry publication, estimated more than \$10 billion in revenue was generated in the temporary medical staffing industry in 2002, and we estimate that nurse staffing represented approximately 70% of the total. We estimate that historically approximately 10% of hospital nurse staffing was outsourced (25% travel nurse staffing and 75% per diem nurse staffing). However, as a result of the decrease in demand due to the above factors, we estimate that approximately 7% to 8% of nurse staffing is currently outsourced.

*Shortage of Nurses.* There were approximately 2.7 million licensed registered nurses in the U.S. of which approximately 2.2 million are employed in nursing and approximately 1.7 million full-time and part-time registered nurses work in acute care hospital settings, according to the most recent data available from the U.S. Department of Health and Human Services (February 2001). Notwithstanding the recent re-entry of nurses into the workforce, the nurse shortage is expected to grow over the coming decades. A U.S. Bureau of Labor Statistics report (February 2004) stated that, for the first time, nurses represented the largest projected 10-year job growth occupation, putting the demand for registered nurses at 2.9 million in 2012, up from 2.3 million in 2002. A study by the American Hospital Association in 2001 identified 126,000 vacant nursing positions in hospitals nationwide. In addition, a study by the U.S. Department of Health and Human Services (July 2002) estimated a 20% shortage of nurses by 2015 and 29% by 2020. Similarly, a 2002 report to the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) titled "Health Care at the Crossroads—Strategies for Addressing the Evolving Nursing Shortage," quantified this shortage stating that by 2020 there will be at least 400,000 fewer nurses available to provide care than will be needed. Further, the national shortage of registered nurses is not evenly distributed across the country. The 2003 Nursing Shortage Update by Fitch, Inc. (Fitch) estimates that thirty states are currently experiencing a

shortage, and by 2020, 44 states and the District of Columbia are projected to have shortages. Several factors have contributed to the decline in the supply of registered nurses:

- The nurse pool is getting older and approaching retirement age. Several factors contribute to the aging of the registered nurse workforce: (1) fewer young people entering the profession, (2) the higher age of recent graduates, and (3) the aging of the existing pool of licensed nurses. The average age of working registered nurses is 43.3 according to the JCAHO report and is increasing at a rate more than twice that of other workforces in this country. The Fitch report projects that by 2011 the number of retiring nurses will equal the number of new nurses entering the profession. According to the Department of Health and Human Services, the late 1990s was the slowest period of nursing population growth in the past 20 years, slowing to 1.3% compared with 2% to 3% in prior years. The largest source of new registered nurses, associate-degreed nurses, are on average 33 years old when they graduate; considerably older than in 1980 when the average age was 28. In 2000, 32% of nurses were less than 40 years old and 9% were less than 30 years old. Twenty years earlier, 53% of nurses were less than 40 years old and 26% were less than 30 years old. By the year 2010, the average age of working registered nurses is projected to be 50 and by the year 2020 the national supply of nurses will not only be older, but no larger in number than the supply projected for the year 2005.
- Approximately 63% of the 2.2 million registered nurses currently in the workforce are employed in hospitals. Many registered nurses are leaving the hospital workforce through retirement, death or by choosing careers outside of acute care hospitals or in professions other than nursing.

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There are more than 500,000 licensed nurses not employed in nursing. According to a Peter D. Hart Research Associates study (April 2001), the top reasons nurses leave patient care, besides retirement, are to seek a job that is less stressful and less physically demanding (56%), to seek more regular hours (22%) and a desire for more compensation (18%).

- Enrollment levels in nursing schools have declined by 50,000 nationwide since 1993 and the number of domestically educated nursing candidates who sat for the national licensure examination (NCLEX) decreased 29% from 1995 to 2001. Declines were seen across all degree programs—diploma, associate degree and baccalaureate. While the American Association of Colleges of Nursing (AACN) reported a 16.6% increase in baccalaureate enrollment in Fall 2003 and baccalaureate graduations increased 5%, more than 11,000 qualified students were turned away from the programs due to a limited number of faculty and clinical sites and limited classroom space. The AACN cautions that the enrollment and graduation increases are not enough to make a substantial dent in the nursing shortage, especially given the number of nurses in the current workforce who are approaching retirement age. The Health Affairs report estimates that enrollments would have to increase at least 40% annually to put enough registered nurses in the pipeline to replace the number of nurses expected to retire.
- The shortage of nurses is mirrored by a corresponding shortage of nursing faculty. Nursing school faculty members average 51 years of age—eight years older than the average age of all registered nurses. Doctorally prepared faculty members are even older with an average age of 56 for professors, 54 for associate professors and 50 for assistant professors. As the supplier of a majority of the pool of nurse educators, the AACN reports that the shortage of faculty members is likely to continue as the number of students graduating in 2003 from master and doctorate programs continued to decline by 3% and 11%, respectively.

*Increasing Utilization of Healthcare Services.* There are a number of factors driving an increase in the utilization of healthcare services, including:

- A projected 18% increase in overall U.S. population between the year 2000 and 2020, resulting in an additional 50 million people who will require health care—19 million of which will be in the 65-and-over age group (U.S. Department of Health and Human Services report—July 2002).
- The aging of Americans. Baby boomers are just entering the 55-to-64 age group, where inpatient days per thousand are 58% higher than in the 45-to-54 age group, and 121% higher than in the 35-to-44 age group. National spending on hospital services increased \$83.6 billion between 1997 and 2001. Of this increase, the most significant source of growth (55.4%) was volume—more people using hospital services. For the period 2001 to 2003, labor costs, pushed up by the nursing shortage, are projected to account for 38.8% of the increase in spending on hospital care and volume (population) growth is associated with 20% of the increase (*Cost of Caring: Key Drivers in Growth in Spending on Hospital Care by PriceWaterhouseCoopers—February 2003*).
- Advances in medical technology and healthcare treatment methods that attract a greater number of patients with complex medical conditions requiring higher intensity care.
- Spending on hospital services has grown 61% over the 10-year period through 2002, but has moderated from approximately 8% in 2001 to 6% in 2003. The Centers for Medicare and Medicaid Services project that annual growth in spending on hospital services will remain relatively constant at about 6% throughout the next decade while total healthcare expenditures are expected to grow by an average of 7.1% annually from 2001 through 2010. In 2003, healthcare spending increased 7.8% to \$1.7 trillion, but decreased from a 9.3% growth rate in 2002.

*Outsourcing of Staffing Services.* The use of temporary personnel enables healthcare providers to vary their staffing levels to match the changes in demand for their permanent staff caused by both

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planned and unplanned vacancies as well as variability in patient admissions. Healthcare providers also use temporary personnel to address budgeted shortfalls due to vacancy rates and use temporary staffing to manage seasonal fluctuations in demand for their services. The following factors have created seasonal fluctuations in demand for healthcare personnel:

- Seasonal population swings, in the sun-belt states of Florida, Arizona and California in the winter months and the northeast in the summer months.
- Seasonal changes in occupancy rates that tend to increase during the winter months, and decrease during the summer months.

*Legislative Changes Expected To Increase Demand.* In response to concerns by consumer groups over the quality of care provided in healthcare facilities and concerns by nursing organizations about the increased workloads and pressures on nurses, a number of states have either passed or introduced legislation addressing nurse-to-patient ratios and/or prohibiting mandatory nurse overtime. The passage of such legislation is expected to increase the demand for nurses. The California Safe Hospital Staffing law went into effect January 1, 2004. The new law requires all California hospitals to have enough nurses to provide each patient with safe and quality care. These ratios set a cap on the number of patients for which any one nurse can be responsible—and recognize that the standard for patient care remains staffing based on patient acuity. The new ratios have phased-in implementation dates of January 1, 2004, 2005, and 2008. An additional 17 states are considering legislation pertaining to nurse-to-patient ratios. Maine, New Jersey and Oregon have passed legislation limiting mandatory overtime for nurses. Several other states are considering or have already introduced similar legislation.

## Competitive Strengths

Our competitive strengths include:

- *Recognition In The Nurse Staffing Industry.* We have operated in the travel nurse staffing industry since the 1970s and have the leading brand name based on revenue. Our Cross Country Staffing brand is well recognized among leading hospitals and healthcare facilities and our Cross Country TravCorps and Med-Staff brands are well recognized by registered nurses and other healthcare professionals. We believe that through our existing relationships with travel nurse staffing clients, we are positioned to effectively market our complementary per diem nurse, allied health and clinical research trial staffing services. In addition, we believe that our healthcare consulting, physician and healthcare executive search, and education and training businesses provide us access to higher levels of our hospital clients' organizations than do our healthcare staffing services.
- *Strong and Diverse Client Relationships.* We provide staffing solutions to a client base of over 3,000 hospitals, pharmaceutical companies and other healthcare providers across all 50 states. No single client accounted for more than 3% of our revenue. In 2003, we worked with 89% of the nation's top "Honor Roll" hospitals and 65% of the top hospitals as identified by U.S. News & World Report. We provide temporary fixed-term staffing to our clients through assignments that typically have terms of 13 weeks or longer as well as flexible staffing that typically includes daily shift work.
- *Fees Paid Directly by Clients.* Our fees are paid directly by our clients rather than by government or other third-party payors. As a result, we have no direct exposure to Medicare or Medicaid reimbursements.
- *Recruiting and Employee Retention.* We are a leader in recruiting and retaining highly qualified healthcare professionals. We recruit healthcare professionals from all 50 states and Canada. We also recruit registered nurses from English-speaking foreign countries, assist them in obtaining U.S. nursing licenses, sponsor them for U.S. permanent residency visas, and then place them in

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domestic acute care hospitals. In 2003, approximately 18,300 individuals that completed field staff applications were added to our databases. Employee referrals generated a majority of our new candidates. We believe we offer appealing assignments, competitive compensation packages, attractive housing options and other valuable benefits. In 2003, approximately 65% of our working nurses accepted a new assignment with us within 35 days of completing a previous assignment with us.

- *Accreditation and Continuing Education.* In 1996, we established Cross Country University, the first educational program in the travel nurse industry to be accredited by the American Nurse Credentialing Center. Cross Country University provides accreditation and continuing education to our nurses and other healthcare professionals.
- *Scalable and Efficient Operating Structure.* At year-end 2003, the databases for our travel and per diem staffing businesses included approximately 200,000 registered nurses and other healthcare professionals who completed job applications with us. Our size and centralized travel nurse staffing structure provide us with operating efficiencies in key areas such as recruiting, advertising, marketing, training, housing and insurance benefits. Our proprietary information systems enable us to manage virtually all aspects of our travel nurse staffing operations. Our systems are designed to accommodate significant future growth.
- *Quality Assurance.* Our quality assurance department is structured to ensure that our healthcare clients receive professionals that are qualified to meet their needs. Each new candidate that submits an application with us is screened before being placed at a healthcare facility. Our internal screening process requires that each new candidate meets our experience, skills, credentials, education and licensing standards. Our quality assurance department also verifies the work history and references of each candidate, and ensures that each candidate meets the specific requirements of each hospital client including, among other things, background checks, health records, drug screening, continuing education and certifications. In addition, our quality assurance department evaluates our candidates on a continual basis through a written evaluation process. Our healthcare clients are typically required to deliver evaluations to us after each professional completes an assignment so that we have direct feedback from them.
- *Strong Management Team with Extensive Healthcare Staffing and Acquisition Experience.* Our management team has played a key role in the development of the travel nurse staffing industry. Our management team, which averages more than 10 years of experience in the healthcare industry, has consistently demonstrated the ability to successfully identify and integrate strategic acquisitions.

## Our Business

### Healthcare Staffing Services

#### Nurse Staffing

We are a leading provider of travel nurse staffing services in the U.S. We also provide per diem nurse staffing and allied health professional staffing services. We market our healthcare staffing services to hospitals and healthcare facilities through our Cross Country Staffing organization and our Med-Staff, Inc. subsidiary to provide our clients with fixed-term and flexible-term staffing solutions. Cross Country Staffing provides clients with an integrated suite of managed services to optimize their workforce efficiencies while decreasing overall staffing costs. Cross Country Staffing's managed staffing services include technology, interview servicing, single source provider and vendor management capabilities. Med-Staff provides travel and per diem nurse staffing solutions to hospitals as well as to military hospitals and clinics.

The Cross Country Staffing sales and marketing organization is pursuing and implementing exclusive and preferred provider relationships with existing and new hospital clients and healthcare purchasing organizations. We also actively manage trade and association relationships through attendance at numerous national, regional and local conferences and meetings, including the Johnson & Johnson "Campaign for Nursing's Future," the National Association of Health Care Recruiters, Association of Critical Care Nurses, American Organization of Nurse Executives, American Society for Healthcare Human Resource Administration, American College of Healthcare Executives and Medical Group Management Association.

We provide credentialed nurses for contracted fixed-term (travel) and flexible-term (per diem) staffing assignments at public and private healthcare facilities, and for-profit and not-for-profit facilities located predominantly throughout the U.S. The vast majority of our assignments are at acute care hospitals, including teaching institutions, trauma centers and community hospitals located in major metropolitan areas. We also provide other healthcare professionals, which include operating room technicians, therapists, advanced practice professionals and other allied health professionals, such as radiology technicians, rehabilitation therapists and respiratory therapists, in a wide range of specialties. We also fill a small number of staffing assignments in non-acute care settings, including nursing homes, skilled nursing facilities and sports medicine clinics, and, to a lesser degree, in non-clinical settings, such as schools.

Our centralized travel nurse staffing services are provided to clients in all 50 states from our headquarters in Boca Raton, Florida as well as offices in Malden, Massachusetts, Tampa, Florida and Newtown Square, Pennsylvania. Our per diem staffing services are provided from 19 branch offices serving major metropolitan markets predominantly located along the East and West coasts of the U.S. We also operate a centralized flexible-term (per diem) staffing operation from our Boca Raton facilities.

### *Recruiting and Retention*

We operate differentiated nurse recruiting brands consisting of Cross Country TravCorps, Med-Staff, NovaPro, Cross Country Local and Assignment America, which allow us to recruit nurses and allied healthcare professionals on a domestic and international basis, and deliver an array of high quality staffing services. We believe that these professionals are attracted to us because we offer them high levels of customer service, competitive compensation and benefits packages, as well as a wide range of diverse assignments at attractive locations primarily throughout the U.S.

In our travel staffing business, our nurse recruiters are a vital component of our business, responsible for establishing and maintaining key relationships with candidates for the duration of their employment with our Company. Our nurse recruiters work with the candidates throughout the placement process on their first assignment as well as subsequent assignments. We believe our strong retention rate is a direct result of these relationships. Nurse recruiters match the supply of qualified nurse candidates in our database with the demand of positions from our hospital clients. At year-end 2003, we had 145 travel nurse recruiters and believe we have an adequate number of nurse recruiters to support the present level of demand as well as a future upturn in demand.

Our Cross Country TravCorps, Med-Staff and NovaPro travel staffing brands recruit credentialed nurses and other healthcare professionals, including operating room technicians, therapists and other allied health and advanced practice professionals such as radiology technicians, rehabilitation therapists and respiratory therapists, for placement on fixed-term travel assignments. The working nurses of Cross Country TravCorps, Med-Staff and NovaPro generally represent different demographic profiles and are typically attracted to a particular component of each brand's compensation package. Our Cross Country TravCorps brand offers nurses a more standardized benefits package focused more on the wage

component while our Med-Staff brand offers nurses a benefits package focused more on the housing component. Our NovaPro brand targets nurses seeking more customized benefits packages.

Our Med-Staff and Cross Country Local per diem brands recruit credentialed nurses and other healthcare professionals for flexible short-term local assignments at healthcare facilities made on short notice to fill day-to-day shift coverage and varying-length shift coverage.

Our Assignment America international recruitment brand supplements the nurse recruiting activities in the U.S. and Canada by our Cross Country TravCorps, Med-Staff and NovaPro brands and attracts foreign-trained nurses. Assignment America currently recruits experienced acute-care nurses from English-speaking foreign countries (the United Kingdom, Ireland, New Zealand and Australia). We bear the upfront expense of each nurse's licensure and immigration requirements, preparing them personally and professionally for their transition into the U.S. prior to placing them on long-term domestic assignments in acute care facilities. As a result of the current demand environment for nurse staffing services, Assignment America has substantially narrowed its recruitment activities to focus on certain high demand specialties.

In 2003, approximately 18,300 individuals that completed field staff applications were added to our database. More than half of our field employees have been referred by current or former employees, with the remainder attracted by advertisements in trade publications and our Internet website. Our Internet site allows potential applicants to review our business profile, apply on-line, view our company-provided housing and participate in on-line forums. We offer appealing assignments, attractive compensation packages, housing and other benefits, as well as substantial training opportunities through Cross Country University.

Our recruiters are responsible for recruiting applicants, handling placements, maintaining a regular dialogue with nurses on assignment, making themselves available to address nurses' concerns regarding current assignments and future opportunities, and other significant job support and guidance. Recognizing that a nurse's relationship with the recruiter is the key to retaining qualified applicants, our recruiters establish lasting partnerships with the nurses. As part of the screening process, we conduct in-depth telephone interviews with our applicants and verify references to determine qualifications. Along with our hospital clients, we typically review the performance of our travel nurses after each assignment and use this information to maintain the high quality of our staffing. Our educational and training services give us a competitive advantage by enhancing both the quality of our nurses and the effectiveness of our recruitment efforts. Through Cross Country University, we can also further develop the capabilities of our recruiters and working nurses by:

- Improving the quality of our nurses by offering them substantial training opportunities;
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Enabling our nurses to easily complete state licensing requirements;

- Providing professional development opportunities to our nurses; and
- Enhancing our image within the industry.

Our recruiters utilize our sophisticated databases of positions to match assignment opportunities with the experience, skills and geographic preferences of their candidates. Once an assignment is selected, our account manager reviews the candidate's resume package before submitting it to the client for review. Account managers are knowledgeable about the specific requirements and operating environment in the hospitals that they service. Our databases are kept up-to-date by our account managers as well as StaffingOffice.com, our new Internet-based application that provides hospitals with a centralized tool for managing their supplemental healthcare staffing needs. StaffingOffice.com is the technology component of Cross Country Staffing's suite of managed services. It utilizes the hospital's existing Internet connection and requires no infrastructure or software purchase on the part of the client.

### *Contracts With Field Employees and Clients*

Each of our traveling field employees works for us under a contract. These contracts typically last 13 weeks. Our traveling field employees that are payroll contract employees are hourly employees whose contract specifies the hourly rate they will be paid, including applicable overtime, and any other benefits they are entitled to receive during the contract period. For payroll contract employees, we bill clients at an hourly rate and assume all employee costs, including payroll, withholding taxes, benefits and professional liability insurance and OSHA requirements, as well as any travel and housing costs and arrangements. Mobile contract employees are hourly employees of the hospital client and receive an agreement that specifies the hourly rates they will be paid by the hospital employer, as well as any benefits they are entitled to receive from us. For mobile contract employees, we provide recruitment, housing in apartments we lease and travel services. Our contract with the healthcare professional obligates us to provide these services to the healthcare professional. We are compensated for the services we provide at a predetermined rate negotiated with our hospital client, without regard to our cost of providing these services. Currently approximately 98% of our employees work for us under payroll contracts. Our fees are paid directly by our clients rather than by government or other third-party payors. In 2003, we completed approximately 19,200 individual travel assignments.

### *Operations*

We operate our travel nurse staffing business from a relatively centralized business model servicing all of the assignment needs of our field employees and client facilities through operations centers located in Boca Raton, Florida, Malden, Massachusetts, Tampa, Florida and Newtown Square, Pennsylvania. Our per diem staffing services are provided from 19 branch offices serving major metropolitan markets predominantly located along the East and West coasts of the U.S. We also operate a centralized per diem staffing operation from our Boca Raton facilities. These centers perform key support activities such as coordinating assignment accommodations, payroll processing, benefits administration, billing and collections, contract processing, client care and risk management.

Hours worked by field employees are recorded by our operations system, which then transmits the data directly to Automated Data Processing (ADP) for payroll processing. As a result, biweekly client billings are generated automatically once the payroll information is complete. Our payroll department also provides customer support services for field employees who have questions.

During 2003, we leased an average of approximately 3,170 apartments throughout the U.S. Our client housing department secures leases and arranges for furniture rental and utilities for field employees at their assignment locations. Typically, we provide for shared accommodations at no cost to the healthcare professional on assignment with us, with lease terms that generally correspond to the length of the assignment. We believe that our economies of scale help us secure preferred pricing and favorable lease terms.

### *Clinical Research and Trials Staffing*

Through our ClinForce brand, we provide clinical research professionals for in-sourced and out-sourced fixed-term contract assignments and permanent placement to many of the world's leading companies in the pharmaceutical, biotechnology, medical device, contract research organization and related clinical research organization clients in North America. Many of our research trials professionals are also registered nurses. We provide professionals in such areas as clinical research and clinical data sciences, medical review and writing, and pharmacoeconomics and regulatory affairs. Our understanding of the clinical research process enables us to provide responsive services to our clients and to offer greater opportunities to our research professionals.

### *Other Human Capital Management Services*

We provide an array of healthcare-oriented human capital management services, which complement our core travel nurse staffing business. These services include:

**Search and Recruitment.** Cejka Search is a nationally recognized retained executive and physician search organization providing physician practice opportunities, executive opportunities, executive search and physician search services exclusively to the healthcare industry, including hospitals, pharmaceutical companies, insurance companies and physician groups. Cejka Search completes assignments throughout the U.S. for various segments of the healthcare industry.

**Healthcare Consulting Services.** Cross Country Consulting is a leading provider of healthcare management consulting services to hospitals, health systems, physician organizations and post-acute care facilities. Our consulting services include three leading nationwide healthcare consulting practices—Cejka Consulting, Gill/Balsano Consulting and Jennings Ryan & Kolb. Together they offer a broad array of nationally recognized consulting services in such areas as: strategy; financial and facilities planning; physician compensation and medical staff planning; post acute care planning and implementation; integrations, mergers and acquisitions; ambulatory planning and development; program planning and operational assessment; and regulatory assessments/certificates of need.

**Education and Training Services.** Cross Country University provides continuing education programs to the healthcare industry. CCU holds national conferences, as well as one-day seminars, on topics relevant to nurses and other healthcare professionals. In 2003, CCU held close to 5,200 seminars and

conferences that were attended by approximately 158,000 registrants in more than 265 cities across the U.S. In addition, we extend these educational services to our field employees on favorable terms as a recruitment and retention tool.

## Systems

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

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

## Growth Strategy

Despite the reduction in overall demand for outsourced healthcare staffing, there still remains unmet demand for our fixed- and flexible-term nurse staffing services. We are striving to meet a greater portion of this demand by pursuing and implementing exclusive and preferred provider relationships with new and existing hospital and health system clients that are large users of nurse staffing services. We also continue to recruit additional licensed nurses and other healthcare professionals, and manage

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our internal capacity to efficiently and effectively meet the changing supply and demand requirements of the healthcare staffing marketplace. We intend to continue to grow our businesses by:

- *Enhancing Our Recruitment Efforts to Increase Our Supply of Licensed Nurses and Other Healthcare Professionals.* Our recruitment strategy is focused on:
  - Utilizing a segmented brand approach to recruit nurses and other healthcare professionals on a domestic and international basis while segmenting the nurse marketplace with differentiated brand offerings.
  - Increasing the number of referrals from existing field employees by providing them with superior service.
  - Expanding our advertising presence to reach more nursing professionals.
  - Using the Internet to accelerate the recruitment-to-placement cycle.
  - Improving the productivity of staff dedicated to the recruitment of new nurses.
- *Expanding the Range of Services We Offer our Clients.* We plan to utilize our Cross Country Staffing brand as a vehicle to provide hospital clients with a single point of access to our integrated delivery of fixed-term and flexible-term healthcare staffing solutions.
- *Exclusive and Preferred Provider Relationships.* We plan to establish more exclusive and preferred provider relationships with our existing hospital clients and healthcare organizations as well as at hospitals and healthcare organizations for which we do not presently provide staffing services. We also plan to utilize our relationships with existing travel staffing clients to more effectively market our complementary services, including staffing of clinical trials and allied health professionals, search and recruitment, consulting, and education and training.
- *Increasing Our Market Presence in the Flexible-Term Per Diem Staffing Market.* We intend to use our existing brand recognition, client relationships and database of nurses who have expressed an interest in flexible-term assignments to expand our per diem services to the acute care hospital market. While we have not historically had a significant presence in per diem staffing services, the acquisition of Med-Staff provides us with a more substantial platform for growth.
- *Acquiring Complementary Businesses.* We continually evaluate opportunities to acquire complementary businesses to strengthen and broaden our market presence.
- *Increasing Operating Efficiencies.* We seek to increase our operating margins by increasing the productivity of our administrative personnel, using our purchasing power to achieve greater savings in key areas such as housing and benefits, and continuing to invest in our information systems.

## Competitive Environment

The fixed nurse staffing industry is highly competitive. While barriers to entry are relatively low, achieving substantial scale is more challenging. Of the market for outsourced nurse staffing services used by hospitals, we believe that approximately 25% is fixed-term travel nurse staffing and approximately 75% is flexible-term per diem nurse staffing. Our principal competitor in the fixed-term travel nurse staffing sector is AMN Healthcare Services, Inc. We also compete with a number of nationally and regionally focused temporary nurse staffing companies that have the capabilities to relocate nurses geographically. The per diem nurse staffing sector is highly fragmented and comprised of numerous local temporary nurse agencies across the nation, of which the two largest competitors are Medical Staffing Network Holdings, Inc. and InteliStaf Healthcare, Inc. In addition, the markets for our clinical trials and allied staffing services and for our healthcare-oriented human capital management services are highly competitive and highly fragmented, with limited barriers to entry.

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

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

## Regulatory Issues

In order to service our client facilities and to comply with OSHA and JCAHO standards, we have a risk management program. The program is designed to protect against the risk of negligent hiring by requiring a detailed skills assessment from each healthcare professional. In addition, we have a claims-based professional liability insurance policy pursuant to which we provide primary coverage of \$2 million for each occurrence through a self-insured retention program that is guaranteed by a \$2 million irrevocable letter of credit held by our excess insurance provider. We also have up to \$10 million in umbrella liability insurance coverage after the \$2 million primary coverage has been exhausted.

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

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

*Regulations Affecting Our Clients.* Many of our clients are reimbursed under the federal Medicare program and state Medicaid programs for the services they provide. In recent years, federal and state governments have made significant changes in these programs that have reduced reimbursement rates. In addition, insurance companies and managed care organizations seek to control costs by requiring that healthcare providers, such as hospitals, discount their services in exchange for exclusive or

preferred participation in their benefit plans. Future federal and state legislation or evolving commercial reimbursement trends may further reduce, or change conditions for, our clients' reimbursement. Such limitations on reimbursement could reduce our clients' cash flows, hampering their ability to pay us.

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

*Regulations Applicable to Our Business.* Our business is subject to extensive regulation by numerous governmental authorities in the United States. These complex federal and state laws and regulations govern, among other things, the validity of our foreign nurses working in the U.S., the licensure of professionals, the payment of our field employees (e.g. wage and hour laws, employment taxes and income tax withholdings, etc.) and the operations of our business generally. Because we conduct business in 50 states we are subject to the laws and regulations applicable to our business therein, which may be amended from time to time. Future federal and state legislation or interpretations thereof may require us to change our business practices. Compliance with all of these applicable rules and regulations require a significant amount of resources. We endeavor to be in compliance with all such rules and regulations.

## Employees

As of December 31, 2003, we had approximately 1,114 corporate employees and during 2003 had an average of approximately 5,917 full-time equivalent field employees. We are not subject to a collective bargaining agreement with any of our employees. We consider our relationship with employees to be good.

## Available Information

Financial reports and filings with the Securities and Exchange Commission (SEC) are available free of charge as soon as reasonably practicable after filing such material with, or furnishing it to, the SEC, via the Internet at our website, [www.crosscountry.com](http://www.crosscountry.com).

## Risk Factors

In addition to the other information included in this Report on Form 10-K, you should consider the following risk factors.

**Although demand for outsourced nurse staffing has declined from higher than average levels during the past several years, industry dynamics are such that we are still unable to recruit enough nurses to meet our clients' demands for our nurse staffing services, limiting the potential growth of our staffing**

## **business.**

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

terrorist attacks on New York and Washington, we experienced a temporary interruption of normal business activity. Similar events in the future could result in additional temporary or longer-term interruptions of our normal business activity.

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

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

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

During December 2003, we had an average of 3,170 apartments on lease throughout the U.S. If the costs of renting apartments and furniture for our nurses and other healthcare personnel increase more than we anticipate and we are unable to pass such increases on to our clients, our margins may decline. To the extent the length of a nurse's housing lease exceeds the term of the nurse's staffing contract, we bear the risk that we will be obligated to pay rent for housing we do not use. To limit the costs of unutilized housing, we try to secure leases with term lengths that match the term lengths of our staffing contracts, typically 13 weeks. In some housing markets we have had, and believe we will continue to have, difficulty identifying short-term leases. If we cannot identify a sufficient number of appropriate short-term leases in regional markets, or, if for any reason, we are unable to efficiently utilize the apartments we do lease, we may be required to pay rent for unutilized housing or, to avoid such risk, we may forego otherwise profitable opportunities.

### **Decreases in patient occupancy at our clients' facilities may adversely affect the profitability of our business.**

The general level of patient occupancy at our clients' facilities significantly affects demand for our temporary healthcare staffing services. When a hospital's occupancy increases, temporary employees are often added before full-time employees are hired. As occupancy decreases, clients may reduce their use of temporary employees before undertaking layoffs of their regular employees. We also may experience more competitive pricing pressure during periods of occupancy downturn. In addition, if a trend emerges toward providing healthcare in alternative settings, as opposed to acute care hospitals, occupancy at our clients' facilities could decline. This reduction in occupancy could adversely affect the demand for our services and our profitability.

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

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

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

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

We are also subject to federal and state laws, rules and regulations generally applicable to public corporations, including, but not limited to, those administered by the SEC. The federal government, certain states and other self-regulatory organizations have recently passed or proposed new laws, rules or regulations generally applicable to corporations, including the Sarbanes-Oxley Act of 2002, that affect or could affect us. These changes could increase our costs of doing business or could expose us to additional potential liability.

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

Many of our clients are reimbursed under the federal Medicare program and state Medicaid programs for the services they provide. In recent years, federal and state governments have made significant changes in these programs that have reduced reimbursement rates. In addition, insurance companies and managed care organizations seek to control costs by requiring that healthcare providers, such as hospitals, discount their services in exchange for exclusive or preferred

participation in their benefit plans. Future federal and state legislation or evolving commercial reimbursement trends may further reduce, or change conditions for, our clients' reimbursement. Limitations on reimbursement could reduce our clients' cash flows, hampering their ability to pay us.

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

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

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

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

- potential loss of key employees or clients of acquired companies;
- difficulties integrating acquired personnel and distinct cultures into our business;

15

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- difficulties integrating acquired companies into our operating, financial planning and financial reporting systems;
  - diversion of management attention from existing operations; and
  - assumption of liabilities and exposure to unforeseen liabilities of acquired companies, including liabilities for their failure to comply with healthcare regulations.

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

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

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

**Significant legal actions could subject us to substantial uninsured liabilities.**

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

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

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

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

The costs related to obtaining and maintaining professional and general liability insurance and health insurance for healthcare providers has been increasing. If the cost of carrying this insurance

16

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continues to increase significantly, we will recognize an associated increase in costs, which may negatively affect our margins. This could have an adverse impact on our financial condition.

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

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

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

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

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

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

**Our indemnity from W. R. Grace & Co., in connection with our acquisition of the assets of Cross Country Staffing, may be materially impaired by Grace's financial condition.**

In connection with our acquisition from W. R. Grace & Co. of the assets of Cross Country Staffing, our predecessor, Grace agreed to indemnify us against damages arising out of the breach of certain representations or warranties of Grace, as well as against any liabilities retained by Grace. In March 2001, Grace filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code. This bankruptcy filing could materially impair Grace's obligations to indemnify us.

**Our principal stockholders will be able to substantially influence the outcome of all matters submitted to our stockholders for approval, regardless of the preferences of other stockholders.**

Charterhouse Equity Partners III (CEP III) and investment funds managed by Morgan Stanley Private Equity together own approximately 35% of our outstanding common stock. Accordingly, acting together, they will be able to substantially influence:

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

Currently, our Board of Directors is comprised of nine members, two of whom are designees of CEP III and two of whom are designees of investment funds managed by Morgan Stanley Private Equity. Under our stockholders' agreement, CEP III and the funds managed by Morgan Stanley Private Equity each have the right to designate two directors for nomination to our Board of Directors. This number decreases if either CEP III or the funds managed by Morgan Stanley Private Equity reduce their respective ownership by more than 50% of their holdings prior to our initial public offering. Their interests may conflict with the interests of the other holders of common stock.

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**CEP III and investment funds managed by Morgan Stanley Private Equity each have demand rights to cause us to file a registration statement under the Securities Act covering resales of their stock and sales of this stock could cause our stock price to decline.**

CEP III and investment funds managed by Morgan Stanley Private Equity each have demand rights to cause us to file, at our expense, a registration statement under the Securities Act covering resales of their shares. These shares represent approximately 35% of our outstanding common stock. These shares may also be sold under Rule 144 of the Securities Act, depending on their holding period and are subject to significant restrictions in the case of shares held by persons deemed to be our affiliates.

In addition, we registered 4,398,001 shares of common stock for issuance under our stock option plans. Options to purchase 2,901,510 shares of common stock were issued and outstanding as of February 29, 2004, of which, options to purchase 2,417,432 shares were vested. Common stock issued upon exercise of stock options, under our benefit plans, is eligible for resale in the public market without restriction.

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

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

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

**ITEM 2. PROPERTIES**

We do not own any real property. Our principal leases as of December 31, 2003 are listed below.

Location	Function	Square Feet	Lease Expiration
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Boca Raton, Florida	Headquarters	70,406	April 30, 2013
Newtown Square, Pennsylvania	Staffing administration and general office use	35,000	July 31, 2006
Malden, Massachusetts	Staffing administration and general office use	30,462	June 30, 2005
Clayton, Missouri	Search and recruitment headquarters	20,539	November 30, 2008
Durham, North Carolina	Clinical research and trials staffing headquarters	16,273*	September 30, 2013
Tampa, Florida	Staffing administration and general office use	15,698	December 31, 2007
Norcross, Georgia	Consulting headquarters	14,456	August 31, 2005

\* 21,400 as of January 1, 2004

### ITEM 3. LEGAL PROCEEDINGS

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

On August 26, 2003, Theodora Cossack and Barry S. Phillips, C.P.A., filed suit in the Superior Court of the State of California, for the County of Orange, naming Cross Country TravCorps, Inc. and Cross Country Nurses, Inc. as defendants. Plaintiffs plead causes of action for (1) Violation of California Business and Professions Code §§ 17200, et. seq; (2) Violations of California Labor Code §§ 200, et. seq; (3) Recovery of Unpaid Wages and Penalties; (4) Conversion; (5) Breach of Contract; (6) Common Counts—Work, Labor, Services Provided; and (7) Common Counts—Money Had and Received.

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

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

The lawsuit is currently in its very early stages and has not yet been certified by the court as a class action. As a result, we are unable at this time to determine our potential exposure. We intend to vigorously defend this matter.

#### **National League for Nursing, Inc. v. Cross Country Healthcare, Inc., et al. and National League for Nursing, Inc. v. Med-Staff, Inc. et al.**

Cross Country Healthcare, Inc. and its affiliates have reached an amicable resolution of two disputes with the National League for Nursing, Inc. (NLN) entitled *National League for Nursing, Inc. v. Cross Country Healthcare, Inc. et al.*, 03 Civ. 9948 (VM) (S.D.N.Y.) and *National League for Nursing, Inc. v. Med-Staff, Inc., et al.*, Civil Action No. 03-2497 (JCL) (D. N.J.). Cross Country Healthcare, Inc. and its affiliates did not make any monetary payment to NLN and admitted no liability.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of 2003.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock commenced trading on the Nasdaq National Market under the symbol "CCRN" on October 25, 2001. The following table sets forth, for the periods indicated, the high and low closing sale prices per share of common stock on the Nasdaq National Market. Such prices reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

Calendar Period	Closing Sale Prices	
	High	Low
<b>2002</b>		
Quarter Ended March 31, 2002	\$ 30.97	\$ 21.13
Quarter Ended June 30, 2002	\$ 38.86	\$ 27.50

Quarter Ended September 30, 2002	\$	36.51	\$	12.31
Quarter Ended December 31, 2002	\$	16.80	\$	10.40

### 2003

Quarter Ended March 31, 2003	\$	16.25	\$	9.75
Quarter Ended June 30, 2003	\$	13.91	\$	10.33
Quarter Ended September 30, 2003	\$	16.00	\$	13.00
Quarter Ended December 31, 2003	\$	15.47	\$	13.05

### 2004

Quarter Ended March 31, 2004 (through March 11, 2004)	\$	19.36	\$	15.72
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As of March 11, 2004, there were approximately 130 stockholders of record of our common stock. In addition, there are approximately 4,100 beneficial owners of our common stock held by brokers or other institutions on behalf of stockholders.

We have never paid or declared cash dividends on our common stock. We currently intend to use available cash from operations for use in the operation and expansion of our business or to retire debt, to repurchase our common stock or to possibly pay cash dividends. Covenants in our credit facility limit our ability to repurchase our common stock and declare and pay cash dividends on our common stock.

During 2003, we granted options to purchase a total of 187,747 shares of common stock to employees, including certain senior managers, at a weighted average exercise price of approximately \$10.66 per share. Such grants were deemed exempt from registration under the Securities Act in reliance on either: (1) Rule 701 promulgated under the Securities Act as offers and sales of securities pursuant to certain compensatory benefit plans and contracts relating to compensation in compliance with Rule 701; or (2) Section 4(2) of the Securities Act, including Regulation D there under, as transactions by an issuer not involving any public offering.

With respect to equity compensation plans as of December 31, 2003, see table below:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	2,979,403	\$ 13.53	821,202
Equity compensation plans not approved by security holders	None	N/A	N/A
<b>Total</b>	<b>2,979,403</b>	<b>\$ 13.53</b>	<b>821,202</b>

## ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data as of December 31, 2003 and 2002 and for the years ended December 31, 2003, 2002 and 2001 are derived from the audited consolidated financial statements of Cross Country Healthcare, Inc. included elsewhere in this report. The selected consolidated financial data as of December 31, 2001 and 2000, and for the five-month period July 30, 1999 to December 31, 1999, are derived from the audited consolidated financial statements of Cross Country Healthcare, Inc. that have been audited but not included in this report. The selected consolidated financial data as of July 29, 1999 and for the seven-month period January 1, 1999 to July 29, 1999 have been derived from the audited financial statements of Cross Country Staffing, our predecessor, that have been audited but not included in this report.

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

	Years Ended December 31,				Predecessor (a)	
	2003 (b)	2002	2001	2000	Period from July 30 through December 31, 1999(c)	Period from January 1 through July 29, 1999
(Dollars in thousands, except share and per share data)						
<b>Consolidated Statements of Operations Data</b>						
Revenue from services	\$ 686,930	\$ 639,953	\$ 504,364	\$ 368,332	\$ 87,727	\$ 106,047
Operating expenses:						
Direct operating expenses	519,960	478,550	377,291	273,094	68,036	80,187
Selling, general and administrative expenses(d)	109,301	94,930	68,560	49,594	9,257	12,688
Bad debt expense	1,594	242	1,274	433	511	157

Depreciation	4,530	3,524	2,700	1,324	155	212
Amortization	3,548	3,148	14,851	13,624	4,422	496
Non-recurring secondary offering costs(e)	16	886	—	—	—	—
Non-recurring indirect transaction costs(f)	—	—	—	1,289	—	—
<b>Total operating expenses</b>	<b>638,949</b>	<b>581,280</b>	<b>464,676</b>	<b>339,358</b>	<b>82,381</b>	<b>93,740</b>
Income from operations	47,981	58,673	39,688	28,974	5,346	12,307
Other expense:						
Interest expense, net	4,320	3,753	14,422	15,435	4,821	230
Loss on early extinguishment of debt(g)	960	—	8,000	—	—	—
Other expense	—	—	—	—	—	190
Income from continuing operations before income taxes	42,701	54,920	17,266	13,539	525	11,877
Income tax expense(h)	(16,525)	(21,254)	(7,646)	(6,807)	(672)	—
Income (loss) from continuing operations	26,176	33,666	9,620	6,732	(147)	11,877
Discontinued operations, net of income tax benefit:						
Loss from discontinued operations(i)	(355)	(3,883)	(741)	(1,680)	(195)	—
Loss on disposal(i)	—	—	(207)	(454)	—	—
<b>Net income (loss)</b>	<b>\$ 25,821</b>	<b>\$ 29,783</b>	<b>\$ 8,672</b>	<b>\$ 4,598</b>	<b>\$ (342)</b>	<b>\$ 11,877</b>
Net income (loss) per common share—basic(j):						
Income (loss) from continuing operations	\$ 0.81	\$ 1.04	\$ 0.39	\$ 0.29	\$ (0.01)	
Discontinued operations	(0.01)	(0.12)	(0.04)	(0.09)	(0.01)	
<b>Net income (loss)</b>	<b>\$ 0.80</b>	<b>\$ 0.92</b>	<b>\$ 0.35</b>	<b>\$ 0.20</b>	<b>\$ (0.02)</b>	
Net income (loss) per common share—diluted(j):						
Income (loss) from continuing operations	\$ 0.80	\$ 1.00	\$ 0.38	\$ 0.29	\$ (0.01)	
Discontinued operations	(0.01)	(0.12)	(0.04)	(0.09)	(0.01)	
<b>Net income (loss)</b>	<b>\$ 0.79</b>	<b>\$ 0.88</b>	<b>\$ 0.34</b>	<b>\$ 0.20</b>	<b>\$ (0.02)</b>	
Weighted-average common shares outstanding:						
Basic	32,090,731	32,432,026	24,881,218	23,205,388	15,291,749	
Diluted	32,530,563	33,653,433	25,222,936	23,205,388	15,291,749	
<b>Other Operating Data</b>						
FTE's(k)	5,917	5,535	4,816	4,167	2,789	2,466
Weeks worked(l)	307,684	287,820	250,432	216,684	61,358	73,980
Average healthcare staffing revenue per FTE per week(m)	\$ 2,068	\$ 2,046	\$ 1,865	\$ 1,619	\$ 1,417	\$ 1,429
Net cash flow provided by operating activities	\$ 51,798	\$ 42,689	\$ 19,795	\$ 11,594	\$ 6,301	\$ 12,178
Net cash flow (used in) provided by investing activities	\$ (109,476)	\$ (19,834)	\$ (42,321)	\$ (10,781)	\$ 1,370	\$ (202)
Net cash flow provided by (used in) financing activities	\$ 40,468	\$ (8,381)	\$ 25,262	\$ (5,641)	\$ (3,101)	\$ (11,977)
	<b>Years Ended December 31,</b>					
	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>As of July 29, 1999</b>
	<b>(Dollars in thousands)</b>					
<b>Consolidated Balance Sheet Data</b>						
Working capital	\$ 79,532	\$ 78,148	\$ 72,732	\$ 36,436	\$ 33,998	\$ 9,752
Cash and cash equivalents	—	17,210	2,736	—	4,828	—
Total assets (n)	474,724	390,827	361,980	317,626	309,695	44,464
Total debt	93,738	42,815	48,865	157,272	159,074	7,874
Stockholders' equity (o)	320,523	300,832	269,927	123,340	118,742	19,466

- (a) On July 29, 1999, we acquired the assets of Cross Country Staffing, which, for accounting and reporting purposes, is our predecessor. Financial data for the period prior to July 30, 1999 is that of Cross Country Staffing.
- (b) Includes results of operations of Med-Staff, from June 5, 2003, the date of its acquisition.
- (c) Includes TravCorps results from December 16, 1999, the date of its acquisition, through December 31, 1999.
- (d) Includes expenses related to a discontinued management incentive compensation plan of \$2.1 million for the seven-month period January 1–July 29, 1999. The management incentive compensation plan was discontinued on July 30, 1999.
- (e) Non-recurring secondary offering costs were \$0.9 million, all relating to expenses incurred as a result of our secondary offering in March 2002. We did not receive any proceeds from this offering and, accordingly, did not capitalize any of the associated costs.
- (f) Non-recurring indirect transaction costs consist of non-capitalizable transition bonuses and integration costs related to the TravCorps acquisition and expenses related to this transaction.
- (g) Loss on early extinguishment of debt in the year ending December 31, 2003 relates to the write-off of loan fees associated with the early termination of our prior amended credit facility as a result of our refinancing in connection with the Med-Staff acquisition. Loss on early extinguishment of debt recorded in the period ending December 31, 2001 represents the write-off of loan fees relating to a repayment of \$134.5 million of debt and a prepayment penalty relating to the early termination of \$38.8 million of subordinated debt. The debt was repaid with proceeds from our initial public offering of common stock in October 2001.
- (h) Prior to July 30, 1999, our predecessor, Cross Country Staffing, operated as a partnership under the applicable provisions of the Internal Revenue Code, and, accordingly, income related to the operations of Cross Country Staffing was taxed directly to its partners.
- (i) Reflects the operating results of HospitalHub, Inc. and E-Staff, Inc. (E-Staff). HospitalHub began operations in 1999. We completed the divestiture of HospitalHub, Inc. during the second quarter of 2001. In March, 2002, we committed to a formal plan to dispose of E-Staff. E-Staff's operations ceased in the first quarter of 2003.
- (j) The financial data contained herein for periods prior to July 30, 1999, is that of our predecessor, Cross Country Staffing, a partnership, for which share and per share amounts were not applicable.

- (k) FTE's represent the average number of contract staffing personnel on a full-time equivalent basis.
- (l) Weeks worked is calculated by multiplying the FTE's by the number of weeks during the respective period.
- (m) Average healthcare staffing revenue per FTE per week is calculated by dividing the healthcare staffing revenue by the number of weeks worked in the respective periods. Healthcare staffing revenue includes revenue from permanent placement of nurses.
- (n) The Company has reclassified its consolidated balance sheet for the year ended December 31, 2002, in accordance with the provisions of EITF 03-08, Accounting for Claims-Made Insurance and Retroactive Insurance Contracts, as explained in the notes to the consolidated financial statements. This reclassification was not made for the other prior periods as the amount of reclassification would be immaterial to total assets.
- (o) Consists of partners' capital for periods prior to July 30, 1999, since our predecessor, Cross Country Staffing, was a partnership.

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## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Selected Financial and Other Data and our consolidated financial statements and the accompanying notes that appear elsewhere in this annual report on Form 10-K.*

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

### Overview

We are one of the largest providers of healthcare staffing services in the United States. As of the fourth quarter of 2003, our healthcare staffing business segment represented approximately 92% of our current revenue and is comprised of travel nurse and allied health staffing, per diem nurse staffing and clinical research trials staffing. Approximately 77% of our revenue was derived from travel nurse staffing services. Our other staffing services include the placement of allied healthcare professionals, such as radiology technicians, rehabilitation therapists and respiratory therapists, and the placement of clinical research professionals. Our other human capital management services business segment, which represented approximately 8% of our revenues, consists of education and training, healthcare consulting and physician search services. For the year ended December 31, 2003, our revenue and net income as shown on the accompanying consolidated statement of operations were \$686.9 million and \$25.8 million, respectively.

### History

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

### Revenue

Our travel and per diem nurse staffing and allied healthcare staffing revenue is received primarily from acute care hospitals. Our clinical trials staffing revenue is received primarily from pharmaceutical and biotechnology companies, as well as medical device companies. Revenue from allied health staffing services is received from numerous sources, including providers of radiation, rehabilitation and respiratory services at hospitals, nursing homes, sports medicine clinics and schools. Revenue from our search and recruitment, consulting and education and training services is received from numerous sources, including hospitals, physician group practices, insurance companies and individual healthcare professionals. Our fees are paid directly by our clients rather than by government or other third-party payors.

Revenue is recognized when services are rendered. Accordingly, accounts receivable includes an accrual for employees' time worked but not yet invoiced. Similarly, accrued compensation includes an accrual for employees' time worked but not yet paid. Each of our field employees on travel assignment works for us under a contract. These contracts typically last 13 weeks. Payroll contract employees are hourly employees whose contract specifies the hourly rate they will be paid, including applicable overtime, and any other benefits they are entitled to receive during the contract period. For payroll contract employees, we bill clients at an hourly rate and assume all employee costs, including payroll, withholding taxes, benefits and professional liability insurance and Occupational Safety and Health

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Administration, or OSHA, requirements, as well as any travel and housing arrangements. Mobile contract employees are hourly employees of the hospital client and receive an agreement that specifies the hourly rates they will be paid by the hospital employer, as well as any benefits they are entitled to receive from us. For mobile contract employees, we provide recruitment, housing in apartments leased by us and travel reimbursement. Our contract with the healthcare professional obligates us to provide these services to the healthcare professional. We are compensated for the services we provide at a predetermined rate negotiated with our hospital client, without regard to our cost of providing these services. Currently, approximately 98% of our employees work under payroll contracts.

Our healthcare staffing revenue and earnings are impacted by the relative supply of and demand for nurses at healthcare facilities. We rely significantly on our ability to recruit and retain nurses and other healthcare personnel who possess the skills, experience and, as required, licensure necessary to meet the specified requirements of our clients. Shortages of qualified nurses and other healthcare personnel could limit our ability to fill open assignments and grow our revenue and net income. Recently, as a result of decreased demand discussed below, we experienced a decrease in the rate at which our field staff renew their contracts with us. We believe this is partially due to a decline in the amount and diversity of opportunities we can present to them, along with a drop in facilities' willingness to continue to employ our nurses in consecutive contracts. Some travelers have decided to stop traveling to take full-time or part-time positions, even though it may not be their first choice. Although the number of open positions has recently increased, we believe it may take some time before nurses and other healthcare professionals get more comfortable in our ability to employ them consistently in a location that they desire.

The relative demand for our services at clients' facilities may also affect the profitability of our business. Since the later part of 2002, many hospitals have taken nurse staffing actions that have decreased demand, which we believe has temporarily contracted our revenue. We believe these decisions have resulted in increased reliance on staff nurse overtime, increased patient-to-nurse ratios and high wage and compensation increases, including sign-on bonuses, by the hospitals. We also believe that, due to present economic conditions, where many nurse's spouses have been laid off and severance and unemployment benefits have ended, many part-time nurses employed directly by hospitals who would have typically worked two shifts or less per week have increased the number of shifts worked at their hospitals and are doing so at the prevailing hospital wage. Other factors that affect the demand for our services are patient occupancy rates. As occupancy increases, temporary employees are often added before full-time employees are hired. As occupancy decreases, clients tend to reduce their use of temporary employees before undertaking layoffs of their regular employees. Additionally, we may experience more competitive pricing pressure during these periods of decreased demand.

## Acquisitions

On June 5, 2003, we acquired the assets of Med-Staff, for \$102.2 million in cash, net of a post closing working capital adjustment, plus an earnout provision up to a maximum of \$37.5 million based on 2003 performance. Med-Staff did not qualify to receive any earn out payments. Med-Staff is headquartered in Newtown Square, Pennsylvania, and is a national provider of travel and per diem healthcare professionals that operates across a wide geographic and client base in all 50 states.

The acquisition has been included in the healthcare staffing segment and the results of Med-Staff's operations have been included in the consolidated statements of operations since the date of acquisition, in accordance with FASB Statement No. 141, *Business Combinations*.

The purchase price has been allocated to assets acquired and liabilities assumed based on estimates of fair value at the date of acquisition. Other identifiable intangible assets were valued at \$4.5 million, of which \$2.4 million was assigned to hospital relations and \$2.1 million was assigned to non-compete agreements, based on a third-party appraisal. These identifiable intangible assets have been assigned useful lives with a weighted-average range of 6.6 years. Approximately \$77.5 million has

25

been recorded to goodwill as the excess of purchase price over the fair value of net tangible and intangible assets acquired. Additional direct acquisition costs of \$0.5 million are included as goodwill as of December 31, 2003. Goodwill is expected to be deductible for tax purposes over a 15 year life. The initial purchase price allocation is based on preliminary information that could be changed based on the ultimate resolution of initial assessments.

In connection with the acquisition, we entered into a \$200.0 million senior secured credit facility consisting of a \$125.0 million term loan with staggered maturities through June 2009, and a five year \$75.0 million revolving credit facility. The proceeds from the term loan, along with cash on hand of \$9.6 million, were used to finance the purchase of Med-Staff, to repay the term loan balance on the prior credit facility, and to pay fees and expenses incurred in connection with the financing.

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

Acquired Business	Acquisition Date	Primary Services	Purchase Price	Potential Earnout	Earnout Earned to date
Med-Staff	June 2003	Healthcare staffing—travel nurse, per diem nurse, military nurse staffing	\$102.2 million	\$37.5 million for full year 2003 (a)	—
Jennings Ryan & Kolb, Inc.	March 2002	Healthcare management consulting services	\$ 2.1 million	\$1.8 million over 34 months	\$1.4 million
NovaPro	January 2002	Nurse staffing	\$ 7.6 million	—	—
Gill/Balsano Consulting, LLC	May 2001	Healthcare management consulting services	\$ 1.8 million	\$2.0 million over 3 years	\$1.8 million
ClinForce, Inc.	March 2001	Clinical trials staffing	\$ 32.8 million	—	—
Heritage Professional Education, LLC	December 2000	Continuing education for healthcare professionals	\$ 6.6 million	\$6.5 million over 3 years (b)	\$3.5 million
E-Staff (Discontinued in 2002)	July 2000	Internet subscription based communication, scheduling, credentialing and training services	\$ 1.5 million	\$3.8 million(c) over 3 years	\$0.5 million
TravCorps Corporation	December 1999	Healthcare staffing-nurse and allied professionals	\$ 77.1 million(d)	—	—

(a) Med-Staff did not qualify to receive any earnout payments

(b) The earnout period relating to the Heritage Professional Education business ended December 31, 2003. Accordingly, we do not have any additional obligations.

(c) Due to the discontinuance of the E-Staff business we do not expect additional earnout payments to be made.

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

## Discontinued Operations

In March 2002, we committed to a formal plan to dispose of our subsidiary, E-Staff, through a sale of this business. E-Staff was previously included in our other human capital management services segment. E-Staff was an application service provider that had developed an Internet subscription-based communication, scheduling, credentialing and training service business for healthcare providers. As an application service provider, E-Staff maintained a database of the client's employees on E-Staff's servers. However, prospective E-Staff clients were concerned about placing their health care employees names and credentials on servers owned or controlled by one of the nation's largest healthcare staffing companies. Pursuant to FASB Statement No. 144, *Accounting for the Impairment or Disposal of*

26

*Long-Lived Assets*, our consolidated financial statements have been reclassified to reflect the discontinuance of E-Staff. The costs and expenses, assets and liabilities of E-Staff have been segregated and reported as discontinued operations in the consolidated balance sheets and statements of operations.

During the first quarter of 2003 we abandoned our efforts to sell the E-Staff business and decided to dispose of the subsidiary by winding down its operations. E-Staff operations ceased as of March 31, 2003. At that time, we determined that approximately \$0.3 million of the net carrying amount of the assets from discontinued operations was impaired. This impairment charge was taken as a loss from discontinued operations during the year ended December 31, 2003.

In December 2000, we committed to a formal plan to divest HospitalHub, Inc., or HospitalHub, our electronic job board business, which began operations in 1999. The operating results of HospitalHub have been accounted for as discontinued operations in our consolidated financial statements and notes thereto and in the other financial information included herein. We completed the divestiture of HospitalHub in the second quarter of 2001.

### Goodwill and Other Identifiable Intangible Assets

Goodwill and other identifiable intangible assets from the acquisition of the assets of our predecessor, Cross Country Staffing, a partnership, as well as from subsequent acquisitions were \$307.5 million and \$24.3 million, at December 31, 2003. We adopted the provisions of FASB No. 142, *Goodwill and Other Intangible Assets*, as of January 1, 2002. Accordingly, goodwill and certain other identifiable intangible assets are no longer 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 3 to 15 years. Goodwill and other intangible assets represented 103.5% of our stockholders' equity as of December 31, 2003.

### Results of Operations

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

	Year Ended December 31,		
	2003	2002	2001
Revenue from services	100.0%	100.0%	100.0%
Direct operating expenses	75.7	74.8	74.8
Selling, general and administrative expenses	15.9	14.8	13.6
Bad debt expense	0.2	0.1	0.3
Depreciation and amortization	1.2	1.0	3.4
Non-recurring secondary offering	0.0	0.1	—
Income from operations	7.0	9.2	7.9
Interest expense, net	0.6	0.6	2.9
Loss on early extinguishment of debt	0.1	—	1.6
Income from continuing operations before income taxes	6.3	8.6	3.4
Income tax expense	(2.4)	(3.3)	(1.5)
Income from continuing operations	3.9	5.3	1.9
Loss from discontinued operations, net of income taxes	(0.1)	(0.6)	(0.2)
Loss on disposal of discontinued operations, net of income taxes	—	—	(0.0)
Net income	3.8%	4.7%	1.7%

### Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Revenue for the year ended December 31, 2003 totaled \$686.9 million as compared to \$640.0 million for the year ended December 31, 2002. Revenue increased \$46.9 million or 7.3% for the year ended December 31, 2003 from the prior year. The increase was primarily attributable to the acquisition of Med-Staff on June 5, 2003, partially offset by a decrease in revenue from other healthcare staffing businesses. Excluding the effects of this acquisition and the acquisition of JRK in March 2002, revenue for the year ended December 31, 2003 decreased 5.7% from the year ended December 31, 2002. (See—Segment Information).

Direct operating expenses are comprised primarily of field employee compensation expenses, housing expenses, travel expenses and field insurance expenses. Direct operating expenses totaled \$520.0 million for the year ended December 31, 2003 as compared to \$478.6 million for the year ended December 31, 2002. As a percentage of revenue, direct operating expenses represented 75.7% of revenue for the year ended December 31, 2003 compared to 74.8% for the year ended December 31, 2002. This increase is primarily attributable to a higher mix of healthcare staffing businesses, which operate at higher direct cost structures than our other human capital management services as well as higher housing and insurance costs in our healthcare staffing segment.

Selling, general and administrative expenses for the year ended December 31, 2003 totaled \$109.3 million as compared to \$94.9 million for the year ended December 31, 2002. As a percentage of revenue, selling, general and administrative expenses represented 15.9% of revenue for the year ended December 31, 2003 compared with 14.8% for the year ended December 31, 2002. This increase is primarily due to increased expenses in our healthcare staffing business related to the acquisition of Med-Staff, and to the expansion of our sales and marketing activities to support our strategy of pursuing and implementing exclusive and preferred provider relationships with hospital customers.

Bad debt expense for the year ended December 31, 2003 totaled \$1.6 million as compared to \$0.2 million for the year ended December 31, 2002. As a percentage of revenue, bad debt expense represented 0.2% of revenue for the year ended December 31, 2003 compared with less than 0.1% for the year ended

December 31, 2002. During the year ended December 31, 2003, we increased the allowance for doubtful accounts to cover the increased aging on certain accounts. We experienced a shift in relative mix of our business more towards the Northeast where we tend to have slower-paying customers.

Depreciation and amortization expense for the year ended December 31, 2003 totaled \$8.1 million as compared to \$6.7 million for the year ended December 31, 2002. As a percentage of revenue, depreciation and amortization expense was 1.2% for the year ended December 31, 2003 compared to 1.0% for the year ended December 31, 2002. This was due to the implementation of system enhancements and the additional amortization from certain specifically identifiable intangible assets related to the acquisition of Med-Staff.

Non-recurring secondary offering costs were \$0.9 million, for the year ended December 31, 2002. These costs are all related to expenses incurred as a result of our secondary offering in March 2002. We did not receive any proceeds from this offering and, accordingly, did not capitalize any of the associated costs.

Net interest expense for the year ended December 31, 2003 totaled \$4.3 million as compared to \$3.8 million for the year ended December 31, 2002. The increase was primarily related to higher average borrowings resulting from the financing for the acquisition of Med-Staff. This increase was partially offset by a reduction in the effective interest rate due mainly to the expiration of our interest rate swap agreement in February 2003. The effective interest rate for the year ended December 31, 2003 was 5.4% compared to 9.3% during the year ended December 31, 2002.

28

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Income tax expense for the year ended December 31, 2003 was \$16.5 million as compared to \$21.3 million for the year ended December 31, 2002. Our effective tax rate was 38.7% for the years ended December 31, 2003 and 2002.

Losses from discontinued operations, net of income tax benefits, for the years ended December 31, 2003 and December 31, 2002, were \$0.4 million and \$3.9 million, respectively. These losses from discontinued operations included E-Staff's results of operations and impairment charges of \$0.3 million and \$4.1 million pretax for the years ending December 31, 2003 and 2002, respectively. The impairment charges related to the development of our E-Staff technology, a web-based scheduling business. Effective March 31, 2002, we made a decision to pursue a sale of this business, and accordingly, E-Staff was reclassified to discontinued operations. During the year ended December 31, 2003, E-Staff operations ceased.

#### *Year Ended December 31, 2002 Compared to Year Ended December 31, 2001*

Revenue for the year ended December 31, 2002 totaled \$640.0 million as compared to \$504.4 million for the year ended December 31, 2001. Comparisons include revenue from the acquisitions in 2002 and 2001. Excluding the effects of these acquisitions, revenue for 2002 increased 19.1% as compared with the year ended December 31, 2001. (See—Segment Information).

Direct operating expenses totaled \$478.6 million for the year ended December 31, 2002 as compared to \$377.3 million for the year ended December 31, 2001. As a percentage of revenue, direct operating expenses represented 74.8% of revenue for both the years ended December 31, 2002 and 2001.

Selling, general and administrative expenses for the year ended December 31, 2002 totaled \$94.9 million as compared to \$68.6 million for the year ended December 31, 2001. As a percentage of revenue, selling, general and administrative expenses represented 14.8% of revenue for the year ended December 31, 2002 compared with 13.6% for the year ended December 31, 2001. This increase is primarily due to increased expenses in our healthcare staffing business. In 2002, we invested in our developmental centralized per diem and international recruitment business, and hired additional recruiters for our travel nurse staffing business.

Bad debt expense for the year ended December 31, 2002 totaled \$0.2 million as compared to \$1.3 million for the year ended December 31, 2001. As a percentage of revenue, bad debt expense represented less than 0.1% of revenue for 2002 compared with 0.3% for 2001. This decrease was due to improved collections coupled with a decrease in write-offs.

Depreciation and amortization expense for the year ended December 31, 2002 totaled \$6.7 million as compared to \$17.6 million for the year ended December 31, 2001. As a percentage of revenue, depreciation and amortization expense declined to 1.0% for the year ended December 31, 2002 from 3.4% for the year ended December 31, 2001. This decrease was primarily due to a decrease in amortization of intangibles as a result of the adoption of FASB Statement No. 142, *Goodwill and Other Intangible Assets*, in January 2002 and the write-off of \$6.4 million of debt issuance costs in October 2001 as a result of our initial public offering. FASB Statement No. 142 promulgates that goodwill and certain intangible assets that have indefinite lives should not be amortized. Instead, goodwill and certain intangible assets are reviewed annually for impairment. No impairment charges were necessary as of December 31, 2002.

Non-recurring secondary offering costs for the year ended December 31, 2002 were \$0.9 million, all relating to expenses incurred as a result of our secondary offering in March 2002. We did not receive any proceeds from this offering and, accordingly, did not capitalize any of the associated costs.

Loss on early extinguishment of debt totaled \$8.0 million for the year ended December 31, 2001. This amount represents the write off of \$6.4 million in loan fees due to the repayment of \$134.5 million of debt and a prepayment penalty of \$1.6 million on the early termination of

29

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\$38.8 million of subordinated debt, less applicable taxes. The debt was repaid with proceeds from our initial public offering of common stock in October 2001.

Net interest expense for the year ended December 31, 2002 totaled \$3.8 million as compared to \$14.4 million for the year ended December 31, 2001. The decrease in 2002 was primarily due to the repayment of approximately \$134.5 million of debt with the proceeds received from our initial public offering of common stock in October 2001.

Income tax expense for the year ended December 31, 2002 was \$21.3 million as compared to \$7.6 million for the year ended December 31, 2001. Our effective tax rate was 38.7% for the year ended December 31, 2002 and 44.3% for the year ended December 31, 2001. The tax rate has been impacted by our adoption of FASB Statement No. 142. Certain non-tax deductible intangible assets, which were being amortized for financial reporting purposes during the year ended December 31, 2001, were not amortized during the year ended December 31, 2002. The tax treatment of these intangible assets remained the same. Accordingly, the effective tax rate was lower during the year ended December 31, 2002.

Losses from discontinued operations, net of income tax benefits, for the years ended December 31, 2002 and December 31, 2001, were \$3.9 million and \$0.9 million, respectively. Losses from discontinued operations in the year ended December 31, 2002 include E-Staff's results of operations and a \$2.5 million after-tax impairment charge relating to the development of our E-Staff technology, a web-based scheduling business. Losses in the year ended December 31, 2001 include the results of operations of E-Staff and adjustments to the estimated loss on disposal of the HospitalHub business, which was sold in June 2001.

## Segment Information

The following table presents, for the periods indicated, selected statement of operations data by segment:

	Year Ended December 31,		
	2003	2002	2001
	(Dollars in thousands)		
<b>Revenue:</b>			
Healthcare staffing	\$ 636,394	\$ 588,743	\$ 466,986
Other human capital management services	50,536	51,210	37,378
	<u>\$ 686,930</u>	<u>\$ 639,953</u>	<u>\$ 504,364</u>
<b>Contribution income(a):</b>			
Healthcare staffing	\$ 76,061	\$ 81,160	\$ 70,853
Other human capital management services	4,660	6,521	4,701
Unallocated corporate overhead	24,646	21,450	18,315
Depreciation	4,530	3,524	2,700
Amortization	3,548	3,148	14,851
Non-recurring secondary offering costs	16	886	—
Interest expense, net	4,320	3,753	14,422
Loss on early extinguishment of debt	960	—	8,000
	<u>\$ 42,701</u>	<u>\$ 54,920</u>	<u>\$ 17,266</u>

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

## Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

### Healthcare Staffing

Revenue from our healthcare staffing segment for the year ended December 31, 2003 totaled \$636.4 million as compared to \$588.7 million for the year ended December 31, 2002. This increase was primarily attributable to the acquisition of Med-Staff on June 5, 2003 along with increases in revenue from our developmental centralized per diem and international recruitment businesses. This increase was partially offset by a decrease in our other healthcare staffing businesses. Including Med-Staff, the number of FTEs increased 6.9% over the prior year. Excluding the effects of the Med-Staff acquisition, revenue decreased \$34.5 million or 5.9%, from 2002 revenue. This decrease was due to a decrease in the average number of FTEs, representing \$(45.9) million; an increase in the percentage of FTEs working under mobile contracts, representing \$(4.9) million; partially offset by an increase in the average hourly bill rate, contributing \$16.3 million. The average number of FTEs on contract, excluding the FTEs from the Med-Staff acquisition, decreased 7.6%. This decline in FTEs was due to a decrease in FTEs from our travel nurse staffing operations and clinical research trials business, partially offset by higher FTEs in our centralized per diem and international recruitment businesses. Demand for our travel nurse staffing operations continued to decrease during 2003 due to a more cautious buying process on the part of acute care hospital customers and full-time and part-time nurses offering more hours of service directly to hospital employers. We believe this trend may continue in the short term and is primarily due to current economic conditions that enable hospitals to meet more of their nurse staffing needs internally at prevailing wages. Although we are encouraged there may be a change in direction in this dynamic based on the number of orders for contract nurses we have been receiving, we have not experienced sustained increases in contract booking activity. We believe it may take some time to change the behaviors of our hospital clients and nurses. We believe that demand for outsourced travel nursing services will increase in the long term, driven by an aging population and an increasing shortage of nurses. Mobile contracts, where the nurse is on the hospital payroll accounted for 2% of our volume in our core travel nursing operations in the year ended December 31, 2003 as compared to 1% in the year ended December 31, 2002.

Although revenue from our developmental centralized per diem and international recruitment businesses increased in the year ended December 31, 2003 compared to the year ended December 31, 2002, the increase was partially offset by lower revenue in our clinical research trials staffing business for the same periods. While improving sequentially during the second half of 2003, FTEs from our clinical research trials business decreased on a year over year basis, due to a decrease in demand for clinical research professionals since the beginning of 2002.

For the year ended December 31, 2003, 88.8% of our healthcare staffing revenue was generated by nurse staffing operations and 11.2% was generated by other operations. For the year ended December 31, 2002, 86.8% of our healthcare staffing revenue was generated by nurse staffing operations and 13.2% was generated by other operations.

Contribution income from our healthcare staffing segment for the year ended December 31, 2003 was \$76.1 million compared to \$81.2 million for the year ended December 31, 2002. Contribution income was impacted by relatively higher housing and insurance costs and less leverage on overhead, partially offset by

the contribution from the Med-Staff acquisition. As a percentage of revenue, contribution income was 12.0% for the year ended December 31, 2003 compared to 13.8% for the year ended December 31, 2002.

