
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2005

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 if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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

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

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the closing price of Common Stock on June 30, 2005 of \$17.00 as reported on the Nasdaq National Market, was \$433,235,327. This calculation does not reflect a determination that persons are affiliated for any other purpose.

As of February 28, 2006, 32,147,189 shares of Common Stock, \$0.0001 par value per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement, for the 2006 Annual Meeting of Stockholders, which statement will be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Report, are incorporated by reference in Part III hereof.

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

Forward-Looking Statements

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section entitled "Item 1A. – Risk Factors." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Readers should carefully review the Risk Factors described in other documents we file from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q to be filed by us in fiscal year 2006.

PART I

Item 1. Business.

Overview of Our Company

We are one of the largest providers of healthcare staffing services in the United States. Our healthcare staffing business segment represented approximately 93% of our 2005 revenue and is comprised of travel and per diem nurse staffing, allied health staffing as well as clinical research trials staffing. Travel nurse staffing represented 74% of our healthcare staffing revenue. Our other human capital management services business segment represented approximately 7% of our 2005 revenue and consists of education and training as well as retained search services related to physicians and healthcare executives.

We believe we are well positioned in the current environment for healthcare staffing services to take advantage of longer-term industry and demographic dynamics. These dynamics include a growing shortage and aging of registered nurses (RNs), an aging U.S. population expected to result in greater demand for in-patient hospital services, state and federal legislation relating to minimum nurse staffing levels and maximum allowable overtime, and the trend among hospitals toward outsourcing to provide flexibility and a variable cost structure to meet their staffing requirements. For the year ended December 31, 2005, our revenue was \$645.4 million, our income from continuing operations was \$15.3 million, or \$0.47 per diluted share, and our net income was \$14.8 million, or \$0.45 per diluted share. During 2005, we generated \$30.8 million in cash flow from operations and we reduced our total debt to \$25.4 million at year-end, resulting in a debt to total capitalization ratio of 7% as of December 31, 2005.

Healthcare Staffing

Nurse and Allied Health Staffing

We are a leading provider of travel nurse staffing services in the U.S. We also provide travel allied health professional staffing and per diem nurse staffing services. We market our healthcare staffing services to hospitals and healthcare facilities through our Cross Country Staffing and MedStaff brands to provide these clients with travel and per diem staffing solutions. We provide credentialed RNs for travel and per diem staffing assignments at public and private healthcare facilities, and at for-profit and not-for-profit facilities located throughout the U.S. The vast majority of our 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 in a wide range of specialties that include operating room technicians and other allied health professionals, such as rehabilitation therapists, radiology technicians and respiratory therapists. We also fill a small number of staffing assignments in non-acute care settings such as skilled nursing facilities, nursing homes and sports medicine clinics, and, to a lesser degree, in non-clinical settings, such as schools. Together, our national client base includes approximately 3,000 hospitals and other healthcare providers. Our fees are paid directly by our clients and, in certain cases, by third-party administrative payors. As a result, we have no direct exposure to Medicare or Medicaid reimbursements.

In January 2005, Cross Country Staffing's travel staffing business received certification by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) under its Health Care Staffing Services Certification Program. The JCAHO certification program offers an independent, comprehensive evaluation of a staffing agency's ability to provide quality staffing services. We believe this certification program, which is subject to annual review, is a very important quality initiative in our industry.

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

Sales and Marketing

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

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

Recruiting and Retention

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

In 2005, thousands of healthcare professionals applied with us through our differentiated recruitment brands. Historically, more than half of our field employees have been referred to us by other healthcare professionals, with the remainder attracted by advertisements in trade publications and our websites. Our websites allow potential applicants to review our business profile, apply online, view our company-provided housing and participate in online forums.

Our recruiters are an important component of our travel staffing business, responsible for establishing and maintaining key relationships with candidates for the duration of their employment with our Company. Our recruiters work with candidates throughout their initial placement process as well as on subsequent assignments. We believe our strong retention rate is a direct result of these relationships. Recruiters match the supply of qualified candidates in our database with the demand of positions from our hospital clients. At year-end 2005, we had 163 recruiters in our travel staffing business, which represented a net increase of 21% over the prior year.

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

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

Contracts with Field Employees and Hospital Clients

Each of our traveling field employees works for us under a contract. Travel assignments are typically 13 weeks in duration. Our traveling field employees that are on payroll contracts are hourly employees whose contract specifies the hourly rate they will be paid and any other benefits they are entitled to receive during the contract period. For payroll contract employees, we bill clients at an hourly rate and assume all employer costs, including payroll, withholding taxes, benefits, professional liability insurance and Occupational Safety and Health Administration (OSHA) requirements, as well as any travel and housing arrangements. Mobile contract employees are hourly employees of the hospital client and receive an agreement that specifies the hourly rates they will be paid by the hospital employer, as well as any benefits they are entitled to receive from us. We recruit mobile contract employees for our hospital clients and provide those employees with company-leased apartments and travel-related support. We are compensated for the services we provide at a predetermined rate negotiated with our hospital clients. Approximately 99% of our field personnel are directly employed by us. Our fees are paid directly by our clients and, in certain cases, by third-party administrative payors. As a result, we have no direct exposure to Medicare or Medicaid reimbursements.

Operations

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

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

During 2005, we had an average of approximately 2,500 apartments open under lease throughout the U.S. Our housing staff typically secures leases and arranges for furniture rental and utilities for field employees at their assignment locations. Apartment leases are typically three months in duration to match the assignment length of our field employees; beyond the initial term, leases can be extended on a month-to-month basis. Generally, we provide accommodations at no cost to the healthcare professional on assignment with us based on our respective recruitment brand's practices. We believe that our economies of scale help us secure competitive pricing and favorable lease terms.

Clinical Trials Staffing

Our ClinForce subsidiary, headquartered in Research Triangle Park, North Carolina, provides clinical research professionals for both in-sourced and out-sourced fixed-term contract assignments and permanent placement services to many of the world's leading pharmaceutical, biotechnology and medical device companies as well as contract research organizations in North America. Many of our research trials professionals are also RNs. We provide professionals in such areas as clinical research and clinical data sciences, medical review and writing, 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

Education and Training Services

Our Cross Country Education (CCE) subsidiary, headquartered in Nashville, Tennessee, provides continuing education programs to the healthcare industry. CCE holds one-day seminars, as well as national conferences, on topics relevant to nurses and other healthcare professionals. In 2005, CCE held 5,543 seminars and conferences that were attended by approximately 180,000 registrants in more than 210 cities across the U.S. In addition, we extend these educational services to our field employees on favorable terms as a recruitment and retention tool.

Retained Search

Our Cejka Search subsidiary, headquartered in St. Louis, Missouri, is a nationally recognized retained search organization that provides physician and executive search services throughout the U.S. exclusively to the healthcare industry, including hospitals, pharmaceutical companies, insurance companies and physician groups.

Overview of the Nurse Staffing Industry

Industry Dynamics

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

- The U.S. life expectancy recently hit an all-time high of 77.6 years. A projected 18% increase in overall U.S. population between the year 2000 and 2020 is expected to result in an additional 50 million people who will require health care – 19 million of which will be in the 65 and over age group (U.S. Department of Health and Human Services report – July 2002). People age 65 and older accounted for 13% of the population and \$144 billion, or 37%, of hospital spending in 1999, according to the most recent data available from the Centers for Medicare & Medicaid Services (CMS). By 2020, the percentage of people over age 65 is projected to

increase to approximately 17%, according to a study published in *Health Affairs* (May/June 2000). Hospital utilization is significantly higher among older people. According to a 2005 report published by the U.S. Department of Health and Human Services, the 2002 discharge rate for people over the age of 65 was approximately three times higher than for the population as a whole.

- The 55-to-64 age group is expected to increase from 29 million Americans in 2004 to 40 million in 2014. One-half of people in this age group – which includes the oldest baby boomers – have high blood pressure, and two in five are obese. They are, in general, in worse medical condition than Americans born a decade earlier were when they were in this age group.
- Healthcare spending for public and private payors increased 7.9% in 2004, according to the latest CMS data where hospital spending represented about one-third of the total and increased 8.6% compared to 8.2% in recent years.

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

Temporary Nurses

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

Demand Dynamics

The market for our healthcare staffing services is typically influenced by the level of demand for our healthcare staffing services by hospital customers, and the available supply of RNs and other healthcare professionals. In general, we believe nurses are more willing to seek travel assignments during relatively high levels of demand for contract employment, and conversely, are more reluctant to seek travel assignments during and immediately following periods of weak demand for contract employment. We also believe demand for travel nurse staffing services will be favorably impacted in the long-term by an aging population and an increasing shortage of nurses.

Currently, the market for our healthcare staffing services reflects a substantially higher level of demand, as measured by the average monthly number of open orders from our hospital clients, compared to a year ago. We believe this is due to improved labor dynamics that have created increased nurse turnover at hospitals, which has led to a greater supply of RNs seeking travel assignments with us and modest price increases for our nurse staffing services. Despite this more favorable environment for our core nurse staffing business, hospital in-patient admissions trends remain relatively flat with low near-term expectations for growth. We are encouraged by the favorable shift in market conditions during 2005. We also believe many of the characteristics of a transition from a demand-constrained environment toward a more favorable supply-constrained environment were present during 2005, particularly the improvement in pricing.

From approximately mid-2002 through 2004, we believe several factors combined to reduce demand for outsourced nurse staffing services. These factors included: (1) a business cycle where hospitals were more focused on increasing staff nurse productivity and reducing their utilization of outsourced nurse staffing; (2) the effects of a soft national job market that resulted in more full-time and part-time RNs working more shifts directly for hospital employers at prevailing wages as well as pushing nurses not working in the healthcare workforce back into hospitals; (3) relatively low hospital admissions growth; and (4) a corresponding reduction in RNs seeking travel assignments due to a decline in the amount and diversity of staffing opportunities. This decline followed a five-year period from 1997 through 2002 where outsourced labor used by hospitals increased by 72%, according to a study by Shoemaker and Howell (August 2004).

Using temporary personnel enables healthcare providers to vary their staffing levels to match the changes in demand for their permanent staff caused by both 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 to manage seasonal fluctuations in demand for their services. The following factors create 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 and other geographical areas in the summer months; and
- Seasonal changes in occupancy rates that tend to increase during the winter months and decrease during the summer months.

The Staffing Industry Report, an independent staffing industry publication, estimates that \$11.7 billion in revenue was generated in the total U.S. healthcare staffing market in 2005, a 5% increase from 2004. It also projects that in 2006 healthcare staffing will increase 7% to \$12.5 billion – returning to the same level that was generated in 2002. The U.S. healthcare staffing market includes temporary staffing of travel nurses, per diem nurses, allied health professionals and locum tenens (physicians). We believe that approximately \$60 to \$65 billion is spent annually on nursing labor by acute care hospitals. We estimate that historically about 8% to 10% of hospital nurse staffing is outsourced where utilization reflects approximately 25% travel nurse staffing and 75% per diem nurse staffing. However, as a result of lower overall demand during the past few years, we estimate about 7% to 8% of hospital nurse staffing is currently outsourced, representing approximately \$4.5 billion to \$5.0 billion of the total.

Hospital Construction

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

Supply Dynamics

There are approximately 2.9 million licensed RNs in the U.S. according to information published in December 2005 by the U.S. Department of Health and Human Services (HRSA) based on survey findings from March 2004. Of this total, approximately 2.4 million (83%) are employed in nursing and 17% were not employed in nursing. Of the total RN population, 1.7 million (58%) RNs work full-time, 725,000 (25%) work part-time. With respect to employment settings, the largest and most significant is hospitals where nearly 1.4 million RNs of the 2.4 million RNs in the nursing workforce are employed.

The nursing shortage is expected to grow over the coming decades due to the demographics of an aging population and an aging RN workforce that is approaching retirement age. A Fitch Ratings report (May 2003) projects that by 2012 the number of retiring nurses will exceed the number of new nurses entering the profession. According to the recently published HRSA survey, the average age of RNs is approximately 47 years, up from the average age of 45 in 2000 and more than four years older than in 1996. In addition, the percent of RNs over 54 years of age increased to 26% in 2004 from 17% in 1980. The largest group of RNs in 1980 was age 25 to 29, in 1992 the largest group was 35 to 39 years of age, in 2000 it was 40 to 44 years of age, and in 2004 it was the 45 to 49 age group. We believe age 50 is approximately when full-time RNs typically consider retiring from the workforce or switch to part-time status and significantly reduce the number of hours worked directly for hospital employers, because of the physical demands of the job in acute care hospitals.

There is no empirical evidence that the nursing shortage improved, according to a national survey of RNs and physicians conducted in 2004 and published later that year in *Health Affairs*. This study found that a majority of RNs (82%) and doctors (81%) perceived shortages of RNs in the hospitals where they worked or admitted most of their patients. Similarly, hospitals nationwide report feeling pressed by rising demand and limited capacity as they continue to experience nursing shortages, according to a 2005 survey of hundreds of hospital CEOs by the American Hospital Association. The respondents reported that hospital caregivers – particularly nurses – continue to fall far short of the demand for care. Hospitals had an average 8% nurse vacancy rate and 40% of hospital CEOs said that recruiting nurses has become more difficult in the past year.

More recently, one-third of the older RNs said they intend to leave their jobs within the next three years and nearly half will retire, according the findings of a recent study published in the November-December 2005 issue of *Nursing Economics*. Longer term, the nursing workforce is projected to shrink to 2.2 million by 2020 according to a U.S. Bureau of Labor

Statistics report (February 2004), putting the demand for RNs at 2.9 million in 2012, up from 2.3 million in 2002. Reflecting this imbalance, a 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.

Educating Nurses

The shortage of nurses is mirrored by a corresponding shortage of nursing faculty, which is even older than the average age of RNs. In addition, the Honor Society of Nursing reported a 7% vacancy rate for nursing faculty positions. Part of the challenge is that the minimum credential to educate nurses at the associate degree level is a master's degree, and a baccalaureate degree is required to get a master's degree. The constraint in the baccalaureate training programs is expected to exacerbate the future shortage of nurse educators. The American Association of Colleges of Nursing (AACN) believes that baccalaureate-degreed RNs are five times more likely to pursue a higher degree than associate-degreed nurses. The AACN reported a 10% drop in nurses graduating with doctoral degrees in 2004 from the prior year.

According to a *Health Affairs* article (November/December 2003), nursing school enrollment would have to increase 40% annually over the next decade to put enough RNs in the pipeline to replace the number of nurses expected to retire. In 2005, enrollment in bachelor-degree nursing programs increased 13% and graduations from entry-level baccalaureate programs increased 19%. However, the AACN believes these gains are still not enough to avert a federally projected shortfall of 800,000 nurses by 2020. It estimates that in 2005, nursing colleges and universities turned away more than 32,000 qualified applications for nursing bachelor's programs. Similarly, the National League for Nursing, which also accredits nursing degree programs, estimates that schools rejected approximately 33,300 qualified applications for bachelor's degree nursing programs and another 110,500 rejected qualified applications for associate nursing degrees.

Similarly, in 2005 the number of domestically trained nurses sitting for the National Council of State Boards of Nursing (NCLEX) licensing exam, which is required for all new nurses entering the profession in the U.S., increased 14% to 99,200 from the number of RNs that took this exam a year earlier. This represents the fifth consecutive year of growth since the most recent low point in 2001 and surpasses the previous peak in 1995 when approximately 94,500 RNs took this exam.

Overall, we believe that moderate increases in enrollment and graduations from bachelor and associate degree nursing programs as well as corresponding increases in RNs taking and passing the NCLEX exam are positive dynamics for the nursing profession, as a whole, representing an expansion in the future supply of younger and mobile RNs. Based on our historical experience, we anticipate that, over time, this dynamic will lead to increases in our applicant activity of RNs seeking travel assignments with us. This is particularly relevant as the nurse staffing industry transitions toward what is for us a more favorable environment, and the next phase of the nursing shortage is exacerbated by more RNs retiring from the nursing workforce than younger RNs entering the profession.

Legislative Dynamics

In the context of a worsening nursing shortage and legislation enacted in California mandating minimum hospital patient-to-nurse ratios, a study published in the *Journal of the American Medical Association* (JAMA – October 23/30, 2002) researched hospital patient-to-nurse ratios that ranged from 4:1 to 8:1 and found that the odds of patient mortality within 30 days of admission increased by 7% for every additional patient in the average nurse's workload in the hospital as well as an identical outcome among patients who experienced complications (failure-to-rescue). The study concluded that, all else being equal, substantial decreases in mortality rates could result from increasing registered nurse staffing, especially for patients who develop complications.

A more recent *Health Affairs* article (January 2006), suggested that approximately 6,700 deaths and 70,400 complications could be avoided each year if U.S. hospitals were to adopt nurse staffing strategies, which in part included increasing the size and skill level of their nursing workforce.

These studies join a growing body of research and concerns raised by consumer groups about the quality of care provided in healthcare facilities and by nursing organizations about the increased workloads and pressures on nurses. Legislation addressing patient-to-nurse ratios and limiting mandatory nurse overtime has already been passed or introduced at federal and state levels. The passage of such legislation is expected to increase the demand for nurses.

Federal Legislation

Nurse Staffing Plans and Nurse-to-Patient Ratio Legislation

- During 2005, the U.S. Senate introduced the Registered Nurse Safe Staffing Act of 2005 that would require Medicare providers to disclose staffing levels and patient outcomes. A companion bill was introduced in the U.S. House of Representatives. H.R. 1372 (Quality Nursing Care Act) and seeks to establish nurse staffing level

requirements for Medicare-participating hospitals. H.R. 4349 (Patient Safety Act) and seeks to require Medicare providers to report, among other things, the number of nurses and unlicensed professionals who provide direct care, and the average number of patients per nurse or unlicensed professionals who provide direct care.

Mandatory Overtime

- During 2005, companion bills were introduced in the U.S. House of Representatives and the U.S. Senate that would limit mandatory overtime for nurses. H.R. 791 and S. 351 (Safe Nursing and Patient Care Act) seek to prohibit a hospital receiving Medicare payments from requiring a nurse to work beyond a predetermined work schedule, more than 12 hours during a 24-hour period, or more than 80 hours during a 14-day period except during an emergency.

State Legislation

Nurse Staffing Plans and Nurse-to-Patient Ratio Legislation

- The California Safe Hospital Staffing law went into effect January 1, 2004, requiring all hospitals in the state 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, recognizing that the standard for patient care remains staffing based on patient acuity. This ratio legislation incorporated phased-in implementation dates of January 1, 2004, 2005, and 2008. In 2004, California state regulators found that more than half the hospitals they reviewed were in violation of the ratios, most commonly in emergency rooms, medical-surgical units and telemetry units. Certain state governmental actions and related legal matters served to delay the next legislated phase-in of even tighter patient ratios until approximately March 2005.
- In January 2006, legislation to establish nurse staffing requirements was prefiled in the Florida House of Representatives and the Florida Senate. During 2005, legislation/regulation related to nurse staffing plans and minimum nurse-to-patient ratios was enacted in New Jersey, Oregon and Rhode Island. Similar legislation related to nurse staffing plans and minimum nurse-to-patient ratios was introduced in California, Connecticut, Florida, Hawaii, Iowa, Illinois, Indiana, Kansas, Massachusetts, Maryland, Michigan, Missouri, New York, Pennsylvania, Rhode Island, Vermont, Washington and West Virginia.
- During prior years, the states of Connecticut, Hawaii, Missouri and Tennessee introduced legislation requiring healthcare facilities to institute minimum nurse-to-patient ratios. The states of California, Kentucky, Nevada, Oregon, Texas and Virginia enacted legislation requiring healthcare facilities to develop nurse staffing plans while the states of Hawaii, Illinois, Massachusetts, Rhode Island and Washington introduced similar legislation. The state of Maine enacted legislation requiring healthcare facilities to institute both nurse staffing plans and minimum nurse-to-patient ratios while the states of Illinois, Massachusetts, Michigan, New York, Pennsylvania, Rhode Island and Tennessee introduced similar legislation.

Mandatory Overtime

- During 2005, legislation was introduced in Alaska, Florida, Hawaii, Iowa, Michigan, New Hampshire, New York, Ohio, Pennsylvania, Rhode Island, Tennessee and Wisconsin prohibiting or limiting the use of mandatory nurse overtime. During prior years, the states of California, Connecticut, Maryland, Maine, Minnesota, New Jersey, Oregon, Texas and West Virginia enacted legislation prohibiting or limiting the use of mandatory nurse overtime. Similar legislation was also introduced in the states of Georgia, Illinois, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Missouri, Nevada, New Jersey, Oregon, Texas, Vermont and Washington.

Additional Information About Our Business

Competitive Strengths

- *Brand Recognition.* We have operated in the travel nurse staffing industry since the 1970s and have the leading nurse recruitment brand based on revenue. Our Cross Country Staffing brand is well recognized among leading hospitals and healthcare facilities and our Cross Country TravCorps and MedStaff brands are well recognized by RNs and other healthcare professionals. We believe that through our existing relationships with travel nurse staffing clients, we are positioned to effectively market our complementary per diem nurse, allied health and clinical trials staffing services. We believe our retained search business has one of the highest levels of brand recognition in its industry.

- *Strong and Diverse Client Relationships.* We provide staffing solutions to a national client base of approximately 3,000 hospitals, pharmaceutical companies and other healthcare providers. No single client accounted for more than 3% of our revenue. We worked with a vast majority of the nation's top "Honor Roll" hospitals as identified by *U.S. News & World Report* in its most recently published study.
- *Vendor Management Capabilities.* Our Cross Country Staffing brand has the ability to provide acute care facilities with comprehensive vendor management services. By leveraging technology and its single-point of contact service model, Cross Country Staffing can manage all job orders, credential verification, candidate testing, invoicing, and management reporting.
- *JCAHO Certification.* In January 2005, our Cross Country Staffing travel business received certification by the Joint Commission on Accreditation for Healthcare Organizations under its Health Care Staffing Services Certification Program. We were one of the first healthcare staffing companies and the first publicly traded company to receive this new certification. The JCAHO certification program offers independent, comprehensive evaluation of a staffing agency's abilities to provide quality staffing services. While this JCAHO program is voluntary for healthcare staffing companies, we believe it will result in differentiation among healthcare staffing providers and expect that hospitals will increasingly look for JCAHO certification when selecting a nurse staffing company to meet their temporary staffing needs.
- *Recruiting and Employee Retention.* We are a leader in recruiting and retaining highly qualified healthcare professionals. We recruit healthcare professionals from all 50 states and Canada. We also recruit RNs from certain other English-speaking foreign countries, assist them in obtaining U.S. nursing licenses, sponsor them for U.S. permanent residency visas, and then place them in domestic acute care hospitals. In 2005, thousands of healthcare professionals applied with us through our differentiated recruitment brands. Referrals generated a majority of our new candidates. We believe we offer appealing assignments, competitive compensation packages, attractive housing options and other valuable benefits.
- *Continuing Education.* Cross Country University, the first educational program in the travel nurse industry to be accredited by the American Nurse Credentialing Center, enables us to provide continuing education credits to our RN field employees. Our Cross Country Education subsidiary provides accredited continuing education to other healthcare professionals.
- *Scalable and Efficient Operating Structure.* At year-end 2005, the databases for our travel and per diem staffing businesses included more than 200,000 RNs and other healthcare professionals who completed job applications with us. Our size and centralized travel nurse staffing structure provide us with operating efficiencies in key areas such as recruiting, advertising, marketing, training, housing and insurance benefits. Our proprietary information systems enable us to manage virtually all aspects of our travel nurse staffing operations. Our systems are designed to accommodate significant future growth.
- *Strong Management Team with Extensive Healthcare Staffing and Acquisition Experience.* Our management team has played a key role in the development of the travel nurse staffing industry. Our management team, which averages more than 10 years of experience in the healthcare industry, has consistently demonstrated the ability to successfully identify and integrate strategic acquisitions.

Systems

Our placement and support operations are enhanced by sophisticated information systems that facilitate smooth interaction between our recruitment and support activities. Our proprietary information systems enable us to manage virtually all aspects of our travel staffing operations. These systems are designed to accommodate significant future growth of our business. In addition, their 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

While the level of demand for outsourced healthcare staffing improved during 2005, it grew more rapidly than the available supply of RNs willing to travel. We believe this favorable demand dynamic is being driven primarily by an increase in turnover of staff nursing positions in hospitals reflecting a stronger national labor market. However, tempering demand in the nurse staffing market is, what appears to be, a continuation of flat admissions trends at acute care hospitals, which is the principal market we serve. On the demand side, we are striving to increase our market share at the hospitals we currently provide our nurse staffing services to as well as continuing to pursue prospective large users of nurse staffing services as preferred or exclusive relationships. On the supply side, we continue to recruit additional RNs and other healthcare professionals, and manage our internal capacity to efficiently and effectively meet the changing supply and demand requirements of the healthcare staffing marketplace. We intend to continue to grow our businesses by:

- *Exclusive and Preferred Provider Relationships.* Exclusive vendor managed hospital customers currently represent the majority of our top ten customers nationally. We plan to continue to evaluate the optimum number of vendor managed customers and our ability to meet their nurse staffing requirements in order to achieve greater market share within such hospital customers and/or establish exclusive and preferred provider relationships with hospitals and healthcare organizations that we do not presently provide nurse staffing services to. We also plan to utilize our relationships with existing travel staffing clients to more effectively market our complementary services, including staffing of clinical trials and allied health professionals, retained search, and education and training.
- *Enhancing Our Recruitment Efforts to Increase Our Supply of RNs and Other Healthcare Professionals.* Our recruitment strategy is focused on:
 - Utilizing a multi-brand approach to recruit nurses and other healthcare professionals on a domestic and international basis while segmenting the nurse marketplace with differentiated brand offerings;
 - Increasing the number of recruiters and improving the productivity of staff dedicated to the recruitment of new nurses;
 - Using the Internet to accelerate the recruitment-to-placement cycle;
 - Expanding our advertising presence to reach more nursing professionals; and
 - Increasing the number of referrals from existing field employees by providing them with superior service.
- *Increasing Our Market Presence in the Per Diem Staffing Sector.* We intend to use our existing brand recognition, client relationships and database of nurses who have expressed an interest in flexible-term assignments to expand our per diem services to the acute care hospital market. Our MedStaff subsidiary provides the vast majority of our presence in per diem staffing services.
- *Acquiring Complementary Businesses.* We continually evaluate opportunities to acquire complementary businesses to strengthen and broaden our market presence.

Competitive Environment

The nurse staffing industry is highly competitive. While barriers to entry are relatively low, achieving substantial scale is more challenging. Of the market for outsourced nurse staffing services used by hospitals, we believe that approximately 25% is travel nurse staffing and approximately 75% is per diem nurse staffing. We compete with a number of nationally and regionally focused travel nurse staffing companies that have the capabilities to relocate nurses. The per diem nurse staffing sector is highly fragmented and comprised of numerous temporary nurse staffing agencies that are typically small local providers, as well as providers with regional or national focus. National competitors in nurse staffing include AMN Healthcare Services, Inc., Medical Staffing Network Holdings, Inc. and IntelliStaf Healthcare, Inc. In addition, the markets for our clinical trials, allied staffing services and 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 include a large national pool of desirable assignments, salaries and benefits, quality of accommodations, speed of placements, quality of service and recruitment teams, as well as reputation. We believe that healthcare professionals seeking temporary employment through us are also pursuing employment through other means, including other temporary staffing firms, and that multiple staffing companies have the opportunity to place employees with many of our clients. Therefore, the ability to respond to candidate

inquiries and submit candidates to clients more quickly than our competitors is an important factor in our ability to fill assignments. We focus on retaining field employees by providing long-term benefits, such as 401(k) plans and bonuses. Although we believe that the relative size of our database and economies of scale derived from the size of our 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 on hospital care, general economic conditions and its impact on national, regional and local labor markets, and the corresponding supply of full-time and part-time hospital-based nurses willing to work at prevailing hospital wages.

Regulatory and Professional Liability

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

Professional Licensure

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

Business Licenses

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

Regulations Affecting Our Clients

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

Immigration

Changes in immigration law and procedures following September 11, 2001, have slowed down our ability to recruit foreign nurses to meet demand, and changes to such procedures in the future could further hamper our overseas recruiting efforts. In addition, 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 employees (e.g. wage and hour laws, employment taxes and income tax withholdings, etc.) and the operations of our business generally. We conduct business on a national basis and are subject to the laws and regulations applicable to our business in such states, which may be amended from time to time. Future federal and state legislation or interpretations thereof may require us to change our business practices. Compliance with all of these applicable rules and regulations require a significant amount of resources. We endeavor to be in compliance with all such rules and regulations.

Employees

As of December 31, 2005, we had approximately 1,025 corporate employees and during 2005 had an average of 5,573 full-time equivalent field employees. We are not subject to a collective bargaining agreement with any of our employees. We consider our relationship with employees to be good.

Available Information

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

Item 1A. Risk Factors.

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

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

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

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

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

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

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

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

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

Our clinical trials staffing business is conducted under long-term contracts with individual clients that may 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.

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

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

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

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

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

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

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

The temporary healthcare staffing industry is regulated in many states. In some states, firms such as our Company must be registered to establish and advertise as a nurse-staffing agency or must qualify for an exemption from registration in those states. If we were to lose any required state licenses, we could be required to cease operating in those states. The introduction of new regulatory provisions could substantially raise the costs associated with hiring temporary employees. For example,

some states could impose sales taxes or increase sales tax rates on temporary healthcare staffing services. These increased costs may not be able to be passed on to clients without a decrease in demand for temporary employees. In addition, if government regulations were implemented that limited the amounts we could charge for our services, our profitability could be adversely affected.

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

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

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

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

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

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

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

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

These acquisitions involve numerous risks, including:

- potential loss of key employees or clients of acquired companies;
- difficulties integrating acquired personnel and distinct cultures into our business;
- difficulties integrating acquired companies into our operating, financial planning and financial reporting systems;
- diversion of management attention from existing operations; and
- assumption of liabilities and exposure to unforeseen liabilities of acquired companies, including liabilities for their failure to comply with healthcare 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 applicable to our business, we could incur civil and/or criminal penalties or be subject to equitable remedies.

Significant legal actions could subject us to substantial uninsured liabilities.

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

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

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

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

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

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

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

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

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

or satisfy judgments for monetary damages for amounts in excess of current reserves, which could adversely affect our financial results for future periods.

Our indemnity from W. R. Grace & Co. (Grace), 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 Grace of the assets of Cross Country Staffing in July 1999, 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.

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

Charterhouse Equity Partners III, (CEP III) and CHEF Nominees Limited (CHEF) own approximately 20% of our outstanding common stock. Accordingly, they will be able to substantially influence:

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

Currently, our Board of Directors is comprised of eight members, two of whom are designees of the CEP Investors. Under our stockholders' agreement, the CEP Investors have the right to designate two directors for nomination to our board of directors. This number decreases (i) to one director if CEP reduces its ownership by more than 50% of their holdings prior to our initial public offering and (ii) to zero upon a reduction of ownership by more than 90% of their holdings prior to our initial public offering. Their interests may conflict with the interests of the other holders of Common Stock.

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

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

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

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

CEP III has demand rights to cause us to file a registration statement under the Securities Act covering resales of its stock and sales of this stock could cause our stock price to decline.

CEP III has 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 20% 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 2,498,230 shares of common stock were issued and outstanding as of February 28, 2006, of which, options to purchase 2,488,730 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.

Item 2. Properties.

We do not own any real property. Our principal leases as of December 31, 2005 are listed below.

<u>Location</u>	<u>Function</u>	<u>Square Feet</u>	<u>Lease Expiration</u>
Boca Raton, Florida	Headquarters	70,406	May 1, 2013
Newtown Square, Pennsylvania (a)	Staffing administration and general office use	35,000	July 31, 2006
Malden, Massachusetts	Staffing administration and general office use	31,662	June 30, 2009
Clayton, Missouri	Retained search headquarters	20,539	November 30, 2008
Durham, North Carolina	Clinical research and trials staffing headquarters	34,635	September 30, 2013
Tampa, Florida	Staffing administration and general office use	15,698	December 31, 2007
Nashville, Tennessee	Education training corporate office	12,514	August 31, 2007

- (a) We executed a lease for office space in Newtown Square, PA, in February 2006, to replace this property. The new lease is for 7 years and 5 months (with an option to renew for 5 years) and the size of the space is 31,959 square feet. The commencement date of the lease has not been determined as of the date of this filing.

Item 3. Legal Proceedings.

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

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

On February 10, 2006, the Superior Court of the State of California granted plaintiff leave to amend the complaint to add causes of actions alleging defendant's failure to pay for missed meal periods and rest breaks.

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 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.

On February 18, 2005, the Company's MedStaff subsidiary became the subject of a purported class action lawsuit (*Maureen Petray and Carina Higareda v. MedStaff, Inc.*) filed in the Superior Court of California in Riverside County. The lawsuit only relates to MedStaff corporate employees. It alleges, among other things, violations of certain sections of the California Labor Code, the California Business and Professions Code, and recovery of unpaid wages and penalties. MedStaff currently has less than 50 corporate employees in California. The plaintiffs, Maureen Petray and Carina Higareda purport to sue on behalf of themselves and all others similarly situated, allege that MedStaff failed, under California law, to provide meal period and rest breaks and pay for those missed meal periods and rest breaks; failed to compensate the employees for all hours worked; failed to compensate the employees for working overtime; and failed to keep appropriate records to keep track of time worked. Plaintiffs seek, among other things, an order enjoining MedStaff from engaging in the practices challenged in the complaint; for an order for full restitution of all monies MedStaff allegedly failed to pay plaintiffs and their purported class; for interest; for certain penalties provided for by the California Labor Code; and for attorneys' fees and costs. The lawsuit is in its very early stages and has not yet been certified by the court as a class action. As a result, the Company is unable to determine its potential exposure, if any, and intends to vigorously defend this matter.

On June 21, 2005, the Company, its MedStaff subsidiary, and a number of its individual officers and managers became the subject of a purported class action lawsuit (*Darrellyn Renee Henry vs. MedStaff, Inc., Cross Country Healthcare, Inc., Victor Kalafa, Tim Rodden, Talia Pico and Melissa Hetrick*) in the United States District Court for the Central District of California in Orange County. The lawsuit relates only to corporate employees purportedly employed by the Company and/or MedStaff, but based on its allegations appears to be limited to MedStaff corporate employees. It alleges, among other things, violations of certain sections of the federal Fair Labor Standards Act, the California Labor Code, the California Business and Professions Code, as well as claims for breach of contract, unjust enrichment and the recovery of unpaid wages and penalties. Plaintiff, Darrellyn Renee Henry, who purports to sue on behalf of herself and all other similarly situated employees, makes allegations similar to those made by plaintiffs Maureen Petray and Carina Higereda in their action in the California Superior Court, but Henry's claims purport to encompass a nation wide (rather than a California only) putative class of employees. Henry alleges that the Company and/or MedStaff failed, under both federal and California law, to timely and properly compensate employees for all hours worked (including overtime) and to provide at least the minimum amount of compensation required for those hours. Henry also alleges that the Company and/or MedStaff failed, under California law only, to provide meal periods and to pay for those missed meal periods, suffered employees to work in excess of 16 hours per day, and breached employment contracts as to the terms of compensation for all hours worked and the provision of compensated meal and rest periods. Plaintiffs seek, among other things, an order enjoining the Company and MedStaff from engaging in the practices challenged in the complaint, an order for full restitution of all monies the Company and/or MedStaff allegedly failed to pay plaintiffs and their purported class, interest, liquidated damages as provided for by the Fair Labor Standards Act, penalties as provided for by the California Labor Code, an equitable accounting and attorneys' fees and costs. On February 27, 2006, the United States District Court for the Central District of California filed an order denying plaintiff's certification of a collective action pursuant to 29 U.S.C. Section 216(b) (Fair Labor Standards Act claims) without prejudice and holding on submission plaintiff's Rule 23 motion for certification of a class action solely with respect to California employees based on California law. The Company is unable to determine its potential exposure, if any, and intends to vigorously defend this matter.