### **Other Human Capital Management Services**

Revenue from our other human capital management services segment for the year ended December 31, 2003 totaled \$50.5 million as compared to \$51.2 million for the year ended December 31, 2002. Revenue in 2002 included JRK from its March 1st acquisition. Excluding the

31

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effects of this acquisition on both periods, revenue in the year ended December 31, 2003 decreased \$2.1 million, or 4.0%, as compared with the year ended December 31, 2002. This decrease was primarily due to a decrease in revenues from our search and consulting businesses partially offset by an increase in revenues from our educational seminars business. During 2003, there was a reduction in demand for our physician search and consulting businesses. Revenue from the educational seminars business increased due to an increase in the number of seminars conducted partially offset by a lower number of attendees and average price per seminar.

Contribution income from other human capital management services was \$4.7 million for the year ended December 31, 2003 as compared to \$6.5 million for the year ended December 31, 2002. This decrease in contribution income was primarily due to the same factors that impacted revenue coupled with higher operating expenses in our consulting and educational seminars businesses.

### **Unallocated Corporate Overhead**

Unallocated corporate overhead was \$24.6 million in the year ended December 31, 2003 compared to \$21.5 million in the year ended December 31, 2002. This increase was primarily due to an increase in the cost of employee benefits, higher legal fees, certain organizational costs related to the acquisition of Med-Staff and higher insurance costs. As a percentage of consolidated revenue, unallocated corporate overhead was 3.6% for the year ended December 31, 2003 compared to 3.4% in the prior year.

*Year Ended December 31, 2002 Compared to Year Ended December 31, 2001*

### **Healthcare Staffing**

Revenue from our healthcare staffing segment for the year ended December 31, 2002 totaled \$588.7 million as compared to \$467.0 million for the year ended December 31, 2001. Revenue from NovaPro, acquired in January 2002, and a full year's revenue, rather than 9<sup>1</sup>/<sub>2</sub> months of revenue from ClinForce in 2001 (acquired on March 16, 2001) was included in the results for the year ended December 31, 2002. Excluding the effects of these acquisitions, revenue increased \$88.6 million or 19.0%, as compared with the revenue for the year ended December 31, 2001. The increase was mainly attributable to a higher average hourly bill rate in all businesses and an increase in the numbers of field employees in our nurse staffing and allied health staffing businesses, offset in part by a modest reduction in the hours billed per FTE per week. The average number of hours worked per week per FTE continued to decrease in 2002 primarily as a result of an increase in the number of nurses working three 12-hour shifts rather than five 8-hour shifts. For the year ended December 31, 2002, 86.8% of our healthcare staffing revenue was generated by nurse staffing operations and 13.2% was generated by other operations. For the year ended December 31, 2001, 86.5% of our healthcare staffing revenue was generated by nurse staffing operations and 13.5% was generated by other operations.

### **Other Human Capital Management Services**

Revenue from our other human capital management services segment for the year ended December 31, 2002 totaled \$51.2 million as compared to \$37.4 million for the year ended December 31, 2001. Revenue in 2002 included JRK, which was acquired on March 1, 2002, and three additional months of Gill/Balsano, which was acquired on April 1, 2001. Excluding the effects of these acquisitions, revenue for the year ended December 31, 2002 increased \$7.8 million, or 20.8%, as compared with the year ended December 31, 2001. This increase is primarily due to an increase in revenues from our educational seminars business. Revenue from the educational seminars business increased due to an increase in number of seminars conducted and the number of attendees, partially offset by a lower average price per seminar.

32

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### **Unallocated Corporate Overhead**

Unallocated corporate overhead for the year ended December 31, 2002 was \$21.5 million compared to \$18.3 million for the year ended December 31, 2001. As a percentage of consolidated revenue unallocated corporate overhead was 3.4% in the year ended December 31, 2002 compared to 3.6% in the year ended December 31, 2001.

### **Liquidity and Capital Resources**

As of December 31, 2003, we had a current ratio, defined as the amount of current assets divided by current liabilities, of 2.7 to 1.0. Working capital increased by \$1.5 million to \$79.5 million as of December 31, 2003, compared to \$78.1 million as of December 31, 2002. The increase in working capital was primarily attributable to an increase in accounts receivable and a decrease in the short term portion of debt, partially offset by a decrease in cash and cash equivalents and an increase in accounts payable. Part of the increase in accounts receivable was related to acquisitions. Excluding acquisitions, accounts receivable, less allowance for doubtful accounts, decreased \$6.7 million in the year ended December 31, 2003 as compared to the prior year due to lower revenue. Including acquisitions, days' sales outstanding increased 4 days to 60 days at December 31, 2003 compared to 56 days at December 31, 2002. This reflects, in part, a relative increase of business more toward the Northeast where we tend to have a greater concentration of slower-paying accounts.

Our operating cash flows constitute our primary source of liquidity, and historically, have been sufficient to fund our working capital, capital expenditures, internal business expansion and debt service. We believe that our capital resources are sufficient to meet our working capital needs for the next twelve months. We expect to meet our future needs for working capital, capital expenditures, internal business expansion, debt service, and any additional stock repurchases from a

combination of operating cash flows and funds available under our credit facility. We also continue to evaluate acquisition opportunities that may require additional funding.

On October 30, 2001, we completed our initial public offering of 7,812,500 shares of common stock at \$17.00 per share. Additionally, the underwriters exercised the over-allotment option of 1,171,875 shares, bringing the total number of shares issued to 8,984,375. Total proceeds received by us, net of expenses related to the initial public offering were \$138.8 million. The proceeds were used to repay \$89.6 million of our outstanding balance under the term loan portion of our senior secured credit facility, \$6.1 million of our outstanding balance under the revolver portion of our senior secured credit facility, and \$40.3 million to redeem our outstanding senior subordinated pay-in-kind notes, including the associated redemption premium. The remainder of the proceeds was used for general corporate purposes.

On March 20, 2002, an aggregate of 9,000,000 shares of our common stock were sold by existing shareholders pursuant to a registration statement filed by us with the Securities and Exchange Commission. The Company and no member of management sold any shares or received any of the proceeds from the sale of these shares, but the Company paid \$0.9 million of expenses for such registration in 2002.

On November 5, 2002, our Board of Directors authorized a stock repurchase program, whereby we may purchase up to 1,500,000 of our common shares at an aggregate cost not to exceed \$25.0 million. In November 2002, we amended our credit facility to increase our limitation on repurchases of capital stock in order to allow us to proceed with this program. During the year ended December 31, 2003, we purchased and retired 566,400 shares of our common stock at an average cost of \$13.61 per share bringing our total purchases under the current authorization to 1,001,400 at an average cost of \$13.70 per share. Under the remainder of the current authorization we can purchase up to an additional 498,600 shares at an aggregate cost not to exceed \$11.3 million. The shares may be purchased from

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time to time on the open market. The repurchase program may be discontinued at any time at our discretion.

#### *Credit Facility*

The current credit facility is provided by a lending syndicate comprised of Citicorp Global Markets, Inc., Wachovia Securities LLC, SunTrust Bank, Key Corporate Capital, LaSalle Bank, N.A., GE Capital Corp., and Merrill Lynch Capital Corp. We amended and restated our credit facility in June 2003 in conjunction with our acquisition of Med-Staff. As of December 31, 2003, the amended credit facility was comprised of (i) a revolving credit facility of up to \$75.0 million, including a swing-line sub-facility of \$10.0 million and a letter of credit sub-facility of \$25.0 million, and (ii) a \$93.2 million term loan facility. The revolving credit facility matures on June 5, 2008 and the term loan facility has staggered maturities through 2009.

Borrowings under the amended credit facility bear interest at variable rates based, at our option, on LIBOR or the prime rate plus various applicable margins that are determined by the amended credit facility. At December 31, 2003, the weighted average effective interest rate under the amended credit facility was 6.3%. We are required to pay a quarterly commitment fee at a rate of 0.50% per annum on unused commitments under the revolving loan facility. As of December 31, 2003, we had no borrowings outstanding under our revolving credit facility and \$11.6 million of outstanding letters of credit, leaving availability under our revolving credit facility of \$63.4 million.

The terms of the credit facility include customary covenants and events of default. Aside from customary mandatory prepayment covenants, beginning in 2004, we are required to make mandatory prepayments subsequent to the completion of a fiscal year ending using a portion of our excess cash flow, as defined in the agreement. We are required to obtain the consent of our lenders to complete any acquisition which exceeds \$25.0 million. The Agreement also includes a provision that limits our ability to pay dividends and make stock repurchases. As of December 31, 2003, the remainder of our current stock repurchase authorization is within the covenant limit of \$18.7 million for dividend and/or stock purchases. The covenant limitation can increase each year by 25% of net income, provided that our Debt/EBITDA Ratio (as defined in the Agreement) is 1.5 to 1.0 and, after the repayment, we have either \$25.0 million of cash or \$25.0 million of availability under the revolver. In the event of a default, our lenders may terminate their lending commitments to us and declare our outstanding indebtedness under the credit facility due and payable, together with accrued but unpaid interest and fees. Borrowings under the amended credit facility are collateralized by substantially all our assets and the assets of our subsidiaries.

#### *Year Ended December 31, 2003 Compared to Year Ended December 31, 2002*

Net cash provided by operating activities during 2003 was \$51.8 million compared to \$42.7 million during 2002. The increase in operating cash flow is primarily due to higher collections of receivables in 2003 and a lower amount of cash flow used in discontinued operations in 2003. Investing activities used \$109.5 million during 2003 compared to \$19.8 million during 2002. In 2003 the primary use of cash in investing activities was for the acquisition of Med-Staff using \$102.8 million, including professional fees. The remainder of cash used by investing activities in 2003 was for capital expenditures and earnout payments relating to previous acquisitions. Investing activities in 2002 were primarily attributable to the acquisitions of NovaPro, JRK and capital expenditures relating to upgrading our information systems. NovaPro and JRK were acquired in the first quarter of 2002 using cash of approximately \$9.8 million during the year ended December 31, 2002. The remainder of cash used in 2002 was primarily for earnout payments relating to previous acquisitions. Net cash provided by financing activities in 2003 was primarily attributable to increased borrowings associated with the acquisition of Med-Staff. In connection with the acquisition, we borrowed \$125.0 million under our new term loan facility, which we used to fund the purchase of Med-Staff and to prepay approximately \$27.3 million of our term debt.

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Subsequent to the acquisition of Med-Staff, we also repaid \$31.8 million of the new term loan, of which \$28.7 million was an optional prepayment. In addition, we continued to repurchase shares under our current authorization. In 2002, we used \$6.4 million, net, to repay debt and \$6.0 million to repurchase shares of our common stock in accordance with the approved program described above. These uses were offset by cash received from the exercise of stock options in 2002.

#### *Year Ended December 31, 2002 Compared to Year Ended December 31, 2001*

Net cash provided by operating activities during 2002 more than doubled to \$42.7 million compared to \$19.8 million during 2001. This increase was primarily due to increased business, improved operating margins and an improvement in days' sales outstanding from 63 days at December 31, 2001 to 56 days at December 31, 2002. Investing activities used \$19.8 million during 2002 compared to \$42.3 million during 2001. Investing activities in 2002 were primarily

attributable to current year acquisitions and capital expenditures relating to upgrading our information systems. NovaPro and JRK were acquired in the first quarter of 2002 using cash of approximately \$9.8 million during the year ended December 31, 2002. The remainder of cash used in 2002 was primarily for earnout payments relating to previous acquisitions. Investing activities in 2001 included approximately \$32.8 million for the acquisition of ClinForce and \$2.1 million for the acquisitions of Heritage and Gill/Balsano. Net cash used in financing activities during 2002 totaled \$8.4 million compared to cash provided by financing activities of \$25.3 million in 2001. In 2002, we used \$6.4 million, net, to repay debt and \$6.0 million to repurchase shares of our common stock in accordance with the approved program described above. These uses were offset by cash received from the exercise of stock options in 2002. In 2001, cash provided by financing activities came from our initial public offering and the proceeds from issuance of debt for acquisitions, offset by repayments of debt using the offering proceeds and funds generated by operations.

## Commitments

The following table reflects our significant contractual obligations and other commitments as of December 31, 2003:

Contractual Obligations	Total	2004	2005	2006	2007	2008	Thereafter
(Dollars in thousands)							
Term Loan(a)	\$ 93,196	\$ 4,779	\$ 4,779	\$ 4,779	\$ 4,779	\$ 38,235	\$ 35,845
Operating Leases	23,230	4,465	4,367	3,477	2,488	1,838	6,595
	<u>\$ 116,426</u>	<u>\$ 9,244</u>	<u>\$ 9,146</u>	<u>\$ 8,256</u>	<u>\$ 7,267</u>	<u>\$ 40,073</u>	<u>\$ 42,440</u>

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

## Critical Accounting Principles and Estimates

In response to the Securities and Exchange Commission's Release Number 33-8040 "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" and Number 33-8056 "Commission Statement about Management's Discussion and Analysis of Financial Condition and Results of Operations," we have identified the following critical accounting policies that affect the more significant judgments and estimates used in the preparation of our consolidated financial statements. The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect our reported

amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. We evaluate our estimates on an on-going basis, including those related to asset impairment, accruals for insurance, allowance for doubtful accounts, and contingencies and litigation. We state our accounting policies in the notes to the audited consolidated financial statements and related notes for the year ended December 31, 2003, contained herein. These estimates are based on information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could vary from those estimates under different assumptions or conditions.

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

- We have recorded goodwill and intangibles resulting from our acquisitions through December 31, 2003. Through December 31, 2001, goodwill and other intangibles were amortized on a straight-line basis over their estimated useful lives of 3 to 25 years. Upon the adoption of FASB Statement No. 142 on January 1, 2002, we ceased amortizing goodwill and certain other intangible assets with indefinite lives and performed a transitional impairment analysis as of January 1, 2002, to assess the recoverability of these intangibles, in accordance with the provisions of FASB Statement No. 142. We also completed the annual impairment test of goodwill and indefinite lived intangible assets during the fourth quarter of 2003 and 2002. Based on the results of these tests, we determined that there was no impairment of goodwill or indefinite lived intangible assets as of December 31, 2003 or December 31, 2002 or January 1, 2002. The calculation of fair value used in these impairment assessments included a number of estimates and assumptions, including projections of future income and cash flows, the identification of appropriate market multiples and the choice of an appropriate discount rate. If we are required to record an impairment charge in the future, it could have an adverse impact on our results of operations. We periodically evaluate the recovery of the carrying amount of net assets from discontinued operations to determine if the net assets are impaired. This evaluation can also be triggered by various indicators of impairment which could cause the estimated discounted cash flows to be less than the carrying amount of net assets. During the year ended December 31, 2002, an impairment charge of approximately \$2.5 million net of income tax benefit of \$1.6 million, was taken on the net assets of E-Staff and is included in our consolidated statement of operations as loss from discontinued operations. At December 31, 2002, fair value was based on the latest offer received for the sale of E-Staff at that time and included the estimated cash flows from the sale to a potential buyer, adjusted for the estimated probability of the sale. In 2003, when we determined that we would wind down operations of the business without a buyer, a further impairment of \$0.3 million was recognized and included in the loss from discontinued operations.
- We maintain accruals for our health, workers compensation and professional liability policies that are partially self-insured and are classified as accrued employee compensation and benefits in our consolidated balance sheets. We determine the adequacy of these accruals by periodically evaluating our historical experience and trends related to health, workers compensation and professional liability claims and payments, based on actuarial computations and industry experience and trends. If such information indicates that our accruals are overstated or understated, we will reduce or provide for additional accruals as appropriate.

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments, which results in a provision for bad debt expense. We determine the adequacy of this allowance by continually evaluating individual customer receivables, considering the customer's financial condition, credit history and current economic conditions. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

- We are subject to various claims and legal actions in the ordinary course of our business. Some of these matters include professional liability and employee-related matters. Our hospital and healthcare facility clients may also become subject to claims, governmental inquiries and investigations and legal actions to which we may become a party relating to services provided by our professionals. From time to time, and depending upon the particular facts and circumstances, we may be subject to indemnification obligations under our contracts with our hospital and healthcare facility clients relating to these matters. Although we are currently not aware of any such pending or threatened litigation that we believe is reasonably likely to have a material adverse effect on us, if we become aware of such claims against us, we will evaluate the probability of an adverse outcome and provide accruals for such contingencies as necessary.

### Recent Accounting Pronouncements

In November 2003, the FASB issued EITF 03-8, *Accounting for Claims-Made Insurance and Retroactive Insurance Contracts*, which codified previously issued authoritative accounting guidance in the area of insurance contracts and related activity thereto. We had previously offset in our consolidated balance sheets our liability for known and incurred but not reported professional liability and workers' compensation losses with a corresponding receivable for such estimated losses from our commercial insurance companies under policies in effect for such periods. Such prior accounting treatment was pursuant to industry practice under the interpretative guidance under the American Institute of Certified Public Accountants Audit and Accounting Guide for Health Care Organizations. EITF No. 03-8 concluded that, under circumstances such as in our insured professional liability and workers' compensation policies, since a right of legal offset does not exist due to the fact that there are three parties to an incurred claim (the insured, the insurer and the claimant), the related liability should be classified separately on a gross basis with a separate related receivable recognized as being due from insurance carriers. Accordingly, our consolidated balance sheet as of December 31, 2003, reflects the provisions of EITF 03-8 for the receivable portion in other current assets and for the related liability in accrued employee compensation and benefits. The corresponding liability and receivable as of December 31, 2002 has also been reclassified in our consolidated balance sheet.

In January 2003, the FASB issued Interpretation (FIN) No. 46, *Consolidation of Variable Interest Entities*. FIN No. 46 clarifies the application of Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated support from other parties. FIN No. 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN No. 46 also requires disclosures about variable interest entities that the company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of FIN No. 46 apply immediately to variable interest entities created after January 31, 2003 and to existing variable interest entities in the first fiscal year beginning after June 15, 2003. We do not have any interests qualifying as a variable interest entity as of December 31, 2003. As a result, FIN No. 46 will not have an impact on the consolidated financial statements.

In April 2002, the FASB issued FASB Statement No. 145, *Rescission of Statements 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*. This Statement rescinds FASB Statement No. 4, *Reporting Gains and Losses from Extinguishment of Debt*, and an amendment of that Statement, FASB Statement No. 64, *Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements*. This Statement also rescinds FASB Statement No. 44, *Accounting for Intangible Assets of Motor Carriers*. This Statement amends FASB Statement No. 13, *Accounting for Leases*, to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative pronouncements to make various technical

corrections, clarify meanings, or describe their applicability under changed conditions. The provisions of this Statement related to the rescission of Statement 4 are effective for fiscal years beginning after May 15, 2002. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in Opinion 30 for classification as an extraordinary item should be reclassified. We adopted the provisions of this Statement as of January 1, 2003. Accordingly, the loss on early extinguishment of debt in 2003 was included in the other expenses section of the consolidated statement of operations and the loss on early extinguishment of debt in 2001 was reclassified from an extraordinary item to the other expenses section in the consolidated statements of operations.

In July 2002, the FASB issued FASB Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. FASB Statement No. 146 requires that a liability for a cost that is associated with an exit or disposal activity be recognized when the liability is incurred. It nullifies the guidance in Emerging Issues Task Force (EITF) Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. Under EITF 94-3, an entity recognized a liability for an exit cost on the date that the entity committed itself to an exit plan. Under FASB Statement No. 146, an entity's commitment to a plan does not, by itself, create a present obligation to other parties that meets the definition of a liability. FASB Statement No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. We adopted the provisions of FASB Statement No. 146 in the December 31, 2003 consolidated financial statements. The adoption of FASB No. 146 did not have an effect on our financial position, but may impact the timing of recognition of costs associated with future exit and disposal activities.

### Inflation

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

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to interest rate changes, primarily as a result of our credit facility, which bears interest based on floating rates. We were party to an interest rate swap agreement, which fixed the interest rate paid on \$45.0 million of borrowings under our credit facility at 6.705% plus the applicable margin. The last swap payment was made in February 2003. Prior to January 2001, we accounted for the swap agreement as a hedge, which means changes in the fair value of the swap were not required to be recognized in earnings. Effective January 1, 2001, we adopted FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Upon adopting FASB Statement No. 133, we recorded a liability for the fair value of the swap, which reduced consolidated stockholders' equity by \$0.9 million. We recognized changes in the fair value of the swap in earnings to the extent such changes were greater or less than the corresponding change in the fair value of the future variable interest payments on the portion of the debt underlying the swap. During the year ended December 31, 2002, other comprehensive income increased by \$0.8 million as a result of this interest rate swap. The fair value of our interest rate swap at December 31, 2002 was \$0.6 million and is separately stated in our consolidated balance sheets.

A 1% change in interest rates on variable rate debt would have resulted in interest expense fluctuating approximately \$0.8 million in 2003, \$0.5 million for 2002 and \$1.2 million for 2001.

38

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## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

See—Item 15 of Part IV of this Report.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **ITEM 9A. CONTROLS AND PROCEDURES**

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

There have been no significant changes in our internal controls or in other factors that could significantly affect our internal controls subsequent to the date of the evaluation.

39

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## **PART III**

## **ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

Information with respect to directors and executive officers is included in our Proxy Statement (the "Proxy Statement") to be filed pursuant to Regulation 14A with the SEC and such information is incorporated herein by reference.

## **ITEM 11. EXECUTIVE COMPENSATION**

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

## **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

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

## **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

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

## **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

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

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**PART IV**
**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K**

- (a) See Index to Financial Statements immediately following Exhibit Index.
- (b) On October 10, 2003, the Company filed a Report on Form 8-K pursuant to Item 5. Other Events and Regulation F-D Disclosures and Item 7. Financial Statements, Pro Forma Financial Information, and Exhibits.

On November 7, 2003, the Company filed a Report on Form 8-K pursuant to Item 7. Financial Statements, Pro Forma Financial Information, and Exhibits; Item 9. Regulation F-D Disclosure; and Item 12. Results of Operations and Financial Condition.

On November 25, 2003, The Company filed a Report on Form 8-K pursuant to Item 7. Financial Statements, Pro Forma Financial Information, and Exhibits; Item 9. Regulation F-D disclosure; and Item 12. Results of Operations and Financial Condition.

- (c) Exhibits

See Exhibit Index immediately following certifications

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**Signatures**

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

CROSS COUNTRY HEALTHCARE, INC.

By: /s/ JOSEPH A. BOSHART

Name: Joseph A. Boshart

Title: Chief Executive Officer and President

Dated: March 12, 2004

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

Signature	Title	Date
/s/ JOSEPH A. BOSHART _____ Joseph A. Boshart	President, Chief Executive Officer, Director (Principal Executive Officer)	March 12, 2004
/s/ EMIL HENSEL _____ Emil Hensel	Chief Financial Officer and Director (Principal Financial Officer)	March 12, 2004
/s/ DANIEL J. LEWIS _____ Daniel J. Lewis	Chief Accounting Officer	March 12, 2004
/s/ KAREN H. BECHTEL _____ Karen H. Bechtel	Director	March 12, 2004
/s/ W. LARRY CASH _____ W. Larry Cash	Director	March 12, 2004
/s/ THOMAS C. DIRCKS _____ Thomas C. Dircks	Director	March 12, 2004
/s/ FAZLE HUSAIN _____ Fazle Husain	Director	March 12, 2004

/s/ JOSEPH SWEDISH

Director

March 12, 2004

Joseph Swedish

/s/ JOSEPH TRUNFIO

Director

March 12, 2004

Joseph Trunfio

/s/ C. TAYLOR COLE

Director

March 12, 2004

C. Taylor Cole

42

### Exhibit Index

No.	Description
2.1+	Cross Country Staffing Asset Purchase Agreement, dated June 24, 1999, by and among W. R. Grace & Co.-Conn., a Connecticut corporation, Cross Country Staffing, a Delaware general partnership, and the Registrant, a Delaware corporation
2.2+	Agreement and Plan of Merger, dated as of October 29, 1999, by and among the Registrant, CCTC Acquisition, Inc. and Certain Stockholders of Cross Country Staffing, Inc and TravCorps Corporation and the Stockholders of TravCorps Corporation
2.3+	Stock Purchase Agreement, dated as of December 15, 2000, by and between Edgewater Technology, Inc. and the Registrant
2.4p	Asset Purchase Agreement dated as of May 8, 2003, by and among Cross Country Nurses, Inc., the Registrant, Med-Staff, Inc., William G. Davis, Davis Family Electing Small Business Trust and Timothy Rodden
3.1+	Amended and Restated Certificate of Incorporation of the Registrant
3.2+	Amended and Restated By-laws of the Registrant
4.1+	Form of specimen common stock certificate
4.2+	Amended and Restated Stockholders Agreement, dated August 23, 2001, among the Registrant, a Delaware corporation, the CEP Investors and the Investors
4.3+	Registration Rights Agreement, dated as of October 29, 1999, among the Registrant, a Delaware corporation, and the CEP Investors and the MSDWCP Investors
4.4+	Amendment to the Registration Rights Agreement, dated as of August 23, 2001, among the Registrant, a Delaware corporation, and the CEP Investors and the MSDWCP Investors
4.5+	Stockholders Agreement, dated as of August 23, 2001, among the Registrant, Joseph Boshart and Emil Hensel and the Financial Investors
10.1+	Employment Agreement, dated as of June 24, 1999, between Joseph Boshart and the Registrant
10.2+	Employment Agreement, dated as of June 24, 1999, between Emil Hensel and the Registrant
10.4+	Lease Agreement, dated April 28, 1997, between Meridian Properties and the Registrant
10.5+	Lease Agreement, dated October 31, 2000, by and between Trustees of the Goldberg Brothers Trust, a Massachusetts Nominee Trust and TVCM, Inc.
10.6+	222 Building Standard Office Lease between Clayton Investors Associates, LLC and Cejka & Company
10.7*	Amended and Restated 1999 Stock Option Plan of the Registrant
10.8*	Amended and Restated Equity Participation Plan of the Registrant
10.9p	Third Amended and Restated Credit Agreement dated as of June 5, 2003 among Cross Country Healthcare, Inc., The Lenders Party Hereto, Citigroup Global Markets Inc., as Sole Bookrunner and Joint Lead Arranger, Wachovia Securities LCC, as Joint Lead Arranger, Citigroup USA, Inc., as Administrative Agent, Collateral Agent, Issuing Bank and Swingline Lender, Wachovia Bank, National Association, as Syndication Agent, and General Electric Capital Corporation, Key Corporate Capital, Inc., LaSalle Bank N.A., and SunTrust Bank, as Documentation Agents
10.10+	Form of Subsidiary Guarantee Agreement, dated as of December 16, 1999, among the Registrant's subsidiary guarantors and Citicorp USA, Inc., as collateral agent for the Obligees
10.11+	Form of Security Agreement, dated as of July 29, 1999, as amended and restated as of December 16, 1999 among the Registrant and Citicorp USA, Inc. as collateral agent for the Obligees

10.12+ Form of Pledge Agreement, dated as of July 29, 1999, as amended and restated as of December 16, 1999, among the Registrant and Citicorp USA, Inc., as collateral agent for the Obligees

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10.13+ Form of Indemnity, Subrogation and Contribution Agreement, dated as of December 16, 1999, among the Registrant, the subsidiaries of the Registrant and Citicorp USA, Inc., as collateral agent for the Obligees

10.14^ Amendment to Lease by and between Meridian Commercial Properties Limited Partnership and Cross Country, Inc. dated May 1, 2002

10.15# Cross Country, Inc. Deferred compensation plan

10.16# Restricted Stock Agreement between Company and Joseph A. Boshart

10.17# Restricted Stock Agreement between Company and Emil Hensel

10.18# Restricted Stock Agreement between Company and Vickie Anenberg

10.19# Restricted Stock Agreement between Company and Jonathan Ward

10.20^ Amendment to Lease Agreement, as of May 1, 2002, by and between Meridian Commercial Properties Limited Partnership and Cross Country Healthcare, Inc.

10.21 Lease Agreement by and between Edgewood General Partnership and HR Logic, dated July 6, 2000

10.22 First Amendment to Lease Agreement by and between Edgewood General Partnership and HR Logic, dated December 7, 2000

10.23 Second Amendment to Lease Agreement by and between Edgewood General Partnership and Cross Country TravCorps, dated April 29, 2002

10.24 Lease Agreement between Corners Realty Corporation, Inc. and Cejka & Company dated May 11, 2001

10.25 Lease Agreement between Corners Realty Corporation, Inc and Cross Country Consulting, Inc., dated March 21, 2002

10.26 Lease Agreement by and between Petula Associates, Ltd. And Principal Life Insurance Company and Clinical Trials Support Services, Inc. dated November 3, 1999

10.27 First Amendment to Lease Agreement by and between Petula Associates, Ltd. And Principal Life Insurance Company and Clinical Trials Support Services, Inc., dated December 20, 1999.

10.28 Lease Agreement by and between Newtown Street Road Associates and Med-Staff, Inc, dated June 21, 2001.

10.29 Lease Agreement by and between Newtown Street Road Associates and Med-Staff, Inc., dated June 23, 1998

21.1 List of subsidiaries of the Registrant

23.1 Consent of Independent Certified Public Accountants

31.1 Certification Pursuant to Rule 13a-14(a)/15d-14(a) by Joseph A. Boshart, President and Chief Executive Officer

31.2 Certification Pursuant to Rule 13a-14(a)/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

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+ Previously filed as an exhibit to the Company's Registration Statement on Form S-1, Commission File No. 333-74403, and incorporated by reference herein.

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

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

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

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

**INDEX TO FINANCIAL STATEMENTS**

	<b>Page</b>
<b>Cross Country Healthcare, Inc.</b>	
Report of Independent Certified Public Accountants	F-2
Consolidated Balance Sheets as of December 31, 2003 and 2002	F-3
Consolidated Statements of Operations for the Years Ended December 31, 2003, 2002 and 2001	F-4
Consolidated Statement of Stockholders' Equity for the Years Ended December 31, 2003, 2002 and 2001	F-5
Consolidated Statements of Cash Flows for the Years Ended December 31, 2003, 2002 and 2001	F-6
Notes to the Consolidated Financial Statements	F-7
<b>Financial Statements Schedule</b>	
Schedule II—Valuation and Qualifying Accounts for the Years Ended December 31, 2003, 2002 and 2001	II-1

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

F-1

**Report of Independent Certified Public Accountants**

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

We have audited the accompanying consolidated balance sheets of Cross Country Healthcare, Inc. as of December 31, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2003. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cross Country Healthcare, Inc. at December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Ernst & Young LLP

West Palm Beach, Florida  
February 13, 2004

F-2

**Cross Country Healthcare, Inc.**

**Consolidated Balance Sheets**

	<b>December 31,</b>	
	<b>2003</b>	<b>2002</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ —	\$ 17,209,946
Accounts receivable, less allowance for doubtful accounts of \$3,613,834 in 2003 and \$2,250,047 in 2002	112,406,934	97,641,426
Deferred income taxes	1,933,301	645,177
Income taxes receivable	2,310,236	1,815,458
Prepaid rent on employees' apartments	3,523,241	4,038,736
Deposits on employees' apartments, net of allowance of \$411,160 in 2003 and \$261,782 in 2002	886,679	1,051,191
Assets from discontinued operations, net	—	247,789
Other current assets	6,229,152	5,654,953

Total current assets	127,289,543	128,304,676
Property and equipment, net of accumulated depreciation and amortization of \$17,248,084 in 2003 and \$12,928,611 in 2002	12,602,570	12,394,162
Trademark, net of accumulated amortization of \$1,401,169 in 2003 and 2002	15,748,831	15,748,831
Goodwill, net of accumulated amortization of \$20,873,294 in 2003 and 2002	307,531,874	226,115,646
Other identifiable intangible assets, net of accumulated amortization of \$11,890,956 in 2003 and \$8,824,087 in 2002	8,579,794	7,112,663
Debt issuance costs, net of accumulated amortization of \$335,991 in 2003 and \$1,236,562 in 2002	2,971,070	1,105,470
Other assets	528	45,180
Total assets	\$ 474,724,210	\$ 390,826,628

### Liabilities and stockholders' equity

#### Current liabilities:

Accounts payable and accrued expenses	\$ 9,461,986	\$ 3,296,638
Accrued employee compensation and benefits	29,993,911	29,890,047
Current portion of long-term debt and notes payable	4,943,777	14,361,917
Liabilities from discontinued operations, net	—	185,889
Other current liabilities	3,357,950	2,422,642
Total current liabilities	47,757,624	50,157,133
Interest rate swap	—	606,356
Deferred income taxes	17,649,548	10,778,749
Long-term debt and notes payable	88,793,769	28,452,603
Total liabilities	154,200,941	89,994,841

#### Commitments and contingencies

#### Stockholders' equity:

Common stock—\$0.0001 par value; 100,000,000 shares authorized; 31,801,885 and 32,229,666 shares issued and outstanding at December 31, 2003 and 2002, respectively	3,180	3,223
Additional paid-in capital	251,987,826	258,488,773
Accumulated other comprehensive loss	—	(371,687)
Retained earnings	68,532,263	42,711,478
Total stockholders' equity	320,523,269	300,831,787
Total liabilities and stockholders' equity	\$ 474,724,210	\$ 390,826,628

See accompanying notes.

F-3

### Cross Country Healthcare, Inc.

#### Consolidated Statements of Operations

	Year ended December 31,		
	2003	2002	2001
Revenue from services	\$ 686,929,644	\$ 639,952,915	\$ 504,363,637
Operating expenses:			
Direct operating expenses	519,959,631	478,549,635	377,291,122
Selling, general and administrative expenses	109,301,085	94,930,045	68,559,671
Bad debt expense	1,594,020	242,230	1,273,656
Depreciation	4,529,591	3,524,004	2,699,916
Amortization	3,548,338	3,147,952	14,851,382
Non-recurring secondary offering costs	16,173	886,036	—
Total operating expenses	638,948,838	581,279,902	464,675,747
Income from operations	47,980,806	58,673,013	39,687,890
Other expenses:			
Interest expense, net	4,319,579	3,752,718	14,422,170
Loss on early extinguishment of debt	959,991	—	7,999,506

Income from continuing operations before income taxes	42,701,236	54,920,295	17,266,214
Income tax expense	(16,525,378)	(21,254,154)	(7,646,456)
Income from continuing operations	26,175,858	33,666,141	9,619,758
Discontinued operations, net of income tax benefit:			
Loss from discontinued operations	(355,073)	(3,883,436)	(741,006)
Loss on disposal of HospitalHub	—	—	(206,710)
Net income	\$ 25,820,785	\$ 29,782,705	\$ 8,672,042
Net income (loss) per common share—basic:			
Income from continuing operations	\$ 0.81	\$ 1.04	\$ 0.39
Discontinued operations	(0.01)	(0.12)	(0.04)
Net income	\$ 0.80	\$ 0.92	\$ 0.35
Net income (loss) per common share—diluted:			
Income from continuing operations	\$ 0.80	\$ 1.00	\$ 0.38
Discontinued operations	(0.01)	(0.12)	(0.04)
Net income	\$ 0.79	\$ 0.88	\$ 0.34
Weighted average common shares outstanding—basic	32,090,731	32,432,026	24,881,218
Weighted average common shares outstanding—diluted	32,530,563	33,653,433	25,222,936

See accompanying notes.

F-4

### Cross Country Healthcare, Inc.

#### Consolidated Statement of Stockholders' Equity

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Gain	Retained Earnings	Total Stockholders' Equity
	Shares	Dollars				
Balance at December 31, 2000	23,205,298	\$ 2,321	\$ 119,080,880	\$ —	\$ 4,256,731	\$ 123,339,932
Initial public offering	8,984,375	898	138,765,700	—	—	138,766,598
Exercise of stock options	22,072	2	305,231	—	—	305,233
Net income	—	—	—	—	8,672,042	8,672,042
Comprehensive loss:						
FASB Statement No. 133 (derivative) transition adjustment	—	—	—	(910,009)	—	(910,009)
Net change in hedging transaction	—	—	—	(246,727)	—	(246,727)
Total comprehensive loss	—	—	—	(1,156,736)	—	(1,156,736)
Balance at December 31, 2001	32,211,745	3,221	258,151,811	(1,156,736)	12,928,773	269,927,069
Exercise of stock options	452,921	45	4,401,717	—	—	4,401,762
Tax benefit of stock option exercises	—	—	2,158,863	—	—	2,158,863
Stock repurchase and retirement	(435,000)	(43)	(6,014,790)	—	—	(6,014,833)
Other	—	—	(208,828)	—	—	(208,828)
Net income	—	—	—	—	29,782,705	29,782,705
Comprehensive gain:						
Net change in hedging transaction	—	—	—	785,049	—	785,049
Balance at December 31, 2002	32,229,666	3,223	258,488,773	(371,687)	42,711,478	300,831,787
Exercise of stock options	122,403	12	1,012,449	—	—	1,012,461
Tax benefit of stock option exercises	—	—	148,485	—	—	148,485
Stock repurchase and retirement	(566,400)	(57)	(7,708,905)	—	—	(7,708,962)
Issuance of restricted shares to employees	16,216	2	188,104	—	—	188,106
Unearned compensation under restricted stock plan, net of amortization	—	—	(141,080)	—	—	(141,080)
Net income	—	—	—	—	25,820,785	25,820,785

Comprehensive gain:

Net change in hedging transaction	—	—	—	371,687	—	371,687
Balance at December 31, 2003	31,801,885	\$ 3,180	\$ 251,987,826	\$ —	\$ 68,532,263	\$ 320,523,269

See accompanying notes.

F-5

**Cross Country Healthcare, Inc.**

**Consolidated Statements of Cash Flows**

	Year Ended December 31,		
	2003	2002	2001
<b>Operating activities</b>			
Net income	\$ 25,820,785	\$ 29,782,705	\$ 8,672,042
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	3,548,338	3,147,952	14,851,382
Depreciation	4,529,591	3,524,004	2,699,916
Bad debt expense	1,594,020	242,230	1,273,656
Deferred income tax expense (benefit)	4,600,370	3,978,365	(169,137)
Amortization of unearned compensation	47,026	—	—
Loss from discontinued operations	355,073	3,883,436	741,006
Estimated loss on disposal of discontinued operations	—	—	206,710
Cumulative interest due at maturity	—	—	4,321,000
Loss on early extinguishment of debt	959,991	—	7,999,506
Changes in operating assets and liabilities:			
Accounts receivable	6,710,769	(6,870,488)	(17,627,379)
Prepaid rent, deposits, and other current assets	1,173,174	4,332,784	(3,341,760)
Accounts payable and accrued expenses	1,921,691	2,510,414	1,242,312
Other current liabilities	830,911	359,968	832,835
Net cash provided by continuing operations	52,091,739	44,891,370	21,702,089
Loss from discontinued operations, net	(355,073)	(3,883,436)	(741,006)
Loss on impairment of discontinued operations	302,205	4,142,750	—
Change in net assets from discontinued operations	(240,305)	(2,461,054)	(1,166,224)
Net cash used in discontinued operations	(293,173)	(2,201,740)	(1,907,230)
Net cash provided by operating activities	51,798,566	42,689,630	19,794,859
<b>Investing activities</b>			
Acquisition of assets of Med-Staff, Inc.	(102,757,172)	—	—
Acquisition of assets of Heritage Professional Education, LLC	(2,000,000)	(1,500,000)	(241,145)
Acquisition of NovaPro assets	—	(7,906,527)	—
Acquisition of Jennings Ryan & Kolb, Inc.	(529,776)	(1,876,008)	—
Acquisition of Clinforce, Inc.	—	—	(32,824,592)
Acquisition of assets of Gill/Balsano Consulting, L.L.C.	(665,000)	(498,750)	(1,881,000)
Purchases of property and equipment, net	(3,569,150)	(7,240,897)	(5,783,283)
Other	44,651	72,266	99,949
Investing activities of discontinued operations	—	(884,375)	(1,691,093)
Net cash used in investing activities	(109,476,447)	(19,834,291)	(42,321,164)
<b>Financing activities</b>			
Debt issuance costs	(3,307,061)	(153,747)	(981,833)
Exercise of stock options	1,012,461	4,401,762	205,598
Stock repurchase and retirement	(7,708,962)	(6,014,833)	—
Initial public offering	—	(208,828)	138,766,598
Repayment of debt and note payable	(74,528,503)	(30,155,707)	(320,193,108)
Proceeds from issuance of debt	125,000,000	23,750,000	207,465,010
Net cash provided by (used in) financing activities	40,467,935	(8,381,353)	25,262,265
Change in cash and cash equivalents	(17,209,946)	14,473,986	2,735,960
Cash and cash equivalents at beginning of year	17,209,946	2,735,960	—

Cash and cash equivalents at end of year	\$	—	\$	17,209,946	\$	2,735,960
<b>Supplemental disclosure of noncash investing and financing activities</b>						
Issuance of common stock in exchange for employee services	\$	188,106	\$	—	\$	99,635
Tax benefit on stock option exercises	\$	148,485	\$	2,158,863	\$	—
Equipment purchased through capital lease obligations	\$	451,529	\$	—	\$	—
<b>Supplemental disclosure of cash flow information</b>						
Interest paid	\$	4,776,102	\$	3,785,670	\$	11,779,213
Income taxes paid	\$	11,158,128	\$	11,683,839	\$	5,972,007

See accompanying notes.

F-6

## Cross Country Healthcare, Inc.

### Notes to Consolidated Financial Statements

December 31, 2003

#### 1. Organization and Basis of Presentation

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

On December 16, 1999, CCS entered into a Plan of Merger with TravCorps Corporation (TravCorps). TravCorps and its wholly-owned subsidiary, Cejka & Company (Cejka), provide flexible staffing, search, consulting and related outsourced services to health care providers throughout the United States. Pursuant to the Plan of Merger on December 16, 1999, all outstanding shares of TravCorps' common stock were exchanged for common stock in CCS and TravCorps became a wholly-owned subsidiary of CCS. The fair value of the shares of common stock issued to the stockholders of TravCorps, as determined by a valuation of the common stock as of December 16, 1999, was \$32,102,000. The purchase price exceeded the fair value of the net tangible assets acquired by approximately \$66,575,000, of which \$10,243,000 was allocated to certain identifiable intangible assets (\$5,800,000—trademark, \$2,910,000—databases, \$630,000—workforce, \$900,000—hospital relations, and \$3,000—covenant not to compete). The remaining \$56,332,000 was allocated to goodwill. Subsequent to the adoption of Financial Accounting Standards Board (FASB) Statement No. 142, *Goodwill and Other Intangible Assets*, the amount originally recorded as workforce was reclassified to goodwill.

Effective October 1, 2000, TravCorps changed its name to TVCM, Inc. Effective October 10, 2000, CCS changed its name to Cross Country TravCorps, Inc. Subsequent to December 31, 2000, Cross Country TravCorps, Inc. changed its name to Cross Country, Inc. In May 2003, Cross Country, Inc. changed its name to Cross Country Healthcare, Inc. (the Company). The Company is primarily engaged in the business of providing temporary health care staffing services to acute and subacute care facilities nationwide.

The consolidated financial statements include the accounts of the Company and its wholly-owned direct and indirect subsidiaries: CC Staffing, Inc., Cross Country TravCorps, Inc., Cross Country TravCorps, Inc. Ltd., TVCM, Inc. (f/k/a TravCorps), Cross Country Local, Inc. (f/k/a Flexstaff, Inc.), Med-Staff, Inc. (Med-Staff), Cejka Search, Inc. (f/k/a Cejka & Company), E-Staff, Inc. (E-Staff), CFRC, Inc., HospitalHub, Inc. (f/k/a Ashley One, Inc.)(HospitalHub), NovaPro, Inc., Cross Country Consulting, Inc., Cross Country Seminars, Inc. (f/k/a CCS/Heritage Acquisition Corp.) (Cross Country Seminars), Clinforce, Inc. (ClinForce), Cross Country Capital, Inc., and Assignment America, Inc. In December 2003, the legal entity E-Staff, Inc. was merged into Med-Staff, Inc. At December 31, 2002, CFRC, Inc. and HospitalHub were dissolved. All material intercompany transactions and balances have been eliminated in consolidation.

F-7

#### 2. Summary of Significant Accounting Policies

##### Use of Estimates

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

##### Accounts Receivable and Concentration of Credit Risk

Accounts receivable potentially subject the Company to concentrations of credit risk. The Company's customers are health care providers and accounts receivable represent amounts due from these providers. The Company performs ongoing credit evaluations of its customers' financial conditions and, generally, does not require collateral. The allowance for doubtful accounts represents the Company's estimate for uncollectible receivables based on a review of specific accounts and the Company's historical collection experience. The Company writes off specific accounts based on an ongoing review of collectibility as well as management's past experience with the customer. The Company's contract terms are typically between 30 to 60 days and will be considered past due based on the particular negotiated contract terms.

Overall, based on the large number of customers in differing geographic areas throughout the United States and its territories, the Company believes the concentration of credit risk is limited. As of December 31, 2003, an aggregate of approximately 12% of the Company's outstanding accounts receivable were due from six customers. As of December 31, 2002, an aggregate of approximately 9% of the outstanding accounts receivable were due from five customers.

### **Cash and Cash Equivalents**

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

### **Prepaid Rent and Deposits**

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

### **Property and Equipment**

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is determined on a straight-line basis over the estimated useful lives of the assets, which generally range from three to seven years. Leasehold improvements are depreciated over the useful life of the individual lease.

F-8

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Certain software development costs are capitalized in accordance with the provisions of Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. Such costs include charges for consulting services and costs for personnel associated with programming, coding, and testing such software. Amortization of capitalized software costs begins when the software is placed into service and is included in depreciation expense in the accompanying consolidated statements of operations. Software development costs are being amortized using the straight-line method over five years. Through December 31, 2002, certain software development costs related to the development of the E-Staff technology were capitalized in accordance with the provisions of FASB Statement No. 86, *Accounting for Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed*. Such costs included charges for consulting services and costs for personnel associated with programming, coding, and testing such software. These costs are included in assets from discontinued operations, net, at December 31, 2002. See Note 16 for a further discussion on discontinued operations. Through December 31, 2003, the Company has not recognized any revenue from the sale of software.

### **Reserves for Claims**

Workers' compensation, professional liability and health care benefits are provided under partially self-insured plans. The Company records its estimate of the ultimate cost of, and reserves for, workers' compensation and professional liability benefits based on actuarial computations reviewed by an independent actuary using the Company's loss history as well as industry statistics. Furthermore, in determining its reserves, the Company includes reserves for estimated claims incurred but not reported. The health care insurance accrual is for claims that have occurred but have not been reported and is based on the Company's historical claim submission patterns.

The ultimate cost of workers' compensation and professional liability costs will depend on actual costs incurred to settle the claims and may differ from the amounts reserved by the Company for those claims.

In August 2001, the Company changed its professional liability coverage from an occurrence to a claims made basis. The professional liability policy provided for coverage on a claims made basis in the amount of \$1,000,000 per claim and \$3,000,000 in the aggregate as well as excess coverage in the amount of \$10,000,000 per claim and \$10,000,000 in the aggregate. In addition, there was a \$100,000 deductible per occurrence.

In August 2002, the Company changed its professional and general liability policy to include a self-insured limit of \$2,000,000 per claim through a self-insured retention, as well as excess coverage in the amount of \$10,000,000 in the aggregate. There is no deductible per occurrence.

In November 2003, the FASB issued Emerging Issues Task Force (EITF) No. 03-8, *Accounting for Claims-Made Insurance and Retroactive Insurance Contracts by the Insured Entity*. EITF No. 03-8 codified previously issued authoritative accounting guidance in the area of insurance contracts and related activity thereto. The Company had previously offset in its consolidated balance sheets its liability for known and incurred but not reported professional liability and workers' compensation losses with a corresponding receivable for such estimated losses from its commercial insurance companies under policies in effect for such periods. Such prior accounting treatment was pursuant to industry practice under the interpretative guidance under the American Institute of Certified Public Accountants Audit

F-9

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and Accounting Guide for Health Care Organizations. EITF No. 03-8 concluded that, under circumstances such as in the Company's insured professional liability and workers' compensation policies, since a right of legal offset does not exist due to the fact that there are three parties to an incurred claim (the insured, the insurer and the claimant), the related liability should be classified separately on a gross basis with a separate related receivable recognized as being due from insurance carriers. Accordingly, the Company's consolidated balance sheets as of December 31, 2003, and 2002 reflect the provisions of EITF No. 03-8 for the

receivable portion in other current assets and for the related liability in accrued employee compensation and benefits. Accruals for workers' compensation claims, health care benefits and professional liability insurance are included in accrued employee compensation and benefits in the consolidated balance sheets.

### **Goodwill and Other Identifiable Intangible Assets**

Goodwill represents the excess of purchase price over the fair value of net assets acquired. The Company adopted the provisions of FASB Statement No. 142, *Goodwill and Other Intangible Assets*, as of January 1, 2002. FASB Statement No. 142 further clarifies the criteria to recognize intangible assets separately from goodwill and promulgates that goodwill and certain intangible assets with indefinite lives not be amortized. Instead, these assets are reviewed for impairment annually with any related losses recognized in earnings when incurred. Other identifiable intangible assets continue to be amortized, under the provisions of this Statement, using the straight-line method over their estimated useful lives ranging from 3 to 15 years.

In accordance with FASB Statement No. 142, the Company completed the transitional impairment test of goodwill and indefinite-lived intangible assets during the first quarter of 2002. The transitional impairment test required the Company to determine the fair value of each reporting unit, as defined, and compare it to the reporting unit's carrying amount. The Company estimated the fair value of its reporting units using a discounted cash flow methodology. Based on the results of the initial test and subsequent annual impairment test during the fourth quarters of 2003 and 2002, the Company determined that there was no impairment of goodwill or indefinite-lived intangible assets as of January 1, 2002, December 31, 2002 or December 31, 2003.

Long-lived assets and identifiable intangible assets with definite lives are evaluated for impairment in accordance with FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, adopted as of January 1, 2002. In accordance with this Statement, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company periodically reviews long-lived assets, including identifiable intangible assets, to determine if any impairment exists based upon projected, undiscounted net cash flows of the Company. Recoverability of intangible assets is measured by comparison of the carrying amount of the asset to net future cash flows expected to be generated from the asset. At December 31, 2003 and 2002, the Company believes that no impairment of long-lived assets or identifiable intangible assets existed.

### **Debt Issuance Costs**

Deferred costs related to the issuance of debt have been capitalized and are being amortized on a straight-line basis, which approximates the effective interest method, over the six-year term of the debt.

F-10

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In June 2003, in conjunction with the acquisition of Med-Staff, the Company amended its credit facility. Related debt issuances costs of approximately \$960,000, net of amortization, relating to the prior amended credit facility were written off during the second quarter of 2003 and are included in loss on early extinguishment of debt in the other expenses section of the consolidated statements of operations. See Note 7 for a further discussion on long-term debt and notes payable.

Subsequent to the Company's initial public offering in 2001, the Company repaid \$89,580,000 of its outstanding balance under the term loan portion and \$6,100,000 under the revolver portion of its senior secured credit facility, and paid \$38,779,000 to redeem its outstanding senior subordinated pay-in-kind notes. Related debt issuance costs of \$6,433,000, net of amortization, were written off and include a loss on early extinguishment of debt in the consolidated statement of operations for the period ending December 31, 2001, along with a redemption premium of \$1,567,000 relating to the prepayment of the pay-in-kind notes. At December 31, 2003 and 2002, debt issuance costs of approximately \$2,971,000 and \$1,105,000, net of accumulated amortization of approximately \$336,000 and \$1,237,000, respectively, are included in the consolidated balance sheets.

### **Revenue Recognition**

Revenue from services consists primarily of temporary staffing revenues. Revenue is recognized when services are rendered. Accordingly, accounts receivable includes an accrual for employees' time worked but not yet invoiced. At December 31, 2003 and 2002, the amounts accrued are approximately \$18,450,000 and \$17,982,000, respectively.

Revenues on permanent placements are recognized when services provided are substantially completed. The Company does not, in the ordinary course of business, give refunds. If a candidate leaves a permanent placement within a short period of time (*i.e.*, one month), it is customary for the Company to seek a replacement at no additional cost. Allowances are established as considered necessary to estimate significant losses due to placed candidates not remaining employed for the Company's guarantee period. During 2003, 2002 and 2001, such losses were not material and, accordingly, related allowances were not recorded.

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

### **Stock-Based Compensation**

The Company, from time to time, grants stock options for a fixed number of common shares to employees. The Company accounts for employee stock option grants in accordance with Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and accordingly, recognizes no compensation expense for stock option grants when the exercise price of the options equals, or is greater than, the market value of the underlying stock on the close of business on the date immediately preceding the date of grant.

In addition, the Company issued 16,216 shares of restricted stock to certain key employees in the first quarter of 2003. The restricted stock will vest based on continued employment in three equal annual installments on the first, second and third anniversary of the grant date. Under APB Opinion No. 25, compensation expense is reflected over the period in which services are performed. The fair

F-11

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market value of the shares on the grant date approximated \$188,000. Unearned deferred compensation of approximately \$188,000 was recorded as a contra-equity account in additional paid-in capital and is being amortized to operations over the related vesting period.

FASB Statement No. 148, *Accounting for Stock Based Compensation—Transition and Disclosure* requires disclosure of comparable information regardless of whether, when, or how an entity adopts the preferable, fair value based method of accounting. The pro-forma disclosure of stock based compensation required by this Statement is shown below.

The Company's consolidated net income would have changed to the pro forma amounts set forth below had compensation cost for stock options granted during 2003, 2002 and 2001 been measured under the fair value based method prescribed by FASB Statement No. 123, *Accounting for Stock-Based Compensation*.

	Year ended December 31,		
	2003	2002	2001
Net income as reported	\$ 25,820,785	\$ 29,782,705	\$ 8,672,042
Stock based employee compensation included in as reported net income	—	—	—
Stock based employee compensation, net of tax, applying FASB Statement No. 123	(2,432,669)	(2,774,445)	(1,934,711)
Pro forma net income applying FAS Statement No. 123	\$ 23,388,116	\$ 27,008,260	\$ 6,737,331
Basic and diluted earnings per share as reported:			
Net income per common share—basic	\$ 0.80	\$ 0.92	\$ 0.35
Net income per common share—diluted	\$ 0.79	\$ 0.88	\$ 0.34
Pro forma basic and diluted earnings per share:			
Pro forma net income—basic	\$ 0.73	\$ 0.83	\$ 0.27
Pro forma net income—diluted	\$ 0.72	\$ 0.81	\$ 0.27

## Advertising

The Company's advertising expense consists primarily of print media, online advertising, direct mail marketing and promotional material. Advertising costs that are not considered direct response are expensed as incurred and were approximately \$6,167,000, \$5,918,000 and \$3,735,000 for the years ended December 31, 2003, 2002 and 2001, respectively. Direct response advertising costs associated with the Company's education and training services are capitalized and expensed when the related event takes place. At December 31, 2003 and 2002 approximately \$976,000 and \$1,264,000, respectively, of these costs are included in other current assets in the consolidated balance sheets.

F-12

## Derivative Financial Instruments

The Company is exposed to market risks arising from changes in interest rates. To protect against such risks, the Company had one derivative financial instrument, an interest rate swap agreement, which matured in February 2003 and is more fully disclosed in Note 14, Interest Rate Swap.

## Comprehensive Income

FASB Statement No. 130, *Comprehensive Income*, requires that an enterprise: (a) classify items of other comprehensive income by their nature in the financial statements; and (b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of the balance sheet. The items of other comprehensive income that are typically required to be displayed are foreign currency items, minimum pension liability adjustments and unrealized gains and losses on certain investments in debt and equity securities. There are no other components of comprehensive income or loss other than the Company's consolidated net income and the accumulated derivative gain or loss for the years ended December 31, 2003, 2002 and 2001.

During 1998, the FASB issued Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which was effective beginning January 1, 2001. FASB Statement No. 133 requires companies to recognize all of its derivative instruments as either assets or liabilities in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as either a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation. As the Company's derivative instrument was designated and qualified as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument was reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affected earnings. Any ineffective portion of the derivative instrument's change in fair value was immediately recognized in earnings.

The Company implemented the provisions of FASB Statement No. 133 on January 1, 2001. The implementation of FASB Statement No. 133 resulted in a reduction in consolidated stockholders' equity of approximately \$910,000 as of January 1, 2001.

During 2002 and 2001, the Company reclassified to interest expense, net, approximately \$1,720,000 and \$325,000, respectively, of the net amount recorded in other comprehensive loss. Upon maturity of the interest rate swap agreement in February 2003, the Company reclassified the remaining accumulated derivative loss of approximately \$372,000 to interest expense, net, on the accompanying consolidated statements of operations.

## Income Taxes

The Company accounts for income taxes under FASB Statement No. 109, *Accounting for Income Taxes*. Deferred income tax assets and liabilities are determined based upon differences between the

F-13

financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

## Reclassifications

Certain 2002 and 2001 amounts have been reclassified to conform to the 2003 presentation.

## Recent Accounting Pronouncements

In January 2003, the FASB issued Interpretation (FIN) No. 46, *Consolidation of Variable Interest Entities*. FIN No. 46 clarifies the application of Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated support from other parties. FIN No. 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN No. 46 also requires disclosures about variable interest entities that the company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of FIN No. 46 apply immediately to variable interest entities created after January 31, 2003 and to existing variable interest entities in the first fiscal year beginning after June 15, 2003. The Company does not have any interests qualifying as a variable interest entity as of December 31, 2003. As a result, FIN No. 46 will not have an impact on the consolidated financial statements.

In April 2002, the FASB issued FASB Statement No. 145, *Rescission of Statements 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*. This Statement rescinds FASB Statement No. 4, *Reporting Gains and Losses from Extinguishment of Debt*, and an amendment of that Statement, FASB Statement No. 64, *Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements*. This Statement also rescinds FASB Statement No. 44, *Accounting for Intangible Assets of Motor Carriers*. This Statement amends FASB Statement No. 13, *Accounting for Leases*, to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The provisions of this Statement related to the rescission of Statement 4 were effective for fiscal years beginning after May 15, 2002. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in Opinion 30 for classification as an extraordinary item should be reclassified. The Company adopted the provisions of this Statement as of January 1, 2003. Accordingly, the loss on early extinguishment of debt in 2003 was included in the other expenses section of the consolidated statement of operations and the loss on early extinguishment of debt in 2001 was reclassified from an extraordinary item to the other expenses section of the consolidated statements of operations.

F-14

In July 2002, the FASB issued FASB Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. FASB Statement No. 146 requires that a liability for a cost that is associated with an exit or disposal activity be recognized when the liability is incurred. It nullifies the guidance in EITF Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. Under EITF No. 94-3, an entity recognized a liability for an exit cost on the date that the entity committed itself to an exit plan. Under FASB Statement No. 146, an entity's commitment to a plan does not, by itself, create a present obligation to other parties that meets the definition of a liability. FASB Statement No. 146 was effective for exit or disposal activities that are initiated after December 31, 2002. The Company has adopted the provisions of FASB Statement No. 146 in the December 31, 2003 consolidated financial statements. The adoption of FASB No. 146 did not have an effect on the Company's consolidated financial position, but may impact the timing of recognition of costs associated with future exit and disposal activities.

## 3. Goodwill and Other Identifiable Intangible Assets

As of December 31, 2003 and 2002, the Company had the following acquired intangible assets:

	December 31, 2003			December 31, 2002		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Database	\$ 11,445,000	\$ 10,002,399	\$ 1,442,601	\$ 11,445,000	\$ 7,692,129	\$ 3,752,871
Hospital relations	6,422,750	1,253,417	5,169,333	3,988,750	813,402	3,175,348
Non-compete agreements	2,603,000	635,140	1,967,860	503,000	318,556	184,444
	<u>\$ 20,470,750</u>	<u>\$ 11,890,956</u>	<u>\$ 8,579,794</u>	<u>\$ 15,936,750</u>	<u>\$ 8,824,087</u>	<u>\$ 7,112,663</u>
Intangible assets not subject to amortization:						
Goodwill	\$ 328,405,168	\$ 20,873,294	\$ 307,531,874	\$ 246,988,940	\$ 20,873,294	\$ 226,115,646
Trademarks	17,150,000	1,401,169	15,748,831	17,150,000	1,401,169	15,748,831
	<u>\$ 345,555,168</u>	<u>\$ 22,274,463</u>	<u>\$ 323,280,705</u>	<u>\$ 264,138,940</u>	<u>\$ 22,274,463</u>	<u>\$ 241,864,477</u>

Aggregate amortization expense for intangible assets subject to amortization was approximately \$3,067,000, \$2,709,000 and \$2,626,000 for the years ended December 31, 2003, 2002 and 2001, respectively. Estimated annual amortization expense is approximately as follows:

2004	\$	1,658,000
2005		1,446,000
2006		1,416,000
2007		991,000
2008		750,000
Thereafter		2,319,000
	\$	8,580,000

F-15

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

	Healthcare Staffing Segment	Other Human Capital Management Services	Unamortized Goodwill
Balance as of December 31, 2002	\$ 205,541,484	\$ 20,574,162	\$ 226,115,646
Goodwill acquired	77,974,571	—	77,974,571
Earnouts paid	—	3,194,776	3,194,776
Net working capital adjustment	—	246,881	246,881
Balance as of December 31, 2003	\$ 283,516,055	\$ 24,015,819	\$ 307,531,874

The following reconciliation adjusts net income to exclude amortization expense related to intangible assets that would not have been amortized, under the provisions of FASB Statement No. 142, if the Company adopted the standard as of January 1, 2001:

	Year Ended December 31, 2001
Net income, as reported	\$ 8,672,042
Goodwill amortization, net of tax	6,763,799
Trademark amortization, net of tax	399,245
Adjusted net income	\$ 15,835,086
Basic earnings per share:	
Net income, as reported	\$ 0.35
Goodwill amortization, net of tax	0.27
Trademark amortization, net of tax	0.02
Adjusted net income	\$ 0.64
Diluted earnings per share:	
Net income, as reported	\$ 0.34
Goodwill amortization, net of tax	0.27
Trademark amortization, net of tax	0.02
Adjusted net income	\$ 0.63
Basic weighted average shares outstanding	24,881,218
Diluted weighted average shares outstanding	25,222,936

#### 4. Acquisitions

On June 5, 2003, the Company acquired substantially all of the assets of Med-Staff, Inc. for \$104,000,000 in cash. The consideration for this acquisition was \$104,000,000 in cash paid at closing, of which \$8,000,000 was held in escrow to cover the post-closing net working capital adjustment and any post-closing liabilities that occurred before December 31, 2003. The purchase price was subject to a post-closing adjustment based on changes in the net working capital of the acquired company. In the fourth quarter of 2003, a post-closing net working capital adjustment of approximately \$1,762,000 was

F-16

calculated and allocated to goodwill as a reduction to the purchase price. The final purchase price of the transaction, as adjusted for the net working capital adjustment, was \$102,238,250.

In addition, the asset purchase agreement provided for potential earnout payments up to a maximum of \$37,500,000 based on adjusted earnings before interest, taxes, depreciation and amortization (as defined in the asset purchase agreement) of Med-Staff for the one year period ending December 31, 2003. Med-Staff did not qualify to receive any earnout payments.

Med-Staff is headquartered in Newtown Square, Pennsylvania, and is a national provider of travel and per diem healthcare professionals operating across a wide geographic and client base in all 50 states. The Company believes that Med-Staff's differentiated compensation program will allow it to further segment the travel nurse population. Med-Staff also enables the Company to extend its nurse staffing services in the per diem and military staffing sectors.

The acquisition has been included in the healthcare staffing segment and the results of Med-Staff's operations have been included in the consolidated statements of operations since the date of acquisition, in accordance with FASB Statement No. 141, *Business Combinations*.

The purchase price, as adjusted for the net working capital adjustment, has been allocated to assets acquired and liabilities assumed based on estimates of fair value at the date of acquisition. These estimates were revised subsequent to the date of acquisition. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed.

	June 5, 2003	
<b>Current assets:</b>		
Accounts receivable, net	\$	23,070,298
Other current assets		1,139,718
<b>Total current assets</b>		<b>24,210,016</b>
Property and equipment		717,319
Other identifiable intangible assets		4,534,000
Goodwill		77,455,648
<b>Total assets acquired</b>		<b>106,916,983</b>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses		336,841
Accrued employee compensation and benefits		4,237,495
Other current liabilities		104,397
<b>Total liabilities assumed</b>		<b>4,678,733</b>
<b>Net assets acquired</b>	<b>\$</b>	<b>102,238,250</b>

Of the total other identifiable intangible assets of \$4,534,000, \$2,434,000 was assigned to hospital relations and \$2,100,000 was assigned to non-compete agreements, based on an independent third-party appraisal. These identifiable intangible assets have been assigned useful lives with a weighted-average range of 6.6 years. The excess of purchase price over the fair value of net tangible and intangible assets acquired has been recorded as goodwill, which is expected to be deductible for tax purposes. The

F-17

purchase price allocation is based on preliminary information that could be changed based on the ultimate resolution of initial assessments. Additional direct acquisition costs of approximately \$519,000 were incurred during the year ended December 31, 2003 and are included as goodwill in the consolidated balance sheets.

The following unaudited pro forma summary approximates the consolidated results of operations as if the Med-Staff acquisition had occurred as of the beginning of each period presented, after giving effect to certain adjustments, including amortization of specifically identifiable intangibles, incremental ongoing expenses, incremental interest expense and related income tax effects. These pro forma results include a pretax reduction to net income for a loss on early extinguishment of debt of approximately \$1,105,000 and \$1,390,000 for the years ended December 31, 2003 and 2002, respectively. The pro forma financial information does not purport to be indicative of the results of operations that would have occurred had the transactions taken place at the beginning of the periods presented or of future results of operations.

	Year ended December 31,	
	2003	2002
Revenue from services	\$ 757,900,000	\$ 801,318,000
Net income	\$ 27,735,000	\$ 35,278,000
Net income per common share—basic	\$ 0.86	\$ 1.09
Net income per common share—diluted	\$ 0.85	\$ 1.05

In March 2002, the Company acquired all of the outstanding stock of Jennings Ryan & Kolb, Inc. (JRK), a healthcare management consulting company, for approximately \$1,800,000 in cash and the assumption of \$300,000 in debt. Approximately \$700,000 was allocated to goodwill, which is not subject to amortization under the provisions of FASB Statement No. 142. In addition, the agreement provides for potential earnout payments of approximately \$1,800,000, of which approximately \$530,000 was earned in 2002 and paid in 2003, and approximately \$882,000 was earned in 2003 and paid in 2004. Subsequent to the acquisition, JRK was combined with the Company's other consulting operations to form Cross Country Consulting, Inc.

In January 2002, the Company acquired substantially all of the assets of NovaPro, the healthcare staffing division of HR Logic Holdings, Inc., a professional employer organization, for approximately \$7,100,000 in cash and a post-closing adjustment of approximately \$544,000. Approximately \$4,668,000 was allocated

to goodwill, which is not subject to amortization under the provisions of FASB Statement No. 142. NovaPro targets nurses seeking more customized benefits package.

Both acquisitions were accounted for as a purchase in accordance with FASB Statement No. 141 and, accordingly, their results of operations have been included in the consolidated statement of operations from their respective dates of acquisition.

In May 2001, Cejka acquired substantially all of the assets of Gill/Balsano Consulting, L.L.C. (Gill/Balsano), a Delaware limited liability company. Gill/Balsano provides management consulting services to the healthcare industry. The acquisition met the accounting criteria of a purchase, and, accordingly,

F-18

the accompanying consolidated financial statements include the results of Gill/Balsano from the acquisition date. The consideration for this acquisition was \$1,831,000 in cash. The excess of the aggregate purchase price over the fair market value of the assets acquired of approximately \$1,674,000 was allocated to goodwill and, prior to the adoption of FASB Statement No. 142, in January 2002, was being amortized over 25 years. In addition, the asset purchase agreement provides for potential earnout payments of approximately \$1,995,000 based on adjusted EBITDA (as defined in the asset purchase agreement) of Gill/Balsano over a three-year period ending March 31, 2004. This contingent consideration is not related to the seller's employment. Upon payment, the earnouts will be allocated to goodwill as additional purchase price. To date, earnout payments were \$1,828,750, of which \$498,750 was paid in 2002 and \$665,000 was paid in both 2003 and 2004.

On December 15, 2000, the Company entered into a stock purchase agreement to acquire substantially all of the outstanding stock of two subsidiaries that comprise ClinForce, Inc., a Delaware corporation that provides temporary staffing and permanent placement of clinical trials support services personnel. The acquisition was consummated on March 16, 2001 and met the accounting criteria of a purchase. Accordingly, the accompanying consolidated financial statements include the results of ClinForce from the acquisition date. The transaction was primarily funded through the issuance of additional debt. The purchase price of approximately \$31,400,000 exceeded the fair value of assets acquired less liabilities assumed by approximately \$28,000,000 of which \$3,400,000 was allocated to certain identifiable intangible assets (\$2,100,000—trademark, \$890,000—workforce, and \$410,000—hospital relations). The remaining \$24,600,000 was allocated to goodwill and, prior to the adoption of FASB Statement No. 142, was being amortized over 25 years. Subsequent to the adoption of FASB Statement No. 142, workforce was reclassified to goodwill. The purchase price was subject to a post-closing adjustment based on changes in the net working capital of the acquired companies between October 31, 2000 and March 16, 2001. The post closing adjustment of approximately \$1,415,000 was calculated and allocated to goodwill as additional purchase price.

Earnout payments relating to the Company's acquisition of Heritage Professional Education, LLC (Heritage) on December 26, 2000 were \$3,500,000, of which \$1,500,000 was paid in 2002 and \$2,000,000 was paid in 2003. These payments were allocated to goodwill as additional purchase price in their respective periods of payments. As of December 31, 2003, no further payments of earnouts are applicable relating to this purchase agreement.