The Company and its subsidiary, Cross Country TravCorps, Inc., became the subject of two medical malpractice lawsuits filed in December 2002 and March 2003 (*Nika Yarandi, by her parents, Fereidoon Yarandi & Victoria Yarandi, and Fereidoon Yarandi & Victoria Vahdani, individually vs. Cross Country TravCorps, Inc., et al.; and Chris Myers and Michelle Myers both individually and as Father and Mother of Liam Evan Myers, a Minor vs. Cross Country Healthcare, Inc., et al.*), respectively, in the Circuit Court of Cook County, Illinois. Both lawsuits relate to nursing services provided by nurses supplied by Cross Country TravCorps to a hospital located in Chicago, Illinois. The lawsuits allege that the nurses supplied by Cross Country TravCorps were negligent in their care and treatment of Plaintiffs who were maternity patients at the facility in Chicago. The nurses' alleged negligent failure to appropriately monitor each Plaintiff in their labor and delivery allegedly caused the minor Plaintiffs to suffer severe, permanent and disabling brain injuries. In addition to the hospital facility and physicians, the Company, Cross Country TravCorps and the individual nurses have been named as direct defendants in the lawsuits. During the second quarter of 2005, the Company increased its reserve for professional liability insurance by \$5.3 million, pretax, based on an independent actuarial calculation which reflected unfavorable developments relating to these cases. The Company is currently engaged in settlement discussions and expects to settle these matters consistent with the previously established accrual range.

Item 4. Submission Of Matters To A Vote Of Security Holders.

There were no matters submitted to a vote of security holders during the fourth quarter of 2005.

PART II

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

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.

<u>Calendar Period</u>	<u>Closing Sale Prices</u>	
	<u>High</u>	<u>Low</u>
2005		
Quarter Ended March 31, 2005	\$ 17.46	\$ 15.09
Quarter Ended June 30, 2005	\$ 18.25	\$ 15.80
Quarter Ended September 30, 2005.....	\$ 20.17	\$ 17.67
Quarter Ended December 31, 2005	\$ 19.12	\$ 16.72
2004		
Quarter Ended March 31, 2004	\$ 19.31	\$ 15.72
Quarter Ended June 30, 2004	\$ 18.44	\$ 16.09
Quarter Ended September 30, 2004.....	\$ 17.63	\$ 13.92
Quarter Ended December 31, 2004	\$ 19.35	\$ 14.83

As of March 2, 2006, there were 127 stockholders of record of our common stock. In addition, there are approximately 5,000 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. As of December 31, 2005, we were limited to \$24.3 million to be used for either dividend and/or stock repurchases.

During 2005, we granted options to purchase a total of 319,000 shares of common stock to employees, including certain senior managers, at a weighted average exercise price of approximately \$15.75 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 thereunder, as transactions by an issuer not involving any public offering.

With respect to equity compensation plans as of December 31, 2005, see table below:

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u> <u>(a)</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u> <u>(b)</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u> <u>(c)</u>
Equity compensation plans approved			
by security holders	2,512,266	\$ 14.01	692,477
Equity compensation plans not approved by security holders.....	None	N/A	N/A
Total	<u>2,512,266</u>	<u>\$ 14.01</u>	<u>692,477</u>

On November 4, 2002, we announced that our Board of Directors authorized a stock repurchase program, whereby we may purchase up to 1.5 million of our common shares at an aggregate price not to exceed \$25.0 million. The Board of Directors did not specify an expiration date. During the three month period ended December 31, 2005, we purchased 110,100 shares of common stock at an average cost of \$17.73 per share pursuant to its current authorization. A summary of the repurchase activity for the period covered by this report follows:

<u>Period</u>	<u>(a) Total Number of Shares Purchased</u>	<u>(b) Average Price Paid per Share</u>	<u>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>(d) Maximum of Shares that May Yet Be Purchased Under the Plans or Programs</u>
October 1 – October 31, 2005.....	56,100	\$17.22	56,100	287,772
November 1 – November 30, 2005.....	7,500	\$18.27	7,500	280,272
December 1 – December 31, 2005.....	46,500	\$18.25	46,500	233,772
Total October 1 – December 31, 2005..	<u>110,100</u>	<u>\$17.73</u>	<u>110,100</u>	<u>233,772</u>

Item 6. Selected Financial Data.

The selected consolidated financial data as of December 31, 2005 and 2004 and for the years ended December 31, 2005, 2004, and 2003 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, 2003, 2002 and 2001 and for the years ended December 31, 2002 and 2001, are derived from the consolidated financial statements of Cross Country Healthcare, Inc., that have been audited but not included in this report.

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

	Year Ended December 31,				
	2005 (a)	2004 (b)	2003 (b) (c)	2002 (b)	2001 (b)
(Dollars in thousands, except share and per share data)					
Consolidated Statements of Income Data					
Revenue from services	\$ 645,393	\$ 654,111	\$ 673,102	\$ 626,109	\$ 504,364
Operating expenses:					
Direct operating expenses	503,103	509,571	519,840	478,550	377,291
Selling, general and administrative expenses	104,798	99,535	95,736	82,465	68,560
Bad debt expense	1,177	957	1,350	162	1,274
Depreciation	5,159	5,140	4,371	3,397	2,700
Amortization	1,424	1,580	2,990	2,644	13,088
Non-recurring secondary offering costs (d)	—	—	16	886	—
Total operating expenses	615,661	616,783	624,303	568,104	462,913
Income from operations	29,732	37,328	48,799	58,005	41,451
Other expenses:					
Interest expense, net	3,458	4,789	4,797	4,172	16,185
Loss on early extinguishment of debt (e)	1,359	—	960	—	8,000
Income from continuing operations before income taxes	24,915	32,539	43,042	53,833	17,266
Income tax expense	(9,575)	(11,936)	(16,657)	(20,833)	(7,646)
Income from continuing operations	15,340	20,603	26,385	33,000	9,620
Discontinued operations, net of income taxes:					
(Loss) income from discontinued operations (f)	(588)	56	(564)	(3,217)	(741)
Loss on disposal (f)	—	—	—	—	(207)
Net income	\$ 14,752	\$ 20,659	\$ 25,821	\$ 29,783	\$ 8,672
Net income (loss) per common share – basic:					
Income from continuing operations	\$ 0.48	\$ 0.65	\$ 0.82	\$ 1.02	\$ 0.39
Discontinued operations	(0.02)	0.00	(0.02)	(0.10)	(0.04)
Net income	\$ 0.46	\$ 0.65	\$ 0.80	\$ 0.92	\$ 0.35
Net income (loss) per common share – diluted:					
Income from continuing operations	\$ 0.47	\$ 0.63	\$ 0.81	\$ 0.98	\$ 0.38
Discontinued operations	(0.02)	0.00	(0.02)	(0.10)	(0.04)
Net income	\$ 0.45	\$ 0.63	\$ 0.79	\$ 0.88	\$ 0.34
Weighted-average common shares outstanding:					
Basic	32,228,978	31,992,752	32,090,731	32,432,026	24,881,218
Diluted	32,773,634	32,578,319	32,530,563	33,653,433	25,222,936

	Year Ended December 31,				
	2005	2004	2003	2002	2001
(Net cash dollars in thousands)					
Other Operating Data					
FTE's (g)	5,573	5,756	5,917	5,535	4,816
Weeks worked (h)	289,796	299,312	307,684	287,820	250,432
Average healthcare staffing revenue per FTE per week (i)	\$ 2,068	\$ 2,045	\$ 2,069	\$ 2,046	\$ 1,865
Net cash provided by operating activities	\$ 30,790	\$ 43,268	\$ 51,799	\$ 42,690	\$ 19,795
Net cash (used in) provided by investing activities	\$ (8,412)	\$ 4,007	\$ (109,477)	\$ (19,834)	\$ (42,321)
Net cash (used in) provided by financing activities	\$ (22,378)	\$ (47,275)	\$ 40,468	\$ (8,382)	\$ 25,262

	Year Ended December 31,				
	2005	2004	2003	2002	2001
	(Dollars in thousands)				
Consolidated Balance Sheet Data					
Working Capital	\$ 70,870	\$ 71,929	\$ 79,532	\$ 78,148	\$ 72,732
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ 17,210	\$ 2,736
Total assets (j)	\$ 481,661	\$ 455,995	\$ 474,724	\$ 390,827	\$ 361,980
Total debt	\$ 25,429	\$ 42,274	\$ 93,738	\$ 42,815	\$ 48,865
Stockholders' equity	\$ 359,286	\$ 346,374	\$ 320,523	\$ 300,832	\$ 269,927

- (a) During the second quarter of 2005, the Company increased its reserve for professional liability insurance by \$5.3 million, pretax, based on an independent actuarial calculation which reflected unfavorable developments relating to certain professional liability cases. Refer to discussion in Legal Proceedings and the footnotes to our financial statements (Note 9 – Commitments and Contingencies).
- (b) Certain prior year data has been reclassified to conform to the current year presentation.
- (c) Includes results of operations of MedStaff, from June 5, 2003, the date of its acquisition.
- (d) 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.
- (e) Loss on early extinguishment of debt in the year ended December 31, 2005 relates to the write-off of debt issuance costs associated with the prior credit facility, which was refinanced in the fourth quarter of 2005. Loss on early extinguishment of debt in the year ended December 31, 2003 relates to the write-off of debt issuance costs associated with the early termination of our prior amended credit facility as a result of our refinancing in connection with the MedStaff acquisition. Loss on early extinguishment of debt recorded in the period ended December 31, 2001 represents the write-off of debt issuance costs 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.
- (f) Reflects the operating results of Cross Country Consulting, Inc., E-Staff, Inc. (E-Staff), and HospitalHub, Inc (HospitalHub). Cross Country Consulting, Inc. results are included in the years ended December 31, 2005, 2004, 2003, and 2002. The Company participated in the consulting business in 2001 but at that time did not segregate their results separately and the results were immaterial to the total consolidated results. Accordingly, the consolidated income statement for the year ended December 31, 2001 has not been reclassified. In March 2002, we committed to a formal plan to dispose of E-Staff. E-Staff ceased operations in the first quarter of 2003. HospitalHub began operations in 1999. We completed the divestiture of HospitalHub, Inc. during the second quarter of 2001.
- These amounts also include: 1) a \$3.7 million pretax (\$0.7 million after tax) gain recognized in the year ending December 31, 2004 relating to the sale of assets of our Jennings Ryan & Kolb and Gill/Balsano Consulting businesses to a third party; and 2) impairment charges relating to our valuation of discontinued net assets of \$0.8 million and \$4.1 million in the years ended December 31, 2004 and 2002, respectively. The remaining consulting practice was shut down in the third quarter of 2005 and, as a result, the shut-down costs were allocated to the impairment charge related to that business.
- (g) FTE's represent the average number of contract staffing personnel on a full-time equivalent basis.
- (h) Weeks worked is calculated by multiplying the FTE's by the number of weeks during the respective period.
- (i) 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.
- (j) The Company has classified its consolidated balance sheet for the years ended December 31, 2005 through 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 year ended December 31, 2001, as the amount of reclassification would be immaterial to total assets.

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

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

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

Overview

We are one of the largest providers of healthcare staffing services in the United States. Our healthcare staffing business segment represented approximately 93% of our 2005 revenue and is comprised of travel and per diem nurse staffing, allied health staffing, as well as clinical research trials staffing. Travel nurse staffing represented approximately 74% of this business segment's revenue. 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 represented approximately 7% of our 2005 revenue and consists of education and training and retained search services. For the year ended December 31, 2005, our revenue was \$645.4 million, income from continuing operations was \$15.3 million, or \$0.47 per diluted share, and net income was \$14.8 million, or \$0.45 per diluted share. During 2005, we generated \$30.8 million in cash flow from operations and we reduced our total debt to \$25.4 million at year-end, resulting in a debt to total capitalization ratio of 7% as of December 31, 2005.

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

Our healthcare staffing revenue and earnings are impacted by the relative supply of and demand for nurses at healthcare facilities. We rely significantly on our ability to recruit and retain nurses and other healthcare 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. In general, we believe nurses are more willing to seek travel assignments during relatively high levels of demand for contract employment, and conversely, are more reluctant to seek travel assignments during and immediately following periods of weak demand for contract employment. We also believe demand for travel nurse staffing services will be favorably impacted in the long term by an aging population and an increasing shortage of nurses.

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

Currently, the market for our healthcare staffing services reflects a substantially higher level of demand, as measured by the average monthly number of open orders from our hospital clients, compared to a year ago. We believe this is due to improved labor dynamics that have created increased nurse turnover at hospitals, which has led to a greater supply of RNs seeking travel assignments with us and to modest price increases for our nurse staffing services. Despite this more favorable environment for our core nurse staffing business, hospital in-patient admissions trends remain relatively flat with low near-term expectations for growth. Typically, as admissions increase, temporary employees are often added before full-time employees are hired. As admissions decline, clients tend to reduce their use of temporary employees before undertaking layoffs of their regular employees. We believe many of the characteristics of a transition from a demand-constrained environment toward a more favorable supply-constrained environment were present during 2005, particularly the more favorable pricing environment.

From approximately mid-2002 through 2004, we believe several factors combined to reduce demand for outsourced nurse staffing services. These factors included: (1) a business cycle where hospitals were more focused on increasing staff nurse productivity and reducing their utilization of outsourced nurse staffing; (2) the effects of a soft national job market that resulted in more full-time and part-time RNs working more shifts directly for hospital employers at prevailing wages, as well as pushing nurses not working in the healthcare workforce back into hospitals; (3) relatively low hospital admissions growth; and (4) a corresponding reduction in RNs seeking travel assignments due to a decline in the amount and diversity of staffing opportunities. This decline followed a five-year period from 1997 through 2002 where outsourced labor used by hospitals had increased. During periods of decreased demand, we tend to experience more competitive pricing pressure.

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

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 revenue is received primarily from acute care hospitals. Our clinical trials staffing revenue is received primarily from pharmaceutical and biotechnology companies, medical device companies as well as contract research organizations. Revenue from allied health staffing services is received from numerous sources, including providers of radiation, rehabilitation and respiratory services at hospitals, nursing homes, sports medicine clinics and schools. Revenue from our retained search and our education and training services is received from numerous sources, including hospitals, physician group practices, insurance companies and individual healthcare professionals. Our fees are paid directly by our clients rather than by 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, and any other benefits they are entitled to receive during the contract period. For payroll contract employees, we bill clients at an hourly rate and assume all employer costs, including payroll, withholding taxes, benefits, professional liability insurance and Occupational Safety and Health Administration, or OSHA, requirements, as well as any travel and housing arrangements. Mobile contract employees are hourly employees of the hospital client and receive an agreement that specifies the hourly rates they will be paid by the hospital employer, as well as any benefits they are entitled to receive from us. We recruit mobile contract employees for our hospital clients and provide those employees with company-leased apartments and travel-related support. We are compensated for the services we provide at a predetermined rate negotiated with our hospital clients. Approximately 99% of our field personnel are directly employed by us. Our fees are paid directly by our clients and, in certain cases, by third-party administrative payors. As a result, we have no direct exposure to Medicare or Medicaid reimbursements.

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

Acquisitions

On June 5, 2003, we acquired the assets of Med-Staff, Inc. (MedStaff) 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. MedStaff did not qualify to receive any earnout payments. MedStaff is headquartered in Newtown Square, Pennsylvania, and provides travel nurse staffing services and per diem staffing of healthcare professionals to clients across the United States.

The acquisition has been included in the healthcare staffing segment and the results of MedStaff's operations have been included in the consolidated statements of income since the date of acquisition, in accordance with Financial Accounting Standards Board (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 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. Goodwill is expected to be deductible only for tax purposes over a 15 year life.

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 MedStaff, to repay the term loan balance on the prior credit facility, and to pay fees and expenses incurred in connection with the financing. In the fourth quarter of 2005, the Company entered into a new credit agreement that replaced this facility. Refer to Liquidity and Capital Resources for a further discussion.

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

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

- (a) Acquisition purchase price includes cash paid, the assumption of debt and post-closing adjustments. The TravCorps acquisition price represents the approximate value of our common stock that was exchanged for all the outstanding shares of TravCorps – \$32.1 million, plus the assumption of \$45.0 million of debt.
- (b) All earnout periods have ended. Accordingly, we do not have any additional obligations on these earnouts.

Discontinued Operations

Discontinued operations during the years ended December 31, 2005, 2004, and 2003 include results from operations of the healthcare consulting business that was previously classified in our other human capital management services business segment. On October 4, 2004, Cross Country Healthcare sold assets of its Jennings Ryan & Kolb (JRK) and Gill/Balsano Consulting (GBC) practices to Mitretek Systems, Inc. (Mitretek) for \$12.3 million in cash plus a working capital adjustment. The carrying amount of net assets sold was \$7.0 million and consisted primarily of goodwill and other intangibles with a carrying amount of \$6.8 million. We recognized a pre-tax gain on this transaction of \$3.7 million (\$0.7 million after taxes) which is included in discontinued operations in the consolidated statement of income for the year ended December 31, 2004. Net proceeds from this transaction were used to pay down \$10.4 million of term loan debt. The remaining consulting practice was held for sale until the third quarter of 2005.

In the fourth quarter of 2004, we conducted an assessment of the tangible and intangible net assets of the remaining consulting practice in accordance with FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, and FASB Statement No. 142, *Goodwill and Other Intangible Assets*. Based on this assessment, we determined that the carrying amount of the net assets as then reflected on the Company's consolidated balance sheet exceeded its estimated fair value. In accordance with the assessment, the Company recorded a pretax charge of \$0.8 million to discontinued operations. The charge represented the impairment of goodwill in the amount of \$0.4 million and a reduction in value of other tangible assets in the amount of \$0.4 million.

During the third quarter of 2005, we abandoned our efforts to sell the remaining consulting practice and shut down the residual operations. We continue to account for the consulting practice as discontinued operations within the consolidated statements of income and cash flows and in the notes to the consolidated financial statements included in this Form 10-K. We estimated the remaining costs associated with the shut down of the business and recorded these costs in loss from discontinued operations in the third quarter of 2005. These costs were allocated to the impairment valuation previously recorded in the fourth quarter of 2004. In accordance with FASB Statement No. 144, any adjustments to these estimated amounts will be recorded to discontinued operation in subsequent periods. We do not expect final adjustments to be material and we expect all adjustments to be complete by the first quarter of 2006. We do not anticipate any further involvement in the consulting business going forward.

Discontinued operations during the year ended December 31, 2003, include results from operations of our E-Staff business 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. 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 ceased operations 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.

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 \$302.9 million and \$20.9 million, respectively, net of accumulated amortization, at December 31, 2005. We adopted the provisions of FASB No. 142 as of January 1, 2002. Accordingly, goodwill and certain other identifiable intangible assets are no longer subject to amortization. Instead, we review impairment annually. See Critical Accounting Principles and Estimates where discussed further. 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 90% of our stockholders' equity as of December 31, 2005.

Results of Operations

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

	<u>Year Ended December 31,</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenue from services	100.0%	100.0%	100.0%
Direct operating expenses	78.0	77.9	77.2
Selling, general and administrative expenses	16.2	15.2	14.2
Bad debt expense	0.2	0.2	0.2
Depreciation and amortization	1.0	1.0	1.1
Non-recurring secondary offering costs	—	—	0.0
Income from operations	4.6	5.7	7.3
Interest expense, net	0.5	0.7	0.7
Loss on early extinguishment of debt	0.2	—	0.2
Income from continuing operations before income taxes	3.9	5.0	6.4
Income tax expense	(1.5)	(1.8)	(2.5)
Income from continuing operations	2.4	3.2	3.9
Discontinued operations, net of income taxes	(0.1)	0.0	(0.1)
Net income	<u>2.3%</u>	<u>3.2%</u>	<u>3.8%</u>

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

Revenue from services decreased \$8.7 million, or 1.3%, to \$645.4 million for the year ended December 31, 2005 as compared to \$654.1 million for the year ended December 31, 2004. This decrease was primarily due to a decline in revenue from our healthcare staffing businesses partially offset by an increase in our revenue from other human capital management businesses. The decrease in our healthcare staffing business was mostly from our travel nurse staffing and per diem operations, but was partially offset by an increase in our allied health, clinical trials staffing, and international recruitment businesses. The increase in other human capital management business was primarily due to an increase in both our educational seminars and our retained search businesses. See Segment Information which follows for further analysis.

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

Selling, general and administrative expenses totaled \$104.8 million for the year ended December 31, 2005 as compared to \$99.5 million for the year ended December 31, 2004. As a percentage of revenue, selling, general and administrative expenses were 16.2% and 15.2% for the years ended December 31, 2005 and 2004, respectively, reflecting higher compensation costs (including investments in recruitment capacity), higher health insurance costs, and a higher relative mix of business from our other human capital services business segment. Our other human capital management services businesses operate with higher selling, general and administrative expenses as a percentage of revenue than our healthcare staffing business segment.

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

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

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

Net interest expense totaled \$3.5 million for the year ended December 31, 2005, as compared to \$4.8 million for the year ended December 31, 2004. This decrease was primarily due to lower average borrowings outstanding during the year ended December 31, 2005 compared to the year ended December 31, 2004 partially offset by slightly higher effective borrowing cost in the year ended December 31, 2005. The effective borrowing cost for the year ended December 31, 2005 was 7.9% compared to a rate of 5.7% for the year ended December 31, 2004.

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

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

Year Ended December 31, 2004 Compared To Year Ended December 31, 2003

Revenue from services decreased \$19.0 million, or 2.8%, to \$654.1 million for the year ended December 31, 2004 as compared to \$673.1 million for the year ended December 31, 2003. Excluding the effect of the MedStaff acquisition, revenue decreased \$64.3 million, or 10.9%. This decrease was primarily due to a decrease in revenue from our organic healthcare staffing businesses partially offset by a slight increase in our other human capital management businesses. The organic decrease in other healthcare staffing was mostly from our travel staffing operations, but was partially offset by an increase in our clinical trials staffing and international recruitment businesses. The increase in other human capital management was primarily due to an increase in our educational seminars business and our retained search business. See Segment Information which follows for further analysis.

Direct operating expenses are comprised primarily of field employee compensation expenses, housing expenses, travel expenses and field insurance expenses. Direct operating expenses totaled \$509.6 million for the year ended December 31, 2004 as compared to \$519.8 million for the year ended December 31, 2003. As a percentage of revenue, direct operating expenses represented 77.9% of revenue for the year ended December 31, 2004 and 77.2% for year ended December 31, 2003. As a percent of revenue, this increase is primarily attributable to higher compensation and insurance costs.

Selling, general and administrative expenses totaled \$99.5 million for the year ended December 31, 2004 as compared to \$95.7 million for the year ended December 31, 2003. This increase is primarily due to the added selling, general and administrative expenses of MedStaff, as well as higher legal fees and higher public company expenses amounting to \$2.1 million in 2004 relating to our efforts toward complying with Section 404 of the Sarbanes-Oxley Act of 2002. Partially offsetting these increases were lower selling expenses in our healthcare staffing segment as a result of lower volumes. As a percentage of revenue, selling, general and administrative expenses were 15.2% and 14.2% for the years ended December 31, 2004 and 2003, respectively, reflecting negative operating leverage resulting from an organic decline in volume.

Bad debt expense totaled \$1.0 million for the year ended December 31, 2004 as compared to \$1.4 million for the year ended December 31, 2003. This slight decrease reflects recoveries of previously reserved accounts that we had success in collecting. Bad debt expense represented approximately 0.2% of revenue for both the years ended December 31, 2004 and 2003.

Depreciation and amortization expense for the year ended December 31, 2004 totaled \$6.7 million as compared to \$7.4 million for the year ended December 31, 2003. As a percentage of revenue, depreciation and amortization expense was 1.0% for the year ended December 31, 2004 and 1.1% for the year ended December 31, 2003.

Net interest expense totaled \$4.8 million for the years ended December 31, 2004 and 2003. Lower average borrowings outstanding during the year were offset by slightly higher interest rates and loan fee amortization in the year ended December 31, 2004 compared to the year ended December 31, 2003. The effective borrowing cost, excluding loan fee amortization, for the year ended December 31, 2004, was 5.7% compared to a rate of 5.4% for the year ended December 31, 2003.

Income tax expense totaled \$11.9 million for the year ended December 31, 2004 as compared to \$16.7 million for the year ended December 31, 2003. The effective tax rate on continuing operations was 36.7% for the year ended December 31, 2004 compared to 38.7% in the year ended December 31, 2003 primarily due to certain adjustments relating to state tax refunds.

Discontinued operations, net of income taxes, amounted to income of \$0.1 million in the year ended December 31, 2004 compared to a loss of \$0.6 million in the year ended December 31, 2003. Discontinued operations in the year ended December 31, 2004 included the gain on the sale of our JRK and GBC businesses as discussed previously, which amounted to \$0.7 million after taxes. Discontinued operations during the year ended December 31, 2004, also included impairment and valuation charges relating to the net assets of the remaining consulting practice that was held for sale, amounting to \$0.8 million, pretax; net losses from operations of \$0.3 million pretax; and related income taxes.

Segment Information

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

	Year ended December 31,		
	2005	2004(a)	2003(a)
	(Amounts in thousands)		
Revenue from unaffiliated customers:			
Healthcare staffing	\$ 599,346	\$ 612,076	\$ 636,735
Other human capital management services	46,047	42,035	36,367
	<u>\$ 645,393</u>	<u>\$ 654,111</u>	<u>\$ 673,102</u>
Contribution income (b):			
Healthcare staffing	\$ 55,279	\$ 61,397	\$ 75,334
Other human capital management services	8,116	7,090	4,761
Unallocated corporate overhead	27,080	24,439	23,919
Depreciation	5,159	5,140	4,371
Amortization	1,424	1,580	2,990
Non-recurring secondary offering costs	—	—	16
Interest expense, net	3,458	4,789	4,797
Loss on early extinguishment of debt	1,359	—	960
Income from continuing operations before income taxes	<u>\$ 24,915</u>	<u>\$ 32,539</u>	<u>\$ 43,042</u>

- (a) Prior periods have been reclassified to conform to the current 2005 presentation
- (b) 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*.

Healthcare Staffing

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

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

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

For the year ended December 31, 2005, nurse staffing operations generated 85.9% of healthcare staffing revenue and 14.1% was generated by other operations. For the year ended December 31, 2004, 87.1% of healthcare staffing revenue was generated from nursing operations and 12.9% was generated by other operations.

Contribution income from our healthcare staffing segment for the year ended December 31, 2005 decreased 10.0% or \$6.1 million to \$55.3 million from \$61.4 million in the year ended December 31, 2004. As a percentage of healthcare staffing revenue, contribution income was 9.2% for the year ended December 31, 2005 compared to 10.0% for the year ended December 31, 2004. Our profitability was negatively impacted by the significantly higher insurance reserves recorded in the year ended December 31, 2005. Excluding the \$5.3 million charge discussed previously, contribution income as a percentage of revenue would have increased slightly due to a widening of our bill-pay spread and lower field health insurance expenses.

Other Human Capital Management Services

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

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

Unallocated Corporate Overhead

Unallocated corporate overhead was \$27.1 million in the year ended December 31, 2005 compared to \$24.4 million in the year ended December 31, 2004. This increase was primarily due to higher corporate compensation and consulting costs and higher health insurance costs. This increase was partially offset by lower legal expenses. As a percentage of consolidated revenue, unallocated corporate overhead was 4.2% during the year ended December 31, 2005 and 3.7% during the year ended December 31, 2004.

Healthcare Staffing

Revenue from our healthcare staffing business segment decreased \$24.7 million or 3.9% from \$636.7 million in the year ended December 31, 2003 to \$612.1 million for the year ended December 31, 2004. Revenue comparisons are impacted by the acquisition of MedStaff on June 5, 2003. Excluding the effect of the MedStaff acquisition, revenue decreased \$70.0 million, or 12.6%. This decrease was due to a decrease in FTEs, representing \$60.3 million of the decrease while the remainder was due to price and mix. For comparison purposes only, on a stand alone basis, MedStaff's revenue for the year ended December 31, 2004 decreased by \$25.7 million or 16.8% compared to the year ended December 31, 2003.

On a combined basis, the number of FTEs decreased by 2.7% over the prior year. Excluding the FTEs from the MedStaff acquisition, the average number of FTEs on contract decreased 12.0% from the prior year. This decline in volume was due to a decrease in FTEs from our travel staffing operations and partially offset by higher FTEs in our clinical trials staffing and international recruitment businesses. As discussed above, our travel nurse operations have weakened throughout 2003 and 2004 due to a more cautious buying process on the part of acute care hospital customers which reduced the level of demand for our nurse staffing services and resulted in a decline in the number of nurses applying with us for contract travel assignments.

Revenue per FTE decreased 1.2% during the year ended December 31, 2004 compared to the year ended December 31, 2003. The average bill rates, excluding hospital sponsored pass-through bonuses and administrative and co-marketing expenses, in our organic nurse staffing business during the year ended December 31, 2004, were 0.7% lower than the year ended December 31, 2003. Our pricing was negatively impacted by co-marketing and third party administrative fees as well as a reduction in hospital sponsored pass-through bonuses that are accounted for in revenue. Fees relating to the co-marketing arrangements we have with group purchasing organizations in which we have exclusive or preferred provider status, and third-party administrative fees relating to vendor managed programs are included as an offset to revenue. We have experienced an increase in co-marketing expenses as we secure more preferred provider relationships and an increase in vendor management services being utilized by our customers. In addition, the mix of business also contributed to the decrease in revenue per FTE as the incremental per diem business from MedStaff in 2004 had lower average bill rates than our organic travel nurse business.

Mobile contracts, where the nurse is on the hospital payroll, accounted for approximately 2% of our volume in our healthcare staffing business segment in both the years ended December 31, 2004 and 2003.

For the year ended December 31, 2004, nurse staffing operations generated 87.1% of healthcare staffing revenue and 12.9% was generated by other operations. For the year ended December 31, 2003, 88.8% of healthcare staffing revenue was generated from nursing operations and 11.2% was generated by other operations.

Contribution income from our healthcare staffing segment for the year ended December 31, 2004 decreased 18.5% or \$13.9 million from \$75.3 million to \$61.4 million. As a percentage of healthcare staffing revenue, contribution income was 10.0% for the year ended December 31, 2004 compared to 11.8% for the year ended December 31, 2003. Our profitability was negatively impacted by a decline in the bill-pay spread and higher insurance costs. The increase in direct costs in our travel staffing businesses was not offset by an increase in pricing to our customers. All of these factors, combined with less leverage on our overhead, contributed to this decrease in contribution income as a percentage of revenue.

Other Human Capital Management Services

Revenue from other human capital management services for the year ended December 31, 2004 increased 15.6% to \$42.0 million from \$36.4 million in the year ended December 31, 2003. This increase was due to higher revenue from both our educational training and retained search businesses. The increase in revenue from our educational training business primarily reflects higher seminar attendance in the year ended December 31, 2004 compared to the year ending December 31, 2003.

Contribution income from other human capital management services for the year ended December 31, 2004 increased 48.9% to \$7.1 million from \$4.8 million in the year ended December 31, 2003. This increase was primarily due to the increased revenues from both our educational training business and our retained search business combined with improved operating leverage. Contribution income as a percentage of other human capital management services revenue for the year ended December 31, 2004 was 16.9% compared to 13.1% for the year ended December 31, 2003 reflecting expense controls and improved operating leverage on our educational training business resulting from an increase in average attendees per seminar.

Unallocated Corporate Overhead

Unallocated corporate overhead was \$24.4 million in the year ended December 31, 2004 compared to \$23.9 million in the year ended December 31, 2003. Increases in legal and public company expenses related to our efforts toward complying with Section 404 of the Sarbanes-Oxley Act of 2002 were partially offset by corporate cost saving measures. As a percentage of consolidated revenue, unallocated corporate overhead was 3.7% during the year ended December 31, 2004 and 3.6% during the year ended December 31, 2003.

Transactions with Related Parties

We provide services to hospitals which are affiliated with certain Board of Director members. Revenue related to these transactions amounted to approximately \$6.9 million, \$8.2 million, and \$6.9 million in 2005, 2004 and 2003, respectively. Accounts receivable due from these hospitals at both December 31, 2005 and 2004 was approximately \$0.8 million.

Liquidity and Capital Resources

As of December 31, 2005, we had a current ratio, defined as the amount of current assets divided by current liabilities, of 2.0 to 1.0. Working capital decreased by \$1.1 million to \$70.9 million as of December 31, 2005, compared to \$71.9 million as of December 31, 2004. The decrease in working capital is primarily due to an increase in accrued expenses partially offset by an increase in accounts receivable and other current assets. Accounts receivable, less allowance for doubtful accounts, increased \$12.3 million in the year ended December 31, 2005 as compared to the prior year due to higher days' sales outstanding as of December 31, 2005. Days' sales outstanding was 61 days, 55 days, and 59 days, at December 31, 2005, 2004, and 2003, respectively, consistent with historical ranges.

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

Stockholders' Equity

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.

In March 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 (SEC). Additionally, in April 2002, the underwriters of the offering exercised their over-allotment option with respect to an aggregate of 700,000 shares. The Company and no member of management sold any shares or received any of the proceeds from the sale of these shares, but the Company paid \$0.9 million of expenses for such registration in 2002 and 2003.

In November 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. During the year ended December 31, 2005, we purchased 235,828 shares of common stock at an average cost of \$18.20 per share pursuant to the current authorization. The cost of such purchases was approximately \$4.3 million. As of December 31, 2005, we had purchased 1,266,228 shares of our common stock at an average cost of \$14.58 per share pursuant to the current authorization. All of the common stock was retired. The cost of such purchases was approximately \$18.5 million. Under the remainder of the current authorization we can purchase up to an additional 233,772 shares at an aggregate cost not to exceed \$6.5 million. The shares may be purchased from time to time on the open market. The repurchase program may be discontinued at any time at our discretion.

In November 2004, the Company filed a Registration Statement on Form S-3 with the SEC for the registration of approximately 11,403,455 shares of common stock owned by three of our existing stockholders. No members of management registered shares pursuant to this registration statement. In April 2005, we announced a public offering of 4,172,868 shares of common stock pursuant to this Form S-3 shelf registration statement. All net proceeds from the sale went to the selling stockholders. However, we incurred all fees and expenses relating to the registration statement which were approximately \$0.2 million.

Credit Facility

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

Borrowings under the 2005 Credit Agreement bear interest, at our option, at the London Interbank Offered Rate (“LIBOR”) or the Base Rate plus an Applicable Margin as defined by the Credit Agreement. As of December 31, 2005, interest on this facility was based on LIBOR plus a margin of 1.50% or Base Rate plus a margin of 0.25%. The Company is required to pay a quarterly commitment fee on the average daily unused portion of the facility, which, as of December 31, 2005, was 0.25%. As of December 31, 2005, the Company had \$23.6 million of borrowings outstanding and \$7.7 million of standby letters of credit outstanding under this facility, leaving \$43.7 available for additional borrowings.

The terms of the 2005 Credit Agreement include customary covenants and events of default. The agreement includes a mandatory prepayment provision, which requires us to make mandatory prepayments subsequent to receiving net proceeds from the sale of assets, insurance recoveries, or the issuance of our Company’s debt or equity. The dividends and distribution covenant limits our ability to repurchase our common stock and declare and pay cash dividends on our common stock. As of December 31, 2005, we were limited to \$24.3 million to be used for either dividends and/or stock repurchases. This limitation increases each year by 25% of net income provided that our Debt/EBITDA ratio (as defined in the 2005 Credit Agreement) is less than 1.5 to 1.0 and we have \$15.0 million in cash or available cash under the revolving credit facility. We are also required to obtain the consent of the lenders to complete any acquisition which exceeds \$25.0 million or would cause the Company to exceed \$75.0 million in aggregate payments during the term of the agreement. The commitments under the 2005 Credit Agreement are secured by substantially all of the assets of the Company.

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

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

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Net cash provided by operating activities during 2004 was \$43.3 compared to \$51.8 million during 2003. This decrease in operating cash flow is primarily due to lower net income excluding non-cash items in the year ended December 31, 2004 compared to the year ended December 31, 2003. Investing activities provided \$4.0 million during 2004 compared to a use of \$109.5 million during 2003. Investing activities during the year ended December 31, 2004 included \$10.6 million of net proceeds from the disposal of our discontinued JRK and GBC consulting practices. These proceeds were offset by \$2.0 million of remaining earnout payments on the purchase of these businesses, capital expenditures of \$4.6 million and

other investing activities. In 2003, the primary use of cash in investing activities was for the acquisition of MedStaff using \$102.8 million, including professional fees. The remainder of cash used by investing activities in 2003 was primarily for capital expenditures and earnout payments relating to previous acquisitions. Net cash used in financing activities in 2004 was \$47.3 million as opposed to a use of \$40.5 million in 2003. During the year ended December 31, 2004, we utilized cash flow from operations and investing activities to repay \$51.3 million, net, of debt and repurchase \$0.5 million of our common stock. These repayments were partially offset by the proceeds received from the exercise of stock options and other financing activities. Net cash provided by financing activities in 2003 was primarily attributable to increased borrowings associated with the acquisition of MedStaff. In connection with the acquisition, we borrowed \$125.0 million under our new term loan facility, which we used to fund the purchase of MedStaff and to prepay approximately \$27.3 million of our term debt. Subsequent to the acquisition of MedStaff, we also repaid \$31.8 million of the term loan, of which \$28.7 million was an optional prepayment. In addition, we continued to repurchase shares under our current authorization.

Commitments and Off-Balance Sheet Arrangements

The following table reflects our contractual obligations and other commitments as of December 31, 2005:

Commitments	Total	2006	2007	2008	2009	2010	Thereafter
			(Unaudited, amounts in thousands)				
Senior secured credit facility (a).....	\$ 23,580	\$ 4,830	\$ —	\$ —	\$ —	\$ 18,750	\$ —
Capital lease obligations	1,849	653	291	336	352	217	—
Operating leases obligations (b).....	18,316	4,128	3,535	2,827	1,948	1,676	4,202
Purchase obligations (c).....	221	221	—	—	—	—	—
	\$ 43,966	\$ 9,832	\$ 3,826	\$ 3,163	\$ 2,300	\$ 20,643	\$ 4,202

- (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.
- (b) Represents future minimum lease payments associated with operating lease agreements with original terms of more than one year.
- (c) Other contractual obligations include contracts for information systems consulting services.

The Company executed a lease in February 2006 for office space to replace the current space leased by its MedStaff subsidiary. The new lease is for 7 years and 5 months (with an option to renew for 5 years). Total future minimum rental payments are \$5.6 million. The commencement date of the lease has not been determined as of the date of this filing.

The Company does not have any off-balance sheet arrangements.

Critical Accounting Principles and Estimates

We have identified the following critical accounting policies that affect the more significant judgments and estimates used in the preparation of our consolidated financial statements. The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. We evaluate our estimates on an on-going basis, including those related to asset impairment, accruals for insurance, allowance for doubtful accounts, and contingencies and litigation. We state our accounting policies in the notes to the audited consolidated financial statements and related notes for the year ended December 31, 2005, 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, 2005. Upon the adoption of FASB Statement No. 142 on January 1, 2002, we ceased amortizing goodwill and certain other intangible assets with indefinite lives and performed a transitional impairment analysis as of January 1, 2002, to assess the recoverability of these intangibles, in accordance with the provisions of FASB Statement No. 142. We also completed the annual impairment test of goodwill and indefinite lived intangible assets during the fourth quarters of 2005, 2004 and 2003. Based on the results of the tests, we determined that there was no

impairment of continuing operations goodwill or indefinite lived intangible assets as of December 31, 2005, 2004, and 2003. 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 held for sale to determine if the net assets are impaired. This evaluation can also be triggered by various indicators of impairment which could cause the estimated discounted cash flows to be less than the carrying amount of net assets. In the fourth quarter of 2004, we recognized an impairment charge on goodwill reported as discontinued operations of \$0.4 million relating to the remaining consulting practice classified as held for sale at that time. An additional impairment charge of \$0.4 million was also recorded in discontinued operations related to these net assets. Fair value was based on the latest offer received for the sale of the net assets of the remaining consulting practice. During the third quarter of 2005, we abandoned our efforts to sell the remaining consulting practice and shut down the remaining operations. We estimated the remaining costs associated with the shut down of the business and recorded these costs in loss from discontinued operations in the third quarter of 2005. These costs were allocated to the impairment valuation previously recorded. Any adjustments to these estimated amounts will be recorded to discontinued operations in subsequent periods. We do not expect these final adjustments to be material and we expect all final adjustments to be completed by the first quarter of 2006. When we determined that we would wind down operations of the E-Staff business without a buyer, an impairment of \$0.3 million was recognized and included in the loss from discontinued operations in the year ended December 31, 2003. As of December 31, 2005, we had total goodwill and intangible assets not subject to amortization of \$318.4 million, net of accumulated amortization.

- 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. Historically, our accruals for insurance have been adequate to provide for incurred claims. Healthcare insurance accruals have fluctuated with increases or decreases in the average number of temporary healthcare professionals on assignment and increases in national healthcare costs. As of December 31, 2005 and 2004, we had \$2.2 million and \$2.7 million accrued, respectively, for incurred but not reported health insurance claims. Prior to 2004, only our field employees were covered through a partially self-insured health plan; corporate employees were covered through a fully insured plan. Beginning in 2004, the corporate employees were also covered through a partially self-insured health plan. At December 31, 2005, and 2004, \$0.6 million, respectively, of the incurred but not reported health insurance claims accrual related to corporate employees. Workers' compensation and professional liability insurance accruals have generally increased over time due to the lag times associated with the settlement of claims as well as additional exposures arising from the current policy year. As of December 31, 2005, we had \$4.2 million accrued for incurred but not reported workers' compensation claims and retentions, net of related insurance recovery receivables, an increase of \$0.5 million over the amount accrued at December 31, 2004. The accrual for workers' compensation is based on an independent actuarial study, which estimated the required net workers' compensation accrual at December 31, 2005 to be in the range of \$3.7 million to \$4.7 million. As of December 31, 2005 and 2004, we had \$15.2 million and \$7.5 million accrued, respectively, for incurred but not reported professional liability claims and retentions net of related insurance recovery receivables. The accrual for professional liability is based on an independent actuarial study, which estimated the required net professional liability accrual at December 31, 2005 to be in the range of \$13.1 million to \$17.7 million. Refer to Legal Proceedings for more information about specific material litigation.
- We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments, which results in a provision for bad debt expense. We determine the adequacy of this allowance by continually evaluating individual customer receivables, considering the customer's financial condition, credit history and current economic conditions. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. We write off specific accounts based on an ongoing review of collectibility as well as our past experience with the customer. Historically, losses on uncollectible accounts have not exceeded our allowances. As of December 31, 2005, our allowance for doubtful accounts was \$4.2 million.

- 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. Material pending legal proceedings brought against the Company, other than ordinary routine litigation incidental to the business, is described in Item 3. Legal Proceedings. Neither *Cossack, et al. v. Cross Country TravCorps and Cross Country Nurses, Inc. nor Maureen Petray and Carina Higareda v. MedStaff, Inc.* has been certified by a court as a class action. In addition, the lawsuit brought by Maureen Petray and Carina Higareda against MedStaff, Inc. is in its very early stages. As a result, we are unable to determine our potential exposure regarding these two lawsuits at this time. On February 27, 2006, the United States District Court for the Central District of California filed an order denying certification of a collective action pursuant to 29 U.S.C. Section 216(b) (Fair Labor Standards Act claims) without prejudice and holding on submission plaintiff's Rule 23 motion for certification of a class action solely with respect to California employees based on California law for *Darrellyn Renee Henry vs. MedStaff, Inc., Cross Country Healthcare, Inc., Victor Kalafa, Tim Rodden, Talia Pico and Melissa Hetrick*. We are unable to determine our potential exposure regarding this lawsuit at this time. During the second quarter of 2005, the Company increased its reserve for professional liability insurance by \$5.3 million, pretax, based on an independent actuarial calculation which reflected unfavorable developments relating to two lawsuits in the Circuit Court of Cook County, Illinois. The Company is currently engaged in settlement discussions and expects to settle the Cook County matters consistent with the previously established accrual range. We will continue to evaluate the probability of an adverse outcome and provide accruals for such contingencies as required. We are currently not aware of any other 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 at that time.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement No. 123 (revised) (FASB Statement No. 123(R)), *Share-Based Payment*, which is a revision of FASB Statement No. 123. FASB Statement 123(R) supersedes APB Opinion No. 25 and amends FASB Statement No. 95, *Statement of Cash Flows*. Generally, the approach in FASB Statement 123(R) is similar to the approach described in FASB Statement 123. However, FASB Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. The compensation cost will be measured based on the fair value of the equity or liability instruments issued. Pro forma disclosure is no longer an alternative. In April 2005, the Securities and Exchange Commission adopted a rule deferring the compliance date for FAS 123(R) to the first annual reporting period that begins after June 15, 2005. We intend to adopt FASB Statement No. 123(R) in the first quarter of 2006 using the modified prospective transition method. We have disclosed the pro forma impact of adopting FASB Statement No. 123(R) on net income and earnings per share for the years ended December 31, 2005, 2004, and 2003 in our footnotes to the consolidated financial statements (Note 2 – Summary of Significant Accounting Policies).

We expect there to be no further impact on our consolidated statements of income related to the current share-based payments outstanding at December 31, 2005 due to the acceleration of the vesting of all unvested options in the fourth quarter of 2005 (See Note 2 – Summary of Significant Accounting Policies and in Note 12 – Stockholder's Equity for further discussion). We cannot predict the earnings impact of awards that may be granted in the future.

In adopting FAS 123(R), companies must choose from alternative valuation models. We currently use the Black-Scholes method for disclosures and expect to continue to use this method. We will consider using another model if additional information becomes available in the future that indicates another model would be more appropriate for our Company, or, if grants issued in future periods have characteristics that cannot be reasonably estimated using Black-Scholes. In prior periods we did not estimate forfeitures when valuing options (as permitted by FASB Statement 123) but we have revised our accounting policy to estimate forfeitures in accordance with the provisions of FASB Statement No. 123(R), effective January 1, 2006.

Inflation

During the last several years, the rate of inflation in healthcare related services has exceeded that of the economy as a whole. This inflation has increased our direct operating costs. We are also impacted by fluctuations in housing costs and recently by increases in costs of professional, general and healthcare insurance. Depending on the demand environment, we may be able to recoup the negative impact of such fluctuations by increasing our billing rates. We may not be able to continue increasing

our billing rates and increases in our direct operating costs may adversely affect us in the future. In addition, our clients are impacted by payments of healthcare reimbursements by federal and state governments as well as private insurers.

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

We are exposed to interest rate changes, primarily as a result of our credit facility, which bears interest based on floating rates. A 1% change in interest rates on variable rate debt would have resulted in interest expense fluctuating approximately \$0.3 million in 2005, \$0.7 million in 2004, and \$0.8 million in 2003.

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 the 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.

As a result of the evaluation, there were no significant changes in our internal control over financial reporting during the three months ended December 31, 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management’s Report on Internal Control Over Financial Reporting

Cross Country Healthcare’s management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our senior management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2005, using the criteria set forth in the *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that our internal control over financial reporting as of December 31, 2005 is effective. Ernst & Young LLP, our independent registered public accounting firm, has issued an audit report on management’s assessment of our internal control over financial reporting which is included in the Annual Report on Form 10-K and follows.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Cross Country Healthcare, Inc. maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Cross Country Healthcare, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, management's assessment that Cross Country Healthcare, Inc. maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Cross Country Healthcare, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cross Country Healthcare, Inc. as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2005 of Cross Country Healthcare, Inc. and our report dated March 3, 2006 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
Certified Public Accountants

West Palm Beach, Florida
March 3, 2006

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 for the 2005 Annual Meeting of Stockholders (the "Proxy Statement") to be filed pursuant to Regulation 14A with the SEC and such information is incorporated herein by reference.

Item 11. Executive Compensation.

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

Item 12. Security Ownership of Certain Beneficial Owners and Management.

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.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Documents filed as part of the report.

- (1) Consolidated Financial Statements
 - Report of Independent Registered Public Accounting Firm
 - Consolidated Balance Sheets as of December 31, 2005 and 2004
 - Consolidated Statements of Income for the Years Ended
December 31, 2005, 2004 and 2003
 - Consolidated Statement of Changes in Stockholders' Equity for the
Years Ended December 31, 2005, 2004 and 2003
 - Consolidated Statements of Cash Flows for the Years Ended
December 31, 2005, 2004 and 2003
 - Notes to Consolidated Financial Statements
- (2) Financial Statements Schedule
 - Schedule II – Valuation and Qualifying Accounts for the Years Ended
December 31, 2005, 2004 and 2003
- (3) Exhibits
 - See Exhibit Index immediately following signatures.

SIGNATURES

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

CROSS COUNTRY HEALTHCARE, INC.

By: /s/ JOSEPH A. BOSHART

Name: Joseph A. Boshart

Title: Chief Executive Officer and President

Date: March 9, 2006

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ JOSEPH A. BOSHART</u> Joseph A. Boshart	President, Chief Executive Officer, Director (Principal Executive Officer)	March 9, 2006
<u>/s/ EMIL HENSEL</u> Emil Hensel	Chief Financial Officer and Director (Principal Financial Officer)	March 9, 2006
<u>/s/ DANIEL J. LEWIS</u> Daniel J. Lewis	Chief Accounting Officer	March 9, 2006
<u>/s/ THOMAS C. DIRCKS</u> Thomas C. Dircks	Director	March 9, 2006
<u>/s/ W. LARRY CASH</u> W. Larry Cash	Director	March 9, 2006
<u>/s/ C. TAYLOR COLE</u> C. Taylor Cole	Director	March 9, 2006
<u>/s/ FAZLE HUSAIN</u> Fazle Husain	Director	March 9, 2006
<u>/s/ JOSEPH SWEDISH</u> Joseph Swedish	Director	March 9, 2006
<u>/s/ JOSEPH TRUNFIO</u> Joseph Trunfio	Director	March 9, 2006

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
10.3+	Lease Agreement, dated April 28, 1997, between Meridian Properties and the Registrant
10.4+	Lease Agreement, dated October 31, 2000, by and between Trustees of the Goldberg Brothers Trust, a Massachusetts Nominee Trust and TVCM, Inc.
10.5+	222 Building Standard Office Lease between Clayton Investors Associates, LLC and Cejka & Company
10.6*	Amended and Restated 1999 Stock Option Plan of the Registrant
10.7*	Amended and Restated Equity Participation Plan of the Registrant
10.8^	Amendment to Lease by and between Meridian Commercial Properties Limited Partnership and Cross Country, Inc. dated May 1, 2002
10.9#	Cross Country, Inc. Deferred Compensation plan
10.10#	Restricted Stock Agreement between Company and Joseph A. Boshart
10.11#	Restricted Stock Agreement between Company and Emil Hensel
10.12#	Restricted Stock Agreement between Company and Vickie Anenberg
10.13#	Restricted Stock Agreement between Company and Jonathan Ward
10.14^	Amendment to Lease Agreement, as of May 1, 2002, by and between Meridian Commercial Properties Limited Partnership and Cross Country Healthcare, Inc.
10.15x	Lease Agreement by and between Edgewood General Partnership and HR Logic, dated July 6, 2000
10.16x	First Amendment to Lease Agreement by and between Edgewood General Partnership and HR Logic, dated December 7, 2000
10.17x	Second Amendment to Lease Agreement by and between Edgewood General Partnership and Cross Country TravCorps, dated April 29, 2002

EXHIBIT INDEX (CONTINUED)

No.	Description
10.18x	Lease Agreement by and between Petula Associates, Ltd. and Principal Life Insurance Company and Clinical Trials Support Services, Inc. dated November 3, 1999
10.19x	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
10.20x	Lease Agreement by and between Newtown Street Road Associates and Med-Staff, Inc., dated June 21, 2001.
10.21x	Lease Agreement by and between Newtown Street Road Associates and Med-Staff, Inc., dated June 23, 1998
10.22y	Second Amendment to Lease, dated October 10, 2003, between Canterbury Hall IC, LLC and ClinForce, Inc.
10.23y	Lease Agreement, dated January 30, 2004, between Goldberg Brothers Real Estate, LLC and TVCM, Inc.
10.24z	First Amendment to Lease Agreement, dated December 11, 2001, between Clayton Investors Associates LLC and Cejka & Company
10.25z	First Amendment to Lease Agreement, dated December 22, 1999, between Newtown Street Road Associates and MedStaff, Inc.
10.26z	Second Amendment to Lease Agreement, dated June 21, 2001 between Newtown Street Road Associates and MedStaff, Inc.
10.27z	Lease Agreement between Corporex Key Limited Partnership No. 8 and Cross Country Seminars, Inc.
10.28z	Form of Incentive Stock Option Agreement
10.29Δ	Third Amendment to Lease, dated October 6, 2004, between Canterbury Hall IC, LLC and ClinForce, Inc.
10.30o	First Amendment to Lease Agreement, dated February 24, 2005, between Blevens Family Storage, L.P., and Cross Country Seminars, Inc.
10.31	Fourth Amendment to Lease Agreement, dated December 15, 2005, by and between Canterbury Hall, IC, LLC, and Clinforce, Inc.
10.32	Lease Agreement, dated February 24, 2006, between MedStaff, Inc. and Campus Investors D Building, L.P.
10.33	Lease Guaranty Agreement by and between Cross Country Healthcare, Inc. and Campus Investors D Building, L.P. dated February 17, 2006.
10.34	Credit Agreement, dated November 10, 2005, with the Lenders referenced therein, and Wachovia Bank, National Association, as Administrative Agent, Swingline Lender and Issuing Lender, General Electric Capital Corporation, as Syndication Agent, Bank of America, N.A., as Co-Documentation Agent, LaSalle Bank National Association, as Co-Documentation Agent, and Wachovia Capital Markets, LLC, as Sole Lead Arranger and Sole Book Manager
10.35	Subsidiary Guarantee Agreement, dated as of November 10, 2005, by and among certain subsidiaries of Cross Country Healthcare, Inc., as Subsidiary Guarantors in favor of Wachovia Bank, National Association, as Administrative Agent
10.36	Collateral Agreement, dated as of November 10, 2005, by and among Cross Country Healthcare, Inc. and certain of its subsidiaries as grantors, in favor of Wachovia Bank, National Association, as Administrative Agent
10.37	Joinder Agreement, dated as of January 18, 2006, to the Subsidiary Guaranty Agreement and the Collateral Agreement by and among Cross Country Healthcare, Inc., ClinForce, LLC, Cross Country Education, LLC and Wachovia Bank, National Association, as Administrative Agent
14.1z	Code of Ethics
21.1	List of subsidiaries of the Registrant
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Joseph A. Boshart, President and Chief Executive Officer

EXHIBIT INDEX (CONTINUED)

- 31.2 Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Emil Hensel, Chief Financial Officer
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Joseph A. Boshart, Chief Executive Officer
- 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Emil Hensel, Chief Financial Officer

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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 ended 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.
- x Previously filed as exhibits in the Company's Form 10-K for the year ended December 31, 2003, and incorporated by reference herein.
- y Previously filed as exhibits in the Company's Form 10-Q for the quarter ended March 31, 2004, and incorporated by reference herein.
- z Previously filed as exhibits in the Company's Form 10-K for the year ended December 31, 2004, and incorporated by reference herein.
- Δ Previously filed as an exhibit in the Company's Form 10-Q for the quarter ended March 31, 2005, and incorporated by reference herein.
- o Previously filed as an exhibit in the Company's Form 10-Q for the quarter ended June 30, 2005, and incorporated by reference herein.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Cross Country Healthcare, Inc. as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cross Country Healthcare, Inc. and subsidiaries as of December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Cross Country Healthcare, Inc.'s internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 3, 2006, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
Certified Public Accountants

West Palm Beach, Florida
March 3, 2006

CROSS COUNTRY HEALTHCARE, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2005	2004
Assets		
Current assets:		
Cash and cash equivalents.....	\$ —	\$ —
Accounts receivable, less allowance for doubtful accounts of \$4,206,162 in 2005 and \$3,741,955 in 2004	107,787,418	95,438,605
Deferred tax assets	7,642,205	4,949,450
Income taxes receivable	2,751,743	3,099,678
Prepaid rent on field employees' apartments	3,417,413	3,407,932
Deposits on field employees' apartments, net of allowance of \$380,862 in 2005 and \$450,483 in 2004	624,331	618,259
Estimated receivable for insurance recoveries	9,115,382	1,543,835
Other current assets	9,413,710	7,629,709
Total current assets	140,752,202	116,687,468
Property and equipment, net of accumulated depreciation and amortization of \$15,391,384 in 2005 and \$10,510,343 in 2004	16,477,240	11,839,592
Trademark, net	15,498,831	15,498,831
Goodwill, net	302,853,504	302,853,504
Other identifiable intangible assets, net	5,390,366	6,813,995
Debt issuance costs, net of accumulated amortization of \$23,763 in 2005 and \$1,100,676 in 2004	689,114	2,301,385
Total assets	\$ 481,661,257	\$ 455,994,775
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses.....	\$ 12,081,732	5,993,159
Accrued employee compensation and benefits	47,940,247	32,031,385
Current portion of long-term debt and notes payable.....	5,482,762	2,407,644
Other current liabilities	4,377,830	4,326,114
Total current liabilities	69,882,571	44,758,302
Non-current deferred tax liabilities	32,546,179	24,995,782
Long-term debt and notes payable	19,946,463	39,866,753
Total liabilities	122,375,213	109,620,837
Commitments and contingencies		
Stockholders' equity:		
Common stock – \$0.0001 par value; 100,000,000 shares authorized; 32,132,959 and 32,204,060 shares issued and outstanding at December 31, 2005 and 2004, respectively	3,213	3,220
Additional paid-in capital.....	255,339,487	257,179,760
Retained earnings.....	103,943,344	89,190,958
Total stockholders' equity	359,286,044	346,373,938
Total liabilities and stockholders' equity	\$ 481,661,257	\$ 455,994,775

See accompanying notes.

CROSS COUNTRY HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2005	2004	2003
Revenue from services.....	\$ 645,392,586	\$ 654,110,876	\$ 673,102,146
Operating expenses:			
Direct operating expenses.....	503,102,978	509,570,451	519,839,563
Selling, general and administrative expenses.....	104,797,808	99,535,378	95,736,078
Bad debt expense.....	1,176,840	957,300	1,350,314
Depreciation.....	5,158,513	5,139,984	4,370,857
Amortization.....	1,423,629	1,579,896	2,989,825
Non-recurring secondary offering costs.....	—	—	16,173
Total operating expenses.....	<u>615,659,768</u>	<u>616,783,009</u>	<u>624,302,810</u>
Income from operations.....	29,732,818	37,327,867	48,799,336
Other expenses:			
Interest expense, net.....	3,457,579	4,789,477	4,797,621
Loss on early extinguishment of debt.....	1,359,394	—	959,991
Income from continuing operations before income taxes.....	24,915,845	32,538,390	43,041,724
Income tax expense.....	(9,575,426)	(11,935,770)	(16,657,147)
Income from continuing operations.....	15,340,419	20,602,620	26,384,577
Discontinued operations, net of income taxes:			
(Loss) income from discontinued operations.....	(588,033)	56,075	(563,792)
Net income.....	<u>\$ 14,752,386</u>	<u>\$ 20,658,695</u>	<u>\$ 25,820,785</u>
Net income (loss) per common share – basic:			
Income from continuing operations.....	\$ 0.48	\$ 0.65	\$ 0.82
Discontinued operations.....	(0.02)	0.00	(0.02)
Net income.....	<u>\$ 0.46</u>	<u>\$ 0.65</u>	<u>\$ 0.80</u>
Net income (loss) per common share – diluted:			
Income from continuing operations.....	\$ 0.47	\$ 0.63	\$ 0.81
Discontinued operations.....	(0.02)	0.00	(0.02)
Net income.....	<u>\$ 0.45</u>	<u>\$ 0.63</u>	<u>\$ 0.79</u>
Weighted average common shares outstanding – basic.....	<u>32,228,978</u>	<u>31,992,752</u>	<u>32,090,731</u>
Weighted average common shares outstanding – diluted.....	<u>32,773,634</u>	<u>32,578,319</u>	<u>32,530,563</u>

See accompanying notes.

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

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Gain	Retained Earnings	Total Stockholders' Equity
	Shares	Dollars				
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
Exercise of stock options.....	431,175	43	4,579,069	—	—	4,579,112
Tax benefit of stock option exercises.....	—	—	996,012	—	—	996,012
Stock repurchase and retirement	(29,000)	(3)	(445,849)	—	—	(445,852)
Amortization of unearned compensation under restricted stock plan	—	—	62,702	—	—	62,702
Net income	—	—	—	—	20,658,695	20,658,695
Balance at December 31, 2004	32,204,060	3,220	257,179,760	—	89,190,958	346,373,938
Exercise of stock options.....	164,727	17	1,781,547	—	—	1,781,564
Tax benefit of stock option exercises.....	—	—	491,115	—	—	491,115
Stock repurchase and retirement	(235,828)	(24)	(4,291,300)	—	—	(4,291,324)
Amortization of unearned compensation under restricted stock plan	—	—	62,702	—	—	62,702
Equity compensation	—	—	115,663	—	—	115,663
Net income	—	—	—	—	14,752,386	14,752,386
Balance at December 31, 2005	<u>32,132,959</u>	<u>\$ 3,213</u>	<u>\$ 255,339,487</u>	<u>\$ —</u>	<u>\$ 103,943,344</u>	<u>\$ 359,286,044</u>

See accompanying notes.

CROSS COUNTRY HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2005	2004	2003
Operating activities			
Net income.....	\$ 14,752,386	\$ 20,658,695	\$ 25,820,785
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation.....	5,158,513	5,139,984	4,370,857
Amortization.....	1,423,629	1,579,896	2,989,825
Bad debt expense.....	1,176,840	957,300	1,350,314
Loss on early extinguishment of debt.....	1,359,394	—	959,991
Deferred income tax expense.....	4,645,908	4,638,894	5,611,269
Amortization of debt issuance costs.....	965,754	764,686	480,597
Equity compensation.....	115,663	—	—
Other noncash charges.....	38,007	62,702	47,026
Loss (income) from discontinued operations.....	588,033	(56,075)	563,792
Changes in operating assets and liabilities:			
Accounts receivable.....	(13,623,664)	13,532,571	6,017,664
Prepaid rent, deposits, and other current assets.....	(9,129,062)	(1,426,554)	353,697
Accounts payable and accrued expenses.....	23,102,558	(1,421,084)	1,612,641
Other current liabilities.....	285,000	957,369	531,132
Net cash provided by continuing operations.....	30,858,959	45,388,384	50,709,590
(Loss) income from discontinued operations, net.....	(588,033)	56,075	(563,792)
Noncash items.....	186,565	(87,418)	753,966
Change in net assets from discontinued operations.....	332,839	(2,088,680)	898,801
Net cash (used in) provided by discontinued operations.....	(68,629)	(2,120,023)	1,088,975
Net cash provided by operating activities.....	30,790,330	43,268,361	51,798,565
Investing activities			
Purchases of property and equipment, net.....	(7,627,184)	(4,615,679)	(3,507,998)
Acquisition of assets of Med-Staff, Inc.....	—	(30,388)	(102,757,172)
Acquisition of assets of Heritage Professional Education, LLC.....	—	—	(2,000,000)
Other.....	30,695	—	44,652
Investing activities of discontinued operations:			
Acquisition and earn out payments related to discontinued businesses.....	—	(1,969,154)	(1,194,776)
Net proceeds from sale of discontinued operations.....	—	10,633,970	—
Other investing activities of discontinued operations.....	(816,030)	(11,554)	(61,153)
Net cash (used in) provided by investing activities.....	(8,412,519)	4,007,195	(109,476,447)
Financing activities			
Debt issuance costs.....	(712,877)	(95,000)	(3,307,061)
Exercise of stock options.....	1,781,564	4,579,112	1,012,461
Stock repurchase and retirement.....	(4,291,324)	(445,852)	(7,708,962)
Repayment of debt and note payable.....	(169,863,869)	(154,762,016)	(74,506,103)
Proceeds from issuance of debt.....	150,708,695	103,465,000	125,000,000
Financing activities of discontinued operations.....	—	(16,800)	(22,400)
Net cash (used in) provided by financing activities.....	(22,377,811)	(47,275,556)	40,467,935
Change in cash and cash equivalents.....	—	—	(17,209,946)
Cash and cash equivalents at beginning of year.....	—	—	17,209,946
Cash and cash equivalents at end of year.....	\$ —	\$ —	\$ —
Supplemental disclosure of noncash investing and financing activities			
Equipment purchased through capital lease obligations.....	\$ 2,203,622	\$ —	\$ 451,529
Issuance of common stock in exchange for employee services.....	\$ —	\$ —	\$ 188,106
Supplemental disclosure of cash flow information			
Interest paid.....	\$ 2,463,064	\$ 3,784,366	\$ 4,776,102
Income taxes paid.....	\$ 3,768,174	\$ 11,009,845	\$ 11,158,128

See accompanying notes.

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

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 healthcare providers primarily on a contract basis. CCS recorded the assets and certain assumed liabilities, as defined in the asset purchase agreement, at fair market value. The purchase price of approximately \$189,000,000 exceeded the fair market value of the assets less the assumed liabilities by approximately \$167,537,000, which, was recorded as goodwill and other identifiable intangible assets.

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

The consolidated financial statements include the accounts of the Company and its wholly-owned direct and indirect subsidiaries: CC Staffing, Inc., Cross Country TravCorps, Inc., TVCM, Inc. (f/k/a TravCorps), Cross Country TravCorps, Inc. Ltd., (NZ), MCVT, Inc., Cross Country Local, Inc. (f/k/a Flexstaff, Inc.), Med-Staff, Inc. (MedStaff) (f/k/a Cross Country Nurses, Inc.), Cejka Search, Inc. (f/k/a Cejka & Company), E-Staff, Inc. (E-Staff), NovaPro, Inc., Cross Country Consulting, Inc., Cross Country Education, LLC (f/k/a Cross Country Education, Inc. and CCS/Heritage Acquisition Corp.), ClinForce, LLC (ClinForce) (f/k/a Clinforce, Inc.), Cross Country Capital, Inc., HealthStaffers, Inc., and Assignment America, Inc. In December 2003, the legal entity E-Staff was merged into MedStaff. In March 2005, the legal entity Cross Country TravCorps, Inc. Ltd., (NZ) was dissolved. In December 2005, Cross Country Consulting, Inc. was dissolved and Cross Country Infotech, Pvt. Ltd. (India) was formed. All material intercompany transactions and balances have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Use of Estimates

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

Accounts Receivable and Concentration of Credit Risk

Accounts receivable potentially subject the Company to concentrations of credit risk. The Company's customers are healthcare providers and accounts receivable represent amounts due from these providers. The Company performs ongoing credit evaluations of its customers' financial conditions and, generally, does not require collateral. The allowance for doubtful accounts represents the Company's estimate for uncollectible receivables based on a review of specific accounts and the Company's historical collection experience. The Company writes off specific accounts based on an ongoing review of collectibility as well as 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.

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

2. Summary of Significant Accounting Policies (Continued)

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. No single client accounted for more than 3% of the Company's revenue during 2005, 2004, or 2003. An aggregate of approximately 11% and 10% of the Company's outstanding accounts receivable as of December 31, 2005 and 2004, respectively, 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. Costs relating to these leases are included in direct operating expenses in the accompanying consolidated statements of income. As a condition of these agreements, the Company places security deposits on the leased apartments. Prepaid rent and deposits shown on the consolidated balance sheets relate to these short-term agreements.

Property and Equipment

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

Certain software development costs 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 on the accompanying consolidated statements of income. Software development costs are being amortized using the straight-line method over five years.

Operating Leases

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

Reserves for Claims

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

The workers' compensation insurance carrier requires the Company to fund a reserve for payment of claims. These funds are maintained by the insurance carrier. The Company had approximately \$4,223,000 and \$1,674,000 recorded as prepaid workers' compensation expense included in other current assets at December 31, 2005 and 2004, respectively.

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

2. Summary of Significant Accounting Policies (Continued)

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

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

Emerging Issues Task Force (EITF) No. 03-8, *Accounting for Claims-Made Insurance and Retroactive Insurance Contracts by the Insured Entity*, codified previously issued authoritative accounting guidance in the area of insurance contracts and related activity thereto. EITF No. 03-8 concluded that, under circumstances such as in the Company's insured professional liability and worker's 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, 2005 and 2004 reflect the provisions of EITF No. 03-8 for the receivable portion as estimated receivable for insurance recoveries and for the related liability in accrued employee compensation and benefits.

Goodwill and Other Identifiable Intangible Assets

Goodwill represents the excess of purchase price and related costs over the fair value assigned to the net tangible and identifiable intangible assets of businesses acquired. FASB Statement No. 142 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 FASB Statement No. 142, using the straight-line method over their estimated useful lives which ranged from 3 to 15 years (See Note 3 – Goodwill and Identifiable Intangible Assets).

Goodwill and intangible assets with indefinite lives are evaluated annually for impairment in accordance with FASB Statement No. 142. The impairment test requires 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 estimates the fair value of its reporting units using a discounted cash flow methodology. Based on the results of the annual impairment test during the fourth quarters of 2005 and 2004, the Company determined there was no impairment of goodwill or indefinite-lived intangible assets related to assets held and used as of December 31, 2005 or 2004. See Note 16 – Discontinued Operations for disclosure related to assets of discontinued operations.

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

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

2. Summary of Significant Accounting Policies (Continued)

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, 2005 and 2004, the Company believes no impairment of long-lived assets or identifiable intangible assets related to assets held and used existed. See Note 16 – Discontinued Operations for disclosure related to assets of discontinued operations.

Debt Issuance Costs

Deferred costs related to the issuance of the Company's new senior secured credit facility in 2005 (see Note 7 – Long Term Debt) have been capitalized and are being amortized using the straight line method, which approximates the effective interest method, over the five-year term of the debt. Deferred costs related to the prior credit facility had been capitalized and amortized using the effective interest method over the respective six-year term of the debt. However, in the fourth quarter of 2005, the Company terminated this facility. Related debt issuance costs of approximately \$1,359,000, net of amortization, relating to this prior facility were written off in the fourth quarter of 2005 and are included in loss on early extinguishment of debt in the other expenses section of the consolidated statements of income. In June 2003, in conjunction with the acquisition of MedStaff, the Company amended its prior credit facility. Related debt issuance costs of approximately \$960,000, net of amortization, relating to that facility were written off during the second quarter of 2003 and are also included in loss on early extinguishment of debt in the other expenses section of the consolidated statements of income.

Revenue Recognition

Revenue from services consists primarily of temporary staffing revenue. Revenue is recognized when services are rendered. Accordingly, accounts receivable includes an accrual for employees' time worked but not yet invoiced. At December 31, 2005 and 2004, the amounts accrued are approximately \$12,449,000 and \$11,404,000, respectively.

The Company has entered into certain contracts with acute care facilities to provide comprehensive vendor management services. Under these contract arrangements, the Company uses its nurses along with third party subcontractors to fulfill customer orders. If a subcontractor is used, revenue is recorded at the time of billing, net of any related subcontractor liability. The resulting net revenue represents the administrative fee charged by the Company for its vendor management services. The subcontractor is paid once the Company has received payment from the acute care facility.

Revenue on permanent placements is recognized when services provided are substantially completed. The Company does not, in the ordinary course of business, give refunds. If a candidate leaves a permanent placement within a short period of time (*i.e.*, one month), it is customary for the Company to provide a replacement at no additional cost. Allowances are established as considered necessary to estimate significant losses due to placed candidates not remaining employed for the Company's guarantee period. During 2005, 2004 and 2003, such losses were nominal.

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

Stock-Based Compensation

The Company, from time to time, grants stock options for a fixed number of common shares to employees. 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 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 vests 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 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.

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

2. Summary of Significant Accounting Policies (Continued)

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 disclosures of stock-based compensation required by FASB Statement No. 148 are shown below. Prior year data has been recalculated to reflect a change in the estimated tax benefit from stock-based compensation.

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

The Company’s consolidated net income would have changed to the pro forma amounts set forth below had compensation cost for stock options granted during 2005, 2004 and 2003 been measured under the fair value based method prescribed by FASB Statement No. 123, *Accounting for Stock-Based Compensation*. The accounting for the acceleration of vesting under FASB Statement No. 123 results in the recognition of the remaining amount of compensation cost of those options and is included in the pro forma amounts in the following table for the year ended December 31, 2005.