## 5. Property and Equipment

At December 31, 2003 and 2002, property and equipment consist of the following:

	December 31,	
	2003	2002
Computer equipment	\$ 9,854,173	\$ 8,494,676
Computer software	13,080,438	10,853,523
Office equipment	1,871,170	1,462,272
Furniture and fixtures	3,064,795	2,739,264
Leasehold improvements	1,980,078	1,773,038
	29,850,654	25,322,773
Less accumulated depreciation and amortization	(17,248,084)	(12,928,611)
	\$ 12,602,570	\$ 12,394,162

F-19

## 6. Accrued Employee Compensation and Benefits

At December 31, 2003 and 2002, accrued employee compensation and benefits consist of the following:

	December 31,	
	2003	2002
Salaries	\$ 10,102,869	\$ 12,873,362
Bonuses	7,072,807	9,238,079
Accrual for workers' compensation claims	3,572,084	3,190,833
Accrual for health care benefits	2,082,581	1,822,202
Accrual for professional liability insurance	6,318,875	2,023,331
Accrual for vacation	844,695	742,240
	\$ 29,993,911	\$ 29,890,047

## 7. Long-Term Debt and Notes Payable

At December 31, 2003 and 2002, long-term debt consists of the following:

	December 31,	
	2003	2002
Term Loan, interest at 6.25% on principal of \$93,196,202, at December 31, 2003 and 3.05% and 3.03% on principal of \$33,266,444 and \$9,308,962, respectively, at December 31, 2002	\$ 93,196,202	\$ 42,575,406
Other	541,344	239,114
	<u>93,737,546</u>	<u>42,814,520</u>
Less current portion	(4,943,777)	(14,361,917)
	<u>\$ 88,793,769</u>	<u>\$ 28,452,603</u>

On July 29, 1999, the Company entered into a \$105,000,000 senior secured credit facility consisting of a \$75,000,000 term loan and a \$30,000,000 revolving loan facility. This senior secured credit facility was amended and restated as of December 16, 1999 and March 16, 2001. In June 2003, the Company again amended and restated the agreement in conjunction with its acquisition of Med-Staff. The new senior secured credit facility consists of a \$125,000,000 term loan and a \$75,000,000 revolving credit facility. The Company repaid \$31,803,798 of the principal on its term loan balance related to the new credit facility during 2003. The Company is required to pay a quarterly commitment fee at a rate of 0.50% per year on unused commitments under the revolving loan facility. The term loan balance under the new senior credit facility bears interest based on an alternative base rate plus a margin of 2.25% or LIBOR plus a margin of 3.25%. The revolving loan facility as of December 31, 2003 bears interest based on an alternate base rate plus a margin of 1.75% or LIBOR plus a margin of 2.75%. The term loan balance and the revolving loan facility at December 31, 2002 bear interest based on an alternate base rate plus a margin of 0.63% or LIBOR plus a margin of 1.63% (each as defined in the senior secured credit facility). The Company has pledged all of the assets of the Company as collateral for the senior credit facility.

F-20

The senior credit facility allows for the issuance of letters of credit in an aggregate face amount at any time outstanding not in excess of \$25,000,000 at December 31, 2003. Additionally, swingline loans, as defined in the senior credit facility, not to exceed an aggregate principal amount at any time outstanding of \$10,000,000 are available under the senior credit facility. As of December 31, 2003, \$11,639,004 was outstanding under the letter of credit facility leaving \$63,360,996 available under the revolving credit facility.

The senior credit facility requires that the Company meet certain covenants, including the maintenance of certain debt and interest expense ratios and capital expenditure limits. It also includes a mandatory prepayment provision, which, beginning in 2004, requires the Company to make mandatory prepayments subsequent to the completion of a fiscal year using a portion of its excess cash flow, as defined in the agreement. The dividends and distribution covenant limits the Company's ability to repurchase its common stock and declare and pay cash dividends on its common stock. As of December 31, 2003, the Company was limited to \$18,700,000 to be used for either dividends and/or stock repurchases. This limitation increases each year, beginning January 1, 2004, by 25% of net income provided that the Company's Debt/EBITDA ratio (as defined in the Agreement) is less than 1.5 to 1.0 and the Company has \$25,000,000 in cash or available cash under the revolving credit facility. The Company is also required to obtain consent of its lenders to complete any acquisition which exceeds \$25,000,000. At December 31, 2003, the Company was in compliance with all of its debt covenants.

Other long-term debt includes capitalized lease obligations and notes payable.

The aggregate scheduled maturities of long-term debt and notes payable as of December 31, 2003 are as follows:

Year ending December 31:	
2004	\$ 4,943,777
2005	4,947,560
2006	4,870,854
2007	4,811,276
2008	38,265,253
Thereafter	35,898,826
	<u>\$ 93,737,546</u>

On August 30, 2001, the Company issued notes payable to a third-party. The proceeds from the notes payable were used to pay the Company's insurance premiums. Principal and interest on these notes are payable over an 11-month period at an interest rate of 5.75%. At December 31, 2001, the outstanding balance on these notes was \$1,247,000. The entire balance was repaid during 2002.

## 8. Employee Benefit Plans

The Company maintains a voluntary defined contribution 401(k) profit-sharing plan covering all eligible employees as defined in the plan documents. The plan provides for a discretionary matching contribution, which is equal to a percentage of each eligible contributing participant's elective deferral, which the Company, at its sole discretion, determines from year to year. Eligible employees who elect

F-21

to participate in the plan are generally vested in any matching contribution after three years of service with the Company. Contributions by the Company, net of forfeitures, under this plan amounted to approximately \$2,826,000, \$3,030,000 and \$2,467,000, for the years ended December 31, 2003, 2002 and 2001, respectively.

Med-Staff employees were covered under a separate benefit plan for 2003. The plan allows eligible employees to defer a portion of their annual compensation pursuant to Section 401(k) of the Internal Revenue Code. The plan is a voluntary defined contribution 401(k) profit-sharing plan covering substantially all eligible employees as defined in the plan documents. Eligible employees who elect to participate in the plan are generally fully vested in any matching contribution after six years of service with the Company. Contributions by the Company, net of forfeitures, under this plan amounted to approximately \$66,000 from the date of acquisition through December 31, 2003.

## 9. Commitments and Contingencies

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

Year ending December 31:	
2004	\$ 4,465,000
2005	4,367,000
2006	3,477,000
2007	2,488,000
2008	1,838,000
Thereafter	6,595,000
	\$ 23,230,000

Total operating lease expense included in selling, general, and administrative expenses was approximately \$5,517,000, \$3,833,000 and \$2,758,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

The Company's Cross Country TravCorps and Cross Country Nurses, Inc. subsidiaries are the subjects of a class action lawsuit filed in the Superior Court of California in Orange County alleging, among other things, violations of certain sections of the California Labor Code, unfair competition and breach of contract. This lawsuit is currently in the very early stages, it has not been certified by the court as a class action, and no monetary damages have been specified. As a result, the Company is unable to determine its potential exposure, if any, and intends to vigorously defend this matter.

In a separate matter, Cross Country Healthcare, Inc. and its affiliates have reached an amicable resolution of two disputes with the National League for Nursing, Inc. (NLN) entitled *National League for Nursing, Inc. v. Cross Country Healthcare, Inc. et al.*, 03 Civ. 9948 (VM) (S.D.N.Y.) and *National League for Nursing, Inc. v. Med-Staff, Inc., et al.*, Civil Action No. 03-2497 (JCL) (D. N.J.). Cross

F-22

Country Healthcare, Inc. and its affiliates did not make any monetary payment to NLN and admitted no liability.

The Company is 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 matters will not have a significant effect on the Company's consolidated financial position or results of operations.

## 10. Estimated Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable and accounts payable and accrued expenses approximate fair value because of their short maturity. The carrying amount of the revolving credit note and term loan approximates fair value because the interest rate is tied to a quoted variable index.

The Company's interest rate swap agreement was carried at fair value in accordance with FASB Statement No. 133 as discussed in Note 14—Interest Rate Swap.

## 11. Income Taxes

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

	Year ended December 31,		
	2003	2002	2001
<b>Continuing operations:</b>			
Current			
Federal	\$ 10,382,551	\$ 15,061,237	\$ 6,308,855
State	1,542,457	2,214,552	1,506,738
	11,925,008	17,275,789	7,815,593
Deferred	4,600,370	3,978,365	(169,137)

	16,525,378	21,254,154	7,646,456
Discontinued operations—current			
Tax benefit on loss from discontinued operations	(224,165)	(2,451,696)	(498,134)
Tax benefit on loss on disposal	—		(330,961)
	(224,165)	(2,451,696)	(829,095)
	\$ 16,301,213	\$ 18,802,458	\$ 6,817,361

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

F-23

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

	December 31,	
	2003	2002
Current deferred tax assets and (liabilities):		
Accrued and prepaid expenses	\$ 2,201,012	\$ 1,726,154
Allowance for doubtful accounts	1,387,460	980,562
Other	(1,655,171)	(2,061,539)
	1,933,301	645,177
Non-current deferred tax assets and (liabilities):		
Depreciation and amortization	(14,829,053)	(7,911,383)
Identifiable intangibles	(2,917,336)	(3,099,297)
Interest rate swap	—	231,931
Other	96,841	—
	(17,649,548)	(10,778,749)
Net deferred taxes	\$ (15,716,247)	\$ (10,133,572)

FASB Statement No. 109 requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some of or all of the deferred tax assets will not be realized. After consideration of all the evidence, both positive and negative, management has determined that a valuation allowance at December 31, 2003 and 2002 is not necessary.

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

	December 31,	
	2003	2002
Tax at U.S. statutory rate	\$ 14,945,432	\$ 19,222,103
State taxes, net of federal benefit	1,387,790	1,784,910
Non-deductible meals and entertainment	51,740	43,579
Non-deductible other	6,625	39,415
Other	133,791	164,147
Income taxes on continuing operations	16,525,378	21,254,154
Benefit from discontinued operations	(224,165)	(2,451,696)
Total income tax expense	\$ 16,301,213	\$ 18,802,458

F-24

## 12. Stockholders' Equity

Effective April 27, 2001, 760,284 issued and outstanding shares of the Company's Class B common stock were converted to an equal number of shares of Class A common stock of the Company. All common stock data in these consolidated financial statements have been adjusted to give retroactive effect to the conversion.

Effective August 23, 2001, the Company amended and restated its certificate of incorporation to provide for, among other things: 1) the reclassification of the common stock of the Company, whereby, each share of Class A common stock was converted into 5.80135 shares of common stock, par value \$0.0001 per share;

2) authorization of 100,000,000 shares of common stock; and 3) authorization of 10,000,000 shares of preferred stock of the Company, par value \$0.01 per share. All common stock data in these consolidated financial statements have been adjusted to give retroactive effect to the stock split.

On October 30, 2001, the Company completed its initial public offering of 7,812,500 shares of common stock at \$17.00 per share. Additionally, the underwriters exercised the over-allotment option of 1,171,875 shares, bringing the total number of shares issued to 8,984,375.

In March 2002, the Company filed a registration statement with the Securities and Exchange Commission for the sale of 9,000,000 shares of common stock by existing shareholders. Additionally, the underwriters exercised the over-allotment option to purchase 700,000 shares from the selling stockholders. The Company did not receive any of the proceeds from the sale of these shares. Costs associated with this secondary offering of \$902,209 are included in non-recurring secondary offering costs in the 2002 and 2003 consolidated statement of operations.

On November 5, 2002, the Company's Board of Directors authorized a stock repurchase program whereby the Company may purchase up to 1,500,000 of its common shares at an aggregate price not to exceed \$25,000,000. As of December 31, 2003, the Company purchased and retired 1,001,400 shares of its common stock at an average cost of \$13.70 per share pursuant to the current authorization. The cost of such purchases was approximately \$13,724,000. Under this program, the shares may be purchased from time to time on the open market. The repurchase program may be discontinued at any time at the discretion of the Company.

## Stock Options

On December 16, 1999, the Company's Board of Directors approved the 1999 Stock Option Plan and Equity Participation Plan (collectively, the Plans), which was amended and restated on October 25, 2001 and provides for the issuance of incentive stock options (ISOs) and non-qualified stock options to eligible employees and non-employee directors for the purchase of up to 4,398,001 shares of common stock. Non-qualified stock options may also be issued to consultants. The Plans were approved by the security holders at the Company's 2002 Annual Meeting of Stockholders. Under the Plans, the exercise price of options granted is determined by the compensation committee of the Company's Board of Directors. In the case of 10% or more stockholders, the exercise price of the ISOs granted may not be less than 110% of such fair market. Options granted during 2003, 2002 and 2001 under the Amended and Restated 1999 Stock Option Plan generally vest ratably over 4 years. Options granted during 2002 and 2001 under the Amended and Restated 1999 Equity Participation Plan vest 25% on the first

F-25

anniversary of the date of grant and then vest 12.5% every 6 months thereafter. All options expire on the tenth (or, in the case of a 10% shareholder, the fifth) anniversary of the date of grant.

Changes under these stock option plans for 2003, 2002 and 2001 were as follows:

	December 31, 2003			December 31, 2002			December 31, 2001		
	Shares	Option Price	Weighted Average Exercise Price	Shares	Option Price	Weighted Average Exercise Price	Shares	Option Price	Weighted Average Exercise Price
Options outstanding at beginning of year	2,974,983	\$ 7.75-\$37.13	\$13.50	3,520,068	\$ 7.75-\$37.13	\$13.00	3,121,252	\$ 7.75-\$32.35	\$11.93
Granted	187,747	\$10.38-\$14.50	\$10.66	53,279	\$12.31-\$26.15	\$17.89	527,915	\$10.13-\$37.13	\$18.19
Canceled	(60,924)	\$ 7.75-\$26.15	\$13.67	(145,443)	\$ 7.75-\$26.15	\$14.74	(107,027)	\$ 7.75-\$17.00	\$ 8.11
Exercised	(122,403)	\$ 7.75-\$15.50	\$ 8.27	(452,921)	\$ 7.75-\$23.25	\$ 9.72	(22,072)	\$ 7.75-\$10.13	\$ 9.31
Options outstanding at end of year	2,979,403	\$ 7.75-\$37.13	\$13.53	2,974,983	\$ 7.75-\$37.13	\$13.50	3,520,068	\$ 7.75-\$37.13	\$13.00
Options exercisable at end of year	2,515,785	\$ 7.75-\$37.13	\$13.24	1,856,412	\$ 7.75-\$37.13	\$12.97	1,535,826	\$ 7.75-\$32.35	\$12.02

The following table represents information about stock options granted in each year:

	Year Ended December 31,		
	2003	2002	2001
<b>Weighted average exercise price of options granted during the year:</b>			
Issued at market price	\$ 10.66	\$ 17.89	\$ 16.69
Issued above market price	N/A	N/A	21.95
Issued below market price	N/A	N/A	15.08
<b>Weighted average fair value of options granted during the year:</b>			
Issued at market price	\$ 6.21	\$ 10.71	\$ 10.12
Issued above market price	N/A	N/A	11.43
Issued below market price	N/A	N/A	6.03

F-26

The following table describes outstanding options as of December 31, 2003:

Exercise Price	Options Outstanding	Remaining Contractual Life	Options Exercisable
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\$ 7.75	767,351	5.96	767,351
10.13	31,540	6.50	22,588
10.38	166,784	9.28	0
10.78	25,386	6.77	18,532
11.62	561,144	5.96	561,144
12.05	9,000	9.41	0
12.31	29,700	8.61	7,425
12.38	37,358	7.27	26,068
14.50	7,400	9.58	0
15.19	11,724	6.50	8,793
15.50	563,425	5.96	563,425
16.17	25,404	6.75	19,053
17.00	286,579	7.55	143,890
19.37	123,250	5.96	123,250
18.57	56,670	7.27	35,419
20.26	11,724	6.50	8,793
21.56	25,404	6.75	19,053
23.25	123,250	5.96	123,250
24.76	56,670	7.27	35,419
25.32	2,565	6.50	1,924
26.15	18,600	8.23	4,650
26.96	5,557	6.75	4,168
30.39	2,567	6.50	1,926
30.95	12,397	7.27	7,748
32.35	5,557	6.75	4,168
37.13	12,397	7.27	7,748
<b>\$13.53</b>	<b>2,979,403</b>	<b>6.47</b>	<b>2,515,785</b>

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

	Year ended December 31,		
	2003	2002	2001
Expected dividend yield	0.00%	0.00%	0.00%
Expected volatility	60.00	60.00	60.00
Risk-free interest rate	3.22	4.29	5.19
Expected life	6 years	6 years	6 years

The effect of applying FASB Statement No. 123 for providing pro forma disclosures is not likely to be representative of the effect on reported net income in future years.

F-27

### 13. Earnings Per Share

In accordance with the requirements of FASB Statement No. 128, *Earnings Per Share*, basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding (excluding nonvested restricted stock) and diluted earnings per share reflects the dilutive effects of stock options and restricted stock (as calculated utilizing the treasury stock method). Certain shares of common stock that are issuable upon the exercise of options have been excluded from the 2003, 2002 and 2001 per share calculations because their effect would have been anti-dilutive. Such shares amounted to 1,375,977, 429,912 and 1,839,798 during the years ending December 31, 2003, 2002 and 2001, respectively. For the years ended December 31, 2003, 2002, and 2001, respectively, 439,832, 1,221,407, and 341,718 incremental shares of common stock were included in diluted weighted average shares outstanding.

### 14. Interest Rate Swap

The Company's senior credit facility required that the Company maintain an interest rate protection agreement to manage the impact of interest rate changes on the Company's variable rate obligations. Effective February 7, 2000, the Company entered into an interest rate swap agreement (the Agreement) with a financial institution. Interest rate swap agreements involve the exchange of floating interest rate payments for fixed interest rate payments over the life of the agreement without an exchange of the underlying notional amount. The Company entered into the Agreement to reduce the exposure to adverse fluctuations in floating interest rates on the underlying debt obligation as required by the senior credit facility and not for trading purposes.

The interest rate swap originally matured on February 7, 2003 and had an underlying notional amount of \$45,000,000. The floating interest rate to be paid to the Company was based on the three-month U.S. dollar London Interbank Offered Rate (LIBOR), which was reset quarterly. Effective January 1, 2001, the Agreement was amended to change the fixed rate to be paid by the Company to 6.705%. In addition, the maturity date of the Agreement was extended to February 28, 2003. Any differences paid or received under the terms of the Agreement were recognized as adjustments to interest expense over the life of the swap, thereby adjusting the effective interest rate on the underlying debt obligation.

The fair value of the interest rate swap approximated a \$606,000 net payable based on quoted market prices for similar instruments at December 31, 2002. The estimated fair value of the swap fluctuated over time based on changes in floating interest rates; however, these fair value amounts should not be viewed in isolation but rather in relation to the overall reduction in the Company's exposure to adverse fluctuations in floating interest rates. The Company recorded the fair value of the interest rate swap transaction at January 1, 2001, which resulted in a reduction in consolidated stockholders' equity of approximately \$910,000. To test

effectiveness of the interest rate swap, the Company compared the present value of the cumulative change in the fair value of the interest rate swap with the present value of the cumulative change in the expected variable interest payments.

The Company was exposed to credit loss in the event of nonperformance by the counterparty to the Agreement. The amount of such exposure was limited to the unpaid portion of amounts due to the Company, if any, pursuant to the Agreement. However, management believed that this exposure was mitigated by provisions in the Agreement that allow for the legal right of offset of any amounts due to the Company from the counterparty with any amounts payable to the counterparty by the Company. As

F-28

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a result, management considered the risk of counterparty default to be minimal. At December 31, 2002 and 2001, the Company expected to reclassify approximately \$606,000 and \$1,939,000, respectively, of net losses on the interest rate swap from accumulated other comprehensive income to earnings during the twelve months following December 31, 2002 and 2001, respectively. On February 28, 2003, the maturity date, the Company paid the last payment on the Agreement.

## 15. Related Party Transactions

The Company provides services to hospitals which are affiliated with certain Board of Director members. Revenue related to these transactions amounted to approximately \$6,863,000, \$6,186,000, and \$8,671,000 in 2003, 2002 and 2001, respectively. Accounts receivable due from these hospitals at December 31, 2003 and 2002 were approximately \$736,000 and \$703,000, respectively.

## 16. Discontinued Operations

In August 2001, the FASB issued Statement No. 144 which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supercedes FASB Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, and the accounting and reporting provisions of APB Opinion No. 30, *Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*. The Company adopted the provisions of FASB Statement No. 144 as of January 1, 2002.

In March 2002, the Company committed itself to a formal plan to dispose of its subsidiary, E-Staff, a Delaware corporation, through a sale of this business. E-Staff was previously included in the Company's other human capital management services segment. The Company had acquired substantially all of the assets of E-Staff, effective July 31, 2000, for \$1,500,000. The asset purchase agreement provided for potential earnout payments of up to \$3,750,000 based on achievement of a defined development milestone and the profits of E-Staff over a three-year period ending July 31, 2003. This contingent consideration was not related to the seller's employment. The Company paid \$500,000 upon achievement of the developmental milestone in the first quarter of 2002. The amount was recorded to assets from discontinued operations, net. Due to the discontinuance of the E-Staff business, the Company made no additional earnout payments.

E-Staff was an application service provider that had developed an Internet subscription based communication, scheduling, credentialing and training service business for healthcare providers. As an application service provider E-Staff was to maintain the database of the client's employees on E-Staff's servers. Prospective E-Staff clients were concerned about placing their healthcare employees' names and credentials on servers owned or controlled by one of the nation's largest healthcare staffing companies. Accordingly, the Company decided to sell this subsidiary. Pursuant to FASB Statement No. 144, the consolidated financial statements of the Company were reclassified to reflect the discontinuance of E-Staff. Accordingly certain costs and expenses, assets and liabilities of E-Staff have been segregated and reported as discontinued operations in the accompanying consolidated balance sheets and statements of operations.

F-29

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In September 2002, the Company decided to retain a portion of the E-Staff software and related equipment for internal use. As a result, in September 2002, approximately \$436,000 of related software and equipment were reclassified from assets from discontinued operations, net, to property and equipment, net. These assets and the related depreciation expense have been reclassified to continuing operations for all periods presented in the accompanying consolidated balance sheets and statements of operations. These reclassifications did not have a material impact on the Company's consolidated financial position or results of operations. Based on discussions with potential buyers of the E-Staff technology during the third quarter of 2002, the Company evaluated the ongoing value of E-Staff and determined that approximately \$4,143,000 of the carrying amount of the net assets from discontinued operations was impaired. The Company wrote down the assets from discontinued operations to \$302,000, which, when combined with liabilities from discontinued operations of \$168,000 approximated their estimated fair value of approximately \$134,000. Fair value, at that time, was based on the latest offer received for the sale and included the estimated cash flows from the sale of E-Staff to a potential buyer, adjusted for the estimated probability of the sale. The impairment charge of \$2,539,506, net of income tax benefit of \$1,603,244, is included in the accompanying consolidated statement of operations as loss from discontinued operations for the year ended December 31, 2002.

As a result of the difficulty encountered in selling the business, the Company abandoned its efforts to sell the E-staff business during the first quarter of 2003 and decided to dispose of the subsidiary by winding down its operations. E-staff operations ceased as of March 31, 2003. The Company determined that approximately \$302,000 of the net carrying amount of the assets from discontinued operations was impaired. This impairment charge was taken during the first quarter of 2003 and is included in the accompanying consolidated statements of operations as loss from discontinued operations for the year ended December 31, 2003. There are no remaining assets or liabilities at December 31, 2003.

On December 20, 2000, the Company committed itself to a formal plan to dispose of its wholly-owned subsidiary, HospitalHub, through a sale or liquidation of this business segment. Under the provisions of FASB Statement No. 144, disposal activities that were initiated prior to the initial application of the Statement should continue to be accounted for in accordance with the prior pronouncement. Pursuant to APB Opinion No. 30, *Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, the consolidated financial statements of the Company reflect the discontinuance of HospitalHub. Accordingly, the revenue and costs and expenses of HospitalHub have been segregated and reported as discontinued operations in the accompanying consolidated statements of operations. There were no assets or liabilities relating to HospitalHub at December 31, 2003 or 2002. The divestiture was completed in the second quarter of 2001.

## 17. Segment Information

The Company has two reportable operating segments: healthcare staffing and other human capital management services. The healthcare staffing operating segment includes travel staffing, clinical research and trials staffing and per diem staffing. This segment provides temporary staffing services of healthcare professionals primarily to hospitals, laboratories and pharmaceutical and biotechnology companies. The other human capital management services segment includes the combined results of

F-30

our education and training, healthcare consulting services, physician search and resource management services.

The Company's management evaluates performance of each segment primarily based on revenues and contribution income (which is defined as earnings before interest, income taxes, depreciation, amortization and corporate expenses not specifically identified to a reported segment). The Company's management does not evaluate, manage or measure performance of segments using asset information; accordingly, asset information by segment is not prepared or disclosed. (See Footnote 3—Goodwill and Other Identifiable Intangible Assets). The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 2—Summary of Significant Accounting Policies). The information in the following table is derived from the segments' internal financial information as used for corporate management purposes. Certain corporate expenses are not allocated to and/or among the operating segments. Information on operating segments and a reconciliation of such information to income from continuing operations for the periods indicated are as follows:

	Year ended December 31,		
	2003	2002	2001
<b>Revenue from unaffiliated customers:</b>			
Healthcare staffing	\$ 636,393,844	\$ 588,743,378	\$ 466,985,416
Other human capital management services	50,535,800	51,209,537	37,378,221
	<u>\$ 686,929,644</u>	<u>\$ 639,952,915</u>	<u>\$ 504,363,637</u>
<b>Contribution income(a):</b>			
Healthcare staffing	\$ 76,061,308	\$ 81,159,968	\$ 70,852,551
Other human capital management services	4,659,354	6,520,861	4,701,442
Unallocated corporate overhead	24,645,754	21,449,824	18,314,805
Depreciation	4,529,591	3,524,004	2,699,916
Amortization	3,548,338	3,147,952	14,851,382
Non-recurring secondary offering costs	16,173	886,036	—
Interest expense, net	4,319,579	3,752,718	14,422,170
Loss on early extinguishment of debt	959,991	—	7,999,506
	<u>\$ 42,701,236</u>	<u>\$ 54,920,295</u>	<u>\$ 17,266,214</u>

- (a) The Company defines contribution income as earnings before interest, income taxes, depreciation, amortization and corporate expenses not specifically identified to a reporting segment. Contribution income is not a measure of financial performance under generally accepted accounting principles and is only used by management when assessing segment performance. During the year ended December 31, 2002, the Company refined its methodology for identifying corporate overhead expenses to its segments to more accurately reflect the profitability of each segment. Upon review, certain individuals' salaries and related benefits were more specifically identified to the healthcare staffing segment. In addition, certain direct mail expenses were more specifically identified. Prior year segment data has been reclassified to reflect this improvement in its methodology.

F-31

## 18. Quarterly Financial Data (Unaudited)

2003	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue from services	\$ 161,002,905	\$ 165,911,567	\$ 184,389,467	\$ 175,625,705
Gross profit	39,521,610	40,984,088	44,877,399	41,586,916
Income from continuing operations(a)	7,422,081	6,813,437	6,803,877	5,136,463
(Loss) income from discontinued operations(a)	(371,120)	16,973	(944)	18
	<u>\$ 7,050,961</u>	<u>\$ 6,830,410</u>	<u>\$ 6,802,933</u>	<u>\$ 5,136,481</u>
<b>Net income (loss) per common share-basic(a):</b>				
Income from continuing operations	\$ 0.23	\$ 0.21	\$ 0.21	\$ 0.16
(Loss) income from discontinued operations	(0.01)	0.00	(0.00)	0.00
	<u>\$ 0.22</u>	<u>\$ 0.21</u>	<u>\$ 0.21</u>	<u>\$ 0.16</u>
<b>Net income (loss) per common share-diluted(a):</b>				
Income from continuing operations	\$ 0.23	\$ 0.21	\$ 0.21	\$ 0.16
(Loss) income from discontinued operations	(0.01)	0.00	(0.00)	0.00
	<u>\$ 0.22</u>	<u>\$ 0.21</u>	<u>\$ 0.21</u>	<u>\$ 0.16</u>

Net income	\$	0.22	\$	0.21	\$	0.21	\$	0.16
<b>2002</b>								
Revenue from services	\$	158,165,456	\$	158,738,288	\$	160,152,688	\$	162,896,483
Gross profit		38,010,786		40,670,059		40,702,880		42,019,555
Income from continuing operations(a)		7,213,226		8,452,414		8,753,302		9,247,199
Loss from discontinued operations(a)		(216,404)		(420,643)		(2,881,396)		(364,993)
Net income	\$	6,996,822	\$	8,031,771	\$	5,871,906	\$	8,882,206
Net income (loss) per common share-basic(a):								
Income from continuing operations	\$	0.23	\$	0.26	\$	0.27	\$	0.28
Loss from discontinued operations		(0.01)		(0.01)		(0.09)		(0.01)
Net income	\$	0.22	\$	0.25	\$	0.18	\$	0.27
Net income (loss) per common share-diluted(a):								
Income from continuing operations	\$	0.21	\$	0.25	\$	0.26	\$	0.28
Loss from discontinued operations		(0.00)		(0.01)		(0.09)		(0.01)
Net income	\$	0.21	\$	0.24	\$	0.17	\$	0.27

(a) Pursuant to FASB Statement No. 144, the consolidated financial statements of the Company have been reclassified in all periods presented to reflect the discontinuance of E-Staff.

F-32

## Schedule II

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Write-offs	Recoveries	Other Changes	Balance at End of Period
Valuation and Qualifying Accounts (for continuing operations)						
Allowance for Doubtful Accounts						
Year ended December 31, 2001	\$ 2,087,747	\$ 1,273,656	\$ (989,037)	\$ —	\$ 52,499(a)	\$ 2,424,865
Year ended December 31, 2002	2,424,865	242,230	(599,332)	105,743	76,541(b)	2,250,047
Year ended December 31, 2003	2,250,047	1,594,020	(949,703)	52,178	667,292(c)	3,613,834

(a) Allowance for doubtful accounts for receivables acquired in ClinForce acquisition.

(b) Allowance for doubtful accounts for receivables acquired in NovaPro acquisition.

(c) Allowance for doubtful accounts for receivables acquired in Med-Staff acquisition.

II-1

## QuickLinks

[TABLE OF CONTENTS](#)

[PART I](#)

[ITEM 1. BUSINESS](#)

[ITEM 2. PROPERTIES](#)

[ITEM 3. LEGAL PROCEEDINGS](#)

[ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS](#)

[PART II](#)

[ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS](#)

[ITEM 6. SELECTED FINANCIAL DATA](#)

[ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS](#)

[ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK](#)

[ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA](#)

[ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE](#)

[ITEM 9A. CONTROLS AND PROCEDURES](#)

[PART III](#)

[ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT](#)

[ITEM 11. EXECUTIVE COMPENSATION](#)

[ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS](#)

[ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS](#)

[ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES](#)

[PART IV](#)

[ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K](#)

[Signatures](#)

[Exhibit Index](#)

[INDEX TO FINANCIAL STATEMENTS](#)

[Report of Independent Certified Public Accountants](#)

[Cross Country Healthcare, Inc. Consolidated Balance Sheets](#)

[Cross Country Healthcare, Inc. Consolidated Statements of Operations](#)

[Cross Country Healthcare, Inc. Consolidated Statement of Stockholders' Equity](#)

[Cross Country Healthcare, Inc. Consolidated Statements of Cash Flows](#)

[Cross Country Healthcare, Inc. Notes to Consolidated Financial Statements December 31, 2003](#)

[Schedule II](#)

LEASE AGREEMENT

THIS LEASE AGREEMENT ("Lease") is made this 6<sup>th</sup> day of July, 2000, by and between the "Landlord" and the "Tenant" hereafter set forth.

WITNESSETH:

1. DEFINITIONS. In addition to the definitions contained elsewhere in this Lease, the following definitions shall apply:

(a) Landlord: Edgewood General Partnership  
 Address: 1408 North Westshore Boulevard, Suite 512  
 Tampa, Florida 33607

(b) Tenant: H.R. Logic, Inc.  
 Address: 1408 North Westshore Boulevard, Suite 604  
 Tampa, Florida 33607

(c) Premises: Suite No. 200 consisting of approximately 3,281 rentable square feet (which the parties expressly agree are contained in the Premises), on the attached Exhibit "A" expressly made a part hereof. The Premises are located on the second floor of the structure, hereinafter called the "Building", located at N. Westshore Blvd., Tampa, FL 33607. The parties expressly agree that there are 3,281 rentable square feet within the Premises and 145,923 rentable square feet within the Building, despite the fact that such figures may not be precise. For the purposes of Items 1 (i), and 5, 11 and 15 of this Lease, the term "Building" includes its appurtenances, and its parking facilities.

(d) "Use of Premises": General and Administrative

(e) "Commencement Date": The later of December 1, 2000 ("the anticipated Commencement Date"), or the date Landlord delivers to Tenant possession of the Premises. If, however, Tenant takes possession of the Premises prior to the anticipated Commencement Date, then the date Tenant so takes possession shall be the Commencement Date.

(f) "Term": Not less than thirty six months commencing on the Commencement Date, this Lease to end on the last day of the 36th calendar month after the Commencement Date. The terms and conditions of this Lease are fully contingent upon the simultaneous execution of the First Amendment of Lease dated July 7, 2000.

(g) "Rent": (See also Item 3.) Rent and all other sums payable by Tenant to Landlord under this Lease, plus any applicable tax, shall be paid to Landlord, without demand, recoupment, abatement, deduction or offset, at its office presently located at P.O. Box 22197, Tampa, Florida 33622, or at such other place as Landlord may hereafter specify in writing.

YEAR	DATES	*RATE PER RSF	ANNUAL	MONTHLY
Year 1	12/1/00-11/30/01	\$ 19.25	\$ 63,159.25	\$ 5,263.27
Year 2	10/01/01-11/30/02	\$ 19.75	\$ 64,799.75	\$ 5,399.98
Year 3	12/01/02-11/30/03	\$ 20.25	\$ 66,440.25	\$ 5,536.69

\*Not inclusive of applicable sales tax

(h) "Base Year means the calendar year in which the Lease commences.

(i) "Operating Expense Base Amount" means the operating expenses of the Building, as defined at Item 4 hereof, in the Base Year of this Lease.

(j) "Real Estate Tax Base Amount" means the total amount of real property taxes on the Land and Building, as defined at Item 4 hereof, in the Base Year of this Lease.

(k) "Proportionate Share": The net rentable area in the Premises (3,281 square feet) divided by the net rentable area in the Building (145,923 square feet), which equals 2.3 percent. If Tenant leases from Landlord any additional space in the Building pursuant to the terms and provisions of this Lease, then Tenant's Proportionate Share shall be increased accordingly.

(l) "Additional Rent": As described in Item 3 of this Lease.

(m) "Land": Land shall mean real property described in Exhibit D.

(n) "Building": Building shall mean the improvements presently or hereafter constructed on the Land. I

2. PREMISES AND TERM. Landlord, in consideration of the Rent hereinafter reserved to be paid and of the covenants, conditions and agreements to be kept and performed by Tenant, hereby 'leases, lets and demises to Tenant, and Tenant hereby leases and hires from Landlord, that certain space called the Premises as described above in Item 1, Section (c).

If Landlord, for any reason whatsoever, cannot deliver possession of the Premises to Tenant on or before the anticipated Commencement Date, this Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any claim, loss or damage resulting therefrom, but, in that event, there shall be an abatement of Rent and Additional Rent covering the period between the anticipated Commencement Date and the time when Landlord can so deliver possession, the date when Landlord can so deliver possession being deemed to be the "Commencement Date" (Commencement Date). The ending date of this Lease shall be extended

for not less than an identical period of time that transpired between the anticipated Commencement Date and the date thereafter Landlord so delivered possession (Commencement Date), it being the parties' intent that this Lease have not less than a complete Term as described and contemplated in Item 1, Section (i) above. To this end, if the actual Commencement Date is a day other than the first day of a particular month, the Term of this Lease shall not expire until the last day of the last month of the proposed Term as described in Item 1, Section (g). If the Commencement Date is other than the anticipated Commencement Date, the parties representatives shall execute a letter amendment to this Lease (which they are hereby authorized to do) whereby the Commencement Date and expiration date of this Lease will be specified; however, their failure to do so shall have no effect on the other contents of this Lease, such contemplated execution to be merely for clarification purposes. By occupying the Premises, Tenant shall be conclusively deemed to have accepted the Premises as complying fully with each, every, any and all of Landlord's covenants and obligations with respect to the delivery thereof. Tenant shall also have the nonexclusive right to use the parking facilities appurtenant to the Building.

3. **RENT.** Tenant covenants and agrees to pay without demand, recoupment, abatement, deduction or offset, to Landlord Rent (and Additional Rent) for the Premises on or before the first (1st) day of the first (1st) full calendar month of the Term hereof and on or before the first (1st) day of each and every successive calendar month thereafter during the full Term of this Lease, subject to the adjustments as provided hereinafter, along with any applicable tax, at the current rate of six and three-quarters (6.75%) percent. In the event the Commencement Date occurs on a day other than the first (1st) day of a calendar month, the first Rent payment shall be in the amount of the Rent for one (1) full calendar month, plus the prorated Rent for the calendar month in which the Term of this Lease commences, such payment to be due on the Commencement Date.

Whenever under the terms of this Lease any sum of money is required to be paid by Tenant in addition to the Rent herein reserved, whether or not such sum is herein described as "Additional Rent", or a provision is made for the collection of said sum as "Additional Rent" said sum shall nevertheless, at Landlord's option, if not paid when due, be deemed Additional Rent, and shall be collectible as such with the first installment of Rent thereafter falling due hereunder. In the event any installment or increment of Rent or Additional Rent payable under this Lease shall not be paid when due, a "late charge" of five percent (5%) of the amount overdue may be charged (as Additional Rent) by Landlord for the purpose of defraying the expense and inconvenience incident to handling such overdue payment and for the purpose of compensating Landlord for its attendant inconvenience and loss of cash flow.

4. **OPERATING EXPENSE ADJUSTMENTS.** The Landlord and Tenant each acknowledge that the Rent specified in Item 3 of this Lease does not provide for increases in operating expenses and real estate taxes in excess of the Base Year Amounts. Accordingly, during the term of this Lease, and any extension(s) thereto, beginning with the first calendar year subsequent to the Base Year, Tenant shall pay to Landlord, as additional rent, its proportionate share of estimated increases in operating expenses and real estate taxes over the Base Year amounts.

Commencing on January 1 of the calendar year following the Base Year and continuing on the first day of each calendar month thereafter until the expiration or other termination of this Lease, Tenant shall pay to Landlord, as additional monthly rental, an amount equal to one-twelfth of the Tenant's Proportionate Share of the amount by which budgeted operating expenses and real estate taxes for the current calendar year exceeds the Base Year Amounts. In the event the amount of additional monthly rental collection hereunder for the preceding twelve month period is less than the actual excesses for such year, Tenant shall remit the balance thereof to the Landlord within five (5) days after the receipt of such notice. In the event the amount of additional monthly rental collection hereunder for the preceding twelve month period is greater

than the actual excesses for such period, Landlord shall remit the difference to the Tenant accompanied by said notice.

The term "operating expenses" includes all expenses incurred by Landlord with respect to the maintenance and operation of the Building of which the leased "Premises" are a part, including, but not limited to, the following: maintenance, repair and replacement costs; electricity, fuel, water, sewer, gas and other utility charges; security, window washing and janitorial services; trash; landscaping and pest control; management fees, wages and benefits payable to employees of Landlord whose duties are directly connected with the operation and maintenance of the Building; all services, supplies, repairs, replacements or other expenses for maintaining and operating the Building or project including parking and common areas; the cost, including interest, amortized over its useful life, of any capital improvements made to the Building by Landlord after the date of this lease which is required under any governmental law or regulation that was not applicable to the Building at the time it was constructed; the cost, including interest, amortized over its useful life, of installation of any device or other equipment for the purpose of improving operating efficiency; all other expenses which would generally be regarded as operating and maintenance expenses which would reasonably be amortized over a period not to exceed five years; all insurance premiums Landlord is required to pay or deems necessary to pay, including public liability insurance, with respect to the Building. The term operating expenses does not include the following: repairs, restoration or other work occasioned by fire, wind, the elements or other casualty; income and franchise taxes of Landlord; real estate broker's commissions, attorney's fees, costs and disbursements and other expenses incurred in connection with negotiations or disputes with Tenants, other occupants; advertising expenses and expenses for the renovating of space for new Tenants; interest or principal payments on any mortgage or other indebtedness of Landlord; any depreciation allowance or expense; or operating expenses which are the responsibility of Tenant.

The term "Taxes" means the aggregate amount of real property taxes and assessments taxes, assessed, imposed, or levied by any lawful authority upon the Land and the Building in any calendar year during the term of this Lease; and, shall also include administrative costs and contingency fees paid to independent consultants engaged to negotiate, on behalf of Landlord, assessments imposed by applicable taxing authorities.

If Landlord, in its sole discretion in operating the Building, chooses to install any energy or labor saving devices, equipment, fixtures or appliances to or in the Building that otherwise might be considered a capital expenditure, then Landlord may depreciate the cost of the equipment, device, appliance or fixture into the Operating Expenses of the Building, including interest at a reasonable rate, all according to generally accepted accounting principles applied on a consistent basis.

5. **USE OF PREMISES.** The Premises shall be used by Tenant as described above in Item 1, Section (d), and for no other business or purpose whatsoever without the prior written discretionary consent of Landlord. Tenant shall not do or permit to be done in or about the Premises or Building, nor bring or keep or permit to be brought or kept therein, anything which is prohibited by, or will in any way conflict with, any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated, or which is presently or hereafter prohibited by any standard form of fire insurance policy or will presently or hereafter in any way increase the existing rate of or affect any fire or other insurance upon the Building or any of its contents, or presently or hereafter cause a cancellation of any insurance policy covering the Building or any of its contents, or presently or hereafter cause a cancellation of any insurance policy covering the Building or any part thereof or any of its contents. Tenant shall not do or permit anything to be done in or about the Premises or Building, which will presently or hereafter in any way obstruct or interfere with the rights of other Tenants of the Building, or injure or annoy them or use or allow to be used the Premises or Building for any improper, immoral, unlawful or objectionable purpose (as determined by

4

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Landlord); nor shall Tenant cause, maintain, or permit any nuisance (as determined by Landlord or by law) in or about the Premises or commit or suffer to be committed any waste in, on, or about the Premises or Building. Tenant shall be responsible for all losses and damages to Landlord as a result of Tenant's failure to use, occupy and surrender the Premises or Building in strict accordance with the contents of this Lease, and such responsibility shall survive the expiration or earlier termination of this Lease. Tenant, at Tenant's expense, shall comply with all laws, rules, orders, statutes, ordinances, directions, regulations and requirements of all federal, state, county and municipal authorities pertaining to Tenant's use and occupancy of the Premises or Building and with the recorded covenants, conditions and restrictions pertaining thereto, regardless of when they become effective or applicable, including, without limitation, all applicable federal, state and local laws, regulations or ordinances pertaining to air and water quality, Hazardous Materials, waste disposal, air emissions and other environmental matters, all zoning and other land use matters, and with any direction of any public officer or officials which shall impose any duty upon Landlord or Tenant with respect to the use or occupation of the Premises. For the purposes of this Item 5, the term "Tenant" includes Tenant's agents, employees, principals, officers, successors, assigns, subtenants, invitees, contractors and consultants.

6. **ASSIGNMENT AND SUBLETTING.** Tenant shall not assign the right of occupancy under this Lease, or any other interest therein, or sublet the Premises, or any portion thereof, without the prior written consent of Landlord, which the parties agree may be withheld at Landlord's sole discretion. Tenant absolutely shall have no right of assignment or subletting if it is, or has ever been, in default of this Lease. If Landlord elects to grant its written consent to any proposed assignment or sublease (whether by Tenant or by others claiming by or through Tenant), Tenant or such others agree to pay Landlord an administrative fee in a reasonable amount (but not less than \$150.00), plus attorney's fees to process and approve such assignment or sublease, and Landlord may prescribe the substance and form of such assignment or sublease.

Notwithstanding any assignment of this Lease, or the subletting of the Premises, or any portion thereof, Tenant shall continue to be fully liable for the performance of the terms, conditions and covenants of this Lease, including, but not limited to, the payment of Rent and Additional Rent. This continuing liability shall be absolute and unconditional and shall remain in full force and effect without regard to, and shall not be released, discharged, diminished, reduced or in any other way affected by; (a) any amendment or modification of, or supplement to, this Lease or any further assignment or transfer thereof or any further sublease pertaining thereto; or (b) any action taken or not taken by Landlord against any assignee or subtenants; or (c) any agreement which modifies any of the rights or obligations of the parties (or their respective successors) under this Lease; or (d) any agreement which extends the time within which an obligation under this Lease is to be performed; or (e) any waiver of the performance of an obligation required under this Lease; or (f) any failure to enforce any of the obligations set forth in this Lease. Consent by Landlord to one or more assignments or sublettings shall not operate as a waiver of Landlord's rights as to any subsequent assignments or sublettings. Landlord shall have the additional option, which shall be exercised by providing Tenant with written notice, of terminating Tenant's rights and obligations under this Lease rather than permitting any assignment or subletting by Tenant, any statement or implication in this Lease or at law to the contrary notwithstanding.

If Landlord permits any assignment or subletting by Tenant and if the monies (no matter how characterized) received as a result of such assignment or subletting [when compared to the monies still payable by Tenant to Landlord] should be greater than would have been received hereunder had not Landlord permitted such assignment or subletting, then the excess shall be payable by Tenant to Landlord, it being the parties' intention that Landlord, and not Tenant, in consideration for Landlord's permitting such assignment or subletting, shall be the party to receive any profit from any such assignment or subletting. If there are one or more assignments

5

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or sublettings by Tenant to which Landlord consents, then any and all extension options to be exercised subsequent to the date of such assignment or subletting and all options to lease additional space in the Building to be exercised subsequent to the date of such assignment or subletting are absolutely waived and terminated at Landlord's sole discretion. In the event of the transfer and assignment by Landlord of its interest in this Lease and/or sale of the Building containing the Premises, either of which it may do at its sole option, Landlord shall thereby be released from any further obligations hereunder, and Tenant agrees to look solely to such successor in interest of Landlord for performance of such obligations. The provisions of Item 35 hereafter dealing with "Notices" shall be amended to provide the correct names and addresses of the assignee or subtenant. If Tenant is a partnership or corporation whose stock is not regularly traded on a bona fide public exchange, and if any transfer, sale, pledge or other disposition of a partnership interest or the common stock shall occur which changes the power to vote the majority of interest in the partnership or of the outstanding capital stock of the company, such action shall be considered an assignment under the terms of this Lease. Any breach of this Item 6 by Tenant will constitute an automatic default under the terms of this Lease, per Item 19 hereof.

7. **ACCESS TO THE PREMISES.** Landlord or its authorized agent or agents shall have the right to enter upon the Premises at all reasonable times for the purposes of inspecting the same, preventing waste, making such repairs as Landlord may consider necessary (but without any obligation to do so except as expressly provided for herein), and showing the Premises to prospective Tenants, mortgagees and/or purchasers. If during the last month of the Term, Tenant shall have removed all or substantially all of Tenant's property therefrom, Landlord may immediately enter and alter, renovate and redecorate the Premises without elimination or abatement of Rent or Additional Rent or incurring liability to Tenant for any compensation or offsets in Rent or Additional Rent and charges owed and such acts shall have no effect upon this Lease.

8. **LANDLORD'S SERVICES.** Landlord shall, at its expense, furnish the Premises with (i) electricity subject to Item (ii) heat and air conditioning during reasonable and usual business hours (exclusive of Saturday afternoons, Sundays and nationally-recognized holidays) reasonably required for the occupation of the Premises, such heat and air-conditioning to be provided by utilizing the existing Building systems, it being expressly understood and agreed by the parties that Landlord specifically shall not be liable for any losses or damages of any nature whatsoever incurred by Tenant due to any failure of the equipment to function properly, or while it is being repaired, or due to any governmental laws, regulations or restrictions pertaining to the furnishing or use of

such heat and air-conditioning; (iii) elevator service; (iv) lighting replacement for customary fluorescent lighting provided by-Landlord; (v) toilet room supplies; (vi) daily janitor service during the time and in the manner that such janitor service is customarily furnished in first class office Buildings in the metropolitan area where the Building is located; (vii) water; and (via) sewerage. The foregoing services are designated "Building Standard".

Tenant will pay \$35.00 per hour per floor (this price is subject to change) for HVAC after normal business hours which are:  
Monday through Friday 8:00 a.m. - 6:00 p.m.  
Saturday 8:00 a.m. - 12:00 noon.

Tenant agrees that Landlord is only responsible for Building Standard maintenance and Building Standard services. If other, more complete or specialty services and maintenance (over Building Standard) are required, then Tenant solely shall be and is responsible for same and for any and all expenses and costs of any nature whatsoever associated with same. To this end, Tenant is and shall be solely responsible for any expenses and costs of any nature whatsoever associated with, among other things, maintaining upgraded Tenant improvements in the Premises, replacing non-Building Standard lighting fixtures and bulbs in the Premises, servicing,

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operating and maintaining any separate and non-Building Standard HVAC systems and faculties serving the Premises, etc.

Landlord shall not be liable for any damages directly or indirectly or consequentially resulting from, nor shall any Rent or Additional Rent herein set forth be reduced or abated by reason of, (1) installation, use, or interruption of use of any equipment in connection with the furnishing of any of the foregoing services, or (2) failure to furnish, or delay in furnishing, any such services when such failure or delay is caused by accident or any condition beyond the reasonable control of Landlord or by the making of necessary repairs or improvements to the Premises or to the Building or because of any governmental laws, regulations or restrictions. The temporary failure to furnish any such services shall not be construed as an eviction of Tenant or relieve Tenant from the duty of observing and performing each, every, any and all of the provisions of this Lease.

9. ELECTRICAL OVERLOAD; STRUCTURAL OVERLOAD.

(A) Tenant's use of electrical services furnished by Landlord shall be subject to the following:

(1) Tenant's electrical equipment shall be restricted to that equipment which individually does not have a rated capacity greater than .5 kilowatts per hour and/or require voltage other than 120/208 volts, single phase. Collectively, Tenant's equipment shall not have an electrical design load greater than an average of five (5) watts per square foot (including overhead lighting).

(2) Tenant's overhead lighting shall not have a design load greater than an average of two (2) watts per square foot

(3) If Tenant's consumption of electrical services exceeds either the rated capacities and/or design loads as per subsections (1) and (2) above, then Tenant shall remove such equipment and/or lighting to achieve compliance within ten (10) days after receiving notice from Landlord. Or upon receiving Landlord's prior written approval, such equipment and/or lighting may remain in the Premises, subject to the following:

(a) Tenant shall pay for all costs of installations and maintenance of submeter, wiring, air-conditioning and other items required by Landlord, in Landlord's discretion, to accommodate Tenant's excess design loads and capacities;

(b) Tenant shall pay to Landlord, upon demand, the cost of the excess demand and consumption of electrical service at rates determined by Landlord which shall be in accordance with any applicable laws; and

(c) Landlord may, at its option, upon not less than thirty (30) days' prior written notice to Tenant, discontinue the availability of such extraordinary utility service. If Landlord gives any such notice, Tenant will contract directly with the public utility for the supplying of such utility service to the Premises.

(B) Tenant shall not place a load upon any floor of the Premises exceeding 50 pounds per square foot, which such floor was designed to carry and which may be allowed by law. Landlord reserves the right to prescribe the weight and position of all heavy equipment and similar items, and to prescribe the reinforcing necessary, if any, which in the opinion of Landlord may be required under the circumstances, such reinforcing to be at Tenant's pre-paid expense.

10. PARKING AREAS. Landlord shall keep and maintain in good condition parking areas that may be provided. Landlord reserves the right to control the method, manner and time of parking in parking spaces. Landlord shall not be responsible at all, any statement or implication elsewhere in this Lease to the contrary notwithstanding, for the security of the parking areas provided pursuant to this Lease. Any and all parking charges payable by Tenant, whether to

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Landlord or to Landlord's designate(s), shall be Additional Rent; furthermore, if Tenant fails to pay duly, fully and timely such parking charges, Landlord [or its designate(s)] may discontinue, without notice to Tenant (or anyone else), the availability of ((he parking space(s) the subject of such parking charges, no matter by whom such parking spaces are or were. being utilized or are in the future to be utilized, anything to the contrary elsewhere in this Lease notwithstanding.

11. LEASEHOLD IMPROVEMENTS. The Premises are rented "as is", without any additional services or improvements to be rendered by Landlord, other than those services described in Item 8 and such other services or improvements as may be described in Exhibit "B" attached hereto and expressly made a part hereof. If Landlord is to additionally alter, remodel, improve, or do any physical act or thing to the space as presently constituted or as described in Exhibit "B", same shall be at the sole expense of Tenant and shall be affected only by a "Work Order" signed by the parties. In the absence of a "Work Order" signed by the parties, Landlord is under no obligation to make any such alteration, remodeling or improvement or do any physical act or thing to the space.

Any and all extraordinary (as so determined by Landlord at its sole discretion) expenses and costs of any nature whatsoever attributable to the installation, maintenance and/or removal of telephone equipment, computer equipment and the like shall be borne solely by Tenant.

12. **REPAIRS AND MAINTENANCE.** Landlord will, at its own cost and expense, except as may be provided elsewhere herein, make necessary repairs of damage to the Building corridors, lobby, structural members of the Building, and equipment used to provide the Building Standard services referred to in Item 8, unless any such damage is caused by acts or omissions of Tenant, its agents customers, employees, principals, contractors, consultants, assigns, subtenants or invitees, in which event Tenant will bear the cost of such repairs. Tenant will allow no maintenance or repairs to be done in, on, to or about the Premises other than by a licensed contractor (such term to include all degrees and levels of subcontractors) approved by Landlord in writing prior to any such maintenance or repairs being undertaken. Landlord shall be entitled to require such contractor to be bonded and insured in such amounts and with such companies as Landlord may in its discretion prescribe. Tenant will not injure the Premises or the Building but will maintain the Premises in a clean, attractive, condition and in good repair, except as to damage to be repaired by Landlord as provided above. Upon termination of this Lease, Tenant will surrender and deliver the Premises to Landlord in the same condition in which they existed at the commencement of this Lease, excepting only ordinary wear and tear and damage arising from any cause not required to be repaired by Tenant, or Landlord approved alterations and improvements. This Item 12 shall not apply in the case of damage or destruction by fire or other casualty which is covered by insurance maintained by Landlord on the Building (as to which Item 15 hereof shall apply) or damage resulting from an Eminent Domain taking (as to which Item 17 hereof shall apply).

13. **ALTERATIONS AND IMPROVEMENTS.** Tenant absolutely shall not make any alterations, additions or improvements to or in the Building outside the Premises. Furthermore, Tenant shall make no alterations or improvements (including additions) to or in the Premises without the prior written approval of Landlord, unless in each instance and for each such alteration or improvement, Landlord or a contractor approved by Landlord is hired to do such alterations or improvement. Such approval shall not be unreasonably withheld in the case of alterations or improvements to the interior of the Premises if such alterations or improvements are normal for the use described in Item 1(d) of this Lease, do not adversely affect utility of the Premises for future Tenants, do not alter the exterior of the Building, and are accompanied by insurance satisfactory to Landlord and by prepayment or bond provisions or waivers by the contractor in form satisfactory to Landlord sufficient to protect the Building from claims of lien of any sort; otherwise, such approval may be withheld for any reason whatsoever. Furthermore, such alterations or improvements absolutely shall not affect the mechanical, plumbing, electrical and HVAC systems in the Premises or the Building and shall not be of a structural nature.

8

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Tenant shall conduct its work in such a manner as to maintain harmonious labor relations and as not to interfere with the operation of the Building and shall, prior to the commencement of the work, submit to Landlord copies of all necessary permits. Landlord reserves the right to have final approval of the contractors hired by Tenant. All such contractors hired by Tenant shall be, at levels and coverage's prescribed by Landlord, licenses, bonded and insured, and Landlord may require evidence of same, which Tenant agrees to secure and provide Landlord prior to the commencement of any work by such contractors. All alterations or improvements, whether temporary or permanent in character, made in or upon the Premises, either by Landlord or Tenant, shall be Landlord's properly and at the end of the term hereof shall remain in or upon the Premises without compensation to Tenant. If, however, Landlord shall request in writing, Tenant will, prior to expiration or earlier termination of this Lease, remove any and all alterations, and improvements placed or installed by Tenant in the Premises, and will repair any damage caused by such removal. All of Tenant's furniture, movable trade fixtures and equipment not attached to the Building may be removed by Tenant at the expiration of this Lease, if Tenant so elects, and shall be so removed, if required by Landlord, and, if not so removed, shall, at the option of Landlord, become the property of Landlord. To the extent Tenant makes any alterations or improvements and/or to the extent Landlord on behalf of Tenant under an "Extra Work Agreement" makes such alterations or improvements, and as a result thereof it can be determined that thereupon was caused an increase in real estate taxes or insurance premiums, then Tenant shall be responsible for reimbursing Landlord for such increases as Landlord may pay.

14. **INDEMNITY.** Landlord shall not be liable for, and Tenant will indemnify and save Landlord (and Landlord's officers, principals, agents, employees and insurers) harmless of and from, each, every, and all fines, suits, damages, claims, demands, losses and actions (including attorney's fees) for any injury to person or damage to or loss of property on or about the Premises and Building caused by the negligence or misconduct or breach of this Lease by Tenant, its employees, agents, principals, contractors, consultants, assigns, subtenants, invitees or by any other person entering the Premises or the Building under express or implied invitation of Tenant, or arising out of Tenant's use of the Premises. Landlord absolutely shall not be liable or responsible for any loss or damage to any property or the death or injury to any person occasioned by theft, crime (of any nature whatsoever), fire, act of God, public enemy, injunction, riot, strike, insurrection, war, court order, requisition of governmental body or authority, by other Tenants of the Building or by any other matter beyond the absolute control of Landlord, or for any injury or damage or inconvenience which may arise through repair or alteration of any part of the Building, or failure to make repairs, or from any cause whatsoever except Landlord's negligence or intentional act. It is specifically understood and agreed that there shall be no personal liability on Landlord (nor on Landlord's officers, principals, agents and employees) with respect to any of the covenants, conditions or provisions of this Lease; in the event of a breach or default by Landlord of any of its obligations under this Lease, Tenant shall look solely to the equity of Landlord in the Building for the satisfaction of any and all of Tenant's right and remedies.

15. **DAMAGE BY FIRE OR THE ELEMENTS.** In the event that the Building is totally destroyed by fire, tornado or other casualty, or in the event the Premises or Building is so damaged that, within Landlord's discretion, rebuilding or repairs cannot be completed within one hundred eighty (180) days after the date of such damage, Landlord, within sixty (60) days of the casualty, shall give Tenant written notice of the estimated time for completion or of Landlord's intent not to repair. In such event, either Landlord or Tenant may, at its option, by written notice to the other given not more than thirty (30) days after the date of such fire or other casualty, terminate this Lease. In such event, the Rent and Additional Rent shall be abated during the unexpired portion of this Lease effective with the date of such fire or other casualty.

In the event the Building or the Premises are damaged by fire, tornado, or other casualty covered by Landlord's insurance but only to such extent that rebuilding or repairs can be completed within one hundred eighty (180) days after the date of such damage, or if the damage should be more serious but neither Landlord nor Tenant elects to terminate this Lease, then

9

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Landlord shall, within thirty (30) days after the date of such damage or such election, commence to rebuild or repair the Building and/or the Premises and shall proceed with reasonable diligence to restore the Building and/or the Premises to substantially the same condition in which it/they was/were immediately prior to the happening of the casualty, except that Landlord shall not be required to rebuild, repair or replace any part of the furniture, equipment, fixtures and other improvements which may have been placed by Tenant or other Tenants or occupants within the Building or Premises. Landlord shall, unless such damage is deemed by Landlord to be the result of the negligence or willful misconduct of Tenant or Tenant's employees, agents, principals, contractors, consultants, assigns, subtenants or invitees, allow Tenant a fair diminution of Rent and Additional Rent during the time of such rebuilding or repairs. In the event any mortgagee, or the holder of any deed of trust, security agreement or mortgage on the Building, requires that the insurance proceeds be used to retire the mortgage debt, Landlord shall have no obligation to rebuild and this Lease shall terminate upon notice to Tenant. Any insurance which may be carried by

Landlord or by Tenant against loss or damage to the Premises or its contents shall be for the sole benefit of the party carrying such insurance and under its sole control.

16. **BUILDINGS RULES AND REGULATIONS.** Tenant shall faithfully observe and comply with the Rules and Regulations printed on or annexed to (and expressly made a part of) this Lease and all reasonable modifications of and additions thereto from time to time put into effect by Landlord. Landlord shall not be responsible to Tenant for the nonperformance of any of said Rules and Regulations by any other Tenant, occupant, invitee or visitor of the Building. Tenant shall and does hereby have an affirmative obligation (to include indemnification of Landlord, per Item 14 hereof) to notify its agents, employees, principals, assigns, subtenants and invitees of the contents of such Rules and Regulations and of this Lease and to assure their compliance therewith.

17. **EMINENT DOMAIN.** If the whole or a portion of the Building is taken for any public or quasi-public use under any statute or by right of Eminent Domain or private purchase in lieu thereof, then at Landlord's option, but not otherwise, this Lease, the Term hereby demised and each, every, any and all rights of Tenant hereunder shall immediately cease and terminate and the Rent and Additional Rent shall be adjusted as of the date of such termination. Tenant shall be entitled to no part of the award made for such condemnation (or other taking) or the purchase price thereof. Nevertheless, anything to the contrary notwithstanding, likewise at Landlord's option, but not otherwise, if the Premises are unaffected by such condemnation (or other taking), then this Lease and each and every one of its provisions shall continue in full force and effect Should by Eminent Domain the Tenants Premises be made unusable and or unable to be occupied then the Tenant shall have the right to terminate this Lease Agreement.

18. **SIGNS AND ADVERTISING.** Without the prior written approval of Landlord, which may be withheld at Landlord's discretion, Tenant shall not permit the painting or display of any signs, placard, lettering, or advertising material of any kind on or near the exterior of the Premises or the Building. Notwithstanding the foregoing, Tenant may, with Landlord's prior approval, display Tenant's name on or near the entrance to the Premises, in a Building-standard manner prescribed by Landlord.

19. **TENANT'S DEFAULT.** The happening, of any one or more of the following events, shall constitute a default hereunder:

- a) Tenant's failure to pay the Rent, Additional Rent, or any other sums (no matter how characterized) payable hereunder for a period of three (3) days after written notice by Landlord;
- b) Tenant's failure to observe, keep or perform any of the other terms, covenants, agreements or conditions of this Lease or in the Building Rules and Regulations for a period of ten (10) days after written notice by Landlord;

10

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- c) The insolvency of Tenant;
  - d) Tenant's making an assignment for the benefit of creditors;
  - e) A receiver or trustee being appointed for Tenant or a substantial portion of Tenant's assets;
  - f) Tenant's voluntarily petitioning for relief under, or otherwise seeking the benefit of, any bankruptcy, reorganization, arrangement or insolvency law;
  - g) Tenant's deserting, vacating or abandoning any portion of the Premises or attempting to mortgage, pledge or otherwise encumber-in any way its interest hereunder;
  - h) Tenant's interest under this Lease being sold under execution or other legal process;
  - i) Tenant's interest under this Lease being affected, modified or altered by any unauthorized assignment or subletting or by operation of law;
  - j) Any of the goods or chattels of Tenant used in, or incident to, the operation of Tenant's business at, from or in the Premises being seized, sequestered, or impounded by virtue of, or under authority of, any legal proceeding;
  - k) If Tenant shall be late in the payment of any sums due hereunder as rent or additional rent three (3) times in any twelve month period;
  - l) Tenant's failure to operate continuously during normal business hours from the Premises in a fully-staffed, fully-equipped manner and/or as contemplated by Item 1(d) of this Lease; or
  - m) Tenant's failure to take occupancy of the Premises when same is tendered by Landlord to Tenant; or
  - n) Any attempted assignment or submitting of this Lease without Landlord's written consent.

In the event of any of the foregoing happenings, Landlord, as its election, may exercise any one or more of the following options, the exercise of any of which shall not be deemed to preclude the exercise of any others herein listed or otherwise provided or permitted by statute or general law at the same time or in subsequent times or actions (all of which are cumulative):

1. Terminate Tenant's rights to possession under this Lease and re-enter and retake possession of the Premises and relet or attempt to relet the Premises on behalf of Tenant at such rent and under such terms and conditions as Landlord may deem best under the circumstances for the purpose of reducing Tenant's liability. Landlord shall not be deemed to have thereby accepted a surrender of the Premises, and Tenant shall remain raly liable for any and all Rent, Additional Rent, or other sums (no matter how characterized) due under this Lease and for all damages suffered by Landlord because of Tenant's breach of any of the covenants of this Lease.
2. Declare this Lease to be terminated and ended, and re-enter upon and take possession of the Premises whereupon all right, title and interest of Tenant in the Premises shall end.

11

3. Accelerate and declare the entire remaining unpaid Rent and Additional Rent for the balance of this Lease to be immediately due and payable forthwith, and may at once, take legal action to recover and collect the same

No re-entry or retaking possession of the Premises by Landlord shall be construed as an election on its part to terminate this Lease, unless a specific written notice of such intention is given to Tenant, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any Rent, Additional Rent or other monies due to Landlord hereunder or of any damages accruing to Landlord by reason of the violations of any of the terms, provisions and covenants herein contained. Landlord's acceptance of Rent or Additional Rent or other monies following any event of default hereunder shall not be construed as Landlord's waiver of such event of default. No forbearance by Landlord of action upon any violation or breach of any of the terms, provisions, and covenants herein contained shall be deemed or construed to constitute a waiver of the terms, provisions, and covenants herein contained. Forbearance by Landlord to enforce one or more of the remedies herein provided upon an event of default shall not be deemed or construed to constitute a waiver of any other violation or default. Legal actions to recover for loss or damage that Landlord may suffer by reason of termination of this Lease or the deficiency from any reletting as provided for above shall include the expense of repossession or reletting and any repairs or remodeling undertaken by Landlord following repossession.

THE PARTIES HERETO SHALL, AND THEY HEREBY DO, WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER ON ACCOUNT OF ANY MATTERS WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED, WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES AND/OR BUILDING, AND/OR CLAIM OF LOSS, INJURY OR DAMAGE. THE COVENANTS CONTAINED HEREIN ARE INDEPENDENT. In the event Landlord commences any proceeding to enforce this Lease or the Landlord/Tenant relationship between the parties or for nonpayment of Rent, Additional Rent or other monies due Landlord from Tenant under this Lease, Tenant will not interpose any counterclaim of whatever nature or description in any such proceedings. In the event Tenant must, because of applicable court rules, interpose any counterclaim or other claim against Landlord in such proceedings, Landlord and Tenant covenant and agree that, in addition to any other lawful remedy of Landlord, upon motion of Landlord, such counterclaim or other claim asserted by Tenant shall be severed out of the proceedings instituted by Landlord (and, if necessary, transferred to a court of different jurisdiction), and the proceedings instituted by Landlord may proceed to final judgment separately and apart from and without consolidation with or reference to the status of each counterclaim or any other claim asserted by Tenant.

The parties hereto agree that any and all suits for any and every breach of this Lease shall be instituted and maintained only in those courts of competent jurisdiction in the county or municipality in which the Building is located and Tenant, hereby submits to the jurisdiction of Florida courts. In the event of litigation by and between the parties [or their respective successor(s)] to enforce the terms and provisions of this Lease, the prevailing party shall be entitled to recover from the non-prevailing party the prevailing party's reasonable attorney's fees and court costs, all through final appeal.

Time is of the essence of this Lease; and in case Tenant shall fail to perform the covenants and obligations on its part to be performed at the time fixed for the performance of such respective covenants and obligations by the provisions of this Lease, Landlord may declare Tenant to be in default of such Lease.

20. **CONTRACTUAL LANDLORD'S LIEN.** Landlord shall have, at all times, a valid security interest to secure payment of all Rent, Additional Rent and other sums of money

12

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becoming due hereunder from Tenant, and to secure payment of any damages or loss which Landlord may suffer by reason of the breach by Tenant of any covenant, agreement or condition contained herein, upon all goods, wares, equipment, fixtures, furniture, improvements and other personal property or Tenant presently or which may hereinafter be situated in the Premises, and all proceeds therefrom, and such property shall not be removed therefrom without consent of Landlord until all arrearages in Rent and Additional Rent as well as any and all other sums of money then due to Landlord hereunder, shall first have been paid and discharged and all of the covenants, agreements, and conditions hereof have been fully complied with and performed by Tenant. In consideration of this Lease, upon the occurrence of an event of default by Tenant, Landlord may, in addition to any other remedies provided herein, enter upon the Premises and take possession of any and all goods, wares, equipment, fixtures, furniture, improvements, and other personal property of Tenant situated on or in the Premises, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Tenant reasonable notice of the time and place of any public sale or of the time after which any private sale is to be made, at which sale Landlord or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Tenant reasonable notice, the requirement of reasonable notice shall be met if such notice is given in the manner prescribed in Item 35 dealing with "Notices" in this Lease at least five (5) days before the time of sale. The proceeds from any such disposition, less any and all expenses connected with the taking of possession, holding and selling of the property (including reasonable attorney's fees and other expenses), shall be applied as a credit against the indebtedness secured by the security interest granted in this Item 20. Any surplus shall be paid to Tenant or as otherwise required by law, and Tenant shall pay any deficiencies forthwith. Upon request by Landlord, Tenant agrees to execute and deliver to Landlord a financing statement in form sufficient to perfect the security interest of Landlord in the aforementioned property and proceeds thereof under the provisions of the Uniform Commercial Code then in force in the State of Florida.