	<u>Year Ended December 31,</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net income as reported	\$ 14,752,386	\$ 20,658,695	\$ 25,820,785
Stock based employee compensation, net of related tax effects, included in the determination of net income as reported	109,819	39,839	30,187
Stock based employee compensation, net of tax, applying FASB Statement No. 123	<u>(3,565,084)</u>	<u>(1,298,735)</u>	<u>(3,600,193)</u>
Pro forma net income applying FASB Statement No. 123	<u>\$ 11,297,121</u>	<u>\$ 19,399,799</u>	<u>\$ 22,250,779</u>
Basic and diluted earnings per share as reported:			
Net income per common share – basic	<u>\$ 0.46</u>	<u>\$ 0.65</u>	<u>\$ 0.80</u>
Net income per common share – diluted	<u>\$ 0.45</u>	<u>\$ 0.63</u>	<u>\$ 0.79</u>
Pro forma basic and diluted earnings per share:			
Pro forma net income – basic	<u>\$ 0.35</u>	<u>\$ 0.61</u>	<u>\$ 0.69</u>
Pro forma net income – diluted	<u>\$ 0.34</u>	<u>\$ 0.60</u>	<u>\$ 0.69</u>

In December 2004, the FASB issued Statement No. 123 (revised) (FASB Statement No. 123(R)), *Share-Based Payment*, which is a revision of FASB Statement No. 123. FASB Statement 123(R) supersedes APB Opinion No. 25 and amends FASB Statement No. 95, *Statement of Cash Flows*. Generally, the approach in FASB Statement 123(R) is similar to the approach described in FASB Statement 123. However, FASB Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. The compensation cost will be measured based on the fair value of the equity or liability instruments issued. Pro forma disclosure is no longer an alternative. In April 2005, the Securities and Exchange Commission (SEC) adopted a rule deferring the compliance date for FAS 123 (R) to the first annual reporting period that begins after June 15, 2005. The Company intends to adopt FASB Statement No. 123(R) in the first quarter of 2006 using the modified prospective transition method. The Company has disclosed the pro forma impact of adopting FASB Statement No. 123(R) on net income and earnings per share for the years ended December 31, 2005, 2004, and 2003 in the preceding table.

The Company expects there to be no further impact on its consolidated statements of income related to the current share-based payments outstanding at December 31, 2005 as discussed above and in Note 12 – Stockholder’s Equity. The Company cannot predict the earnings impact of awards that may be granted in the future.

In adopting FAS 123(R), companies must choose from alternative valuation models. The Company currently uses the Black-Scholes method for disclosures and expects to continue using this method. The Company will consider the use of another model if additional information becomes available in the future that indicates another model would be more appropriate for the Company, or, if grants issued in future periods have characteristics that cannot be reasonably estimated using Black-

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

2. Summary of Significant Accounting Policies (Continued)

Scholes. In prior periods, the Company did not estimate forfeitures when valuing options (as permitted under FASB Statement 123) but has revised its accounting policy to estimate forfeitures in accordance with the provisions of FASB Statement No. 123(R), effective January 1, 2006.

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 \$4,846,000, \$4,601,000 and \$6,065,000 for the years ended December 31, 2005, 2004 and 2003, 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, 2005 and 2004, approximately \$1,316,000 and \$1,314,000, respectively, of these costs are included in other current assets in the consolidated balance sheets.

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 net change in hedging transaction for the years ended December 31, 2005, 2004 and 2003.

FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, 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.

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, in the accompanying consolidated statements of income.

Income Taxes

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

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

2. Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain 2004 and 2003 amounts have been reclassified to conform to the 2005 presentation. See Note 18 – Quarterly Financial Data.

3. Goodwill and Other Identifiable Intangible Assets

As of December 31, 2005 and 2004, the Company had the following acquired intangible assets:

	December 31, 2005			December 31, 2004		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Database	\$ 11,425,000	\$ 11,012,757	\$ 412,243	\$ 11,425,000	\$ 10,582,047	\$ 842,953
Hospital relations	6,314,000	2,365,959	3,948,041	6,314,000	1,803,041	4,510,959
Non-compete agreements	2,403,000	1,372,918	1,030,082	2,403,000	942,917	1,460,083
	<u>\$ 20,142,000</u>	<u>\$ 14,751,634</u>	<u>\$ 5,390,366</u>	<u>\$ 20,142,000</u>	<u>\$ 13,328,005</u>	<u>\$ 6,813,995</u>
Intangible assets not subject to amortization:						
Goodwill	\$ 323,471,174	\$ 20,617,670	\$ 302,853,504	\$ 323,471,174	\$ 20,617,670	\$ 302,853,504
Trademarks	16,900,000	1,401,169	15,498,831	16,900,000	1,401,169	15,498,831
	<u>\$ 340,371,174</u>	<u>\$ 22,018,839</u>	<u>\$ 318,352,335</u>	<u>\$ 340,371,174</u>	<u>\$ 22,018,839</u>	<u>\$ 318,352,335</u>

Estimated annual amortization expense is approximately as follows:

Year Ending December 31:

2006	\$ 1,405,000
2007	983,000
2008	743,000
2009	563,000
2010	563,000
Thereafter	1,133,000
	<u>\$ 5,390,000</u>

The carrying amount of goodwill was approximately \$283,546,000 for the healthcare staffing segment and \$19,307,000 for the other human capital management services segment as of both December 31, 2005 and 2004.

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 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 MedStaff for the one year period ended December 31, 2003. MedStaff did not qualify to receive any earnout payments.

MedStaff 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. MedStaff's differentiated compensation program allows the Company to further segment the travel nurse population. MedStaff also enabled the Company to further extend its nurse staffing services in the per diem and military staffing sectors.

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

4. Acquisitions (Continued)

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

As a result of the acquisition, the Company recorded other identifiable intangible assets of approximately \$4,534,000, of which \$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 were assigned useful lives with a weighted-average of 6.6 years. The excess of purchase price over the fair value of net tangible and intangible assets acquired which approximated \$77,456,000 was recorded as goodwill, and is deductible for tax purposes. Additional direct acquisition costs of approximately \$549,000 were incurred primarily during the year ended December 31, 2003 and were included as goodwill in the consolidated balance sheets.

The following unaudited pro forma summary approximates the consolidated results of operations as if the MedStaff acquisition had occurred as of the beginning of the 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 pre-tax reduction to net income for a loss on early extinguishment of debt of \$1,105,000. 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 period presented or of future results of operations.

	Year Ended December 31, 2003
Revenue from services	<u>\$ 744,072,000</u>
Net income	<u>\$ 27,735,000</u>
Net income per common share – basic	<u>\$ 0.86</u>
Net income per common share – diluted	<u>\$ 0.85</u>

Earnout payments relating to the Company's prior acquisition of Jennings, Ryan & Kolb, Inc. (JRK), in March 2002, were approximately \$1,766,000, of which approximately \$1,236,000 and \$530,000 were paid in 2004 and 2003, respectively. Upon payment, the earnouts were allocated to goodwill as additional purchase price. Subsequent to the acquisition, JRK was combined with the Company's other consulting operations to form Cross Country Consulting, Inc. This business was subsequently sold in 2004. See Note 16 – Discontinued Operations.

Earnout payments relating to the Company's prior acquisition of Gill/Balsano Consulting, L.L.C. (Gill/Balsano or GBC), in May 2001, were \$1,995,000 based on adjusted EBITDA (as defined in the asset purchase agreement) over a three-year period ending March 31, 2004. This contingent consideration was not related to the seller's employment. Upon payment, the earnouts were allocated to goodwill as additional purchase price. All earnout payments were paid including \$831,250 and \$665,000 in 2004 and 2003, respectively. This business was subsequently sold in 2004. See Note 16 – Discontinued Operations.

Earnout payments relating to the Company's prior acquisition of Heritage Professional Education, LLC on December 26, 2000, were \$3,500,000, of which \$2,000,000 was paid in 2003. These payments were allocated to goodwill as additional purchase price in the period of the payments. No further payments of earnouts are applicable relating to this purchase agreement.

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

5. Property and Equipment

At December 31, 2005 and 2004, property and equipment consist of the following:

	December 31,	
	2005	2004
Computer equipment	\$ 5,827,440	\$ 4,382,965
Computer software	20,269,418	14,102,365
Office equipment	2,691,874	1,079,536
Furniture and fixtures	1,997,941	1,720,930
Leasehold improvements	1,081,951	1,064,139
	31,868,624	22,349,935
Less accumulated depreciation and amortization	(15,391,384)	(10,510,343)
	\$ 16,477,240	\$ 11,839,592

During the year ended December 31, 2004, the Company wrote off approximately \$9,375,000 of fully depreciated property and equipment.

6. Accrued Employee Compensation and Benefits

At December 31, 2005 and 2004, accrued employee compensation and benefits consist of the following:

	December 31,	
	2005	2004
Salaries and payroll taxes	\$ 10,239,174	\$ 9,575,677
Bonuses	5,848,346	5,844,055
Accrual for workers' compensation claims	5,075,482	4,092,461
Accrual for health care benefits	2,189,580	2,665,227
Accrual for professional liability insurance	23,454,000	8,656,475
Accrual for vacation	1,133,665	1,197,490
	\$ 47,940,247	\$ 32,031,385

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

7. Long-Term Debt

At December 31, 2005 and 2004, long-term debt consists of the following:

	December 31,	
	2005	2004
Revolving Loan Facility, weighted average interest rate of 5.82%	\$ 23,580,000	\$ —
Term Loan, weighted average interest rate of 5.65%	—	42,052,608
Capital lease obligations	1,849,225	221,789
	25,429,225	42,274,397
Less current portion	(5,482,762)	(2,407,644)
	\$ 19,946,463	\$ 39,866,753

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

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

7. Long-Term Debt (Continued)

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

Borrowings under the 2005 Credit Agreement bear interest, at the Company's option, at the London Interbank Offered Rate (LIBOR) or the Base Rate plus an Applicable Margin as defined by the 2005 Credit Agreement. As of December 31, 2005, interest on this facility was based on LIBOR plus a margin of 1.50% or Base Rate plus a margin of 0.25%. The Company is required to pay a quarterly commitment fee on the average daily unused portion of the facility, which, as of December 31, 2005, was 0.25%. As of December 31, 2005, the Company had \$7,703,000 of standby letters of credit under this facility outstanding, leaving \$43,717,000 available for borrowings. The commitments under the 2005 Credit Agreement are secured by substantially all of the assets of the Company.

The 2005 Credit Agreement requires that the Company meet certain financial covenants, including the maintenance of certain debt and interest expense ratios and capital expenditure limits. The 2005 Credit Agreement also includes a mandatory prepayment provision, which requires the Company to make mandatory prepayments subsequent to receiving net proceeds from the sale of assets, insurance recoveries, or the issuance of Company debt or equity. The dividends and distribution covenant limits the Company's ability to repurchase its common stock and declare and pay cash dividends on its common stock. As of December 31, 2005, the Company was limited to \$24,259,772 to be used for either dividends and/or stock repurchases. This limitation increases each year by 25% of net income provided that the Company's Debt/EBITDA ratio (as defined in the 2005 Credit Agreement) is less than 1.5 to 1.0, and the Company has \$15,000,000 in cash or available cash under the revolving credit facility. The Company is also required to obtain the consent of its lenders to complete any acquisition which exceeds \$25,000,000 or would cause the Company to exceed \$75,000,000 in aggregate payments during the term of the agreement. At December 31, 2005, the Company was in full compliance with all of its debt covenants.

The prior amended senior secured credit facility consisted of a \$125,000,000 term loan and a \$75,000,000 revolving credit facility. The Company repaid \$42,052,608 and \$51,143,594 of the principal on the term loan balance related to this credit facility during 2005 and 2004, respectively. The Company terminated its commitments under this credit agreement on November 10, 2005, the date of issuance of the 2005 Credit Agreement as described above. As of December 31, 2005, a \$100,000 standby letter of credit was outstanding with the Administrative Agent of the prior facility. See Note 2 – Summary of Significant Accounting Policies for a further discussion on the related write-off of debt issuance costs.

Long-term debt includes capital lease obligations that are subordinate to the Company's senior secured facility. As of December 31, 2005, the Company's capital lease obligations shown in the preceding table totaled \$1,849,225 and mature serially through 2010.

Consolidated scheduled maturities of long-term debt for the next five years are approximately as follows: 2006 – \$5,483,000; 2007 – \$291,000; 2008 – \$336,000; 2009 – \$352,000; and 2010 – \$18,967,000.

8. Employee Benefit Plans

The Company maintains a voluntary defined contribution 401(k) profit-sharing plan covering all eligible employees as defined in the plan documents. The plan provides for a discretionary matching contribution, which is equal to a percentage of each eligible contributing participant's elective deferral, which the Company, at its sole discretion, determines from year to year. Eligible employees who elect to participate in the plan are generally vested in any matching contribution after three years of service with the Company. Contributions by the Company, net of forfeitures, under this plan amounted to approximately \$2,407,000, \$2,347,000, and \$2,826,000, for the years ended December 31, 2005, 2004, and 2003, respectively.

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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8. Employee Benefit Plans (Continued)

Certain MedStaff employees are covered under a separate benefit plan. The plan allows eligible employees to defer a portion of their annual compensation pursuant to Section 401(k) of the Internal Revenue Code. The plan is a voluntary defined contribution 401(k) profit-sharing plan covering substantially all eligible employees as defined in the plan documents. Eligible employees who elected to participate in the plan are generally fully vested in any matching contribution after six years of service with the Company. Contributions by the Company, net of forfeitures, under this plan amounted to approximately \$72,000, \$63,000 and \$66,000 for the years ended December 31, 2005, 2004 and 2003, respectively.

The Company offers a non-qualified deferred compensation program to certain key employees whereby they may defer a portion of annual compensation for payment upon retirement. The program is unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974. The liability for the deferred compensation is included in other current liabilities and approximated \$609,000 and \$658,000 at December 31, 2005 and 2004, respectively.

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 and in certain cases, incentives from the landlord for rent-free months. The rent escalations and incentives have been reflected in the following table. Future minimum lease payments associated with these agreements with terms of one year or more are approximately as follows:

Year Ending December 31:	
2006	\$ 4,128,000
2007	3,535,000
2008	2,827,000
2009	1,948,000
2010	1,676,000
Thereafter	4,202,000
	<u>\$ 18,316,000</u>

Total operating lease expense from continuing operations included in selling, general, and administrative expenses was approximately \$5,567,000, \$5,390,000 and \$4,662,000 for the years ended December 31, 2005, 2004, and 2003, respectively. Total operating lease expense included in discontinued operations was approximately \$235,000, \$595,000 and \$861,000 for the years ended December 31, 2005, 2004, and 2003, respectively.

Subsequent to December 31, 2005, in February 2006, the Company executed a lease for office space to replace the current property leased by its MedStaff subsidiary. The new lease is for 7 years and 5 months (with an option to renew for 5 years). Total minimum rental payments are approximately \$5,649,000. The commencement date of the lease has not been determined as of the date of this filing.

The Company's Cross Country TravCorps, Inc. 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. The lawsuit has not yet been certified by the court as a class action. As a result, the Company is unable at this time to determine its potential exposure. The Company intends to vigorously defend this matter.

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

Plaintiffs, who purport to sue on behalf of themselves and all others similarly situated, allege that Defendants failed to pay plaintiffs, and the class they purport to represent, properly under California law. Plaintiffs claim that defendants failed to pay nurses hourly overtime as required by California law; failed to calculate correctly their employees' regular rate of pay used to calculate the rate at which overtime hours are to be compensated; failed to calculate correctly and pay a double time premium

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

9. Commitments and Contingencies (Continued)

for all hours worked in excess of 12 in a workday; scheduled some of its employees on an alternative workweek schedule, but failed to pay them additional compensation when those employees did not work such alternative workweek, as scheduled; and failed to pay employees for the minimum hours defendants had promised them.

On February 10, 2006, the Superior Court of the State of California granted plaintiff leave to amend the complaint to add causes of actions alleging defendant's failure to pay for missed meal periods and rest breaks.

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 has not yet been certified by the court as a class action. As a result, the Company is unable at this time to determine our potential exposure. The Company intends to vigorously defend this matter.

On February 18, 2005, the Company's MedStaff subsidiary became the subject of a purported class action lawsuit (*Maureen Petray and Carina Higareda v. MedStaff, Inc.*) filed in the Superior Court of California in Riverside County. The lawsuit only relates to MedStaff corporate employees. It alleges, among other things, violations of certain sections of the California Labor Code, the California Business and Professions Code, and recovery of unpaid wages and penalties. MedStaff currently has less than 50 corporate employees in California. The plaintiffs, Maureen Petray and Carina Higareda purport to sue on behalf of themselves and all others similarly situated, allege that MedStaff failed, under California law, to provide meal period and rest breaks and pay for those missed meal periods and rest breaks; failed to compensate the employees for all hours worked; failed to compensate the employees for working overtime; and failed to keep appropriate records to keep track of time worked. Plaintiffs seek, among other things, an order enjoining MedStaff from engaging in the practices challenged in the complaint; for an order for full restitution of all monies MedStaff allegedly failed to pay plaintiffs and their purported class; for interest; for certain penalties provided for by the California Labor Code; and for attorneys' fees and costs. The lawsuit is in its very early stages and has not yet been certified by the court as a class action. As a result, the Company is unable to determine its potential exposure, if any, and intends to vigorously defend this matter.

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

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

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

9. Commitments and Contingencies (Continued)

The Company is unable to determine its potential exposure, if any, and intends to vigorously defend this matter.

The Company and its subsidiary, Cross Country TravCorps, Inc., became the subject of two medical malpractice lawsuits filed in December 2002 and March 2003 (*Nika Yarandi, by her parents, Fereidoon Yarandi & Victoria Yarandi, and Fereidoon Yarandi & Victoria Vahdani, individually vs. Cross Country TravCorps, Inc., et al.*; and *Chris Myers and Michelle Myers both individually and as Father and Mother of Liam Evan Myers, a Minor vs. Cross Country Healthcare, Inc., et al.*), respectively, in the Circuit Court of Cook County, Illinois. Both lawsuits relate to nursing services provided by nurses supplied by Cross Country TravCorps to a hospital located in Chicago, Illinois. The lawsuits allege that the nurses supplied by Cross Country TravCorps were negligent in their care and treatment of Plaintiffs who were maternity patients at the facility in Chicago. The nurses' alleged negligent failure to appropriately monitor each Plaintiff in their labor and delivery allegedly caused the minor Plaintiffs to suffer severe, permanent and disabling brain injuries. In addition to the hospital facility and physicians, the Company, Cross Country TravCorps and the individual nurses have been named as direct defendants in the lawsuits. During the second quarter of 2005, the Company increased its reserve for professional liability insurance by \$5,283,000, pretax, based on an independent actuarial calculation which reflected unfavorable developments relating to these cases. The Company is engaged in settlement discussions and expects to settle these matters consistent with the previously established accrual range.

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

10. Estimated Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for 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 facility and term loan approximates fair value because the interest rate is tied to a quoted variable index.

11. Income Taxes

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

	<u>Year Ended December 31,</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Continuing operations:			
Current			
Federal	\$ 3,311,478	\$ 6,770,849	\$ 9,362,516
State	1,618,040	526,027	1,683,362
	<u>4,929,518</u>	<u>7,296,876</u>	<u>11,045,878</u>
Deferred	4,645,908	4,638,894	5,611,269
	<u>9,575,426</u>	<u>11,935,770</u>	<u>16,657,147</u>
Discontinued operations – current			
Tax benefit on loss from discontinued operations	(553,329)	(58,124)	(327,339)
Tax expense on gain on disposal	—	3,072,970	—
Discontinued operations – deferred			
Tax expense(benefit) from discontinued operations	217,777	(371,534)	(28,595)
Tax benefit on gain on disposal	—	(136,745)	—
	<u>(335,552)</u>	<u>2,506,567</u>	<u>(355,934)</u>
	<u>\$ 9,239,874</u>	<u>\$ 14,442,337</u>	<u>\$ 16,301,213</u>

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

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

11. Income Taxes (Continued)

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

	December 31,	
	2005	2004
Current deferred tax assets and (liabilities):		
Accrued and prepaid expenses	\$ 7,707,726	\$ 4,622,147
Allowance for doubtful accounts	1,599,431	1,357,644
Other	(1,664,952)	(1,030,341)
	7,642,205	4,949,450
Non-current deferred tax liabilities:		
Depreciation and amortization	(29,984,086)	(22,260,406)
Identifiable intangibles	(2,562,093)	(2,735,376)
	(32,546,179)	(24,995,782)
Net deferred taxes	\$ (24,903,974)	\$ (20,046,332)

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, 2005 and 2004 was not necessary.

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

	December 31,	
	2005	2004
Tax at U.S. statutory rate	\$ 8,720,546	\$ 11,510,793
State taxes, net of federal benefit	842,155	831,525
Non-deductible meals and entertainment	48,477	39,593
Non-deductible other	8,632	36,390
Other	(44,384)	(482,531)
Income taxes on continuing operations	9,575,426	11,935,770
Benefit from discontinued operations	(335,552)	(429,658)
Expense from gain on disposal	—	2,936,225
Total income tax expense	\$ 9,239,874	\$ 14,442,337

12. Stockholders' Equity

In November 2004, the Company filed a registration statement on Form S-3 with the Securities and Exchange Commission for the registration of 11,403,455 shares of common stock held by three of its existing shareholders. No members of management registered shares pursuant to this registration statement. On April 14, 2005, the Company announced a public offering of 4,172,868 shares of common stock pursuant to this Form S-3 shelf registration statement. All net proceeds from the sale went to the selling stockholders. However, the Company incurred all fees and expenses relating to the registration statement which were approximately \$155,000.

In November 2002, the Company's Board of Directors authorized a stock repurchase program whereby the Company may purchase up to 1,500,000 of its common shares at an aggregate price not to exceed \$25,000,000. Under this program, the shares may be purchased from time to time on the open market. As of December 31, 2005, the Company purchased and retired 1,266,228 shares of its common stock at an average cost of \$14.58 per share pursuant to the current authorization. The cost of such purchases was approximately \$18,461,000. The repurchase program may be discontinued at any time at the discretion of the Company.

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 were included in non-recurring secondary offering costs in the 2003 and 2002 consolidated statements of income.

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

12. Stockholders' Equity (Continued)

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 the fair market value of the Company's common stock on the date of grant. Originally, options granted under the Amended and Restated 1999 Stock Option Plan generally vested ratably over 4 years and options granted under the Amended and Restated 1999 Equity Participation Plan vested 25% on the first anniversary of the date of grant and then vested 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.

On December 30, 2005, the members of the Committee (the Committee) established under the Amended and Restated 1999 Stock Option Plan (Option Plan) approved the acceleration of the vesting of all unvested options to purchase the Company's common stock held by employees, officers and directors of the Company issued under the Option Plan prior to December 31, 2005. All other terms and conditions applicable to the outstanding stock options remained in effect. A total of 436,368 options, with a weighed average exercise price of \$15.25 per share, were accelerated. Of these options, 90% had exercise prices below market value ("in-the-money options") as of December 28, 2005. The Committee members approved such acceleration of all unvested stock options pursuant to their authority under the Option Plan, effective December 31, 2005.

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

Changes under these stock option plans for 2005, 2004 and 2003 were as follows:

	December 31, 2005			December 31, 2004			December 31, 2003		
	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	2,413,722	\$ 7.75-\$37.13	\$13.63	2,979,403	\$ 7.75-\$37.13	\$13.53	2,974,983	\$ 7.75-\$37.13	\$13.50
Granted	319,000	\$15.60-\$19.76	\$15.75	88,700	\$15.33-\$18.47	\$17.85	187,747	\$10.38-\$14.50	\$10.66
Canceled	(55,729)	\$ 7.75-\$30.39	\$17.15	(431,275)	\$ 7.75-\$37.13	\$18.05	(60,924)	\$ 7.75-\$26.15	\$13.67
Exercised	<u>(164,727)</u>	<u>\$ 7.75-\$17.00</u>	<u>\$10.82</u>	<u>(223,106)</u>	<u>\$ 7.75-\$17.00</u>	<u>\$10.62</u>	<u>(122,403)</u>	<u>\$ 7.75-\$15.50</u>	<u>\$ 8.27</u>
Options outstanding at end of year	<u>2,512,266</u>	<u>\$ 7.75-\$37.13</u>	<u>\$14.01</u>	<u>2,413,722</u>	<u>\$ 7.75-\$37.13</u>	<u>\$13.63</u>	<u>2,979,403</u>	<u>\$ 7.75-\$37.13</u>	<u>\$13.53</u>
Options exercisable at end of year	<u>2,512,266</u>	<u>\$ 7.75-\$37.13</u>	<u>\$14.01</u>	<u>2,154,342</u>	<u>\$ 7.75-\$37.13</u>	<u>\$13.49</u>	<u>2,515,785</u>	<u>\$ 7.75-\$37.13</u>	<u>\$13.24</u>

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

12. Stockholders' Equity (Continued)

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

	Year Ended December 31,		
	2005	2004	2003
Weighted average exercise price of options granted during the year:			
Issued at market price	<u>\$15.75</u>	<u>\$17.85</u>	<u>\$10.66</u>
Weighted average fair value of options granted during the year:			
Issued at market price	<u>\$ 9.06</u>	<u>\$10.46</u>	<u>\$ 6.21</u>

During the years ended December 31, 2005, 2004 and 2003, the Company did not issue any options above or below market price.

The following table describes outstanding options as of December 31, 2005:

Exercise Price	Options Outstanding	Remaining Contractual life	Options Exercisable
\$ 7.75	445,826	3.96	445,826
10.13	15,898	4.50	15,898
10.38	114,575	7.28	114,575
10.78	4,485	4.79	4,485
11.62	504,069	3.96	504,069
12.05	9,000	7.41	9,000
12.31	18,000	6.61	18,000
12.38	13,496	5.25	13,496
14.50	4,175	7.58	4,175
15.19	7,816	4.50	7,816
15.33	8,462	8.58	8,462
15.50	504,069	3.96	504,069
15.60	292,550	9.13	292,550
16.60	11,000	8.42	11,000
17.00	186,205	5.56	186,205
17.50	15,000	9.42	15,000
18.47	51,525	8.10	51,525
18.57	25,404	5.25	25,404
19.37	110,266	3.96	110,266
19.76	3,650	9.57	3,650
20.26	7,816	4.50	7,816
23.25	110,265	3.96	110,265
24.76	25,404	5.25	25,404
25.32	1,710	4.50	1,710
26.15	8,775	6.23	8,775
30.39	1,711	4.50	1,711
30.95	5,557	5.25	5,557
37.13	5,557	5.25	5,557
<u>\$ 14.01</u>	<u>2,512,266</u>	<u>5.08</u>	<u>2,512,266</u>

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

12. Stockholders' Equity (Continued)

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

	Year Ended December 31,		
	2005	2004	2003
Expected dividend yield	0.00%	0.00%	0.00%
Expected volatility	57.92	60.00	60.00
Risk-free interest rate	3.86%	3.49%	3.22%
Expected life	6 years	6 years	6 years

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 2005, 2004 and 2003 per share calculations because their effect would have been anti-dilutive. Such shares amounted to 404,462, 589,334 and 1,375,977 during the years ended December 31, 2005, 2004 and 2003, respectively. For the years ended December 31, 2005, 2004, and 2003, respectively, 544,656, 585,567 and 439,832 incremental shares of common stock were included in diluted weighted average shares outstanding.

14. Interest Rate Swap

The Company had an interest rate swap agreement (the Agreement) with a financial institution that matured on February 7, 2003. 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 agreement specified that the Company would make floating interest rate payments based on the three month U.S. dollar LIBOR, in exchange for fixed interest rate payments of 6.705%, effective January 1, 2001, over the life of the Agreement without an exchange of the underlying notional amount of \$45,000,000. 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. To test the 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. 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 members of the Company's Board of Directors. Revenue related to these transactions amounted to approximately \$6,895,000, \$8,172,000 and \$6,863,000 in 2005, 2004 and 2003, respectively. Accounts receivable due from these hospitals at December 31, 2005 and 2004 were approximately \$842,000 and \$760,000, respectively.

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

16. Discontinued Operations

The following chart details amounts of revenue and pretax profit or loss reported in discontinued operations for the years ended December 31, 2005, 2004, and 2003:

	Year Ended December 31,		
	2005	2004	2003
Revenue	\$ 1,532,521	\$ 11,683,690	\$ 14,168,344
Pretax loss – CCC, Inc.....	\$ (923,585)	\$ (257,767)	\$ (340,488)
Pretax loss - E-Staff	—	—	(277,033)
Gain on sale of JRK and GBC businesses	—	3,665,058	—
Impairment of net assets – CCC, Inc.	—	(844,649)	—
Impairment of net assets - E-Staff	—	—	(302,205)
Discontinued operations pretax	(923,585)	2,562,642	(919,726)
Tax benefit on discontinued operations - CCC, Inc.....	335,552	429,658	131,769
Tax expense on sale of JRK and GBC businesses	—	(2,936,225)	—
Tax benefit on discontinued operations - E-Staff	—	—	224,165
	<u>\$ (588,033)</u>	<u>\$ 56,075</u>	<u>\$ (563,792)</u>

Cross Country Consulting, Inc.

Discontinued operations during the years ended December 31, 2005, 2004, and 2003 include results from operations of the Company's healthcare consulting business (CCC, Inc.) that was previously classified in its other human capital management service business segment. On October 4, 2004, the Company sold assets of its JRK and Gill/Balsano consulting practices to Mitretek Systems, Inc. (Mitretek) for \$12,250,000 in cash less a working capital payment of \$1,616,000, in lieu primarily of accounts receivable retained by the Company. The carrying amount of the net assets sold was approximately \$6,962,000 and consisted primarily of goodwill and other intangibles with a carrying amount of approximately \$6,755,000 (\$6,378,000 - goodwill, net of accumulated amortization and \$377,000 - other intangible assets, net of accumulated amortization). In the third quarter of 2004, in accordance with FASB Statement No. 142 the Company performed an interim impairment test on the reporting unit that included the assets that were sold. The Company determined that no impairment existed for that reporting unit based on the results of the test. The Company recognized a pre-tax gain on this transaction of \$3,665,058 (\$728,833 after taxes) which is included in discontinued operations in the consolidated statement of income for the year ended December 31, 2004. Proceeds from this transaction were used to pay down \$10,400,000 of the term loan portion of the Company's debt. The remaining consulting practice was held for sale until the third quarter of 2005.

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

During the third quarter of 2005, the Company abandoned its efforts to sell the remaining consulting practice and shut down the remaining operations. The Company has continued to account for the consulting practice as discontinued operations within the consolidated financial statements and notes included in this Form 10-K. The Company has estimated the remaining costs associated with the shut down of the business and recorded these costs in loss from discontinued operations in the third quarter of 2005. These costs were allocated to the impairment valuation previously recorded in the fourth quarter of 2004. In accordance with FASB Statement No. 144, any adjustments to these estimated amounts are recorded to discontinued

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

16. Discontinued Operations (Continued)

operations in subsequent periods. The Company does not expect these final adjustments to be material and expects all final adjustments to be completed by the first quarter of 2006. Remaining assets and liabilities of this business were not material for separate disclosure and are included in other current assets and other current liabilities in the consolidated balance sheets. The Company does not anticipate any involvement in the shutdown consulting practice going forward and expects any remaining cash inflows and outflows to be substantially resolved by the end of the first quarter of 2006.

E-Staff

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. 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 were segregated and reported as discontinued operations in the accompanying consolidated statements of income.

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 recognized during the first quarter of 2003 and is included in the accompanying consolidated statement of income as loss from discontinued operations for the year ended December 31, 2003. There are no remaining assets or liabilities.

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

17. Segment Information

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

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

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

	Year Ended December 31,		
	2005	2004(a)	2003(a)
Revenue from unaffiliated customers:			
Healthcare staffing	\$ 599,345,902	\$ 612,075,464	\$ 636,734,690
Other human capital management services	46,046,684	42,035,412	36,367,456
	<u>\$ 645,392,586</u>	<u>\$ 654,110,876</u>	<u>\$ 673,102,146</u>
Contribution income (b):			
Healthcare staffing	\$ 55,278,792	\$ 61,397,449	\$ 75,334,163
Other human capital management services	8,116,062	7,089,343	4,760,637
Unallocated corporate overhead	27,079,894	24,439,045	23,918,609
Depreciation	5,158,513	5,139,984	4,370,857
Amortization	1,423,629	1,579,896	2,989,825
Non-recurring secondary offering costs	—	—	16,173
Interest expense, net	3,457,579	4,789,477	4,797,621
Loss on early extinguishment of debt	1,359,394	—	959,991
Income from continuing operations before income taxes	<u>\$ 24,915,845</u>	<u>\$ 32,538,390</u>	<u>\$ 43,041,724</u>

- (a) Prior periods have been reclassified to conform to 2005 presentation.
- (b) 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 used by management when assessing segment performance and is provided in accordance with FASB No. 131, *Disclosure About Segments of an Enterprise and Related Information*.

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

18. Quarterly Financial Data (Unaudited)

	<u>First Quarter</u>	<u>Second Quarter(a)</u>	<u>Third Quarter</u>	<u>Fourth Quarter(b)</u>
2005				
Revenue from services(c)	\$ 158,804,671	\$ 159,724,641	\$ 163,143,704	\$ 163,719,570
Gross profit	\$ 34,580,023	\$ 31,285,188	\$ 37,909,836	\$ 38,514,561
Income from continuing operations	\$ 3,831,621	\$ 1,326,861	\$ 5,249,405	\$ 4,932,532
Loss from discontinued operations	(195,901)	(77,641)	(267,045)	(47,446)
Net income	<u>\$ 3,635,720</u>	<u>\$ 1,249,220</u>	<u>\$ 4,982,360</u>	<u>\$ 4,885,086</u>
Net income (loss) per common share – basic:				
Income from continuing operations	\$ 0.12	\$ 0.04	\$ 0.16	\$ 0.15
Discontinued operations	(0.01)	(0.00)	(0.01)	(0.00)
Net income	<u>\$ 0.11</u>	<u>\$ 0.04</u>	<u>\$ 0.15</u>	<u>\$ 0.15</u>
Net income (loss) per common share – diluted:				
Income from continuing operations	\$ 0.12	\$ 0.04	\$ 0.16	\$ 0.15
Discontinued operations	(0.01)	(0.00)	(0.01)	(0.00)
Net income	<u>\$ 0.11</u>	<u>\$ 0.04</u>	<u>\$ 0.15</u>	<u>\$ 0.15</u>
	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter(d)(e)</u>
2004				
Revenue from services	\$ 168,866,979	\$ 163,795,063	\$ 161,961,987	\$ 159,486,847
Gross profit	\$ 36,422,841	\$ 36,579,400	\$ 35,341,880	\$ 36,196,304
Income from continuing operations	\$ 4,724,102	\$ 4,928,244	\$ 5,167,294	\$ 5,782,980
Income (loss) from discontinued operations	133,009	169,096	(33,306)	(212,724)
Net income	<u>\$ 4,857,111</u>	<u>\$ 5,097,340</u>	<u>\$ 5,133,988</u>	<u>\$ 5,570,256</u>
Net income (loss) per common share – basic:				
Income from continuing operations	\$ 0.15	\$ 0.15	\$ 0.16	\$ 0.18
Discontinued operations	0.00	0.01	(0.00)	(0.01)
Net income	<u>\$ 0.15</u>	<u>\$ 0.16</u>	<u>\$ 0.16</u>	<u>\$ 0.17</u>
Net income (loss) per common share – diluted:				
Income from continuing operations	\$ 0.15	\$ 0.15	\$ 0.16	\$ 0.18
Discontinued operations	0.00	0.01	(0.00)	(0.01)
Net income	<u>\$ 0.15</u>	<u>\$ 0.16</u>	<u>\$ 0.16</u>	<u>\$ 0.17</u>

- (a) During the second quarter of 2005, the Company increased its reserve for professional liability insurance by \$5,283,000, pretax, based on an independent actuarial calculation which reflected unfavorable developments relating to certain professional liability cases. Refer to discussion in Note 9 – Commitments and Contingencies.
- (b) During the fourth quarter of 2005, the Company recorded approximately \$1,359,000, pretax, of loss on early extinguishment of debt. Refer to discussion in Note 2 – Summary of Significant Accounting Policies.
- (c) Certain 2005 quarterly amounts have been reclassified to conform to the 2005 fourth quarter presentation. The quarterly impact of these reclassifications is as follows:

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
Increase in revenue from services	\$ 768,645	\$ 725,080	\$ 572,173	\$ —
Increase in direct operating expenses	768,645	725,080	572,173	—
Impact on gross profit	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

18. Quarterly Financial Data (Unaudited) (Continued)

- (d) In the fourth quarter of 2004, the Company refined its estimate of incurred but not yet reported claims on its corporate health insurance and, as a result, reversed approximately \$760,000, pretax, of expenses. The policy was self-insured since the beginning of 2004, and as a result, the Company did not have a history of claims until the fourth quarter was completed. Additionally, the Company revised its annual effective tax rate for the full year from 38.5% in the first, second and third quarters of 2004 to 36.7% in the fourth quarter of 2004. The effective tax rate was impacted by certain adjustments.
- (e) Discontinued operations in the fourth quarter of 2004 included a \$3,665,058 pretax (\$728,833 after tax) gain relating to the sale of assets of the JRK and GBC businesses to a third party, and impairment charges relating to the valuation of discontinued net assets of approximately \$845,000. See Note 16 – Discontinued Operations for a further discussion.