21. **SUBORDINATION.** In consideration of the execution of this Lease by Landlord, Tenant accepts this Lease subject to any deeds of conveyance and any deeds of trust, master leases, security interests or mortgages and all renewals, modifications, extensions, spreads, consolidations and replacements of the foregoing which might now or hereafter constitute a lien upon the Building (or the land upon which it is situated) or improvements therein or thereon or upon the Premises and to zoning ordinances and other Building and fire ordinances and governmental regulations relating to the use of the property (hereinafter collectively referred to as a "superior interest". Although no instrument or act on the part of Tenant shall be necessary to effectuate such subordination, Tenant shall, nevertheless, for the purpose of confirmation, at any time hereafter, on demand in the form(s) prescribed by Landlord, execute any instruments, estoppel certificates, releases or other documents that may be requested or required by any purchaser or any holder of any superior interest for the purpose of subjecting and subordinating this Lease to such deed of conveyance or to the lien of any such deed of trust, master lease, security interest, mortgage, or superior interest. Tenant hereby appoints Landlord attorney-in-fact, irrevocably, to execute and deliver any such instrument or document for Tenant should Tenant fail or refuse to do so.

13

22. **QUIET ENJOYMENT.** Provided Tenant has fully, duly and timely performed all of the terms, covenants, agreements and conditions of this Lease on its part to be performed, including the payment of Rent, Additional Rent and all other sums due hereunder, Tenant shall peaceably and quietly hold and enjoy the Premises, except as described in Item 21 above, against Landlord and all persons claiming by, through or under Landlord, for the Term (as may be extended) herein described, subject to me provisions and conditions of this Lease.

23. **SECURITY DEPOSIT.** Upon Tenant's execution of this Lease, Tenant shall pay a security deposit of five thousand nine hundred ten dollars and forty-two cents (\$5,910.42) (which equates to the amount of the last month's rent) for the performance by Tenant of all the terms, covenants and conditions of this Lease upon Tenant's part to be performed. Unless required to do so by law, Landlord shall have no obligation to segregate such security deposit from any other funds of Landlord, and interest earned on such security deposit, if any, shall belong to Landlord. Security deposits shall not be considered advance payments of Rent or a measure of Landlord's damages, in the case of a default by Tenant. The security deposit shall be returned to Tenant within thirty (30) days after the Expiration Date, provided Tenant has fully performed its obligations hereunder. Regardless of any permitted assignment of this Lease by Tenant, Landlord may return the security deposit to the original Tenant in the absence of evidence satisfactory to Landlord of an assignment of the right to receive the security deposit or the balance thereof, which shall satisfy in full Landlord's obligation to return the security deposit. Landlord shall have the right to apply any part of said security deposit to cure any default of Tenant and if Landlord does so, Tenant shall upon demand deposit with the Landlord the amount so applied so that Landlord shall have the full security deposit on deposit at all times during the Term of this Lease. In the event of a sale or lease of the Building subject to this Lease, Landlord shall transfer the security deposit to the Purchaser or lessee, and Landlord shall thereupon be released from all liability for the return of such security deposit and Tenant shall look solely to the successor Landlord for the return of the security deposit. This provision shall apply to every transfer or assignment made of the security deposit to a successor Landlord. The security deposit shall not be assigned or encumbered by Tenant without the prior written consent of Landlord and any such unapproved assignment or encumbrance shall be void.

24. **MECHANIC'S LIENS.** Tenant is prohibited from making, and agrees not to make, alterations in the Premises, except as permitted by Item 13, and Tenant shall not permit any mechanic's lien or liens to be placed upon the Premises or the Building or improvements thereon during the Term (as may be extended) hereof caused by or resulting from any work performed, materials furnished or obligation incurred by or at the request of Tenant, and in the case of the filing of any such lien, Tenant will promptly pay or statutorily bond same. If default in payment or statutory bonding thereof shall continue for ten (10) days after written notice thereof from Landlord to Tenant, Landlord shall have the right and privilege, at Landlord's option, of paying the same or any portion thereof without inquiry as to the validity thereof, and any amounts so paid, including expenses, interest, and attorney's fees, shall be so much additional indebtedness hereunder due from Tenant to Landlord and shall be repaid to Landlord immediately on rendition of a bill therefor, together with interest per annum at the maximum rate permitted by law until repaid, and if not so paid within ten (10) days of the rendition of such bill, shall constitute default under Item 19 hereof.

The interest of Landlord shall not be subject to liens for improvements made by Tenant in or to the Premises or the Building. Tenant shall notify every contractor making such improvements of the provision set forth in the immediately preceding sentence of this paragraph. The parties agree, should Landlord so request, to execute, acknowledge and deliver without charge to the other a Memorandum of Lease in recordable form containing a confirmation that the interest of Landlord (as well as those parties holding interests superior to, or inferior to, Landlord) shall not be subject to liens for improvements made by Tenant to the Premises or the Building.

14

25. **FORCE MAJEURE.** Whenever a period of time is herein prescribed for action to be taken by Landlord, Landlord shall not be liable or responsible for, and there shall be excluded from the computation for any such period of time, any delays due to strikes, riots, acts of God, shortages of labor or material, theft, crime, fire, public enemy, injunction, insurrection, court order, requisition of governmental body or authority, war, governmental laws, regulations or restrictions or any other causes of any kind whatsoever which are beyond the absolute control of Landlord.

26. **SEVERABILITY.** If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws effective during the Term (as may be extended) of this Lease, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby.

27. **HOLDING OVER.** The failure of Tenant to surrender the Premises on the date provided herein for the expiration of the Term (as may have been theretofore extended) of this Lease (or at the time this Lease may be terminated otherwise by Landlord), and the subsequent holding over by Tenant, with or without the consent of Landlord, shall result in the creation of a tenancy at will at double the Rent payable at the time of the date provided herein for the expiration of this Lease or at the time this Lease may be terminated otherwise by Landlord. This provision does not give Tenant any right to hold over at the expiration of the Term (as may have been heretofore extended) of this Lease, and shall not be deemed, the parties agree, to be a renewal of the Lease Term (as may have been heretofore extended), either by operation of law or otherwise.

28. **RELOCATION.** If the premises consist of less than two thousand five hundred (2,500) square feet, Landlord may at any time during the Term (as may be extended) of this Lease relocate Tenant and substitute for the Premises other space (which would then become the "Premises" for the purpose of this Lease) in the Building. The parties expressly agree that Landlord shall pay the reasonable physical moving costs of such relocation, but shall not be responsible for any other losses, expenses, costs, damage or injuries of any nature whatsoever. Tenant's new space shall be comparable to the Premises hereby leased. Tenant shall relocate within thirty (30) days (or such additional time as Landlord may direct) of Landlord's written notice to Tenant that Tenant do so, Tenant's failure to relocate timely shall be a Default (see Item 19 of this Lease), no curative notice of any nature (after the expiration of such 30 day or additional period) to be due Tenant from Landlord. Upon such a Default by Tenant, Landlord shall have all the rights and remedies described in said Item 19.

29. **RENT SEPARATE COVENANT.** Tenant shall not for any reason withhold or reduce Tenant's required payments of Rent, Additional Rent and other charges provided in the Lease, it being expressly understood and agreed contractually by the parties that the payment of Rent and Additional Rent is a contractual covenant by Tenant that is independent of the other covenants of the parties under this Lease.

30. **JOINT AND SEVERAL LIABILITY; CHANGE IN BUSINESS FORM.** If two or more individuals, corporations, partnerships, or other business associations (or any combination of two or more thereof) shall sign this Lease as Tenant, the liability of each such individual, corporation, partnership or other business association to pay Rent and Additional Rent and perform all other obligations hereunder shall be deemed to be joint and several. In like manner, if Tenant is a partnership or other business association, the members of which are, by virtue of statute or general law, subject to personal liability, the liability of each such member shall be joint and several. Tenant may not and shall not change or convert its business form and/or composition in any way whatsoever without Landlord's prior, written and solely discretionary consent.

31. **ABSENCE OF OPTION.** The submission of this Lease for examination does not constitute a reservation of or option for the Premises, and this Lease becomes effective only upon execution and delivery thereof by Landlord.

32. **CORPORATE TENANCY.** If Tenant is a corporation, the undersigned officer of Tenant hereby warrants and certifies to Landlord that Tenant is a corporation in good standing and is authorized to do business in the State of Florida. The undersigned officer of Tenant hereby further warrants and certifies to Landlord that he or she, as such officer, is authorized and empowered to bind the corporation to the terms of this Lease by his or her signature thereto. Landlord, before it accepts and delivers this Lease, may require Tenant to supply it with a certified copy of the corporate resolution authorizing the execution of this Lease by Tenant. If Tenant is a corporation (other than one whose shares are regularly and publicly traded on a recognized stock exchange), Tenant represents that the ownership and power to vote its entire outstanding capital stock belongs to and is vested in the officer or officers executing this Lease or members of his, her or their immediate family. If there shall occur any change in the ownership of and/or power to vote the majority of the outstanding capital stock of Tenant, whether such change of ownership by sale, assignment, bequest, inheritance, operation of law or otherwise, without the prior written discretionary consent of Landlord, then Landlord shall have the option to terminate this Lease upon thirty (30) days' written notice to Tenant so stating, furthermore, Tenant shall have an affirmative obligation to notify immediately Landlord of any such change.

33. **BROKERAGE COMMISSION.** Carter & Associates, L.L.C. d/b/a Carter & Associates, L.L.C., L.C., a Georgia L.L.C., ("Carter") has represented Landlord in connection with this Lease. Carter shall be paid a commission by Landlord pursuant to the terms of a separate agreement. Tenant warrants that there are no other claims aside from those stated above for broker's commissions or finder's fees in connection with its execution of this Lease and agrees to indemnify and save Landlord completely harmless from any liability that may arise from such claim, including reasonable attorney's fees.

34. **LANDLORD'S DEFAULT.** Landlord shall in no event be charged with default in the performance of any of its obligations under this Lease unless and until Landlord shall have failed to perform such obligations within ten (10) days (or within such additional time as is reasonably required to remedy any such default) after written notice to Landlord by Tenant properly specifying and detailing the particulars of wherein and whereby Tenant claims Landlord has failed to perform any such obligations. If the holder of record of the first mortgage covering the Premises shall have given prior written notice to Tenant that it is the holder of such first mortgage and such notice includes the address at which notices to such mortgagee are to be sent, then Tenant shall give such mortgagees notice simultaneously with any notice given to Landlord to correct any default of Landlord as herein above provided. Such mortgagee shall have the right within thirty (30) days (or within such additional time as is reasonably required to correct any such default) after receipt of such notice to correct or remedy such default before Tenant may take any action under this Lease by reason of such default. Any notice of default given Landlord by Tenant shall be null and void unless simultaneous notice has been given by Tenant to said first mortgagee. It is specifically understood and agreed, anything in this Lease to the contrary notwithstanding, that there shall be no personal liability on Landlord (nor on Landlord's officers, principals, agents and employees) with respect to any of the covenants, conditions or provisions of this Lease; in the event of a breach or default by Landlord of any of its obligations under this Lease; Tenant shall look solely to the equity of Landlord in the Building for the satisfaction of Tenant's remedies, and in absolutely no event shall Landlord be liable for prospective profits or special, indirect, or consequential damages. Likewise, anything in this Lease to the contrary notwithstanding, in no event shall Tenant have the right to terminate this Lease as a result of any default by Landlord, but rather, Tenant's remedies against Landlord shall be solely limited to a claim for damages and/or a claim for injunction except for as provided for in Paragraphs 15 and 17.

35. **NOTICES.** Any notice or document required or permitted to be delivered hereunder shall be deemed to be delivered or given when (a) actually received or (b) signed for or "refused" as indicated on the postal service return receipt. Delivery shall and must be by personal delivery or

by United States mail, postage prepaid, certified or registered mail, addressed to the parties hereto at the respective address set out opposite their names below, or at such other address as they may hereafter specify by written notice delivered in accordance herewith:

LANDLORD:	EDGEWORD GENERAL PARTNERSHIP c/o Carter & Associates 1408 North Westshore Boulevard, Suite 512 Tampa, Florida 33607
TENANT:	HR Logic, Inc. 1408 North Westshore Boulevard, Suite 200 Tampa, Florida 33607
COPY TO:	HR Logic, Inc. Attn: Christina Harris 402 43 <sup>rd</sup> Street West Bradenton, Florida 34209

36. **INSURANCE.** Tenant shall not conduct or permit to be conducted any activity, or place any equipment, materials or other items in, on or about the Premises or the Building, which will in any way increase the rate of fire or liability or casualty insurance on the Building. Should Tenant fail to comply with the foregoing covenant on its part to be performed, Tenant shall reimburse Landlord for such increased amount upon written demand therefor from Landlord, the same to be considered Additional Rent payable hereunder.

Tenant shall, at Tenant's sole expense, obtain and keep in force at all times during the Term (as maybe extended) of this Lease comprehensive general liability insurance, including property damage, on an occurrence basis, with limits of not less than One Million Dollars (\$1,000,000.00) combined Single limit, insuring Landlord and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto, with Landlord named as an additional insured. The limit of said insurance shall not, however, limit the liability of Tenant hereunder. Tenant may carry said insurance under a blanket policy, provided an endorsement naming Landlord as an additional insured is attached thereto. Tenant shall furnish Landlord with a Certificate of Insurance, confirming that Landlord has been named as an additional insured and providing for written notice to Landlord in the event of any change or termination in the maintenance of such insurance.

Tenant shall maintain insurance upon all property in the Premises owned by Tenant or for which Tenant is legally liable. Tenant shall maintain insurance against such other perils and in such amounts as Landlord may in writing from time to time require. The insurance required to be obtained and

maintained under this Lease shall be with a company or companies licensed to issue the relevant insurance and licensed to do business in the State of Florida. Such insurance company or companies shall each have a policyholder's rating of no less than "A" in the most recent edition of Best's Insurance Reports. No policy shall be cancelable or subject to reduction of coverage except after thirty (30) days' prior written notice to Landlord. All policies of insurance maintained by Tenant shall be in a form, and shall have a substance, acceptable to Landlord with satisfactory evidence that all premiums have been paid. Tenant agrees not to

violate or permit to be violated any of the conditions or provisions of the insurance policies required to be furnished hereunder, and agrees to promptly notify Landlord of any fire, loss or other casualty. If Tenant fails to procure and maintain insurance as required hereunder, Landlord may do so, and Tenant shall, on written demand, as Additional Rent, reimburse Landlord for all monies expended by Landlord to procure and maintain such insurance within five (5) days of the receipt of such demand.

Tenant hereby waives and releases Landlord of and from any and all liabilities, claims and losses for which Landlord is or may be held liable to the extent Tenant receives or is entitled to receive insurance proceeds on account thereof. .

Upon Landlord's written request for same, Tenant will provide Landlord with written evidence of Tenant's compliance with its obligations under this Item 36.

37. **RECORDING.** This Lease shall not be recorded without Landlord's prior written discretionary consent.

38. **STATUTORILY MANDATED NOTIFICATION.** As required by F.S. 404.056(8), Landlord hereby notifies Tenant as follows: "RADON GAS: Radon is a naturally occurring radioactive gas that, when it has accumulated in a Building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in Buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit."

39. **NON-DISCLOSURE.** Tenant agrees that it will not divulge or disclose to third parties the terms, provisions and conditions of this Lease with the sole exception being to Tenant's accounting firm. Tenant's breach of this Item 39 shall constitute a Default under Item 19 of this Lease, no curative notice to Tenant from Landlord being required.

40. **HAZARDOUS MATERIALS.** Tenant shall not cause or permit any Hazardous Materials (as hereinafter defined) to be brought upon, kept or used in or about the Premises or the Building by Tenant, its agents, principals, employees, assigns, subtenants, contractors, consultants or invitees without prior written consent of Landlord, which consent may be withheld for any reason whatsoever or for no reason at all. If Tenant breaches the obligations stated in the immediately preceding sentence, or if the presence of Hazardous Material on the Premises or around the Building caused or permitted by Tenant (or the aforesaid others) results in contamination of the Premises or the Building or the surrounding area(s), or if contamination of the Premises or the Building or the surrounding area(s) by Hazardous Material otherwise occurs for which Tenant is legally, actually or factually liable or responsible to Landlord (or any party claiming by, through or under Landlord) for damages, losses, costs or expenses resulting therefrom, then Tenant shall fully and completely indemnify, defend and hold harmless Landlord (or any party claiming by, through or under Landlord) from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses [including, without limitation: (i) diminution in the value of the Premises and/or the Building and/or the land on which title Building is located and/or any adjoining area(s) which Landlord owns or in which it holds a property interest; (ii) damages for the loss or restriction on use of rentable or usable space of any amenity of the Premises, the Building or the land on which the Building is located; (iii) damages arising from any adverse impact on marketing of space; and (iv) any sums paid in settlement of claims, attorney's fees, consultants' fees and expert fees] which arise during or after the Term of this Lease, as may be extended, as a consequence of such contamination. This indemnification of

Landlord by Tenant includes, without limitations, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under the Premises or the Building. Without limiting the foregoing, if the presence of any Hazardous Material on, under or about the Premises, the Building or the surrounding area(s) caused or permitted by Tenant (or the aforesaid others) results in any contamination of the Premises, the Building or the surrounding area(s), Tenant shall immediately take all actions at its sole expense as are necessary or appropriate to return the Premises, the Building and the surrounding area(s) to the condition existing prior to the introduction of any such Hazardous Material thereto; provided that Landlord's prior written discretionary approval of such actions by Tenant shall be first obtained. The foregoing obligations and responsibilities of Tenant shall survive the expiration or earlier termination of this Lease.

As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material or waste, including, but not limited to, those substances, materials, and wastes listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 302) and amendments thereto, or such substances, materials and wastes that are or become regulated under any applicable local, state or federal law. "Hazardous Material" includes any and all material or substances which are defined as "hazardous waste", "extremely hazardous waste" or a "hazardous substance" pursuant to state, federal or local governmental law. "Hazardous Substance" includes, but is not restricted to asbestos, polychlorobiphenyls ("PCB's") and petroleum. Tenant shall be able to store and use normal office cleaning materials.

Landlord and its agents shall have the right, but not the duty, to inspect the Premises -at any time and from time to time to determine whether Tenant is complying with the terms of this Item 40. If Tenant is not in compliance with this Item 40, Landlord shall have the right to immediately enter upon the Premises to remedy any contamination caused by Tenant's failure so to comply, notwithstanding any other provision of this Lease. Landlord shall use its best efforts to minimize interference with Tenant's business, but shall not be liable for any interference caused thereby.

Tenant shall not (either with or without negligence) cause or permit the escape, disposal or release of any biologically or chemically active or other hazardous substances, or materials. Tenant shall not allow the storage or use of such substances or materials in any manner not sanctioned by law of by the highest standards prevailing in the industry for the storage and use of such substances or materials, nor allow to be brought into the Project any such materials or substances except to use in the ordinary course of Tenant's business, and then only after written notice is given to Landlord of the identity of such substances or materials. Without limitation, hazardous substances and materials shall include those described in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 et seq., any applicable state or local laws and the regulations adopted under

these acts. If any lender or governmental agency shall ever require testing to ascertain whether or not there has been any release of hazardous materials, then the reasonable costs thereof shall be reimbursed by Tenant to Landlord upon demand as additional charges if such requirement applies to the Premises. In addition, Tenant shall execute affidavits, representations and the like from time to time at Landlord's request concerning Tenant's best knowledge and belief regarding the presence of hazardous substances or materials on the Premises. In all events, Tenant shall indemnify Landlord in the manner elsewhere provided in this lease from any release of hazardous materials on the Premises occurring while Tenant is in possession, or elsewhere if caused by Tenant or persons acting under Tenant. The within covenants shall survive the expiration or earlier termination of the lease term.

Any non-compliance by Tenant with its duties, responsibilities and obligations under this Item 40 shall be an "automatic" (no notice of any nature from Landlord to Tenant being required) default of this Lease (see Item 19).

41. NOTICE TO OWNERS, PROSPECTIVE TENANTS AND BUYERS OF REAL PROPERTY REGARDING "THE AMERICANS WITH DISABILITIES ACT". Please be advised that a Tenant of real property may be subject to the Americans With Disabilities Act (the ADA), a Federal law codified at 42 USC Section 12101 et seq. Among other requirements of the ADA that could apply to your property, Title III of the ADA requires Tenants of "public accommodations" to remove barriers to allow access by disabled persons and provide auxiliary aids and services for hearing, vision or speech impaired persons by January 26, 1992. The regulations under Title III of the ADA are codified at 28 CFR Part 36.

We recommend that you and your attorney review the ADA and the regulations, and, if appropriate, your lease, to determine if this law could apply to you, and the nature of the requirements. These are legal issues. You are responsible for conducting your own independent investigation of these issues. The Landlord cannot give you legal advice on these issues.

42. AMENDMENTS. This Lease contains the entire agreement between the parties hereto and may not be altered, changed or amended, except by written instrument signed by both parties hereto. No provision of this Lease shall be deemed to have been waived by Landlord unless such waiver is in writing signed by Landlord and addressed to Tenant, nor shall any custom or practice which may grow up between the parties in the administration of the provisions hereof be construed to waive or lessen the right of Landlord to insist upon the performance by Tenant in strict accordance with the terms hereof. The terms, provisions, covenants, and conditions contained in this Lease shall apply to, inure or the benefit of, and be binding upon the parties hereto, and upon their respective successors in interest and legal representative, except as otherwise herein expressly provided,

The parties each acknowledge that they have thoroughly read and understand this Lease (to include its Exhibits and attachments) in its entirety, that they are completely familiar with each, every, any and all of the terms, covenants, provisions and conditions set forth therein, and mat there are no other representations, promises, covenants, assurances, conditions, statements, understandings, warranties or agreements (collectively, "Representations") concerning this Lease which do not appear in writing therein. This Lease supersedes and revokes all previous negotiations, arrangements, letters of intent, offers to lease, lease proposals, brochures, Representations, and information or data conveyed, whether oral or in writing, between the parties and/or their respective representatives or any other person(s) purporting to represent either Landlord or Tenant. Each party acknowledges that it has not been induced to enter into this Lease by any Representations not expressly set forth herein. The parties further acknowledge that the terms and provisions contained within this Lease have been fully, freely and fairly negotiated by and between them.

IN WITNESS WHEREOF, the parties, either for themselves or by and through their undersigned, duly authorized representatives, have executed this Lease for the purpose therein expressed.

Signed, sealed and delivered  
in the presence of:

By: \_\_\_\_\_  
Witness 1 as to Lessor

By: \_\_\_\_\_  
Witness 2 as to Lessor

By: \_\_\_\_\_  
Witness 1 as to Landlord

By: \_\_\_\_\_  
Witness 2 as to Landlord

TENANT:  
HR LOGIC, INC.

By: /s/ Joseph Bello  
Name: Joseph Bello  
Title: Chief Operating Officer

LANDLORD  
EDGEWOOD GENERAL PARTNERSHIP

By: /s/ David Henry Simon  
Name: David Henry Simon  
Title: President, Daper Tampa, Inc., a General Partner of Edgewater General Partnership

EXHIBIT A  
PREMISES

EXHIBIT B  
LANDLORD'S WORK

EXHIBIT C  
BUILDING RULES AND REGULATIONS

EXHIBIT D  
LEGAL DESCRIPTION

Exhibits are available upon request

**FIRST AMENDMENT OF LEASE**

THIS AGREEMENT made this 7<sup>th</sup> day of December, 2000 between The Edgewood General Partnership, 1408 North Westshore Boulevard, Suite 512, City of Tampa, County of Hillsborough, State of Florida, herein referred to as Landlord, and H R Logic, Inc. at 1408 North Westshore Boulevard, Suite 200, City of Tampa, County of Hillsborough, State of Florida, herein referred to as Tenant:

The parties hereto have entered into a Lease Agreement dated July 6,2000 by and between H.R. Logic, Inc. and Edgewood General Partnership, a copy of which is attached hereto as "Exhibit A" and referred to herein as the "Lease" affecting the property described as follows:

"Tower II, Suite 200 comprising of 3,281 rentable square feet (the "Existing Premises"), located in the Tower n, Building, 1408 North Westshore Boulevard, Tampa, Florida 33607"

The parties desire to enter into a new agreement modifying or supplementing the provisions of the Lease as follows:

1. Tenant shall expand into Suite 206 comprising of 1,340 rentable square feet (the "Expansion Space"). Collectively and as depicted in the attached "Exhibit B", the Existing Premises and the Expansion Space shall comprise of approximately 4,621 rentable square feet and be hereinafter referred to as the "Premises".
2. Landlord will build out the Expansion Space based on the Scope of Work here-in attached as Exhibit "C". The Landlord's total out of pocket cost for the Scope of Work in Exhibit "C" shall not exceed four thousand four hundred fourteen dollars and fifty-eight cents (\$4,415.58). The Scope of Work described in Exhibit "B" of the Lease has been completed by the Landlord and therefore Exhibit "B" of the Lease shall be deleted. The Landlord is providing the Existing Premises in "As Is" condition.
3. The term of the Expansion Space shall begin upon the laterr of December 1, 2000 or upon substantial completion of the Tenant Improvements as defined in Exhibit "C" and shall expire coterminously with the term of the Existing Premises on November 30, 2003.
4. Section l(g) of the Lease "Rent" shall be modified to include the Expansion Space as defined below:

<u>TERM</u>	<u>RATE PER RSF</u>	<u>MONTHLY RENTAL*</u>
<b>Existing Premises</b>		
12/1/00-11/30/01	\$ 19.25	\$ 5,263.27
<b>Expansion Space</b>		
12/1/00-11/31/01**	\$ 19.25	\$ 2,149.58

\*\* Rent to begin as described in Section 3 above.

**Premises**

(the following outlines the rent schedule for both the Existing Premises and the Expansion Space beginning on December 1, 2001)

12/1/01 - 11/30/02	\$ 19.75	\$ 7,605.40
12/1/02 - 11/30/03	\$ 20.25	\$ 7,797.94

\*Plus applicable sales tax and operating expense pass-thru's.

5. Proportionate Share. The definition of "Proportionate Share" as set forth in Section l(k) of the Lease is hereby deleted in its entirety and replaced with the following: "The net rentable area in the Premises (4,621 square feet) divided by the net rentable area in the Building (145,923 square feet), which equals 3.17 percent."
6. Section 23 of the Lease "Security Deposit", shall be amended and the new Security Deposit amount shall be eight thousand three hundred twenty four dollars and thirty cents (\$8,324.30). Upon Tenant's execution of this First Amendment, Tenant shall pay to Landlord in addition to its current Security Deposit of five thousand nine hundred ten dollars and forty two cents (\$5,910.42), an amount equal to two thousand four hundred thirteen dollars and eighty-eight cents (\$2,413.88).
7. Section 1 (g) "**Rent**" of the Lease shall be amended as follows: Rent and all other sums payable by Tenant to Landlord under this Lease, plus any applicable sales tax, shall be paid to Landlord, without demand, recoupment, abatement, deduction or offset, at its office presently located at 405 North Reo Street, Suite 160, Tampa, Florida 33609, or at any such other place as Landlord may hereafter specify in writing.

All provisions of the Lease Agreement are incorporated herein and are hereby modified or supplemented to conform herewith, but in all respects are to and shall continue in full force.

SIGNED AND SEALED AND DELIVERED  
IN THE PRESENCE OF:

TENANT:  
**H R Logic, Inc.**

          /s/ illegible            
Witness 1 as to Tenant

By:           /s/ Joseph Bello          

          /s/ illegible            
Witness 2 as to Tenant

Title:           Chief Operating Officer          

          /s/ illegible            
Witness 1 as to Landlord

LANDLORD:  
**Edgewood General Partnership**

          /s/ illegible            
Witness 2 as to Landlord

By:           /s/ David Henry Simon          

Title: As President of Daper Tampa, Inc.  
A General Partner of Edgewood  
General Partnership

Exhibits are available upon request.

**SECOND AMENDMENT OF LEASE**

THIS AGREEMENT made this 29th day of April, 2002 between Edgewood General Partnership, 1408 North Westshore Boulevard, Suite 150, City of Tampa, County of Hillsborough, State of Florida, herein referred to as "Landlord", and Cross Country TravCorps, a Florida Corporation, successor in interest to H R Logic, Inc. at 1408 North Westshore Boulevard, Suite 200, City of Tampa, County of Hillsborough, State of Florida, herein referred to as "Tenant":

The parties hereto have entered into a Lease Agreement dated July 6,2000 (hereinafter referred to as the "Lease") by and between H.R. Logic, Inc. and Edgewood General Partnership, and a First Amendment of Lease dated December 7,2000 (hereinafter the "First Amendment"), a copy of both which are attached hereto as Exhibit "A" affecting the property described as follows:

"Tower II, Suite 200 comprising of 4,621 rentable square feet (the "Existing Premises"), located in the Tower II, Building, 1408 North Westshore Boulevard, Tampa, Florida 33607;"

The parties desire to enter into a new agreement modifying or supplementing the provisions of the Lease as follows:

1. Premises. Tenant shall relocate and expand the entire Existing Premises to Suite 300 comprising of 15,698 rentable square feet (hereinafter the "New Premises"), collectively and as depicted in the attached Exhibit "B." All references in the Lease (as amended) to the Premises shall mean the "New Premises."

Upon relocation to the New Premises Tenant shall relinquish its Existing Premises to the Landlord and shall no longer be responsible for rental payments for the Existing Premises for the period thereafter.

2. Tenant Improvements. Landlord will build out the New Premises based on the Space Plan shown in the attached Exhibit "C" and the Scope of Work herein attached as Exhibit "D". The Landlord's total out of pocket cost for the Scope of Work in Exhibit "D" shall not exceed One Hundred Twenty Three Thousand Three Hundred and 76/100 Dollars (\$123,300.76).

Any work or Tenant Improvements requested by the Tenant beyond the Scope of Work set forth in Exhibit "D" shall be a matter solely between Tenant and the contractor performing the improvements and all expenses and financial arrangements and payment relating to such additional work shall be a matter solely between Tenant and such contractor. Tenant is advised that such contractor may request such payment in advance for such work to be performed beyond that set forth in Exhibit "D" set forth.

3. Term and Commencement. The term of the New Premises shall be for not less than sixty-five (65) months to commence on July 1, 2002 ("the anticipated Commencement Date") or upon the substantial completion of the Tenant Improvements, and the date the Landlord delivers to

Tenant possession of the Premises (the "Actual Commencement Date"); and to expire on the last day of the 65<sup>th</sup> calendar month after the Actual Commencement Date.

4. Rent. Section 4 of the First Amendment of Lease, "Rent" shall be nullified and the new Base Rent for the New Premises shall be as defined below:

TERM	BASE RENTAL RATE*	MONTHLY RATE
Months 1 - 12	\$ 20.00	\$ 26,163.33
Months 13 - 24	\$ 20.60	\$ 26,948.23
Months 25 - 36	\$ 21.65	\$ 28,321.81
Months 37 - 48	\$ 23.00	\$ 30,087.83
Months 49 - 60	\$ 24.38	\$ 31,893.10

All provisions of the Lease Agreement are incorporated herein and are hereby modified or supplemented to conform herewith, but in all respects are to and shall continue in full force.

IN WITNESS WHEREOF, the parties have executed this Modification under seal the day and year first written above.

SIGNED AND SEALED AND  
DELIVERED  
IN THE PRESENCE OF:

/s/ illegible  
Witness 1 as to Tenant

/s/ illegible  
Witness 2 as to Tenant

/s/ illegible  
Witness 1 as to Landlord

/s/ illegible  
Witness 2 as to Landlord

TENANT:  
**Cross Country Travcorps,  
A Florida Corporation**

By: /s/ Vickie Anenberg

Title: President

LANDLORD:  
**Edgewood General Partnership**

By: /s/ David Henry Simon

Title: As President of Daper Tampa, Inc.

Exhibits are available upon request.

LEASE AGREEMENT

BETWEEN

CORNERS REALTY CORPORATION, INC.

(Landlord)

AND

CEJKA & COMPANY

(Tenant)

Dated: May 11, 2001

This Lease Agreement (“Lease”) is made this 11th day of May, 2001 by and between CORNERS REALTY CORPORATION, INC., a Delaware corporation (“Landlord”), and CEJKA & COMPANY, a Delaware corporation having an address at \_\_\_\_\_ (“Tenant”).

WITNESSETH :

The parties hereto, for themselves, their legal representatives, successors and assigns, agree as follows:

1. BASIC LEASE INFORMATION. The terms used in this Lease shall have the meanings set forth in this Paragraph 1.
  - (a) Building. The office building located at 6525 The Corners Parkway, Norcross, GA 30092 and commonly known as “The Corners Office Park.”
  - (b) Land. Those certain parcels of land more particularly described on Exhibit A attached hereto and made a part hereof. The Land is part of the Park.
  - (c) Park. The Land and all improvements thereon, including, without limitation, the Building and the Common Areas.
  - (d) Premises. Suite Numbers 120 and 450 substantially as shown on Floor Plan(s) attached hereto as Exhibit B and made a part hereof, which the parties agree contain 296 rentable square feet and 8,845 rentable square feet, respectively, as of the date of this Lease, for a total of 9,141 rentable square feet.
  - (e) Common Areas. Those certain areas and facilities of the Building and the Park which are from time to time provided by Landlord, in its discretion, for the use of tenants and their employees, clients, customers, guests, licensees and invitees or for use by the public.
  - (f) Permitted Uses. Executive and administrative offices reasonable and customary for Tenant’s business as an employment agency and related uses thereto.
  - (g) Commencement Date. July 1, 2001.
  - (h) Expiration Date. December 31, 2006.
  - (i) Term. Approximately Five (5) Years and Six (6) Months (Total: 66 Months), beginning on the Commencement Date and ending at 11:59 p.m. on the Expiration Date, unless this Lease is sooner terminated as provided herein.
  - (j) Security Deposit. \$3,818.00.
  - (k) Rent. The Base Rent, the Additional Rent, as defined in Paragraph 3, and all other sums due from Tenant to Landlord hereunder.

2

(l) Base Rent:

Lease Period	Per Rentable Square		Annually	Monthly
	Foot			
7/1/01 – 6/30/02	\$	19.00	\$ 173,679.00	\$ 14,473.25
7/1/02 – 6/30/03	\$	19.95	\$ 182,362.92	\$ 15,196.91
7/1/03 – 6/30/04	\$	20.95	\$ 191,503.92	\$ 15,958.66
7/1/04 – 6/30/05	\$	21.99	\$ 201,010.56	\$ 16,750.88
7/1/05 – 6/30/06	\$	23.09	\$ 211,065.72	\$ 17,588.81
7/1/06 – 12/31/06	\$	24.24	\$ 110,788.92*	\$ 18,464.82

\*for six (6) months

- (m) Base Rent Adjustment Amount. Five (5%) percent. (Included in computation in Subparagraph 1(1)).
- (n) Tenant's Broker(s). Corporate Property Advisors,
- (o) Landlord's Broker/Manager. Trammell Crow Company.
- (p) Tenant Improvement Allowance. Up to \$109,692.00 (or \$12.00 per rentable square foot).

## 2. TERM AND POSSESSION

(a) Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises for the Term. During the Term, Tenant shall have the right to use the Common Areas in common with others and in accordance with the Lease and the Rules and Regulations.

(b) Intentionally deleted.

(c) In the event this Lease pertains to Premises in which building interior finish is to be constructed by Landlord (the "Leasehold Improvements"), the Commencement Date shall be the date set forth in Subparagraph 1(g). If a Leasehold Improvement Allowance is set forth in Paragraph 1 above, then Tenant shall be responsible for all hard and soft costs incurred in connection with the design and construction of the Leasehold Improvements which are in excess of the Tenant Improvement Allowance. If Tenant is given a Tenant Improvement Allowance, it must be used by Tenant within the first six (6) months of the Term. The "Substantial Completion Date," if relevant, shall be the date upon which the Leasehold Improvements have been substantially completed, except for punch list items, in accordance with the plans and specifications ("Plans and Specifications") attached hereto as Exhibit C and made a part hereof and the Work Agreement ("Work Agreement") attached hereto as Exhibit D and made a part hereof, provided however, that if Landlord shall be delayed in such substantial completion as a result of: (i) Tenant's failure to agree to plans, specifications, and cost estimates within five (5) Business Days; (ii) Tenant's request for materials, finishes or installations other

3

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than Landlord's standard; (iii) Tenant's changes in plans and specifications; (iv) the performance or completion by a party employed by Tenant; or (v) the failure by Tenant to make payment for the cost of the Leasehold Improvements in excess of the Tenant Improvement Allowance as set forth above, the Commencement Date and the payment of Rent hereunder shall be accelerated by the number of days of such delay, and provided further that if Landlord cannot substantially complete the Premises as a result of any of events (i) through (v) above, Landlord may at its election complete so much of the Leasehold Improvements as may be practical under the circumstances and, by written notice to Tenant, establish the Commencement Date as the date of such partial completion, subject to any applicable accelerations due to delays resulting from events (i) through (v) above. Tenant shall provide Landlord with a punch list within ten (10) days of the Substantial Completion Date, and Landlord shall proceed to complete these items promptly. The taking of possession by Tenant shall be deemed conclusively to establish that the Leasehold Improvements have been completed in accordance with the plans and specifications (except for punch list items) and that the Premises are in good and satisfactory condition.

(d) If this Lease is executed before the Premises become vacant or otherwise available and ready for occupancy, and Landlord cannot acquire possession of the Premises prior to the Commencement Date, Landlord shall not be deemed to be in default hereunder, and Tenant agrees to accept possession of the Premises at such time as Landlord is able to tender the same, which date shall be deemed the Commencement Date; and Landlord hereby waives payment of Rent covering any period prior to the tendering of possession to Tenant hereunder.

(e) Landlord may submit Tenant a written agreement, substantially in the form annexed as Exhibit E, confirming the date fixed by Landlord, in accordance with the provisions of this Lease, as the Commencement Date and the Expiration Date, and Tenant shall execute such agreement and return it to Landlord within fifteen (15) calendar days thereafter. Any failure of the parties to execute such written agreement shall not affect the validity of the Commencement Date or the Expiration Date as fixed and determined by Landlord. In the event of any dispute as to the substantial completion of work required to be performed by Landlord, the certificate of Landlord's architect or general contractor shall be conclusive. Notwithstanding anything above to the contrary, Tenant shall have access to the Premises within ten (10) days of the Commencement Date for the purpose of installing fixtures and furniture but not for the purpose of conducting business without the payment of Rent.

## 3. BASE RENT; ADDITIONAL RENT.

(a) Tenant shall pay in advance to Corners Realty Corporation, Inc., P. O. Box 531258, Atlanta, Georgia 30353-1258, Accounts Receivable, or at such other place as Landlord shall designate in writing, promptly, without notice, demand, offset or deduction, in lawful money of the United States of America on the first day of each calendar month during the Term: (i) the Base Rent as set forth in Paragraph 1(1) in equal installments in advance of the first day of each calendar month of the Term; and (ii) the additional rent ("Additional Rent") consisting of all other sums of money as shall become due from and be payable by Tenant under this Lease including, but not limited to, those described in Subparagraph 3(b) below (for default in the payment of which Landlord shall have the same remedies as for a default in the payment of Base Rent) . If the Term commences on a day other than the first day of a month, or

4

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terminates on a day other than the last day of a month, the Base Rent for the first and last partial month shall be prorated based upon the actual number of days leased in such month.

(b) "Lease Year," as used herein, means a period of twelve (12) consecutive calendar months, or a portion thereof falling within the Term, with the first Lease Year commencing with the first day of the calendar month beginning on or after the Commencement Date of the Term and each subsequent Lease Year commencing on each anniversary during the Term of the Commencement Date of the first Lease Year. The period, if any, from the Commencement Date of the Term to the beginning of the first Lease Year shall be treated as if it were part of the first Lease Year under this Lease for all purposes.

(c) Simultaneously with the execution of this Lease, Tenant has paid to Landlord, and Landlord hereby acknowledges the receipt of the first installment of the Base Rent ("Initial Installment"). Such sum shall be applied by Landlord to the first installment (s) of Base Rent as they become due hereunder. In the event Tenant fails to take possession of the Premises in accordance with all of the terms hereof, the Initial Installment shall be retained by Landlord for application in reduction, but not in satisfaction, of damages suffered by Landlord as a result of such breach by Tenant.

(d) In the event Tenant shall fail to pay by the first day of the month when due any rent or any other charges, fees, costs or expenses which Tenant is obligated or liable to pay to, refund to or reimburse Landlord, Tenant shall be obligated to pay interest at the rate of one and one-half percent (1H%) per month (or any portion of a month) during which such Rent or other obligation remains outstanding together with a late charge, which shall constitute liquidated damages, equal to five (5%) percent of the then outstanding Rent or other obligation. Such interest and late charges shall be deemed Additional Rent and shall become immediately due and payable along with the Base Rent and Additional Rent.

(e) The obligations contained in this Paragraph 3 shall survive the Expiration Date or earlier termination of this Lease.

#### 4. USE.

(a) Tenant shall occupy, operate and use the Premises only for the Permitted Uses during Business Hours (as hereinafter defined) of the Building. Tenant shall comply with all governmental laws, ordinances and regulations (including, but not limited to, the Americans with Disabilities Act of 1990), now or hereinafter enacted ("Laws") applicable to the Premises, Tenant's occupancy, use or manner of use of the Premises and shall promptly comply with all governmental orders and directives at Tenant's sole expense. Tenant shall not permit any objectionable or unpleasant odors, smoke, dust, gas, noise or vibrations to emanate from the Premises or take any other action which would constitute a nuisance or would disturb or endanger any other tenants of the Building or unreasonably interfere with their use of their respective premises or the Common Areas. Tenant shall not receive, store or otherwise handle any product, material or merchandise which is explosive or highly flammable.

5

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(b) Tenant shall not use, handle, store, discharge or fabricate any Hazardous Substances (as hereinafter defined) in the Premises. The term "Hazardous Substances," as used in this Lease shall mean pollutants, contaminants, toxic or hazardous wastes or pollutants or contaminants, or any other substances, the removal of which is required or the use of which is restricted, prohibited or penalized by any "Environmental Law," which term shall mean any federal, state or local law, ordinance, statute, rule, regulation or directive promulgated by any governmental authority relating to pollution or protection of the environment. Tenant hereby agrees that: (i) no activity will be conducted on the Premises that will produce any Hazardous Substance; (ii) the Premises will not be used in any manner for the storage of any Hazardous Substances except for the temporary storage of such materials as are customarily used in general business offices in office buildings of this type (the "Permitted Materials") provided such Permitted Materials are properly stored in a manner and location meeting all Environmental Laws and approved in advance in writing by Landlord; (iii) Tenant will not permit any Hazardous Substances to be brought onto the Premises, except for the Permitted Materials, and if so brought or found located thereon, the same shall be immediately removed, with proper disposal, and all required cleanup procedures shall be diligently undertaken pursuant to all Environmental Laws. Furthermore, Tenant shall not use any part of the Premises or the Park without the written consent of Landlord and lender, for any dry cleaning activities involving chlorinated solvents or use chlorinated solvents in the operation of its business, except for products typically used in offices or restaurants, in which case, all of the removal, disposal and indemnification provisions of this Lease shall apply. If, at any time during or after the Term, the Premises are found to be so contaminated or subject to said conditions as a result of a condition caused by Tenant only, Tenant agrees to indemnify and hold Landlord, its trustees, partners, affiliates, shareholders, officers, directors, employees, agents, contractors and the Manager ("Indemnitees") harmless from all claims, demands, actions, liabilities, costs, expenses, damages and obligations of any nature arising from or as a result of the presence or the use of Hazardous Substances in the Premises by Tenant.

(c) Tenant will not permit the Premises to be used for any purpose or in any manner (including without limitation any method of storage) which would render the insurance thereon void or the insurance risk more hazardous or cause the Insurance Commissioner or other insurance authority to disallow any sprinkler credits. If any increase in the fire and extended coverage insurance premiums paid by Landlord or other tenants for the Building is caused by Tenant's use and occupancy of the Premises, or if Tenant vacates the Premises and causes an increase in such premiums, then Tenant shall pay the amount of such increase to Landlord as Additional Rent.

(d) If Tenant shall receive notice of any violation of, or defaults under, any Laws or Environmental Laws, liens or other encumbrances applicable to the Premises, Tenant shall give prompt notice thereof to Landlord.

(e) Tenant agrees that the floor load resulting from Tenant's furniture, inventory and equipment pertaining to Tenant's use of the Premises shall not exceed allowable design floor loading for the Building. Tenant shall hold harmless Landlord from any loss, liability and expenses, both real and alleged, arising out of or caused by Tenant's negligence or failure to comply with this Subparagraph (e).

6

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(f) The Premises shall not be used for any purpose that would, in Landlord's reasonable judgment, create unreasonable or excessive elevator or floor loads, violate the certificate of occupancy of the Building, impair or interfere with any of the Building operations or the proper and economic heating, air-conditioning, cleaning or any other services of the Building or impair the appearance of the Building.

(g) The provisions of Paragraph 4 shall survive the termination or earlier expiration of this Lease.

#### 5. LANDLORD'S SERVICES.

(a) Landlord shall furnish seasonal air conditioning and heating from 7:00 A.M. to 6:00 P.M. on Mondays through Fridays and from 9:00 A.M. until 1:00 P.M. on Saturdays ("Business Hours") except holidays observed by the City of Atlanta, State of Georgia, the federal government or labor unions servicing the Building ("Business Days"). As of the date of this Lease, New Year's Day, Martin Luther King Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, the Friday after Thanksgiving and Christmas Day are holidays observed by the Building ("Holidays"). The Holidays are subject to change from time to time by Landlord. Should Tenant desire either heating or air conditioning at other times, Landlord agrees to provide same upon reasonable advance written request by Tenant, but at Tenant's expense and at such hourly rates as may be determined from time to time by Landlord, which charge Tenant shall pay promptly upon demand by Landlord. Tenant agrees to keep and cause to be kept closed all window coverings, if any, when necessary because of the sun's position, and Tenant also agrees at all times to cooperate fully with Landlord and to abide by all the reasonable regulations and

requirements which Landlord may prescribe for the proper functioning and protection of the heating, ventilating, and air conditioning system and to comply with all laws, ordinances and regulations respecting the conservation of energy. Landlord will not be responsible for failure of the HVAC System to provide sufficient cooling if such failure results from occupancy of the Premises by more than one (1) person per one hundred fifty (150) square feet of usable area or if Tenant shall use in excess of five (5) watts of electricity per usable square foot for lighting and power. If the occupancy rate is greater than as described in the previous sentence or if Tenant's partitions are arranged in a way which interferes with the normal operation of the HVAC System, Landlord may elect to make changes to the HVAC System or the ducts, and the cost shall be reimbursed by Tenant to Landlord as Additional Rent within ten (10) days after demand. Tenant shall not construct partitions or other obstructions that may interfere with Landlord's free access to mechanical installations in the Premises or interfere with the moving of Landlord's equipment to and from such installations. Neither Tenant nor its agents, employees or contractors shall at any time enter such enclosures or tamper with, adjust, touch or otherwise affect the mechanical installations. If Tenant installs equipment which in Landlord's opinion produces enough heat to cause comfort problems in the Building or any part thereof, or if Tenant desires a supplemental air conditioning system and Landlord has approved same, then Landlord may, at its option, either cause to be designed or permit Tenant to design a supplemental air conditioning system, subject to Landlord's approval, and Landlord shall install such system substantially in accordance with such design. If Tenant has requested such supplemental system, Tenant shall be responsible for determining that the design of such system is adequate for its needs. Tenant

7

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agrees to pay Landlord for such equipment, design, review by Landlord's architect and engineer, installation, metering and consumption of electricity for supplemental air conditioning. Any such system shall be maintained, at Tenant's sole cost and expense, by a contractor reasonably approved by Landlord. Landlord shall be named as an additional beneficiary under any warranty on the supplemental air conditioning system.

(b) Landlord shall cause the Premises (excluding any secured areas designated by Tenant or other areas used for the storage, preparation, service or consumption of food or beverage) to be cleaned five (5) days per week, excluding Holidays, provided that Tenant shall keep the Premises in order. Notwithstanding the above, Landlord shall provide general janitorial service to Tenant's pantry, but such service shall not include cleaning kitchen equipment or dishes. Tenant shall not provide any janitorial services for independent contractors without Landlord's prior written consent, which consent shall not be unreasonably withheld and then subject only to supervision by Landlord and by a janitorial contractor or employees at all times satisfactory to Landlord. Any such services provided by Tenant shall be at Tenant's sole risk, cost and responsibility. Tenant shall pay the cost of removing any of Tenant's refuse and rubbish from the Premises and the Building to the extent that the same, in any one day, exceeds the average daily amount of refuse and rubbish accumulated in the use of such Premises as offices, as described in Landlord's cleaning contract or recommended by Landlord's cleaning contractor. Bills rendered by Landlord shall be paid as Additional Rent within ten (10) days after demand. Tenant shall cause all portions of the Premises used for the storage, preparation, service or consumption of food or beverages to be cleaned daily in a manner reasonably satisfactory to Landlord and to be treated whenever there is evidence of any infestation. Landlord shall have no obligation to clean, repair, replace or maintain any "private" plumbing fixtures or facilities.

(c) Landlord shall furnish electric current for Building standard tenant lighting and for standard office business machinery only from electric circuits designated by Landlord for Tenant's use. Such circuits shall be fed into one or more of the existing electrical panel (s) in the electrical closets located on the same Building floor as the Premises. Tenant's usage of the panels on any given floor shall not exceed Tenant's pro rata share (based on rentable square footage) of the panels' capacity. Tenant agrees that at no time will the connected electrical load in the Premises exceed in the aggregate five (5) watts per usable square foot of the Premises. Tenant will not use any electrical equipment which, in Landlord's reasonable opinion, will overload the wiring installations or interfere with the reasonable use thereof by other users in the Building. Tenant will not, without Landlord's prior written consent in each instance, connect any items such as non-Building standard tenant lighting, vending equipment, or auxiliary air conditioners to the Building's electrical system or make any alteration or addition to the system.

(d) Landlord shall maintain the Common Areas including, but not limited to the corridors, the windows in the Building, the mechanical, plumbing and electrical equipment serving the Building and the structure itself, in good order and condition, except for damage occasioned by the act of Tenant, its agents, servants, employees, guests or invitees, which damage shall be repaired by Landlord at Tenant's expense.

(e) Landlord shall furnish hot and cold water for ordinary drinking, cleaning and lavatory purposes. If Tenant requires, uses or consumes water for other purposes, Tenant

8

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agrees to install and pay for the cost and maintenance of a meter or other means to measure Tenant's water consumption. Tenant shall reimburse Landlord for the cost of all water excess consumed (including costs of generating hot water) as Additional Rent, within ten (10) days after demand.

(f) Except for the gross negligence or willful misconduct of Landlord, its agents, employees, contractors, Landlord shall not be in default hereunder or be liable for any damages directly or indirectly resulting from, nor shall the Rent herein reserved be abated by reason of: (i) the installation, use or interruption of use of any equipment in connection with the furnishing of any of the foregoing utilities and services; (ii) failure to furnish or delay in furnishing any such utilities or services when such failure or delay is caused by Acts of God or the elements, labor disturbances of any character, any other accidents or other conditions beyond the reasonable control of Landlord, or by the making of repairs or improvements to the Premises or to the Building; or (iii) the limitation, curtailment, rationing or restriction on use of water or electricity, gas or any other form of energy or any other service or utility whatsoever serving the Premises or the Building. No diminution or abatement of Rent or other compensation will be claimed by Tenant as a result therefrom, and no obligations of Tenant shall be affected or reduced by reason of such interruption, curtailment or suspension, and the same shall not constitute an actual or constructive eviction.

(g) Landlord shall provide elevator service to the Premises during Business Days, and subject to Subparagraph (f) above, on call at all other times.

(h) Any sums payable under this Paragraph 5 shall be considered Additional Rent and may be added to any installment of Rent thereafter becoming due and shall accrue late charges as Rent as set forth in Paragraph 16 of this Lease, and Landlord shall have the same remedies for a default in payment of such sums as for a default in the payment of Rent.

(i) Subject to the provisions of this Lease, Tenant shall have access to the Premises 24 hours per day, 7 days per week, 365 days per year. Notwithstanding anything to the contrary, it is not the intention of Landlord or Tenant for Tenant to occupy the Premises for a 24-hours per day business

operation.

## 6. REPAIRS.

(a) Tenant shall, at its own cost and expense, keep in good repair all portions of the Premises, including but not limited to glass and plate glass doors, any special store front, interior walls and finish work, floors and floor coverings, and supplemental or special heating and air conditioning systems, and shall take good care of the Premises and its fixtures and permit no waste, except for normal wear and tear. Except as otherwise provided in this Paragraph 6, Tenant shall not be obligated to repair any Building Systems (as defined in Subparagraph 7(a)). Notwithstanding any provision to the contrary, all damage or injury to the Building, or to its fixtures and appurtenances (including Building Systems), resulting from any act or omission of, or Alterations made by Tenant or persons within Tenant's control shall be repaired by Tenant at Tenant's sole cost and expense to the reasonable satisfaction of Landlord if the required repairs are nonstructural in nature and do not affect any Building Systems or by Landlord at Tenant's

9

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sole cost and expense if the required repairs are structural in nature or affect any Building Systems. If Tenant shall fail, after ten (10) days notice (or such shorter period as may be required because of an emergency) to proceed with due diligence to make required repairs, the same may be made by Landlord, and the expenses incurred with interest at the Applicable Rate (as defined below), shall be paid as Additional Rent within ten (10) days after demand. Except as otherwise provided in this Subparagraph 6(a), Landlord shall not be required to make any repairs or improvements to the Premises, other than structural, mechanical or electrical repairs necessary for safety and tenantability, and such repairs shall be made during Business Hours unless there is an emergency. "Applicable Rate" shall mean the lesser of (i) three percentage points over the then current "Base Rate" announced by Citibank, N.A. or its successor (or such other term used by Citibank, N.A. for the rate presently referred to as its "Base Rate") and (ii) the maximum rate permitted by law.

(b) Landlord shall operate, maintain and make all necessary repairs to the Building Systems and the public portions of the Building in conformance with standards applicable to non-institutional, office buildings in Atlanta, except for those repairs for which Tenant is responsible pursuant to this Lease. Landlord shall use reasonable efforts to minimize interference with Tenant's use and occupancy of the Premises in making any repairs, alterations, additions or improvements; provided, however, that Landlord shall perform such work during Business Hours. Except as expressly provided in this Lease, there shall be no allowance to Tenant for a diminution of rental value and no liability on the part of Landlord for inconvenience, annoyance or injury to business arising from Landlord, Tenant or others making, or failing to make, any repairs, alterations, additions or improvements in or to any portion of the Building or the Premises, or its fixtures, appurtenances or equipment.

## 7. ALTERATIONS AND IMPROVEMENTS.

(a) Tenant shall not make or permit to be made any Alterations without Landlord's prior written consent, which consent shall not be unreasonably withheld or delayed, provided that: (i) the outside appearance of the Building shall not be affected; (ii) the strength of the Building shall not be affected; (iii) the structural parts of the Building shall not be adversely affected; (iv) no part of the Building outside of the Premises shall be affected; and (v) the proper functioning of the heating system, electrical system, plumbing, roof, floor, wall penetration and other Building system ("Building Systems") shall not be adversely affected and the use of such systems by Tenant shall not be increased beyond Tenant's allocable portion of the reserve capacity thereof, if any. If consent to any Alterations is not given, Landlord shall notify Tenant in sufficient detail to enable Tenant to amend its plans and specifications regarding such Alterations to comply with Landlord's objections. In the event Landlord consents to the making of any Alterations by Tenant, the same shall be made at Tenant's sole cost and expense, in accordance with all applicable laws, ordinances and regulations, and all requirements of Landlord's and Tenant's insurance policies and only in accordance with plans and specifications approved by Landlord (except that any such requested Alterations to the Building or Building Systems shall be done by Landlord, and Tenant shall reimburse Landlord for the entire cost thereof). Any contractor or person selected by Tenant to make the same and all subcontractors must first be approved in writing by Landlord, approval not to be unreasonably withheld, or, the Alterations shall be made by Landlord for Tenant's account and Tenant shall fully reimburse

10

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Landlord for the entire cost thereof within twenty (20) days after written notification of Tenant by Landlord providing Tenant with an invoice or other request (or statement). Promptly after completion of any Alterations to the Premises made by Tenant, Tenant shall supply Landlord with a set of scaled and dimensioned, reproducible mylars of "as-built" plans for such Alterations certified by Tenant's architect or space planner. Notwithstanding the foregoing, with respect to any Alterations affecting any Building Systems, Tenant shall employ Landlord's designated contractor, and such Alterations shall be designed by the Landlord's engineer at Tenant's expense. "Alterations" shall not include Tenant's free standing furniture or modular furniture. Notwithstanding the foregoing, or anything to the contrary herein, Landlord's consent shall not be required for decorating or redecorating such as painting and wallpapering.

(b) All Alterations erected by Tenant shall be the property of Tenant during the Term and the property of Landlord as of the Expiration Date or earlier termination of this Lease. Landlord reserves the right to require Tenant to remove Tenant's Alterations erected and restore the Premises to their condition as of the Commencement Date, reasonable wear and tear excepted, on or before the Expiration Date or any sooner date of termination of this Lease; provided, however, that if Landlord so elects prior to termination or expiration of this Lease, such Alterations shall become the property of Landlord as of the Expiration Date or any sooner date of termination of this Lease and shall be delivered to the Landlord with the Premises. The provisions of this Paragraph 7 shall survive the Expiration Date or earlier termination of this Lease.

(c) Tenant shall pay Manager a supervisory fee equal to four (4%) percent of the cost of Alterations over \$10,000.00, but less than \$100,000.00 and three (3%) percent of Alterations over \$100,000.00, which fee shall be paid within ten (10) days after demand by Landlord.

8. RULES AND REGULATIONS. Tenant, its employees and agents shall comply with the Rules and Regulations attached to this Lease as Exhibit F and made a part hereof, and any amendments or additions as may be made from time to time by Landlord. Landlord shall not discriminate against Tenant in enforcing the Rules and Regulations. Landlord shall not be responsible for the nonperformance by any other tenant or occupant of the Building of any of the Rules and Regulations. In case of any conflict or inconsistency between the provisions of this Lease and of any of the Rules and Regulations as originally or as hereinafter adopted, the provisions of this Lease shall control.

## 9. ACCESS BY LANDLORD.

(a) Upon prior notice (which may be verbal), Landlord or its agents may enter the Premises during Business Hours at reasonable hours to exhibit same to prospective purchasers or tenants (only during the last twelve [12] months of the Term) or mortgagees, to inspect the Premises to see that Tenant is complying with all of its obligations hereunder, to supply janitorial and other services, and to make repairs, improvements, alterations or additions which Landlord shall deem necessary for the safety, preservation, maintenance or improvement of the Building or to make repairs, maintenance or modifications to any adjoining space. Landlord shall be allowed to take all reasonable material into and upon the Premises that may be

required to make such repairs, maintenance, improvements, alterations or additions for the benefit of Tenant without in any way being deemed or held guilty of an eviction of Tenant, and the Base Rent and other charges hereunder shall not abate while such repairs, improvements, maintenance, alterations or additions are being made. All such repairs, maintenance, improvements, alterations and additions shall be done during regular business hours, or, if any such work is at the request of Tenant to be done during any other hours, Tenant shall pay for all overtime costs. Notwithstanding anything to the contrary, Landlord shall have the right to enter the Premises at any time and without notice in the event of emergency without the same constituting an eviction, nuisance or disturbance.

(b) Landlord shall at all times retain a key with which to unlock all the doors in the Premises, excluding Tenant's vaults, safes or special security areas (designated in advance by Tenant in writing and made known to Landlord), and Landlord shall have the right to use any and all means which Landlord may deem reasonably necessary or proper to open said doors in an emergency, in order to obtain entry to any portion of the Premises, and any entry to the Premises, or portions thereof obtained by Landlord by any of said means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into the Premises, or an eviction, actual or constructive, of Tenant from the Premises or any portions thereof. Landlord shall also have the right at any time, without the same constituting an actual or constructive eviction and without incurring any liability to Tenant therefor, to erect, use and maintain scaffolding, conduits and other necessary structures in the Premises. Landlord shall use commercially reasonable efforts not to interfere with Tenant's business operations while Landlord is in the Premises.

#### 10. ASSIGNMENT AND SUBLETTING.

(a) Except as specifically provided herein, Tenant shall not voluntarily or involuntarily, whether by operation of law or otherwise, assign, transfer, mortgage, hypothecate or otherwise encumber this Lease or any interest herein and shall not sublet or permit the use by others of the Premises or any portion thereof without obtaining Landlord's prior written consent, which consent Landlord shall not unreasonably withhold or delay based on the factors set forth in Subparagraph 10(e) below. Landlord's consent to one assignment, sublease, transfer or hypothecation shall not be deemed as a consent to any other or further assignment, sublease, transfer or hypothecation. Any assignment, sublease, transfer or hypothecation without Landlord's prior written consent shall be void and shall, at Landlord's option, constitute a default under this Lease. No acceptance by Landlord of any rent or any other sum of money from any assignee, sublessee or other category of transferee shall release Tenant from any of its obligations hereunder or be deemed to constitute Landlord's consent to any assignment, sublease, transfer or hypothecation. All cash or other proceeds that exceed the Rent in the case of a subletting or all cash or other proceeds of any other transfer of Tenant's interest in this Lease shall be paid to Landlord. Tenant shall not advertise or authorize a broker to advertise for a subtenant or assignee without providing prior written notice to Landlord.

(b) Should Tenant desire to assign this Lease or sublet the Premises or any part thereof, Tenant shall give Landlord prior written notice ("Sublease or Assignment Statement"), which notice shall specify (i) the name and business of the proposed assignee or

sublessee, (ii) the amount and location of the space affected, (iii) the proposed effective date and duration of the subletting or assignment (which shall not be less than thirty (30) or more than ninety (90) days after the date of Tenant's Sublease or Assignment Statement), and (iv) the proposed rent or other consideration to be paid to Tenant by such sublessee or assignee. Landlord shall then have a period of fifteen (15) Business Days following receipt of such notice within which to notify Tenant in writing that Landlord elects either (1) to terminate this Lease as to the space so affected as of the date so specified by Tenant, in which event Tenant will on that date be relieved of all further obligations to pay Rent hereunder as to such space, or (2) to permit Tenant to assign or sublet such space, or (3) to withhold consent to Tenant's assigning or subleasing such space and to continue this Lease in full force and effect as to the entire Premises, with an explanation of why consent is withheld. If Landlord should fail to notify Tenant in writing of such election within said fifteen (15) Business Day period, Landlord shall be deemed to have withheld its consent. Any person to whom this Lease is assigned with Landlord's consent shall be deemed without more to have assumed all of the obligations arising under this Lease from and after the date of such assignment and shall execute and deliver to Landlord, upon demand, an instrument confirming such assumption. If Tenant shall not enter into a sublease or assignment pursuant to the notice set forth in this Subparagraph 10(b) within one hundred eighty (180) days after the delivery of the said notice, then the provisions of this Subparagraph 10(b) shall again be applicable.

(c) Tenant agrees to reimburse Landlord for Landlord's actual attorneys' fees and costs incurred in connection with the processing and documentation of any request made pursuant to this Paragraph 10. Tenant shall deliver to Landlord, within five (5) days after execution by Tenant, an original counterpart of any executed sublease or instrument of assignment, together with Tenant's and the subtenant's (or assignee's) affidavit that such sublease or assignment instrument is the true and complete statement of the subletting or assignment and reflects all sums and other consideration passing between the parties. Tenant shall pay, indemnify and hold Landlord harmless from and against, any and all cost or expense (including reasonable attorneys' fees and disbursements) and liability in connection with any compensation, commissions or charges claimed by any broker or agent with respect to any assignment or subletting.

(d) No assignment, subletting or other transfer, whether or not consented to by Landlord, shall relieve Tenant of its liability under this Lease. Upon the occurrence of a default under this Lease, if the Premises or any part thereof are then assigned or sublet, Landlord, in addition to any other remedies herein provided or provided by law, may at its option collect directly from such assignee or subtenant all Rent becoming due to Tenant under such assignment or sublease and apply such Rent against any sums due to Landlord from Tenant hereunder, and such collection shall not be construed to constitute a novation or release of Tenant from the further performance of Tenant's obligations hereunder.

(e) In the granting of Landlord's consent, Landlord shall take into consideration any meaningful factors, including, but not limited to: (i) the financial strength of the proposed subtenant or assignee; (ii) the business reputation and character of the proposed subtenant or assignee; (iii) the type of business of the proposed subtenant or assignee; (iv) any increased burden on services (parking, electricity, etc.) and the Common Areas that would be

imposed by the proposed subtenant or assignee; (v) whether the proposed subtenant or assignee is an existing tenant or is currently in negotiations with Landlord for space within the Building; (vi) the amount of square footage in the Premises to be sublet or assigned; (vii) the number of subtenants or assignees already in the Premises; (viii) whether the proposed subtenant or assignee shall place any additional responsibilities on the Landlord in connection with the Americans With Disabilities Act; (ix) whether the Tenant has an existing default under its Lease; (x) intentionally deleted; (xi) intentionally deleted; or (xii) how Tenant plans to market the Premises for sublease or assignment.

(f) For purposes of this Paragraph 10, (i) the transfer of a majority of the issued and outstanding capital stock of any corporate tenant or subtenant, or the transfer of a majority of the total interest in any partnership tenant or subtenant, or the transfer of control in any general or limited liability partnership tenant or subtenant, or the transfer of a majority of the issued and outstanding membership interests in a limited liability company tenant or subtenant, however accomplished (other than pursuant to transfers among current owners or the issuance of ownership interests to new owners made in the ordinary course of business), shall be deemed an assignment of this Lease or sublease, except that the foregoing shall be inapplicable in cases of the transfer of the outstanding capital stock of any corporate tenant through the “over-the-counter market” or through any recognized stock exchange, (ii) an agreement by any other person or entity, directly or indirectly, to assume Tenant’s obligations under this Lease shall be deemed an assignment, (iii) any person or legal representative of Tenant to whom Tenant’s interest under this Lease passes by operation of law or otherwise shall be bound by the provisions of this Paragraph 10, and (iv) a modification, amendment or extension of a sublease shall be deemed a sublease. Tenant agrees to furnish to Landlord on request at any time such information and assurances as Landlord may reasonably request that neither Tenant nor any previously permitted subtenant has violated the provisions of this Paragraph 10. The provisions of Subparagraph 10(a) shall not apply to transactions with a corporation or limited liability company into or with which Tenant is merged or consolidated or with a Person to which substantially all of Tenant’s assets are transferred (provided such merger or transfer of assets is for a good business purpose and not principally for the purpose of transferring this leasehold estate) and that the assignee has a net worth at least equal to the net worth of Tenant as of the date of this Lease or, if Tenant is a general, limited or limited liability partnership, with a successor partnership, or to transactions with an entity that controls or is controlled by Tenant or is under common control with Tenant. Tenant shall notify Landlord before any such transaction is consummated and, in the case of an assignment, shall send Landlord an original written instrument in which the assignee assumes all of Tenant’s liabilities under this Lease. The term “control” as used in this Lease shall mean (i) ownership of more than 50% of the outstanding capital stock in the case of a corporation, (ii) more than 50% of the general partnership or membership interest of the partnership in the case of a general or limited liability partnership, (iii) more than 50% of the general partnership interests of limited partnership in the case of a limited partnership, and (iv) more than 50% of the membership interests of a limited liability company.

(g) If Tenant sublets any portion of the Premises pursuant to Subparagraph 10(b), Tenant shall pay to Landlord, as Additional Rent (the “Sublease Additional Rent”), a sum equal to fifty percent (50%) of any rents, additional charges and other consideration payable

under the sublease to Tenant in excess of the Base Rent and Additional Rent accruing during the term of the sublease in respect of the subleased space pursuant to this Lease (including, but not limited to, sums paid for the sale or rental of Tenant’s property and Alterations less the then net unamortized or undepreciated cost thereof determined on the basis of Tenant’s federal income tax or federal information returns). Such Sublease Additional Rent shall be payable as and when received by Tenant. If Tenant shall assign this Lease pursuant to Subparagraph 10(b), and Landlord’s consent is required, Tenant shall pay to Landlord, as Additional Rent, an amount equal to fifty percent of all sums and other consideration paid to Tenant by the assignee for or by reason of such assignment (including, but not limited to, sums paid for the sale or rental of Tenant’s property and Alterations less the then net unamortized or undepreciated cost thereof determined on the basis of Tenant’s federal income tax or federal information returns). Such Additional Rent shall be payable as and when received by Tenant.

(h) Any sublease shall provide that, if the Lease shall expire or terminate during the term of the sublease for any reason other than condemnation or destruction by fire or other cause, or if Tenant shall surrender the Lease to Landlord during the term of the sublease, Landlord, in its sole discretion, upon written notice given to Tenant and subtenant, may elect to continue the sublease as a direct lease between Landlord and subtenant. In that event, subtenant shall attorn to Landlord, and Landlord and subtenant shall enter into a new lease on the Landlord’s then current form of lease.

## 11. CONDEMNATION.

(a) If any part of the Premises shall be taken or appropriated by any public or quasi-public authority under the power of eminent domain such that the Premises cannot reasonably be use by Tenant for the operation of its business, Landlord shall have the right, at its option, to terminate this Lease effective as of the date possession is taken by said authority (unless all of the Premises are so taken in which case this Lease shall terminate), and shall be entitled to any and all income, rent or award and any interest thereon whatsoever which may be paid or made in connection with such public or quasi-public use or purpose. Tenant hereby assigns to Landlord its entire interest in any and all such awards, and shall have no claim against Landlord for the value of any portion of the unexpired Term. If a part of the Premises shall be so taken or appropriated, and Landlord does not elect to terminate this Lease, the Base Rent thereafter to be paid shall be reduced by an amount bearing the same ratio to the total amount of Base Rent as the rentable square feet of the Premises so taken bears to the entire Premises.

(b) If any part of the Building other than the Premises shall be so taken or appropriated, Landlord shall have the sole right, at its option, to terminate this Lease and shall be entitled to the entire award as above provided, and in such case Tenant shall likewise have no claim against Landlord for the value of any unexpired Term of this Lease.

(c) Nothing contained herein shall be deemed to deny to Tenant its right to claim from the condemning authority compensation or damages for its trade fixtures and personal property and moving expenses, provided the condemning authority makes a separate award therefor.

## 12. INSURANCE AND INDEMNITY.

(a) At Landlord's expense, Landlord shall carry and maintain, or cause to be carried and maintained, at all times during the Term of this Lease, All Risk Property insurance covering the full replacement value of the Building subject to deductibles. To the extent the premium paid by Landlord for this insurance shall be increased because of Tenant's operations or contents or improvements in the Premises, Tenant agrees to pay the excess amount of the premium upon demand by Landlord. Tenant shall not do or permit to be done any act or thing in the Premises which would invalidate or conflict with the Building's insurance policies.

(b) At Tenant's expense, Tenant shall carry and maintain, or cause to be carried and maintained, at all times during the Term of this Lease, All Risk Property insurance covering the full replacement value of Tenant's alterations, improvements, betterments and contents including those made by Landlord to prepare the Premises for Tenant, with deductibles reasonably satisfactory to Landlord. Neither Landlord nor its agents shall be liable for any damage to property of Tenant or of others that has been entrusted to employees of the Building or for the loss of or damage to any property of Tenant by theft or otherwise.

(c) At Tenant's expense, Tenant shall carry and maintain, or cause to be carried and maintained, at all times during the Term of this Lease, commercial general liability insurance described herein ("Liability Policy"). Such Liability Policy shall include Landlord (and any other party reasonably required by Landlord) as an Additional Insured, and shall be written on an "occurrence basis" and shall include, without limitation, blanket contractual liability coverage, broad form property damage, independent contractors coverage and personal injury coverage protecting Landlord as an Additional Insured, against liability (except for liability resulting from the gross negligence or willful misconduct of Landlord, its agents, employees or contractors) occasioned by any occurrence on or about the Premises including portions of the Building affected by Tenant's use. Such primary Liability Policy shall be maintained in an amount not less than \$1,000,000 for a single occurrence limit and \$1,000,000 for an aggregate limit. In addition, Tenant shall maintain excess or umbrella liability insurance providing equally broad coverage in an amount of not less than \$10,000,000.00.

(d) At Tenant's expense, Tenant shall carry and maintain, or cause to be carried and maintained, at all times during the Term of this Lease, Workers' Compensation and Employers' Liability insurance with respect to all of Tenant's employees working at the Premises and such other insurance or such additional amounts of insurance with respect to the Premises as is generally maintained by persons having similar exposures or properties similarly situated and as the Landlord shall from time to time reasonably require.

(e) The insurance required under this Paragraph 12 shall be written by insurers authorized to conduct business in Georgia who are acceptable to Landlord and have an A.M. Best Company rating of at least "A-"/VIII.

(f) Not later than ten (10) Business Days prior to the Commencement Date of the Lease, Tenant shall deliver to Landlord the policies of insurance or an insurance certificate for the policies specified above in the form attached hereto as Exhibit G (for liability) and an

16

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ACORD 27 (for property) and made a part hereof and shall thereafter furnish to Landlord, at least thirty (30) days prior to the expiration of any such policies and any renewal thereof, a new policy or certificate in lieu thereof. Each of the policies or Certificate shall contain a provision whereby the insurer agrees not to cancel, fail to renew, diminish or materially modify said insurance policy(ies) without having given Landlord, the Manager and any lessors and mortgagees specified by Landlord at least thirty (30) days prior written notice thereof. Tenant shall promptly send to Landlord a copy of all notices sent to Tenant by Tenant's insurer.

(g) Tenant shall pay all premiums and charges for all of said Tenant's policies required to be maintained hereunder, and, if Tenant shall fail to make any payment when due or carry any such policy, Landlord may, but shall not be obligated to, make such payment or carry such policy, and the amount paid by Landlord, with interest thereon (at the Applicable Rate), shall be repaid to Landlord by Tenant on demand, and all such amounts so repayable, together with such interest, shall be deemed to constitute Additional Rent hereunder. Payment by Landlord of any such premium, or the carrying by Landlord of any such policy, shall not be deemed to waive or release the default of Tenant with respect thereto.

(h) Tenant may effect the coverage required under this Paragraph 12 under blanket insurance policies covering other properties of Tenant, provided that (1) any such blanket insurance policy shall specify therein, or the insurer under such policy shall certify to Landlord, any material sublimits in such blanket policy applicable to the Premises, which sublimits shall not be less than the amounts required pursuant to this Paragraph 12; and (2) any such blanket insurance policy shall comply in all respects with the other provisions of this Paragraph 12.

(i) Subject to Subparagraph 12(j) below, Landlord and Tenant hereby waive any and all rights of recovery, claim, action, or cause of action, against the other, their affiliates, agents, officers or employees, for any loss or damage that may occur to the Premises, or any improvements thereto, or the Park of which the Premises are a part, or any reason of fire, the elements, or any other cause which is insured against under the terms of an All Risk Property insurance policy referred to in this Paragraph 12 or that is otherwise insured against under an insurance policy maintained by the party suffering such loss or damage, regardless of cause or origin, except for the gross negligence or willful misconduct of the other party hereto and/or its agents, officers, or employees, and each party covenants that no insurer shall hold any right of subrogation against such other party.

(j) Landlord shall cause each policy carried by Landlord insuring the Building against loss, damage or destruction by fire or other casualty, and Tenant shall cause each insurance policy carried by Tenant and insuring the Premises and Tenant's Alterations, Leasehold Improvements and Tenant's property against loss, damage or destruction by fire or other casualty, to be written in a manner so as to provide that the insurance company waives all rights of recovery by way of subrogation against Landlord, Tenant and any tenant of space in the Building in connection with any loss or damage covered by any such policy. Neither party shall be liable to the other for the amount of such loss or damage in excess of the applicable deductible, if any, caused by fire or any of the risks enumerated in its policies, provided that such waiver was obtainable at the time of such loss or damage. However, if such waiver cannot be obtained or can be obtained only by payment of an additional premium above that which is

17

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charged by companies carrying such insurance without a waiver of subrogation, then the party undertaking to obtain such waiver shall notify the other party and such other party shall have ten (10) days after such notice to agree in writing to pay the additional premium if such policy is obtainable at additional cost (in the case of Tenant, pro rata in proportion of Tenant's rentable area to the total rentable area covered by the insurance); and if the other party does not agree or the waiver shall not be obtainable, then the provisions of this Subparagraph 12(j) shall be null and void as to the risks covered by the policy for so long as either the waiver cannot be obtained or the party in whose favor a waiver of subrogation is desired shall refuse to pay the additional premium. If the release of

either Landlord or Tenant as set forth in this Subparagraph (j) shall contravene any law with respect to exculpatory agreements, the liability of the party in question shall be deemed not released, but no action or rights shall be sought or enforced against such party unless and until all rights and remedies against the other's insurer are exhausted and the other party shall be unable to collect such insurance proceeds. The waiver of subrogation referred to in Subparagraph (i) above shall extend to the affiliates, agents and employees of each party (including, without limitation, the Manager).

(k) Except for the negligence or willful misconduct of Landlord, its agents, employees, and contractors, to the fullest extent permitted by law, Tenant shall indemnify, defend and hold harmless Indemnitees from and against all claims, damages, losses, fines, suits, costs and expenses of whatever kind incurred in connection with any such claim or proceeding brought thereon, and defense thereof (including, but not limited to attorney's fees and expenses) arising out of or resulting from Tenant's use of the Premises and the Common Areas, including, but not limited to, any such claims, damages, losses and expenses attributable to (1) the filing of any lien or claim for payment, or (2) any accident, injury or damage in or about the Premises during the Term or during Tenant's occupancy of the Premises, or outside of the Premises but anywhere within or about the Park, where such accident, injury or damage results from or is claimed to have resulted from an act, omission or negligence of Tenant or persons within Tenant's control, or (3) any breach, violation or non-performance of any covenant, condition or agreement contained in this Lease to be fulfilled by Tenant, or (4) all claims of whatever nature against the Indemnitees arising from any act, omission or negligence of Tenant or persons within Tenant's control. Such obligation shall not be construed to negate, abridge or otherwise reduce any other right or obligation of indemnity that would otherwise exist as to any party or person described in this Paragraph 12. In any and all claims against Indemnitees by an employee of the Tenant or anyone directly or indirectly employed by Tenant or anyone for whose acts Tenant may be liable, the indemnification obligation under this Paragraph 12 shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for the Tenant under Workers' Compensation acts, disability benefits acts or other employee benefit acts. If any claim, action or proceeding is made pursuant to this Paragraph, Tenant, at its sole cost and expense, shall resist or defend such claim action or proceeding in the Indemnitees' name, by attorneys Indemnitee may reasonably select.

(l) Tenant shall give notice to Landlord promptly after learning of any accident, emergency or other occurrence for which Landlord might be liable, any fire or other casualty and all damages to or defects in the Premises or the Building for the repair of which Landlord might be responsible or which constitutes Landlord's property.

18

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### 13. DAMAGE AND DESTRUCTION.

(a) If the Building should be damaged, to the extent that: (i) in Landlord's reasonable judgment, repair would not be economically feasible; or (ii) that rebuilding or repairs cannot, in Landlord's estimation, be completed within one hundred eighty (180) days after the date of such damage; or (iii) if the insurance proceeds remaining after any required payments to mortgagees are insufficient to repair such damage or destruction, Landlord shall have the right, at Landlord's option, to terminate this Lease by giving Tenant written notice of such termination within sixty (60) days after the date of such casualty, and the Rent shall be apportioned and paid to the date on which possession is relinquished or the date of such damage, whichever last occurs, and Tenant shall immediately vacate the Premises according to such notice of termination. Tenant covenants and agrees to cooperate with Landlord and any lessor or mortgagee in their efforts to collect insurance proceeds (including rent insurance proceeds) payable to such parties. Landlord shall not be liable for any delay which may arise by reason of adjustment of insurance on the part of Landlord or Tenant, or any cause beyond the reasonable control of Landlord and its contractors.

(b) If the Building should be damaged by any peril covered by the insurance to be provided by Landlord under Paragraph 12(a) above but only to such extent that rebuilding or repairs are, in Landlord's estimation, economically feasible and can be completed within one hundred eighty (180) days after the date of such damage and the proceeds of such insurance, after deducting any required payments to mortgagee or lessor, are sufficient for such rebuilding or repairs, this Lease shall not terminate, and Landlord shall at its sole cost and expense thereupon proceed with reasonable diligence to rebuild and repair the Building to substantially the condition in which it existed prior to such damage, except that: (i) Landlord shall not be required to rebuild, repair or replace any part of the partitions, fixtures, additions and other improvements which may have been placed in, on or about the Premises by Tenant; and (ii) Landlord may elect not to rebuild if such damage occurs during the last year of the Term, exclusive of any option to extend the Term which is unexercised at the time of such damage. If the Premises are untenable in whole or in part following such damage, the Rent payable hereunder during the period in which the Premises are untenable shall be reduced to such extent as may be fair and reasonable under all of the circumstances. In the event that Landlord should fail to complete such repairs and rebuilding within one hundred eighty (180) days after the date of such damage, Tenant may, at its option, terminate this Lease by delivering written notice of termination to Landlord within thirty (30) days after the expiration of such one hundred eighty (180) day period. Such termination shall be Tenant's exclusive remedy. If Tenant fails to terminate this Lease within such 30-day period, Tenant shall be deemed to have waived its rights to terminate by reason of the failure of Landlord to complete such repairs and rebuilding within one hundred eighty (180) days after the date of such damage.

(c) Notwithstanding anything herein to the contrary, in the event any mortgagee or lessor requires that the insurance proceeds be applied to the indebtedness due such mortgagee or lessor, then Landlord shall have the right to terminate this Lease by delivering written notice of termination to Tenant within fifteen (15) days after such requirement is made by any such mortgagee, whereupon all rights and obligations hereunder shall cease and terminate. Landlord shall not be liable for any inconvenience or annoyance to Tenant or injury to

19

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the business of Tenant resulting from any damage from fire or other casualty or the repair thereof.

### 14. SECURITY DEPOSIT.

(a) Tenant agrees to deposit the Security Deposit with Landlord upon execution of this Lease by Tenant, which sum shall be held by Landlord, without obligation for interest, as security for the performance of Tenant's covenants and obligations under this Lease, it being expressly understood and agreed that such Security Deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Upon the occurrence of any Event of Default (as defined in the Lease) by Tenant, Landlord may, from time to time, without prejudice to any other remedy provided herein or provided by law, use such Security Deposit to the extent necessary to make good any arrears of Rent or other payments due Landlord hereunder, and any other damages, injury, expense or liability caused by such Event of Default; and Tenant shall pay to Landlord within ten (10) days demand the amount so applied in order to restore the Security Deposit to its original amount. Tenant's failure to so restore the Security Deposit upon demand shall be deemed an Event of Default under this Lease. Although the Security Deposit shall be deemed the property of Landlord, any remaining balance of such Security Deposit shall be returned within

thirty (30) days to Tenant at such time after termination of this Lease as all of Tenant's obligations under this Lease have been fulfilled. Tenant shall not apply the Security Deposit to the last month's installment of Rent.

(b) In the event of the sale or lease of the Building or the Park, Landlord shall transfer the Security Deposit to the purchaser or lessee, and Landlord shall be released by Tenant from all liability for the return of such Security Deposit.

(c) Tenant covenants that it will not assign or encumber the Security Deposit. In the event that any bankruptcy, insolvency, reorganization or other debtor-creditor proceedings shall be instituted by or against Tenant, its successors or assigns, or any guarantor of Tenant hereunder, the Security Deposit shall be deemed to be applied to the payment of the Base Rent and Additional Rent owed Landlord for periods prior to the institution of such proceedings, and the balance, if any, may be retained by Landlord in partial satisfaction of Landlord's damages.

15. DEFAULTS. Each of the following events shall be deemed an "Event of Default" by Tenant under this Lease:

(a) Tenant's failure to pay the Base Rent or any other sum due hereunder if such nonpayment continues for five (5) or more days after the same is due and payable, provided, however, Tenant shall be entitled to five (5) days written notice to cure any monetary default under this Lease; provided, further, however, Landlord shall not be required to provide such notice more than twice in any twelve (12) month period; or Tenant's default in the prompt and full performance of any other provision of this Lease and Tenant does not cure the default within thirty (30) days after written demand by Landlord that the default be cured (unless the default involves a hazardous condition, which shall be cured forthwith upon Landlord's demand), provided, however, in the event such default cannot be reasonably cured within thirty (30) days after notice from Landlord, such time shall be extended so long as Tenant commences to cure

20

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such default within such thirty (30) days after notice from Landlord and diligently prosecutes the cure of any such default to completion;

(b) If Tenant shall not, or shall be unable to, or shall admit in writing Tenant's inability to, as to any obligation, pay Tenant's debts as they become due; or if Tenant shall commence or institute any case, proceeding or other action (i) seeking relief on Tenant's behalf as debtor, or to adjudicate a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to Tenant or Tenant's debts under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, or (ii) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property; or if Tenant shall make a general assignment for the benefit of creditors; or if any case, proceeding or other action shall be commenced or instituted against Tenant (1) seeking to have an order for relief entered against Tenant as debtor or to adjudicate Tenant a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to Tenant or Tenant's debts under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, or (2) seeking appointment of a receiver, trustee, custodian or other similar official for Tenant or for all or any substantial part of Tenant's property, which either (i) results in any such entry of an order for relief, adjudication of bankruptcy or insolvency or such an appointment or the issuance or entry of any other order having a similar effect or (ii) remains undismissed for a period of sixty (60) days; or if a trustee, receiver or other custodian shall be appointed for any substantial part of the assets of Tenant which appointment is not vacated or effectively stayed within sixty (60) days;

(c) Tenant's desertion or abandonment or failure to take possession of the Premises (or any substantial portion thereof); or

(d) Tenant's failure to discharge or bond over a lien placed against the Premises or the Building within thirty (30) days after such lien or encumbrance shall have been filed.

16. REMEDIES. Landlord, in addition to any and all other rights or remedies it may have at law or in equity, shall have the option of pursuing any one or more of the following remedies upon the occurrence of any Event of Default by Tenant

(a) Landlord shall have the immediate right of reentry in accordance with applicable laws. Whenever Landlord terminates this Lease, it shall do so by giving Tenant written notice of termination, in which event this Lease shall expire and terminate on the date specified in such notice with the same force and effect as though the date specified were the date herein originally fixed as the Expiration Date, and all rights of Tenant under this Lease and in and to the Premises shall expire and terminate and Tenant shall surrender the Premises to Landlord on the date specified in such notice, and if Tenant fails to so surrender, Landlord shall have the right, without notice, and with or without resort to summary dispossessory proceedings, to enter upon and take possession of the Premises and to expel or remove Tenant and its effects without being liable for prosecution or any claim for damages therefor;

21

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(b) Landlord may terminate this Lease or terminate Tenant's right to possession of the Premises at any time by giving written notice to that effect, and relet the Premises or any part thereof. On the giving of the notice, all of Tenant's rights in the Premises shall terminate in accordance with applicable law. Upon such termination, Tenant shall surrender and vacate the Premises in accordance with the terms of Paragraph 17, and Landlord may re-enter and take possession of the Premises and all the remaining improvements or property and eject Tenant or any of Tenant's subtenants, assignees or other person or persons claiming any right under or through Tenant or eject some and not others or eject none. No termination under this Paragraph 16 shall release Tenant from the payment of any sum then due Landlord or from any claim for damages or Base Rent or Additional Rent or other sum previously accrued or then accruing against Tenant. Upon such termination, Tenant shall be liable immediately to Landlord for all costs Landlord incurs in reletting the Premises or any part thereof, including, without limitation, broker's commissions, expenses of cleaning and redecorating the Premises required by the reletting, reasonable attorneys' fees actually incurred and like costs. Tenant shall also be liable immediately to Landlord for all unamortized leasing commissions and improvement allowances, if any. Reletting may be for a period shorter or longer than the remaining term of this Lease. No act by Landlord other than giving express written notice of termination to Tenant shall terminate this Lease. Landlord and Tenant hereby acknowledge that in the event of such termination, actual damages to Landlord may be difficult to ascertain and, accordingly, hereby agree that in such event, the net present value of the Base Rent due from the date of such termination to the expiration of the Term, less the fair rent value of the Premises, from the date of such termination until the expiration of the Term, shall thereupon be immediately due and payable to Landlord as compensation and liquidated damages for Tenant's default and such termination and not as a penalty. Landlord's rights pursuant to this Paragraph 16, including without limitation, Landlord's rights to collect Base Rent and additional rent and other charges due under this Lease, shall survive any termination of the Lease, whether such termination is effected pursuant to this Paragraph 16 or otherwise. Notwithstanding anything to the contrary contained herein, Landlord and Tenant hereby expressly agree that Landlord shall have no obligation or duty to

mitigate or attempt to offset any damages which are or may be suffered by Landlord as a result of any default of Tenant under the Lease, except as specifically required by applicable law. Any payment by Tenant of a sum of money less than the entire amount due Landlord at the time of such payment shall be applied to the obligations of Tenant then furthest in arrears. No endorsement or statement on any check or accompanying any payment shall be deemed an accord and satisfaction, and any payment accepted by Landlord shall be without prejudice to Landlord's right to obtain the balance due or pursue any other remedy available to Landlord both in law and in equity.

(c) Landlord may, with or without terminating this Lease, re-enter the Premises and remove all persons and property from the Premises; such property shall be deemed to have been abandoned by Tenant and may either be removed and stored in a public warehouse or elsewhere or otherwise disposed of in Landlord's sole and absolute discretion, all at the cost of Tenant. The parties hereby agree that Landlord shall not be liable for the loss of such property or any damages thereto. No re-entry or taking possession of the Premises by Landlord pursuant to this Paragraph 16 shall be construed as an election to terminate this Lease unless an express written notice of such intention is given to Tenant.

22

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(d) Except as expressly provided in this Lease, Tenant hereby waives any and every form of demand and notice prescribed by statute or other law, including without limitation the notice of any election of remedies made by Landlord under this Paragraph 16, demand for payment of any rent, or demand for possession.

(e) Tenant shall and hereby agrees to pay all costs and expenses incurred by Landlord in enforcing any of the covenants and agreements of this Lease, or as a result of an action brought by Landlord against Tenant for an unlawful detainer of the Premises, and all such costs, expenses and attorneys' fees shall, if paid by Landlord, be paid by Tenant to Landlord within fifteen (15) days of Landlord's written demand therefor, together with interest at eighteen percent (18%) per annum, but in no event in excess of the maximum lawful rate, from the date of Landlord's payment thereof.

(f) If, at any time (i) Tenant shall consist of two (2) or more persons or (ii) Tenant's obligations under this Lease shall have been guaranteed by any person other than Tenant or (iii) Tenant's interest in this Lease has been assigned, the word "Tenant" as used in Subparagraph 15(c) shall be deemed to mean any one or more persons primarily or secondarily liable for Tenant's obligations under this Lease. Any monies received by Landlord from or on behalf of Tenant during the pendency of any proceeding referred to in Subparagraph 15(c), shall be deemed paid as compensation for the use and occupancy of the Premises, but acceptance of any compensation by Landlord shall not be deemed an acceptance of Rent or a waiver on the part of Landlord of any rights under Paragraph 16.

(g) The foregoing provisions of this Paragraph 16 shall, as applicable, survive the Expiration Date or earlier termination of this Lease and shall apply to any renewal or extension of this Lease.

17. SURRENDER OF PREMISES. Unless otherwise specifically provided in this Lease, Tenant will peaceably deliver to the Landlord possession of the Premises in broom clean condition, together with all improvements, Alterations upon or belonging to the same, by whomsoever made, except as provided in Paragraph 7(b) of this Lease, in the same condition as received, or first installed, ordinary wear and tear, damage by fire, earthquake, act of God, or the elements alone excepted at the expiration or sooner termination of this Lease. Tenant shall remove all Alterations, furniture, equipment and computer and telephone cables belonging to Tenant, at Tenant's sole cost, and Tenant shall promptly repair any damage to the Premises caused by such removal. Property not so removed shall be deemed abandoned by the Tenant, and title to the same shall thereupon pass to Landlord, and Landlord may either retain or remove same in its sole discretion. Any expense incurred by Landlord in removing or disposing of Tenant's property or Alterations required under this Lease to be removed, as well as the cost of repairing all damage to the Building or the Premises caused by such removal, shall be reimbursed to Landlord, by Tenant, as Additional Rent, upon demand. Tenant's obligations pursuant to this Paragraph 17 shall survive the expiration or sooner termination of this Lease.

18. HOLDING OVER. Tenant shall, at the termination of this Lease by lapse of time or otherwise, yield up immediate possession to Landlord with all repairs and maintenance

23

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required herein to be performed by Tenant completed. Should Tenant, continue to hold the Premises after the expiration or earlier termination of this Lease, or after reentry by Landlord without terminating this Lease, such holding over, unless otherwise agreed to by Landlord in writing, shall constitute and be construed as a tenancy at sufferance and not a tenancy at will. Tenant shall have no right to notice under Official Code of Georgia Annotated §44-7-7 of the termination of its tenancy, Tenant shall pay monthly installments of Rent equal to one hundred twenty-five percent (125%) of the monthly portion of Rent in effect as of the date of expiration or earlier termination for the first thirty (30) days of such holding over, one hundred fifty percent (150%) for the next thirty (30) days of such holding over, one hundred seventy-five percent (175%) for the next thirty (30) days of such holding over, and two hundred percent (200%) thereafter, and subject to all of the other terms, charges and expenses set forth herein except any right to renew this Lease or to expand the Premises or any right to additional services. Tenant shall also be liable to Landlord for all damage which Landlord suffers because of any holding over by Tenant, and Tenant shall indemnify Landlord against all claims made by any other tenant or prospective tenant against Landlord resulting from delay by Landlord in delivering possession of the Premises to such other tenant or prospective tenant. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend the Term except as otherwise expressly provided in a written agreement executed by both Landlord and Tenant. The provisions of this Paragraph 18 shall survive the expiration or earlier termination of this Lease.

19. BANKRUPTCY.

(a) For the purposes of the Bankruptcy Code, 11 U.S.C. §502(b)(7), all amounts payable by Tenant to or on behalf of Landlord under this Lease, whether or not expressly denominated as Rent, shall constitute Rent.

(b) If this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, any and all monies or other consideration payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Landlord, shall be and remain the exclusive property of Landlord and shall not constitute property of Tenant or the estate of Tenant within the meaning of the Bankruptcy Code. Any and all monies or other considerations constituting Landlord's property under the preceding sentence not paid or delivered to Landlord shall be held in trust for the benefit of Landlord and be promptly paid or delivered to Landlord.

(c) Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code, shall be deemed, without further act or deed, to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon demand execute and deliver to Landlord an instrument confirming such assumption.

20. INTENTIONALLY DELETED.

21. SUBORDINATION; ESTOPPEL CERTIFICATES. At the option of Landlord, Tenant agrees that this Lease shall remain subject and subordinate to all present and future mortgages, deeds to secure debt or other security instruments (the "Security Deeds") affecting

24

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the Building or the Premises, and Tenant shall promptly execute and deliver to Landlord such certificate or certificates in writing as Landlord may request, showing the subordination of the Lease to such Security Deeds, and in default of Tenant so doing, Landlord shall be and is hereby authorized and empowered to execute such certificate in the name of and as the act and deed of Tenant, this authority being hereby declared to be coupled with an interest and to be irrevocable. Tenant shall upon request from Landlord at any time and from time to time execute, acknowledge and deliver to Landlord a written statement certifying as follows: (i) that this Lease is unmodified and in full force and effect (or if there has been modification thereof, that the same is in full force and effect as modified and stating the nature thereof); (ii) that to the best of its knowledge there are no uncured defaults on the part of Landlord (or if any such default exists, the specific nature and extent thereof); (iii) the date to which any rents and other charges have been paid in advance, if any; and (iv) such other matters as Landlord may reasonably request. In the event that Tenant fails to comply with the provisions above, Tenant irrevocably appoints Landlord as its attorney-in-fact, coupled with an interest, to execute and deliver, for and in the name of Tenant, any document or instrument provided for in this Paragraph.

22. MECHANICS' LIENS AND OTHER TAXES.

(a) Tenant shall have no authority, express or implied to create or place any lien or encumbrance of any kind or nature whatsoever upon, or in any manner to bind the interests of Landlord in the Premises or to charge the Rents payable hereunder for any claim in favor of any person dealing with Tenant, including those who may furnish materials or perform labor for any construction or repairs, and each such claim shall affect and each such lien shall attach to, if at all, only the leasehold interest granted to Tenant by this instrument. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished in connection with any work performed on the Premises on which any lien is or can be validly and legally asserted against its Leasehold interest in the Premises or the improvements thereon and that it will save and hold Landlord harmless from any and all loss, cost or expense based on or arising out of asserted claims or liens against the leasehold estate or against the right, title and interest of the Landlord in the Premises or under the terms of this Lease. Tenant agrees to give Landlord immediate written notice if any lien or encumbrance is placed on the Premises.

(b) Tenant shall be liable for all taxes levied or assessed against personal property, furniture or fixtures placed by Tenant in the Premises. If any such taxes for which Tenant is liable are levied or assessed against Landlord or Landlord's property and if Landlord elects to pay the same or if the assessed value of Landlord's property is increased by inclusion of personal property, furniture or fixtures placed by Tenant in the Premises, and Landlord elects to pay the taxes based on such increase, Tenant shall pay to Landlord upon demand that part of such taxes.

23. QUIET ENJOYMENT. Landlord represents and warrants that it has full right and authority to enter into this Lease and that Tenant, upon paying the Rent herein set forth and performing its other covenants and agreements herein set forth, shall peaceably and quietly have, hold and enjoy the Premises for the Term without hindrance or molestation, subject to the terms and provisions of this Lease.

25

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24. CERTAIN RIGHTS RESERVED TO LANDLORD. Landlord reserves and may exercise the following rights without affecting Tenant's obligation hereunder: (a) to change the name, street address, or suite numbers of the Building; (b) to install or maintain a sign or signs on the exterior of the Building; (c) to designate all sources furnishing sign painting and lettering, ice, drinking water, towels, coffee cart service and toilet supplies, lamps and bulbs used on the Premises; (d) to retain at all times pass keys to the Premises and to enter the Premises to cure any default by Tenant hereunder at Tenant's expense; (e) to close the Building after Business Hours and on Holidays subject, however to Tenant's right to admittance, under such reasonable regulations as Landlord may prescribe from time to time, which may include by way of example but not of limitation, that persons entering or leaving the Building identify themselves to a watchman by registration or otherwise and that said persons establish their right to enter or leave the Building; and (f) to take any and all measures, including inspections, repairs, alterations, decorations, additions and improvements to the Premises or the Building, and identifications and admittance procedures for access to the Building as may be necessary or desirable for the safety, protection, preservation or security of the Premises or the Building or the Landlord's interests or as may be necessary or desirable in the operation of the Building. The Landlord may enter upon the Premises and may exercise any or all of the foregoing rights reserved pursuant to this Paragraph 24 without the same being construed as an unlawful entry into the Premises and without being deemed guilty of an eviction, actual or constructive, or without being deemed guilty of trespass or disturbance of the Tenant's use or possession and without being liable in any manner to Tenant and without abatement of Rent or affecting any of Tenant's obligations hereunder.

25. NOTICES.

(a) Except as otherwise expressly provided in this Lease, any bills, statements, consents, notices, demands or other communications required to be given under this Lease ("Notice(s)") shall be in writing and shall be deemed to have been properly given if delivered personally or by a recognized courier, with a signed receipt, or if deposited with the United States Postal Service (or any official successor thereto) designated certified or registered mail, return receipt requested, bearing adequate postage and addressed as follows, or at such other address as has been specified by written notice delivered in accordance herewith:

If to Tenant: (i) at Tenant's address set forth in this Lease if given prior to Tenant's taking possession of the Premises, or (ii) at the Building, if given subsequent to Tenant's taking possession of the Premises, and to Karen Robbins, Cejka & Company, 222 South Central, Suite 400, St. Louis, Missouri 63105; or (iii) any place where Tenant or any agent or employee of Tenant may be found if given subsequent to Tenant's vacating, deserting, abandoning or surrendering the Premises, and in all cases, with a copy to Brian Andrew, Husch & Ettenberger, LLC, 100 North Broadway, Suite 1300, St. Louis, Missouri 63102.

If to Landlord: CORNERS REALTY CORPORATION, INC., 522 Fifth Avenue, Ninth Floor, New York, NY 10036, Attn: Douglas P. Lawrence, Vice President, with copies to: (i) TRAMMELL CROW COMPANY, 6525 The Corners Parkway, Suite 112, Norcross, GA 30092, Attn: Property Manager; and (ii) Kritzer & Levick, P.C., 6400 Powers Ferry Road, Atlanta, GA 30339, Attn: Barbara Botein, Esq.

(b) Notices shall be deemed to have been rendered or given (i) on the date delivered, if delivered by hand or by a recognized courier, or (ii) on the date mailed, if mailed as provided in Subparagraph 25(a). Notice given by counsel for either party on behalf of such party or by the Property Manager on behalf of Landlord shall be deemed valid notices if addressed and sent in accordance with the provisions of this Paragraph 25.

(c) Notwithstanding the provisions of Subparagraph 25(a), Notices requesting services for overtime periods pursuant to Paragraph 5 may be given by delivery to the Building superintendent or any other person in the Building designated by Landlord to receive such Notices, and bills may be rendered by delivering them to the Premises without the necessity of a receipt.

(d) Tenant hereby appoints as his agent to receive the service of all dispossessory or distraint proceedings and notices thereunder, and all notices required under this Lease, the person in charge of or occupying the Premises at the time; and if no person is in charge or occupying same, then such service or notice may be made by attaching the same on the main entrance to the Premises. A copy of all notices under this Lease shall also be sent to Tenant's last address of which notice was given to Landlord in accordance with this Paragraph, if different from the Premises.

26. **BROKERS AND AGENTS.** Tenant represents and warrants to Landlord that it has not entered into any agreement with, or otherwise had any dealings with, any broker or agent other than Tenant's Broker in connection with the negotiation, procurement or execution of this Lease which could form the basis of any claim by any such broker or agent for a brokerage fee or commission, finder's fee, or any other compensation of any kind or nature in connection herewith, and Tenant shall, and hereby agrees to, indemnify, defend and hold Landlord harmless from all costs (including, but not limited to, court costs, investigation costs, and attorneys' fees), expenses or liability for commissions or other compensation claimed by any broker or agent with respect to this Lease which arise out of any agreement or dealings, or alleged agreement or dealings, between Tenant and any such agent or broker other than Tenant's Broker. This provision shall survive the expiration or earlier termination of this Lease.

27. **PARKING.**

(a) Tenant shall have the non-exclusive use, in common with other occupants of the Building, of spaces within which to park vehicles at a ratio of four (4) cars per one thousand (1,000) usable square feet of Premises leased, in the exterior surface parking facility provided by Landlord for use by Tenant, its employees, agents, invitees and licensees, all

subject, however, to the rights given to other tenants of the Buildings, and subject to the Rules and Regulations propounded by Landlord from time to time.

(b) Landlord reserves the right, at any time and from time to time, to close temporarily all or any portions of the parking area when in Landlord's reasonable judgment any such closing is necessary or desirable (i) to make repairs or changes or to effect construction, (ii) to prevent the acquisition of public rights in such area, (iii) to discourage unauthorized parking, or (iv) to protect or preserve persons or property. Landlord may do such other acts in and to the parking area as in its judgment may be desirable to improve or maintain same.

(c) Tenant agrees that it, any subtenant or licensee and their respective officers, employees, contractors and agents will park their automobiles and other vehicles only where and as permitted by Landlord. Tenant will, if and when so requested by Landlord, furnish Landlord with the license numbers of any vehicles of Tenant, any subtenant or licensee and their respective officers, employees, contractors and agents. Landlord may remove, at Tenant's expense, any vehicles which are parked or abandoned in violation of the Rules and Regulations propounded by Landlord from time to time.

28. **INTENTIONALLY DELETED.**

29. **MISCELLANEOUS.**

(a) For the purposes of this Lease and all agreements supplemental to this Lease, unless the context otherwise requires:

(1) The words "hereunder" and "hereby" and words of similar import shall be construed to refer to this Lease as a whole and not to any particular Paragraph.

(2) Tenant's obligations shall be construed as conditions as well as covenants, each separate and independent of any other terms of this Lease.

(3) Reference to Landlord as having "no liability" or being "without liability" shall mean that Tenant shall not be entitled to terminate this Lease, or to claim actual or constructive eviction, partial or total, or to receive any abatement or diminution of rent, or to be relieved in any manner of any of its other obligations hereunder, or to be compensated for loss or injury suffered or to enforce any other right or liability against Landlord under this Lease or to Tenant's use or occupancy of the Premises.

(4) Reference to "termination of this Lease" or "expiration of this Lease" and words of like import include expiration or sooner termination of this Lease and the Term and the estate granted or cancellation of this Lease pursuant to any of the provisions of this Lease or pursuant to law. Upon the termination of this Lease, the Term and estate granted by this Lease shall end at 11:59 p.m. on the date of termination as if such date were the Expiration Date, and neither party shall have any further obligation or liability to the other after such termination except (i) as shall be expressly provided for in this Lease, and (ii) for such obligations as by their nature under the circumstances can

only be, or by the provisions of this Lease, may be performed after such termination, and, in any event, unless expressly otherwise provided in this Lease, any liability for a payment (which shall be apportioned as of such termination) which shall have accrued to or with respect to any period ending at the time of termination shall survive the termination of this Lease.

(5) Words and phrases used in the singular shall be deemed to include the plural and vice versa.

(6) The rule of “*eiusdem generis*” shall not be applicable to limit a general statement following or referable to an enumeration of specific matters to matters similar to the matters specifically mentioned.

(b) The terms, provisions, covenants and conditions contained in this Lease shall apply to, inure to the benefit of, and be binding upon the parties hereto and upon their respective heirs, legal representatives, successors and permitted assigns, except as otherwise herein expressly provided. Landlord shall have the right to assign any of its rights and obligations under this Lease. The duties and obligations of Tenant herein shall be binding upon all or any of them. The duties and obligations of Tenant shall run and extend not only to the benefit of the Landlord, as named herein, but to the following, at the option of the following or any of them: (i) any person, by, through or under which Landlord derives the right to lease the Premises; (ii) the owner of the Land; and (iii) holders of mortgage, deed to secure debt or rent assignment interests in the Premises, as their respective interests may appear; provided, however, nothing contained herein shall be construed to obligate Tenant to pay Rent to any person other than Landlord until such time as Tenant has been given written notice of either an exercise of a. rent assignment or the succession of some other party to the interests of Landlord.

(c) The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

(d) This Lease sets forth the entire agreement between the parties and cancels all prior negotiations, arrangements, brochures, agreements, and understandings, if any, between Landlord and Tenant regarding the subject matter of this Lease. This Lease may not be altered, changed or amended (other than the Rules and Regulations) except by an instrument in writing signed by both parties hereto. Except as specifically provided in this Lease, Landlord makes no representations or warranties concerning the Building or the Park.

(e) All obligations of Tenant hereunder not fully performed as of the expiration or earlier termination of the Term shall survive the expiration or earlier termination of the Term, including without limitation all payment obligations with respect to Rent and all obligations concerning the condition of the Premises.

(f) If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws effective during the Term, then and in that event it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby, and it is also the

29

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intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added as a part of this Lease a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

(g) This Lease shall not be valid or binding unless and until accepted by Landlord in writing and a fully executed copy is delivered to both parties hereto.

(h) Time is of the essence of this Lease and all of its provisions; provided, however, the failure of Landlord to provide Tenant with any notification regarding adjustments in Rent within the time periods prescribed in this Lease shall not relieve Tenant of its obligation to make such payments, which payments shall be made at such time as notice is subsequently given.

(i) Landlord shall have the right at any time, and from time to time, to amend unilaterally the provisions of this Lease if Landlord is advised by its counsel that all or any portion of the Rent paid by Tenant to Landlord hereunder is, or may be deemed to be, unrelated business taxable income within the meaning of the United States Internal Revenue Code or regulations issued thereunder, or if any other provision of this Lease shall result in an ERISA violation by Landlord, and Tenant agrees that it will execute all documents necessary to effect any such amendment, provided that no such amendment shall increase Tenant's payment obligations or other liability under this Lease or reduce Landlord's obligations hereunder.

(j) The waiver by Landlord of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any other term, covenant or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent or other sums due hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular payment so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such payment. No covenant, term or condition of this Lease shall be deemed to have been waived by Landlord unless such waiver is in writing signed by Landlord.

(k) Tenant agrees to comply with current and future restrictions of record that are applicable to the Building or Park.

(l) Landlord and Tenant represent and warrant that each has the full right and authority to enter into this Lease. Each party agrees to furnish to the other, promptly upon demand, a corporate resolution, proof of due authorization by partners, or other appropriate documentation evidencing the due authorization of such party to enter into this Lease.

(m) This Lease shall create the relationship of Landlord and Tenant between the parties hereto; no estate shall pass out of Landlord. Tenant has only a usufruct, not subject to levy and sale, and not assignable by Tenant except by Landlord's consent as specifically provided in Paragraph 10 of this Lease.

30

(n) Notwithstanding anything contained elsewhere in this Lease, Tenant shall have no claim, and hereby waives the right to any claim, against Landlord for money damages by reason of any refusal, withholding or delaying by Landlord of any consent, approval or statement of satisfaction required of Landlord by this Lease or applicable law. In such event, Tenant's only remedy for any refusal, withholding or delay which is determined to be unreasonable or in contravention of this Lease or applicable law shall be an action for specific performance or an injunction to enforce any such requirement.

(o) Anything contained in this Lease to the contrary notwithstanding, Tenant shall look solely to Landlord's interest in the Building for the collection of any judgment or other judicial process requiring the payment of money by Landlord for any default or breach by Landlord under this Lease, subject, however, to the prior rights of any mortgagee, the holder of any deed to secure debt or lessor of the Park. No other assets of Landlord or any partners, shareholders, or other principals of Landlord shall be subject to levy, execution or other judicial process for the satisfaction of Tenant's claim.

(p) This Lease shall be governed by and construed under the laws of the State of Georgia, without regard to the conflicts of laws rules of such state. Any action brought to enforce or interpret this Lease shall be brought in the court of appropriate jurisdiction in Gwinnett County, Georgia. Should any provision of this Lease require judicial interpretation, Landlord and Tenant hereby consent to the service of process and jurisdiction of the courts of the State of Georgia. The parties stipulate that the court interpreting or considering same shall not apply the presumption that the terms hereof shall be more strictly construed against a party by reason of any rule or conclusion that a document should be construed more strictly against the party who itself or through its agent prepared the same, it being agreed that all parties hereto have participated in the preparation of this Lease and that each party had full opportunity to consult legal counsel of its choice before the execution of this Lease. If any words or phrases in this Lease are stricken out or otherwise added, this Lease shall be construed as if the words or phrases so stricken out or otherwise eliminated were never included in this Lease and no implication or inference shall be drawn from the fact that such words or phrases were stricken out or otherwise eliminated. The Tenant hereby represents that it is not entitled, directly or indirectly, to diplomatic or sovereign immunity. The provisions of this Subparagraph 29(p) shall survive the expiration or sooner termination of the Lease.

(q) Tenant agrees to pay all attorneys' fees and expenses the Landlord incurs in enforcing any of the obligations of Tenant under this Lease or in any litigation or negotiation in which Landlord shall, without its fault, become involved through or on account of this Lease.

(r) Any elimination or shutting off of light, air, or view by any structure which may be erected on lands adjacent to the Building shall in no way affect this Lease and Landlord shall have no liability to Tenant with respect thereto.

(s) Neither this Lease nor any memorandum of this Lease shall be recorded.

(t) Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either of them against the other on any matters whatsoever arising

out of or in any way connected with this Lease, whether during or after the Term, or for the enforcement of any remedy under any statute, emergency or otherwise. If Landlord shall commence any summary proceeding against Tenant, Tenant will not interpose any permissive counterclaim of whatever nature in any such proceeding (unless failure to impose such counterclaim would preclude Tenant from asserting in a separate action the claim which is the subject of such counterclaim), and will not seek to consolidate such proceeding with any other action which may have been or will be brought in any other court by Tenant or Landlord.

(u) Should Landlord assign this Lease as provided for above, or should Landlord enter into a security deed or other mortgage affecting the Premises and should the holder of such deed or mortgage succeed to the interest of Landlord, Tenant shall be bound to said assignee or any such holder under all the terms, covenants and conditions of this Lease for the balance of the Term hereof remaining after such succession, and Tenant shall attorn to such succeeding party as its Landlord under this Lease promptly under any such succession. Upon any assignment or transfer of Landlord's interest in this Lease, Landlord shall automatically be released from any liability arising under this Lease from and after the date of such assignment or transfer. Tenant agrees that should any party so succeeding to the interest of Landlord require a separate agreement of attornment regarding the matters covered by this Lease, then Tenant shall enter into such agreement, provided that the same does not materially modify any of the economic provisions of this Lease.

(v) This Lease and the obligation of Tenant to pay Rental hereunder and to perform all of the other covenants and agreements hereunder on the part of Tenant to be performed shall in no way be affected, impaired or excused because Landlord is unable to fulfill any of Landlord's obligations under this Lease, expressly or implicitly to be performed by Landlord, or because Landlord is unable to make or is delayed in making any repairs, additions, alterations, improvements or decorations, or is unable to supply or is delayed in supplying any services, equipment or fixtures, if Landlord is prevented from or delayed in so doing by reason of acts of God, casualty, strikes or labor troubles, accident, governmental preemption in connection with an emergency, Requirements, conditions of supply and demand which have been or are affected by war or other emergency, or any other cause whatsoever, whether similar or dissimilar to the foregoing, beyond Landlord's reasonable control ("Unavoidable Delays").

[Signatures Appear on Following Page]

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

Witness:

CORNERS REALTY CORPORATION, INC.,  
a Delaware corporation, as Landlord

By:       /s/ Paulene Gates        
Name: Paulene Gates

By:       /s/ Douglas P. Lawrence        
Vice President

CEJKA & COMPANY, a Delaware

Witness:

corporation, as Tenant

By:       /s/ Connie Eubanks        
Title: Exec. Assistant

By:       /s/ Kevin P. Conlin        
Vice President

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EXHIBIT A  
LEGAL DESCRIPTION

EXHIBIT B  
FLOOR PLAN

EXHIBIT C  
PLANS AND SPECIFICATIONS

EXHIBIT D  
WORK AGREEMENT

EXHIBIT E  
COMMENCEMENT DATE AGREEMENT

EXHIBIT F  
RULES AND REGULATIONS

EXHIBIT G  
FORM OF INSURANCE CERTIFICATE

Exhibits are available upon request.

LEASE AGREEMENT

BETWEEN  
 CORNERS REALTY CORPORATION, INC.  
 (Landlord)

AND

CROSS COUNTRY CONSULTING, INC.  
 (Tenant)

Dated: March 21, 2002

1

This Lease Agreement ("Lease") is made this 21st day of March, 2002 by and between CORNERS REALTY CORPORATION, INC., a Delaware corporation ("Landlord"), and CROSS COUNTRY CONSULTING, a Delaware corporation having an address at 6525 The Corners Parkway, Suite 500, Norcross, Georgia 30092 ("Tenant").

WITNESSETH :

The parties hereto, for themselves, their legal representatives, successors and assigns, agree as follows:

1 BASIC LEASE INFORMATION. The terms used in this Lease shall have the meanings set forth in this Paragraph 1.

- (a) **Building.** The office building located at 6525 The Corners Parkway, Norcross, GA 30092 and commonly known as "The Corners Office Park."
- (b) **Land.** Those certain parcels of land more particularly described on Exhibit A attached hereto and made a part hereof. The Land is part of the Park.
- (c) **Park.** The Land and all improvements thereon, including, without limitation, the Building and the Common Areas.
- (d) **Premises.** Suite 500 substantially as shown on Floor Plan attached hereto as Exhibit B and made a part hereof, which the parties agree contains 5,315 rentable square feet as of the date of this Lease.
- (e) **Common Areas.** Those certain areas and facilities of the Building and the Park which are from time to time provided by Landlord, in its discretion, for the use of tenants and their employees, clients, customers, guests, licensees and invitees or for use by the public.
- (f) **Permitted Uses.** Executive and administrative offices reasonable and customary for Tenant's business as an employment agency and related uses thereto.
- (g) **Commencement Date.** May 1, 2002.
- (h) **Expiration Date.** December 31, 2006.
- (i) **Term.** Approximately Four (4) Years and Eight (8) Months (Total: 56 Months), beginning on the Commencement Date and ending at 11:59 p.m. on the Expiration Date, unless this Lease is sooner terminated as provided herein.
- (j) **Security Deposit.** N/A.
- (k) **Rent.** The Base Rent, the Additional Rent, as defined in Paragraph 3, and all other sums due from Tenant to Landlord hereunder.

2

1) Base Rent:

Lease Period	Per Rentable Square Foot		Annually	Monthly
5/1/02 – 4/30/03	\$	19.00	\$ 75,999.96	\$ 6,333.33
5/1/03 – 4/30/04	\$	19.95	\$ 106,034.28	\$ 8,836.19
5/1/04 – 4/30/05	\$	20.95	\$ 111,349.20	\$ 9,279.10
5/1/05 – 4/30/06	\$	22.00	\$ 116,930.04	\$ 9,744.17
5/1/06 – 12/31/06	\$	23.10	\$ 81,851.04*	\$ 10,231.38

\* for eight months

- (m) Base Rent Adjustment Amount. Five (5%) percent. (Included in computation in Subparagraph 1(1)).
- (n) Tenant's Broker(s). Merrill & Associates
- (o) Landlord's Broker/Manager. Trammell Crow Company.
- (p) Tenant Improvement Allowance. Up to \$59,794 (or \$11.25 per rentable square foot).

## 2. TERM AND POSSESSION.

(a) Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises for the Term. During the Term, Tenant shall have the right to use the Common Areas in common with others and in accordance with the Lease and the Rules and Regulations.

(b) Notwithstanding anything contained herein to the contrary, Tenant shall not be required to remit the Base Rent on 1,315 rentable square feet of the Premises for the first 12 months of the lease term (as reflected in the Base Rent schedule, Paragraph 1(1) above).

(c) In the event this Lease pertains to Premises in which building interior finish is to be constructed by Landlord (the "Leasehold Improvements"), the Commencement Date shall be the date set forth in Subparagraph 1(g). If a Leasehold Improvement Allowance is set forth in Paragraph 1 above, then Tenant shall be responsible for all hard and soft costs incurred in connection with the design and construction of the Leasehold Improvements which are in excess of the Tenant Improvement Allowance. If Tenant is given a Tenant Improvement Allowance, it must be used by Tenant within the first six (6) months of the Term. The "Substantial Completion Date," if relevant, shall be the date upon which the Leasehold Improvements have been substantially completed, except for punch list items, in accordance with the plans and specifications ("Plans and Specifications") attached hereto as Exhibit C and made a part hereof and the Work Agreement ("Work Agreement") attached hereto as Exhibit D and made a part hereof, provided however, that if Landlord shall be delayed in such substantial completion as a result of (i) Tenant's failure to agree to plans, specifications, and cost estimates

3

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within five (5) Business Days; (ii) Tenant's request for materials, finishes or installations other than Landlord's standard; (iii) Tenant's changes in plans and specifications; (iv) the performance or completion by a party employed by Tenant; or (v) the failure by Tenant to make payment for the cost of the Leasehold Improvements in excess of the Tenant Improvement Allowance as set (forth above, the Commencement Date and the payment of Rent hereunder shall be accelerated by the number of days of such delay, and provided further that if Landlord cannot substantially complete the Premises as a result of any of events (i) through (v) above, Landlord may at its election complete so much of the Leasehold Improvements as may be practical under the circumstances and, by written notice to Tenant, establish the Commencement Date as of the date of such partial completion, subject to any applicable accelerations due to delays resulting from events (i) through (v) above. Tenant shall provide Landlord with a punch list within ten (10) days of the Substantial Completion Date, and Landlord shall proceed to complete these items promptly. The taking of possession by Tenant shall be deemed conclusively to establish that the Leasehold Improvements have been completed in accordance with the plans and specifications (except for punch list items) and that the Premises are in good and satisfactory condition.

(d) If this Lease is executed before the Premises become vacant or otherwise available and ready for occupancy, and Landlord cannot acquire possession of the Premises prior to the Commencement Date, Landlord shall not be deemed to be in default hereunder, and Tenant agrees to accept possession of the Premises at such time as Landlord is able to tender the same, which date shall be deemed the Commencement Date; and Landlord hereby waives payment of Rent covering any period prior to the tendering of possession to Tenant hereunder

(e) Landlord may submit to Tenant a written agreement, substantially in the form annexed as Exhibit E, confirming the date fixed by Landlord, in accordance with the provisions of this Lease, as the Commencement Date and the Expiration Date, and Tenant shall execute such agreement and return it to Landlord within fifteen (15) calendar days thereafter. Any failure of the parties to execute such written agreement shall not affect the validity of the Commencement Date or the Expiration Date as fixed and determined by Landlord. In the event of any dispute as to the substantial completion of work required to be performed by Landlord, the certificate of Landlord's architect or general contractor shall be conclusive. Notwithstanding anything above to the contrary, Tenant shall have access to the Premises within ten (10) days of the Commencement Date for the purpose of installing fixtures and furniture but not for the purpose of conducting business without the payment of Rent.

## 3. BASE RENT; ADDITIONAL RENT.

(a) Tenant shall pay in advance to Corners Realty Corporation, Inc., P. O. Box 531258, Atlanta, Georgia 30353-1258, Accounts Receivable, or at such other place as Landlord shall designate in writing, promptly, without notice, demand, offset or deduction, in lawful money of the United States of America on the first day of each calendar month during the Term: (i) the Base Rent as set forth in Paragraph 1(1) in equal installments in advance of the first day of each calendar month of the Term; and (ii) the additional rent ("Additional Rent") consisting of all other sums of money as shall become due from and be payable by Tenant under this Lease including, but not limited to, those described in Subparagraph 3(b) below (for default in the payment of which Landlord shall have the same remedies as for a default in the payment of Base

4

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Rent). If the Term commences on a day other than the first day of a month, or terminates on a day other than the last day of a month, the Base Rent for the first and last partial month shall be prorated based upon the actual number of days leased in such month.

(b) "Lease Year," as used herein, means a period of twelve (12) consecutive calendar months, or a portion thereof falling within the Term, with the first Lease Year commencing with the first day of the calendar month beginning on or after the Commencement Date of the Term and each subsequent Lease Year commencing on each anniversary during the Term of the Commencement Date of the first Lease Year. The period, if any, from the Commencement Date of the Term to the beginning of the first Lease Year shall be treated as if it were part of the first Lease Year under this Lease for all purposes.

(c) Simultaneously with the execution of this Lease, Tenant has paid to Landlord, and Landlord hereby acknowledges the receipt of the first installment of the Base Rent ("Initial Installment"). Such sum shall be applied by Landlord to the first installments of Base Rent as they become due

hereunder. In the event Tenant fails to take possession of the Premises in accordance with all of the terms hereof, the Initial Installment shall be retained by Landlord for application in reduction, but not in satisfaction, of damages suffered by Landlord as a result of such breach by Tenant.

(d) In the event Tenant shall fail to pay by the first day of the month when due any rent or any other charges, fees, costs or expenses which Tenant is obligated or liable to pay to, refund to or reimburse Landlord, Tenant shall be obligated to pay interest at the rate of one and one-half percent (1-1/2%) per month (or any portion of a month) during which such Rent or other obligation remains outstanding together with a late charge, which shall constitute liquidated damages, equal to five (5%) percent of the then outstanding Rent or other obligation. Such interest and late charges shall be deemed Additional Rent and shall become immediately due and payable along with the Base Rent and Additional Rent.

(e) The obligations contained in this Paragraph 3 shall survive the Expiration Date or earlier termination of this Lease.

#### 4. USE.

(a) Tenant shall occupy, operate and use the Premises only for the Permitted Uses during Business Hours (as hereinafter defined) of the Building. Tenant shall comply with all governmental laws, ordinances and regulations (including, but not limited to, the Americans with Disabilities Act of 1990), now or hereinafter enacted ("Laws") applicable to the Premises, Tenant's occupancy, use or manner of use of the Premises and shall promptly comply with all governmental orders and directives at Tenant's sole expense. Tenant shall not permit any objectionable or unpleasant odors, smoke, dust, gas, noise or vibrations to emanate from the Premises or take any other action which would constitute a nuisance or would disturb or endanger any other tenants of the Building or unreasonably interfere with their use of their respective premises or the Common Areas. Tenant shall not receive, store or otherwise handle any product, material or merchandise which is explosive or highly flammable.

5

(b) Tenant shall not use, handle, store, discharge or fabricate any Hazardous Substances (as hereinafter defined) in the Premises. The term "Hazardous Substances," as used in this Lease shall mean pollutants, contaminants, toxic or hazardous wastes or pollutants or contaminants, or any other substances, the removal of which is required or the use of which is restricted, prohibited or penalized by any "Environmental Law," which term shall mean any federal, state or local law, ordinance, statute, rule, regulation or directive promulgated by any governmental authority relating to pollution or protection of the environment. Tenant hereby agrees that: (i) no activity will be conducted on the Premises that will produce any Hazardous Substance; (ii) the Premises will not be used in any manner for the storage of any Hazardous Substances except for the temporary storage of such materials as are customarily used in general business offices in office buildings of this type (the "Permitted Materials") provided such Permitted Materials are properly stored in a manner and location meeting all Environmental Laws and approved in advance in writing by Landlord; (iii) Tenant will not permit any Hazardous Substances to be brought onto the Premises, except for the Permitted Materials, and if so brought or found located thereon, the same shall be immediately removed, with proper disposal, and all required cleanup procedures shall be diligently undertaken pursuant to all Environmental Laws. Furthermore, Tenant shall not use any part of the Premises or the Park without the written consent of Landlord and lender, for any dry cleaning activities involving chlorinated solvents or use chlorinated solvents in the operation of its business, except for products typically used in offices or restaurants, in which case, all of the removal, disposal and indemnification provisions of this Lease shall apply. If, at any time during or after the Term, the Premises are found to be so contaminated or subject to said conditions as a result of a condition caused by Tenant only. Tenant agrees to indemnify and hold Landlord, its trustees, partners, affiliates, shareholders, officers, directors, employees, agents, contractors and the Manager ("Indemnitees") harmless from all claims, demands, actions, liabilities, costs, expenses, damages and obligations of any nature arising from or as a result of the presence or the use of Hazardous Substances in the Premises by Tenant.

(c) Tenant will not permit the Premises to be used for any purpose or in any manner (including without limitation any method of storage) which would render the insurance thereon void or the insurance risk more hazardous or cause the Insurance Commissioner or other insurance authority to disallow any sprinkler credits. If any increase in the fire and extended coverage insurance premiums paid by Landlord or other tenants for the Building is caused by Tenant's use and occupancy of the Premises, or if Tenant vacates the Premises and causes an increase in such premiums, then Tenant shall pay the amount of such increase to Landlord as Additional Rent.

(d) If Tenant shall receive notice of any violation of, or defaults under, any Laws or Environmental Laws, liens or other encumbrances applicable to the Premises, Tenant shall give prompt notice thereof to Landlord.

(e) Tenant agrees that the floor load resulting from Tenant's furniture, inventory and equipment pertaining to Tenant's use of the Premises shall not exceed allowable design floor loading for the Building. Tenant shall hold harmless Landlord from any loss, liability and expenses, both real and alleged, arising out of or caused by Tenant's negligence or failure to comply with this Subparagraph (e).

6

(f) The Premises shall not be used for any purpose that would, in Landlord's reasonable judgment, create unreasonable or excessive elevator or floor loads, violate the certificate of occupancy of the Building, impair or interfere with any of the Building operations or the proper and economic heating, air-conditioning, cleaning or any other services of the Building or impair the appearance of the Building.

(g) The provisions of Paragraph 4 shall survive the termination or earlier expiration of this Lease.

#### 5. LANDLORD'S SERVICES.

(a) Landlord shall furnish seasonal air conditioning and heating from 7:00 A.M. to 6:00 P.M. on Mondays through Fridays and from 9:00 A.M. until 1:00 P.M. on Saturdays ("Business Hours") except holidays observed by the City of Atlanta, State of Georgia, the federal government or labor unions servicing the Building ("Business Days"). As of the date of this Lease, New Year's Day, Martin Luther King Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, the Friday after Thanksgiving and Christmas Day are holidays observed by the Building ("Holidays"). The Holidays are subject to change from time to time by Landlord. Should Tenant desire either heating or air conditioning at other times. Landlord agrees to provide same upon reasonable advance written request by Tenant, but at Tenant's expense and at such hourly rates as may be determined from time to time by Landlord, which charge Tenant shall pay promptly upon demand by Landlord. Tenant agrees to keep and cause to be kept closed all window coverings, if any, when necessary because of the sun's position, and Tenant also agrees at all times to cooperate fully with Landlord and to abide by all the reasonable regulations and requirements which Landlord may prescribe for the proper functioning and protection of the heating, ventilating, and air conditioning system and to comply with all laws, ordinances and regulations respecting the conservation of energy. Landlord will not be responsible for failure of the HVAC System to provide

sufficient cooling if such failure results from occupancy of the Premises by more than one (1) person per one hundred fifty (150) square feet of usable area or if Tenant shall use in excess of five (5) watts of electricity per usable square foot for lighting and power. If the occupancy rate is greater than as described in the previous sentence or if Tenant's partitions are arranged in a way which interferes with the normal operation of the HVAC System, Landlord may elect to make changes to the HVAC System or the ducts, and the cost shall be reimbursed by Tenant to Landlord as Additional Rent within ten (10) days after demand. Tenant shall not construct partitions or other obstructions that may interfere with Landlord's free access to mechanical installations in the Premises or interfere with the moving of Landlord's equipment to and from such installations. Neither Tenant nor its agents, employees or contractors shall at any time enter such enclosures or tamper with, adjust, touch or otherwise affect the mechanical installations. If Tenant installs equipment which in Landlord's opinion produces enough heat to cause comfort problems in the Building or any part thereof, or if Tenant desires a supplemental air conditioning system and Landlord has approved same, then Landlord may, at its option, either cause to be designed or permit Tenant to design a supplemental air conditioning system, subject to Landlord's approval, and Landlord shall install such system substantially in accordance with such design. If Tenant has requested such supplemental system, Tenant shall be responsible for determining that the design of such system is adequate for its needs. Tenant

7

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agrees to pay Landlord for such equipment, design, review by Landlord's architect and engineer, installation, metering and consumption of electricity for supplemental air conditioning. Any such system shall be maintained, at Tenant's sole cost and expense, by a contractor reasonably approved by Landlord. Landlord shall be named as an additional beneficiary under any warranty on the supplemental air conditioning system.

(b) Landlord shall cause the Premises (excluding any secured areas designated by Tenant or other areas used for the storage, preparation, service or consumption of food or beverage) to be cleaned five (5) days per week, excluding Holidays, provided that Tenant shall keep the Premises in order. Notwithstanding the above, Landlord shall provide general janitorial service to Tenant's pantry, but such service shall not include cleaning kitchen equipment or dishes. Tenant shall not provide any janitorial services for independent contractors without Landlord's prior written consent, which consent shall not be unreasonably withheld and then subject only to supervision by Landlord and by a janitorial contractor or employees at all times satisfactory to Landlord. Any such services provided by Tenant shall be at Tenant's sole risk, cost and responsibility. Tenant shall pay the cost of removing any of Tenant's refuse and rubbish from the Premises and the Building to the extent that the same, in any one day, exceeds the average daily amount of refuse and rubbish accumulated in the use of such Premises as offices, as described in Landlord's cleaning contract or recommended by Landlord's cleaning contractor. Bills rendered by Landlord shall be paid as Additional Rent within ten (10) days after demand. Tenant shall cause all portions of the Premises used for the storage, preparation, service or consumption of food or beverages to be cleaned daily in a manner reasonably satisfactory to Landlord and to be treated whenever there is evidence of any infestation. Landlord shall have no obligation to clean, repair, replace or maintain any "private" plumbing fixtures or facilities.

(c) Landlord shall furnish electric current for Building standard tenant lighting and for standard office business machinery only from electric circuits designated by Landlord for Tenant's use. Such circuits shall be fed into one or more of the existing electrical panel (s) in the electrical closets located on the same Building floor as the Premises. Tenant's usage of the panels on any given floor shall not exceed Tenant's pro rata share (based on rentable square footage) of the panels' capacity. Tenant agrees that at no time will the connected electrical load in the Premises exceed in the aggregate five (5) watts per usable square foot of the Premises. Tenant will not use any electrical equipment which, in Landlord's reasonable opinion, will overload the wiring installations or interfere with the reasonable use thereof by other users in the Building. Tenant will not, without Landlord's prior written consent in each instance, connect any items such as non-Building standard tenant lighting, vending equipment, or auxiliary air conditioners to the Building's electrical system or make any alteration or addition to the system.

(d) Landlord shall maintain the Common Areas including, but not limited to the corridors, the windows in the Building, the mechanical, plumbing and electrical equipment serving the Building and the structure itself, in good order and condition, except for damage occasioned by the act of Tenant, its agents, servants, employees, guests or invitees, which damage shall be repaired by Landlord at Tenant's expense.

8

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(e) Landlord shall furnish hot and cold water for ordinary drinking, cleaning and lavatory purposes. If Tenant requires, uses or consumes water for other purposes. Tenant agrees to install and pay for the cost and maintenance of a meter or other means to measure Tenant's water consumption. Tenant shall reimburse Landlord for the cost of all water excess consumed (including costs of generating hot water) as Additional Rent, within ten (10) days after demand.

(f) Except for the gross negligence or willful misconduct of Landlord, its agents, employees, contractors. Landlord shall not be in default hereunder or be liable for any damages directly or indirectly resulting from, nor shall the Rent herein reserved be abated by reason of: (i) the installation, use or interruption of use of any equipment in connection with the furnishing of any of the foregoing utilities and services; (ii) failure to furnish or delay in furnishing any such utilities or services when such failure or delay is caused by Acts of God or the elements, labor disturbances of any character, any other accidents or other conditions beyond the reasonable control of Landlord, or by the making of repairs or improvements to the Premises or to the Building; or (iii) the limitation, curtailment, rationing or restriction on use of water or electricity, gas or any other form of energy or any other service or utility whatsoever serving the Premises or the Building. No diminution or abatement of Rent or other compensation will be claimed by Tenant as a result therefrom, and no obligations of Tenant shall be affected or reduced by reason of such interruption, curtailment or suspension, and the same shall not constitute an actual or constructive eviction.

(g) Landlord shall provide elevator service to the Premises during Business Days, and subject to Subparagraph (f) above, on call at all other times.

(h) Any sums payable under this Paragraph 5 shall be considered Additional Rent and may be added to any installment of Rent thereafter becoming due and shall accrue late charges as Rent as set forth in Paragraph 16 of this Lease, and Landlord shall have the same remedies for a default in payment of such sums as for a default in the payment of Rent.

(i) Subject to the provisions of this Lease, Tenant shall have access to the Premises 24 hours per day, 7 days per week, 365 days per year. Notwithstanding anything to the contrary, it is not the intention of Landlord or Tenant for Tenant to occupy the Premises for a 24-hours per day business operation.

(a) Tenant shall, at its own cost and expense, keep in good repair all portions of the Premises, including but not limited to glass and plate glass doors, any special store front, interior walls and finish work, floors and floor coverings, and supplemental or special heating and air conditioning systems, and shall take good care of the Premises and its fixtures and permit no waste, except for normal wear and tear. Except as otherwise provided in this Paragraph 6, Tenant shall not be obligated to repair any Building Systems (as defined in Subparagraph 7(a)). Notwithstanding any provision to the contrary, all damage or injury to the Building, or to its fixtures and appurtenances (including Building Systems), resulting from any act or omission of, or Alterations made by Tenant or persons within Tenant's control shall be repaired by Tenant at

9

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Tenant's sole cost and expense to the reasonable satisfaction of Landlord if the required repairs are nonstructural in nature and do not affect any Building Systems or by Landlord at Tenant's sole cost and expense if the required repairs are structural in nature or affect any Building Systems. If Tenant shall fail, after ten (10) days notice (or such shorter period as may be required because of an emergency) to proceed with due diligence to make required repairs, the same may be made by Landlord, and the expenses incurred with interest at the Applicable Rate (as defined below), shall be paid as Additional Rent within ten (10) days after demand. Except as otherwise provided in this Subparagraph 6(a), Landlord shall not be required to make any repairs or improvements to the Premises, other than structural, mechanical or electrical repairs necessary for safety and tenantability, and such repairs shall be made during Business Hours unless there is an emergency. "Applicable Rate" shall mean the lesser of (i) three percentage points over the then current "Base Rate" announced by Citibank, N.A. or its successor (or such other term used by Citibank, N.A. for the rate presently referred to as its "Base Rate") and (ii) the maximum rate permitted by law.

(b) Landlord shall operate, maintain and make all necessary repairs to the Building Systems and the public portions of the Building in conformance with standards applicable to non-institutional, office buildings in Atlanta, except for those repairs for which Tenant is responsible pursuant to this Lease. Landlord shall use reasonable efforts to minimize interference with Tenant's use and occupancy of the Premises in making any repairs, alterations, additions or improvements; provided, however, that Landlord shall perform such work during Business Hours. Except as expressly provided in this Lease, there shall be no allowance to Tenant for a diminution of rental value and no liability on the part of Landlord for inconvenience, annoyance or injury to business arising from Landlord, Tenant or others making, or failing to make, any repairs, alterations, additions or improvements in or to any portion of the Building or the Premises, or its fixtures, appurtenances or equipment.