CROSS COUNTRY HEALTHCARE, INC.
VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

<u>Allowance for Doubtful Accounts</u>	<u>Balance at Beginning of Period</u>	<u>Charged to Costs and Expenses (a)</u>	<u>Write-offs</u>	<u>Recoveries</u>	<u>Other Changes</u>	<u>Balance at End of Period</u>
Year ended December 31, 2005	\$3,741,955	\$1,504,306	\$(798,045)(b)	\$54,743	\$(296,797)(c)	\$4,206,162
Year ended December 31, 2004	3,613,834	1,060,291	(963,518)	91,348	(60,000)(c)	3,741,955
Year ended December 31, 2003	2,250,047	1,594,020	(949,703)	52,178	667,292 (d)	3,613,834

- (a) Includes charges relating to the consulting businesses, which are included in discontinued operations on the consolidated statements of income, of \$327,466, \$102,991 and \$243,706 for the years ended December 31, 2005, 2004, and 2003, respectively.
- (b) Includes write-offs of approximately \$31,000 relating to the consulting businesses.
- (c) Change in the allowance for doubtful accounts on receivables included in discontinued operations.
- (d) Allowance for doubtful accounts on receivables acquired in MedStaff acquisition.

STATE OF NORTH CAROLINA

COUNTY OF DURHAM

FOURTH AMENDMENT TO LEASE

THIS FOURTH AMENDMENT TO LEASE (the "Fourth Amendment") is made and entered into as of the 15th day of December, 2005, by and between CANTERBURY HALL, IC, LLC, a Delaware limited liability company ("Landlord") [successor-in-interest to Petula Associates, Ltd., an Iowa corporation ("Petula") and Principal Life Insurance Company, an Iowa corporation ("Principal") as tenants-in-common (collectively, "Petula/Principal")] and CLINFORCE, INC., a Delaware corporation ("Tenant") [successor by name change to Clinical Trials Support Services, Inc., a North Carolina corporation ("CTSS")].

WITNESSETH:

A. Petula/Principal and CTSS entered into a Lease dated as of November 3, 1999 (as amended, the "Existing Lease") for certain premises known as Suites 240 and 206 consisting of approximately 8,080 rentable square feet of space (the "Original Premises") in that certain building known as Canterbury Hall (the "Building") located at 4815 Emperor Blvd., Durham, North Carolina as more particularly described in the Existing Lease;

B. Pursuant to that certain First Amendment to Lease dated December 20, 1999, between Petula/Principal and CTSS, the Original Premises was expanded to include approximately 4,664 rentable square feet of space, creating the "Combined Premises" containing approximately 12,744 rentable square feet as more particularly described in the First Amendment.

C. Pursuant to that certain Second Amendment to Lease dated October 10, 2003, between Landlord (as successor-in-interest to Petula/Principal) and Tenant (as successor by name change to CTSS), the Combined Premises was further expanded to include an additional 8,656 rentable square feet designated as the First Floor Expansion Space, the Second Floor Expansion Space and the 2004 Expansion Space (collectively, the "Expansion Space"), all as more particularly described in said Second Amendment. The Combined Premises and Expansion Space totaling approximately 21,400 rentable square feet are collectively hereinafter referred to as the "Complete Premises".

D. Pursuant to that certain Third Amendment to Lease dated October 6, 2004, between Landlord and Tenant, the Complete Premises was expanded to include an additional 2,285 rentable square feet of additional space (the Additional Second Floor Expansion Space), creating the "Revised Complete Premised" totaling 23,685 rentable square feet, all as more particularly described in said Third Amendment.

E. Landlord and Tenant desire to further amend the terms of the Existing Lease: (i) to increase the size of the Revised Complete Premises to include an additional 10,950 rentable square feet of additional space on the third floor of the Building as more particularly shown on Exhibit A-6 attached hereto (the "2006 Expansion Space"), and (ii) to modify certain other terms and conditions of the Existing Lease. For purposes hereof, the Existing Lease as amended by this Fourth Amendment is referred to as the "Lease" all capitalized terms not otherwise defined herein shall have the meanings set forth in the Existing Lease.

NOW, THEREFORE, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Landlord and Tenant hereby agree that, effective as of the date set forth above, the Existing Lease shall be, and hereby is, amended as follows:

- 1. Recitals. The recitals shall form a part of this Fourth Amendment.

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2. Term Notwithstanding anything in the Lease to the contrary, the Term of the Lease with respect to the 2006 Expansion Space shall commence on the 2006 Expansion Space Commencement Date (as hereinafter defined in Section 3), and shall expire on September 30, 2013, coterminously with the Extension Term applicable to the Complete Premises.

3. Premises. Effective as of the earlier of: (i) the date Tenant, or any person occupying any portion of the 2006 Expansion Space with Tenant's permission, commences business operations from the 2006 Expansion Space, or (ii) the date of Landlord's delivery of the 2006 Expansion Space to Tenant upfitted in substantial accordance with the Plans (as hereinafter defined in Section 5) or the date upon which Landlord would have delivered the 2006 Expansion Space to Tenant upfitted in substantial accordance with the Plans but for delays attributable to Tenant or Tenants agents, employees or contractors (the earliest of said dates being the 2006 Expansion Space Commencement Date) and continuing through the Extension Term of the Lease, the Revised Complete Premises shall be expanded to include the 2006 Expansion Space and the Premises under the Lease shall be redefined to be a total of 34,635 rentable square feet on the first, second and third floors of the Building all as more particularly described in Exhibit A-6 attached hereto (the "2006 Revised Premises"). Accordingly, as of the 2006 Expansion Space Commencement Date, wherever reference is made in the Lease to the Premises, Revised Premises, Complete Premises, or Revised Complete Premises it shall be deemed to mean the 2006 Revised Premises, and Exhibits A-2, A-3, A4, and A-5 to the Lease shall be replaced with Exhibit A-6 attached hereto in order to evidence the location of the 2006 Revised Premises.

4. Delivery of 2006 Expansion Space. Landlord shall act in good faith and use diligent efforts to deliver the 2006 Expansion Space to Tenant upfitted in substantial accordance with the Plans on or before April 1, 2006. Notwithstanding anything contained herein to the contrary, in no event shall Landlord's completion of the improvements in the 2006 Expansion Space be dependent upon, or the 2006 Expansion Space Commencement Date delayed because of, the installation of any special equipment or improvements to the 2006 Expansion Space to be supplied and installed by Tenant.

Notwithstanding the foregoing, Landlord shall use reasonable efforts to provide Tenant and tenant's licensed contractors with access to the 2006 Expansion Space two (2) weeks prior to the 2006 Expansion Space Commencement Date for among other things, Tenants installation of its furniture, fixtures, cabling and equipment within the 2006 Expansion Space, provided (i) Tenant has obtained all insurance required under the Lease to be maintained by Tenant, (ii) Such early access by Tenant and its contractors does not in any way interfere with Landlord's completion of the 2006 Improvements (as hereinafter defined), (iii) Tenant's access is coordinated in advance with Landlord's contractor, and (iv) Tenants occupancy of the 2006 Expansion Space prior to the 2006 Expansion Space Commencement Date otherwise complies with all other applicable terms and conditions of the Lease.

5. Tenant Improvements. Tenant agrees that it currently occupies, and shall continue to occupy, the Revised Complete Premises in its "as is" condition without any further improvements thereto except as otherwise provided herein. Landlord shall, subject to the terms herein, supervise the construction and installation of the initial improvements in the 2006 Expansion Space (the 2006 Improvements") in accordance with Tenants plans and specifications for the design, construction, and installation of the 2006 Improvements (the "Plans"), as such plans have been reviewed and approved by Landlord and Tenant, such approval not to be unreasonably withheld. Landlord shall substantially complete the 2006 Improvements in accordance with said Plans and in a good and workmanlike manner, such substantial completion to be certified by Landlords engineer.

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Landlord shall contribute up to a maximum of Seventeen and No/100 Dollars (\$17.00) per rentable square foot of the 2006 Expansion Space (the 2006 Expansion Allowance toward only the following costs: (i) any cost of installing the 2006 Improvements on an "as completed" basis which is performed in accordance with the Plans and related to the work to be done for the purpose of preparing the 2006 Expansion Space for Tenants occupancy and use, (ii) the cost of preparing the Plans, (iii) design costs for architectural, mechanical, plumbing and electrical design, (iv) construction documents and permits, and (v) a construction management fee equal to four percent (4%) of the total cost of constructing the 2006 Improvements to be paid to Landlord; provided, however, in no event shall the 2006 Expansion 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 2006 Expansion Space, including without limitation, telephone and data cable lines. In the event that either prior to the commencement of the installation of the 2006 Improvements or at any time during or following the installation of the 2006 Improvements, the cost of the 2006 Improvements exceeds the 2006 Expansion Allowance or Tenant requests any change to the aforementioned Plans which has resulted or might result in an increase in the cost of the installation of such 2006 Improvements so that the cost exceeds the 2006 Expansion Allowance, then Tenant shall be exclusively responsible for the payment of such amount and shall promptly deliver the necessary funds to defray such excess cost to Landlord no later than fifteen (15) days after Landlord demands same. Notwithstanding the foregoing, any change order(s) requested by Tenant which will result in an increase in the cost of the construction and installation of the 2006 Improvements shall be agreed to in advance by Landlord and Tenant, and Tenant shall be obligated to pay Landlord an additional construction management fee relative to such change order(s) equal to four percent (4%) of any increase in the cost of the construction and installation of the Tenant Improvements. Any savings or unused portion of the 2006 Expansion Allowance after the 2006 Improvements are completed shall be made available to Tenant for additional permanent improvements to the Revised Complete Premises.

Tenant acknowledges that Landlord may be supervising the construction of the 2006 Improvements while Tenant occupies the 2006 Revised Premises and Landlord agrees that it shall use reasonable efforts to minimize any interference with Tenants business operations within the 2006 Revised Premises while constructing such improvements.

6. Additional Allowance. Notwithstanding anything contained herein to the contrary, Tenant may elect to obtain from Landlord an additional upfitting allowance in an amount not to exceed Fifty-Four Thousand Seven Hundred Fifty and No/00 Dollars (\$54,750.00) (the "Additional Upfitting Allowance") [which represents \$5.00 per rentable square foot of the 2006 Expansion Space] for the 2006 Improvements. In consideration of any such Additional Upfitting Allowance paid by Landlord, the Minimum Rent otherwise payable by Tenant under this Lease shall be increased by the amount required to fully amortize the actual amount of any sum Additional Upfitting Allowance, together with interest thereon at the rate of ten percent (10%) per annum, in equal monthly installments over the initial Term and monthly installments of Minimum Rental shall be adjusted accordingly.

7. Rental. Provided no Tenant default has occurred and is continuing under the Lease Tenant shall have no obligation to pay Minimum Rental or Additional Rent with respect to the 2006 Expansion Space for the first seven (7) months following the 2006 Expansion Space Commencement Date. Thereafter, Tenant shall pay all rent due and payable under the Lease, at the same rate and under the same conditions as are set forth in the Lease with respect to the Revised Complete Premises. Accordingly, beginning as of the 2006 Expansion Space Commencement Date and continuing throughout the Extension Term. Tenant shall pay Minimum Rental with respect to the 2006 Revised Premises as follows:

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PERIOD	RATE	MONTHLY RENT	ANNUAL RENT
4/1/06*-9/30/06	\$14.86 per r.s.f.	\$29,329.93	\$351,959.16
10/1/06-10/31/06	\$15.23 per r.s.f.	\$30,060.21	\$360,722.52
11/1/06--9/30/07	\$15.23 per r.51.	\$43,957.59	\$527,491.08
10/1/07-9/30/08	\$15.61 per r.s.f.	\$45,054.36	\$540,652.32
10/1/08-9/30/09	\$16.00 per r.s.f.	\$46,180.00	\$554,160.00
10/1/09-9/30/10	\$16.40 per r.s.f.	\$47,334.50	\$568,014.00
10/1/10-9/30/11	\$16.81 per r.s.f.	\$48,517.86	\$582,214.32
10/1/11-9/30/12	\$17.23, per r.s.f.	\$49,730.09	\$596,761.08
10/1/12-9/30/13	\$17.66 per r.s.f.	\$50,971.18	\$611,654.16

*In the event the 2006 Expansion Space Commencement Date is a date other than April 1, 2006, this rent schedule shall be adjusted and shall be effective as of the actual 2006 Expansion Space Commencement Date, such that Tenant's base rent applicable to the 2006 Expansion Space shall be abated until the seven (7) month anniversary of the 2006 Expansion Space Commencement Date.

Effective as of the 2006 Expansion Space Commencement Date, the Operating Expense Stop with respect to the 2006 Expansion Space shall be redefined to be the actual Operating Expenses for the calendar year 2006; provided, however, the Operating Expense Stop applicable to the Revised Combined Premises shall not be modified. Commencing as of the 2006 Expansion Space Commencement Date and continuing throughout the Extension Term. Tenant shall continue to pay Tenants Proportionate Share of Operating Expenses, including insurance costs, taxes, and operating expense charges, and any other amount due and payable under the Lease, in accordance with the terms of the Lease, provided Tenant's Proportionate Share shall be adjusted to reflect the 2006 Revised Premises as of the 2006 Expansion Space Commencement Date.

8. Broker. 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 Tri Properties, Inc. and Corporate Realty Advisors (collectively, the "Broker"). Tenant agrees to indemnify and save Landlord 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 due, owing, or made to a broker (except as provided immediately below) in connection with this Fourth Amendment. 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 Fourth Amendment. Landlord expressly agrees and acknowledges that Landlord is responsible for the full payment of any leasing commissions due Broker pursuant to a separate written agreement with Broker.

9. Rooftop Communications. Subject to the conditions set forth herein and provided no default has occurred and is continuing hereunder, Landlord hereby grants to Tenant the non-exclusive right to install, maintain and operate, at Tenant's sole cost and expense, communications equipment (the "Equipment") on the roof of the Building, all in accordance with the Roof License Agreement attached hereto as Exhibit B and incorporated herein by reference (the "Roof License Agreement"). The size, location and method of installation of the Equipment shall be at Landlord's sole discretion and Tenant hereby agrees to install the Equipment at Tenant's sole cost and expense, under the direct supervision of Landlord's roofing contractor, and in such a manner as will not affect Landlord's

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insurance or roof warranty. The use of the Equipment shall be limited solely to Tenant, and Landlord reserves the right, in its sole discretion to withhold consent to any proposed subletting or assignment of the rights to use the Equipment. Tenant shall install all equipment at the sole cost and expense and risk of Tenant and shall do so in a good workmanlike manner and in compliance with all federal, state and local building, zoning, electric, telecommunications, and safety codes and ordinances, standards, regulations, laws and requirements, including, without limitation, those of the Federal Communications Commission. Nothing contained herein shall impose any liability or repair obligations upon Landlord relative to the Equipment. Upon the expiration or earlier termination of this Lease, Tenant agrees, while under the direct supervision of Landlord's roofing contractor, to remove the Equipment and return the roof of the Building to the condition in which it existed as of the Commencement Date. Prior to the installation of the Equipment, Tenant shall execute the Roof License Agreement.

10. Right of First Refusal. Notwithstanding anything in the Lease to the contrary, provided no Tenant default has occurred and is continuing hereunder and provided Tenant has not assigned this Lease nor sublet all or any portion of the Premises, Tenant shall have a continuing right of first refusal to lease the space within the Building immediately adjacent to the 2006 Revised Premises as more particularly described on Exhibit A-1 attached hereto (the "Adjacent Space") at such time as such Adjacent Space becomes available for lease during the initial Term; provided, however, Tenant shall have no right to lease any portion of the Adjacent Space which is re-leased to existing tenants occupying such space. Prior to entering into any new lease for all or any portion of the Adjacent Space, Landlord shall first offer (by written notice to Tenant) to lease the relevant portion of the Adjacent Space to Tenant upon the same terms and conditions as set forth in a bona fide third party offer (the "Third Party Offer") for the relevant portion of the Adjacent Space being leased. Tenant shall have a period of five (5) business days following receipt of said written notice from Landlord to provide Landlord with written notice of its election to lease the Adjacent Space which is the subject of said Third Party Offer. In the event Tenant fails to respond to Landlord within said five (5) business day period, Tenant shall be deemed to have waived its rights with respect to the leasing of the Adjacent Space. If Tenant elects not to exercise its right to lease the Adjacent Space and such space subsequently becomes available for lease, Tenant shall again have a right of first refusal with respect to such space. In the event Tenant elects to exercise its right of first refusal with respect to the Adjacent Space, Tenant shall be deemed to lease the Adjacent Space which is the subject of said Third Party Offer subject to the terms and conditions as set forth in the Third Party Offer and the parties hereto shall amend the Lease (or enter into a new lease) to memorialize the terms of said Lease.

11. Extension Option. Tenant shall continue to have the right to extend the Extension Term with respect to the 2006 Revised Premises once for a period of five (5) years pursuant to the terms and conditions of Section 7 of the Second Amendment to Lease.

12. Ratification. Except as expressly or by necessary implication amended or modified hereby, the terms of the Existing Lease are hereby ratified, confirmed and continued in full force and effect.

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IN WITNESS WHEREOF, Each of the parties hereto has duly executed this Fourth Amendment as of the day and year first above written.

LANDLORD:

CANTERBURY HALL IC, LLC,
a Delaware limited liability company

By: PRINCIPAL REAL ESTATE INVESTORS, LLC,
a Delaware Limited liability company, its
authorized agent

By: Michael S. Benson

Investment Director, Asset Management

By: Joseph E Pierce

Investment Director, Asset Management

Date: December 15, 2005

TENANT:

CLINFORCE, INC.
a Delaware corporation

By: Tony Sims

President

Date: November 15, 2005

AGREEMENT OF LEASE

between

CAMPUS INVESTORS D BUILDING, L.P.

and

MEDSTAFF, INC.

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AGREEMENT OF LEASE

THIS AGREEMENT OF LEASE (the "Lease") is made as of February 15, 2006, by and between CAMPUS INVESTORS D BUILDING, L.P., a Delaware limited partnership, (the "Landlord"), and MEDSTAFF, INC., a Delaware corporation (the "Tenant").

W I T N E S S E T H:

For and in consideration of the mutual covenants and agreements set forth in this Lease, and intending to be legally bound, Landlord and Tenant agree as follows:

1. BASIC TERMS; OTHER DEFINED TERMS; EXHIBITS.

1.1. Basic Terms.

This Section 1.1 contains definitions of certain basic terms used in this Lease. When used in this Lease, these terms shall have the meanings, or be ascribed the amounts, set forth below:

1.1.1. Building. The two story, approximately 240,000 rentable square foot office building known as D Building located in Newtown Square, Delaware County, Pennsylvania, on Convertible Real Estate Parcel D of Kelly Preserve ("Kelly Preserve"), which is Unit 1 of Ellis Preserve ("Ellis Preserve"), both planned communities pursuant to the provisions of the Pennsylvania Uniform Planned Community Act, 68 Pa. C.S. ss.5101, et. seq., as amended.

1.1.2. Property. The parcel of land on which the Building is located, being the Kelly Preserve, as more particularly described in Exhibit 1.1.2.

1.1.3. Premises. The space, containing approximately 31,959 rentable square feet, located on the second floor of the Building, as more particularly shown on the Plan, such measurement to be subject to final determination by Landlord's architect in accordance with 1996 ANSI/BOMA Z65.1 standards (provided that the common area shall be deemed to be not more than eighteen percent (18%) of the building area).

1.1.4. Base Rent.

Lease Months -----	RSF ---	Annual -----	Monthly -----
1 - 5	\$0.00	\$0.00	\$0.00
6 - 17	\$23.75	\$759,026.25	\$63,252.19
18 - 29	\$24.25	\$775,005.75	\$64,583.81
30 - 41	\$24.75	\$790,985.25	\$65,915.44
42 - 53	\$25.25	\$806,964.75	\$67,247.06
54 - 65	\$25.75	\$822,944.25	\$68,578.69
66 - 77	\$26.25	\$838,923.75	\$69,910.31
78 - 89	\$26.75	\$854,903.25	\$71,241.94

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The annual Base Rent per rentable square foot is as set forth in the second column of the above chart; however, the annual and monthly Base Rents set forth above are subject to adjustment, based upon the final determination of the rentable square footage of the Premises made by Landlord's architect.

1.1.5. Tenant's Share. 13.32 %. This represents the percentage equivalent of a fraction, the numerator of which is 31,959, and the denominator of which is 240,000 (which the parties agree is the rentable area of the Building). Tenant's Share is subject to adjustment, based upon the final determination of the rentable square footage of the Premises made by Landlord's architect.

1.1.6. Term. Seven (7) years, five (5) months, subject to Section 2.2.

1.1.7. Security. A Lease Guaranty dated on the same date as this Lease (the "Guaranty") by Cross Country Healthcare Inc. (the "Guarantor") in favor of Landlord.

1.1.8. Brokers. Grubb & Ellis and GPX Realty Partners.

1.1.9. Addresses for Notices.

If to Landlord:

Campus Investors D Building, L.P.
c/o BPG Management Company, L.P.
Suite 150
770 Township Line Road
Yardley, PA 19067
Facsimile No.: (267) 757-0549

With a required copy to:

BPG Properties, Ltd.
3000 Centre Square West
1500 Market Street
Philadelphia, PA 19102
Attention: General Counsel
Facsimile No.: (215) 569-0329

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If to Tenant:

Prior to Commencement Date:

MedStaff, Inc.
297 South Newtown Street Road
Newtown Square, Pennsylvania
Attention: Tim Rodden, COO
Facsimile No.: (610) 353-7850

From and After Commencement Date:

MedStaff, Inc.
3805 West Chester Pike
Newtown Square, PA 19073
Attention: Tim Rodden, COO
Facsimile No.: [to be provided by Tenant prior to
Commencement Date]

With a required copy to:

Cross Country Healthcare, Inc.
6551 Park of Commerce Blvd., N.W.
Boca Raton, FL 33487
Attention: General Counsel
Facsimile No.: (800) 565-9774

1.2. Other Defined Terms.

Exhibit 1.2 contains a list of all capitalized terms used in this Lease, together with the definitions of such terms or references to the Sections in which such definitions may be found. All capitalized terms used in this Lease have the meanings set forth in Exhibit 1.2 or in the Sections in which the definitions of such terms appear.

1.3. Exhibits.

The following documents are attached as exhibits to and are a part of this Lease:

Exhibit 1.1.2	Legal Description of Property
Exhibit 1.2	Definitions
Exhibit 2.1.1	Plan of the Premises
Exhibit 2.2.3	Commencement Date Agreement
Exhibit 2.4	Workletter
Exhibit 9.2.1	Rules and Regulations
Exhibit 9.6.1	Location of Parking Spaces
Exhibit 11.1.1	HVAC System
Exhibit 13.1.2	Standards for Work Performed by Tenant
Exhibit 27.1	Adjacent Space

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2. DEMISE; TERM; FREE RENT PERIOD; ADDITION OPTION.

2.1. Demise.

Landlord hereby demises and leases the Premises to Tenant and Tenant hereby leases the Premises from Landlord, including nonexclusive access to all Common Facilities, subject to the rights of other tenants, for the Term and upon and subject to the terms and conditions of this Lease. The Premises is shown on the plan attached to this Lease as Exhibit 2.1.1 (the "Plan"). The Plan is attached for purposes of illustration only. The actual dimensions of the Premises may vary from those shown on the Plan.

2.2. Term.

2.2.1. The Term shall commence on the date (the "Commencement Date") which is the earlier of (a) the date on which Tenant takes possession of the Premises, or (b) the date that the Tenant Improvements are Substantially Completed or would have been Substantially Completed but for Tenant Delay. The Rent Commencement Date shall occur on the date which is five (5) calendar months following the Commencement Date.

2.2.2. If the Commencement Date occurs on the first day of a calendar month, the Term shall end seven (7) years and five (5) months from the Commencement Date, unless extended or sooner terminated as provided in this Lease. If the Commencement Date occurs on any day other than the first day of a calendar month, the Term shall end seven (7) years and five (5) months from the first day of the calendar month immediately following the Commencement Date, unless extended or sooner terminated as provided in this Lease. The date upon which the Term expires is referred to as the "Expiration Date."

2.2.3. After the Commencement Date has been determined, Landlord and Tenant shall enter into an agreement, in the form attached to this Lease as Exhibit 2.2.3, confirming the Commencement Date, the Rent Commencement Date and the Expiration Date of the Term. In the event Tenant fails to execute and deliver such agreement within ten (10) days of written request by Landlord, Tenant does hereby make, constitute and appoint Landlord as Tenant's attorney-in-fact and agent in its name, place and stead to do so. This power of attorney is given as security coupled with an interest and is irrevocable.

2.3. Free Base Rent Period.

During the five-month period between the Commencement Date and the Rent Commencement Date, Landlord and Tenant shall comply with all of the terms and conditions of this Lease except that during such period Tenant shall not be obligated to pay Base Rent.

2.4. Workletter.

Landlord has agreed to make certain improvements to the Premises in connection with Tenant's occupancy thereof, as more particularly described in the Workletter attached hereto as Exhibit 2.4 (the "Workletter"). Except as otherwise expressly set forth in the Workletter, Landlord shall have no obligation to make any alterations or improvements to the Premises or provide any allowance or credit to Tenant for such purpose.

3. USE.

3.1. Use.

Tenant shall use and occupy the Premises for general business office purposes and for no other purpose whatsoever. Without limiting the foregoing, Tenant shall not use or occupy the Premises for any purpose that would (a) cause the Premises or the Property to be deemed a "place of public accommodation" under the Americans with Disabilities Act of 1990 (the "ADA"), or (b) be inconsistent with the operation of the Property as a first class office building.

4. RENT.

4.1. Base Rent.

4.1.1. Tenant shall pay Base Rent commencing on the Rent Commencement Date and continuing throughout the Term.

4.1.2. Base Rent is payable by Tenant in monthly installments in the amounts set forth in Subsection 1.1.4 (subject to adjustment as set forth in Subsection 1.1.4), without notice or demand, in advance on the first day of each and every calendar month from and after the Rent Commencement Date. If the Rent Commencement Date is a day other than the first day of a calendar month, Tenant shall pay Landlord, on the Rent Commencement Date, a pro rated portion of the monthly installment of Base Rent for such partial month, based on the number of days remaining in such partial month.

4.2. Additional Rent; Rent In General.

4.2.1. All amounts payable by Tenant pursuant to this Lease other than Base Rent are additional rent ("Additional Rent") (Base Rent and Additional Rent being referred to collectively as "Rent"). Landlord shall have the same rights and remedies for nonpayment of Additional Rent as Landlord has for nonpayment of Base Rent.

4.2.2. Except as specifically set forth herein, Tenant shall pay all Rent without deduction, recoupment or setoff of any amount for any reason whatsoever and Tenant's covenant and agreement to pay Rent shall for all purposes be construed to be a separate and independent covenant. Payments denominated by Tenant as other than Base Rent shall not be credited against Tenant's obligation to pay Base Rent.

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4.2.3. All Rent shall be paid at the office of Landlord set forth in Subsection 1.1.10 or such other place as Landlord may from time to time designate by written notice to Tenant.

4.2.4. Any payment of Rent which is not paid when due shall bear interest at the Overdue Interest Rate from the date due until the date paid by Tenant. In addition, Tenant shall pay Landlord an administrative charge of five percent (5%) of any amount which is not paid within thirty (30) days after Tenant's receipt of notice from Landlord.

4.3. Payments of Less Than Full Amount Due.

Any payment by Tenant or acceptance by Landlord of less than the full amount due from Tenant shall be treated as a payment on account. Landlord's acceptance of a check for less than the full amount due with an endorsement or statement thereon, or upon any letter accompanying a check or payment, that such lesser amount is payment in full or payment for any particular item of Rent, shall be given no effect, and Landlord may accept such check or payment without prejudice to any other rights or remedies which Landlord may have against Tenant. Landlord may apply such payments against such items of Rent as Landlord may in its sole discretion determine.

5. [Intentionally Omitted].

6. TAXES.

6.1. The Tax Adjustment.

Tenant shall pay Landlord as Additional Rent the Tax Adjustment for each Tax Year from and after the Commencement Date, beginning with the calendar year 2007. If the Expiration Date is any date other than the last day of a Tax Year, the Tax Adjustment for such Tax Year shall be pro rated based upon the portion(s) of such Tax Year(s) that fall within the Term.

6.2. Monthly Tax Payments.

6.2.1. From and after January 1, 2007, Tenant shall pay Landlord monthly payments on account of the Tax Adjustment (the "Monthly Tax Payment(s)") for the relevant Tax Year. The Monthly Tax Payments shall be payable on the first day of each month throughout the Term.

6.2.2. The Monthly Tax Payments shall equal one-twelfth of the Estimated Tax Adjustment for the relevant Tax Year. Landlord may revise the Estimated Tax Adjustment from time to time by notice in writing to Tenant.

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6.3. Tax Statement.

Following Landlord's receipt of the annual bills for Taxes for each Tax Year during the Term, Landlord shall furnish Tenant with a Tax Statement. Within thirty (30) days following the receipt of the Tax Statement, Tenant shall pay Landlord (or Landlord shall credit to Tenant) any deficiency (or excess) between the Monthly Tax Payments previously paid on account of the Tax Adjustment for the relevant Tax Year and the actual Tax Adjustment for such Tax Year. Any Tax Statement shall be deemed approved by Tenant as correct unless within sixty (60) days after receipt of the Tax Statement, Tenant notifies Landlord in writing that Tenant disputes the accuracy of the Tax Statement, specifying in detail the basis for such assertion. Pending the resolution of such dispute, Tenant shall make payments in accordance with the Tax Statement submitted by Landlord.

6.4. Continuing Obligation to Make Payments on Account of Next Tax Year.

After payment of the full amount of the Tax Adjustment for any Tax Year, Tenant shall continue to pay Monthly Tax Payments of one-twelfth of the Estimated Tax Adjustment for the following Tax Year during the Term.

6.5. Landlord's Right to Waive Requirement for Monthly Tax Payments.

Notwithstanding the foregoing, Landlord may, from time to time, during the Term elect to waive the requirement for payment of Monthly Tax Payments. In such case, Tenant shall pay the full amount of any unpaid Tax Adjustment within ten (10) days after Tenant receives a Tax Statement.

6.6. Certain Reassessments .

Notwithstanding anything in this Lease to the contrary, Tenant shall not be required to pay, and the Tax Adjustment shall not include, Taxes imposed by a so called "spot assessment".

7. OPERATING EXPENSES.

7.1. The Operating Expense Adjustment.

Tenant shall pay Landlord as Additional Rent the Operating Expense Adjustment for each Operating Year, beginning with the calendar year 2007. If the Expiration Date is any date other than the last day of an Operating Year, the Operating Expense Adjustment for such Operating Year shall be pro rated based upon the portion(s) of such Operating Year(s) that fall within the Term.

7.2. Monthly Expense Payments.

7.2.1. From and after January 1, 2007, Tenant shall pay Landlord monthly payments on account of the Operating Expense Adjustment for the

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then current Operating Year (the "Monthly Expense Payment(s)"). The amount of the Monthly Expense Payments shall be determined in the manner set forth in Subsection 7.2.3. The Monthly Expense Payments shall be payable on the first day of each month.

7.2.2. Following the beginning of each Operating Year, Landlord shall submit a new Estimate Notice to Tenant. Until the Estimate Notice is furnished by Landlord, Tenant shall continue to pay Monthly Expense Payments based upon the Operating Expense Estimate for the preceding Operating Year. Beginning on the first day of the first month following Tenant's receipt of the Estimate Notice, Tenant shall commence paying the new Monthly Expense Payment. The new Monthly Expense Payment shall equal the Adjusted Expense Estimate for the then current Operating Year divided by the number of months remaining in such Operating Year.

7.2.3. Landlord may submit a revised Estimate Notice from time to time during the course of an Operating Year, but not more than twice in any Operating Year, and beginning on the first day of the first month following receipt of the Estimate Notice, Tenant shall commence paying the new Monthly Expense Payment set forth in the Estimate Notice. The amount of the new Monthly Expense Payment shall be determined in accordance with Subsection 7.2.3.

7.3. Operating Expense Statement.

7.3.1. Within ninety (90) days after the end of each Operating Year, Landlord shall furnish Tenant an Operating Expense Statement. Within thirty (30) days following the receipt of the Operating Expense Statement, Tenant shall pay Landlord (or Landlord shall credit to Tenant) any deficiency (or excess) between the Monthly Expense Payments paid on account of the preceding Operating Year's Operating Expense Adjustment and the actual Operating Expense Adjustment for such Operating Year.

7.3.2. Notwithstanding the foregoing, in the event that Landlord fails to deliver to Tenant such Operating Expense Statement on or before October 1 of the following year, Landlord shall waive its right to collect any such deficiency in the payment of such Operating Expense and in the event that Tenant is entitled to a credit for excess payment of Operating Expense for such year, interest shall accrue on such amount at the Overdue Interest Rate from October 1 until Landlord delivers such Operating Expense Statement.

7.4. Inspection Right.

7.4.1. Notwithstanding anything herein to the contrary, within one hundred twenty (120) days after Tenant's receipt of the Operating Expense Statement for the prior calendar year, Tenant shall have the right to audit Landlord's books and records in accordance with this paragraph. Tenant shall exercise such audit right by providing Landlord with a written notice of Tenant's exercise of such audit right (the "Audit Notice") given within such one hundred twenty (120) day period. Upon the receipt by Landlord of an Audit Notice, Landlord shall instruct its property manager at the Building to arrange to promptly meet with a designated employee of Tenant (the "Tenant

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Representative"). Landlord shall provide the Tenant Representative with reasonable access to Landlord's books and records at the Building relating to Operating Expenses for the calendar year in question in order to conduct a preliminary information gathering, review and/or audit of Landlord's books and records pursuant to the Audit Notice. Such preliminary audit shall occur within thirty (30) days following Landlord's receipt of such Audit Notice from Tenant. If, within thirty (30) days after such preliminary informational inspection and/or audit by Tenant, Landlord and Tenant are unable to resolve Tenant's objections, then not later than fifteen (15) days after the expiration of such 30-day period, Tenant shall notify Landlord if Tenant wishes to employ either (i) an independent, reputable certified public accounting firm or (ii) an independent, reputable lease audit firm approved by Landlord, which is not compensated on a contingent fee basis ("Acceptable Auditors") to inspect and audit Landlord's books and records for the Building relating to the specific objections raised in Tenant's statement. Such audit shall occur within one hundred twenty (120) days after Landlord's receipt of the Audit Notice from Tenant. No such audit by Tenant shall affect or impair Tenant's obligations to pay Base Rent or Additional Rent as and when due hereunder during the pendency of such audit. All costs and expenses of any such audit shall be paid by Tenant, except if Tenant's audit reveals an overcharge of more than four percent (4%) of Tenant's Share of Operating Expenses, then Landlord shall reimburse Tenant for Tenant's reasonable, out-of-pocket costs of conducting such audit, and shall refund or credit to Tenant the amount of such overcharge. Any audit performed pursuant to the terms of this section shall be conducted only by the Acceptable Auditors at the offices of Landlord's property management office in the Philadelphia area where Landlord agrees to provide all of its records relating to the Operating Expense Statement. Notwithstanding anything contained herein to the contrary, Tenant shall be entitled to exercise its audit right pursuant to this section only in strict accordance with the foregoing procedures no more often than once per calendar year and each such audit shall relate only to the calendar year most recently ended.

8. MAINTENANCE AND REPAIR OF THE PREMISES.

Tenant, at its sole cost and expense, shall maintain the Premises and the fixtures, trade fixtures, installations, equipment and facilities in the Premises, in good order, condition and repair at all times. Such obligation shall include, without limitation, all electrical, plumbing and other mechanical systems in the Premises, from the point such systems connect to the Building systems.