#### 7. ALTERATIONS AND IMPROVEMENTS.

(a) Tenant shall not make or permit to be made any Alterations without Landlord's prior written consent, which consent shall not be unreasonably withheld or delayed, provided that: (i) the outside appearance of the Building shall not be affected; (ii) the strength of the Building shall not be affected; (iii) the structural parts of the Building shall not be adversely affected; (iv) no part of the Building outside of the Premises shall be affected; and (v) the proper functioning of the heating system, electrical system, plumbing, roof, floor, wall penetration and other Building system ("Building Systems") shall not be adversely affected and the use of such systems by Tenant shall not be increased beyond Tenant's allocable portion of the reserve capacity thereof, if any. If consent to any Alterations is not given, Landlord shall notify Tenant in sufficient detail to enable Tenant to amend its plans and specifications regarding such Alterations to comply with Landlord's objections. In the event Landlord consents to the making of any Alterations by Tenant, the same shall be made at Tenant's sole cost and expense, in accordance with all applicable laws, ordinances and regulations, and all requirements of Landlord's and Tenant's insurance policies and only in accordance with plans and specifications approved by Landlord (except that any such requested Alterations to the Building or Building Systems shall be done by Landlord, and Tenant shall reimburse Landlord for the entire cost thereof). Any contractor or person selected by Tenant to make the same and all subcontractors must first be

10

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approved in writing by Landlord, approval not to be unreasonably withheld, or, the Alterations shall be made by Landlord for Tenant's account and Tenant shall fully reimburse Landlord for the entire cost thereof within twenty (20) days after written notification of Tenant by Landlord providing Tenant with an invoice or other request (or statement). Promptly after completion of any Alterations to the Premises made by Tenant, Tenant shall supply Landlord with a set of scaled and dimensioned, reproducible mylars of "as-built" plans for such Alterations certified by Tenant's architect or space planner. Notwithstanding the foregoing, with respect to any Alterations affecting any Building Systems, Tenant shall employ Landlord's designated contractor, and such Alterations shall be designed by the Landlord's engineer at Tenant's expense. "Alterations" shall not include Tenant's free-standing furniture or modular furniture. Notwithstanding the foregoing, or anything to the contrary herein, Landlord's consent shall not be required for decorating or redecorating such as painting and wallpapering.

(b) All Alterations erected by Tenant shall be the property of Tenant during the Term and the property of Landlord as of the Expiration Date or earlier termination of this Lease. Landlord reserves the right to require Tenant to remove Tenant's Alterations erected and restore the Premises to their condition as of the Commencement Date, reasonable wear and tear excepted, on or before the Expiration Date or any sooner date of termination of this Lease; provided, however, that if Landlord so elects prior to termination or expiration of this Lease, such Alterations shall become the property of Landlord as of the Expiration Date or any sooner date of termination of this Lease and shall be delivered to the Landlord with the premises. The provision of this Paragraph 7 shall survive the Expiration Date or earlier termination of this Lease.

(c) Tenant shall pay Manager a supervisory fee equal to four (4%) percent of the cost of Alterations over \$10,000.00, but less than \$100,000.00 and three (3%) percent of Alterations over \$100,000.00, which fee shall be paid within ten (10) days after demand by Landlord.

8. RULES AND REGULATIONS. Tenant, its employees and agents shall comply with the Rules and Regulations attached to this Lease as Exhibit F and made a part hereof, and any amendments or additions as may be made from time to time by Landlord. Landlord shall not discriminate against Tenant in enforcing the Rules and Regulations. Landlord shall not be responsible for the nonperformance by any other tenant or occupant of the Building of any of the Rules and Regulations. In case of any conflict or inconsistency between the provisions of this Lease and of any of the Rules and Regulations as originally or as hereinafter adopted, the provisions of this Lease shall control.

#### 9. ACCESS BY LANDLORD.

(a) Upon prior notice (which may be verbal), Landlord or its agents may enter the Premises during Business Hours at reasonable hours to exhibit same to prospective purchasers or tenants (only during the last twelve (12) months of the Term) or mortgagees, to inspect the Premises to see that

Tenant is complying with all of its obligations hereunder, to supply janitorial and other services, and to make repairs improvements, alterations or additions which Landlord shall deem necessary for the safety, preservation, maintenance or improvement of the Building or to make repairs, maintenance or modifications to any adjoining space.

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Landlord shall be allowed to take all reasonable material into and upon the Premises that may be required to make such repairs, maintenance, improvements, alterations or additions for the benefit of Tenant without in any way being deemed or held guilty of an eviction of Tenant, and the Base Rent and other charges hereunder shall not abate while such repairs, improvements, maintenance, alterations or additions are being made. All such repairs, maintenance, improvements, alterations and additions shall be done during regular business hours, or, if any such work is at the request of Tenant to be done during any other hours, Tenant shall pay for all overtime costs. Notwithstanding anything to the contrary, Landlord shall have the right to enter the Premises at any time and without in the event of emergency without the same constituting an eviction, nuisance or disturbance.

(b) Landlord shall at all times retain a key with which to unlock all the doors in the Premises, excluding Tenant's vaults, safes or special security areas (designated in advance by Tenant in writing and made known to Landlord), and Landlord shall have the right to use any and all means which Landlord may deem reasonably necessary or proper to open said doors in an emergency, in order to obtain entry to any portion of the Premises, and any entry to the Premises, or portions thereof obtained by Landlord by any of said means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into the Premises, or an eviction, actual or constructive of Tenant from the Premises or any portions thereof. Landlord shall also have the right at any time, without the same constituting an actual or constructive eviction and without incurring any liability to Tenant therefor, to erect, use and maintain scaffolding, conduits and other necessary structures in the Premises. Landlord shall use commercially reasonable efforts not to interfere with Tenant's business operations while Landlord is in the Premises.

#### 10. ASSIGNMENT AND SUBLETTING

(a) Except as specifically provided herein. Tenant shall not voluntarily or involuntarily, whether by operation of law or otherwise, assign, transfer, mortgage, hypothecate or otherwise encumber this Lease or any interest herein and shall not sublet or permit the use by others of the Premises or any portion thereof without obtaining Landlord's prior written consent, which consent Landlord shall not unreasonably withhold or delay based on the factors set forth in Subparagraph 10(e) below. Landlord's consent to one assignment, sublease, transfer or hypothecation shall not be deemed as a consent to any other or further assignment, sublease, transfer or hypothecation. Any assignment, sublease, transfer or hypothecation without Landlord's prior written consent shall be void and shall, at Landlord's option, constitute a default under this Lease. No acceptance by Landlord of any rent or any other sum of money from any assignee, sublessee or other category of transferee shall release Tenant from any of its obligations hereunder or be deemed to constitute Landlord's consent to any assignment, sublease, transfer or hypothecation. All cash or other proceeds that exceed the Rent in the case of a subletting or all cash or other proceeds of any other transfer of Tenant's interest in this Lease shall be paid to Landlord. Tenant shall not advertise or authorize a broker to advertise for a subtenant or assignee without providing prior written notice to Landlord.

(b) Should Tenant desire to assign this Lease or sublet the Premises or any part thereof. Tenant shall give Landlord prior written notice ("Sublease or Assignment Statement"), which notice shall specify (i) the name and business of the proposed assignee or

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sublessee, (ii) the amount and location of the space affected, (iii) the proposed effective date and duration of the subletting or assignment (which shall not be less than thirty (30) or more than ninety (90) days after the date of Tenant's Sublease or Assignment Statement), and (iv) the proposed rent or other consideration to be paid to Tenant by such sublessee or assignee. Landlord shall then have a period of fifteen (15) Business Days following receipt of such notice within which to notify Tenant in writing that Landlord elects either (1) to terminate this Lease as to the space so affected as of the date so specified by Tenant, in which event Tenant will on that date be relieved of all further obligations to pay Rent hereunder as to such space, or (2) to permit Tenant to assign or sublet such space, or (3) to withhold consent to Tenant's assigning or subleasing such space and to continue this Lease in full force and effect as to the entire Premises, with an explanation of why consent is withheld. If Landlord should fail to notify Tenant in writing of such election within said fifteen (15) Business Day period, Landlord shall be deemed to have withheld its consent. Any person to whom this Lease is assigned with Landlord's consent shall be deemed without more to have assumed all of the obligations arising under this Lease from and after the date of such assignment and shall execute and deliver to Landlord, upon demand, an instrument confirming such assumption. If Tenant shall not enter into a sublease or assignment pursuant to the notice set forth in this Subparagraph 10(b) within one hundred eighty (180) days after the delivery of the said notice, then the provisions of this Subparagraph 10(b) shall again be applicable.

(c) Tenant agrees to reimburse Landlord for Landlord's actual attorneys' fees and costs incurred in connection with the processing and documentation of any request made pursuant to this Paragraph 10. Tenant shall deliver to Landlord, within five (5) days after execution by Tenant, an original counterpart of any executed sublease or instrument of assignment, together with Tenant's and the subtenant's (or assignee's) affidavit that such sublease or assignment instrument is the true and complete statement of the subletting or assignment and reflects all sums and other consideration passing between the parties. Tenant shall pay, indemnify and hold Landlord harmless from and against, any and all cost or expense (including reasonable attorneys' fees and disbursements) and liability in connection with any compensation, commissions or charges claimed by any broker or agent with respect to any assignment or subletting.

(d) No assignment, subletting or other transfer, whether or not consented to by Landlord, shall relieve Tenant of its liability under this Lease. Upon the occurrence of a default under this Lease, if the Premises or any part thereof are then assigned or sublet. Landlord, in addition to any other remedies herein provided or provided by law, may at its option collect directly from such assignee or subtenant all Rent becoming due to Tenant under such assignment or sublease and apply such Rent against any sums due to Landlord from Tenant hereunder, and such collection shall not be construed to constitute a novation or release of Tenant from the further performance of Tenant's obligations hereunder.

(e) In the granting of Landlord's consent, Landlord shall take into consideration any meaningful factors, including, but not limited to: (i) the financial strength of the proposed subtenant or assignee; (ii) the business reputation and character of the proposed subtenant or assignee; (iii) the type of business of the proposed subtenant or assignee; (iv) any increased burden on services (parking, electricity, etc.) and the Common Areas that would be

imposed by the proposed subtenant or assignee; (v) whether the proposed subtenant or assignee is an existing tenant or is currently in negotiations with Landlord for space within the Building; (vi) the amount of square footage in the Premises to be sublet or assigned; (vii) the number of subtenants or assignees already in the Premises; (viii) whether the proposed subtenant or assignee shall place any additional responsibilities on the Landlord in connection with the Americans With Disabilities Act; (ix) whether the Tenant has an existing default under its Lease; (x) intentionally deleted; (xi) intentionally deleted; or (xii) how Tenant plans to market the Premises for sublease or assignment.

(f) For purposes of this Paragraph 10, (i) the transfer of a majority of the issued and outstanding capital stock of any corporate tenant or -subtenant, or the transfer of a majority of the total interest in any partnership tenant or subtenant, or the transfer of control in any general or limited liability partnership tenant or subtenant, or the transfer of a majority of the issued and outstanding membership interests in a limited liability company tenant or subtenant, however accomplished (other than pursuant to transfers among current owners or the issuance of ownership interests to new owners made in the ordinary course of business), shall be deemed an assignment of this Lease or sublease, except that the foregoing shall be inapplicable in cases of the transfer of the outstanding capital stock of any corporate tenant through the "over-the-counter market" or through any recognized stock exchange, (ii) an agreement by any other person or entity, directly or indirectly, to assume Tenant's obligations under this Lease shall be deemed an assignment, (iii) any person or legal representative of Tenant to whom Tenant's interest under this Lease passes by operation of law or otherwise shall be bound by the provisions of this Paragraph 10, and (iv) a modification, amendment or extension of a sublease shall be deemed a sublease. Tenant agrees to furnish to Landlord on request at any time such information and assurances as Landlord may reasonably request that neither Tenant nor any previously permitted subtenant has violated the provisions of this Paragraph 10. The provisions of Subparagraph 10(a) shall not apply to transactions with a corporation or limited liability company into or with which Tenant is merged or consolidated or with a Person to which substantially all of Tenant's assets are transferred (provided such merger or transfer of assets is for a good business purpose and not principally for the purpose of transferring this leasehold estate) and that the assignee has a net worth at least equal to the net worth of Tenant as of the date of this Lease or, if Tenant is a general, limited or limited liability partnership, with a successor partnership, or to transactions with an entity that controls or is controlled by Tenant or is under common control with Tenant. Tenant shall notify Landlord before any such transaction is consummated and, in the case of an assignment, shall send Landlord an original written instrument in which the assignee assumes all of Tenant's liabilities under this Lease. The term "control" as used in this Lease shall mean (i) ownership of more than 50% of the outstanding capital stock in the case of a corporation, (ii) more than 50% of the general partnership or membership interest of the partnership in the case of a general or limited liability partnership, (iii) more than 50% of the general partnership interests of limited partnership in the case of a limited partnership, and (iv) more than 50% of the membership interests of a limited liability company.

(g) If Tenant sublets any portion of the Premises pursuant to Subparagraph 10(b), Tenant shall pay to Landlord, as Additional Rent (the "Sublease Additional Rent"), a sum equal to fifty percent (50%) of any rents, additional charges and other consideration payable under the sublease to Tenant in excess of the Base Rent and Additional Rent accruing during the

14

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term of the sublease in respect of the subleased space pursuant to this Lease (including, but not limited to, sums paid for the sale or rental of Tenant's property and Alterations less the then net unamortized or undepreciated cost thereof determined on the basis of Tenant's federal income tax or federal information returns). Such Sublease Additional Rent shall be payable as and when received by Tenant. If Tenant shall assign this Lease pursuant to Subparagraph 10(b), and Landlord's consent is required, Tenant shall pay to Landlord, as Additional Rent, an amount equal to fifty percent of all sums and other consideration paid to Tenant by the assignee for or by reason of such assignment (including, but not limited to, sums paid for the sale or rental of Tenant's property and Alterations less the then net unamortized or undepreciated cost thereof determined on the basis of Tenant's federal income tax or federal information returns). Such Additional Rent shall be payable as and when received by Tenant.

(h) Any sublease shall provide that, if the Lease shall expire or terminate during the term of the sublease for any reason other than condemnation or destruction by fire or other cause, or if Tenant shall surrender the Lease to Landlord during the term of the sublease. Landlord, in its sole discretion, upon written notice given to Tenant and subtenant, may elect to continue the sublease as a direct lease between Landlord and subtenant. In that event, subtenant shall attorn to Landlord, and Landlord and subtenant shall enter into a new lease on the Landlord's then current form of lease.

#### 11. CONDEMNATION.

(a) If any part of the Premises shall be taken or appropriated by any public or quasi-public authority under the power of eminent domain such that the Premises cannot reasonably be use by Tenant for the operation of its business. Landlord shall have the right, at its option, to terminate this Lease effective as of the date possession is taken by said authority (unless all of the Premises are so taken in which case this Lease shall terminate) , and shall be entitled to any and all income, rent or award and any interest thereon whatsoever which may be paid or made in connection with such public or quasi-public use or purpose. Tenant hereby assigns to Landlord its entire interest in any and all such awards, and shall have no claim against Landlord for the value of any portion of the unexpired Term. If a part of the Premises shall be so taken or appropriated, and Landlord does not elect to terminate this Lease, the Base Rent thereafter to be paid shall be reduced by an amount bearing the same ratio to the total amount of Base Rent as the rentable square feet of the Premises so taken bears to the entire Premises.

(b) If any part of the Building other than the Premises shall be so taken or appropriated. Landlord shall have the sole right, at its option, to terminate this Lease and shall be entitled to the entire award as above provided, and in such case Tenant shall likewise have no claim against Landlord for the value of any unexpired Term of this Lease.

(c) Nothing contained herein shall be deemed to deny to Tenant its right to claim from the condemning authority compensation or damages for its trade fixtures and personal property and moving expenses, provided the condemning authority makes a separate award therefor.

15

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#### 12. INSURANCE AND INDEMNITY.

(a) At Landlord's expense. Landlord shall carry and maintain, or cause to be carried and maintained, at all times during the Term of this Lease, All Risk Property insurance covering the full replacement value of the Building subject to deductibles. To the extent the premium paid by Landlord for this insurance shall be increased because of Tenant's operations or contents or improvements in the Premises, Tenant agrees to pay the excess amount of the

premium upon demand by Landlord. Tenant shall not do or permit to be done any act or thing in the Premises which would invalidate or conflict with the Building's insurance policies.

(b) At Tenant's expense, Tenant shall carry and maintain, or cause to be carried and maintained, at all times during the Term of this Lease, All Risk Property insurance covering the full replacement value of Tenant's alterations, improvements, betterments and contents including those made by Landlord to prepare the Premises for Tenant, with deductibles reasonably satisfactory to Landlord. Neither Landlord nor its agents shall be liable for any damage to property of Tenant or of others that has been entrusted to employees of the Building or for the loss of or damage to any property of Tenant by theft or otherwise.

(c) At Tenant's expense. Tenant shall carry and maintain, or cause to be carried and maintained, at all times during the Term of this Lease, commercial general liability insurance described herein ("Liability Policy"). Such Liability Policy shall include Landlord (and any other party reasonably required by Landlord) as an Additional Insured, and shall be written on an "occurrence basis" and shall include, without limitation, blanket contractual liability coverage, broad form property damage, independent contractors coverage and personal injury coverage protecting Landlord as an Additional Insured, against liability (except for liability resulting from the gross negligence or willful misconduct of Landlord, its agents, employees or contractors) occasioned by any occurrence on or about the Premises including portions of the Building affected by Tenant's use. Such primary Liability Policy shall be maintained in an amount not less than \$1,000,000 for a single occurrence limit and \$2,000,000 for an aggregate limit. In addition, Tenant shall maintain excess or umbrella liability insurance providing equally broad coverage in an amount of not less than \$10,000,000.00.

(d) At Tenant's expense. Tenant shall carry and maintain, or cause to be carried and maintained, at all times during the Term of this Lease, Workers' Compensation and Employers' Liability insurance with respect to all of Tenant's employees working at the Premises and such other insurance or such additional amounts of insurance with respect to the Premises as is generally maintained by persons having similar exposures or properties similarly situated and as the Landlord shall from time to time reasonably require.

(e) The insurance required under this Paragraph 12 shall be written by insurers authorized to conduct business in Georgia who are acceptable to Landlord and have an A.M. Best Company rating of at least "A-"/VIII.

(f) Not later than ten (10) Business Days prior to the Commencement Date of the Lease, Tenant shall deliver to Landlord the policies of insurance or an insurance certificate for the policies specified above in the form attached hereto as Exhibit G (for liability) and an

16

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ACORD 27 (for property) and made a part hereof and shall thereafter furnish to Landlord, at least thirty (30) days prior to the expiration of any such policies and any renewal thereof, a new policy or certificate in lieu thereof. Each of the policies or Certificate shall contain a provision whereby the insurer agrees not to cancel, fail to renew, diminish or materially modify said insurance policy(ies) without having given Landlord, the Manager and any lessors and mortgagees specified by Landlord at least thirty (30) days prior written notice thereof. Tenant shall promptly send to Landlord a copy of all notices sent to Tenant by Tenant's insurer.

(g) Tenant shall pay all premiums and charges for all of said Tenant's policies required to be maintained hereunder, and, if Tenant shall fail to make any payment when due or carry any such policy. Landlord may, but shall not be obligated to, make such payment or carry such policy, and the amount paid by Landlord, with interest thereon (at the Applicable Rate), shall be repaid to Landlord by Tenant on demand, and all such amounts so repayable, together with such interest, shall be deemed to constitute Additional Rent hereunder. Payment by Landlord of any such premium, or the carrying by Landlord of any such policy, shall not be deemed to waive or release the default of Tenant with respect thereto.

(h) Tenant may effect the coverage required under this Paragraph 12 under blanket insurance policies covering other properties of Tenant, provided that (1) any such blanket insurance policy shall specify therein, or the insurer under such policy shall certify to Landlord, any material sublimits in such blanket policy applicable to the Premises, which sublimits shall not be less than the amounts required pursuant to this Paragraph 12; and (2) any such blanket insurance policy shall comply in all respects with the other provisions of this Paragraph 12.

(i) Subject to Subparagraph 12(j) below. Landlord and Tenant hereby waive any and all rights of recovery, claim, action, or cause of action, against the other, their affiliates, agents, officers or employees, for any loss or damage that may occur to the Premises, or any improvements thereto, or the Park of which the Premises are a part, or any reason of fire, the elements, or any other cause which is insured against under the terms of an All Risk Property insurance policy referred to in this Paragraph 12 or that is otherwise insured against under an insurance policy maintained by the party suffering such loss or damage, regardless of cause or origin, except for the gross negligence or willful misconduct of the other party hereto and/or its agents, officers, or employees, and each party covenants that no insurer shall hold any right of subrogation against such other party.

(j) Landlord shall cause each policy carried by Landlord insuring the Building against loss, damage or destruction by fire or other casualty, and Tenant shall cause each insurance policy carried by Tenant and insuring the Premises and Tenant's Alterations, Leasehold Improvements and Tenant's property against loss, damage or destruction by fire or other casualty, to be written in a manner so as to provide that the insurance company waives all rights of recovery by way of subrogation against Landlord, Tenant and any tenant of space in the Building in connection with any loss or damage covered by any such policy. Neither party shall be liable to the other for the amount of such loss or damage in excess of the applicable deductible, if any, caused by fire or any of the risks enumerated in its policies, provided that such waiver was obtainable at the time of such loss or damage. However, if such waiver cannot be obtained or can be obtained only by payment of an additional premium above that which is

17

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charged by companies carrying such insurance without a waiver of subrogation, then the party undertaking to obtain such waiver shall notify the other party and such other party shall have ten (10) days after such notice to agree in writing to pay the additional premium if such policy is obtainable at additional cost (in the case of Tenant, pro rata in proportion of Tenant's rentable area to the total rentable area covered by the insurance); and if the other party does not agree or the waiver shall not be obtainable, then the provisions of this Subparagraph 12(j) shall be null and void as to the risks covered by the policy for so long as either the waiver cannot be obtained or the party in whose favor a waiver of subrogation is desired shall refuse to pay the additional premium. If the release of either Landlord or Tenant as set forth in this Subparagraph (j) shall contravene any law with respect to exculpatory agreements, the liability of the party in question shall be deemed not released, but no action or rights shall be sought or enforced against such party unless and until all rights and remedies against the

other's insurer are exhausted and the other party shall be unable to collect such insurance proceeds. The waiver of subrogation referred to in Subparagraph (i) above shall extend to the affiliates, agents and employees of each party (including, without limitation, the Manager).

(k) Except for the negligence or willful misconduct of Landlord, its agents, employees, and contractors, to the fullest extent permitted by law, Tenant shall indemnify, defend and hold harmless Indemnitees from and against all claims, damages, losses, fines, suits, costs and expenses of whatever kind incurred in connection with any such claim or proceeding brought thereon, and defense thereof (including, but not limited to attorney's fees and expenses) arising out of or resulting from Tenant's use of the Premises and the Common Areas, including, but not limited to, any such claims, damages, losses and expenses attributable to (1) the filing of any lien or claim for payment, or (2) any accident, injury or damage in or about the Premises during the Term or during Tenant's occupancy of the Premises, or outside of the Premises but anywhere within or about the Park, where such accident, injury or damage results from or is claimed to have resulted from an act, omission or negligence of Tenant or persons within Tenant's control, or (3) any breach, violation or non-performance of any covenant, condition or agreement contained in this Lease to be fulfilled by Tenant, or (4) all claims of whatever nature against the Indemnitees arising from any act, omission or negligence of Tenant or persons within Tenant's control. Such obligation shall not be construed to negate, abridge or otherwise reduce any other right or obligation of indemnity that would otherwise exist as to any party or person described in this Paragraph 12. In any and all claims against Indemnitees by an employee of the Tenant or anyone directly or indirectly employed by Tenant or anyone for whose acts Tenant may be liable, the indemnification obligation under this Paragraph 12 shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for the Tenant under Workers' Compensation acts, disability benefits acts or other employee benefit acts. If any claim, action or proceeding is made pursuant to this Paragraph, Tenant, at its sole cost and expense, shall resist or defend such claim action or proceeding in the Indemnitees' name, by attorneys Indemnitee may reasonably select.

(1) Tenant shall give notice to Landlord promptly after learning of any accident, emergency or other occurrence for which Landlord might be liable, any fire or other casualty and all damages to or defects in the Premises or the Building for the repair of which Landlord might be responsible or which constitutes Landlord's property.

18

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### 13. DAMAGE AND DESTRUCTION.

(a) If the Building should be damaged, to the extent that: (i) in Landlord's reasonable judgment, repair would not be economically feasible; or (ii) that rebuilding or repairs cannot, in Landlord's estimation, be completed within one hundred eighty (180) days after the date of such damage; or (iii) if the insurance proceeds remaining after any required payments to mortgagees are insufficient to repair such damage or destruction. Landlord shall have the right, at Landlord's option, to terminate this Lease by giving Tenant written notice of such termination within sixty (60) days after the date of such casualty, and the Rent shall be apportioned and paid to the date on which possession is relinquished or the date of such damage, whichever last occurs, and Tenant shall immediately vacate the Premises according to such notice of termination. Tenant covenants and agrees to cooperate with Landlord and any lessor or mortgagee in their efforts to collect insurance proceeds (including rent insurance proceeds) payable to such parties. Landlord shall not be liable for any delay which may arise by reason of adjustment of insurance on the part of Landlord or Tenant, or any cause beyond the reasonable control of Landlord and its contractors.

(b) If the Building should be damaged by any peril covered by the insurance to be provided by Landlord under Paragraph 12(a) above but only to such extent that rebuilding or repairs are, in Landlord's estimation, economically feasible and can be completed within one hundred eighty (180) days after the date of such damage and the proceeds of such insurance, after deducting any required payments to mortgagee or lessor, are sufficient for such rebuilding or repairs, this Lease shall not terminate, and Landlord shall at its sole cost and expense thereupon proceed with reasonable diligence to rebuild and repair the Building to substantially the condition in which it existed prior to such damage, except that: (i) Landlord shall not be required to rebuild, repair or replace any part of the partitions, fixtures, additions and other improvements which may have been placed in, on or about the Premises by Tenant; and (ii) Landlord may elect not to rebuild if such damage occurs during the last year of the Term, exclusive of any option to extend the Term which is unexercised at the time of such damage. If the Premises are untenantable in whole or in part following such damage, the Rent payable hereunder during the period in which the Premises are untenantable shall be reduced to such extent as may be fair and reasonable under all of the circumstances. In the event that Landlord should fail to complete such repairs and rebuilding within one hundred eighty (180) days after the date of such damage. Tenant may, at its option, terminate this Lease by delivering written notice of termination to Landlord within thirty (30) days after the expiration of such one hundred eighty (180) day period. Such termination shall be Tenant's exclusive remedy. If Tenant fails to terminate this Lease within such 30-day period, Tenant shall be deemed to have waived its rights to terminate by reason of the failure of Landlord to complete such repairs and rebuilding within one hundred eighty (180) days after the date of such damage.

(c) Notwithstanding anything herein to the contrary, in the event any mortgagee or lessor requires that the insurance proceeds be applied to the indebtedness due such mortgagee or lessor, then Landlord shall have the right to terminate this Lease by delivering written notice of termination to Tenant within fifteen (15) days after such requirement is made by any such mortgagee, whereupon all rights and obligations hereunder shall cease and terminate. Landlord shall not be liable for any inconvenience or annoyance to Tenant or injury to

19

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the business of Tenant resulting from any damage from fire or other casualty or the repair thereof.

### 14. SECURITY DEPOSIT.

(a) Tenant agrees to deposit the Security Deposit with Landlord upon execution of this Lease by Tenant, which sum shall be held by Landlord, without obligation for interest, as security for the performance of Tenant's covenants and obligations under this Lease, it being expressly understood and agreed that such Security Deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Upon the occurrence of any Event of Default (as defined in the Lease) by Tenant, Landlord may, from time to time, without prejudice to any other remedy provided herein or provided by law, use such Security Deposit to the extent necessary to make good any arrears of Rent or other payments due Landlord hereunder, and any other damages, injury, expense or liability caused by such Event of Default; and Tenant shall pay to Landlord within ten (10) days demand the amount so applied in order to restore the Security Deposit to its original amount. Tenant's failure to so restore the Security Deposit upon demand shall be deemed an Event of Default under this Lease. Although the Security Deposit shall be deemed the property of Landlord, any remaining balance of such Security Deposit shall be returned within thirty (30) days to Tenant at such time after termination of this Lease as all of Tenant's obligations under this Lease have been fulfilled. Tenant shall not apply the Security Deposit to the last month's installment of Rent.

(b) In the event of the sale or lease of the Building or the Park, Landlord shall transfer the Security Deposit to the purchaser or lessee, and Landlord shall be released by Tenant from all liability for the return of such Security Deposit.

(c) Tenant covenants that it will not assign or encumber the Security Deposit. In the event that any bankruptcy, insolvency, reorganization or other debtor-creditor proceedings shall be instituted by or against Tenant, its successors or assigns, or any guarantor of Tenant hereunder, the Security Deposit shall be deemed to be applied to the payment of the Base Rent and Additional Rent owed Landlord for periods prior to the institution of such proceedings, and the balance, if any, may be retained by Landlord in partial satisfaction of Landlord's damages.

(d) In place of a Security Deposit, Landlord will accept a Guaranty of this Lease from Cross Country, Inc., 6551 Park of Commerce, Blvd., Boca Raton, Florida 33487 which is attached to this Lease as Exhibit K and made a part hereof.

15. DEFAULTS. Each of the following events shall be deemed an "Event of Default" by Tenant under this Lease:

(a) Tenant's failure to pay the Base Rent or any other sum due hereunder if such nonpayment continues for five (5) or more days after the same is due and payable, provided, however, Tenant shall be entitled to five (5) days written notice to cure any monetary default under this Lease; provided, further, however, Landlord shall not be required to provide such notice more than twice in any twelve (12) month period, or Tenant's default in the prompt and full performance of any other provision of this Lease and Tenant does not cure the default

20

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within thirty (30) days after written demand by Landlord that the default be cured (unless the default involves a hazardous condition, which shall be cured forthwith upon Landlord's demand), provided, however, in the event such default cannot be reasonably cured within thirty (30) days after notice from Landlord, such time shall be extended so long as Tenant commences to cure such default within such thirty (30) days after notice from Landlord and diligently prosecutes the cure of any such default to completion;

(b) If Tenant shall not, or shall be unable to, or shall admit in writing Tenant's inability to, as to any obligation, pay Tenant's debts as they become due; or if Tenant shall commence or institute any case, proceeding or other action (i) seeking relief on Tenant's behalf as debtor, or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to Tenant or Tenant's debts under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, or (ii) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property; or if Tenant shall make a general assignment for the benefit of creditors; or if any case, proceeding or other action shall be commenced or instituted against Tenant (1) seeking to have an order for relief entered against Tenant as debtor or to adjudicate Tenant a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to Tenant or Tenant's debts under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, or (2) seeking appointment of a receiver, trustee, custodian or other similar official for Tenant or for all or any substantial part of Tenant's property, which either (i) results in any such entry of an order for relief, adjudication of bankruptcy or insolvency or such an appointment or the issuance or entry of any other order having a similar effect or (ii) remains undismissed for a period of sixty (60) days; or if a trustee, receiver or other custodian shall be appointed for any substantial part of the assets of Tenant which appointment is not vacated or effectively stayed within sixty (60) days;

(c) Tenant's desertion or abandonment or failure to take possession of the Premises (or any substantial portion thereof);

(d) or Tenant's failure to discharge or bond over a lien placed against the Premises or the Building within thirty (30) days after such lien or encumbrance shall have been filed.

16. REMEDIES. Landlord, in addition to any and all other rights or remedies it may have at law or in equity, shall have the option of pursuing any one or more of the following remedies upon the occurrence of any Event of Default by Tenant.

(a) Landlord shall have the immediate right of reentry in accordance with applicable laws. Whenever Landlord terminates this Lease, it shall do so by giving Tenant written notice of termination, in which event this Lease shall expire and terminate on the date specified in such notice with the same force and effect as though the date specified were the date herein originally fixed as the Expiration Date, and all rights of Tenant under this Lease and in and to the Premises shall expire and terminate and Tenant shall surrender the Premises to

21

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Landlord on the date specified in such notice, and if Tenant fails to so surrender. Landlord shall have the right, without notice, and with or without resort to summary dispossessory proceedings, to enter upon and take possession of the Premises and to expel or remove Tenant and its effects without being liable for prosecution or any claim for damages therefor;

(b) Landlord may terminate this Lease or terminate Tenant's right to possession of the Premises at any time by giving written notice to that effect, and relet the Premises or any part thereof. On the giving of the notice, all of Tenant's rights in the Premises shall terminate in accordance with applicable law. Upon such termination, Tenant shall surrender and vacate the Premises in accordance with the terms of Paragraph 17, and Landlord may re-enter and take possession of the Premises and all the remaining improvements or property and eject Tenant or any of Tenant's subtenants, assignees or other person or persons claiming any right under or through Tenant or eject some and not others or eject none. No termination under this Paragraph 16 shall release Tenant from the payment of any sum then due Landlord or from any claim for damages or Base Rent or Additional Rent or other sum previously accrued or then accruing against Tenant. Upon such termination, Tenant shall be liable immediately to Landlord for all costs Landlord incurs in reletting the Premises or any part thereof, including, without limitation, broker's commissions, expenses of cleaning and redecorating the Premises required by the reletting, reasonable attorneys' fees actually incurred and like costs. Tenant shall also be liable immediately to Landlord for all unamortized leasing commissions and improvement allowances, if any. Reletting may be for a period shorter or longer than the remaining term of this Lease. No act by Landlord other than giving express written notice of termination to Tenant shall terminate this Lease. Landlord and Tenant hereby acknowledge that in the event of such termination, actual damages to Landlord may be difficult to ascertain and, accordingly, hereby agree that in such event, the net present value of the Base Rent due from the date of such termination to the expiration of the Term, less the fair rent value of the Premises, from the date of such termination until the expiration of the Term, shall thereupon be immediately due and payable to Landlord as compensation and liquidated damages for Tenant's default and such termination and not as a

penalty. Landlord's rights pursuant to this Paragraph 16, including without limitation. Landlord's rights to collect Base Rent and additional rent and other charges due under this Lease, shall survive any termination of the Lease, whether such termination is effected pursuant to this Paragraph 16 or otherwise. Notwithstanding anything to the contrary contained herein. Landlord and Tenant hereby expressly agree that Landlord shall have no obligation or duty to mitigate or attempt to offset any damages which are or may be suffered by Landlord as a result of any default of Tenant under the Lease, except as specifically required by applicable law. Any payment by Tenant of a sum of money less than the entire amount due Landlord at the time of such payment shall be applied to the obligations of Tenant then furthest in arrears. No endorsement or statement on any check or accompanying any payment shall be deemed an accord and satisfaction, and any payment accepted by Landlord shall be without prejudice to Landlord's right to obtain the balance due or pursue any other remedy available to Landlord both in law and in equity.

(c) Landlord may, with or without terminating this Lease, re- enter the Premises and remove all persons and property from the Premises; such property shall be deemed to have been abandoned by Tenant and may either be removed and stored in a public warehouse or elsewhere or otherwise disposed of in Landlord's sole and absolute discretion, all at the cost of

22

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Tenant. The parties hereby agree that Landlord shall not be liable for the loss of such property or any damages thereto. No re-entry or taking possession of the Premises by Landlord pursuant to this Paragraph 16 shall be construed as an election to terminate this Lease unless an express written notice of such intention is given to Tenant.

(d) Except as expressly provided in this Lease, Tenant hereby waives any and every form of demand and notice prescribed by statute or other law, including without limitation the notice of any election of remedies made by Landlord under this Paragraph 16, demand for payment of any rent, or demand for possession.

(e) Tenant shall and hereby agrees to pay all costs and expenses incurred by Landlord in enforcing any of the covenants and agreements of this Lease, or as a result of an action brought by Landlord against Tenant for an unlawful detainer of the Premises, and all such costs, expenses and attorneys' fees shall, if paid by Landlord, be paid by Tenant to Landlord within fifteen (15) days of Landlord's written demand therefor, together with interest at eighteen percent (18%) per annum, but in no event in excess of the maximum lawful rate, from the date of Landlord's payment thereof.

(f) If, at any time (i) Tenant shall consist of two (2) or more persons or (ii) Tenant's obligations under this Lease shall have been guaranteed by any person other than Tenant or (iii) Tenant's interest in this Lease has been assigned, the word "Tenant" as used in Subparagraph 15(c) shall be deemed to mean any one or more persons primarily or secondarily liable for Tenant's obligations under this Lease. Any monies received by Landlord from or on behalf of Tenant during the pendency of any proceeding referred to in Subparagraph 15(c), shall be deemed paid as compensation for the use and occupancy of the Premises, but acceptance of any compensation by Landlord shall not be deemed an acceptance of Rent or a waiver on the part of Landlord of any rights under Paragraph 16.

(g) The foregoing provisions of this Paragraph 16 shall, as applicable, survive the Expiration Date or earlier termination of this Lease and shall apply to any renewal or extension of this Lease.

17. SURRENDER OF PREMISES. Unless otherwise specifically provided in this Lease, Tenant will peaceably deliver to the Landlord possession of the Premises in broom clean condition, together with all improvements. Alterations upon or belonging to the same, by whomsoever made, except as provided in Paragraph 7(b) of this Lease, in the same condition as received, or first installed, ordinary wear and tear, damage by fire, earthquake, act of God, or the elements alone excepted at the expiration or sooner termination of this Lease. Tenant shall remove all Alterations, furniture, equipment and computer and telephone cables belonging to Tenant, at Tenant's sole cost, and Tenant shall promptly repair any damage to the Premises caused by such removal. Property not so removed shall be deemed abandoned by the Tenant, and title to the same shall thereupon pass to Landlord, and Landlord may either retain or remove same in its sole discretion. Any expense incurred by Landlord in removing or disposing of Tenant's property or Alterations required under this Lease to be removed, as well as the cost of repairing all damage to the Building or the Premises caused by such removal, shall be

23

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reimbursed to Landlord, by Tenant, as Additional Rent, upon demand. Tenant's obligations pursuant to this Paragraph 17 shall survive the expiration or sooner termination of this Lease.

18. HOLDING OVER. Tenant shall, at the termination of this Lease by lapse of time or otherwise, yield up immediate possession to Landlord with all repairs and maintenance required herein to be performed by Tenant completed. Should Tenant continue to hold the Premises after the expiration or earlier termination of this Lease, or after reentry by Landlord without terminating this Lease, such holding over, unless otherwise agreed to by Landlord in writing, shall constitute and be construed as a tenancy at sufferance and not a tenancy at will. Tenant shall have no right to notice under Official Code of Georgia Annotated §44-7-7 of the termination of its tenancy. Tenant shall pay monthly installments of Rent equal to one hundred twenty-five percent (125%) of the monthly portion of Rent in effect as of the date of expiration or earlier termination for the first thirty (30) days of such holding over, one hundred fifty percent (150%) for the next thirty (30) days of such holding over, one hundred seventy-five percent (175%) for the next thirty (30) days of such holding over, and two hundred percent (200%) thereafter, and subject to all of the other terms, charges and expenses set forth herein except any right to renew this Lease or to expand the Premises or any right to additional services. Tenant shall also be liable to Landlord for all damage which Landlord suffers because of any holding over by Tenant, and Tenant shall indemnify Landlord against all claims made by any other tenant or prospective tenant against Landlord resulting from delay by Landlord in delivering possession of the Premises to such other tenant or prospective tenant. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend the Term except as otherwise expressly provided in a written agreement executed by both Landlord and Tenant. The provisions of this Paragraph 18 shall survive the expiration or earlier termination of this Lease.

19. BANKRUPTCY.

(a) For the purposes of the Bankruptcy Code, 11 U.S.C. §502 (b) (7) all amounts payable by Tenant to or on behalf of Landlord under this Lease, whether or not expressly denominated as Rent, shall constitute Rent.

(b) If this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, any and all monies or other consideration payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Landlord, shall be and remain the

exclusive property of Landlord and shall not constitute property of Tenant or the estate of Tenant within the meaning of the Bankruptcy Code. Any and all monies or other considerations constituting Landlord's property under the preceding sentence not paid or delivered to Landlord shall be held in trust for the benefit of Landlord and be promptly paid or delivered to Landlord.

(c) Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code, shall be deemed, without further act or deed, to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon demand execute and deliver to Landlord an instrument confirming such assumption.

24

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20. INTENTIONALLY DELETED.

21. SUBORDINATION; ESTOPPEL CERTIFICATES. At the option of Landlord, Tenant agrees that this Lease shall remain subject and subordinate to all present and future mortgages, deeds to secure debt or other security instruments (the "Security Deeds") affecting the Building or the Premises, and Tenant shall promptly execute and deliver to Landlord such certificate or certificates in writing as Landlord may request, showing the subordination of the Lease to such Security Deeds, and in default of Tenant so doing. Landlord shall be and is hereby authorized and empowered to execute such certificate in the name of and as the act and deed of Tenant, this authority being hereby declared to be coupled with an interest and to be irrevocable. Tenant shall upon request from Landlord at any time and from time to time execute, acknowledge and deliver to Landlord a written statement certifying as follows: (i) that this Lease is unmodified and in full force and effect (or if there has been modification thereof, that the same is in full force and effect as modified and stating the nature thereof); (ii) that to the best of its knowledge there are no uncured defaults on the part of Landlord (or if any such default exists, the specific nature and extent thereof); (iii) the date to which any rents and other charges have been paid in advance, if any; and (iv) such other matters as Landlord may reasonably request. In the event that Tenant fails to comply with the provisions above. Tenant irrevocably appoints Landlord as its attorney-in-fact, coupled with an interest, to execute and deliver, for and in the name of Tenant, any document or instrument provided for in this Paragraph.

22. MECHANICS' LIENS AND OTHER TAXES.

(a) Tenant shall have no authority, express or implied to create or place any lien or encumbrance of any kind or nature whatsoever upon, or in any manner to bind the interests of Landlord in the Premises or to charge the Rents payable hereunder for any claim in favor of any person dealing with Tenant, including those who may furnish materials or perform labor for any construction or repairs, and each such claim shall affect and each such lien shall attach to, if at all, only the leasehold interest granted to Tenant by this instrument. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished in connection with any work performed on the Premises on which any lien is or can be validly and legally asserted against its Leasehold interest in the Premises or the improvements thereon and that it will save and hold Landlord harmless from any and all loss, cost or expense based on or arising out of asserted claims or liens against the leasehold estate or against the right, title and interest of the Landlord in the Premises or under the terms of this Lease. Tenant agrees to give Landlord immediate written notice if any lien or encumbrance is placed on the Premises.

(b) Tenant shall be liable for all taxes levied or assessed against personal property, furniture or fixtures placed by Tenant in the Premises. If any such taxes for which Tenant is liable are levied or assessed against Landlord or Landlord's property and if Landlord elects to pay the same or if the assessed value of Landlord's property is increased by inclusion of personal property, furniture or fixtures placed by Tenant in the Premises, and Landlord elects to pay the taxes based on such increase, Tenant shall pay to Landlord upon demand that part of such taxes.

25

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23. QUIET ENJOYMENT. Landlord represents and warrants that it has full right and authority to enter into this Lease and that Tenant, upon paying the Rent herein set forth and performing its other covenants and agreements herein set forth, shall peaceably and quietly have, hold and enjoy the Premises for the Term without hindrance or molestation, subject to the terms and provisions of this Lease.

24. CERTAIN RIGHTS RESERVED TO LANDLORD. Landlord reserves and may exercise the following rights without affecting Tenant's obligations hereunder: (a) to change the name, street address, or suite numbers of the Building; (b) to install or maintain a sign or signs on the exterior of the Building; (c) to designate all sources furnishing sign painting and lettering, ice, drinking water, towels, coffee cart service and toilet supplies, lamps and bulbs used on the Premises; (d) to retain at all times pass keys to the Premises and to enter the Premises to cure any default by Tenant hereunder at Tenant's expense; (e) to close the Building after Business Hours and on Holidays subject, however to Tenant's right to admittance, under such reasonable regulations as Landlord may prescribe from time to time, which may include by way of example but not of limitation, that persons entering or leaving the Building identify themselves to a watchman by registration or otherwise and that said persons establish their right to enter or leave the Building; and (f) to take any and all measures, including inspections, repairs, alterations, decorations, additions and improvements to the Premises or the Building, and identifications and admittance procedures for access to the Building as may be necessary or desirable for the safety, protection, preservation or security of the Premises or the Building or the Landlord's interests or as may be necessary or desirable in the operation of the Building. The Landlord may enter upon the Premises and may exercise any or all of the foregoing rights reserved pursuant to this Paragraph 24 without the same being construed as an unlawful entry into the Premises and without being deemed guilty of an eviction, actual or constructive, or without being deemed guilty of trespass or disturbance of the Tenant's use or possession and without being liable in any manner to Tenant and without abatement of Rent or affecting any of Tenant's obligations hereunder.

25. NOTICES.

(a) Except as otherwise expressly provided in this Lease, any bills, statements, consents, notices, demands or other communications required to be given under this Lease ("Notice(s)") shall be in writing and shall be deemed to have been properly given if delivered personally or by a recognized courier, with a signed receipt, or if deposited with the United States Postal Service (or any official successor thereto) designated certified or registered mail, return receipt requested, bearing adequate postage and addressed as follows, or at such other address as has been specified by written notice delivered in accordance herewith:

If to Tenant: (i) at Tenant's address set forth in this Lease if given prior to Tenant's taking possession of the Premises, or (ii) at the Building, if given subsequent to Tenant's taking possession of the Premises, and to Kevin Conlin, CROSS COUNTRY CONSULTING, 222 South Central, Suite 400, St. Louis, Missouri 63105; or (iii) any place where Tenant or any agent or employee of Tenant may be found if given

subsequent to Tenant's vacating, deserting, abandoning or surrendering the Premises, and in all cases, with a copy to Brian Andrew, Husch & Ettenberger, LLC, 100 North Broadway, Suite 1300, St. Louis, Missouri 63102.

If to Landlord: CORNERS REALTY CORPORATION, INC., 522 Fifth Avenue, Ninth Floor, New York, NY 10036, Attn: James C. McLoughlin, Vice President, with copies to TRAMMELL CROW COMPANY, 6525 The Corners Parkway, Suite 112, Norcross, GA 30092, Attn: Property Manager.

(b) Notices shall be deemed to have been rendered or given (i) on the date delivered, if delivered by hand or by a recognized courier, or (ii) on the date mailed, if mailed as provided in Subparagraph 25(a). Notice given by counsel for either party on behalf of such party or by the Property Manager on behalf of Landlord shall be deemed valid notices if addressed and sent in accordance with the provisions of this Paragraph 25.

(c) Notwithstanding the provisions of Subparagraph 25(a), Notices requesting services for overtime periods pursuant to Paragraph 5 may be given by delivery to the Building superintendent or any other person in the Building designated by Landlord to receive such Notices, and bills may be rendered by delivering them to the Premises without the necessity of a receipt.

(d) Tenant hereby appoints as his agent to receive the service of all dispossessory or distraint proceedings and notices thereunder, and all notices required under this Lease, the person in charge of or occupying the Premises at the time; and if no person is in charge or occupying same, then such service or notice may be made by attaching the same on the main entrance to the Premises. A copy of all notices under this Lease shall also be sent to Tenant's last address of which notice was given to Landlord in accordance with this Paragraph, if different from the Premises.

26. BROKERS AND AGENTS. Tenant represents and warrants to Landlord that it has not entered into any agreement with, or otherwise had any dealings with, any broker or agent other than Tenant's Broker in connection with the negotiation, procurement or execution of this Lease which could form the basis of any claim by any such broker or agent for a brokerage fee or commission, finder's fee, or any other compensation of any kind or nature in connection herewith, and Tenant shall, and hereby agrees to, indemnify, defend and hold Landlord harmless from all costs (including, but not limited to, court costs, investigation costs, and attorneys' fees), expenses, or liability for commissions or other compensation claimed by any broker or agent with respect to his Lease which arise out of any agreement or dealings, or alleged agreement or dealings, between Tenant and any such agent or broker other than Tenant's Broker. This provision shall survive the expiration or earlier termination of this Lease.

27. PARKING.

(a) Tenant shall have the non-exclusive use, in common with other occupants of the Building, of spaces within which to park vehicles at a ratio of four (4) cars per one thousand (1,000) usable square feet of Premises leased, in the exterior surface parking facility provided by Landlord for use by Tenant, its employees, agents, invitees and licensees, all subject, however, to the rights given to other tenants of the Buildings, and subject to the Rules and Regulations propounded by Landlord from time to time.

(b) Landlord reserves the right, at any time and from time to time, to close temporarily all or any portions of the parking area when in Landlord's reasonable judgment any such closing is necessary or desirable (i) to make repairs or changes or to effect construction, (ii) to prevent the acquisition of public rights in such area, (iii) to discourage unauthorized parking, or (iv) to protect or preserve persons or property. Landlord may do such other acts in and to the parking area as in its judgment may be desirable to improve or maintain same.

(c) Tenant agrees that it, any subtenant or licensee and their respective officers, employees, contractors and agents will park their automobiles and other vehicles only where and as permitted by Landlord. Tenant will, if and when so requested by Landlord, furnish Landlord with the license numbers of any vehicles of Tenant, any subtenant or licensee and their respective officers, employees, contractors and agents. Landlord may remove, at Tenant's expense, any vehicles which are parked or abandoned in violation of the Rules and Regulations propounded by Landlord from time to time.

28. INTENTIONALLY DELETED.

29. MISCELLANEOUS.

(a) For the purposes of this Lease and all agreements supplemental to this Lease, unless the context otherwise requires:

(1) The words "hereunder" and "hereby" and words of similar import shall be construed to refer to this Lease as a whole and not to any particular Paragraph.

(2) Tenant's obligations shall be construed as conditions as well as covenants, each separate and independent of any other terms of this Lease.

(3) Reference to Landlord as having "no liability" or being "without liability" shall mean that Tenant shall not be entitled to terminate this Lease, or to claim actual or constructive eviction, partial or total, or to receive any abatement or diminution of rent, or to be relieved in any manner of any of its other obligations hereunder, or to be compensated for loss or injury suffered or to enforce any other right or liability against Landlord under this Lease or to Tenant's use or occupancy of the Premises.

(4) Reference to "termination of this Lease" or "expiration of this Lease" and words of like import include expiration or sooner termination of this Lease

and the Term and the estate granted or cancellation of this Lease pursuant to any of the provisions of this Lease or pursuant to law. Upon the termination of this Lease, the Term and estate granted by this Lease shall end at 11:59 p.m. on the date of termination as if such date were the Expiration Date, and neither party shall have any further obligation or liability to the other after such termination except (i) as shall be expressly provided for in this Lease, and (ii) for such obligations as by their nature under the circumstances can only be, or by the provisions of this Lease, may be performed after such termination, and, in any event, unless expressly otherwise provided in this Lease, any liability for a payment (which shall be apportioned as of such termination) which shall have accrued to or with respect to any period ending at the time of termination shall survive the termination of this Lease.

(5) Words and phrases used in the singular shall be deemed to include the plural and vice versa.

(6) The rule of “ejusdem generis” shall not be applicable to limit a general statement following or referable to an enumeration of specific matters to matters similar to the matters specifically mentioned.

(b) The terms, provisions, covenants and conditions contained in this Lease shall apply to, inure to the benefit of, and be binding upon the parties hereto and upon their respective heirs, legal representatives, successors and permitted assigns, except as otherwise herein expressly provided. Landlord shall have the right to assign any of its rights and obligations under this Lease. The duties and obligations of Tenant herein shall be binding upon all or any of them. The duties and obligations of Tenant shall run and extend not only to the benefit of the Landlord, as named herein, but to the following, at the option of the following or any of them: (i) any person, by, through or under which Landlord derives the right to lease the Premises; (ii) the owner of the Land; and (iii) holders of mortgage, deed to secure debt or rent assignment interests in the Premises, as their interests may appear; provided, however, nothing contained herein shall be construed to obligate Tenant to pay Rent to any person other than Landlord until such time as Tenant has been given written notice of either an exercise of a rent assignment or the succession of some other party to the interests of Landlord.

(c) The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

(d) This Lease sets forth the entire agreement between the parties and cancels all prior negotiations, arrangements, brochures, agreements, and understandings, if any, between Landlord and Tenant regarding the subject matter of this Lease. This Lease may not be altered, changed or amended (other than the Rules and Regulations) except by an instrument in writing signed by both parties hereto. Except as specifically provided in this Lease, Landlord makes no representations or warranties concerning the Building or the Park.

(e) All obligations of Tenant hereunder not fully performed as of the expiration or earlier termination of the Term shall survive the expiration or earlier termination of

29

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the Term, including without limitation all payment obligations with respect to Rent and all obligations concerning the condition of the Premises.

(f) If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws effective during the Term, then and in that event it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby, and it is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added as a part of this Lease a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

(g) This Lease shall not be valid or binding unless and until accepted by Landlord in writing and a fully executed copy is delivered to both parties hereto.

(h) Time is of the essence of this Lease and all of its provisions; provided, however, the failure of Landlord to provide Tenant with any notification regarding adjustments in Rent within the time periods prescribed in this Lease shall not relieve Tenant of its obligation to make such payments, which payments shall be made at such time as notice is subsequently given.

(i) Landlord shall have the right at any time, and from time to time, to amend unilaterally the provisions of this Lease if Landlord is advised by its counsel that all or any portion of the Rent paid by Tenant to Landlord hereunder is, or may be deemed to be, unrelated business taxable income within the meaning of the United States Internal Revenue Code or regulations issued thereunder, or if any other provision of this Lease shall result in an ERISA violation by Landlord, and Tenant agrees that it will execute all documents necessary to effect any such amendment, provided that no such amendment shall increase Tenant's payment obligations or other liability under this Lease or reduce Landlord's obligations hereunder.

(j) The waiver by Landlord of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any other term, covenant or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent or other sums due hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular payment so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such payment. No covenant, term or condition of this Lease shall be deemed to have been waived by Landlord unless such waiver is in writing signed by Landlord.

(k) Tenant agrees to comply with current and future restrictions of record that are applicable to the Building or Park.

(l) Landlord and Tenant represent and warrant that each has the full right and authority to enter into this Lease. Each party agrees to furnish to the other, promptly upon demand, a corporate resolution, proof of due authorization by partners, or other appropriate documentation evidencing the due authorization of such party to enter into this Lease.

30

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(m) This Lease shall create the relationship of Landlord and Tenant between the parties hereto; no estate shall pass out of Landlord. Tenant has only a usufruct, not subject to levy and sale, and not assignable by Tenant except by Landlord's consent as specifically provided in Paragraph 10 of this Lease.

(n) Notwithstanding anything contained elsewhere in this Lease, Tenant shall have no claim, and hereby waives the right to any claim, against Landlord for money damages by reason of any refusal, withholding or delaying by Landlord of any consent, approval or statement of satisfaction required of Landlord by this Lease or applicable law. In such event, Tenant's only remedy for any refusal, withholding or delay which is determined to be unreasonable or in contravention of this Lease or applicable law shall be an action for specific performance or an injunction to enforce any such requirement.

(o) Anything contained in this Lease to the contrary notwithstanding, Tenant shall look solely to Landlord's interest in the Building for the collection of any judgment or other judicial process requiring the payment of money by Landlord for any default or breach by Landlord under this Lease, subject, however, to the prior rights of any mortgagee, the holder of any deed to secure debt or lessor of the Park. No other assets of Landlord or any partners, shareholders, or other principals of Landlord shall be subject to levy, execution or other judicial process for the satisfaction of Tenant's claim.

(p) This Lease shall be governed by and construed under the laws of the State of Georgia, without regard to the conflicts of laws rules of such state. Any action brought to enforce or interpret this Lease shall be brought in the court of appropriate jurisdiction in Gwinnett County, Georgia. Should any provision of this Lease require judicial interpretation, Landlord and Tenant hereby consent to the service of process and jurisdiction of the courts of the State of Georgia. The parties stipulate that the court interpreting or considering same shall not apply the presumption that the terms hereof shall be more strictly construed against a party by reason of any rule or conclusion that a document should be construed more strictly against the party who itself or through its agent prepared the same, it being agreed that all parties hereto have participated in the preparation of this Lease and that each party had full opportunity to consult legal counsel of its choice before the execution of this Lease. If any words or phrases in this Lease are stricken out or otherwise added, this Lease shall be construed as if the words or phrases so stricken out or otherwise eliminated were never included in this Lease and no implication or inference shall be drawn from the fact that such words or phrases were stricken out or otherwise eliminated. The Tenant hereby represents that it is not entitled, directly or indirectly, to diplomatic or sovereign immunity. The provisions of this Subparagraph 29(p) shall survive the expiration or sooner termination of the Lease.

(q) Tenant agrees to pay all attorneys' fees and expenses the Landlord incurs in enforcing any of the obligations of Tenant under this Lease or in any litigation or negotiation in which Landlord shall, without its fault, become involved through or on account of this Lease.

31

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(r) Any elimination or shutting off of light, air, or view by any structure which may be erected on lands adjacent to the Building shall in no way affect this Lease and Landlord shall have no liability to Tenant with respect thereto.

(s) Neither this Lease nor any memorandum of this Lease shall be recorded.

(t) Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either of them against the other on any matters whatsoever arising out of or in any way connected with this Lease, whether during or after the Term, or for the enforcement of any remedy under any statute, emergency or otherwise. If Landlord shall commence any summary proceeding against Tenant, Tenant will not interpose any permissive counterclaim of whatever nature in any such proceeding (unless failure to impose such counterclaim would preclude Tenant from asserting in a separate action the claim which is the subject of such counterclaim), and will not seek to consolidate such proceeding with any other action which may have been or will be brought in any other court by Tenant or Landlord.

(u) Should Landlord assign this Lease as provided for above, or should Landlord enter into a security deed or other mortgage affecting the Premises and should the holder of such deed or mortgage succeed to the interest of Landlord, Tenant shall be bound to said assignee or any such holder under all the terms, covenants and conditions of this Lease for the balance of the Term hereof remaining after such succession, and Tenant shall attorn to such succeeding party as its Landlord under this Lease promptly under any such succession. Upon any assignment or transfer of Landlord's interest in this Lease, Landlord shall automatically be released from any liability arising under this Lease from and after the date of such assignment or transfer. Tenant agrees that should any party so succeeding to the interest of Landlord require a separate agreement of attornment regarding the matters covered by this Lease, then Tenant shall enter into such agreement, provided that the same does not materially modify any of the economic provisions of this Lease.

(v) This Lease and the obligation of Tenant to pay Rental hereunder and to perform all of the other covenants and agreements hereunder on the part of Tenant to be performed shall in no way be affected, impaired or excused because Landlord is unable to fulfill any of Landlord's obligations under this Lease, expressly or implicitly to be performed by Landlord, or because Landlord is unable to make or is delayed in making any repairs, additions, alterations, improvements or decorations, or is unable to supply or is delayed in supplying any services, equipment or fixtures, if Landlord is prevented from or delayed in so doing by reason of acts of God, casualty, strikes or labor troubles, accident, governmental preemption in connection with an emergency. Requirements, conditions of supply and demand which have been or are affected by war or other emergency, or any other cause whatsoever, whether similar or dissimilar to the foregoing, beyond Landlord's reasonable control ("Unavoidable Delays").

### 30. RIGHT OF FIRST REFUSAL FOR SECOND GENERATION SPACE.

Beginning on the Commencement Date and continuing throughout the Term of this Lease, and provided that Tenant is not in uncured default under this Lease beyond any applicable notice and cure period at such time, as and when those certain leasable spaces or suites known as

32

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Suite 520 and shown cross-hatched on the floor plan attached hereto as Exhibit becomes available for re-lease and re-tenanting which has previously been leased by Landlord to another party (the "Second Generation Space"), then prior to the date and time that Landlord makes or responds to a written offer (the "Second Generation Space Offer") from a third party potential tenant for such Second Generation Space (i.e. a party other than the existing tenant thereof, if any) ("Third Party Potential Tenant"), Landlord shall first provide to Tenant a written notice of availability of such Second Generation Space and the terms and conditions of such Second Generation Space Offer. Tenant shall have ten (10) business days after the date of Landlord's notice of availability of such Second Generation Space to notify Landlord in writing that Tenant wishes to accept the terms and conditions for the leasing of such Second Generation Space from Landlord as set forth in such Second Generation Space Offer, and Tenant shall have thirty (30) days from the date Tenant notifies Landlord of its acceptance of the Second Generation Space Offer to execute a lease amendment with Landlord with respect to such Second Generation Space, which Landlord



Title: Analyst

Title: Vice President

Witness

CROSS COUNTRY CONSULTING,  
a Delaware corporation, as Tenant

By: /s/ Connie Eubanks  
Name: \_\_\_\_\_  
Title: Office Manager

By: /s/ Kevin Conlin  
Name: Kevin Conlin  
Title: President

EXHIBIT A  
LEGAL DESCRIPTION

EXHIBIT B  
FLOOR PLAN

EXHIBIT C  
PLANS AND SPECIFICATIONS

EXHIBIT D  
WORK AGREEMENT

EXHIBIT E  
COMMENCEMENT DATE AGREEMENT

EXHIBIT F  
RULES AND REGULATIONS

EXHIBIT G  
FORM OF INSURANCE CERTIFICATE

EXHIBIT H  
RIGHT OF FIRST REFUSAL FOR SECOND GENERATION SPACE

EXHIBIT I  
OPTION TO EXPAND – THE 510 EXPANSION SPACE

EXHIBIT J  
OPTION TO EXPAND – THE 530 EXPANSION SPACE

EXHIBIT K  
GUARANTY OF LEASE

Exhibits are available upon request

## LEASE AGREEMENT

## BY AND BETWEEN

PETULA ASSOCIATES, LTD. AND PRINCIPAL  
LIFE INSURANCE COMPANY  
(AS LANDLORD)

AND

CLINICAL TRIALS SUPPORT SERVICES, INC.  
(AS TENANT)

1

STATE OF NORTH CAROLINA

LEASE AGREEMENT

COUNTY OF DURHAM

THIS LEASE AGREEMENT (the "Lease") made and entered into as of the 3rd day of November, 1999, by and between PETULA ASSOCIATES, LTD., an Iowa corporation, and PRINCIPAL LIFE INSURANCE COMPANY, an Iowa corporation, as tenants-in-common, hereinafter collectively called "Landlord"; and CLINICAL TRIALS SUPPORT SERVICES, INC., a North Carolina corporation, hereinafter called "Tenant":

WITNESSETH:

In consideration of the mutual covenants and agreements contained herein, the parties hereto agree for themselves, their successors and assigns, as follows:

1. BASIC LEASE TERMS.

The following terms shall have the following meanings in this Lease:

- (a) Premises: Suites 240 and 206 containing a total of approximately 8,080 rentable square feet of office space on the second floor of the Building, as more particularly described on the floor plan attached hereto as Exhibit A.
- (b) Building: Canterbury Hall, located at 4815 Emperor Boulevard, Durham, North Carolina.
- (c) Business Park: Imperial Center Business Park.
- (d) Common Areas: All areas of the Building or the Business Park available for the common use or benefit of all tenants primarily or to the public generally, including without limitation, parking areas, driveways, sidewalks, loading docks, the lobby, corridors, communication shafts, building management offices, elevators, stairwells, entrances, public restrooms, mechanical rooms, janitorial closets, telephone rooms, mail rooms, electrical rooms, and other similar areas of the Building providing for building systems, and any other common facilities furnished by Landlord from time to time.
- (e) Commencement Date: February 14, 2000 (subject to adjustment pursuant to Section 3 of this Lease).
- (f) Term; Expiration Date: The "Term" of this Lease shall be approximately fifty-nine (59) months commencing as of the Commencement Date and, subject to Tenant's option to extend the Term in accordance with Exhibit E attached hereto, expiring on December 31, 2004 (the "Expiration Date").

2

(g) Minimum Rental:

PERIOD	RATE	MONTHLY RENT	ANNUAL RENT
2/14/00-12/31/00	\$ 17.15 per r.s.f.	\$ 11,547.67	\$ 138,572.00
1/1/01-12/31/01	\$ 17.65 per r.s.f.	\$ 11,884.33	\$ 142,612.00
1/1/02-12/31/02	\$ 18.15 per r.s.f.	\$ 12,221.00	\$ 146,652.00
1/1/03-12/31/03	\$ 18.65 per r.s.f.	\$ 12,557.67	\$ 150,692.00
1/1/04-12/31/04	\$ 19.15 per r.s.f.	\$ 12,894.33	\$ 154,732.00

(subject to adjustment as provided in Section 2 and subject to escalation as provided in Section 4(b)).

(h) Operating Expense Stop: Actual Operating Expenses for the calendar year 2000.

(i) Tenant's Proportionate Share: A fraction, the numerator of which shall be the number of rentable square feet within the Premises and the denominator of which shall be the number of rentable square feet within the Building, currently estimated to be 18.3% (8,080÷44,161).

(j) [Intentionally Deleted]

(k) Notice Addresses:

Landlord: Petula Associates, Ltd.  
c/o Tri Properties, Inc.  
4309 Emperor Boulevard, Suite 110  
Durham, North Carolina 27703

Tenant: Clinical Trials Support Services, Inc.  
P.O.Box 1815  
Burlington, North Carolina 27216-1815  
Attention: Tracy A. Blethen

(l) Security Deposit: Eleven Thousand Five Hundred and No/100 Dollars (\$11,500.00).

(m) Broker(s): Tri Properties, Inc. and Corporate Realty Advisors.

(n) Guarantor: None.

(o) Parking: Tenant shall have the right, at no additional cost to Tenant, to use four (4) unreserved parking spaces per 1,000 rentable square feet of the Premises in the surface parking areas adjacent to the Building which constitute a portion of the Common Areas, such use to be in common with other tenants of the Building.

3

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## 2. DESCRIPTION OF PREMISES.

Landlord hereby leases to Tenant, and Tenant hereby accepts and rents from Landlord, the Premises within the Building located in the Business Park; together with the nonexclusive right to use the Common Areas. The useable area of the Premises shall be determined in accordance with the standards set forth in ANSI Z65.1-1996, as promulgated by the Building Owners and Managers Association ("BOMA Standard"). The rentable area of the Premises shall be determined by multiplying the useable area of the Premises by a "core factor" equal to 1.15. Landlord may, at any time, have its architect or engineer measure the actual total square footage of the Premises. In the event the Premises shall contain an amount of square footage different than the amount of square feet referenced in Section 1(a) above, the Annual Rental (as hereinafter defined) shall be proportionately adjusted based on the actual square footage multiplied by the applicable square foot rental rate (and such adjustment shall relate back to the Commencement Date if there is a variance). The reasonable cost of such measurement shall be borne by Landlord.

## 3. TERM; COMMENCEMENT DATE; DELIVERY OF PREMISES.

Unless otherwise adjusted as hereinbelow provided, the Term shall commence on the Commencement Date and expire on the Expiration Date. In the event the Commencement Date is a day other than the first day of the calendar month, the Term shall be extended and shall expire on that date which is fifty-nine (59) full months from the first day of the first full calendar month immediately following the Commencement Date (the "Adjustment Date"). As used herein, the term "Lease Year" shall mean each consecutive twelve-month period of the Term, beginning on January 1 of each calendar year; provided, however, the first Lease Year shall be that period commencing on the Commencement Date and continuing until December 31, 2000.

Notwithstanding anything contained herein to the contrary, the Commencement Date shall occur on the earlier of: (a) the date Tenant, or any person occupying any portion of the Premises with Tenant's permission, commences business operations from the Premises, or (b) the first (1st) business day following the date of Landlord's delivery of the Premises in its "as is" condition without any further improvements thereto by Landlord or the date upon which Landlord would have delivered the Premises to Tenant but for delays within the control of Tenant or Tenant's Invitees (as hereinafter defined). If Landlord for any reason whatsoever cannot deliver possession of the Premises to Tenant on or before the Commencement Date as above specified, this Lease shall not be void or voidable nor shall Landlord be liable to Tenant for any loss or damages resulting therefrom; but in that event, except to the extent that any such delay(s) has been caused by Tenant or its agents, employees, contractors, subcontractors, licensees, invitees or sub-tenants (hereinafter collectively referred to as "Tenant's Invitees"), the Commencement Date shall be adjusted to be the date when Landlord does in fact deliver possession of the Premises to Tenant.

Subject to Landlord's obligation to pay the Allowance (as hereinafter defined), Tenant shall, at its sole cost and expense and within one hundred (100) days after the Commencement Date, design and install the initial improvements in the Premises (the "Tenant Improvements") in strict accordance with plans and specifications for such improvements designed by Tenant and reviewed and approved in advance by Landlord. Notwithstanding the foregoing, in connection with the planning and construction of the Tenant Improvements and any future alterations to the Premises (as described in Section 5 herein), Tenant shall use Landlord's electrical engineer and

4

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Landlord's mechanical engineer. Provided no Event of Default has occurred and is continuing hereunder, Landlord agrees to pay Tenant at the time and in the manner set forth below an allowance in the sum of Five and No/100 Dollars (\$5.00) per rentable square foot of the Premises (the "Allowance") for the design, construction and installation in the Premises of the Tenant Improvements and for the payment to Landlord of a construction management fee equal to five percent (5%) of the total cost of constructing the Tenant Improvements. Tenant shall submit to Landlord the certificates and receipts setting forth the cost of labor and materials expended in the course of constructing and installing the Tenant Improvements and within thirty (30) days of Landlord's receipt of such certificates and receipts, Landlord shall pay to Tenant the amount of all costs and expenses shown thereby less the amount of any such payment or payments previously made by Landlord to Tenant; provided, however, that the aggregate amount of all sums to be paid by Landlord to Tenant hereunder shall not in any event exceed the sum of Forty Thousand Four Hundred and No/100 Dollars (\$40,400.00); provided further, Landlord shall have no obligation hereunder to make any payment with respect to any such improvement which, when made, shall not be a fixture and thus part of the Building to be surrendered to Landlord upon the expiration of the Term or earlier termination of this Lease, nor shall Landlord be obligated to disburse any portion of the Allowance after that date

which is one hundred (100) days after the Commencement Date. Tenant shall cause any costs and expenses associated with the Tenant Improvements to be paid and shall furnish Landlord evidence of such payment in form and substance reasonably satisfactory to Landlord including waivers of lien and releases executed by Tenant's contractor and any sub-contractor (if applicable). Landlord shall not be obligated to make any disbursements of the Allowance prior to the commencement of the construction of the Tenant Improvements and all savings or unused portions of the Allowance shall be retained by Landlord. Notwithstanding anything contained herein to the contrary, a portion of the Allowance (not to exceed One and No/100 Dollars (\$1.00) per rentable square foot of the Premises) may be applied by Tenant to the costs associated with the installation of telecommunications wiring and equipment and/or the construction of support features for systems based furniture within the Premises (but in no event may such funds be used for the furniture itself).

4. RENTAL.

During the Term, Tenant shall pay to Landlord, in care of Landlord's agent, Tri Properties, Inc. at the notice address set forth in Section 1(k) herein, without notice, demand, reduction (except as may be applicable pursuant to the paragraphs of this Lease entitled "Damage or Destruction of Premises" and "Eminent Domain"), setoff or any defense, a total rental (the "Annual Rental") consisting of the sum total of the following:

(a) Minimum Rental.

Beginning with the Commencement Date and continuing through the Expiration Date or earlier termination of this Lease, Tenant shall pay Minimum Rental in accordance with the schedule set forth in Section 1(g) in equal monthly installments each in advance on or before the first day of each month. If the Commencement Date is a date other than the first day of a calendar month, the Minimum Rental shall be prorated daily from such date to the first day of the next calendar month and paid on or before the Commencement Date.

(b) Additional Rental. [Intentionally Deleted]

5

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(c) Operating and Maintenance Expenses.

Tenant shall pay Tenant's Proportionate Share (as set forth in Section 1(i)) of the reasonable costs and expenses paid or incurred by Landlord each calendar year in the operation, repair and maintenance of the Building, the Common Areas and the Business Park (the "Operating Expenses") to the extent such costs exceed the Operating Expense Stop set forth in Section 1(h). For purposes hereof, Operating Expenses shall include without limitation, all: (i) ad valorem taxes (or any tax hereafter imposed in lieu thereof) levied on the Premises, the Building, the Common Areas or any improvements thereon, (ii) insurance premiums and policy deductibles paid with respect to the Building, including fire and extended coverage insurance and liability insurance, (iii) personal property taxes applicable to the Building or the Premises, (iv) any reasonable fees or costs incurred in connection with protesting any tax assessment, (v) Standard Building Services (as hereinafter defined) including utilities, heat and air conditioning, standard janitorial service and window cleaning, (vi) building management (including management fees), (vii) the cost of grass mowing, shrub care and general landscaping, irrigation systems, maintenance and repair to parking and loading areas, driveways, sidewalks, exterior lighting, garbage collection and disposal, water and sewer, plumbing, signs and other facilities serving or benefiting the Premises or the Building, (viii) the cost of all services rendered by third parties with respect to the Building and all costs paid or incurred by Landlord in providing any of the services to be provided by Landlord pursuant to the terms of this Lease; (ix) costs of all capital improvements, repairs or equipment to the Building which are either required under any governmental law or regulation which was not applicable to the Building as of the date of this Lease or which reduced Operating Expenses; provided that the cost of any such capital improvements, repairs or equipment shall be amortized on a straight line basis over a reasonable period of time (as determined in accordance with generally accepted accounting principles), and (x) Common Area operating and maintenance costs, and (xi) the Building's proportionate share of the reasonable costs and expenses paid or incurred by Landlord in the operation, repair and maintenance of the Business Park. Landlord shall use good faith efforts to keep the Operating Expenses in line with costs for other similarly situated first-class buildings in the Raleigh/Durham market.

Notwithstanding the foregoing, if in any year the Building is less than one hundred percent (100%) occupied, the variable portion of Operating Expenses shall be adjusted to reflect the level of such Operating Expenses which would reasonably be expected to be incurred by Landlord if the Building was one hundred percent (100%) occupied. Notwithstanding the foregoing, in no event shall the adjustments in Operating Expenses as hereinabove described result in a profit to Landlord.

Notwithstanding anything contained herein to the contrary, in no event shall the Operating Expenses include any costs associated with the following: (i) depreciation expenses, (ii) expenditures for any alteration, renovation, redecoration or finish of any other tenant space in the Building, (iii) leasing commissions, (iv) financing or refinancing costs, mortgage interest and amortization payments (except as expressly permitted in subsection (ix) above), (v) executive salaries or salaries of service personnel to the extent such personnel perform services not associated with the management, operation or maintenance of the Business Park, (vi) attorney's fees incurred in leasing space in the Building or enforcing the obligations of the tenants of the Building, (vii) rent under any ground lease, (viii) expenses which would be capitalized under generally accepted accounting principles as reasonably interpreted by Landlord, except as otherwise permitted in this Lease, and (ix) expenses incurred by Landlord relative to remediation of Hazardous Substances on or within the Building. Landlord covenants

6

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and agrees that Landlord will consistently apply its internal accounting procedures for the calculation of the Operating Expenses throughout the Term, including without limitation the calculation of the Operating Expense Stop.

(d) Payment of Operating Expenses.

Commencing as of January 1, 2001 and continuing throughout the Term, Tenant shall pay to Landlord each month, along with Tenant's installments of Minimum Rental (and Additional Rental, if applicable) an amount (the "Tenant Contribution") equal to one-twelfth (1/12) of Tenant's Proportionate Share of the Operating Expenses as hereinabove described for any calendar year (including any applicable partial calendar year) to the extent such costs exceed the Operating Expense Stop, as estimated by Landlord (in its reasonable discretion). Landlord will make reasonable efforts to provide Tenant with Landlord's estimate of Tenant's Contribution for the upcoming calendar year on or before December 15 of each calendar year during the Term hereof. If Landlord fails to notify Tenant of the revised amount of Tenant's Contribution by such date, Tenant shall continue to pay the monthly installments, if any, last payable by

Tenant until notified by Landlord of such new estimated amount. No later than May 1 of each calendar year of the Term, Landlord shall deliver to Tenant a written statement setting forth the actual amount of Tenant's Contribution for the preceding calendar year. Tenant shall pay the total amount of any balance due shown on such statement within thirty (30) days after its delivery. In the event such annual costs decrease for any such year, Landlord shall reimburse Tenant for any overage paid and the monthly rental installments for the next period shall be reduced accordingly, but not below the Minimum Rental. For the calendar year in which this Lease commences, Tenant's Contribution shall be prorated from the Commencement Date through December 31 of such year. Further, Tenant shall be responsible for the payment of Tenant's Contribution for the calendar year in which this Lease expires, prorated from January 1 thereof through the Expiration Date. Upon the Expiration Date, Landlord may elect either (i) to require Tenant to pay any unpaid estimated amount within thirty (30) days after the Expiration Date, which estimate shall be made by Landlord based upon actual and estimated costs for such year, or (ii) to withhold Tenant's security deposit until the exact amount payable by Tenant is determinate, at which time Tenant shall promptly pay to Landlord any deficiencies or Landlord shall return any excess security deposit to Tenant.

In the event the Operating Expenses increase by more than three percent (3.0%) in any calendar year (as measured against such expenses for the immediately preceding calendar year), Tenant may audit Landlord's records and all information pertaining to Operating Expenses (no more than once during any calendar year) in order to verify the accuracy of Landlord's determination of the Tenant Contribution, provided that:

- (i) Tenant must give notice to Landlord of its election to undertake said audit within one hundred twenty (120) days after receipt of the statement of the actual amount of Tenant's Contribution for the preceding calendar year from Landlord;
- (ii) Such audit will be conducted only during regular business hours at the office where Landlord maintains records of Operating Expenses and only after Tenant gives Landlord fourteen (14) days' advance written notice;
- (iii) Tenant shall deliver to Landlord a copy of the results of such audit within fifteen (15) days of its receipt by Tenant and no such audit shall be conducted if any other tenant of the

7

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Building has conducted an independent audit for the time period Tenant intends to audit and Landlord furnishes to Tenant a copy of such audit;

- (iv) No audit shall be conducted at any time that Tenant is in default of any of the terms of this Lease;
- (v) No subtenant shall have any right to conduct an audit and no assignee shall conduct an audit for any period during which such assignee was not in possession of the Premises;
- (vi) Such audit review by Tenant shall not postpone or alter the liability and obligation of Tenant to pay any amounts due under the terms of this Lease.
- (vii) Such audit shall be conducted by an independent, reputable accounting firm which is not being compensated by Tenant on a contingency fee basis.

Within thirty (30) days after Tenant's receipt of such audit, Tenant must give notice to Landlord of any disputed amounts and identify all items being contested in Landlord's statement of the Tenant Contribution. If Landlord and Tenant cannot agree upon any such item as to which Tenant shall have given such notice, the dispute shall be resolved by an audit by a major accounting firm mutually acceptable to Landlord and Tenant and the cost of said audit shall be paid by the non-prevailing party; provided however, Tenant will not be considered the "prevailing party" for purposes of this paragraph unless the accounting firm's audit reveals an overcharge by Landlord in excess of five percent (5%) of the Tenant Contribution for the particular calendar year in question.

Any adjustment required as a result of any audit shall be made by adjustment to the Tenant Contribution so that said adjustment is fully made (or recovered) in equal installments over the twelve (12) month period immediately following the final resolution of said audit.

(e) Documentary Tax.

In the event that any documentary stamp tax, sales tax or any other tax or similar charge (exclusive of any income tax payable by Landlord as a result hereof) becomes applicable to the rental, leasing or letting of the Premises, whether local, state or federal, and is required to be paid due to the execution hereof or otherwise with respect to this Lease or the payments due hereunder, the cost thereof shall be borne by Tenant and shall be paid promptly and prior to same becoming past due. Tenant shall provide Landlord with copies of all paid receipts respecting such tax or charge promptly after payment of same.

(f) Late Payment.

If any monthly installment of Minimum Rental, Additional Rental (if any) or any other sum due and payable pursuant to this Lease remains due and unpaid five (5) business days after said amount becomes due, Tenant shall pay as additional rent hereunder a late payment charge equal to Five Hundred and No/100 Dollars (\$500.00) on the unpaid rent or other payment. All unpaid rent and other sums of whatever nature owed by Tenant to Landlord under this Lease shall bear interest from the tenth (10th) day after the due date thereof until paid at the lesser of two percent (2%) per annum above the "prime rate" as published in The Wall Street Journal from

8

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time to time (the "Prime Rate") or the maximum interest rate per annum allowed by law. Acceptance by Landlord of any payment from Tenant hereunder in an amount less than that which is currently due shall in no way affect Landlord's rights under this Lease and shall in no way constitute an accord and satisfaction.

5. ALTERATIONS AND IMPROVEMENTS BY TENANT.

Tenant shall make no structural changes to the Premises or the Building (or to the mechanical or building systems of the Building) and shall make no changes of any kind respecting the Premises or the Building which are visible from the exterior of the Premises without Landlord's prior written consent, to be

granted or withheld in Landlord's sole discretion. Any other nonstructural changes or other alterations, additions, or improvements to the Premises shall be made by or on behalf of Tenant only with the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed. All alterations, additions or improvements, including without limitation all partitions, walls, railings, carpeting, floor and wall coverings and other fixtures (excluding, however, Tenant's trade fixtures as described in the paragraph entitled "Trade Fixtures and Equipment" below) made by, for, or at the direction of Tenant shall, when made, become the property of Landlord, at Landlord's sole election and shall, unless otherwise specified by Landlord at the time of Landlord's approval of same or Tenant's installation of same, remain upon the Premises at the expiration or earlier termination of this Lease.

Notwithstanding anything contained herein to the contrary, all alterations and improvements undertaken by Tenant shall be consistent with the then-existing quality, color scheme (where appropriate), general aesthetic appearance and tenor of the balance of the Building and, in any event, Landlord may withhold its consent to any proposed alteration or improvement by Tenant unless Tenant agrees to remove said improvement at the end of the Term and/or restore the Premises to the condition in which it existed prior to the undertaking of the proposed alteration or improvement. Further, all alterations and improvements to the Premises, including without limitation the Tenant Improvements, whether undertaken by Tenant or Landlord shall be subject to a fee (the "Construction Management Fee"). Tenant agrees to pay Landlord the Construction Management Fee as follows:

- (a) Five percent (5%) of the total cost of planning and constructing any alterations and improvements if such construction costs exceed Ten Thousand and No/100 Dollars (\$10,000.00); and
- (b) Ten percent (10%) of the total cost of planning and constructing any alterations and improvements if such construction costs are less than Ten Thousand and No/100 Dollars (\$10,000.00).

6 USE OF PREMISES.

(a) Tenant shall use the Premises only for general office purposes and for no other purposes. Tenant shall comply with all laws, ordinances, orders, regulations or zoning classifications of any lawful governmental authority, agency or other public or private regulatory authority (including insurance underwriters or rating bureaus) having jurisdiction over the Premises. Tenant shall not do any act or follow any practice relating to the Premises, the Building or the Common Areas which shall constitute a nuisance or detract in any way from the

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reputation of the Building as a real estate development comparable to other comparable buildings in the Raleigh/Durham market taking into account rent and other relevant factors. Tenant's duties in this regard shall include allowing no noxious or offensive odors, fumes, gases, smoke, dust, steam or vapors, or any loud or disturbing noise or vibrations to originate in or emit from the Premises. In addition, Tenant shall not conduct a sale of any personal property on or about the Premises, the Building or in the Common Areas without the prior written consent of Landlord.

(b) Without limiting the generality of (a) above, and excepting only office supplies and cleaning materials used by Tenant in its ordinary day to day business operations (but not held for sale, storage or distribution) and then only to the extent used, stored, transported and disposed of strictly in accordance with all applicable laws, regulations and manufacturer's recommendations, the Premises shall not be used for the treatment, storage, transportation to or from, use or disposal of toxic or hazardous wastes, materials, or substances, or any other substance that is prohibited, limited or regulated by any governmental or quasi-governmental authority or that, even if not so regulated, could or does pose a hazard to health and safety of the occupants of the Building or surrounding property (collectively "Hazardous Substances"). In addition, Tenant shall be liable for, and shall indemnify and hold Landlord harmless from, all costs, damages and expenses (including reasonable attorneys' fees) incurred in connection with the use, storage, discharge or disposal of any Hazardous Substances by Tenant or Tenant's Invitees.

(c) Tenant shall exercise due care in its use and occupancy of the Premises and shall not commit or allow waste to be committed on any portion of the Premises; and at the expiration or earlier termination of this Lease, Tenant shall deliver the Premises to Landlord in the same condition in which it existed as of the Commencement Date, ordinary wear and tear, fire or other casualty and acts of God alone excepted.

(d) Tenant's use and occupancy of the Premises shall include the use in common with others entitled thereto of the Common Areas and all other improvements provided by Landlord for the common use of the Building tenants, and any other common facility as may be designated from time to time by the Landlord, subject, however, to the terms and conditions of this Lease and to the reasonable rules and regulations for use therefor as prescribed from time to time by the Landlord. Tenant, its employees, agents, customers and invitees shall have the nonexclusive use (in common with other benefiting tenants) to use the common areas for purposes intended and the non-exclusive use of the adjacent surface parking areas in accordance with Section 1(o) herein. Tenant shall not at any time interfere with the use of the common areas by Landlord, another tenant or any other person entitled to use the same. Landlord reserves the right, from time to time, to alter any of the common areas, to exercise control and management of the same, and to establish, modify, change and enforce such reasonable rules and regulations as Landlord in its discretion may deem desirable for the management of the Building or the common areas.

(e) Tenant shall save Landlord harmless from any claims, liabilities, penalties, fines, costs, expenses or damages resulting from the failure of Tenant to comply with the provisions of this paragraph 6. This indemnification shall survive the termination or expiration of this Lease.

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7. SERVICES BY LANDLORD.

Provided that Tenant has fully complied with all terms and conditions of this Lease and is not then in default hereunder, Landlord shall cause to be furnished to the Premises (subject to reimbursement as part of the Operating Expenses) in common with other tenants during "Standard Hours of Operation" (as defined below), Monday through Friday and Saturday (excluding holidays), the following services: janitorial services (once per working day after normal weekday working hours); water if available from city mains for drinking, lavatory and toilet purposes; operatorless elevator service; electricity for general office space use (including fluorescent lighting replacements to building standard fixtures only); trash removal in accordance with city schedules; and heating and air conditioning for reasonably comfortable use and occupancy of the Premises providing heating and cooling conforming to any governmental regulation prescribing limitations thereon shall be deemed consistent with the services provided by landlords of comparable buildings in the Raleigh/Durham market. All additional costs resulting from Tenant's extraordinary usage of heating, air conditioning or electricity shall be paid by Tenant, but Tenant shall not install equipment with unusual demands for any of the foregoing without Landlord's prior written consent which Landlord may withhold if it determines that

in its opinion such equipment may not be safely used in the Premises or that electrical service is not adequate therefor. Notwithstanding anything contained herein to the contrary, Landlord reserves the right to contract with any third party provider of such utilities to provide such services to the Premises, the Building and the Business Park in the most economical manner and Tenant shall not contract with any other third party provider to supply such utilities to the Premises without Landlord's prior written consent. So long as Landlord acts reasonably and in good faith, there shall be no abatement or reduction of rent by reason of any of the foregoing services not being continuously provided to Tenant.

Landlord agrees to provide heating and air conditioning after-hours (i.e., hours before or after the Standard Hours of Operation) at Tenant's request after reasonable notice and if the area to be served is zoned for this purpose. The cost of after-hours service of heating or air conditioning shall be additional rent payable monthly by Tenant at \$25.00 per hour.

As used herein, "Standard Hours of Operation" shall mean and refer to those hours of operation at the Building which are 7:30 a.m. to 6:30 p.m. Monday through Friday and 8:00 a.m. through 1:00 p.m. on Saturday, except holidays. Holidays shall mean and refer to each of the following days (on the day set aside for observance): New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day and any other holiday(s) generally recognized as such by landlords of office space in the Triangle Area office market, as reasonably determined by Landlord.

Landlord shall not be liable to Tenant for any damage caused to Tenant and its property due to the Building or any part or appurtenance thereof being improperly constructed or being or becoming out of repair, or arising from the leaking of a pipe, facility or system for any utility. Tenant shall immediately report to Landlord any defective condition in or about the Premises known to Tenant, and if such defect is not so reported and such failure results in other damage, Tenant shall be liable for the same.

11

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8. TAXES ON LEASE AND TENANT'S PROPERTY.

(a) Tenant shall pay any taxes, documentary stamps or assessments of any nature which may be imposed or assessed upon this Lease, Tenant's occupancy of the Premises or Tenant's trade fixtures, equipment, machinery, inventory, merchandise or other personal property located on the Premises and owned by or in the custody of Tenant as promptly as all such taxes or assessments may become due and payable without any delinquency.

(b) Landlord shall pay, subject to reimbursement from Tenant as provided in the paragraph entitled "Rental" of this Lease, all ad valorem property taxes which are now or hereafter assessed upon the Building and the Premises, except as otherwise expressly provided in this Lease.

9. INSURANCE AND INDEMNITY.

(a) Fire and Extended Coverage Insurance. Landlord shall maintain and pay for fire and casualty special form "all risk" insurance, with extended coverage (including boiler and machinery coverage), covering the Building equal to at least eighty percent (80%) of the replacement cost thereof. Tenant shall not do or cause to be done or permit on the Premises anything deemed extrahazardous on account of fire and Tenant shall not use the Premises, the Common Areas or the Building in any manner which will cause an increase in the premium rate for any insurance in effect on the Building or a part thereof. If, because of anything done, caused to be done, permitted or omitted by Tenant or Tenant's Invitees, the premium rate for any kind of insurance in effect on the Building or any part thereof shall be raised, Tenant shall pay Landlord on demand the amount of any such increase in premium which Landlord shall pay for such insurance and if Landlord shall demand that Tenant remedy the condition which caused any such increase in an insurance premium rate, Tenant shall remedy such condition within five (5) days after receipt of such demand. Tenant shall maintain and pay for all fire and extended coverage insurance on its contents in the Premises, including trade fixtures, equipment, machinery, merchandise or other personal property belonging to or in the custody of Tenant. In addition, at all times during the Term, Tenant shall procure and maintain business income and extra expense coverage in such amounts as will reimburse Tenant for direct or indirect loss or earnings attributable to any loss caused by fire or other casualty or cause including, but not limited to, vandalism, theft and water damage of any type.

Notwithstanding anything herein to the contrary, Landlord reserves the right for itself, successors and assigns to self-insure against any risk required hereunder to be insured or otherwise assumed by Landlord so long as any such program of self-insurance affords the same coverage of risks and benefits which would be afforded in the event Landlord procured insurance from a third-party insurer.

(b) Liability Insurance. At all times during the term of this Lease, Tenant shall, at its sole cost and expense, keep in force adequate public liability insurance under the terms of a commercial general liability policy (occurrence coverage) in the amount of not less than Three Million and No/100 Dollars (\$3,000,000.00) single limit with such company(ies) licensed to do business in North Carolina and as shall from time to time be reasonably acceptable to Landlord (and to any lender having a mortgage interest in the Premises) and naming Landlord and Landlord's agent as an additional insured (and, if requested by Landlord from time to time, naming Landlord's mortgagee as an additional insured). In the event Tenant employs any

12

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contractor to perform any work in the Premises, Tenant shall provide Landlord with insurance certificates naming Landlord and such other parties as Landlord may designate as additional insureds under policies of builders risk and general liability insurance and shall also provide Landlord with evidence of satisfactory workers compensation coverage in accordance with applicable statutory requirements. All policies of insurance required to be maintained by Tenant shall be with companies rated A-X or better in the most current issue of Best's Insurance Reports and shall have a deductible of \$25,000.00 or less. Such insurance shall include, without limitation, personal injury and contractual liability coverage for the performance by Tenant of the indemnity agreements set forth in this Lease. Tenant shall first furnish to Landlord copies of policies or certificates of insurance evidencing the required coverage prior to the Commencement Date and thereafter prior to each policy renewal date. All policies required of Tenant hereunder shall contain a provision whereby the insurer is not allowed to cancel or change materially the coverage without first giving thirty (30) days' written notice to Landlord.

(c) Indemnity. Tenant shall indemnify and save Landlord harmless against any and all claims, suits, demands, actions, fines, damages, and liabilities, and all costs and expenses thereof (including without limitation reasonable attorneys' fees) attributable to Tenant's use or occupancy of the Premises, or otherwise arising out of injury to persons (including death) or property occurring in, on or about, or arising out of the Premises or other areas in the Building if caused or occasioned wholly or in part by any act or omission of Tenant or Tenant's Invitees, except to the extent caused by the gross negligence or willful misconduct of Landlord. The non-prevailing party shall also pay all costs, expenses and reasonable attorneys' fees that may be incurred

by the prevailing party in enforcing the agreements of this Lease, whether incurred as a result of litigation or otherwise. Tenant shall give Landlord immediate notice of any such happening causing injury to persons or property.

(d) Landlord Insurance. Landlord shall keep in force during the term of this Lease insurance in such amounts and coverages as Landlord deems appropriate or is otherwise required of Landlord by third parties, such as its lender.

10. LANDLORD'S COVENANT TO REPAIR AND REPLACE.

(a) During the Term, Landlord shall be responsible for necessary repairs or replacements to the base building structural components of the Building which are designated as Landlord's Work on Exhibit C-1 attached hereto, including without limitation, the central plumbing and electrical systems serving the Building, except for repairs or replacements to any Tenant Improvements or any trade fixtures or equipment required or requested by Tenant, or otherwise necessitated by the negligence, misconduct, acts or omissions of Tenant or Tenant's Invitees, which shall be made at Tenant's sole cost and expense, unless such amounts are paid to Landlord pursuant to an insurance policy. Landlord shall maintain the Building in a manner which is comparable with other comparable buildings in the Raleigh/Durham market, taking into account rent and other relevant factors, and in compliance with applicable laws, regulations, ordinances and codes; however, any non-compliance shall not materially impair Tenant's use and enjoyment of the Premises or constitute a threat or danger to the health or safety of Tenant or Tenant's Invitees. Landlord's repairs and replacements shall be made as soon as reasonably possible using due diligence and reasonable efforts, taking into account in each instance all circumstances surrounding the repair or replacement including without limitation, the materiality of the repair or replacement to Tenant's use and operation of its business within the Premises and the relation thereof to the enjoyment of same, such period not to exceed 120 days after receiving

13

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written notice from Tenant of the need for repairs or such longer period of time as is reasonably necessary under the circumstances so long as Landlord is diligently pursuing the completion of same; provided, however, in no event shall such period of time exceed 180 days after receipt of written notice from Tenant. If Landlord cannot, using due diligence, complete its repairs within the time period herein specified and such failure to repair has a material adverse impact on Tenant's use or occupancy of the Premises, then (unless the need for such repairs or replacements is the result of the negligence, misconduct or acts or omissions of Tenant or Tenant's Invitees, in which event Tenant shall not be entitled to any remedy), such failure to repair shall be deemed to be a Landlord default hereunder. If the need for such repairs or replacements is the result of the negligence, misconduct or acts or omissions of Tenant or Tenant's Invitees, and the expense of such repairs or replacements are not fully covered and paid by Landlord's insurance, then Tenant shall pay Landlord the full amount of expenses not covered. Landlord's duty to repair or replace as prescribed in this paragraph shall be Tenant's sole remedy and shall be in lieu of all other warranties or guaranties of Landlord, express or implied; provided, however, in the event Landlord, following receipt of written notice detailing such repair, negligently fails to repair the Premises in accordance with this Section 10(a) and as a result of Landlord's negligence, a material portion of the Premises is rendered untenantable for a period of thirty (30) consecutive days, the Annual Rental payable hereunder shall abate as of the expiration of said thirty (30) days period until the earlier of: (i) Tenant's occupancy of any portion of the Premises, or (ii) Landlord's completion of the repair in accordance with the terms hereof.

(b) Except as otherwise expressly provided herein, Landlord shall not be liable for any failure to make any repairs or to perform any maintenance required of Landlord hereunder unless such failure shall persist for an unreasonable period of time after written notice from Tenant setting forth the need for such repair(s) or replacement(s) in reasonable detail has been received by Landlord. Except as set forth in the paragraph of this Lease entitled "Damage or Destruction of Premises" and Section 10(a) herein, there shall be no abatement of rent. There shall be no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, replacements, alterations or improvements to any portion of the Building or the Premises, or to fixtures, appurtenances and equipment therein except to the extent of Landlord's gross negligence or willful misconduct. To the extent permitted under applicable law, Tenant waives the right to make repairs at Landlord's expense under any law, statute or ordinance now or hereafter in effect.

11. PROPERTY OF TENANT.

All property placed on the Premises by, at the direction of, or with the consent of Tenant or Tenant's Invitees, shall be at the risk of Tenant or the owner thereof and Landlord shall not be liable for any loss of or damage to said property resulting from any cause whatsoever except to the extent of any loss or damage caused by the gross negligence or willful misconduct of Landlord or its agents, provided same is not covered by the insurance Tenant is required to maintain under the terms of this Lease.

12. TRADE FIXTURES AND EQUIPMENT.

Prior to installation, Tenant shall furnish to Landlord notice of all trade fixtures and equipment which it intends to install within the Premises and the installation of same shall be subject to Landlord's consent, which shall not be unreasonably withheld, conditioned or delayed

14

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so long as said equipment is not visible from the exterior of the Building and does not otherwise affect any structural components of the Building or any of the Building systems. So long as no Event of Default has occurred and is continuing hereunder, any trade fixtures and equipment installed in the Premises at Tenant's expense and identified by Tenant in notice to Landlord shall remain Tenant's personal property and Tenant shall have the right at any time during the Term to remove such trade fixtures and equipment. Upon removal of any trade fixtures and equipment, Tenant shall immediately restore the Premises to substantially the same condition in which it existed as of the Commencement Date, ordinary wear and tear, casualty and acts of God alone excepted. Any trade fixtures not removed by Tenant at the expiration or an earlier termination of the Lease shall, at Landlord's sole election, either (i) become the property of Landlord, in which event Landlord shall be entitled to handle and dispose of same in any manner Landlord deems fit without any liability or obligation to Tenant or any other third party with respect thereto, or (ii) be subject to Landlord's removing such property from the Premises and storing same, all at Tenant's expense and without any recourse against Landlord with respect thereto. Without items in excess of building standard. In any event, Landlord shall not be required to expend more funds than the amount received by Landlord from the proceeds of any insurance and any amounts received from Tenant.

13. DAMAGE OR DESTRUCTION OF PREMISES.

If the Premises are damaged by fire or other casualty, but are not rendered untenable for Tenant's business, either in whole or in part, Landlord shall cause such damage to be repaired without unreasonable delay and the Annual Rental shall not abate. If by reason of such casualty the Premises are rendered untenable for Tenant's business, either in whole or in part, Landlord shall cause the damage to the physical structure of the Building (excluding any tenant improvements or alterations therein) to be repaired or replaced without unreasonable delay, and, in the interim, the Annual Rental shall be proportionately reduced as to such portion of the Premises as is rendered untenable. Any such abatement of rent shall not, however, create an extension of the Term. Provided, however, if by reason of such casualty, the Premises are rendered untenable in some material portion, and Landlord, in its reasonable estimation, determines that the amount of time required to repair the damage using due diligence is in excess of one hundred fifty (150) days after the issuance of a building permit by the applicable governmental authorities (Landlord agreeing to use reasonable, diligent efforts to procure said permit), then either party shall have the right to terminate this Lease by giving written notice of termination within thirty (30) days after the date of casualty, and the Annual Rental shall (i) abate as of the date of such casualty in proportion to the part of the Premises rendered untenable and (ii) abate entirely as of the effective date of the termination of this Lease. In the event Landlord is unable to repair the Premises in accordance with this Section 13 on or before that date which is sixty (60) days following the targeted completion date (as reasonably determined by Landlord), subject to delays beyond Landlord's reasonable control, either party shall have the right to terminate the Lease upon thirty (30) days advance written notice to the other following the expiration of said sixty (60) day period. Notwithstanding the foregoing, in the event the casualty giving rise to an election to terminate is caused by the negligence, misconduct or acts or omissions of Tenant or Tenant's Invitees, Tenant shall have no right to terminate this Lease. Notwithstanding the other provisions of this paragraph, in the event there should be a casualty loss to the Premises during the last Lease Year of the Term, Landlord may, at its option, terminate this Lease by giving written notice to Tenant within thirty (30) days after the date of the casualty and the Annual Rental shall abate as of the date of such notice and Tenant shall have a period of fifteen (15) days following its receipt of such notice of

15

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termination from Landlord to vacate the Premises. Except as provided herein, Landlord shall have no obligation to rebuild or repair in case of fire or other casualty, and no termination under this paragraph shall affect any rights of Landlord or Tenant hereunder because of prior defaults of the other party. Tenant shall give Landlord immediate notice of any fire or other casualty in the Premises. Notwithstanding anything contained in this Section to the contrary, Landlord shall only be obligated to restore the Premises to a building standard condition unless Tenant makes available to Landlord proceeds from Tenant's insurance sufficient to repair and restore the Premises to the condition in which it existed immediately prior to such casualty, including those items in excess of building standard. In any event, Landlord shall not be required to expend more funds than the amount received by Landlord from the proceeds of any insurance and any amounts received from Tenant.

14. GOVERNMENTAL ORDERS.

Except as hereinbelow set forth regarding compliance of the physical structure of the Building with applicable governmental regulations, including without limitation, compliance with the applicable requirements of the Americans with Disabilities Act and the implementing regulations (the "ADA") as of the Commencement Date, Tenant agrees, at its own expense, to comply promptly with all requirements of any legally constituted public authority that may be in effect from time to time made necessary by reason of Tenant's use or occupancy of the Premises. Landlord agrees to comply promptly with any such requirements if not made necessary by reason of Tenant's use or occupancy. With regard to the physical structure of the Building, Landlord agrees to use good faith and due diligence to undertake those actions that are "readily achievable" (as such term is defined in the ADA) in order to attempt to bring the physical structure of the Building in compliance with the applicable requirements of the ADA in effect as of the Commencement Date. If it is determined that for any reason Landlord shall have failed to cause the physical structure of the Building to be brought into compliance with the ADA as of the Commencement Date (to at least the minimum extent required under applicable regulations then in effect), then Landlord, as its sole obligation, will take the action(s) necessary to cause the physical structure of the Building (excluding any tenant improvements or alterations) to so comply, and Tenant acknowledges and agrees that Landlord has and shall have no other obligation or liability whatsoever to Tenant, or to anyone claiming by or through Tenant, regarding any failure of the Building or the activities therein to comply with the applicable requirements of the ADA. Notwithstanding anything contained herein to the contrary, it is agreed that: (a) Tenant is exclusively responsible for all compliance with all requirements of any legally constituted public authority in the event non-compliance relates to the design of the interior of the Premises pursuant to the Plans or Tenant's use of Premises and (b) in the event of any non-compliance for which Landlord is responsible, Landlord shall not be deemed in breach of this Lease if such non-compliance does not materially impair Tenant's use of, or operations from, the Premises or threaten or endanger the health or safety of Tenant or Tenant's Invitees.

15. MUTUAL WAIVER OF SUBROGATION.

For the purpose of waiver of subrogation, the parties mutually release and waive unto the other all rights to claim damages, costs or expenses for any injury to property caused by a casualty or any other matter whatsoever in, on or about the Premises if the amount of such damage, cost or expense has been paid to such damaged party under the terms of any policy of insurance or would have been paid if the injured party had carried the insurance required of it hereunder. All insurance policies carried with respect to this Lease, if permitted under applicable

16

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law, shall contain a provision whereby the insurer waives, prior to loss, all rights of subrogation against either Landlord or Tenant.

16. SIGNS AND ADVERTISING.

(a) Landlord shall install, at Tenant's sole cost and expense, tenant identification signage in accordance with building standards at or near the suite entrance to the Premises and in the directory located in the lobby of the Building.

(b) In order to provide architectural control for the Building and the Business Park, Tenant shall not install any exterior signs, marquees, billboards, outside lighting fixtures and/or other decorations on the Building, the Premises or the Common Areas. Landlord shall have the right to remove any such sign or other decoration restore fully the Building, the Premises or the Common Areas at the cost and the expense of Tenant if any such exterior work is done without Landlord's prior written approval, which approval Landlord shall be entitled to withhold or deny in its sole discretion. Tenant shall not permit, allow or cause to be used in, on or about the Premises any sound production devices, mechanical or moving display devices, bright lights, or other advertising media, the effect of which would be visible or audible from the exterior of the Premises.

17. LANDLORD'S RIGHT OF ENTRY.

Landlord, and those persons authorized by it, shall have the right to enter the Premises at all reasonable times and upon reasonable notice for the purposes of making repairs, making connections, installing utilities, providing services to the Premises or for any other tenant, making inspections, showing the same to prospective purchasers or lenders or, during the last nine (9) months of the Term, as same may be extended, showing the same to prospective tenants, as well as at any time without notice in the event of emergency involving possible injury to property or persons in or around the Premises or the Building.

18. LANDLORD'S LIEN.

In addition to any statutory lien in Landlord's favor, Landlord shall have and Tenant hereby grants to Landlord a continuing first security lien interest for all rentals and other sums of money due or to become due hereunder from Tenant, and to secure payment for any damages or loss which Landlord may suffer by reason of the breach by Tenant of any covenant, agreement or condition contained herein, upon all goods, wares, equipment, fixtures, furniture, inventory, and other personal property of Tenant now or hereafter situated at the Premises, and all proceeds therefrom; and such property shall not be removed from the Premises without the consent of Landlord until all arrearages in rent as well as any and all other sums of money then due to Landlord hereunder shall first have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Tenant. In the event any of the foregoing described property is removed from the Premises in violation of the covenant in the preceding sentence, the security interest shall continue in such property regardless of location. Upon the occurrence of a default by Tenant hereunder, Landlord shall have, in addition to all other rights and remedies, all rights and remedies under the Uniform Commercial Code then in effect in the State of North Carolina, including, without limitation, the right to sell the property described in this Section at public or private sale. Any surplus shall be paid Tenant or as otherwise required by law; and Tenant shall pay any deficiencies therein to Landlord

17

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forthwith. Tenant hereby agrees to execute such other instruments necessary or desirable under applicable law to perfect the security interest hereby created, including a financing statement. In no event shall Tenant or Tenant's lender cause to be recorded any financing statements, Uniform Commercial Code filings or their equivalents in connection with this Lease which would affect or otherwise impair or encumber title to the Building or Landlord's fixtures and real or personal property located in the Building or the Business Park. Notwithstanding the foregoing, upon the request of Tenant, Landlord agrees to execute and deliver any instruments reasonably acceptable to Landlord which are necessary to subordinate the above-described Landlord's lien to the security interest of any third party encumbering any readily removable or unattached furniture and miscellaneous equipment of Tenant situated in or on the Premises; provided, however, in no event may any fixtures or attached equipment be removed from the Premises without Landlord's prior written consent.

19. EMINENT DOMAIN.

If any substantial portion of the Premises is taken under the power of eminent domain (including any conveyance made in lieu thereof) or if such taking shall materially impair the normal operation of Tenant's business, then either party shall have the right to terminate this Lease by giving written notice of such termination within thirty (30) days after such taking. If neither party elects to terminate this Lease, Landlord shall repair and restore the Premises to the best possible tenantable condition (but only to the extent of any condemnation proceedings made available to Landlord) and the Annual Rental shall be proportionately and equitably reduced as of the date of the taking. All compensation awarded for any taking (or the proceeds of a private sale in lieu thereof) shall be the property of Landlord whether such award is for compensation for damages to the Landlord's or Tenant's interest in the Premises, and Tenant hereby assigns all of its interest in any such award to Landlord; provided, however, Landlord shall not have any interest in any separate award made to Tenant for loss of business, moving expense or the taking of Tenant's trade fixtures or equipment if a separate award for such items is made to Tenant and if such separate award does not reduce the award to Landlord. Notwithstanding the foregoing, in no event shall Tenant be entitled to any compensation for the loss of its leasehold estate.

20. EVENTS OF DEFAULT AND REMEDIES.

(a) Upon the occurrence of any one or more of the following events (the "Events of Default," any one an "Event of Default"), Landlord shall have the right to exercise any rights or remedies available in this Lease, at law or in equity. Events of Default shall be:

(i) Tenant's failure to pay any rental or other sum of money payable hereunder within five (5) days after same becomes due; provided, however, Tenant shall be entitled to written notice from Landlord that such amounts are past due no more than twice in any Lease Year and it shall not be deemed an Event of Default hereunder so long as Tenant makes any such payments to Landlord within five (5) days after receipt of said written notice from Landlord;

(ii) Tenant's failure to perform any other of the terms, covenants or conditions contained in this Lease if not remedied within thirty (30) days after receipt of written notice thereof, or if such default cannot be remedied within such period, Tenant does not within thirty (30) days after written notice thereof commence such act or acts as shall be necessary to remedy the default and shall not thereafter diligently prosecute such cure and complete such act or acts within ninety (90) days after written notice thereof:

18

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(iii) Tenant shall become bankrupt or insolvent, or file any debtor proceedings, or file pursuant to any statute a petition in bankruptcy or insolvency or for reorganization, or file a petition for the appointment of a receiver or trustee for all or substantially all of Tenant's assets and such petition or appointment shall not have been set aside within sixty (60) days from the date of such petition or appointment, or if Tenant makes an assignment for the benefit of creditors, or petitions for or enters into an arrangement; or

(iv) A default by Tenant under any other lease heretofore or hereafter made by Tenant for any other space in the Project.

(b) In addition to its other remedies, Landlord, upon an Event of Default by Tenant, shall have the immediate right, after any applicable grace period expressed herein, to terminate and cancel this Lease and/or terminate Tenant's right of possession and reenter and remove all persons and properties from the Premises and dispose of such property as it deems fit, all without being guilty of trespass or being liable for any damages caused thereby. If Landlord reenters the Premises, it may either terminate this Lease or, from time to time without terminating this Lease, terminate Tenant's right of possession and make such alterations and repairs as may be necessary or appropriate to relet the Premises and relet the Premises upon such terms and conditions as Landlord deems

advisable without any responsibility on Landlord whatsoever to account to Tenant for any surplus rents collected. No retaking of possession of the Premises by Landlord shall be deemed as an election to terminate this Lease unless a written notice of such intention is given by Landlord to Tenant at the time of reentry; but, notwithstanding any such reentry or reletting without termination, Landlord may at any time thereafter elect to terminate for such previous default. In the event of an elected termination by Landlord, whether before or after reentry, Landlord may recover from Tenant damages, including the costs of recovering the Premises and any costs incurred in reletting the Premises, and Tenant shall remain liable to Landlord for the total Annual Rental (which may at Landlord's election be accelerated to be due and payable in full as of the Event of Default and recoverable as damages in a lump sum) as would have been payable by Tenant hereunder for the remainder of the term less the rentals actually received from any reletting or, at Landlord's election, less the reasonable rental value of the Premises for the remainder of the term. In determining the Annual Rental which would be payable by Tenant subsequent to default, except with respect to Minimum Rental (which shall be calculated in accordance with Section 1(g) hereof), the Annual Rental for each Lease Year of the unexpired term shall be equal to the Annual Rental payable by Tenant for the last Lease Year prior to the default. If any rent owing under this Lease is collected by or through an attorney, Tenant agrees to pay Landlord's reasonable attorneys' fees to the extent allowed by applicable law. Notwithstanding anything contained herein to the contrary, upon an Event of Default by Tenant, Landlord agrees to use reasonable efforts to mitigate its damages.

21. SUBORDINATION.

This Lease is subject and subordinate to any and all mortgages or deeds of trust currently existing on the property of which the Premises is a part, and this clause shall be self-operative without any further instrument necessary to effect such subordination; however, if requested by Landlord, Tenant shall promptly execute and deliver to Landlord any such certificate(s) in a commercially reasonable form as Landlord may reasonably request evidencing the subordination of this Lease to, or the assignment of this Lease as additional security for, such mortgages or deeds of trust; provided, further, upon Tenant's request, Landlord shall use reasonable efforts to

19

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obtain a non-disturbance agreement in a commercially reasonable form from any such mortgagee, trustee or beneficiary currently having an interest in all or any portion of the Premises. Subject to the condition precedent that Landlord provide Tenant with a non-disturbance agreement in a commercially reasonable form in favor of Tenant from any mortgagee, trustee or beneficiary, this Lease shall be subject and subordinate to any mortgage or deed of trust which may hereafter encumber the property of which the Premises is a part. Tenant's obligations under this Lease shall continue in full force and effect notwithstanding any such default proceedings under a mortgage or deed of trust and shall attach to the mortgagee, trustee or beneficiary of such mortgage or deed of trust, and their successors or assigns, and to the transferee under any foreclosure or default proceedings. Tenant will, upon request by Landlord, execute and deliver to Landlord or to any other person designated by Landlord, any instrument or instruments in a commercially reasonable form required to give effect to the provisions of this paragraph.

22. ASSIGNMENT AND SUBLETTING.

Except with respect to an assignment or sublease to an Affiliate (as hereinafter defined), which shall only require advance written notice to Landlord, Tenant shall not assign, sublet, mortgage, pledge or encumber this Lease, the Premises, or any interest in the whole or in any portion thereof, directly or indirectly, without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed. In the event of any assignment, sublease, mortgage, pledge or encumbrance, Tenant shall: (i) remain primarily liable for the performance of all terms of this Lease, (ii) pay all reasonable costs incurred by Landlord in connection with such assignment, sublease or mortgage, including without limitation, attorneys' fees and a \$500.00 processing fee, and (iii) pay to Landlord one-half (1/2) of any rental or any fees or charges received by Tenant (less any reasonable expenses incurred by Tenant in connection with such assignment or sublease, including without limitation, reasonable attorney's fees and brokerage commissions) in excess of the Annual Rental payable to Landlord hereunder as further rental under this Lease. Landlord's consent to one assignment or sublease will not waive the requirement of its consent to any subsequent assignment or sublease as required herein. Upon notice to Landlord of a proposed sublease or assignment of all or any portion of the Premises for the balance of the Term (the "Proposed Space"), Landlord shall have the option, within fifteen (15) days after its receipt of such notice, to terminate this Lease with respect to the Proposed Space, whereupon the parties hereto shall have no further rights or liabilities with respect to the Proposed Space except as otherwise expressly set forth herein. For purposes hereof, an "Affiliate" shall be deemed to be any entity which controls, is controlled by, or is under common control with, Tenant.

In the event of a proposed assignment of this Lease or subletting of all or a part of the Premises, Tenant shall submit to Landlord, in writing, (i) the name of the proposed assignee or sublessee, (ii) current financial statements available to Tenant disclosing the financial condition of the proposed assignee or subtenant, (iii) the nature of the business of the proposed assignee or sublessee, and its proposed use of the Premises (any assignment or subletting being subject to restrictions on use contained in this Lease, the violation of which by the proposed assignee or sublessee shall constitute absolute grounds for Landlord's denial of the requested assignment or subletting, such grounds not being the exclusive grounds for denial under clause (iii)) and (iv) the proposed commencement date of the assignment or subletting, together with a copy of the proposed assignment or sublease. Within thirty (30) days after its receipt of such notice, Landlord shall either approve or disapprove such proposed assignment or sublease in writing.

20

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Tenant shall promptly deliver a copy of the fully executed assignment or sublease to Landlord upon its receipt of same.

Notwithstanding anything in this Lease to the contrary, Tenant further agrees that any assignment or sublease shall be subject to the following additional limitations: (i) in no event may Tenant assign this Lease or sublet all or any portion of the Premises to an existing Tenant of the Business Park or its subtenant or assignee; (ii) in no event shall the proposed subtenant or assignee be a person or entity with whom Landlord or its agent is negotiating and to or from whom Landlord, or its agent, has given or received any written proposal within the past three (3) months regarding a lease of space in the Business Park; and (iii) Tenant shall not publicly advertise the rate for which Tenant is willing to sublet the Premises; and all public advertisements of the assignment of the Lease or sublet of the Premises, or any portion thereof, shall be subject to prior written approval by Landlord, such approval not to be unreasonably withheld or delayed. Said public advertisement shall include, but not be limited to, the placement or display of any signs or lettering on the exterior of the Premises or on the glass or any window or door of the Premises or in the interior of the Premises if it is visible from the exterior.

23 LANDLORD DEFAULT.

In the event of any default by Landlord under this Lease, Tenant will give Landlord written notice specifying such default with particularity, and Landlord shall thereupon have thirty (30) days (or such longer period as may be required in the exercise of due diligence) in which to cure any such default. Unless and until Landlord fails to so cure any default after such notice, Tenant shall not have any remedy or cause of action by reason thereof. All obligations of Landlord hereunder will be construed as covenants, not conditions. Notwithstanding any other provisions of this Lease to the contrary, Tenant shall look solely to Landlord's equity in the Building, and not to any other or separate business or non-business assets of Landlord, or any partner, shareholder, officers or representative of Landlord, for the satisfaction of any claim brought by Tenant against Landlord, and if Landlord shall fail to perform any covenant, term or condition of this Lease upon Landlord's part to be performed, and as a consequence of such default, Tenant shall recover a money judgment against Landlord, such judgment shall be satisfied only: (i) out of the proceeds of sale received upon levy against Landlord's equity in the Building, and/or (ii) to the extent not encumbered by a secured creditor, out of the rents or other incomes receivable by Landlord from the Building. Further, in the event the owner of Landlord's interest in this Lease is at any time a partnership, joint venture or unincorporated association, Tenant agrees that the members or partners of such partnership, joint venture or unincorporated association shall not be personally or individually liable or responsible for the performance of any of Landlord's obligations hereunder. With respect to any provisions of this Lease which provides that Landlord shall not unreasonably withhold or delay any consent or approval, Tenant shall not have, and Tenant hereby waives, any claim for money damages; nor shall Tenant claim any money damages by way of setoff, counterclaim or defense, based upon any allegation of unreasonableness by Landlord. Tenant's sole remedy shall be an action or proceeding to enforce any such provisions, or for specific performance, injunction or declaratory judgment.

24. TRANSFER OF LANDLORD'S INTEREST.

If Landlord shall sell, assign or transfer all or any part of its interest in the Building or in this Lease to a successor in interest which expressly assumes the obligations of Landlord hereunder, then Landlord shall thereupon be released or discharged from all covenants and obligations hereunder, and Tenant shall look solely to such successor in interest for performance of all of Landlord's obligations. Tenant's obligations under this Lease shall in no manner be affected by Landlord's sale, assignment, or transfer of all or any part of such interest(s) of Landlord, and Tenant shall thereafter attorn and look solely to such successor in interest as the Landlord hereunder.

25. COVENANT OF QUIET ENJOYMENT.

Landlord represents that it has full right and authority to lease the Premises and Tenant shall peacefully and quietly hold and enjoy the Premises for the full Term hereof so long as no Event of Default occurs hereunder.

26. ESTOPPEL CERTIFICATES.

Within ten (10) business days after a request by Landlord, Tenant shall deliver a written estoppel certificate, in form supplied by or acceptable to Landlord, certifying any facts that are then true with respect to this Lease to the best of Tenant's knowledge, including without limitation that this Lease is in full force and effect, that no Event of Default exists on the part of Landlord or Tenant, that Tenant is in possession, that Tenant has commenced the payment of rent, and that Tenant claims no defenses or offsets with respect to payment of rentals under this Lease. Likewise, within ten (10) business days after a request by Tenant, Landlord shall deliver to Tenant a similar estoppel certificate covering such matters as are reasonably required by Tenant.

27. PROTECTION AGAINST LIENS.

Tenant shall do all things necessary to prevent the filing of any mechanics', materialmen's or other types of liens whatsoever, against all or any part of the Premises by reason of any claims made by, against, through or under Tenant. If any such lien is filed against the Premises, Tenant shall either cause the same to be discharged of record within twenty (20) days after filing or, if Tenant in its discretion and in good faith determines that such lien should be contested, it shall furnish such security as may be necessary to prevent any foreclosure proceedings against the Premises during the pendency of such contest. If Tenant shall fail to discharge such lien within said time period or fail to furnish such security, then Landlord may at its election, in addition to any other right or remedy available to it, discharge the lien by paying the amount claimed to be due or by procuring the discharge by giving security or in such other manner as may be allowed by law. If Landlord acts to discharge or secure the lien then Tenant shall immediately reimburse Landlord for all sums paid and all costs and expenses (including reasonable attorneys' fees) incurred by Landlord involving such lien together with interest on the total expenses and costs at an interest rate equal to the Prime Rate plus five percent (5%).

28. MEMORANDUM OF LEASE.

If requested by Tenant, Landlord shall execute a recordable Memorandum or Short Form Lease, prepared at Tenant's expense, specifying the exact term of this Lease and such other terms as the parties shall mutually determine.

29. FORCE MAJEURE.

In the event Landlord or Tenant shall be delayed, hindered or prevented from the performance of any act required hereunder, by reason of governmental restrictions, scarcity of labor or materials, strikes, fire, or any other reasons beyond its reasonable control, the performance of such act shall be excused for the period of delay, and the period for performance of any such act shall be extended as necessary to complete performance after the delay period. However, the provisions of this paragraph shall in no way be applicable to Tenant's obligations to pay Annual Rental or any other sums, monies, costs, charges or expenses required by this Lease.

30. REMEDIES CUMULATIVE – NONWAIVER.

Unless otherwise specified in this Lease, no remedy of Landlord or Tenant shall be considered exclusive of any other remedy, but each shall be distinct, separate and cumulative with other available remedies. Each remedy available under this Lease or at law or in equity may be exercised by Landlord or Tenant from time to time as often as the need may arise. No course of dealing between Landlord and Tenant or any delay or omission of Landlord or Tenant in exercising any right arising from the other party's default shall impair such right or be construed to be a waiver of a default.

31. HOLDING OVER.

If Tenant remains in possession of the Premises or any part thereof after the expiration of the Term, whether with or without Landlord's acquiescence, Tenant shall be deemed only a tenant at will and there shall be no renewal of this Lease without a written agreement signed by both parties specifying such renewal. The "monthly" rental payable by Tenant during any such tenancy at will period shall be one hundred fifty percent (150%) of the monthly installments of Annual Rental payable during the final Lease Year immediately preceding such expiration. Tenant shall also remain liable for any and all damages, direct and consequential, suffered by Landlord as a result of any holdover without Landlord's unequivocal written acquiescence.

32. NOTICES.

Any notice allowed or required by this Lease shall be deemed to have been sufficiently served if the same shall be in writing and placed in the United States mail, via certified mail or registered mail, return receipt requested, with proper postage prepaid or delivered by a nationally recognized overnight courier and addressed to the appropriate party at the address set forth in Section l(k) hereof.

The addresses of Landlord and Tenant and the party, if any, to whose attention a notice or copy of same shall be directed may be changed or added from time to time by either party giving notice to the other in the prescribed manner.

23

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33. LEASING COMMISSION.

Landlord and Tenant represent and warrant each to the other that they have not dealt with any broker(s) or any other person claiming any entitlement to any commission in connection with this transaction except the Broker(s) set forth in Section l(m) hereof. Tenant agrees to indemnify and save Landlord and Landlord's agent, Tri Properties Inc., harmless from and against any and all claims, suits, liabilities, costs, judgments and expenses, including reasonable attorneys' fees, for any leasing commissions or other commissions, fees, charges or payments resulting from or arising out of their respective actions in connection with this Lease. Landlord agrees to indemnify and save Tenant harmless from and against any and all claims, suits, liabilities, costs, judgments and expenses, including reasonable attorneys' fees, for any leasing commissions or other commissions, fees, charges or payments resulting from or arising out of its actions in connection with this Lease. Landlord agrees to be responsible for the leasing commission due Broker pursuant to a separate written agreement between Landlord and Broker, and to hold Tenant harmless respecting same.

34. MISCELLANEOUS.

(a) Rules and Regulations.

Landlord shall have the right from time to time to prescribe reasonable rules and regulations (the "Rules and Regulations") for Tenant's use of the Premises and the Building. A copy of Landlord's current Rules and Regulations respecting the Premises and the Building is attached hereto as Exhibit "B". Tenant shall abide by and actively enforce on all Tenant's Invitees such regulations including without limitation rules governing parking of vehicles in designated areas.

(b) Evidence of Authority.

If requested by Landlord, Tenant shall furnish appropriate legal documentation evidencing the valid existence and good standing of Tenant and the authority of any parties signing this Lease to act for Tenant.

(c) Nature and Extent of Agreement.

This Lease, together with all exhibits hereto, contains the complete agreement of the parties concerning the subject matter, and there are no oral or written understandings, representation, or agreements pertaining thereto which have not been incorporated herein. This Lease creates only the relationship of landlord and tenant between the parties, and nothing herein shall impose upon either party any powers, obligations or restrictions not expressed herein. This Lease shall be construed and governed by the laws of the state in which the Premises are located.

(d) Binding Effect.

This Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, successors and assigns. This Lease shall not be binding on Landlord until executed by an authorized signature of Landlord and delivered to Tenant. No amendment or

24

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modification to this Lease shall be binding upon Landlord unless same is in writing and executed by an authorized signatory of Landlord.

(e) Captions and Headings.

The captions and headings in this Lease are for convenience and reference only, and they shall in no way be held to explain, modify, or construe the meaning of the terms of this Lease.

(f) Lease Review.

The submission of this Lease to Tenant for review does not constitute a reservation of or option for the Premises, and this Lease shall become effective as a contract only upon execution and delivery by Landlord and Tenant.

(g) Prevailing Party.

If either Landlord or Tenant places in the hands of an attorney the enforcement of this Lease or any portion thereof, for the collection of any rent due or to become due hereunder, or recovery of the possession of the Premises, or file suit upon same, the non-prevailing (or defaulting) party shall pay the other party reasonable attorney's fees and court costs.

(h) Security Deposit.

Tenant has paid to Landlord upon signing this Lease the Security Deposit as described in Section 1(1) as security for Tenant's performance of all obligations hereunder. The Deposit may be held by Landlord in such manner as it shall elect and Landlord shall be entitled to any interest which accrues on the Deposit. In the event of a default by Tenant, Landlord may, at its option, apply all or any part of the Deposit to cure the default, and thereupon Tenant shall immediately redeposit with Landlord the amount so applied in order that Landlord will always have the full Deposit on hand during the term of this Lease. Upon the termination of this Lease, provided that Tenant is not in default hereunder, Landlord shall refund to Tenant any of the remaining balance of the Deposit within ninety (90) days after the termination of this Lease subject to final adjustments for payment of any rental required by this Lease. If the Building is sold, Landlord shall have the right to transfer the Deposit to the new owner, and upon the new owner's express assumption of the obligations for the Deposit required by this Lease, Landlord shall thereupon be released from all liability for such Deposit, and Tenant thereafter shall look only to the new owner for such Deposit. The terms hereof shall apply to every transfer of the Deposit.

(i) Right to Relocate. [Intentionally Deleted]

(j) Building Access. There shall be open access to the Building during Standard Hours of Operation (as herein defined). At all other times, access to the Building may be restricted, at Landlord's election, by use of a card access system at an entrance to the Building. Landlord shall furnish Tenant at no cost up to four (4) access cards per 1,000 rentable square feet occupied by Tenant (as of the Commencement Date) for entering the Building. Additional cards and replacement cards (for lost access cards) shall be made available to Tenant at a charge equal to \$25.00 per card upon Landlord's receipt of an order signed by Tenant. Tenant shall promptly provide Landlord with written notice of any lost or stolen access cards for the Building. Landlord shall replace all defective or worn access cards without charge. All cards

25

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shall remain the property of Landlord. No additional locks shall be allowed on any exterior door of the Premises without Landlord's written permission and locks on any interior door shall be permitted only to the extent such locks are permissible under applicable laws and relevant insurance requirements. Upon termination of this Lease, Tenant shall surrender to Landlord all access cards and keys related to the Premises, and give to Landlord the combination of all locks for sages, safe cabinets and vault doors, if any, to remain in the Premises and in the event Tenant fails to return all such access cards to Landlord at the end of the Term, Tenant shall pay Landlord \$25.00 for each such access card not returned to Landlord.

(k) Principal Life Approval. This Lease may be subject to approval by the Principal Life Insurance Company Investment Committee and the Board of Directors of Petula Associates, Ltd. In the event Landlord is unable to obtain such approval within thirty (30) days after the date of this Lease, either party may elect to terminate this Lease upon written notice to the other and the parties hereto shall have no further rights or obligations hereunder.

(l) Contingency. This Lease, and all of the obligations of Landlord and Tenant hereunder, is contingent in all respects upon the timely expiration or termination of the existing lease (the "Existing Lease") by and between Landlord and OgilvyOne Worldwide (the "Existing Tenant") of approximately 4,888 rentable square feet in the Building (which constitutes a portion of the Premises) on or before February 14, 2000 and the Existing Tenant promptly vacating the Premises in accordance with the terms of the Existing Lease.

35. SEVERABILITY.

If any term or provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and enforced to the fullest extent permitted by law notwithstanding the invalidity of any other term or provision hereof.

36. REVIEW OF DOCUMENTS.

If, following the execution of this Lease, either party hereto requests that the other party execute any document or instrument that is other than (i) a document or instrument the form of which is attached hereto as an exhibit, or (ii) a document that solely sets forth facts or circumstances that are then existing and reasonably ascertainable by the requested party with respect to the Lease, then the party making such request shall be responsible for paying the out-of-pocket costs and expenses, including without limitation, the attorneys' fees, incurred by the requested party in connection with the review (and, if applicable, the negotiations) related to such document(s) or instrument(s), regardless of whether such document(s) or instrument(s) is (are) ever executed by the requested party. In the event the requesting party is Tenant, all such costs and expenses incurred by Landlord in connection with its review and negotiation of any such document(s) or instrument(s) shall be deemed to be additional rental due hereunder and shall be payable by Tenant promptly upon demand.

26

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IN WITNESS WHEREOF, the parties have caused this Lease to be duly executed and sealed pursuant to authority duly given as of the day and year first above written.

"LANDLORD"

PETULA ASSOCIATES, LTD.

By: /s/ illegible

Its: President  
Date: \_\_\_\_\_

PRINCIPAL LIFE INSURANCE COMPANY,  
an Iowa corporation

By: PRINCIPAL CAPITAL MANAGEMENT,  
LLC, a Delaware limited liability company,  
Its authorized agent (SEAL)

By: /s/ Bill Bramwell  
Name: Bill Bramwell  
Title: Vice President

“TENANT”

CLINICAL TRIALS SUPPORT SERVICES, INC.

By: /s/ Jan R. Blethen  
Vice President

ATTEST:

/s/ Tracy A. Blethen  
Assistant Secretary

[CORPORATE SEAL]

Date: 10/12/99

EXHIBIT “A”

FLOOR PLAN

EXHIBIT “B”

RULES AND REGULATIONS

EXHIBIT “C”

INTENTIONALLY DELETED

EXHIBIT C-1

LANDLORD’S WORK (EXISTING BUILDINGS)

EXHIBIT “D”

INTENTIONALLY DELETED

EXHIBIT “E”

OPTION TO EXTEND

Exhibits are available upon request

STATE OF NORTH CAROLINA

FIRST AMENDMENT TO LEASE

COUNTY OF DURHAM

THIS FIRST AMENDMENT TO LEASE (the "Amendment") is made and entered into as of the 20<sup>th</sup> day of December, 1999, by and between PETULA ASSOCIATES, LTD., an Iowa corporation and PRINCIPAL LIFE INSURANCE COMPANY, an Iowa corporation as tenants-in-common, (collectively "Landlord") and CLINICAL TRIALS SUPPORT SERVICES, INC., a North Carolina corporation ("Tenant").

WITNESSETH

A. Landlord and Tenant entered into a lease dated as of November 3, 1999 (the "Existing Lease") for the occupancy of approximately 8,080 rentable square feet of space (the "Original Premises") on the second floor in the Canterbury Hall Building (the "Building") in the Imperial Center Business Park, Durham, North Carolina, as more particularly described in the Lease.

B. Landlord and Tenant desire to amend the terms of the Lease (i) expand the Original Premises to include approximately 4,664 rentable square feet of space (the "Expansion Space") on the third floor of the Building (as shown on the floor plan attached hereto as Exhibit A and incorporated herein by reference) so that the Original Premises when combined with the Expansion Space shall contain approximately 12,744 rentable square feet (the "Combined Premises"), (ii) to address the amortization of an additional construction allowance provided by Landlord to Tenant to finance the construction of the Tenant Improvements in the Expansion Space, and (iii) to change certain other terms and conditions of the Existing Lease. For purposes hereof, the Existing Lease as amended by this Amendment is referred to as the "Lease".

NOW, THEREFORE, in consideration of the premises, covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree to amend the Existing Lease on the terms set forth below. The terms used but not defined herein shall have the meaning set forth within the lease.

1. Expansion Space. Effective as of the Expansion Space Commencement Date (as hereinafter defined), Landlord agrees to lease to Tenant, and Tenant hereby agrees to lease from Landlord and occupy under the terms of the Original Lease as herein amended, the Expansion Space.

2. Term. Beginning as of the earliest of: (a) the date Tenant, or any person occupying any portion of the Expansion Space with Tenant's permission, commences business operations from the Expansion Space, or (b) the first (1<sup>st</sup>) business day following the date of

Landlord's delivery of the Expansion Space with the Expansion Space Improvements (as hereinafter defined) completed in substantial accordance with the preliminary plans and specifications attached hereto as Exhibit B (the "Expansion Plans") or the date upon which Landlord would have so delivered the Expansion Space to Tenant but for delays within the control of Tenant or Tenant's invitees, which date shall hereafter be referred to as the "Expansion Space Commencement Date") and continuing throughout the Term of the Lease, the Expansion Space shall be deemed a part of the Original Premises. Accordingly, on and after the Expansion Space Commencement Date, any reference in the Lease to the Premises shall be deemed to mean the Combined Premises. Notwithstanding the foregoing, if Landlord, for any reason whatsoever, cannot deliver possession of the Expansion Space to Tenant on or before the Expansion Space Commencement Date as above-specified, the Lease shall not be void or voidable nor shall Landlord be liable to Tenant for any loss or damages resulting therefrom; but in that event, except to the extent that any such delay(s) have been caused by Tenant or Tenant's Invitees, the Expansion Space Commencement Date shall be adjusted to be the date when Landlord does in fact deliver possession of the Expansion Space to Tenant in accordance with the terms hereof.

3. Rental. Beginning as of the Expansion Space Commencement Date and continuing throughout the Term, Tenant shall pay to Landlord Minimum Rental on the Combined Premises in accordance with the Minimum Rental Schedule set forth below. Accordingly, as of the Expansion Space Commencement Date, the schedule of Monthly Rent and Annual Rent amounts set forth in said Section 1(g) of the Lease shall be deleted in its entirety and the following schedule shall be substituted in lieu thereof:

<u>Period</u>	<u>Rate</u>	<u>Monthly Rent</u>	<u>Annual Rent</u>
Expansion Space Commencement Date - 12/31/00	\$ 17.25 per r.s.f.	\$ 18,319.50	\$ 219,834.00
01/01/01-12/31/01	\$ 17.75 per r.s.f.	\$ 18,850.50	\$ 226,206.00
01/01/02-12/31/02	\$ 18.25 per r.s.f.	\$ 19,381.50	\$ 232,578.00
01/01/03-12/31/03	\$ 18.75 per r.s.f.	\$ 19,912.50	\$ 238,950.00
01/01/04-12/31/04	\$ 19.25 per r.s.f.	\$ 20,443.50	\$ 245,322.00

If the Expansion Space Commencement Date falls on a day other than the first day of the month, Tenant shall make a pro rata payment for the remainder of said month on the Expansion Space Commencement Date and make regular payments on the first day of the following month and for each month thereafter throughout the Lease Term including any prorated payment for any partial month at the end of the Lease Term.

4. Operating Expense Stop. The Operating Expense Stop as set forth in Section 1(h) shall continue to be the calendar year 2000 for the Combined Premises..

5. Additional Rent. Pursuant to the provisions of Section 1(i), Tenant's Proportionate Share shall be revised as of the Expansion Space Commencement Date to be 28.9% (12,744 ÷ 44,161) to reflect the addition of the Expansion Space to the Original Premises.

6. Security Deposit. Effective as of the date hereof, the amount of the Security Deposit set forth in Section 1(1) shall be increased and restated to be Eighteen Thousand Five Hundred and No/100 Dollars (\$18,500.00) and contemporaneously with its execution of this Amendment, Tenant shall pay an additional Security Deposit to Landlord in an amount equal to Seven Thousand and No/100 Dollars (\$7,000.00).

7. Expansion Space Allowance. Provided no Event of Default has occurred and is continuing hereunder, Landlord shall supervise the design and construction of the Tenant's initial, permanent improvements in the Expansion Space (the "Expansion Space Improvements") in accordance with the Expansion Plans. Landlord shall contribute up to Seven and No/100 Dollars (\$7.00) per rentable square foot of the Expansion Space (the "Expansion Space Allowance") for the design, construction and installation of the Expansion Space Improvements and for the payment to Landlord of a construction management fee equal to five percent (5%) of the total cost of constructing the Expansion Space Improvements (the "Construction Management Fee"); provided, however, in no event shall the Expansion Space Allowance be used for any costs associated with Tenant's personal property, equipment, trade fixtures or other items of a non-permanent nature installed in the Expansion Space, including without limitation, telephone and data cable lines. The aggregate amount of all sums to be paid by Landlord to Tenant as the Expansion Space Allowance shall not in any event exceed the sum of Thirty-Two Thousand Six Hundred Forty Eight and No/100 Dollars (\$32,648.00). In the event that either prior to the commencement of the installation of the Expansion Space Improvements or at any time during or following the installation of the Expansion Space Improvements, the cost of the Expansion Space Improvements exceeds the Expansion Space Allowance or Tenant requests any change to the aforementioned Expansion Plans which has resulted or might result in an increase in the cost of the installation of such Expansion Space Improvements so that the cost exceeds the Expansion Space Allowance, then Tenant shall, subject to the Additional Allowance, promptly deliver the necessary funds to defray such excess cost to Landlord no later than fifteen (15) days after Landlord demands same. Any savings or unused portion of the Expansion Space Allowance after the Expansion Space Improvements are completed shall be retained by Landlord.