9. OPERATION OF THE PREMISES AND THE PROPERTY; COMMON FACILITIES; PARKING.

9.1. General Restrictions.

Tenant covenants and agrees, at its sole cost and expense:

9.1.1. to secure and maintain in effect any governmental approvals, licenses and permits as may be required for Tenant's use and occupancy of the Premises and to provide Landlord copies of such approvals, licenses and permits upon request;

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9.1.2. not to do or permit anything to be done which might cause damage to the Property or place any loads upon any floor, wall or ceiling which might damage or endanger any portion of the Building;

9.1.3. not to operate any equipment which would injure the Property, overload existing electrical systems or mechanical equipment servicing the Building, or impair the efficient operation of the fire protection and life safety systems within the Building;

9.1.4. not to commit or permit to be committed any waste;

9.1.5. to keep the Premises free of nuisances;

9.1.6. to comply with all Laws relating to the Premises and Tenant's use and occupancy of the Premises;

9.1.7. to comply with requirements of any insurance policy maintained by Tenant with respect to the Premises; and

9.1.8. not to use or occupy the Premises in any manner which would:

9.1.8.1. void or impair any insurance maintained by Landlord or result in any increase in the insurance premiums otherwise payable by Landlord;

9.1.8.2. create any safety or environmental hazard, or be dangerous to the Premises, the Building or the occupants of the Premises or the Building;

9.1.8.3. disturb other tenants or occupants of the Building; or

9.1.8.4. violate the Rules and Regulations or any provision of this Lease.

9.2. Rules and Regulations.

9.2.1. Tenant shall comply, and shall cause its agents, employees, contractors, licensees and invitees to comply, with the rules and regulations set forth in Exhibit 9.2.1, as the same may be amended or modified by Landlord from time to time (the "Rules and Regulations").

9.2.2. Landlord shall have the right to amend or modify the Rules and Regulations from time to time as Landlord shall deem necessary or desirable provided that such changes will not materially interfere with Tenant's use of the Premises, are not inconsistent with the terms and conditions of the Lease and Landlord shall use reasonable efforts to apply such changes in a

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non-discriminatory manner. Landlord shall give Tenant not less than thirty (30) days prior written notice of the content and effective date of any amendments or modifications to the Rules and Regulations.

9.2.3. Landlord shall use reasonable efforts to enforce the Rules and Regulations in a non-discriminatory manner, provided, however, Landlord shall not be liable to Tenant for the violation of the Rules and Regulations by any tenant. Landlord's failure to enforce any of the Rules and Regulations against Tenant or any other tenant or person shall not constitute a waiver thereof by Landlord.

9.3. Declaration and REA.

This Lease is subject and subordinate to the Declaration and the REA. Tenant shall comply, and shall cause its agents, employees, contractors, licensees and invitees to comply with the Declaration and any rules or regulations promulgated by the Association.

9.4. Americans With Disabilities Act.

Without limiting the generality of Subsection 9.1.6, Tenant agrees to comply with the ADA, which may impose requirements relating to the design and use of the Premises. The foregoing obligation shall not be construed to permit Tenant to make any Alterations without Landlord's prior written consent.

9.5. Common Facilities.

The Common Facilities shall at all times be subject to the exclusive management and control of Landlord. Landlord shall have the right to: (a) establish, modify and enforce reasonable rules and regulations with respect to the Common Facilities; (b) enter into, modify and terminate easement and other agreements pertaining to the use and maintenance of the parking areas and other Common Facilities; (c) restrict parking by tenants and their employees to employee parking areas; (d) temporarily close portions of the Common Facilities, to the extent Landlord deems necessary or appropriate; (e) do and perform such other acts in and to the Common Facilities as Landlord deems necessary or appropriate; (f) change, rearrange, alter, modify, reduce, eliminate or supplement Common Facilities so long as adequate common facilities are made available to the Tenant.

9.6. Parking.

9.6.1. Landlord shall provide 128 undesignated parking spaces for the use of Tenant, its agents, employees, contractors, licensees and invitees, within the area shown on Exhibit 9.6.1, or such other areas in reasonable proximity to the Building as Landlord may designate from time to time. The foregoing number of parking spaces is based upon a formula of four parking spaces per 1,000 rentable square feet of space in the Premises. The number of parking spaces allocated to Tenant is subject to adjustment in accordance with such formula, based upon the final determination of the rentable square footage of the Premises made by Landlord's architect.

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9.6.2. Tenant shall comply, and shall cause its agents, employees, contractors, licensees and invitees to comply, with the rules and regulations which Landlord may make to assure use of parking spaces on the Property by permitted users only. Landlord's remedies under such rules and regulations may include, but shall not be limited to, the right to tow away at the owner's expense any vehicles not parked in compliance with these rules and regulations upon notice to Tenant. Landlord shall not be responsible to Tenant for the non-compliance or breach by any other tenant of such rules and regulations.

10. LANDLORD'S RIGHT OF ACCESS; LANDLORD'S RIGHT TO CURE.

10.1. Right to Enter Premises.

Landlord, any Overlessor(s), and Mortgagee(s), and any agent or employee of any of the foregoing, shall have the right to enter the Premises upon 24 hours' notice to Tenant (provided that no notice shall be required in the event of emergency) for any of the following purposes:

10.1.1. to inspect the Premises and determine Tenant's compliance with the provisions of this Lease;

10.1.2. to make any repairs, replacements or alterations to the Property or do any work which Landlord may deem necessary;

10.1.3. to perform any of the services required to be performed by Landlord pursuant to this Lease;

10.1.4. to show the Premises to prospective purchasers and within the final 12 months of the Term to prospective tenants; and

10.1.5. for any other reasonable and appropriate purpose.

10.2. Right to Install Equipment.

Landlord may install, use, maintain, repair, replace and relocate pipes, ducts, conduits, wires and appurtenant meters and equipment for service to other parts of the Building within or through the Premises or through the walls and columns in the Premises provided that such work shall not materially interfere with Tenant's use of the Premises.

10.3. Landlord's Right To Cure.

If Tenant fails to perform any of its covenants under this Lease, Landlord may elect to perform such covenant on behalf of Tenant after giving Tenant at least three (3) business days written notice of Landlord's intention to do so, provided however, that if an emergency situation exists, no written notice shall be required. Tenant shall reimburse Landlord for reasonable sums paid or reasonable costs incurred by Landlord in curing such default,

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together with interest at the Overdue Interest Rate from the respective dates of Landlord's making the payments and incurring such costs, within thirty (30) days after delivery of a statement from Landlord for the amount due. The exercise by Landlord of its rights under this Section shall not prejudice or waive any rights or remedies Landlord might otherwise have against Tenant.

11. LANDLORD'S SERVICES.

11.1. HVAC.

11.1.1. The heating, ventilating and air conditioning for the Building (including both Common Facilities and portions of the Building which are leased to tenants) is provided through an electrically operated package unit system, which is described in Exhibit 11.1.1 (the "HVAC System"). As provided in Section 11.2 below, the costs of electrical service for the HVAC System are included in Operating Expenses, to the extent allocable to heating, ventilating and cooling of the Common Facilities in the Building. As provided in Section 11.2 below, the costs of electrical service for the HVAC System are payable by Tenant, to the extent allocable to heating, ventilating and cooling of the Premises. Landlord shall maintain and repair the HVAC System, and the cost thereof shall be included in Operating Expenses.

11.1.2. If Tenant requires supplementary heating, ventilating, or air conditioning for its Premises, Tenant shall pay all costs in connection with the installation and operation thereof.

11.2. Electric.

11.2.1. At Tenant's cost and expense, Landlord shall furnish electrical service sufficient for (a) customary office lighting levels and operation of desktop portable office equipment, (b) the operation of those package units of the HVAC System which service the Premises, and (c) any special electrical requirements set forth in Tenant's Final Plans.

11.2.2. Tenant agrees that its consumption of electric energy will be submetered by Landlord, or if no submeter shall be installed, Landlord shall reasonably calculate Tenant's consumption of electricity. Landlord shall compute the cost of the electricity used by Tenant on the basis of the rate paid by Landlord to the utility company (including all demand costs, surcharges, taxes, fuel adjustments, transfer charges and similar charges paid by Landlord to such utility) and shall bill the amount to Tenant. Upon request of Tenant, Landlord shall provide to Tenant copies of any such utility bills. Tenant shall pay Landlord all such charges as Additional Rent within ten (10) days after delivery of a statement from Landlord for the amount due. Tenant acknowledges that some of the package units of the HVAC System which service the Premises may now or in the future service other portions of the Building, and that, accordingly, Tenant's use thereof may not be separately submetered. Landlord shall allocate the electrical costs associated with operation of any such package units based upon the square footage serviced by such units, or in accordance with such other method as Landlord shall determine to be reasonable.

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11.2.3. Tenant agrees that if, in the future, it is required by the Pennsylvania Public Utility Commission or by a Federal or state law or by applicable tariff as a necessary condition to the supply of electric energy to the Premises or any part thereof, to become the direct customer of the applicable utility, Tenant will do so.

11.2.4. Tenant's use of electric energy shall not any time exceed the capacity of the electric conductors, wiring or equipment in or serving the Premises.

11.2.5. Landlord shall promptly replace light bulbs and tubes upon notice from Tenant. The cost of replacement light bulbs, tubes, lamps, and ballasts, plus the labor cost for such replacement, shall be paid by Tenant as Additional Rent within ten (10) days after delivery of a statement from Landlord for the amount due.

11.3. Water.

Landlord shall provide hot and cold water for normal lavatory purposes. If Tenant requires water for additional purposes, Landlord may, at Tenant's expense, install meters to measure the water used by Tenant for such additional purposes. Landlord shall compute the cost of the water used by Tenant for such additional purposes and shall bill such amount to Tenant on a monthly basis. Tenant shall pay Landlord all such charges as Additional Rent within ten (10) days after delivery of a statement from Landlord for the amount due.

11.4. Elevator Service.

11.4.1. Landlord shall provide normal elevator service during Business Hours and shall provide limited elevator service at other times.

11.4.2. Landlord shall provide freight elevator service at reasonable times.

11.5. Janitorial Service to the Premises.

11.5.1. Landlord shall provide janitorial service to the Premises, including general cleaning and trash removal, Monday through Friday (excluding Holidays), after Business Hours, in accordance with standards established by Landlord.

11.5.2. If Tenant requires janitorial services in excess of those provided by Landlord, Tenant shall arrange for such additional services through Landlord, and shall pay Landlord for such additional services within thirty (30) days after delivery of a statement from Landlord for the amount due.

11.6. Cleaning, Maintenance and Repair by Landlord.

11.6.1. Landlord shall make all necessary repairs to the following components of the Building promptly after notice from Tenant or otherwise as necessary:

11.6.1.1. the exterior windows, walls and other structural parts of the Premises and the Building;

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11.6.1.2. the base building plumbing, heating, ventilating, air conditioning, mechanical and electrical systems;

11.6.1.3. the roof of the Building; and

11.6.1.4. the Common Facilities.

11.6.2. Landlord's obligations under Subsection 11.6.1 are subject to the following limitations:

11.6.2.1. Landlord shall not be obligated to make any repair until the expiration of a reasonable period of time after receipt of notice from Tenant that such repair is needed. Tenant shall give Landlord prompt written notice of the need for any repair.

11.6.2.2. Tenant shall reimburse Landlord for all reasonable, actual costs and expenses of repairing and replacing all damage or injury to the Building caused by the negligence or willful misconduct of Tenant or any of its employees, agents, invitees, licensees, subtenants or contractors (each a "Tenant Party"). Such costs and expenses shall be payable as Additional Rent and shall be paid by Tenant within thirty (30) days after delivery of a statement from Landlord for the amount due.

11.6.3. Landlord shall not be liable for any injury to or interference with Tenant's business arising from the making of any repairs, alterations, additions or improvements in or to the Premises or the Building or to any appurtenances or equipment in the Premises or the Building unless caused by the negligence or willful misconduct of Landlord or any of its employees, agents, invitees, licensees or contractors (each a "Landlord Party"). There shall be no abatement of Rent because of such repairs, alterations, additions or improvements or because of any delay by Landlord in making the same unless caused by the gross negligence or willful misconduct of Landlord or any Landlord Party.

11.6.4. Landlord will operate and maintain the Common Facilities on the Property in a condition consistent with common facilities in comparable suburban office parks. Without limiting the generality of the foregoing, Landlord shall (a) keep the Common Facilities in a reasonably clean and orderly condition; (b) maintain all landscaped areas on the Property; and (c) keep all parking areas, roadways, sidewalks on the Property reasonably free of ice and snow, and repave, repair and restripe as needed.

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11.7. Costs of Performance.

All costs incurred by Landlord in the performance of its obligations under this Article 11 shall be included as part of Operating Expenses, except for the cost of providing electrical service pursuant to Section 11.2, which is paid separately by Tenant.

11.8. Interruption of Services.

11.8.1. Tenant acknowledges that the services which Landlord has agreed to provide pursuant to this Lease may be subject to certain slowdowns, interruptions and stoppages for various reasons, including without limitation the following:

11.8.1.1. voluntary agreements between Landlord and governmental bodies and regulatory agencies;

11.8.1.2. maintenance, repair replacement or alteration of any equipment involved in furnishing such services;

11.8.1.3. fire or other casualty, emergency, accident or act of God;

11.8.1.4. strikes, lockouts, labor controversies;

11.8.1.5. fuel or utility shortages or unavailability of parts, material or labor; and

11.8.1.6. other causes not within the reasonable control of Landlord.

11.8.2. Unless caused by the gross negligence or willful misconduct of Landlord or any Landlord Party, no such slowdown, interruption or stoppage of services, shall:

11.8.2.1. impose any liability on Landlord or give rise to any claim for damages against Landlord (including, without limitation, any claim for damages by reason of loss of profits, business interruption or other consequential damages);

11.8.2.2. constitute a default by Landlord under this Lease or relieve Tenant from the performance of its obligations under this Lease;

11.8.2.3. entitle Tenant to any abatement or reduction in Rent; or

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11.8.2.4. give rise to a claim in Tenant's favor that such absence of services constitutes actual or constructive eviction or renders the Premises untenable.

12. COVENANT OF QUIET ENJOYMENT.

Provided Tenant is not in default under the Lease after the expiration of applicable periods of notice and cure hereunder, Tenant shall quietly have and enjoy the Premises throughout the Term without hindrance or molestation by Landlord or by anyone claiming in, through or under Landlord, subject, however, to the exceptions, reservations and conditions of this Lease.

13. ALTERATIONS; SIGNS.

13.1. General Requirements.

13.1.1. Tenant shall not make any alterations, additions or improvements to the Premises ("Alterations") without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, Tenant may make nonstructural, interior alterations to the Premises provided that the costs of such alterations shall not exceed ten thousand dollars (\$10,000.00). Tenant shall provide reasonably detailed plans and specifications for the proposed Alterations.

13.1.2. Tenant shall comply with the requirements of Exhibit 13.1.2 in connection with the construction of any Alterations.

13.2. Removal of Alterations.

Upon the expiration or earlier termination of the Term, all Alterations shall remain on the Premises and become the property of Landlord unless, upon notice from Tenant to Landlord prior to the installation of such Alterations by Tenant requesting Landlord's determination, Landlord shall give written notice to Tenant to remove the same in accordance with the provisions of this Section. Tenant immediately will remove any Alterations which Landlord requires that Tenant remove, and will repair and restore any damage to the Premises caused by the installation or removal thereof. Without limiting the generality of the foregoing, if required by Landlord, all wiring and cabling installed by or for Tenant, whether inside or outside the Premises, shall be removed by Tenant (or, at Landlord's election, by Landlord), at Tenant's sole cost and expense, at the expiration or earlier termination of the Term. If Tenant fails to perform any of its obligations under this Section 13.2, Landlord may perform such obligations on behalf of Tenant, and the cost and expense thereof, together with interest at the Overdue Interest Rate from the date such costs and expenses were incurred by Landlord, shall be paid by Tenant to Landlord as Additional Rent within thirty (30) days after delivery of a statement from Landlord for the amount due.

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13.3. Signs.

13.3.1. Landlord shall:

13.3.1.1. include Tenant's name on the main lobby Building directory, at Landlord's expense;

13.3.1.2. install Building standard directory signage identifying Tenant in the common multi-tenant elevator lobby on the second floor of the Building, at Landlord's expense;

13.3.1.3. install Building standard entry signage identifying Tenant at the door of the Premises, at Landlord's expense.

13.3.2. Tenant shall not install any signs in or on the Premises that are visible outside the Premises without the prior written consent of Landlord.

13.3.3. The installation of signs shall be considered an Alteration, and Tenant shall comply with the requirements of Exhibit 13.1.2 in connection with the installation of signs.

13.3.4. Tenant shall have the right to remove any signs installed by Tenant at the termination of the Term, provided Tenant is then not in default under this Lease after expiration of applicable periods of notice and cure. In addition, Tenant shall be obligated to remove any signs installed by Tenant if Landlord requires that Tenant remove the same. Tenant shall repair and restore any damage to the Premises caused by the installation or removal of any signs, whether such signs are removed at the election of Tenant or pursuant to the requirement of Landlord. Should Tenant fail to perform any of its obligations under this Subsection 13.3.3, Landlord may perform such obligations on behalf of Tenant, and the cost and expense thereof, together with interest at the Overdue Interest Rate from the date such costs and expenses were incurred by Landlord, shall be paid by Tenant to Landlord as Additional Rent within thirty (30) days after delivery of a statement from Landlord for the amount due.

14. INDEMNIFICATION; INSURANCE.

14.1. Indemnification.

Tenant covenants and agrees to exonerate, indemnify, defend, protect and save harmless Landlord, any Overlessors, any Mortgagees and their respective affiliates, partners, shareholders, officers, directors, agents and employees, from and against any and all claims, demands, costs, expenses, losses, liabilities, suits and actual damages arising from or relating to:

14.1.1. any occurrence of any nature on the Premises not caused by the gross negligence or willful misconduct of Landlord or any Landlord Party;

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14.1.2. any occurrence of any nature in any other part of the Property arising from the gross negligence or willful misconduct of Tenant or Tenant Party;

14.1.3. injury to persons or damage to property caused by the gross negligence or willful misconduct of Tenant or any Tenant Party; or

14.1.4. any breach by Tenant, its agents, employees, contractors, subtenants, licensees or invitees of any covenant, agreement, representation or warranty made by Tenant pursuant to this Lease.

14.1.5. Landlord covenants and agrees to exonerate, indemnify, defend, protect and save harmless Tenant and its affiliates, partners, shareholders, officers, directors, agents and employees, from and against any and all claims, demands, costs, expenses, losses, liabilities, suits and actual damages arising from or relating to:

14.1.5.1. any occurrence of any nature in the Common Facilities not caused by the gross negligence or willful misconduct of Tenant or any Tenant Party;

14.1.5.2. any occurrence of any nature in any other part of the Property arising from gross negligence or willful misconduct of Landlord or any Landlord Party;

14.1.5.3. injury to persons or damage to property caused by the gross negligence or willful misconduct of Landlord or any Landlord Party; or

14.1.5.4. any breach by Landlord or any Landlord Party of any covenant, agreement, representation or warranty made by Tenant pursuant to this Lease.

14.2. Tenant's Insurance.

Tenant, at its sole cost and expense, shall maintain the following insurance coverages in full force and effect during the Term:

14.2.1. excess commercial general liability insurance, including contractual liability insuring the indemnification provisions contained in this Lease, against claims for personal injury, including bodily injury, death and property damage in an amount not less than Ten Million Dollars (\$10,000,000) annual aggregate, which may be in excess of self-insured retentions maintained by Tenant with such commercially reasonable increases as Landlord and Tenant may agree upon depending on the availability and cost of such insurance;

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14.2.2. worker's compensation insurance in form and amounts required by law;

14.2.3. special form (causes of loss) non-contributory property insurance (formerly known as "all risks" insurance), for the full replacement cost of all Alterations, furniture, trade fixtures, equipment, inventory, and all other items of Tenant's property on the Premises, including coverage for sprinkler leakage;

14.2.4. business income insurance in an amount sufficient to reimburse Tenant for loss of earnings attributable to prevention of access to the Building or Premises for a period of at least one year; and

14.3. Policy Requirements.

14.3.1. Each policy of insurance required to be maintained by Tenant shall:

14.3.1.1. be issued by insurance companies, qualified to do business in the Commonwealth of Pennsylvania, having a rating of A/VIII or better under the then current edition of Best's Insurance Reports, published by A.M. Best Co, and otherwise acceptable to Landlord.

14.3.2. The insurance maintained by Tenant pursuant to Subsection 14.2.1 shall:

14.3.2.1. name Landlord as an additional insured;

14.3.2.2. be written on a claims made basis.

14.4. Delivery of Certificates; Failure to Maintain Insurance.

14.4.1. Upon the execution of this Lease and within ten (10) days prior to the expiration of each policy required under Section 14.3, Tenant shall deliver to Landlord certificates evidencing the foregoing insurance or renewal thereof, as the case may be.

14.4.2. If Tenant fails, refuses or neglects to obtain or to maintain any insurance that it is required to provide or to furnish Landlord with satisfactory evidence of coverage on any such policy, Landlord shall have the right to purchase such insurance twenty-four (24) hours after it has provided Tenant with telephonic notice that it intends to do so unless within such twenty-four (24) hour period, Tenant furnishes Landlord with evidence that Tenant has procured such insurance. Tenant shall reimburse Landlord for all such commercially reasonable payments made by Landlord, together with interest thereon at the Overdue Interest Rate from the date paid by Landlord, within ten (10) days after delivery of a statement from Landlord for the amount due.

14.5. Waiver of Subrogation.

14.5.1. Landlord and Tenant, for themselves and their respective insurers, hereby release each other of and from any and all claims, demands, actions and causes of action, (including, without limitation, subrogation claims), for loss or damage to their respective property, even if the loss or damage shall have been caused by the fault or negligence of the other party, or anyone for whom such party may be responsible. Landlord acknowledges that the excess commercial general liability insurance purchased by the Tenant does not contain a "Waiver of Subrogation" clause.

14.5.2. The waiver and release provided in Subsection 14.5.1 shall be effective only with respect to loss or damage (a) covered by insurance or required to be covered by insurance pursuant to the terms of this Lease, and (b) occurring during such time as the relevant insurance policy contains either (i) a waiver of the insurer's right of subrogation against the other party, or (ii) a clause or endorsement to the effect that the waiver and release provided in Subsection 14.5.1 shall not adversely affect or impair such insurance or prejudice the right of the insured to recover under the insurance policy. Each party will use its best efforts to obtain such a clause or endorsement, but if an additional premium is charged therefor, the party benefiting from such clause or endorsement, if it desires to have such waiver, will pay to the other the amount of such additional premium within ten (10) days after delivery of a statement for the amount due.

14.5.3. The waiver and release by Landlord in Subsection 14.5.1 shall not apply to any loss or damage to the Building caused by Tenant or anyone for whom Tenant may be responsible, to the extent of the coinsured or self-insured portion of any loss, the portion of any loss within the deductible amount under any insurance, or to the extent of any loss not covered by insurance proceeds for any reason.

14.6. Self Insurance.

14.6.1. Notwithstanding anything to the contrary contained in the foregoing provisions of this Article 14, Tenant (but not any assignee or subtenant) may elect at any time during the Term of this lease not to carry all or any of the insurance required under Sections 14.2.1 and 14.2.4 and to "self insure" against all or any such risks not otherwise insured by a third-party carrier, provided that Tenant's self insurance in place of liability insurance shall be primary to Landlord's insurance to the extent Landlord is liable for the acts of the Tenant.

15. DAMAGE OR DESTRUCTION.

15.1. Duty to Restore; Limitations.

15.1.1. In the event of damage to or destruction of the Premises or the Base Building caused by fire or other casualty, Landlord shall repair and restore the Premises and the Base Building subject to and in accordance with the provisions of this Article 15.

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15.1.2. Landlord's obligations under Subsection 15.1.1 are subject to the following limitations:

15.1.2.1. Landlord shall have no obligation to make such repairs or restoration if either Landlord or Tenant terminates this Lease pursuant to this Article 15;

15.1.2.2. Landlord shall have no obligation to repair or restore any Alterations made by Tenant, any trade fixtures, or any property belonging to Tenant.

15.2. Landlord's Right to Terminate.

15.2.1. Landlord shall have the right to terminate this Lease effective as of the date of such casualty in any of the following circumstances, by giving notice of termination to Tenant at any time within forty-five (45) days after the occurrence of the fire or other casualty:

15.2.1.1. if the damage is of such a nature or extent that, in Landlord's judgment, more than 180 days, after commencement of the work, would be required to repair and restore the damage;

15.2.1.2. if the damage is of such nature or extent that, in Landlord's reasonable judgment, it would be uneconomical to restore and repair the Property;

15.2.1.3. if less than two years of the Term remain at the time of the casualty and the damage is of such a nature or extent that, in Landlord's judgment, more than 90 days, after commencement of the work, would be required to repair and restore the damage;

15.2.1.4. if the casualty is not covered by insurance required to be carried by Landlord under the Lease, and is not of a type insured against under standard fire policies with extended type coverage or available insurance proceeds are insufficient to repair or restore the damage; or

15.2.1.5. if any Mortgagee does not permit the application of adequate insurance proceeds for restoration.

Landlord's notice of termination shall specify a date for termination of this Lease, which shall not be more than thirty (30) days after such notice is given. Notwithstanding the foregoing, if Tenant maintains operations from the Premises in its normal course after such casualty, the Lease shall terminate not less than one hundred twenty (120) days after Tenant's receipt of Landlord's notice of termination.

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15.3. Tenant's Right to Terminate.

15.3.1. Within forty five (45) days after the occurrence of a fire or other casualty, Landlord shall advise Tenant of the period of time which Landlord anticipates will be required to restore the Premises to a tenable and accessible condition. If damage is of such a nature or extent that, in Landlord's judgment, more than one hundred eighty (180) days (or more than ninety (90) days if less than two years of the Term remain at the time of the casualty), after commencement of the work, would be required to restore the Premises, Tenant shall have the right to terminate this Lease effective as of the date of such casualty.

15.3.2. The validity and effect of this Lease shall not be impaired in any way by the failure of Landlord to complete repairs and restoration within one hundred eighty (180) days after the commencement of the work, even if Landlord had in good faith notified Tenant that the repair and restoration could be completed in such period, so long as Landlord proceeds diligently with such restoration.

15.4. Rent Abatement.

In the case of damage to the Premises or Base Building not caused by the gross negligence or willful misconduct acts of Tenant which renders all or a portion of the Premises untenable or inaccessible, the Base Rent otherwise payable by Tenant under this Lease shall abate in proportion to the amount of space in the Premises rendered untenable or inaccessible for the period such space remains untenable or inaccessible.

16. CONDEMNATION.

16.1. Total Taking.

In the event of a Taking (other than for temporary use) of (a) the entire Premises, or (b) all means of access to the Premises, or (c) such a substantial part of the Premises that the remaining portion of the Premises is unsuitable, in Tenant's reasonable judgment, for the continued use and occupancy by Tenant in the conduct of its business, or (d) such a substantial part of the Property that, in Landlord's reasonable judgment, it is impractical or uneconomical to restore the remainder thereof, this Lease shall terminate as of the date that possession is delivered to the condemning authority. Any Taking of the Premises which results in the termination of this Lease pursuant to this Section 16.1, is referred to as a "Total Taking."

16.2. Partial Taking.

In the event of a Taking which is not a Total Taking (a "Partial Taking"):

16.2.1. this Lease shall remain in full force and effect as to the portion of the Premises remaining immediately after such Taking;

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16.2.2. the Base Rent shall be reduced in proportion to the reduction in the square footage of the Premises, and Tenant's Share shall be appropriately adjusted; and

16.2.3. Landlord shall restore and repair the Premises as nearly as possible to its condition and character immediately prior to such Taking, except for any reduction in area caused by the Taking.

16.3. Landlord's Right To Terminate.

Notwithstanding the provisions of Section 16.2, in the event of a Partial Taking, Landlord shall have the right to terminate this Lease in any of the following circumstances: (a) if less than two years of the Term remain at the time of the Taking; or (b) if any Mortgagee does not permit the application of adequate condemnation proceeds for restoration. In the event that Landlord gives notice of such termination, this Lease shall terminate as of the date that possession of the portion of the Property which is subject to the Taking is delivered to the condemning authority.

16.4. Award.

Tenant hereby waives any loss or damage and any claim therefor resulting from a Taking, except that Tenant may make a separate claim against the condemning authority for any moving, removal and business dislocation damages, personal property of Tenant or expenses payable to tenants under applicable law, but in no event shall Tenant make any claim against Landlord, the condemning authority or any party having an interest in the Premises, which would result in the diminution or reduction in the award for the Premises to Landlord or to any other party having an interest in the Premises.

17. [Intentionally Omitted].

18. SUBLETTING AND ASSIGNMENT.

18.1. Notice of Intent; Landlord's Right to Terminate.

18.1.1. In the event Tenant intends to assign this Lease or sublet all or any portion of the Premises, Tenant shall give notice thereof to Landlord (a "Notice of Intent"). Tenant's Notice of Intent shall be in writing and shall contain the following information:

18.1.1.1. the name, address, and description of the business of the proposed assignee or subtenant;

18.1.1.2. the most recent financial statement of the proposed assignee or subtenant and other evidence of financial responsibility;

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18.1.1.3. a description of the intended use of the Premises by the proposed assignee or subtenant; and

18.1.1.4. the terms and conditions of the proposed assignment or subletting.

18.1.2. Landlord shall have the right to terminate this Lease by giving Tenant notice of Landlord's election to do so within thirty (30) days after the receipt of Tenant's Notice of Intent. If Landlord elects to terminate this Lease, such termination shall become effective on the commencement date of the proposed sublease or assignment. Notwithstanding the foregoing, Tenant may elect to rescind such request to assign or sublease the Premises by providing written notice to Landlord within fifteen (15) business days after Tenant's receipt of the Landlord's notice of termination.

18.2. Consent Required.

18.2.1. If Landlord does not elect to terminate this Lease, Tenant may proceed with the assignment or sublease in accordance with the Notice of Intent, subject to Landlord's prior written consent (except as set forth in Section 18.7), which consent shall not be unreasonably withheld or delayed. Without limiting the generality of the foregoing, it shall not be unreasonable for Landlord to withhold its consent if: (a) the reputation or financial responsibility of the proposed assignee or subtenant is unsatisfactory to Landlord; (b) Landlord deems the business of the proposed assignee or subtenant not to be consonant with that of other tenants in the Building; (c) the intended use by the proposed assignee or subtenant conflicts with any commitment made by Landlord to any other tenant in the Building; or (d) the use of the Premises by the proposed subtenant or assignee would result in an increase in traffic in the Building or in demand on Building services, maintenance or facilities. Any failure by Landlord to approve or disapprove of such assignment or sublease within fifteen (15) days after Landlord's receipt of such notice shall be deemed to be an approval by Landlord of such assignment or sublease.

18.2.2. Tenant shall pay Landlord, as Additional Rent, the sum of Five Hundred Dollars (\$500.00) to cover Landlord's administrative costs and counsel fees, in connection with any subletting or assignment to which Landlord consents.

18.3. Profit.

If Tenant subleases all or any portion of the Premises or assigns this Lease, Tenant shall pay Landlord as Additional Rent:

18.3.1. Fifty percent (50%) of any rent or other consideration paid to Tenant in excess of the Base Rent and Additional Rent payable by Tenant pursuant to this Lease in respect of the space covered by the sublease or assignment (at the rates per rentable square foot payable by Tenant under this Lease) and third party out of pocket costs directly incurred with respect to such assignment of sublease (brokerage commissions, etc.).

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18.4. Joint and Several Liability.

Each assignee of the tenant's interest under this Lease shall assume and be deemed to have assumed this Lease and shall be and remain liable jointly and severally with Tenant for all payments and for the due performance of all terms, covenants, conditions and provisions herein contained on Tenant's part to be observed and performed. No assignment shall be binding upon Landlord unless the assignee shall deliver to Landlord an instrument in form and substance satisfactory to Landlord containing a covenant of assumption by the assignee, but the failure or refusal of an assignee to execute and deliver the same shall not release assignee from its liability as set forth in this Section.

18.5. No Waiver of Future Compliance.

Any consent granted by Landlord under this Article 18 shall not constitute a waiver of strict future compliance by Tenant with the provisions of this Article 18 or a release of Tenant from the full performance by Tenant of any of the terms, covenants, provisions, or conditions contained in this Lease. The acceptance by Landlord of the payment of Rent from any person following any transfer prohibited by this Article 18, shall not be deemed consent by Landlord to any such transfer, nor shall such acceptance constitute a waiver of any of the rights or remedies of Landlord.

18.6. Transfer of Control; Transfers By Legal Process or Operation of Law.

For purposes of this Article 18:

18.6.1. any transfer or change in control of Tenant, whether by operation of law or otherwise, shall be deemed an assignment, including, without limitation, any merger, consolidation, reorganization, liquidation, dissolution or any change in the ownership of a controlling percentage of the equity interests in Tenant, whether in a single transaction or a series of transactions;

18.6.2. any transfer of Tenant's interest in this Lease by levy or sale on execution, or other legal process, or by operation of law, and any transfer in bankruptcy or insolvency, or under any other compulsory procedure or order of court shall be deemed an assignment.

18.7. Sublease or Assignment to Permitted Transferees.

18.7.1. Notwithstanding anything to the contrary set forth in this Article 18, (a) Tenant shall have the right to assign this Lease to a Permitted Transferee or sublease all or any portion of the Premises to a Permitted Transferee, without the consent of Landlord, and (b) Landlord's right of termination under Section 18.1.2 shall not apply to an assignment or a sublease of all or any portion of the Premises to a Permitted Transferee. All of the other provisions of this Article 18, including without limitation, Section 18.3 and Section 18.4, shall apply to an assignment of this Lease to a Permitted Transferee or a sublease of all or any portion of the Premises to a Permitted Transferee.

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18.7.2. Although Landlord's consent is not required with respect to an assignment or subletting to a Permitted Transferee, Tenant shall provide Landlord a copy of such assignment or sublease instrument within thirty (30) days after the occurrence of any assignment or subletting to a Permitted Transferee

19. MORTGAGEE PROVISIONS; ESTOPPEL CERTIFICATE.

19.1. Subordination.

19.1.1. This Lease and the estate, interest and rights hereby created shall be subordinate to the following; provided that said subordination is contingent upon such Overlessor or Mortgagee executing a commercially reasonable form of subordination, nondisturbance and attornment agreement in favor of Tenant:

19.1.1.1. all underlying agreements, leases or other instruments by virtue of which Landlord is or may be entitled to possession of the Property, whether now existing or hereafter made ("Overleases");

19.1.1.2. all mortgages which cover or include the Property or any estate or interest in the Property, whether now existing or hereafter made ("Mortgages"); and

19.1.1.3. all renewals, extensions, amendments, consolidations, replacements, restatements and modifications of any Overleases and Mortgages, whether now existing or hereafter made.

19.1.2. Notwithstanding the foregoing, the lessor under any Overlease (an "Overlessor") and/or the mortgagee under any Mortgage (a "Mortgagee") may, at any time, subordinate its interest to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such Overlease or such Mortgage, as the case may be, without regard to their respective dates of execution and delivery.

19.2. Attornment.

Tenant agrees that in the event any person, firm, corporation or other entity (including any Overlessor or any Mortgagee) acquires the right to possession of the Property, Tenant shall, if requested by such person, firm, corporation or other entity, attorn to and become the tenant of such person, firm, corporation or other entity upon the same terms and conditions as are set forth in this Lease for the balance of the Term.

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19.3. Further Assurances.

Within ten (10) business days following request by Landlord, Tenant shall execute any such instruments in recordable form as may be reasonably required by Landlord in order to confirm the subordination of this Lease and the attornment of Tenant to future landlords in accordance with the terms of this Article. In the event Tenant fails to execute and deliver such agreements within ten (10) business days of written request by Landlord, Tenant does hereby make, constitute and appoint Landlord as Tenant's attorney-in-fact and agent in its name, place and stead to do so solely for the purpose stated herein. This power of attorney is given as security coupled with an interest and is irrevocable.

19.4. Modifications.

In the event that any existing or prospective Mortgagee or Overlessor requires a modification or modifications of this Lease, which modification or modifications will not cause an increase in Rent or in any other way materially and adversely change the rights or obligations of Tenant under this Lease, Tenant agrees that this Lease may be so modified and agrees to execute whatever documents are required therefor and deliver the same to Landlord within ten (10) business days following written request by Landlord.

19.5. Right to Cure.

In the event of any default by Landlord which would give Tenant the right to exercise any right or remedy against Landlord, Tenant shall not exercise any such right or remedy until it has notified each Mortgagee and Overlessor in writing (if the name and address of such Mortgagee(s) and Overlessor(s) have previously been furnished by written notice to Tenant) of such default, and until a reasonable period not to exceed thirty (30) days for curing the default shall have elapsed following the giving of notice, during which period the Mortgagee(s) and Overlessor(s) shall have failed to commence and diligently continue to cure the default or to cause the same to be remedied or cured.

19.6. Limitations on Liability of Mortgagees/Overlessors.

No Mortgagee or Overlessor, and no other person or entity acquiring the Premises as a result of foreclosure or other judicial sale, and no successor or assign of any of the foregoing shall be:

19.6.1. liable for any act or omission of any prior landlord under this Lease, provided, however, that such Mortgagee or Overlessor shall be liable for the performance of all obligations of landlord arising from and after the date it takes title to the Property;

19.6.2. obligated to construct or complete any improvements to the Property or the Premises or to provide any allowance or credit to Tenant for so doing, or liable for any failure of any prior landlord to do so;

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19.6.3. bound by any provision in this Lease relating to the application of insurance or condemnation proceeds, or obligated to reconstruct the Property or the Premises following the occurrence of a casualty or condemnation;

19.6.4. liable for any breach of representations or warranties made by Landlord or any other prior landlord, including without limitation, breach of any representation or warranty regarding the condition of the Property or the Premises or compliance of the Property or the Premises with Environmental Laws or requirements;

19.6.5. liable for the performance of the landlord's covenants under this Lease which arise and accrue prior to such person or entity succeeding to the interest of the landlord under this Lease;

19.6.6. subject to any offsets or defenses which Tenant may have against any prior landlord (including Landlord) except to the extent they relate to defaults of a continuing nature with respect to the maintenance or repair of the Property after the date it takes title to the Property;

19.6.7. liable for the return of any security deposit which it did not actually receive;

19.6.8. bound by any payment on account of rent or other charges made more than one month in advance of the due date of such payments set forth in this Lease provided that Tenant expressly reserves its right (i) to audit Landlord's records in accordance with Section 7.4 hereof and (ii) with respect to any claims for overpayment of Additional Rent determined to be due Tenant upon a final reconciliation or audit of such amounts pursuant to the terms of this Lease;

19.6.9. bound by any purchase option, right of first refusal, right of first offer or similar right to purchase the Property or any part of the Property granted to Tenant under this Lease; or

19.6.10. bound by any amendment or modification of this Lease, or any cancellation or surrender of this Lease, unless the same shall have been approved in writing by the Overlessor or Mortgagee (provided that this subsection 19.6.10 shall not apply to an assignment of this Lease made in accordance with Article 18).

19.7. Estoppel Certificate.

19.7.1. Tenant agrees, from time to time as may be requested by Landlord, to execute, acknowledge and deliver to Landlord within ten (10) days after being requested to do so an estoppel letter certifying the following to such party as Landlord may designate, including any Mortgagee or Overlessor:

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19.7.1.1. that (a) this Lease is in full force and effect and has not been amended, modified or superseded; (b) Landlord has satisfactorily completed all construction work required by this Lease; (c) Tenant has accepted the Premises and is now in possession thereof; (d) Landlord is not in default under this Lease; (e) Tenant has no defense, offset or counterclaim under this Lease or otherwise against Landlord with respect to this Lease or the Premises; (f) Rent is accruing under this Lease but has not been paid more than one month in advance;

19.7.1.2. the date to which Rent has been paid; and

19.7.1.3. such other information as Landlord may reasonably request.

19.7.2. If any of the certifications contained in Subsection 19.7.1.1 is not accurate, the certifications shall be modified so that the information contained therein is accurate.

19.7.3. In the event Tenant fails to execute and deliver the estoppel letter within ten (10) business days of written request by Landlord, Tenant does hereby make, constitute and appoint Landlord as Tenant's attorney-in-fact and agent in its name, place and stead to do so. This power of attorney is given as security coupled with an interest and is irrevocable.

20. ENVIRONMENTAL MATTERS.

20.1. Covenants.

20.1.1. Excepting only Hazardous Substances contained in products used for ordinary cleaning and office purposes, neither Landlord nor Tenant shall use, or permit any Landlord Party or Tenant Party to use the Premises or any portion of the Property for the purpose of treating, producing, handling, transferring, processing, transporting, disposing, using or storing a Hazardous Substance except in a manner and quantity reasonable for the ordinance performance of business, and then in compliance with all Laws.

20.1.2. Neither Landlord nor Tenant shall place or permit any Landlord Party or Tenant Party to place any Hazardous Substance in any waste receptacle located in or about the Premises, the Property or the plumbing or sewer systems of the Property.

20.1.3. With the exception of any Hazardous Substances or Environmental Releases that existed on, under, over, or within the Property prior to or at the time of the Commencement Date of this Lease, Tenant shall not cause or permit to exist, as the result of an action or omission by Tenant or any Tenant Party, an Environmental Release.

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20.1.4. Without limiting the generality of Subsection 9.1.6, Landlord and Tenant shall comply and shall cause Landlord Parties and Tenant Parties to comply with all Laws governing Hazardous Substances, except that Tenant shall have no obligation with respect to any Hazardous Substances or Environmental Releases that existed on, under, over, or within the Property prior to or at the time of the Commencement Date of this Lease.

20.1.5. Landlord warrants and represents that, to the best of its knowledge, (i) no portion of the Building contains any Hazardous Substances in violation of any applicable Environmental Laws, (ii) Landlord is not subject to any existing investigation by any governmental authority under any Environmental Laws, (iii) any handling, transportation, storage, treatment, or use of Hazardous Substances that has occurred on the Property to date by or behalf of Landlord or any other tenant has been in compliance with all Laws, (iv) no Environmental Release has occurred on the Property prior to or at the Commencement Date of this Lease, other than described in the Environmental Report; and (v) all asbestos has or will be removed from the Building prior to the Commencement Date.

20.1.6. Tenant acknowledges receipt of the Environmental Report, but Tenant does not assume the risk of any environmental matters stated therein.

20.2. Indemnification; Breach of Covenants.

20.2.1. Without limiting the generality of Section 14.1, Tenant covenants and agrees to exonerate, indemnify, defend, protect and save harmless Landlord, any Overlessors, any Mortgagees and their respective affiliates, partners, shareholders, officers, directors, agents and employees, from and against any and all claims, demands, costs, expenses, losses, liabilities, suits and damages arising from or relating to: (a) Environmental Releases to the extent caused by Tenant or any Tenant Party, or (b) failure of Tenant or any Tenant Party to comply with the provisions of this Article 20.

20.2.2. Notwithstanding any provisions of this Lease to the contrary, Landlord covenants and agrees to exonerate, indemnify, defend, protect and save harmless Tenant and its affiliates, partners, shareholders, officers, directors, agents and employees, from and against any and all claims, demands, costs, expenses, losses, liabilities, suits and damages arising from or relating to: (a) Environmental Releases other than those subject to Article 20.2.1, or (b) failure of Landlord, or any Landlord Party to comply with the provisions of this Article 20. If Hazardous Substances are hereafter discovered on the Property during the Term, and the presence of such Hazardous Substances is not the result of either Tenant's use of the Premises or any act or omission of Tenant or any Tenant Party, and the presence of such Hazardous Substances results in any contamination of the Property that requires remediation under applicable Laws having a material negative impact on Tenant's use of the Premises, then Landlord shall promptly, at its sole expense, take all actions as are necessary to remediate such Hazardous Substances and as may be required by applicable Laws. If Landlord fails to promptly commence and diligently pursue the completion of such remediation, then Tenant may elect to terminate this

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Lease after the expiration of sixty (60) days following a written notice to Landlord specifying that Tenant intends to terminate this Lease if Landlord does not promptly commence and/or diligently pursue remediation within such sixty (60) day period. Rent shall be equitably adjusted if and to the extent and during the period the Premises are unsuitable for Tenant's normal business operations as a result of such contamination or Landlord's remediation activities.

20.2.3. The failure of Tenant to comply with the provisions of this Article 20 shall constitute an Event of Default under this Lease and shall not be subject to the notice or grace provisions in Subsection 23.1.2.

21. SURRENDER; UNDETERMINED CHARGES.

21.1. Condition Upon Surrender.

Subject to the terms of Section 13.2, at the expiration or earlier termination of the Term, Tenant shall promptly yield up, clean and neat, and in the same condition, order and repair in which they are required to be kept throughout the Term, the Premises and all Alterations, ordinary wear and tear and casualty excepted.

21.2. Personal Property.

Tenant shall remove all personal property from the Premises at the expiration or earlier termination of the Term. Any personal property which shall remain in the Premises after the expiration or earlier termination of the Term shall be deemed to have been abandoned and either may be retained by Landlord as Landlord's property or may be disposed of in such manner as Landlord may see fit. Any actual costs of removing and disposing of the personal property incurred by Landlord shall be paid by Tenant to Landlord as Additional Rent within thirty (30) days after delivery of a statement from Landlord setting forth with reasonable particularity such charges and the amount due. If such personal property is sold by Landlord, Landlord may receive and retain the proceeds of such sale as Landlord's property.

21.3. Undetermined Charges.

If there will be any Undetermined Charges at the time of the expiration of or earlier termination of the Term, Landlord may reasonably estimate such Undetermined Charges and Tenant shall pay to Landlord or Landlord shall pay to Tenant the same prior to the expiration of the Term, subject to adjustment after the actual amounts of the Undetermined Charges have been determined. Any Undetermined Charges which are not billed to Tenant or paid or credited by Landlord prior to the expiration or earlier termination of the Term shall be billed to Tenant or paid by Landlord following determination of the amount due, and Tenant or Landlord, as applicable, shall pay such Undetermined Charges within thirty (30) days after delivery of a statement from Landlord for the amount due.

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22. RETENTION OF PREMISES AFTER TERMINATION OF TERM.

22.1. Holdover.

22.1.1. If Tenant retains possession of the Premises or any part thereof after the expiration or earlier termination of the Term, Tenant shall pay Landlord all of the following:

22.1.1.1. an amount, calculated on a per diem basis for each day of such unlawful retention, equal to the greater of (a) 150% of the Base Rent in effect immediately prior to the expiration or earlier termination of the Term, or (b) the market rental for the Premises, as reasonably determined by Landlord, for the time Tenant thus remains in possession; and

22.1.1.2. all Additional Rent for the time Tenant remains in possession; and

22.1.1.3. all actual damages, costs and expenses sustained by Landlord by reason of Tenant's holding over.

22.1.2. All of Tenant's obligations with respect to the use, occupancy and maintenance of the Premises shall continue during such period of retention; however, neither the compliance with such obligations nor the payment of the amounts set forth in Subsection 22.1.1 shall create any right in Tenant to continue in possession of the Premises or limit any rights or remedies of Landlord resulting from such holdover.

22.2. Right To Treat Tenant as Trespasser.

If Tenant retains possession of the Premises or any part thereof after the expiration or earlier termination of the Term, Landlord may elect to treat Tenant as a trespasser with no right to be or remain on the Premises, or store any property on the Premises. In such case, Landlord shall have the right to re-enter and repossess the Premises by self-help, force, summary proceedings, ejectment or otherwise, and to remove all persons and property therefrom. Tenant hereby agrees that Landlord may dispossess Tenant without proceeding under the Pennsylvania Landlord and Tenant Act.

22.3. Additional Remedies; Remedies Cumulative.

22.3.1. The retention of the Premises by Tenant after the expiration or earlier termination of the Term shall also constitute an Event of Default and Landlord may exercise all of the rights and remedies set forth in Article 24 of this Lease.

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22.3.2. Landlord's rights and remedies under this Article 22 shall be cumulative and in addition to every other right or remedy existing at law or in equity or by statute.

23. EVENTS OF DEFAULT.

23.1. Defined.

It shall be an event of default ("Event of Default") if :

23.1.1. Tenant fails to pay any installment of Base Rent, Additional Rent or other sum payable by Tenant under this Lease within five (5) business days after Tenant's receipt of written notice that the same is due; however, an Event of Default shall occur hereunder without any obligation of Landlord to give any notice if Tenant fails to pay Rent when due and, during the 12-month interval preceding such failure, Landlord has given Tenant written notice of failure to pay Rent on two or more occasions; or

23.1.2. Tenant fails to observe or perform any other covenant or agreement of Tenant contained in this Lease and such failure continues after written notice given by or on behalf of Landlord to Tenant for more than thirty (30) days and such additional time, if any, as is reasonably necessary to cure such failure, provided Tenant commences to cure such failure within such thirty-day period and diligently thereafter prosecutes such cure to completion; or

23.1.3. Tenant vacates or abandons the Premises except as provided for in this Agreement without continuing to pay Base Rent and Additional Rent Due hereunder; or

23.1.4. Tenant uses or occupies all or any portion of the Premises other than as permitted in this Lease; or

23.1.5. Tenant assigns this Lease or subleases all or any portion of the Premises, or purports to assign this Lease or sublease all or any portion of the Premises, except to a Permitted Transferee, without the prior written consent of Landlord; or

23.1.6. Tenant or Guarantor files a petition commencing a voluntary case, or has filed against it a petition commencing an involuntary case, under the Federal Bankruptcy Code as now or hereafter in effect, or under any similar law, or files or has filed against it a petition or answer in bankruptcy or for reorganization or for an arrangement pursuant to any state bankruptcy law or any similar state law, and, in the case of any such involuntary action, such action shall not be dismissed, discharged or denied within sixty (60) days after the filing thereof, or Tenant or Guarantor consents or acquiesces in the filing thereof; or

23.1.7. a custodian, receiver, trustee or liquidator of Tenant Guarantor or of all or substantially all of Tenant's or Guarantor's property or of the Premises shall be appointed in any proceedings brought by or

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against Tenant or Guarantor and, in the latter case, such entity shall not be discharged within sixty (60) days after such appointment or Tenant or Guarantor consents to or acquiesces in such appointment; or

23.1.8. Tenant or Guarantor shall generally not pay its debts as such debts become due, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due; or

23.1.9. there shall occur an Event of Default as defined elsewhere in this Lease; or

23.1.10. Guarantor shall default in the performance of its obligations under the Guaranty.

23.2. [Intentionally Omitted].

The notice and grace period provisions in Subsections 22.1.1 and 22.1.2 above shall have no application to the Events of Default referred to in Subsections 22.1.3 through 23.1.10 inclusive.

23.3. Landlord Default.

If Landlord shall default in the performance of any of its non-monetary obligations hereunder, then Tenant, without being obligated to and without waiving such default, shall have the following remedies which shall be cumulative and shall be in addition to those remedies which Tenant may have at law or in equity. If Tenant provides notice to Landlord (and any Overlessor or Mortgagee of which Tenant has been notified) of any default of Landlord hereunder other than the payment of money (the "Landlord Default Notice"), and Landlord (or Overlessor or Mortgagee) shall fail to cure such default within thirty (30) days following the receipt of such notice (or as soon as possible under all of the circumstances in the event of an emergency), Tenant may perform any such obligation within the Premises, and Tenant may perform any such obligation outside the Premises to the extent Landlord's non-performance of such obligation outside the Premises has a material adverse effect on Tenant's use of the Premises; provided, however, if such default cannot reasonably be cured within such thirty (30) day period, Landlord shall not be in default if Landlord (or such Overlessor or Mortgagee) promptly commences the cure of such default and diligently pursues such cure to completion. The Landlord Default Notice shall set forth with reasonable particularity the nature of the default, shall state that such notice is being given in accordance with this Subsection 23.3, and shall contain the following statement in capitalized bold type: "IF YOU FAIL TO PERFORM THE OBLIGATION REFERENCED IN THIS NOTICE WITHIN THE TIME PERIOD SPECIFIED IN THE LEASE, WE SHALL EXERCISE OUR SELF-HELP REMEDIES UNDER THE LEASE." The full reasonable amount of the costs and expenses incurred by Tenant to perform such obligation, together with reasonable attorney's fee incurred by Tenant, shall be paid by Landlord to Tenant with interest thereon at the Overdue Interest Rate.

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24. REMEDIES.

Upon the occurrence of any Event of Default, Landlord at any time thereafter may exercise any one or more of the following remedies:

24.1. Termination of Lease.

Landlord may terminate this Lease, by written notice to Tenant, without any right by Tenant to reinstate its rights by payment of Rent due or other performance of the terms and conditions of this Lease. Upon such termination Tenant shall immediately (a) surrender possession of the Premises to Landlord, and (b) pay to Landlord the Termination Damage Payment.

24.2. Reletting; Right to Collect Rent from Subtenants.

24.2.1. With or without terminating this Lease, as Landlord may elect, Landlord may re-enter and repossess the Premises, or any part thereof, and lease the Premises to any other person upon such terms as Landlord shall deem reasonable, for a term within or beyond the Term. Any such reletting prior to termination shall be for the account of Tenant, and Tenant shall remain liable for (a) the excess, if any of (i) all Base Rent, Additional Rent and other sums which would be payable under this Lease by Tenant in the absence of such expiration, termination or repossession, over (ii) the net proceeds, if any, of any reletting effected for the account of Tenant, determined by deducting from the gross proceeds of any such reletting all expenses incurred in connection with such reletting of the Premises, as determined by Landlord, including, without limitation, the following: (A) repossession costs; (B) attorneys' fees and expenses; (C) brokers' commissions and advertising costs; (D) costs of alterations, improvements, repairs and replacements; and (E) improvement allowances, free rent, and other concessions; and, (b) all other costs and expenses, direct or indirect, incurred as a result of Tenant's breach of this Lease. Landlord agrees to use good faith, commercially reasonable efforts to mitigate its damages upon an Event of Default. Landlord and Tenant agree that Landlord's duty to mitigate shall be satisfied and Landlord shall be deemed to have used objectively reasonable efforts to fill the Premises by doing the following: (a) posting a standard leasing sign at the Property; (b) advising Landlord's leasing agent of the availability of the Premises; and (c) advising the brokerage community through a listing of the availability of the Premises.

24.2.2. If the Premises are at the time of any Event of Default sublet by Tenant to others, Landlord may, as Tenant's agent, collect rents due from any subtenant or other tenant and apply such rents to the Rent and other amounts due hereunder without in any way affecting Tenant's obligations to Landlord. Such agency, being given for security, is hereby declared to be irrevocable.

24.3. Acceleration of Rent.

Landlord may declare all Base Rent and all Additional Rent (the amount of Additional Rent to be based on historical amounts and Landlord's

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reasonable estimates for future amounts) for the entire balance of the Term immediately due and payable, together with all other charges, payments, costs, and expenses payable by Tenant as if such amounts were payable in advance on the date the Event of Default occurred, discounted to present value at the rate of nine percent (9%).

24.4. Removal of Contents by Landlord.

Landlord may remove all persons and property from the Premises, and store such property in a public warehouse or elsewhere at the cost of and for the account of Tenant, without resort to legal process (which Tenant expressly waives) upon five (5) days notice and without being deemed guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby.

24.5. [Intentionally Omitted]

24.6. CONFESSION OF JUDGMENT.

24.6.1. CONFESSION OF JUDGMENT FOR POSSESSION. PROVIDED THAT LANDLORD FIRST GIVES TENANT NOT LESS THAN TEN (10) BUSINESS DAYS NOTICE OF THE INTENT TO CONFESS JUDGMENT, TENANT IRREVOCABLY AUTHORIZES AND EMPOWERS THE PROTHONOTARY AND CLERK OR ANY ATTORNEY OF ANY COURT OF RECORD TO APPEAR FOR AND CONFESS JUDGMENT AGAINST TENANT FOR POSSESSION OF THE PREMISES, WITHOUT STAY OF EXECUTION. TO THE EXTENT PERMITTED BY LAW, TENANT RELEASES ALL ERRORS IN SUCH PROCEEDINGS. IF A VERIFIED COPY OF THIS LEASE IS FILED, IT SHALL NOT BE NECESSARY TO FILE THE ORIGINAL LEASE. THE AUTHORITY AND POWER TO APPEAR FOR AND CONFESS JUDGMENT AGAINST TENANT SHALL NOT BE EXHAUSTED BY THE INITIAL EXERCISE THEREOF AND MAY BE CONFESSED AS OFTEN AS ANY EVENT OF DEFAULT OCCURS. SUCH AUTHORITY MAY BE EXERCISED DURING OR AFTER THE EXPIRATION OF THE TERM AND/OR DURING OR AFTER THE EXPIRATION OF ANY EXTENDED OR RENEWAL TERM. IF SUCH PROCEEDING IS TERMINATED AND POSSESSION OF THE PREMISES REMAINS IN OR IS RESTORED TO TENANT, LANDLORD SHALL HAVE THE RIGHT FOR THE SAME EVENT OF DEFAULT AND UPON ANY SUBSEQUENT EVENT OR EVENTS OF DEFAULT, OR UPON THE TERMINATION OF THIS LEASE UNDER ANY OF THE TERMS OF THIS LEASE, TO BRING ONE OR MORE FURTHER ACTION OR ACTIONS TO RECOVER POSSESSION OF THE PREMISES AND CONFESS JUDGMENT FOR THE RECOVERY OF POSSESSION OF THE PREMISES AS HEREINABOVE PROVIDED.

24.6.2. WAIVER OF RIGHTS. IN GRANTING THESE WARRANTS OF ATTORNEY TO CONFESS JUDGMENTS AGAINST TENANT, TENANT HEREBY KNOWINGLY, INTENTIONALLY, VOLUNTARILY AND UNCONDITIONALLY WAIVES ANY AND ALL RIGHTS TENANT HAS OR MAY HAVE TO PRIOR NOTICES AND AN OPPORTUNITY FOR HEARING UNDER THE RESPECTIVE CONSTITUTIONS AND LAWS OF THE UNITED STATES AND THE COMMONWEALTH OF PENNSYLVANIA.

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24.7. [Intentionally Omitted]

25. PROVISIONS CONCERNING REMEDIES.

25.1. Rights of Landlord's Successors and Assigns.

Any successor to Landlord and any assignee of Landlord's interest in this Lease shall have the right to confess judgment against Tenant pursuant to Section 24.6 and to exercise all other rights and remedies of Landlord under this Lease. The foregoing shall apply regardless of whether (a) Landlord's right to confess judgment or exercise such other rights and remedies is expressly referenced or assigned in the instrument of assignment; or (b) the assignment complies with applicable laws relating to the manner or form in which assignments must be executed. Tenant hereby waives any right to open or strike any judgment or to object to the exercise of any other right or remedy on account of any alleged deficiency in the instrument of assignment or noncompliance of the instrument of assignment with applicable laws.

25.2. Waiver of Landlord and Tenant Act Notices.

If proceedings are commenced by Landlord to recover possession under the Acts of Assembly and Rules of Civil Procedure, upon the expiration or earlier termination of the Term, or for non-payment of Rent or any other reason, Tenant specifically waives the right to the notices required by the Landlord and Tenant Act of 1951, as the same may be amended, and agrees that five (5) days' notice shall be sufficient in all cases.

25.3. Survival of Tenant's Obligations.

All liabilities and obligations of Tenant under this Lease shall survive the expiration or earlier termination of the Term or the repossession of the Premises by Landlord. Without limiting the generality of the foregoing, neither the termination of the Term by Landlord pursuant to Section 24.1 nor the repossession of the Premises by Landlord pursuant to Section 24.2 shall release or relieve Tenant of its liabilities and obligations under this Lease. Landlord may, at its option, sue for and collect all Rent and other charges due under this Lease at any time as and when such charges accrue.

25.4. Injunction.

In the event of breach or threatened breach by Tenant of any provision of this Lease, Landlord shall have the right of injunction in addition to every other right or remedy granted in this Lease or now or hereafter existing at law or in equity or by statute.

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25.5. Waiver of Redemption.

Tenant expressly waives all rights of redemption granted by or under any present or future law in the event this Lease is terminated, or in the event Landlord obtains possession of the Premises, or in the event Tenant is evicted or dispossessed for any cause.

25.6. Rights Cumulative.

No right or remedy granted to Landlord in this Lease is intended to be exclusive of any other right or remedy granted in this Lease or available at law or equity or by statute, but each shall be cumulative and in addition to every other right or remedy granted in this Lease or now or hereafter existing at law or in equity or by statute.

25.7. Expenses.

In the event that either Landlord or Tenant commences suit for repossession of the Premises, or recovery of Rent or any other amount due under this Lease, or because of the breach of any other covenant of such party in this Lease, all reasonable, actual expenses incurred by the prevailing party in connection with such suit, including reasonable attorneys' fees, shall be paid by the other party.

25.8. Waivers.

No waiver by Landlord or Tenant of any breach by the other of any obligations, agreements or covenants in this Lease shall be a waiver of any subsequent breach or of any obligation, agreement or covenant, nor shall any forbearance by Landlord or Tenant to seek a remedy for any breach by the other be a waiver of any rights and remedies with respect to such or any subsequent breach.

25.9. Waiver of Jury Trial.

TO THE MAXIMUM EXTENT PERMITTED BY LAW, LANDLORD AND TENANT EACH WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY LITIGATION OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE ARISING OUT OF OR WITH RESPECT TO THIS LEASE OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED HERETO.

26. OPTION TO RENEW.

26.1. Grant of Renewal Option.

Tenant is granted an option (the "Renewal Option") to extend the Lease Term for an additional period of five years (the "Renewal Term"). The Renewal Term shall commence on the day immediately following the Expiration Date and shall terminate without further notice or act on the date which is five (5) years thereafter.

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26.2. Conditions.

The Renewal Option is granted subject to the following conditions:

26.2.1. The Renewal Option must be exercised, if at all, by notice from Tenant to Landlord given on or before the date which is six (6) months prior to the Expiration Date, time being of the essence.

26.2.2. At the time of exercise of the Renewal Option and at the commencement of the Renewal Term, (a) this Lease must be in full force and effect, (b) there may be no outstanding uncured Event of Default or circumstance which, with notice or passage of time or both, would become an Event of Default, and (c) Tenant shall not have assigned this Lease or subleased all or any portion of the Premises.

26.2.3. Tenant must exercise the Renewal Option, if at all, for the entire Premises, including the original Premises, any space leased pursuant to the Addition Option, and any space leased pursuant to the AAS Option.

26.2.4. Landlord shall be reasonably satisfied with the financial condition of Tenant and the Guarantor, as evidenced in the financial statements delivered pursuant to Section 29.13 and the Guaranty.

26.3. Terms.

26.3.1. The Renewal Term shall be upon the following terms and conditions:

26.3.1.1. All of the terms and conditions of this Lease shall continue to apply during the Renewal Term, except as hereinafter provided.

26.3.1.2. The Base Rent for the Renewal Term shall be ninety-five percent (95%) the Market Rent for the Premises as of the date of commencement of the Renewal Term.

26.3.1.3. Landlord shall provide no construction allowance, improvements, free rent or other incentives with respect to the Renewal Term.

26.3.1.4. There shall be no further right of renewal upon the expiration of the Renewal Term.

26.3.2. The term "Market Rent" means the amount of base rent which a willing landlord and a willing tenant should agree upon (a) for a five

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year lease renewal commencing on the date that the Renewal Term commences, (b) for space comparable to the Premises in its then existing condition (taking into consideration improvements in place), (c) situated in the Building or in a building comparable to the Building located in Newtown Square, Pennsylvania, (d) with similar provisions in effect for escalation of taxes and operating expenses as those contained in this Lease, and (e) otherwise upon the same terms and conditions set forth in this Lease.

26.4. Determination of Market Rent.

26.4.1. Within thirty (30) days following receipt of Tenant's notice of exercise of the Renewal Option, Landlord shall advise Tenant of Landlord's determination of the Market Rent (the "Initial Determination"). The Initial Determination shall be the Market Rent unless Tenant rejects the Initial Determination by notice in writing to Landlord (a "Rejection Notice") within fifteen (15) days after receipt of the Initial Determination, time being of the essence.

26.4.2. During the fifteen-day period following Landlord's receipt of a Rejection Notice, Landlord and Tenant shall (a) each appoint an appraiser meeting the qualifications hereinafter set forth to act on its behalf (each, a "Party Appraiser"), and (b) attempt to jointly select a third appraiser meeting the qualifications hereinafter set forth to act as arbiter (the "Third Appraiser"). If Landlord and Tenant are unable to agree upon the Third Appraiser within such fifteen-day period, the two Party Appraisers shall select the Third Appraiser within fifteen (15) days following their appointment.

26.4.3. Within thirty (30) days after their appointment, each Party Appraiser shall establish a Fair Market Rent and submit its determination to the Third Appraiser. Within fifteen (15) days after receiving the determinations, the Third Appraiser shall decide in writing whether the Landlord's Party Appraiser or the Tenant's Party Appraiser is more correct, and shall state in detail the reasons therefor. The determination so chosen shall be the Market Rent for the Renewal. The Third Appraiser shall be empowered to choose either the determination of the Landlord's Party Appraiser or the Tenant's Party Appraiser, and shall reach no other or compromise decision. The decision of the Third Appraiser shall be final and binding on Landlord and Tenant.

26.4.4. Each of the Party Appraisers and the Third Appraiser shall (a) be MAI certified, (b) have a minimum of ten (10) years experience in real estate leasing in the Delaware County/Chester County area or appraisal of leases in first class office buildings in the Delaware County/Chester County Area, and (c) not have conducted within the previous three (3) years, not presently conduct, and not anticipate conducting a material amount of business with either Landlord or Tenant or their affiliates, or otherwise have a financial interest in either Landlord or Tenant or their affiliates.

26.4.5. Landlord and Tenant shall each pay the cost of its Party Appraiser and shall share equally the costs of the Third Appraiser.

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27. AAS OPTION.

27.1. Overview.

There is certain space on the second floor of the Building other than and adjacent to the Premises, consisting of approximately 58,041 rentable square feet, as shown on Exhibit 27.1 (the "Adjacent Space"). As of the date of this Lease, the Adjacent Space is available for lease. While Tenant may desire to lease all or a portion of the Adjacent Space in the future, it does not have any need for the Adjacent Space as of the date of this Lease. Accordingly, Landlord intends to market the Adjacent Space for lease to other prospective tenants. The purpose of this Article is to grant Tenant certain rights with respect to the Adjacent Space, and at the same time to accommodate Landlord's need to market and lease the Adjacent Space to other prospective tenants.

27.2. Grant of AAS Option; Exercise of AAS Option.

27.2.1. Subject to and in accordance with the terms of this Article, Tenant is hereby granted the ongoing option to lease all or a portion of the Adjacent Space which may be available for lease from time to time ("Available Adjacent Space"). Tenant shall exercise its option to lease Available Adjacent Space (the "AAS Option") by giving notice in writing to Landlord at any time and from time to time from and after the date of this Lease (the "Exercise Notice"), subject to Section 27.3.

27.2.2. Adjacent Space shall not be considered Available Adjacent Space and the AAS Option shall not apply to (a) any Adjacent Space which is leased by Landlord to another tenant, during the term of the lease of such space, or any extensions or renewals thereof, whether or not provided for in such lease, or (b) any Adjacent Space which is the subject of a lease proposal given by Landlord to a prospective tenant, or which is the subject of lease negotiations or discussions with another tenant. Upon request by Tenant, Landlord shall give Tenant notice of those portions of the Adjacent Space which are then Available Adjacent Space, with the understanding however, that such space may thereafter cease to be Available Adjacent Space without further notice to Tenant.

27.2.3. If Tenant exercises the AAS Option, Tenant shall specify in its Exercise Notice the amount of Available Adjacent Space that Tenant desires to include in the Premises. Tenant may not, however, exercise the Adjacent Space Option for an amount of space which would leave unleased a block of Available Adjacent Space containing less than 5,000 rentable square feet. The additional space which is included in the Premises as a result of Tenant's exercise of the Adjacent Space Option is referred to hereinafter as the "Included Space." The location of the Included Space shall be mutually determined by Landlord and Tenant at the time that Tenant exercises the AAS Option.

27.3. Conditions.

The AAS Option is granted subject to the following conditions:

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27.3.1. At the time of exercise of the AAS Option and at the commencement of the Term as to the Included Space, (a) this Lease must be in full force and effect, (b) there may be no outstanding uncured Event of Default or circumstance which, with notice or passage of time or both, would become an Event of Default, and (c) Tenant shall not have assigned this Lease or subleased all or any portion of the Premises.

27.3.2. At the time of the exercise of the AAS Option, not less than three (3) years must remain on the Term of this Lease, provided that in conjunction with Tenant's exercise of the AAS Option, if Tenant has previously exercised the Renewal Option, Tenant shall have the option of extending the lease term for an additional period of three (3) years from the then Expiration Date of the Lease (in which event all of the terms of the Article 26 Option to Renew shall apply except that three (3) years shall be substituted for five (5) years). Provided that the Renewal Option has been exercised, the Renewal Term shall be included in the Term for purposes of determining whether the foregoing condition has been satisfied.

27.3.3. Landlord shall be reasonably satisfied with the financial condition of Tenant and the Guarantor, as evidenced in the financial statements delivered pursuant to Section 29.13 and the Guaranty.

27.4. Terms of Lease of the Included Space.

If Tenant elects to exercise its AAS Option:

27.4.1. Except as otherwise set forth herein (a) the Included Space shall be included in and become part of the Premises, (b) all references in this Lease to the Premises shall be deemed to include the Included Space, and, (c) all of the terms and conditions of this Lease which are applicable to the Premises shall also apply to the Included Space.

27.4.2. The Included Space shall be measured by Landlord's architect in accordance with 1996 ANSI/BOMA Z65.1 standards.

27.4.3. If the Included Space has not previously been leased to another tenant, Landlord shall provide Tenant with an allowance for construction of improvements in the Included Space in an amount equal to the product of (a) the number of rentable square feet in the Included Space, and (b) the number of months remaining in the Term as of the Included Space Commencement Date (as hereinafter defined), including the Renewal Term, if the Renewal Option has been exercised, and (c) \$0.40. If the Included Space has previously been leased to another tenant, Landlord shall provide Tenant with an allowance for construction of improvements in the Included Space in an amount equal to the product of (x) the number of rentable square feet in the Included Space, and (y) the number of months remaining in the Term as of the Included Space Commencement Date, including the Renewal Term, if the Renewal Option has been exercised, and (z) \$0.15. Subject to the foregoing, Tenant shall be responsible for all construction costs, including, without limitation, demolition costs and costs of demising and otherwise separating the Included Space from the balance of the

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space on the floor. All construction work shall be performed by Landlord. Tenant shall provide plans promptly upon request by Landlord and shall otherwise cooperate with Landlord, without delay, throughout the construction process. Except as aforesaid, Landlord shall not provide Tenant any allowance or perform any work in the Included Space. Without limiting the generality of the foregoing, the provisions of Exhibit 2.4.2 shall not apply to the Included Space.

27.4.4. The date for commencement of the Term as to the Included Space (the "Included Space Commencement Date") shall be one hundred twenty (120) days after Tenant gives the Exercise Notice. Landlord shall use reasonable efforts to complete any improvements by such date; however, the Included Space Commencement Date shall occur on such date, regardless of whether the improvements have been completed. The Term with respect to the Included Space shall terminate at the same time as the Term with respect to the balance of the Premises.

27.4.5. Tenant shall commence paying Base Rent, the Operating Expense Adjustment and the Tax Adjustment for the Included Space on the Included Space Commencement Date.

27.4.6. The Base Rent payable by Tenant shall be increased based upon the number of additional rentable square feet in the Included Space. The Base Rent for the Included Space per rentable square foot shall be the same as the Base Rent for the balance of the Premises per rentable square foot, and shall change at the same times and in the same amounts per rentable square foot as the Base Rent for the balance of the Premises. The Base Rent per rentable square foot for the Premises is set forth in Subsection 1.1.4.

27.4.7. Tenant's Share shall be increased based upon the number of additional rentable square feet in the Included Space. There shall be no change in the Tax Allowance or Operating Expense Allowance.

27.4.8. The number of undesignated parking spaces allocated to Tenant pursuant to Subsection 9.6.1 shall be increased by an amount equal to four parking spaces per 1,000 rentable square feet of space in the Included Space.

27.4.9. At the time that Tenant exercises an AAS Option in Landlord's discretion, the parties shall enter into an amendment to this Lease confirming (a) the change in the Premises, (b) the increase in Base Rent, (c) the increase in Tenant's Share, and (d) the increase in the number of parking spaces allocated to Tenant, in accordance with the foregoing provisions.