8. Additional Construction Allowance. In addition to the Expansion Space Allowance, Landlord has agreed to provide Tenant at Tenant's election, with an additional improvement allowance in an amount up to Nine Thousand Three Hundred Twenty-Eight and No/100 Dollars (\$9,328.00) (the "Additional Allowance") for the design, construction and installation of the Expansion Space Improvements and payment of the Construction Management Fee. Tenant shall repay the full amount of the Additional Allowance, together with interest thereon at a rate equal to twelve percent (12%) per annum, to Landlord as additional rent under the Lease in equal monthly, self amortizing payments throughout the Term. Accordingly, in addition to all other amounts due and payable by Tenant under the Lease, commencing as of the Expansion Space Commencement Date, Tenant shall pay additional monthly rent to Landlord in an amount equal to Two Hundred Twelve and 40/100 Dollars (\$212.40) per month throughout the Term. Such additional amount shall be deemed Rent for purposes of the Lease and shall be

subject to acceleration in the event of a default by Tenant under the Lease. All other terms and conditions applicable to the disbursement of the Allowance shall apply to the disbursement of the Additional Allowance.

9. Option Minimum Rental. Exhibit E to the Lease is hereby amended to reflect the revised Monthly and Annual Rent amounts as follows:

Period	Rate	Monthly Rent	Annual Rent
01/01/05 – 12/31/05	\$ 19.75	\$ 20,974.50	\$ 251,694.00
01/01/06 – 12/31/06	\$ 20.25	\$ 21,505.50	\$ 258,066.00
01/01/07 – 12/31/07	\$ 20.75	\$ 22,036.50	\$ 264,438.00
01/01/08 – 12/31/08	\$ 21.25	\$ 22,567.50	\$ 270,810.00
01/01/09 – 12/31/09	\$ 21.75	\$ 23,098.50	\$ 277,182.00

10. Ratification. Except as expressly or by necessary implication amended or modified hereby, the terms of the Lease are hereby ratified, confirmed and continued in full force and affect.

IN WITNESS WHEREOF, the parties hereto have cause this Amendment to be executed under seal as of the date and year first above written.

LANDLORD:

PETULA ASSOCIATES, LTD.,  
an Iowa corporation

By:           /s/ Bill Bramwell          

Name:           Bill Bramwell          

Title:           Vice President          

Date:           1/4/2000          

ATTEST:

          /s/ Ronald B. Franklin          

          Vice President & Secretary          

[CORPORATE SEAL]

PRINCIPAL LIFE INSURANCE COMPANY,  
an Iowa corporation

By:           PRINCIPAL CAPITAL MANAGEMENT,  
          LLC, a Delaware limited liability company,  
          Its authorized agent

By: Bill Bramwell (SEAL)  
Name: Bill Bramwell  
Title: Director C.R.E. Equity  
Date: 1/4/2000

4

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TENANT:

CLINICAL TRIALS SUPPORT SERVICES, INC.

ATTEST:

/s/ Tracy A. Blethen  
Assistant Secretary  
[CORPORATE SEAL]

NAME: /s/ Jan Blethen  
TITLE: President  
Date: 12/20/99

5

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EXHIBIT A

FLOOR PLAN

Exhibits are available upon request

6

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## OFFICE BUILDING LEASE

1. PARTIES. This Lease, dated, for reference purposes only, June 21, 2001, made by and between Newtown Street Road Associates, A Pennsylvania Limited Partnership (herein called "Landlord") and MedStaff, Inc. (herein called "Tenant").

2. PREMISES. Landlord does hereby lease to Tenant and Tenant hereby leases from Landlord that certain office space (herein called "Premises") indicated on Exhibit "A" attached hereto and hereby reference thereto made a part hereof, said Premises being agreed, for the purpose of this Lease, to have an area of approximately The Entire Building square feet and being situated on the \_\_\_\_\_ floor of that certain Building known as The Medstaff Building, 295 S. Newtown Street Road, Newtown Square, Pennsylvania.

Said Lease is subject to the terms, covenants and conditions herein set forth and the Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all of said terms, covenants and conditions by it to be kept and performed and that this Lease is made upon the condition of said performance.

3. TERM. The term of this Lease shall be for 5 years, commencing on the 1<sup>st</sup> day of July, 2001 and ending on the 31<sup>st</sup> day of July, 2006.

4. POSSESSION.

4.a. If the Landlord, for any reason whatsoever, cannot deliver possession of the said Premises to the Tenant at the commencement of the term hereof, this Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting there from, nor shall the expiration date of the above term be in any way extended, but in that event, all rent shall be abated during the period between the commencement of said term and the time when Landlord delivers possession.

4.b. In the event that Landlord shall permit Tenant to occupy the Premises prior to the commencement date of the term, such occupancy shall be subject to all the provisions of this Lease. Said early possession shall not advance the termination date hereinabove provided.

5. RENT. Tenant agrees to pay to Landlord as rental, without prior notice or demand, for the Premises the sum of: See Addendum, Paragraph 5a Rent on or before the first day of the first full calendar month of the term hereof and a like sum on or before the first day of each and every successive calendar month thereafter during the term hereof, except that the first month's rent shall be paid upon the execution hereof. Rent for any period during the term hereof which is for less than one (1) month shall be a prorated portion of the monthly installment herein, based upon a thirty (30) day month. Said rental shall be paid to Landlord, without deduction or offset in lawful money of the United States of America, which shall be legal tender at the time of payment at the Office of the Building, or to such other person or at such other place as Landlord may from time to time designate in writing.

6. INTENTIONALLY DELETED.

7. INTENTIONALLY DELETED.

Notwithstanding anything contained in this Article, the rent payable by Tenant shall in no event be less than the rent specified in Article 5 hereinabove.

8. USE. Tenant shall use the Premises for general office purposes and shall not use or permit the Premises to be used for any other purpose without the prior written consent of Landlord.

Tenant shall not do or permit anything to be done in or about the Premises nor bring or keep anything therein which will in any way increase the existing rate of or affect any fire or other insurance upon the Building or any of its contents, or cause cancellation of any insurance policy covering said Building or any part thereof or any of its contents. Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the right of other tenants or occupants of the Building or injure or annoy them or use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Tenant cause,

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maintain or permit any nuisance in, on or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises.

9. COMPLIANCE WITH LAW. Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, and with the requirements of any board of fire insurance underwriters or other similar bodies now or hereafter constituted, relating to, or affecting the condition, use or occupancy of the Premises, excluding structural changes not related to or affected by Tenant's improvements or acts. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any law, statute, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between the Landlord and Tenant.

10. ALTERATIONS AND ADDITIONS. Tenant shall not make or suffer to be made, any alterations, additions or improvements to or of the Premises or any part thereof without the written consent of Landlord first had and obtained and any alterations, additions or improvements to or of said Premises including, but not limited to, wall covering, paneling and built-in cabinet work, but excepting movable furniture and trade fixtures, shall on the expiration of the term become a part of the realty and belong to the Landlord and shall be surrendered with the Premises. In the event Landlord consents to the making of any alterations, additions or improvements to the Premises by Tenant, the same shall be made by Tenant at Tenant's sole cost and expense, and any contractor or person selected by Tenant to make the same must first be approved of in writing by the Landlord. Upon the expiration or sooner termination of the term hereof, Tenant shall, upon written demand by Landlord, given at least thirty (30) days prior to the end of the term, at Tenant's sole cost and expense, forthwith and with all due diligence remove any alterations, additions, or improvements made by Tenant, designated by Landlord to be removed, and Tenant shall, forthwith and with all due diligence at its sole cost and expense, repair any damage to the Premises caused by such removal.

11. REPAIRS.

11.a. By taking possession of the Premises, Tenant shall be deemed to have accepted the Premises as being in good, sanitary order, condition and repair. Tenant shall, at Tenant's sole cost and expense, keep the Premises and every part thereof in good condition and repair, damage thereto from causes beyond the reasonable control of Tenant and ordinary wear and tear excepted. Tenant shall upon the expiration or sooner termination of this Lease hereof surrender the Premises to the Landlord in good condition, ordinary wear and tear and damage from causes beyond the reasonable control of Tenant excepted. Except as specifically provided in an addendum, if any, to this Lease, Landlord shall have no obligation whatsoever to alter, remodel, improve, repair, decorate or paint the Premises or any part thereof and the parties hereto affirm that Landlord has made no representations to Tenant respecting the condition of the Premises or the Building except as specifically herein set forth.

11.b. Notwithstanding the provisions of Article 11.a. hereinabove, Landlord shall repair and maintain the structural portions of the Building, including the basic plumbing, air conditioning, heating, and electrical systems, installed or furnished by Landlord, unless such maintenance and repairs are caused in part or in whole by the act, neglect, fault or omission of any duty by the Tenant, its agents, servants, employees or invitees, in which case Tenant shall pay to Landlord the reasonable cost of such maintenance and repairs. Landlord shall not be liable for any failure to make any such repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after written notice of the need of such repairs or maintenance is given to Landlord by Tenant. Except as provided in Article 22 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Building or the Premises or in or to fixtures, appurtenances and equipment therein. Tenant waives the right to make repairs at Landlord's expense under any law, statute or ordinance now or hereafter in effect.

12. LIENS. Tenant shall keep the Premises and the property in which the Premises are situated free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant. Landlord may require, at Landlord's sole option, that Tenant shall provide to Landlord, at Tenant's sole cost and expense, a lien and completion bond in an amount equal to one and one-half (1-1/2) times any and all estimated costs of any

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improvements, additions, or alterations in the Premises, to insure Landlord against any liability for mechanics' and materialmen's liens and to insure completion of the work.

13. ASSIGNMENT AND SUBLETTING. Tenant shall not either voluntarily or by operation of law, assign, transfer, mortgage, pledge, hypothecate or encumber this Lease or any interests therein and shall not sublet the said Premises or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the employees, agents, servants and invitees of Tenant excepted) to occupy or use the said Premises, or any portion thereof, without the written consent of Landlord first had and obtained, which consent shall not be unreasonably withheld, and a consent to one assignment, subletting, occupation or use by any other person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person. Any such assignment or subletting without such consent shall be void, and shall, at the option of the Landlord, constitute a default under this Lease.

14. HOLD HARMLESS. Tenant shall indemnify and hold harmless Landlord against and from any and all claims arising from Tenant's use of the Premises for the conduct of its business or from any activity, work, or other thing done, permitted or suffered by the Tenant in or about the Building, and shall further indemnify and hold harmless Landlord against and from any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, or arising from any set or negligence of the Tenant, or any officer, agent, employee, guest, or invitee of Tenant, and from all and against all cost, attorney's fees, expenses and liabilities incurred in or about any such claim or any action or proceeding brought thereon, and, in any case, action or proceeding be brought against Landlord by reason of any such claim, Tenant upon notice from Landlord shall defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord. Tenant as a material part of the consideration to Landlord hereby assumes all risk of damage to property or injury to persons, in, upon or about the Premises, from any cause other than Landlord's negligence, and Tenant hereby waives all claims in respect thereof against Landlord.

Landlord or its agents shall not be liable for any damage to property entrusted to employees of the Building, nor for loss or damage to any property by theft or otherwise, nor for any injury to or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak from any part of the Building or from the pipes, appliances or plumbing works therein or from the roof, street or subsurface or from any other place resulting from dampness or any other cause whatsoever, unless caused by or due to the negligence of Landlord, its agents, servants or employees. Landlord or its agents shall not be liable for interference with the light or other incorporeal hereditaments, loss of business by Tenant, nor shall Landlord be liable for any latent defect in the Premises or in the Building. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises or in the Building or of defects therein or in the fixtures or equipment.

15. SUBROGATION. As long as their respective insurers to permit, Landlord and Tenant hereby mutually waive their respective rights of recovery against each other for any loss insured by fire, extended coverage and other property insurance policies existing for the benefit of the respective parties. Each party shall obtain any special endorsements, if required by their insurer to evidence compliance with the aforementioned waiver.

16. LIABILITY INSURANCE. Tenant shall, at Tenant's expense, obtain and keep in force during the term of this Lease, a policy of comprehensive public liability insurance insuring Landlord and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. The limit of said insurance shall not, however, limit the liability of the Tenant hereunder. Tenant may carry said insurance under a blanket policy, providing, however, said insurance by Tenant shall have a Landlord's protective liability endorsement attached thereto. If Tenant shall fail to procure and maintain said insurance, Landlord may, but shall not be required to, procure and maintain same, but at the expense of Tenant. Insurance required hereunder, shall be in companies rated A+ AAA or better in "Best's Insurance Guide." Tenant shall deliver to Landlord prior to occupancy of the Premises copies of policies of liability insurance required herein or certificates evidencing the existence and amounts of such insurance with loss payable clauses satisfactory to Landlord. No policy shall be cancelable or subject to reduction of coverage except after ten (10) days' prior written notice to Landlord.

17. SERVICES AND UTILITIES. Provided that Tenant is not in default hereunder, Landlord agrees to furnish to the Premises during reasonable hours of generally recognized business days, to be determined by

Landlord at his sole discretion, and subject to the rules and regulations of the Building of which the Premises are a part, electricity for normal lighting and fractional horsepower office machines, heat and air conditioning required in Landlord's judgment for the comfortable use and occupation of the Premises, and janitorial service. Landlord shall also maintain and keep lighted the common stairs, common entries and toilet rooms in the Building of which the Premises are a part. Landlord shall not be liable for, and Tenant shall not be entitled to, any reduction of rental by reason of Landlord's failure to furnish any of the foregoing when such failure is caused by accident, breakage, repairs, strikes, lockouts or other labor disturbances or labor disputes of any character, or by any other cause, similar or dissimilar, beyond the reasonable control of Landlord. Landlord shall not be liable under any circumstances for a loss of or injury to property, however occurring, through or in connection with or related to failure to furnish any of the foregoing. Wherever heat generating machines or equipment are used in the Premises which affect the temperature otherwise maintained by the air conditioning system, Landlord reserves the right to install supplementary air conditioning units in the Premises and the cost thereof, including the cost of installation, and the cost of operation and maintenance thereof shall be paid by Tenant to Landlord upon demand by Landlord.

Tenant will not, without written consent of Landlord, use any apparatus or device in the Premises, including, but without limitation thereto, electronic data processing machines, punch card machines, and machines using in excess of 120 volts, which will in any way increase the amount of electricity usually furnished or supplied for the use of the Premises as general office space; nor connect with electric current except through existing electrical outlets in the Premises, any apparatus or device, for the purpose of using electric current. If Tenant shall require water or electric current in excess of that usually furnished or supplied for the use of the Premises as general office space, Tenant shall first procure the written consent of Landlord, which Landlord may refuse, to the use thereof and Landlord may cause a water meter or electrical current meter to be installed in the Premises, so as to measure the amount of water and electric current consumed for any such use. The cost of any such meters and of installation, maintenance and repair thereof shall be paid for by the Tenant and Tenant agrees to pay to Landlord promptly upon demand therefor by Landlord for all such water and electric current consumed as shown by said meters, at the rates charged for such services by the local public utility furnishing the same, plus any additional expense incurred in keeping account of the water and electric current so consumed. If a separate meter is not installed, such excess cost for such water and electric current will be established by an estimate made by a utility company or electrical engineer.

18. **PROPERTY TAXES.** Tenant shall pay, or cause to be paid, before delinquency, any and all taxes levied or assessed and which become payable during the term hereof upon all Tenant's leasehold improvements, equipment, furniture, fixtures and personal property located in the Premises, except that which has been paid for by Landlord, and is the standard of the Building. In the event any or all of the Tenant's leasehold improvements, equipment, furniture, fixtures and personal property shall be assessed and taxed with the Building, Tenant shall pay to Landlord its share of such taxes within ten (10) days after delivery to Tenant by Landlord of a statement in writing setting forth the amount of such taxes applicable to Tenant's property.

19. **RULES AND REGULATIONS.** Tenant shall faithfully observe and comply with the rules and regulations that Landlord shall from time to time promulgate. Landlord reserves the right from time to time to make all reasonable modifications to said rules. The additions and modifications to those rules shall be binding upon Tenant upon delivery of a copy of them to Tenant. Landlord shall not be responsible to Tenant for the nonperformance of any said rules by any other tenants or occupants.

20. **HOLDING OVER.** If Tenant remains in possession of the Premises or any part thereof after the expiration of the term hereof with the express written consent of Landlord, such occupancy shall be a tenancy from month to month at a rental in the amount of the last monthly rental, plus all other charges payable hereunder, and upon all the terms hereof applicable to a month to month tenancy.

21. **ENTRY BY LANDLORD.** Landlord reserves the right and shall at any and all times have the right to enter the Premises, inspect the same, supply janitorial service and any other service to be provided by Landlord to Tenant hereunder, to submit said Premises to prospective purchasers or tenants, to post notices of non-responsibility, and to alter, improve or repair the Premises and any portion of the Building of which the Premises are a part that Landlord may deem necessary or desirable, without abatement of rent and may for that purpose erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, always providing that the entrance to the Premises shall not be blocked thereby, and further providing that the

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business of the Tenant shall not be interfered with unreasonably. Tenant hereby waives any claim for damages or for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults, safes and files, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency, in order to obtain entry to the Premises without liability to Tenant except for any failure to exercise due care for Tenant's property. Any entry to the Premises obtained by Landlord by any of said means, or otherwise shall not under any circumstances be construed or deemed to be a forceable or unlawful entry into, or a detainer of, the Premises, or an eviction of Tenant from the Premises or any portion thereof.

22. **RECONSTRUCTION.** In the event the Premises or the Building of which the Premises are a part are damaged by fire or other perils covered by extended coverage insurance, Landlord agrees to forthwith repair the same; and this Lease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of the rent while such repairs are being made, such proportionate reduction to be based upon the extent to which the making of such repairs shall materially interfere with the business carried on by the Tenant in the Premises. If the damage is due to the fault or neglect of Tenant or its employees, there shall be no abatement of rent.

In the event the Premises or the Building of which the Premises are a part are damaged as a result of any cause other than the perils covered by fire and extended coverage insurance, then Landlord shall forthwith repair the same, provided the extent of the destruction be less than ten (10%) percent of the then full replacement cost of the Premises or the Building of which the Premises are a part. In the event the destruction of the Premises or the Building is to an extent greater than ten (10%) percent of the full replacement cost, then Landlord shall have the option: (1) to repair or restore such damage, this Lease continuing in full force and effect, but the rent to be proportionately reduced as hereinabove in this Article provided, or (2) give notice to Tenant at any time within sixty (60) days after such damage terminating this Lease as of the date specified in such notice, which date shall be no less than thirty (30) and no more than sixty (60) days after the giving of such notice. In the event of giving such notice, this Lease shall expire and all interest of the Tenant in the Premises shall terminate on the date so specified in such notice and the Rent, reduced by a proportionate amount, based upon the extent, if any, to which such damage materially interfered with the business carried on by the Tenant in the Premises, shall be paid up to date of said such termination.

Notwithstanding anything to the contrary contained in this Article, Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Premises when the damage resulting from any casualty covered under this Article occurs during the last twelve (12) months of the term of this Lease or any extension thereof.

Landlord shall not be required to repair any injury or damage by fire or other cause, or to make any repairs or replacements of any panels, decoration, office fixtures, railings, floor covering, partitions, or any other property installed in the Premises by Tenant.

The Tenant shall not be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Premises, Tenant's personal property or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration.

23. **DEFAULT.** The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant.

23.a. The vacating or abandonment of the Premises by Tenant.

23.b. The failure by Tenant to make any payment of rent or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of three (3) days after written notice thereof by Landlord to Tenant.

23.c. The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by the Tenant, other than described in Article 23.b. above, where such failure shall continue for a period of thirty (30) days after written notice thereof by Landlord to Tenant, provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

5

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23.d. The making by Tenant of any general assignment or general arrangement for the benefit of creditors, or the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt, or a petition or reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days, or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged in thirty (30) days.

24. **REMEDIES IN DEFAULT.** In the event of such material default or breach by Tenant, Landlord may at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of a right or remedy which Landlord may have by reason of such default or breach.

24.a. Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default including, but not limited to, the cost of recovering possession of the Premises; expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorney's fees, any real estate commission actually paid, the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid rent for the balance of the term after the time of such award exceeds the amount of such rental loss for the same period that Tenant proves could be reasonably avoided; that portion of the leasing commission paid by Landlord and applicable to the unexpired term of this Lease. Unpaid installments of rent or other sums shall bear interest from the date due at the rate of ten (10%) percent per annum. In the event Tenant shall have abandoned the Premises, Landlord shall have the option of (a) taking possession of the Premises and recovering from Tenant the amount specified in this paragraph, or (b) proceeding under the provisions of the following Article 24.b.

24.b. Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Premises. In such event Landlord shall be entitled to enforce all of Landlord's right and remedies under this Lease, including the right to recover the rent as it becomes due hereunder.

24.c. Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decision of the State in which the Premises are located.

25. **EMINENT DOMAIN.** If more than twenty-five (25%) percent of the Premises shall be taken or appropriated by any public or quasi-public authority under the power of eminent domain, either party hereto shall have the right, at its option, to terminate this Lease, and Landlord shall be entitled to any and all income, rent, award, or any interest therein whatsoever which may be paid or made in connection with such public or quasi-public use or purpose, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Lease. If either less than or more than twenty five (25%) percent of the Premises is taken, and neither party elects to terminate as herein provided, the rental thereafter to be paid shall be equitably reduced. If any part of the Building other than the Premises may be so taken or appropriated, Landlord shall have the right at its option to terminate this Lease and shall be entitled to the entire award as above provided.

26. **OFFSET STATEMENT.** Tenant shall at any time and from time to time upon not less than ten (10) days' prior written notice from Landlord execute, acknowledge and deliver to Landlord a statement in writing: (a) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rental and other charges are paid in advance, if any, and (b) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of the Landlord hereunder, or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Premises are a part.

27. **PARKING.** Tenant shall have the right to use in common with other tenants or occupants of the Building the parking facilities of the Building, if any, subject to the monthly rates, rules and regulations, and any other charges of Landlord for such parking facilities which may be established or altered by Landlord at any time or from time to time during the term hereof.

6

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28. **AUTHORITY OF PARTIES.**

28.a. **Corporate Authority.** If Tenant is a corporation, each individual executing this Lease on behalf of said corporation represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said corporation, in accordance with a duly adopted resolution of the board of directors of said corporation or in accordance with the by-laws of said corporation, and that this Lease is binding upon said corporation in accordance with its terms.

28.b. **Limited Partnerships.** If the Landlord herein is a limited partnership, it is understood and agreed that any claims by Tenant on Landlord shall be limited to the assets of the limited partnership, and furthermore, Tenant expressly waives any and all rights to proceed against the individual

partners or the officers, directors or shareholders of any corporate partner, except to the extent of their interest in said limited partnership.

29. GENERAL PROVISIONS.

- (i) Plats and Riders. Clauses, plats and riders, if any, signed by the Landlord and the Tenant and endorsed on or affixed to this Lease are a part hereof.
- (ii) Waiver. The waiver by Landlord of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of the Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of such preceding breach at the time of the acceptance of such rent.
- (iii) Notices. All notices and demands which may or are to be required or permitted to be given by either party to the other hereunder shall be in writing. All notices and demands by the Landlord to the Tenant shall be sent by United States Mail, postage prepaid, addressed to the Tenant at the Premises, or to such other place as Tenant may from time to time designate in a notice to the Landlord. All notices and demands by the Tenant to the Landlord shall be sent by United States Mail, postage prepaid, addressed to the Landlord at the Office of the Building, or to such other person or place as the Landlord may from time to time designate in a notice to the Tenant.
- (iv) Joint Obligation. If there be more than one Tenant the obligations hereunder imposed upon Tenants shall be joint and several.
- (v) Marginal Headings. The marginal headings and Article titles to the Articles of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.
- (vi) Time. Time is of the essence of this Lease and each and all of its provisions in which performance is a factor.
- (vii) Successors and Assigns. The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of the parties hereto.
- (viii) Recordation. Neither Landlord nor Tenant shall record this Lease or a short form memorandum hereof without the prior written consent of the other party.
- (ix) Quiet Possession. Upon Tenant paying the rent reserved hereunder and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire term hereof, subject to all provisions of this Lease.
- (x) Late Charges. Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Landlord by terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or of a sum due from Tenant shall not be received by Landlord or Landlord's designee within ten (10) days after written notice that said amount is past due, then Tenant shall pay to Landlord a late charge equal to ten (10%) percent of such overdue amount. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant. Acceptance of such late charges by the Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.
- (xi) Prior Agreements. This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreements or understanding pertaining to any such matters shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by both parties hereto or their respective successors in interest. This Lease shall not be effective or binding on any party until fully executed by both parties hereto.

7

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- (xii) Inability to Perform. This Lease and the obligations of the Tenant hereunder shall not be affected or impaired because the Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, acts of God, or any other cause beyond the reasonable control of the Landlord.
  - (xiii) Attorney's Fees. In the event of any action or proceeding brought by either party against the other under this Lease the prevailing party shall be entitled to recover all costs and expenses including the fees of its attorneys in such action or proceeding in such amount as the court may adjudge reasonable as attorneys' fees.
  - (xiv) Sale of Premises by Landlord. In the event of any sale of the Building, Landlord shall be and is hereby entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this Lease arising out of any act, occurrence or omission occurring after the consummation of such sale; and the purchaser, at such sale or any subsequent sale of the Premises shall be deemed, without any further agreement between the parties or their successors in interest or between the parties and any such purchaser, to have assumed and agreed to carry out any and all of the covenants and obligations of the Landlord under this Lease.
  - (xv) Subordination, Attornment. Upon request of the Landlord, Tenant will in writing subordinate its rights hereunder to the lien of any first mortgage, or first deed of trust to any bank, insurance company or other lending institution, now or hereafter in force against the land and Building of which the Premises are a part, and upon any buildings hereafter placed upon the land of which the Premises are a part, and to all advances made or hereafter to be made upon the security thereof.

In the event any proceedings are brought for foreclosure, or in the event of the exercise of the power of sale under any mortgage or deed of trust made by the Landlord covering the Premises, the Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the Landlord under this Lease.

The provisions of this Article to the contrary notwithstanding, and so long as Tenant is not in default hereunder, this Lease shall remain in full force and effect for the full term hereof.
  - (xvi) Name. Tenant shall not use the name of the Building or of the development in which the Building is situated for any purpose other than as an address of the business to be conducted by the Tenant in the Premises.
  - (xvii) Separability. Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect impair or invalidate any other provision hereof and such other provision shall remain in full force and effect.
  - (xviii) Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.
  - (xix) Choice of Law. This Lease shall be governed by the laws of the State in which the Premises are located.
  - (xx) Signs and Auctions. Tenant shall not place any sign upon the Premises or Building or conduct any auction thereof without Landlord's prior written consent.

20. BROKERS. Tenant warrants that it has had no dealings with any real estate broker or agents in connection with the negotiation of this Lease and it knows of no other real estate broker or agent who is entitled to a commission in connection with this Lease.

The parties hereto have executed this Lease at the place and on the dates specified immediately adjacent to their respective signatures.

If this Lease has been filled in, it has been prepared for submission to your attorney for his approval. No representation or recommendation is made the real estate broker or its agents or employees as to the legal sufficiency, legal effect, or tax consequences of this Lease or the transactions relating thereto.

Newtown Street Road Associates

By           /s/ illegible          

Address           Two Bala Plaza            
          Bala Cynwyd, Pennsylvania 19004          

“Landlord”

Medstaff, Inc.

By           /s/ William S. Davis          

Address           The Medstaff Building            
          297 S. Newtown Street Road            
          Newtown Square, Pennsylvania 19073          

“Tenant”

**RULES AND REGULATIONS**

1. No sign, placard, picture, advertisement, name or notice shall be inscribed, displayed or printed or affixed on or to any part of the outside or inside of the Building without the written consent of Landlord first had and obtained and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant.  
All approved signs or lettering on doors shall be printed, painted, affixed or inscribed at the expense of Tenant by a person approved of by Landlord.  
Tenant shall not place anything or allow anything to be placed near the glass or any window, door, partition or wall which may appear unsightly from outside the Premises; provided, however, that Landlord may furnish and install a Building standard window covering at all exterior windows. Tenant shall not without prior written consent of Landlord cause or otherwise sunscreen any window.
2. The sidewalks, halls, passages, exits, entrances, elevators and stairways shall not be obstructed by any of the tenants or used by them for any purpose other than for ingress and egress from their respective Premises.
3. Tenant shall not alter any lock or install any new or additional locks or any bolts on any doors or windows of the Premises.
4. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein and the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the Tenant who, or whose employees or invitees shall have caused it.
5. Tenant shall not overload the floor of the Premises or in any way deface the Premises or any part thereof.
6. No furniture, freight or equipment of any kind shall be brought into the Building without the prior notice to Landlord and all moving of the same into or out of the Building shall be done at such time and in such manner as Landlord shall designate. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building and also the times and manner of moving the same in and out of the Building. Safes or other heavy objects shall, if considered necessary by Landlord, stand on supports of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of Tenant.
7. Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substance in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to the Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals or birds be brought in or kept in or about the Premises or the Building.
8. No cooking shall be done or permitted by any Tenant on the Premises, nor shall the Premises be used for the storage of merchandise, for washing clothes, for lodging, or for any improper, objectionable or immoral purposes.
9. Tenant shall not use or keep in the Premises or the Building any kerosene, gasoline or inflammable or combustible fluid or material, or use any method of heating or air conditioning other than that supplied by Landlord.
10. Landlord will direct electricians as to where and how telephone and telegraph wires are to be introduced. No boring or cutting for wires will be allowed without the consent of the Landlord. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord.

11. On Saturdays, Sundays and legal holidays, and on other days between the hours of 6:00 P.M. and 8:00 A.M. the following day, access to the Building, or to the halls, corridors, elevators or stairways in the Building, or to the Premises may be refused unless the person seeking access is known to the person or employee of the Building in charge and has a pass or is properly identified. The Landlord shall in no case be liable for damages for any error

10

with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, riot, public excitement, or other commotion, the Landlord reserves the right to prevent access to the Building during the continuance of the same by closing of the doors or otherwise, for the safety of the tenants and protection of property in the Building and the Building.

12. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Building.

13. No vending machine or machines of any description shall be installed, maintained or operated upon the Premises without the written consent of the Landlord.

14. Landlord shall have the right, exercisable without notice and without liability to Tenant, to change the name and street address of the Building of which the Premises are a part.

15. Tenant shall not disturb, solicit, or canvass any occupant of the Building and shall cooperate to prevent same.

16. Without the written consent of Landlord, Tenant shall not use the name of the Building in connection with or in promoting or advertising the business of Tenant except as Tenant's address.

17. Landlord shall have the right to control and operate the public portions of the Building, and the public facilities, and heating and air conditioning, as well as facilities furnished for the common use of the tenants, in such manner as it deems best for the benefit of the tenants generally.

18. All entrance doors in the Premises shall be left locked when the Premises are not in use, and all doors opening to public corridors shall be kept closed except for normal ingress and egress from the Premises.

11

### Addendum

#### 5A Base Rent

On or before the first day of each month of the five year term, Tenant agrees to pay to Landlord without prior written notice or demand, Base Rent in the amounts specified in the following Base Rent Schedule.

#### Base Rent Schedule

<u>Period</u>	<u>Monthly Rental</u>
7/1/01 - 9/30/01	\$ 7,040.00
10/1/01 - 12/31/01	\$ 13,750.00
1/1/02 - 7/31/02	\$ 27,500.00
8/1/02 - 7/31/03	\$ 28,325.00
8/1/03 - 7/31/04	\$ 29,174.75
8/1/04 - 7/31/05	\$ 30,049.99
8/1/05 - 7/31/06	\$ 30,951.49

#### 31. Electric Utilities

Tenant shall pay directly to Peco for Tenant's consumption of electric utilities as separately metered by Peco in Tenant's name.

#### 32. Janitorial Services

Tenant shall provide janitorial services including light bulb replacement, walkway salt / snow shoveling, toilet plunging, and exterior trash pick-up during the term of this lease.

#### 33. Tenant's Acceptance of the Premises "As Is"

By taking occupancy of the premises under this lease, Tenant has accepted the premises "As Is". Tenant shall not make any changes, alterations, or additions to the premises without the written consent of the Landlord.

#### 34. Lease Agreement Binding on Both Parties

Upon this lease being executed by signatures affixed hereto, this lease, its addendums, and exhibitions shall be binding agreement between the parties obligating Tenant and Landlord to their separate performances hereunder.

#### 35. Release From Tenant's Obligation on current Lease of 295 S. Newtown Street Road

Tenant presently occupies 4,480 square feet of the first floor of the Planmatics Building, 295 S. Newtown Street Road, Newtown Square, Pennsylvania. In consideration of Medstaff, Inc., entering into this new lease for the entire Building at 295 S. Newtown Street Road, Newtown Square, Pennsylvania, Landlord shall release Tenant from its lease obligations under the present lease of 4480 square feet at 295 S. Newtown Street Road providing that Tenant has paid rent in full through June 30, 2001, and Tenant has taken occupancy and is paying rent under this new lease for the entire Building, 295 S. Newtown Street Road. Such release by Landlord shall render the current lease for the first floor of 295 South Newtown Street Road, null and void with no further legal obligation by Landlord or Tenant.

36. Landlord's Obligation to Tenant's Fit-Out

In the first floor newly leased area, Landlord at its own expense shall demolish existing interior walls, construct three new walled offices, paint newly constructed offices and carpet the areas where necessary by this

12

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construction/ demolition pursuant to the general building specifications. Landlord is not responsible for electrical outlets.

**General Specifications**

(a) Demolition

Landlord shall remove walls as agreed between Landlord and Tenant into a construction dumpster provided by Landlord.

(b) Construction

Landlord shall construct walls with building standard materials.

(c) Painting

Landlord shall paint new walls and existing walls where required by construction / demolition.

(d) Carpeting

Landlord shall carpet the leased area where necessary by construction/ demolition with building standard carpet matching existing carpeting.

13

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## OFFICE BUILDING LEASE

1. **PARTIES.** This Lease, dated, for reference purposes only, June 23, 1998, is made by and between Newtown Street Road Associates, a Pennsylvania Limited Partnership (herein called "Landlord") and MedStaff, Inc. (herein called "Tenant").
2. **PREMISES.** Landlord does hereby lease to Tenant and Tenant hereby leases from Landlord that certain office space (herein called "Premises") indicated on Exhibit "A" attached hereto and hereby reference thereto made a part hereof, said Premises being agreed, for the purpose of this Lease, to have an area of approximately of the entire building of that certain Building known as The Medstaff Building, 297 S. Newtown Street Road, Newtown Square, Pennsylvania.
- Said Lease is subject to the terms, covenants and conditions herein set forth and the Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all of said terms, covenants and conditions by it to be kept and performed and that this Lease is made upon the condition of said performance.
3. **TERM.** The term of this Lease shall be for 6 years, commencing on the 1<sup>st</sup> day of August, 1998 and ending on the 30th day of July, 2004.
4. **POSSESSION.**
- 4.a. If the Landlord, for any reason whatsoever, cannot deliver possession of the said Premises to the Tenant at the commencement of the term hereof, this Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting there from, nor shall the expiration date of the above term be in any way extended, but in that event, all rent shall be abated during the period between the commencement of said term and the time when Landlord delivers possession.
- 4.b. In the event that Landlord shall permit Tenant to occupy the Premises prior to the commencement date of the term, such occupancy shall be subject to all the provisions of this Lease. Said early possession shall not advance the termination date hereinabove provided.
5. **RENT.** Tenant agrees to pay to Landlord as rental, without prior notice or demand, for the Premises the sum of: See Addendum, Paragraph 5a Rent on or before the first day of the first full calendar month of the term hereof and a like sum on or before the first day of each and every successive calendar month thereafter during the term hereof, except that the first month's rent shall be paid upon the execution hereof. Rent for any period during the term hereof which is for less than one (1) month shall be a prorated portion of the monthly installment herein, based upon a thirty (30) day month. Said rental shall be paid to Landlord, without deduction or offset in lawful money of the United States of America, which shall be legal tender at the time of payment at the Office of the Building, or to such other person or at such other place as Landlord may from time to time designate in writing.
6. **SECURITY DEPOSIT.** Tenant has deposited with Landlord the sum of Twenty two thousand, Three hundred thirty three and 33/100 (\$22,333.33) Dollars. Said sum shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants, and conditions of this Lease to be kept and performed by Tenant during the term hereof. If Tenant defaults with respect to any provision of this Lease, including, but not limited to the provisions relating to the payment of rent, Landlord may (but shall not be required to) use, apply or retain all or any part of this security deposit for the payment of any rent or any other sum in default, or for the payment of any amount which Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of said deposit is so used or applied, Tenant shall within five (5) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the security deposit to its original amount and Tenant's failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep this security deposit separate from its general funds, and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this Lease to be performed by it, the security deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) at the expiration of the Lease term. In the event of termination of Landlord's interest in this Lease, Landlord shall transfer said deposit to Landlord's successor in interest.

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7. **INTENTIONALLY DELETED.**  
Notwithstanding anything contained in this Article, the rent payable by Tenant shall in no event be less than the rent specified in Article 5 hereinabove.
8. **USE.** Tenant shall use the Premises for general office purposes and shall not use or permit the Premises to be used for any other purpose without the prior written consent of Landlord.

Tenant shall not do or permit anything to be done in or about the Premises nor bring or keep anything therein which will in any way increase the existing rate of or affect any fire or other insurance upon the Building or any of its contents, or cause cancellation of any insurance policy covering said Building or any part thereof or any of its contents. Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the right of other tenants or occupants of the Building or injure or annoy them or use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises.

9. **COMPLIANCE WITH LAW.** Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, and with the requirements of any board of fire insurance underwriters or other similar bodies now or hereafter constituted, relating to, or affecting the condition, use or occupancy of the Premises, excluding structural changes not related to or affected by Tenant's improvements or acts. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any law, statute, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between the Landlord and Tenant.

10. ALTERATIONS AND ADDITIONS. Tenant shall not make or suffer to be made, any alterations, additions or improvements to or of the Premises or any part thereof without the written consent of Landlord first had and obtained and any alterations, additions or improvements to or of said Premises including, but not limited to, wall covering, paneling and built-in cabinet work, but excepting movable furniture and trade fixtures, shall on the expiration of the term become a part of the realty and belong to the Landlord and shall be surrendered with the Premises. In the event Landlord consents to the making of any alterations, additions or improvements to the Premises by Tenant, the same shall be made by Tenant at Tenant's sole cost and expense, and any contractor or person selected by Tenant to make the same must first be approved of in writing by the Landlord. Upon the expiration or sooner termination of the term hereof, Tenant shall, upon written demand by Landlord, given at least thirty (30) days prior to the end of the term, at Tenant's sole cost and expense, forthwith and with all due diligence remove any alterations, additions, or improvements made by Tenant, designated by Landlord to be removed, and Tenant shall, forthwith and with all due diligence at its sole cost and expense, repair any damage to the Premises caused by such removal.

11. REPAIRS.

11.a. By taking possession of the Premises, Tenant shall be deemed to have accepted the Premises as being in good, sanitary order, condition and repair. Tenant shall, at Tenant's sole cost and expense, keep the Premises and every part thereof in good condition and repair, damage thereto from causes beyond the reasonable control of Tenant and ordinary wear and tear excepted. Tenant shall upon the expiration or sooner termination of this Lease hereof surrender the Premises to the Landlord in good condition, ordinary wear and tear and damage from causes beyond the reasonable control of Tenant excepted. Except as specifically provided in an addendum, if any, to this Lease, Landlord shall have no obligation whatsoever to alter, remodel, improve, repair, decorate or paint the Premises or any part thereof and the parties hereto affirm that Landlord has made no representations to Tenant respecting the condition of the Premises or the Building except as specifically herein set forth.

11.b. Notwithstanding the provisions of Article 11.a. hereinabove, Landlord shall repair and maintain the structural portions of the Building, including the basic plumbing, air conditioning, heating, and electrical systems, installed or furnished by Landlord, unless such maintenance and repairs are caused in part or in

whole by the act, neglect, fault or omission of any duty by the Tenant, its agents, servants, employees or invitees, in which case Tenant shall pay to Landlord the reasonable cost of such maintenance and repairs. Landlord shall not be liable for any failure to make any such repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after written notice of the need of such repairs or maintenance is given to Landlord by Tenant. Except as provided in Article 22 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Building or the Premises or in or to fixtures, appurtenances and equipment therein. Tenant waives the right to make repairs at Landlord's expense under any law, statute or ordinance now or hereafter in effect.

12. LIENS. Tenant shall keep the Premises and the property in which the Premises are situated free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant. Landlord may require, at Landlord's sole option, that Tenant shall provide to Landlord, at Tenant's sole cost and expense, a lien and completion bond in an amount equal to one and one-half (1-1/2) times any and all estimated costs of any improvements, additions, or alterations in the Premises, to insure Landlord against any liability for mechanics' and materialmen's liens and to insure completion of the work.

13. ASSIGNMENT AND SUBLETTING. Tenant shall not either voluntarily or by operation of law, assign, transfer, mortgage, pledge, hypothecate or encumber this Lease or any interests therein and shall not sublet the said Premises or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the employees, agents, servants and invitees of Tenant excepted) to occupy or use the said Premises, or any portion thereof, without the written consent of Landlord first had and obtained, which consent shall not be unreasonably withheld, and a consent to one assignment, subletting, occupation or use by any other person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person. Any such assignment or subletting without such consent shall be void, and shall, at the option of the Landlord, constitute a default under this Lease.

14. HOLD HARMLESS. Tenant shall indemnify and hold harmless Landlord against and from any and all claims arising from Tenant's use of the Premises for the conduct of its business or from any activity, work, or other thing done, permitted or suffered by the Tenant in or about the Building, and shall further indemnify and hold harmless Landlord against and from any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, or arising from any set or negligence of the Tenant, or any officer, agent, employee, guest, or invitee of Tenant, and from all and against all cost, attorney's fees, expenses and liabilities incurred in or about any such claim or any action or proceeding brought thereon, and, in any case, action or proceeding be brought against Landlord by reason of any such claim, Tenant upon notice from Landlord shall defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord. Tenant as a material part of the consideration to Landlord hereby assumes all risk of damage to property or injury to persons, in, upon or about the Premises, from any cause other than Landlord's negligence, and Tenant hereby waives all claims in respect thereof against Landlord.

Landlord or its agents shall not be liable for any damage to property entrusted to employees of the Building, nor for loss or damage to any property by theft or otherwise, nor for any injury to or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak from any part of the Building or from the pipes, appliances or plumbing works therein or from the roof, street or subsurface or from any other place resulting from dampness or any other cause whatsoever, unless caused by or due to the negligence of Landlord, its agents, servants or employees. Landlord or its agents shall not be liable for interference with the light or other incorporeal hereditaments, loss of business by Tenant, nor shall Landlord be liable for any latent defect in the Premises or in the Building. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises or in the Building or of defects therein or in the fixtures or equipment.

15. SUBROGATION. As long as their respective insurers to permit, Landlord and Tenant hereby mutually waive their respective rights of recovery against each other for any loss insured by fire, extended coverage and other property insurance policies existing for the benefit of the respective parties. Each party shall obtain any special endorsements, if required by their insurer to evidence compliance with the aforementioned waiver.

16. LIABILITY INSURANCE. Tenant shall, at Tenant's expense, obtain and keep in force during the term of this Lease, a policy of comprehensive public liability insurance insuring Landlord and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. The limit of said insurance shall not, however, limit the liability of the Tenant hereunder. Tenant may carry said

insurance under a blanket policy, providing, however, said insurance by Tenant shall have a Landlord's protective liability endorsement attached thereto. If Tenant shall fail to procure and maintain said insurance, Landlord may, but shall not be required to, procure and maintain same, but at the expense of Tenant. Insurance required hereunder, shall be in companies rated A+ AAA or better in "Best's Insurance Guide." Tenant shall deliver to Landlord prior to occupancy of the Premises copies of policies of liability insurance required herein or certificates evidencing the existence and amounts of such insurance with loss payable clauses satisfactory to Landlord. No policy shall be cancelable or subject to reduction of coverage except after ten (10) days' prior written notice to Landlord.

17. **SERVICES AND UTILITIES.** Provided that Tenant is not in default hereunder, Landlord agrees to furnish to the Premises during reasonable hours of generally recognized business days, to be determined by Landlord at his sole discretion, and subject to the rules and regulations of the Building of which the Premises are a part, electricity for normal lighting and fractional horsepower office machines, heat and air conditioning required in Landlord's judgment for the comfortable use and occupation of the Premises, and janitorial service. Landlord shall also maintain and keep lighted the common stairs, common entries and toilet rooms in the Building of which the Premises are a part. Landlord shall not be liable for, and Tenant shall not be entitled to, any reduction of rental by reason of Landlord's failure to furnish any of the foregoing when such failure is caused by accident, breakage, repairs, strikes, lockouts or other labor disturbances or labor disputes of any character, or by any other cause, similar or dissimilar, beyond the reasonable control of Landlord. Landlord shall not be liable under any circumstances for a loss of or injury to property, however occurring, through or in connection with or related to failure to furnish any of the foregoing. Wherever heat generating machines or equipment are used in the Premises which affect the temperature otherwise maintained by the air conditioning system, Landlord reserves the right to install supplementary air conditioning units in the Premises and the cost thereof, including the cost of installation, and the cost of operation and maintenance thereof shall be paid by Tenant to Landlord upon demand by Landlord.

Tenant will not, without written consent of Landlord, use any apparatus or device in the Premises, including, but without limitation thereto, electronic data processing machines, punch card machines, and machines using in excess of 120 volts, which will in any way increase the amount of electricity usually furnished or supplied for the use of the Premises as general office space; nor connect with electric current except through existing electrical outlets in the Premises, any apparatus or device, for the purpose of using electric current. If Tenant shall require water or electric current in excess of that usually furnished or supplied for the use of the Premises as general office space, Tenant shall first procure the written consent of Landlord, which Landlord may refuse, to the use thereof and Landlord may cause a water meter or electrical current meter to be installed in the Premises, so as to measure the amount of water and electric current consumed for any such use. The cost of any such meters and of installation, maintenance and repair thereof shall be paid for by the Tenant and Tenant agrees to pay to Landlord promptly upon demand therefor by Landlord for all such water and electric current consumed as shown by said meters, at the rates charged for such services by the local public utility furnishing the same, plus any additional expense incurred in keeping account of the water and electric current so consumed. If a separate meter is not installed, such excess cost for such water and electric current will be established by an estimate made by a utility company or electrical engineer.

18. **PROPERTY TAXES.** Tenant shall pay, or cause to be paid, before delinquency, any and all taxes levied or assessed and which become payable during the term hereof upon all Tenant's leasehold improvements, equipment, furniture, fixtures and personal property located in the Premises, except that which has been paid for by Landlord, and is the standard of the Building. In the event any or all of the Tenant's leasehold improvements, equipment, furniture, fixtures and personal property shall be assessed and taxed with the Building, Tenant shall pay to Landlord its share of such taxes within ten (10) days after delivery to Tenant by Landlord of a statement in writing setting forth the amount of such taxes applicable to Tenant's property.

19. **RULES AND REGULATIONS.** Tenant shall faithfully observe and comply with the rules and regulations that Landlord shall from time to time promulgate. Landlord reserves the right from time to time to make all reasonable modifications to said rules. The additions and modifications to those rules shall be binding upon

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Tenant upon delivery of a copy of them to Tenant. Landlord shall not be responsible to Tenant for the nonperformance of any said rules by any other tenants or occupants.

20. **HOLDING OVER.** If Tenant remains in possession of the Premises or any part thereof after the expiration of the term hereof with the express written consent of Landlord, such occupancy shall be a tenancy from month to month at a rental in the amount of the last monthly rental, plus all other charges payable hereunder, and upon all the terms hereof applicable to a month to month tenancy.

21. **ENTRY BY LANDLORD.** Landlord reserves the right and shall at any and all times have the right to enter the Premises, inspect the same, supply janitorial service and any other service to be provided by Landlord to Tenant hereunder, to submit said Premises to prospective purchasers or tenants, to post notices of non-responsibility, and to alter, improve or repair the Premises and any portion of the Building of which the Premises are a part that Landlord may deem necessary or desirable, without abatement of rent and may for that purpose erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, always providing that the entrance to the Premises shall not be blocked thereby, and further providing that the business of the Tenant shall not be interfered with unreasonably. Tenant hereby waives any claim for damages or for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults, safes and files, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency, in order to obtain entry to the Premises without liability to Tenant except for any failure to exercise due care for Tenant's property. Any entry to the Premises obtained by Landlord by any of said means, or otherwise shall not under any circumstances be construed or deemed to be a forceable or unlawful entry into, or a detainer of, the Premises, or an eviction of Tenant from the Premises or any portion thereof.

22. **RECONSTRUCTION.** In the event the Premises or the Building of which the Premises are a part are damaged by fire or other perils covered by extended coverage insurance, Landlord agrees to forthwith repair the same; and this Lease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of the rent while such repairs are being made, such proportionate reduction to be based upon the extent to which the making of such repairs shall materially interfere with the business carried on by the Tenant in the Premises. If the damage is due to the fault or neglect of Tenant or its employees, there shall be no abatement of rent.

In the event the Premises or the Building of which the Premises are a part are damaged as a result of any cause other than the perils covered by fire and extended coverage insurance, then Landlord shall forthwith repair the same, provided the extent of the destruction be less than ten (10%) percent of the then full replacement cost of the Premises or the Building of which the Premises are a part. In the event the destruction of the Premises or the Building is to an extent greater than ten (10%) percent of the full replacement cost, then Landlord shall have the option: (1) to repair or restore such damage, this Lease continuing in full force and effect, but the rent to be proportionately reduced as hereinabove in this Article provided, or (2) give notice to Tenant at any time

within sixty (60) days after such damage terminating this Lease as of the date specified in such notice, which date shall be no less than thirty (30) and no more than sixty (60) days after the giving of such notice. In the event of giving such notice, this Lease shall expire and all interest of the Tenant in the Premises shall terminate on the date so specified in such notice and the Rent, reduced by a proportionate amount, based upon the extent, if any, to which such damage materially interfered with the business carried on by the Tenant in the Premises, shall be paid up to date of said such termination.

Notwithstanding anything to the contrary contained in this Article, Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Premises when the damage resulting from any casualty covered under this Article occurs during the last twelve (12) months of the term of this Lease or any extension thereof.

Landlord shall not be required to repair any injury or damage by fire or other cause, or to make any repairs or replacements of any panels, decoration, office fixtures, railings, floor covering, partitions, or any other property installed in the Premises by Tenant.

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The Tenant shall not be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Premises, Tenant's personal property or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration.

23. **DEFAULT.** The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant.

23.a. The vacating or abandonment of the Premises by Tenant.

23.b. The failure by Tenant to make any payment of rent or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of three (3) days after written notice thereof by Landlord to Tenant.

23.c. The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by the Tenant, other than described in Article 23.b. above, where such failure shall continue for a period of thirty (30) days after written notice thereof by Landlord to Tenant, provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

23.d. The making by Tenant of any general assignment or general arrangement for the benefit of creditors, or the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt, or a petition or reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days, or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged in thirty (30) days.

24. **REMEDIES IN DEFAULT.** In the event of such material default or breach by Tenant, Landlord may at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of a right or remedy which Landlord may have by reason of such default or breach.

24.a. Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default including, but not limited to, the cost of recovering possession of the Premises; expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorney's fees, any real estate commission actually paid, the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid rent for the balance of the term after the time of such award exceeds the amount of such rental loss for the same period that Tenant proves could be reasonably avoided; that portion of the leasing commission paid by Landlord and applicable to the unexpired term of this Lease. Unpaid installments of rent or other sums shall bear interest from the date due at the rate of ten (10%) percent per annum. In the event Tenant shall have abandoned the Premises, Landlord shall have the option of (a) taking possession of the Premises and recovering from Tenant the amount specified in this paragraph, or (b) proceeding under the provisions of the following Article 24.b.

24.b. Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Premises. In such event Landlord shall be entitled to enforce all of Landlord's right and remedies under this Lease, including the right to recover the rent as it becomes due hereunder.

24.c. Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decision of the State in which the Premises are located.

25. **EMINENT DOMAIN.** If more than twenty-five (25%) percent of the Premises shall be taken or appropriated by any public or quasi-public authority under the power of eminent domain, either party hereto shall have the right, at its option, to terminate this Lease, and Landlord shall be entitled to any and all income, rent, award, or any interest therein whatsoever which may be paid or made in connection with such public or quasi-public use or purpose, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Lease. If either less than or more than twenty five (25%) percent of the Premises is taken, and neither party elects to terminate as herein provided, the rental thereafter to be paid shall be equitably reduced. If any part of the Building

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other than the Premises may be so taken or appropriated, Landlord shall have the right at its option to terminate this Lease and shall be entitled to the entire award as above provided.

26. **OFFSET STATEMENT.** Tenant shall at any time and from time to time upon not less than ten (10) days' prior written notice from Landlord execute, acknowledge and deliver to Landlord a statement in writing: (a) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rental and other charges are paid in advance, if any, and (b) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of the Landlord hereunder, or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Premises are a part.

27. **PARKING.** Tenant shall have the right to use in common with other tenants or occupants of the Building the parking facilities of the Building, if any, subject to the monthly rates, rules and regulations, and any other charges of Landlord for such parking facilities which may be established or

altered by Landlord at any time or from time to time during the term hereof.

28. AUTHORITY OF PARTIES.

28.a. Corporate Authority. If Tenant is a corporation, each individual executing this Lease on behalf of said corporation represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said corporation, in accordance with a duly adopted resolution of the board of directors of said corporation or in accordance with the by-laws of said corporation, and that this Lease is binding upon said corporation in accordance with its terms.

28.b. Limited Partnerships. If the Landlord herein is a limited partnership, it is understood and agreed that any claims by Tenant on Landlord shall be limited to the assets of the limited partnership, and furthermore, Tenant expressly waives any and all rights to proceed against the individual partners or the officers, directors or shareholders of any corporate partner, except to the extent of their interest in said limited partnership.

29. GENERAL PROVISIONS.

(i) Plats and Riders. Clauses, plats and riders, if any, signed by the Landlord and the Tenant and endorsed on or affixed to this Lease are a part hereof.

(ii) Waiver. The waiver by Landlord of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of the Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of such preceding breach at the time of the acceptance of such rent.

(iii) Notices. All notices and demands which may or are to be required or permitted to be given by either party to the other hereunder shall be in writing. All notices and demands by the Landlord to the Tenant shall be sent by United States Mail, postage prepaid, addressed to the Tenant at the Premises, or to such other place as Tenant may from time to time designate in a notice to the Landlord. All notices and demands by the Tenant to the Landlord shall be sent by United States Mail, postage prepaid, addressed to the Landlord at the Office of the Building, or to such other person or place as the Landlord may from time to time designate in a notice to the Tenant.

(iv) Joint Obligation. If there be more than one Tenant the obligations hereunder imposed upon Tenants shall be joint and several.

(v) Marginal Headings. The marginal headings and Article titles to the Articles of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

(vi) Time. Time is of the essence of this Lease and each and all of its provisions in which performance is a factor.

(vii) Successors and Assigns. The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of the parties hereto.

(viii) Recordation. Neither Landlord nor Tenant shall record this Lease or a short form memorandum hereof without the prior written consent of the other party.

(ix) Quiet Possession. Upon Tenant paying the rent reserved hereunder and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed

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hereunder, Tenant shall have quiet possession of the Premises for the entire term hereof, subject to all provisions of this Lease.

(x) Late Charges. Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Landlord by terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or of a sum due from Tenant shall not be received by Landlord or Landlord's designee within ten (10) days after written notice that said amount is past due, then Tenant shall pay to Landlord a late charge equal to ten (10%) percent of such overdue amount. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant. Acceptance of such late charges by the Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

(xi) Prior Agreements. This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreements or understanding pertaining to any such matters shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by both parties hereto or their respective successors in interest. This Lease shall not be effective or binding on any party until fully executed by both parties hereto.

(xii) Inability to Perform. This Lease and the obligations of the Tenant hereunder shall not be affected or impaired because the Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, acts of God, or any other cause beyond the reasonable control of the Landlord.

(xiii) Attorney's Fees. In the event of any action or proceeding brought by either party against the other under this Lease the prevailing party shall be entitled to recover all costs and expenses including the fees of its attorneys in such action or proceeding in such amount as the court may adjudge reasonable as attorneys' fees.

(xiv) Sale of Premises by Landlord. In the event of any sale of the Building, Landlord shall be and is hereby entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this Lease arising out of any act, occurrence or omission occurring after the consummation of such sale; and the purchaser, at such sale or any subsequent sale of the Premises shall be deemed, without any further agreement between the parties or their successors in interest or between the parties and any such purchaser, to have assumed and agreed to carry out any and all of the covenants and obligations of the Landlord under this Lease.

(xv) Subordination, Attornment. Upon request of the Landlord, Tenant will in writing subordinate its rights hereunder to the lien of any first mortgage, or first deed of trust to any bank, insurance company or other lending institution, now or hereafter in force against the land and Building of which the Premises are a part, and upon any buildings hereafter placed upon the land of which the Premises are a part, and to all advances made or hereafter to be made upon the security thereof.

In the event any proceedings are brought for foreclosure, or in the event of the exercise of the power of sale under any mortgage or deed of trust made by the Landlord covering the Premises, the Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the Landlord under this Lease.

The provisions of this Article to the contrary notwithstanding, and so long as Tenant is not in default hereunder, this Lease shall remain in full force and effect for the full term hereof.

(xvi) Name. Tenant shall not use the name of the Building or of the development in which the Building is situated for any purpose other than as an address of the business to be conducted by the Tenant in the Premises.

(xvii) Separability. Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision hereof and such other provision shall remain in full force and effect.

(xviii) Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

(xix) Choice of Law. This Lease shall be governed by the laws of the State in which the Premises are located.

(xx) Signs and Auctions. Tenant shall not place any sign upon the Premises or Building or conduct any auction thereof without Landlord's prior written consent.

20. BROKERS. Tenant warrants that it has had no dealings with any real estate broker or agents in connection with the negotiation of this Lease and it knows of no other real estate broker or agent who is entitled to a commission in connection with this Lease.

Please See Addendum

The parties hereto have executed this Lease at the place and on the dates specified immediately adjacent to their respective signatures.

If this Lease has been filled in, it has been prepared for submission to your attorney for his approval. No representation or recommendation is made the real estate broker or its agents or employees as to the legal sufficiency, legal effect, or tax consequences of this Lease or the transactions relating thereto.

Newtown Street Road Associates

By           /s/ illegible          

Address           Two Bala Plaza          

          Bala Cynwyd, Pennsylvania 19004          

“Landlord”

Medstaff, Inc.

By           /s/ William S. Davis          

Address           The Medstaff Building          

          297 S. Newtown Street Road          

          Newtown Square, Pennsylvania 19073          

“Tenant”

**RULES AND REGULATIONS**

1. No sign, placard, picture, advertisement, name or notice shall be inscribed, displayed or printed or affixed on or to any part of the outside or inside of the Building without the written consent of Landlord first had and obtained and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant.

All approved signs or lettering on doors shall be printed, painted, affixed or inscribed at the expense of Tenant by a person approved of by Landlord.

Tenant shall not place anything or allow anything to be placed near the glass or any window, door, partition or wall which may appear unsightly from outside the Premises; provided, however, that Landlord may furnish and install a Building standard window covering at all exterior windows. Tenant shall not without prior written consent of Landlord cause or otherwise sunscreen any window.

2. The sidewalks, halls, passages, exits, entrances, elevators and stairways shall not be obstructed by any of the tenants or used by them for any purpose other than for ingress and egress from their respective Premises.

3. Tenant shall not alter any lock or install any new or additional locks or any bolts on any doors or windows of the Premises.

4. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein and the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the Tenant who, or whose employees or invitees shall have caused it.

5. Tenant shall not overload the floor of the Premises or in any way deface the Premises or any part thereof.

6. No furniture, freight or equipment of any kind shall be brought into the Building without the prior notice to Landlord and all moving of the same into or out of the Building shall be done at such time and in such manner as Landlord shall designate. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building and also the times and manner of moving the same in and out of the Building. Safes or other heavy objects shall, if considered necessary by Landlord, stand on supports of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of Tenant.

7. Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substance in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to the Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals or birds be brought in or kept in or about the Premises or the Building.

8. No cooking shall be done or permitted by any Tenant on the Premises, nor shall the Premises be used for the storage of merchandise, for washing clothes, for lodging, or for any improper, objectionable or immoral purposes.
9. Tenant shall not use or keep in the Premises or the Building any kerosene, gasoline or inflammable or combustible fluid or material, or use any method of heating or air conditioning other than that supplied by Landlord.
10. Landlord will direct electricians as to where and how telephone and telegraph wires are to be introduced. No boring or cutting for wires will be allowed without the consent of the Landlord. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord.
11. On Saturdays, Sundays and legal holidays, and on other days between the hours of 6:00 P.M. and 8:00 A.M. the following day, access to the Building, or to the halls, corridors, elevators or stairways in the Building, or to the Premises may be refused unless the person seeking access is known to the person or employee of the Building in charge and has a pass or is properly identified. The Landlord shall in no case be liable for damages for any error

with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, riot, public excitement, or other commotion, the Landlord reserves the right to prevent access to the Building during the continuance of the same by closing of the doors or otherwise, for the safety of the tenants and protection of property in the Building and the Building.

12. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Building.
13. No vending machine or machines of any description shall be installed, maintained or operated upon the Premises without the written consent of the Landlord.
14. Landlord shall have the right, exercisable without notice and without liability to Tenant, to change the name and street address of the Building of which the Premises are a part.
15. Tenant shall not disturb, solicit, or canvass any occupant of the Building and shall cooperate to prevent same.
16. Without the written consent of Landlord, Tenant shall not use the name of the Building in connection with or in promoting or advertising the business of Tenant except as Tenant's address.
17. Landlord shall have the right to control and operate the public portions of the Building, and the public facilities, and heating and air conditioning, as well as facilities furnished for the common use of the tenants, in such manner as it deems best for the benefit of the tenants generally.
18. All entrance doors in the Premises shall be left locked when the Premises are not in use, and all doors opening to public corridors shall be kept closed except for normal ingress and egress from the Premises.

**Addendum**

5A Base Rent

On or before the first day of each month of the seven year term, Tenant agrees to pay to Landlord without prior written notice or demand, base rent in the amounts specified in the following Base Rent Schedule.

Base Rent Schedule

<u>Period</u>	<u>Annual Rental</u>	<u>Monthly Rental</u>
8/1/98 – 12/31/98	\$ 219,000.00	\$ 18,250.00
1/1/99 – 7/31/99	\$ 268,000.00	\$ 22,333.33
8/1/99 – 7/31/00	\$ 278,720.00	\$ 23,226.67
8/1/00 – 7/31/01	\$ 289,868.80	\$ 24,155.73
8/1/01 – 7/31/02	\$ 301,463.55	\$ 25,121.96
8/1/02 – 7/31/03	\$ 313,522.09	\$ 26,126.84
8/1/03 – 7/31/04	\$ 326,062.98	\$ 27,171.91

31. Electric Utilities

Tenant shall pay directly to Peco for Tenant's consumption of electric utilities as separately metered by Peco in Tenant's name.

32. Landlord's Obligation for Tenant's Fit Out

Although Tenant is accepting the premises "As Is", Landlord at its own expense shall replace ceiling tiles, paint and carpet the leased premises as specified in the General Specifications and Exhibit "A" of this lease.

**General Specifications**

(a) Painting

Landlord shall paint all existing walls presently painted within the leased area with a color selected by Tenant.

(d) Carpeting

Landlord shall carpet the leased area with building standard carpet in a color selected by Tenant.

33. Tenant's Obligation for Tenant's Fit Out

Tenant at Tenant's own expense shall demolish existing walls and construct new walls as specified by Exhibit "A" of this lease.

**General Specifications**

(a) Demolition

Tenant shall remove walls as indicated on Exhibit "A" of this lease into a construction dumpster provided by Tenant.

12

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(b) Construction

Tenant shall construct walls with building standard materials as specified by Exhibit "A".

34. Tenant's Acceptance of the Premises "As Is"

By taking occupancy of the premises under this lease, Tenant has accepted the premises "As Is." Other than Tenant Fit-out items specified by Exhibit "A", Tenant shall not make any changes, alterations, or additions to the premises without the written consent of the Landlord.

35. Janitorial Services

Tenant shall provide janitorial services including light bulb replacement throughout the term of this lease.

36. Lease Agreement Binding on Both Parties

Upon this lease being executed by signatures affixed hereto, this lease, its addendums and exhibitions shall be a binding agreement between the parties obligating Tenant and Landlord to their separate performances hereunder.

13

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**LEASE AMENDMENT #1**

Agreement, made as of the 22<sup>nd</sup> day of December, 1999, by and between Newtown Street Road Associates, a Pennsylvania Limited Partnership having its principal place of business at Fifth Floor, Two Bala Plaza Office Building, Bala Cynwyd, Pennsylvania, c/o Arthur J. Kania ("Landlord") and Medstaff, Inc., a Pennsylvania corporation doing business in the Commonwealth of Pennsylvania and having its executive offices at Benson Building #2 (The Medstaff Building), 297 South Newtown Street Road, Newtown Square, Pennsylvania ("Tenant").

W I T N E S S E T H:

WHEREAS, Landlord and Tenant have entered into a lease of 17,500 square feet in the building known as Benson Building #2 (The Medstaff Building), 297 South Newtown Street Road, Newtown Square, Pennsylvania, which lease commenced January 1, 1999 and expires July 31, 2004.

WHEREAS, Landlord and Tenant desire to extend this lease in the respects hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Landlord and Tenant hereby agree to extend the term of the lease by Three Months beginning August 1, 2004 and extending until October 30, 2004.
2. Without prior notice or demand, Tenant agrees to pay monthly base rent of \$27,171.92 on the first day of each month of the extended term, August 1, 2004 through October 30, 2004. Tenant shall continue to provide its electric and janitorial service during the extended term pursuant to the Lease.
3. Except as expressly modified by this Agreement, the Lease is hereby ratified, confirmed and continued in full force and effect.
4. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, legal representatives, successors and assigns.

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

Newtown Street Road Associates

Medstaff, Inc.



**List of Subsidiaries**

<b>Subsidiary</b>	<b>State of Incorporation</b>
Assignment America, Inc.	Delaware
Cejka Search, Inc.	Delaware
CC Staffing, Inc.	Delaware
Clinforce, Inc.	Delaware
Cross Country Capital, Inc.	Delaware
Cross Country Consulting, Inc.	Delaware
Cross Country Local, Inc. (f/k/a Flex Staff, Inc.)	Delaware
Cross Country Seminars, Inc.	Delaware
Cross Country TravCorps, Inc.	Delaware
Cross Country TravCorps Inc. Limited	New Zealand
Med-Staff, Inc.	Delaware
NovaPro, Inc.	Delaware
TVCM, Inc.	Delaware

QuickLinks

[Exhibit 21.1](#)

[List of Subsidiaries](#)

[QuickLinks](#) -- Click here to rapidly navigate through this document

**Exhibit 23.1**

**Consent of Independent Certified Public Accountants**

We consent to the incorporation by reference in the Registration Statement on Form S-8 (Reg. No. 333-74862) pertaining to the Cross Country, Inc. Amended and Restated 1999 Stock Option Plan and the Cross Country, Inc. Amended and Restated Equity Participation Plan of our report dated February 13, 2004, with respect to the consolidated financial statements and schedule of Cross Country Healthcare, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2003.

/s/ ERNST & YOUNG LLP

West Palm Beach, FL  
March 12, 2004

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QuickLinks

[Exhibit 23.1](#)

[Consent of Independent Certified Public Accountants](#)

### Certification

I, Joseph A. Boshart, certify that:

1. I have reviewed this annual report on Form 10K of Cross Country Healthcare, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) 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
  - c) 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: March 15, 2004

/s/ JOSEPH A. BOSHART

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Joseph A. Boshart  
President and Chief Executive Officer

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QuickLinks

[Exhibit 31.1](#)

[Certification](#)

### Certification

I, Emil Hensel, certify that:

1. I have reviewed this annual report on Form 10K of Cross Country Healthcare, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) 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
  - c) 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: March 15, 2004

/s/ EMIL HENSEL

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Emil Hensel  
Chief Financial Officer

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QuickLinks

[Exhibit 31.2](#)

[Certification](#)

**Certification Pursuant to 18 U.S.C. Section 1350**

In connection with the accompanying Annual Report on Form 10-K of Cross Country Healthcare, Inc. (the "Company") for the year ended December 31, 2003 (the "Periodic Report"), I, Joseph A. Boshart, Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2004

/s/ JOSEPH A. BOSHA RT

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Joseph A. Boshart  
Chief Executive Officer

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

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QuickLinks

[Exhibit 32.1](#)

[Certification Pursuant to 18 U.S.C. Section 1350](#)

**Certification Pursuant to 18 U.S.C. Section 1350**

In connection with the accompanying Annual Report on Form 10-K of Cross Country Healthcare, Inc. (the "Company") for the year ended December 31, 2003 (the "Periodic Report"), I, Emil Hensel, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2004

/s/ EMIL HENSEL

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Emil Hensel  
Chief Financial Officer

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

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QuickLinks

[Exhibit 32.2](#)

[Certification Pursuant to 18 U.S.C. Section 1350](#)