27.5. AAS Option Not Exhausted By One Exercise.

The AAS Option shall not be exhausted by one exercise thereof, but shall continue in force throughout the Term and may be exercised from time to time, subject to Section 27.3 and to the other provisions of this Article.

28. NOTICES.

Any notices required or permitted to be given under this Lease shall be given in writing and shall be delivered (a) in person, (b) by a commercial overnight courier that guarantees next day delivery and provides a receipt, or (c) by legible facsimile (followed by hard copy sent concurrently with such facsimile, in accordance with preceding subsections (a) or (b)), and such notices shall be addressed as set forth in Subsection 1.1.10 or to such other address as either party may from time to time specify in writing to the other party. Any notice shall be effective only upon receipt (or refusal by the intended recipient to accept delivery). Notice given by facsimile shall be effective upon receipt of such facsimile (subject to the requirement that hard copy be sent concurrently in accordance with this Section). Any notice which is received on a Saturday, Sunday or a legal holiday, or after 5:00 PM prevailing local time at the place of receipt, shall be deemed received on the next business day.

29. MISCELLANEOUS.

29.1. Brokers.

Landlord and Tenant represent and warrant to each other that no broker or finder other than the Brokers, was instrumental in arranging or bringing about this transaction and that there are no claims or rights for commissions, finders' fees or other compensation (collectively, "compensation") by any person or entity other than the Brokers. Landlord shall be solely responsible for all compensation payable to the Brokers. If any broker or finder asserts a claim for compensation based upon any actual or alleged contact, dealings or communication with Landlord or Tenant, then the party through whom such broker or finder makes its claim shall indemnify and hold the other party (the "Indemnified Party") harmless from and against any and all claims, damages, judgments, suits, liabilities, losses, costs and expenses (including without limitation, reasonable attorneys' fees and court costs) suffered or incurred by or brought against the Indemnified Party in connection with such claim for compensation.

29.2. Successors and Assigns.

Subject to Article 18, this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that Landlord and each successive holder of Landlord's interest in the Property shall be liable only for obligations accruing during the period that it is the holder of such interest. From and after the transfer by Landlord or such successive holder of its interest in the Property, Tenant shall look solely to the successors for the performance of Landlord's obligations hereunder arising thereafter.

29.3. Limitation of Landlord's Liability.

Tenant shall look solely to Landlord's interest in the Property for enforcement of any obligation of Landlord under this Lease or under applicable law. No other property or other assets of Landlord shall be subjected

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to levy, execution or other enforcement proceeding for the satisfaction of Tenant's remedies or with respect to this Lease, the relationship of landlord and tenant or Tenant's use and occupancy of the Premises.

29.4. Time of the Essence.

All times, wherever specified in this Lease for the performance by Landlord or Tenant of their respective obligations under this Lease, are of the essence of this Lease.

29.5. Severability.

If any provision in this Lease or the application thereof shall to any extent be invalid, illegal or otherwise unenforceable, the remainder of this Lease, and the application of such provision other than as invalid, illegal or unenforceable, shall not be affected thereby, and such provisions in this Lease shall be valid and enforceable to the fullest extent permitted by law.

29.6. Entire Agreement; Modifications.

29.6.1. This Lease, including the Exhibits attached to this Lease, contains the final and entire agreement between Landlord and Tenant and is intended to be an integration of all prior negotiations and understandings. Neither Landlord nor Tenant shall be bound by any covenants, agreements, statements, representations or warranties, oral or written, not contained in this Lease.

29.6.2. No change or modification to this Lease shall be valid unless the same is in writing and signed by the parties to this Lease. No waiver of any of the provisions of this Lease shall be valid unless the same is in writing and is signed by the party against which it is sought to be enforced.

29.6.3. No course of prior dealings between the parties shall be relevant or admissible to supplement, explain, or vary any of the terms of this Lease. Acceptance of, or acquiescence in, a course of performance rendered under this or any prior agreement between the parties shall not be relevant or admissible to determine the meaning of any of the terms of this Lease.

29.7. Interpretation of Lease.

The headings and captions in this Lease are inserted for convenience of reference only and in no way define, describe or limit the scope or intent of this Lease or any of the provisions hereof. Where the context so requires, the use of the singular shall include the plural and vice versa and the use of the masculine shall include the feminine and the neuter.

29.8. Governing Law.

This Lease shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

29.9. Powers of Attorney.

Pursuant to 20 Pa.C.S.A. Section 5601(a), Landlord and Tenant hereby agree that the powers of attorney granted pursuant to any provision of this Lease (including, without limitation, Subsection 2.2.3, Section 19.3, Section 19.4, Subsection 19.7.3 and Subsection 24.2.2) shall not be construed in accordance with the provisions of Chapter 56 of Title 20 of the Pennsylvania Consolidated Statutes.

29.10. Joint and Several Liability.

If two or more individuals, corporations, partnerships, or other entities (or any combination of two or more thereof) sign this Lease as Tenant and/or guarantor, the liability of each such individual, corporation, partnership or other entity to pay Rent and perform all other obligations of Tenant shall be joint and several. All notices, payments and agreements given or made by, with, or to any of such individuals, corporations, partnerships or other entities shall be deemed to have been given or made by, with or to all of them. In addition, if Tenant is a partnership or other entity, the members of which are, by virtue of statute or federal law, subject to personal liability, the liability of each such member shall be joint and several.

29.11. Delivery For Examination.

Submission of this instrument to Tenant for review and examination does not constitute an offer by Landlord or reservation of space in the Building for Tenant. This instrument shall not become effective as a lease, nor shall Landlord have any obligation hereunder, unless and until this instrument has been executed by Landlord and delivered to Tenant.

29.12. Corporate and Partnership Tenants.

If Tenant is a corporation, partnership or other entity, the persons signing this Lease on behalf of Tenant represent and warrant that they have been duly authorized by such corporation, partnership or other entity to execute and deliver this Lease on behalf of the corporation, partnership or other entity. Tenant shall provide written evidence of such authority prior to the execution of this Lease.

29.13. Financial Statements.

Tenant hereby represents, warrants, covenants and agrees that (a) Tenant's most recent financial statements delivered to Landlord in connection with the execution of this Lease are true in all material respects and no material adverse changes have occurred with respect thereto, and (b) on each anniversary of the Commencement Date, Tenant will deliver to Landlord current financial statements which shall be prepared in accordance with generally accepted accounting principles consistently applied. If Tenant is a publicly traded corporation, Tenant may satisfy its obligations hereunder by making Tenant's most recent annual and quarterly reports publicly available.

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Landlord shall not disclose any aspect of Tenant's financial statements that Tenant designates to Landlord as confidential except (1) to Overlessor or Mortgagee or prospective overlessors, mortgagees or purchasers of the Building, (2) in litigation between Landlord and Tenant, and/or (3) if required by court order. Tenant shall not be required to deliver the financial statements required under this Section 18.13 more than once in any 12-month period unless requested by Mortgagee or a prospective buyer or lender of the Building or an Event of Default occurs.

29.14. Third Party Beneficiaries.

This Lease shall not be construed to create rights in persons or entities other than Landlord or Tenant, as third party beneficiaries or otherwise.

29.15. OFAC.

Tenant represents and warrants that none of (i) Tenant, (ii) every individual or entity affiliated with Tenant, and (iii) every individual or entity that has an economic interest in Tenant (a) is listed on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Asset Control, Department of the Treasury ("OFAC") pursuant to the Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) ("Order"); (b) is listed on any other list of terrorists or terrorist organizations maintained pursuant to the Order, the rules and regulations of OFAC or any other applicable requirements contained in any enabling legislation or other Executive Orders in respect of the Order (the Order and such other rules, regulations, legislation or orders are collectively called the "Orders"); (c) is owned or controlled by, or acts for or on behalf of any individual or entity on any of the lists maintained pursuant to the Orders; (d) is engaged in activities prohibited in the Orders; (e) has been determined by competent authority to be subject to any of the prohibitions contained in the Orders; (f) is in receipt of any notice from the Secretary of State or the Attorney General of the United States or any other department, agency or office of the United States claiming a violation or possible violation of the Orders; or, (g) has been convicted, pleaded nolo contendere, indicted, arraigned or custodially detained on charges involving money laundering or predicate crimes to money laundering. If the foregoing representation and warranty is inaccurate in any respect, the same shall constitute an Event of Default by Tenant under this Lease.

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IN WITNESS WHEREOF, Landlord and Tenant, intending to be legally bound hereby, have executed this Lease as of the date first written above.

LANDLORD:

CAMPUS INVESTORS D BUILDING, L.P.,
a Delaware limited partnership

By: Bergen D Building, LLC,
a Delaware limited liability company,
its general partner

By: /s/ Stephen M. Spaeder

Name: Stephen M. Spaeder
Title: Senior Vice President

TENANT:

(Corporate Seal)

MEDSTAFF, INC.

Attest:

By: /s/ Joseph Comwell

Name: Joseph Comwell

By: /s/ Victor Kalafa

Name: Victor Kalafa
Title: President

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EXHIBIT 1.1.2

LEGAL DESCRIPTION OF UNIT

EXHIBIT 1.2

DEFINITIONS

AAS Option. As defined in Subsection 27.2.1.

ADA. As defined in Article 3.

Addition Option. As defined in Subsection 5.1.2.

Addition Exercise Notice. As defined in Subsection 5.1.2.

Additional Rent. As defined in Subsection 4.2.1.

Additional Space. As defined in Subsection 5.1.3.

Adjacent Space. As defined in Section 27.1.

Adjusted Expense Estimate. The Operating Expense Estimate for an Operating Year minus amounts, if any, previously paid by Tenant on account of the Operating Expense Adjustment for such Operating Year.

Adjusted Taxes. The Taxes for any Tax Year, plus the expenses of any contests (administrative or otherwise) of tax assessments or proceedings for refunds incurred during such Tax Year, including, without limitation, attorneys' and appraisers' fees. If Landlord is successful in obtaining a refund for any Tax Year(s), the Adjusted Taxes for the Tax Year(s) to which such refund is applicable shall be recalculated to reflect the amount of the refund received by Landlord, and Tenant shall receive a credit, if appropriate, equal to the amount of the difference between the Tax Adjustment which was actually paid by Tenant and the Tax Adjustment which actually is due, taking into account the amount of the refund.

Affiliate. Any entity which, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with Landlord or Tenant. For purposes of this definition, "control" shall mean the power to (a) vote fifty one percent (51%) or more of the securities having ordinary voting power for the election of directors of any entity, or (b) direct or cause the direction of the management and policies of such entity, whether by contract or otherwise.

Alterations. As defined in Subsection 13.1.1.

Alternate Space. As defined in Article 17.

Architect. As defined in Section 1 of the Workletter.

Association. Kelly Preserve Owners Association, Inc.

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Available Adjacent Space. As defined in Subsection 27.2.1.

Base Building. The entrances and other Common Facilities necessary to provide access to the Premises and the portions of the Building systems and equipment, if any, necessary to provide services to the Premises in accordance with this Lease.

Base Building Work. As defined in Section 4 of the Workletter.

Base Rent. As defined in Subsection 1.1.4.

Brokers. As defined in Subsection 1.1.9.

Building. As defined in Subsection 1.1.1.

Business Hours. Monday through Friday: 7:00 AM to 6:00 PM; Saturday: 8:00 AM to 1:00 PM.

Change Cost. As defined in Section 6.2 of the Workletter.

Change Order. As defined in Section 6.3 of the Workletter.

Changes. As defined in Section 6.1 of the Workletter.

Commencement Date. As defined in Subsection 2.2.1.

Common Facilities. All roadways, driveways, sidewalks, loading docks and loading areas, parking areas, landscaped areas, lobbies, hallways and other facilities which are located on the Property and which are designated by Landlord from time to time for the use of tenants and occupants of the Building, but not including the Ellis Gym or other facilities available by membership or payment of fees.

Declaration. The Declaration of Kelly Preserve, a Planned Community, dated August 18, 2005 and recorded in the Office of the Recorder of Deeds of Delaware County, Pennsylvania, in Book 3572, Page 1118, et seq., as amended from time to time.

Delivery Date. As defined in Section 9.2 of the Workletter.

Determination Letter. As defined in Subsection 3.2.1.

Ellis Preserve. As defined in Section 1.1.1.

Environmental Laws. All Federal, state and local laws, statutes, ordinances, codes, rules, regulations and other requirements respecting the environment, including but not limited to those respecting: (a) the generation, use, handling, processing, storage, treatment, transportation, or disposal of any solid or hazardous wastes, or any hazardous or toxic substances or

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materials; (b) pollution or contamination of land, improvements, air (including indoor air), or water (including groundwater); (c) emissions, spills, releases, or discharges of any substance onto or into the land, improvements, air (including indoor air), or water (including groundwater), or any sewer or septic system; (d) protection of wetlands; (e) aboveground or underground storage tanks; (f) air quality (including indoor air quality) or water quality (including groundwater quality); and (g) protection of endangered species. Without limiting the generality of the foregoing, the term "Environmental Laws" includes the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C., Sec. 9601, et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C., Sec. 6901, et seq., and the Toxic Substance Control Act of 1976, as amended, 15 U.S.C., Sec. 2601, et seq., the Pennsylvania Hazardous Sites Cleanup Act, 35 P.S. ss. 6020.101 et seq., the Pennsylvania Solid Waste Management, 35 P.S. ss. 6018.101 et seq., and the Pennsylvania Clean Streams Law, 35 P.S. 691.1 et seq.

Environmental Release. Any intentional or unintentional releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, infecting, escaping, leaching, disposing, abandoning, discarding or dumping of any Hazardous Substance from, on, into or about the Premises or the Property.

Environmental Report. Phase I Environmental Site Assessment Report for Buildings B, C, D, F and E-Pilot of the Ellis Preserve at Newtown Square, Pennsylvania, prepared for BPG Management Company, L.P., agent for BPG Real Estate Investors-Straw Party-1, L.P., by IES Engineers, dated September 16, 2005.

Estimate Notice. A notice submitted by Landlord to Tenant setting forth (a) the Operating Expense Estimate for the Operating Year, (b) the Adjusted Expense Estimate for the Operating Year, and (c) the new Monthly Expense Payment.

Estimated Tax Adjustment. Landlord's estimate of the Tax Adjustment for the relevant Tax Year.

Event of Default. As defined in Section 23.1.

Expiration Date. As defined in Subsection 2.2.2.

Final Plans. As defined in Section 2.4 of the Workletter.

Guarantor. As defined in Section 1.1.7.

Guaranty. As defined in Section 1.1.7.

Hazardous Substance. Any substance, material or waste defined as a pollutant or contaminant, or as a hazardous, toxic or dangerous substance, material or waste, under any applicable federal, state or local laws, ordinances or regulations now or hereafter enacted or amended, including, without limitation, petroleum, petroleum products, PCBs and asbestos.

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Holidays. President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day, New Year's Day and all other days designated as holidays by the Federal government or the government of the Commonwealth of Pennsylvania.

HVAC System. As defined in Subsection 11.1.1.

Included Space. As defined in Subsection 27.2.3.

Included Space Commencement Date. As defined in Subsection 27.4.4.

Indemnified Party. As defined in Section 29.1.

Initial Determination. As defined in Subsection 26.4.1.

Kelly Preserve. As defined in Section 1.1.1.

Landlord. As defined in the opening paragraph.

Landlord Party. As defined in Section 11.6.3.

Law(s). The judicial decisions, statutes, constitutions, ordinances, resolutions, regulations, rules, administrative orders and other requirements of all municipal, county, state, local, federal and other government agencies and authorities having jurisdiction over the parties to this Lease or the Premises or both, in effect at any time during the Term.

Lease. As defined in the opening paragraph.

Lease Year. The first Lease Year of the Term shall commence on the Rent Commencement Date and shall end (a) on the day immediately preceding the first anniversary of the Rent Commencement Date, if the Rent Commencement Date is the first day of the month, or (b) the last day of the month in which the first anniversary of the Rent Commencement Date occurs, if the Rent Commencement Date is any day other than the first day of a calendar month. Each subsequent Lease Year shall be a period of twelve months, commencing on the day immediately following the expiration of the prior Lease Year and expiring on the day immediately preceding the anniversary of the commencement of such Lease Year.

Market Rent. As defined in Subsection 26.3.2.

Monthly Expense Payments. As defined in Subsection 7.2.1.

Monthly Tax Payments. As defined in Subsection 6.2.1.

Mortgage. As defined in Subsection 19.1.1.2.

Mortgagee. As defined in Subsection 19.1.2.

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Net Rental Value of the Premises. The fair rental value of the Premises for the balance of the Term as of the date of termination, as reasonably determined by Landlord, less all actual costs and expenses incurred or projected to be incurred in connection with a reletting of the Premises, as reasonably determined by Landlord, including, without limitation, the following: (a) repossession costs; (b) attorneys' fees and expenses; (c) brokers' commissions and advertising costs; (d) costs of alterations, improvements, repairs and replacements; (e) improvement allowances, free rent, and other concessions; and (f) vacancy periods. If the Premises or any portion thereof, have been relet by Landlord before presentation of proof of the amount of the Termination Damage Payment to any court, the rent payable in connection with such reletting shall be conclusively presumed to be the fair rental value of the Premises, or the part relet, during the term of the reletting.

Notice of Intent. As defined in Subsection 18.1.1.

OFAC. As defined in Section 29.15.

Operating Expense Adjustment. Tenant's Share of the amount by which Operating Expenses for any Operating Year exceeds the Operating Expense Allowance.

Operating Expense Allowance. The actual Operating Expenses for the Operating Year 2006.

Operating Expense Estimate. Landlord's estimate of the Operating Expense Adjustment for an Operating Year.

Operating Expense Statement. A written statement from Landlord setting forth (a) the amount of Operating Expenses for the preceding Operating Year, (b) the Operating Expense Adjustment for such Operating Year, (c) all amounts paid by Tenant on account of the Operating Expense Adjustment, and (d) the amount due from or to be credited to Tenant for the Operating Year.

Operating Expenses.

1. All reasonable, actual expenses incurred by Landlord in connection with the management, maintenance, operation, replacement and repair of the Property, including, but not limited to the following items:

(a) gas, oil, steam, fuel, water and sewer charges;

(b) electricity, except for (i) electricity supplied to space leased to tenants, and (ii) electricity used in connection with heating, ventilating and air conditioning of space leased to tenants;

(c) all other utility charges (including surcharges) of whatever nature;

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(d) insurance premiums and the amounts of any deductibles and uninsured losses paid by Landlord;

(e) personnel costs (including, but not limited to, salaries, wages, fringe benefits, taxes, insurance, and other direct and indirect cost) for all persons employed by Landlord in connection with the management, maintenance, operation and replacement and repair of the Property;

(f) service and maintenance contracts including, but not limited to, cleaning, trash removal, window cleaning, exterminating and any security services provided;

(g) all other maintenance, repair and replacement expenses, both interior and exterior;

(h) maintenance, repair and replacement of the HVAC System, including, those components which service space leased to tenants;

(i) tools, equipment, furniture, furnishings, materials, supplies and uniforms;

(j) signage and decorations;

(k) cleaning, maintenance, repair and replacement of the Common Facilities, including, without limitation, removal of ice and snow and landscaping;

(l) licenses and permits;

(m) administrative costs and overhead;

(n) [Intentionally Omitted];

(o) reasonable, actual legal and other professional fees incurred in connection with the operation of the Property, including, without limitation, accounting fees for preparing the Operating Expense Statement and Tax Statement;

(p) management fees payable to any managing agent not to exceed the market rate charged in the Philadelphia area for similar properties, as reasonably determined by Landlord;

(q) all fees, expenses, costs, assessments, levies and charges now or hereafter allocated to or assessed, levied or imposed upon the Property or the owner thereof by the Association pursuant to the Declaration or otherwise;

(r) all fees, expenses, costs and charges incurred by Landlord or allocated to or assessed, levied or imposed upon the Property or the owner thereof pursuant to the terms and conditions of any agreements to which the Property is subject, including, without limitation, the REA;

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(s) fair market rental value and other costs with respect to the management office for the Building;

(t) sales and use taxes and any taxes imposed on personal property owned by Landlord and used in connection with the Property and taxes on any of the expenses which are included in Operating Expense; and

(u) the cost of any Qualified Capital Improvement made by Landlord, amortized on a straight line basis over the useful life of the improvement in accordance with generally accepted accounting principles. If Landlord shall lease such Qualified Capital Improvement, then the rentals or other operating costs paid pursuant to such lease shall be included in Operating Expenses for each year in which they are incurred. Notwithstanding the foregoing, if Landlord shall effectuate savings in labor or energy related costs or other Operating Expenses as a result of the installation of new devices or equipment, then Landlord may, in lieu of the above, elect to include up to the full amount of any such savings in each Operating Year (beginning with the Operating Year in which the equipment is placed in service) as an Operating Expense until Landlord has recovered thereby the cost of installation of said devices or equipment and interest thereon as above provided, even such application will result in the amortization of such costs over a period shorter than its useful life. Landlord shall notify Tenant in writing if Landlord elects to include such savings in Operating Expenses, and in such case, shall include with each Operating Expense Statement for the relevant Operating Year(s), a statement of the amount of savings in Operating Expenses for the relevant Operating Year(s).

2. Notwithstanding the foregoing, Operating Expenses shall not include the following:

a. Costs of repair or replacement, in excess of commercially reasonable deductibles, incurred by fire, other casualty that is covered or should have been covered by insurance had Landlord complied with the insurance requirement imposed upon it under the terms of this Lease, or exercise of the right of eminent domain.

b. Leasing commissions, advertising and other promotional costs and expenses, attorneys' fees, costs and disbursements and other expenses incurred in negotiating or executing leases or in resolving disputes with other tenants, other occupants, or other prospective tenants or occupants of the Building or any portion thereof, collecting rents or otherwise enforcing leases of other tenants of the Building or any portion thereof.

c. Costs and expenses of special services rendered to particular tenants of the Building or any portion thereof or that exclusively benefit another tenant or tenants of the Building or any portion thereof, including, without limitation, costs of Tenant installations, decorating expenses, redecorating expenses or constructing improvements or alterations to any tenant space, and the cost of any janitorial cleaning service or security services provided to other tenants which exceed the standard of that provided to Tenant.

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d. Costs of electrical energy furnished and metered directly to tenants of the Building or any portion thereof or for which Landlord is reimbursed by tenants as additional rental over and above any such tenant's base rental or pass through of operating costs.

e. Except for the amortization of the cost of Qualified Capital Investments, Operating Expenses shall include no cost or expenditure that would be classified as a capital expense under generally accepted accounting principles consistently applied. All such capital expenditures shall be amortized over the useful life of the capital improvement (as determined in accordance with generally accepted accounting principles consistently applied), but in no event to extend beyond the reasonable life of the Building, and with respect to capital improvements made primarily for the purpose of reducing Operating Expenses, the amount to be included in Operating Expenses in any calendar year shall be the lesser of (i) the amortized amount determined in accordance with the foregoing, or (ii) the actual or, if not reasonably obtainable, the reasonably estimated reduction in Operating Expenses resulting from the capital improvement during the same calendar year.

f. Depreciation, amortization and other non cash items.

g. Costs and expenses incurred by Landlord for which Landlord is actually reimbursed by parties other than tenants of the Building, including, without limitation, insurance proceeds.

h. Costs and expenses attributable to the correction of any construction defects in the initial construction of the building or the construction of any additions to the Building.

i. Finance and debt service costs for the Building or any portion thereof and rental under any ground or underlying lease or leases for the Building or any portion thereof.

j. Landlord's general overhead except as it directly relates to the operation, management, maintenance, repair and security of the Building.

k. Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord unless any income generated from such concessions is used to reduce Operating Expenses.

l. Costs and expenses for items and services for which Tenant reimburses Landlord or pays third persons, to the extent of such reimbursement or payment.

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m. Costs, fines or penalties incurred due to violations by Landlord of any governmental rule or authority, other than any such cost, fine or penalty (not otherwise paid by Tenant) incurred due to any violation caused by any act or omission of Tenant, its employees or agents.

n. Costs of management fees (including reimbursables and other related costs) to the extent they exceed the market rate charged in the Philadelphia area for similar properties.

o. Costs for purchasing sculptures, paintings, wall hangings or other objects of art; provided that any costs of cleaning, maintenance or restoration of such artworks up to a maximum of \$1,000.00 per calendar year may be included in Operating Expenses.

p. Costs of wages, salaries, or other compensation paid to any executive employees of Landlord above the grade of "Project Manager" or paid to employees of Landlord who are not employed full time on site at the Building; provided, however, if an employee of Landlord works on several buildings within the area, including the Building, the costs and expenses incurred in connection with such employee shall be allocated among such buildings by Landlord in accordance with reasonable and consistent criteria.

q. Costs and expenses incurred in leasing air conditioning systems, elevators or other equipment ordinarily considered to be of a capital nature.

r. Costs and expenses associated with the removal or encapsulation of asbestos or other hazardous or toxic substances.

s. Any expenses for repairs or maintenance which are covered by warranties and service contracts, to the extent such maintenance and repairs are made at no cost to Landlord.

u. Any costs representing any amount paid for services and materials (including overhead and profit increments) to a related person, firm, or entity to the extent such amount exceeds the amount that would be paid for such services or materials at the then existing market rates to an unrelated person, firm or corporation.

v. If any taxes paid by Landlord and previously included in Operating Expenses are refunded, Landlord shall promptly pay Tenant an amount equal to the amount of such refund (less the reasonable expenses incurred by Landlord in obtaining such refund) multiplied by Tenant's Share in effect for the period to which such refund relates.

y. The cost of overtime or other expenses to Landlord in curing its defaults.

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x. Any amounts payable by Landlord by way of indemnity or for damages or which constitutes a fine or penalty, including interest or penalties for any late payment.

y. Repairs, alterations, and general maintenance paid by proceeds of insurance and repairs necessitated by violations of law in effect as of the date of the Lease.

z. Repairs, alterations, and general maintenance necessitated by the negligence or willful misconduct of Landlord or any Landlord Party for repairs, alterations, and general maintenance necessitated by the negligence or willful misconduct of any other tenant or occupant of the Building or of any of their respective agents, employees, contractors, invitees, or licensees.

aa. Costs and expenses associated with any health, athletic or recreational club of the Building unless any income generated from such facilities is used to reduce Operating Expenses.

bb. Taxes which are not reasonably allocated to the Building and the Property on which the Building is located.

cc. Any expenses, costs or accruals related to portions of the project other than the Building, except to the extent such expenses costs or accruals are properly allocated to the Building.

dd. Charitable contributions of Landlord.

3. For the Operating Year 2006, in determining the Operating Expense Allowance, Landlord shall make a reasonable estimate of the amount of Operating Expenses that would have been paid or incurred by Landlord had the leasable area of the Property been ninety five percent (95%) rented throughout such Operating Year. If less than ninety five percent (95%) of the leasable area of the Property is rented during all or a portion of any other Operating Year Landlord may at its election make a reasonable estimate of the amount of Operating Expenses that would have been paid or incurred by Landlord had the leasable area of the Property been ninety five percent (95%) rented throughout such Operating Year. The amount so determined by Landlord shall be deemed to have been the amount of Operating Expenses for such Operating Year, and Tenant's Operating Expense Adjustment shall be determined based upon such amount. Notwithstanding the foregoing, only those components of Operating Expenses that are affected by variations in occupancy levels in the Property shall be grossed up pursuant to this Section.

4. Subject to the determination of the Operating Expense Allowance in accordance with Section 3 above, if the management fee rate, expressed as a percentage, included in Operating Expenses for any Operating Year exceeds the management fee rate included in the Operating Expense Allowance, for purposes of computing the Operating Expense Adjustment the management fee rate for the Operating Expense Allowance shall be increased to the same rate as charged in such Operating Year (e.g., if the management fee rate is 3% in Operating Year 2008, for purposes of determining the Operating Expense Adjustment for Operating Year 2008, the management fee rate component of the Operating Expense Allowance shall be deemed to be 3%). Notwithstanding the foregoing, the parties agree that the management fee rate is currently [1.5%], which rate is below the market rate charged in the Philadelphia area for similar properties, as reasonably determined by Landlord.

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5. Subject to the determination of the Operating Expense Allowance in accordance with Section 3 above, if association or similar fees included in Operating Expenses for any Operating Year are new fees due to the completion or expansion of the development project of which the Property is a part, for purposes of computing the Operating Expense Adjustment, the Operating Expense Allowance shall be equitably adjusted in determining the Operating Expense Adjustment for such Operating Year to take into account such new fees.

Operating Year. The period from January 1, 2006, to December 31, 2006, or such other period of twelve (12) months as Landlord may hereafter adopt as its fiscal year for purposes of determining Operating Expenses, occurring during the Lease Term.

Order. As defined in Section 29.15.

Orders. As defined in Section 29.15.

Overdue Interest Rate. Three percent (3%) per annum above the prime rate of interest announced from time to time by the financial institution in which Landlord deposits the majority of its funds.

Overlease. As defined in Subsection 19.1.1.1.

Overlessor. As defined in Subsection 19.1.2.

Park. Ellis Preserve, a Planned Community, which is subject to the Declaration.

Partial Taking. As defined in Section 16.2.

Party Appraiser. As defined in Subsection 26.4.2.

Permitted Transferee. Any of the following entities: (i) an Affiliate of Tenant; (ii) any corporation, limited partnership, limited liability partnership, limited liability company or other business entity in which or with which Tenant, or its corporate successors or assigns, is merged or consolidated, in accordance with applicable statutory provisions governing merger and consolidation of business entities, so long as Tenant's obligations hereunder are assumed by the entity surviving such merger or created by such consolidation; or (iii) any corporation, limited partnership, limited liability partnership, limited liability company or other business entity acquiring all or substantially all of Tenant's assets.

Plan. As defined in Section 2.1.1.

Preliminary Plan. As defined in Section 1 of the Workletter.

Premises. As defined in Subsection 1.1.3.

Property. As defined in Subsection 1.1.2.

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Proposed Plans. As defined in Section 2.1 of the Workletter.

Qualified Capital Improvement. (a) A labor saving device, energy saving device or other installation, improvement or replacement which is intended to reduce Operating Expenses, whether or not voluntary or required by Law, or (b) an installation or improvement required by Law, or (c) an installation or improvement which is primarily intended to improve the health, safety or welfare of tenants of the Building.

REA. The Declaration of Reciprocal Easements by SAP America, Inc., BPG Real Estate Investors-Straw Party-1, L.P., and BPG Real Estate Investors-Straw Party-2, L.P., dated as of June 23, 2004 and recorded on June 30, 2004 in the Office of the Recorder of Deeds of Delaware County, Pennsylvania, in Book 3222, Page 404 et seq.

Rejection Notice. As defined in Subsection 26.4.1.

Renewal Option. As defined in Section 26.1.

Renewal Term. As defined in Section 26.1.

Rent. As defined in Subsection 4.2.1.

Rent Commencement Date. As defined in Section 2.2.1.

Rules and Regulations. As defined in Subsection 9.2.1.

Substantially Completed or Substantial Completion. As defined in Section 8.1 of the Workletter.

Taking. Any taking by condemnation or power of eminent domain or any transfer by deed or other instrument in lieu thereof.

Tax Adjustment. Tenant's Share of the amount by which Adjusted Taxes for any Tax Year exceeds the Tax Allowance.

Tax Allowance. The actual Taxes for the Tax Year 2006; provided, however, that the actual Taxes shall be equitably adjusted by Landlord so that the Tax Allowance is a fair allocation of Taxes to the Property for the Tax Year 2006 with base building improvements completed, and further equitably adjusted upward or downward by Landlord when the expected assessment of the Property as a separate improvement of Kelly Preserve is received if not until after the Tax Year 2006.

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Tax Statement. A statement in writing signed by Landlord, setting forth (a) the Adjusted Taxes for the applicable Tax Year, and (b) the Tax Adjustment payable for such Tax Year.

Tax Year. Each calendar year occurring during the Term. If any taxing authority imposes, assesses or levies Taxes on the basis of a fiscal period other than a calendar year, the Taxes for the relevant Tax Year shall be determined by apportioning the Taxes for the fiscal period among the Tax Years in which any portion of the fiscal period occurs.

Taxes. All taxes, charges, impositions, levies, assessments and burdens of every kind and nature, whether general or special, ordinary or extraordinary, foreseen or unforeseen, assessed or imposed by any governmental or quasi-governmental body or authority or special service district on and/or with respect to the Property or its operation, or the rents therefrom (including taxes based on gross receipts), or allocated to the Property pursuant to the terms of the Declaration, whether or not directly paid by Landlord, subject to the following:

(a) There shall be excluded from Taxes all penalties or interest assessed due to the late payment of any Taxes, income taxes, excess profit taxes, excise taxes, franchise taxes, estate, succession, inheritance and transfer taxes; provided, however, that if, due to a future change in the method of taxation or assessment, any such tax, however designated, shall be imposed in substitution, in whole or in part, for (or in lieu of all or any part of any contemplated increase in) any tax, charge, imposition, levy, assessment or burden which would otherwise be included within the definition of Taxes, such other tax shall be deemed to be included within the definition of Taxes as defined herein to the extent of such substitution or imposition in lieu; and

(b) Use and occupancy taxes shall be excluded from Taxes, however, such amounts shall be paid by Tenant to Landlord pursuant to Section 6.7.

Tenant. As defined in the opening paragraph.

Tenant Delay. As defined in Section 8.4 of the Workletter.

Tenant Party. As defined in Section 11.6.2.2.

Tenant's Construction Representative. As defined in Section 8 of the Workletter.

Tenant's Share. As defined in Subsection 1.1.5.

Term. As defined in Subsection 1.1.6.

Termination Damage Payment. The sum of (a) all Rent remaining unpaid for the period prior to the date that Tenant surrenders of possession of the Premises to Landlord, and (b) the excess, if any, of (i) the aggregate of all Rent reserved under this Lease for the balance of the Term (including both Base Rent and Additional Rent (the amount of the Additional Rent to be based on historical amounts and Landlord's estimates for future amounts)), over (ii) the Net Rental Value of the Premises for the balance of the Term as of the date of such termination, and (c) all other costs and expenses, direct or indirect, incurred as a result of Tenant's breach of this Lease.

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Third Appraiser. As defined in Subsection 26.4.2.

Total Taking. As defined in Section 16.1.

Township. As defined in Subsection 3.2.1.

Undetermined Charges. Any item of Additional Rent (a) which is not yet due and payable at the time of the expiration or earlier termination of the Term, or (b) the amount of which has not yet been finally determined as of the expiration or earlier termination of the Term. For example, if the bills for Taxes for the final Tax Year of the Term have not been received prior to the expiration or earlier termination of the Term, the Tax Adjustment for the final Tax Year of the Term would be an Undetermined Charge.

Workletter. As defined in Section 2.4.

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EXHIBIT 2.1.1
PLAN OF THE PREMISES

EXHIBIT 2.2.3

COMMENCEMENT DATE AGREEMENT

THIS COMMENCEMENT DATE AGREEMENT (the "Agreement") is made this _____ day of _____, 200__, by and between CAMPUS INVESTORS D BUILDING, L.P., a Delaware limited partnership, (the "Landlord"), and MEDSTAFF, INC., a Delaware corporation (the "Tenant").

W I T N E S S E T H:

Landlord and Tenant are parties to a lease dated _____ (the "Lease") covering certain premises in the building located at and known as 3805 West Chester Pike, Newtown Square, Pennsylvania 19073. The capitalized terms used in this Agreement shall have the meanings set forth in the Lease, unless otherwise defined in this Agreement.

Subsection 2.2.3 of the Lease provides that after the Commencement Date has been determined, Landlord and Tenant shall enter into an agreement, confirming the Commencement Date, the Rent Commencement Date and the Expiration Date of the Term. This Agreement is being executed and delivered in satisfaction of this requirement.

NOW, THEREFORE, intending to be legally bound, Landlord and Tenant agree as follows:

1. The Commencement Date of the Term is _____.
2. The Rent Commencement Date of the Term is _____.
3. The Expiration Date of the Term is _____.
4. Tenant hereby confirms that:
 - (a) the Tenant Improvements are Substantially Complete;
 - (b) Tenant is in possession of the Premises; and
 - (c) the Lease is in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant, intending to be legally bound hereby, have executed this Agreement as of the date first written above.

LANDLORD:

CAMPUS INVESTORS D BUILDING, L.P., a Delaware limited partnership

By: Bergen D Building, LLC, a Delaware limited liability company, its general partner

By: /s/ Stephen M. Spaeder

Name: Stephen M. Spaeder

Title: Senior Vice President

TENANT:

(Corporate Seal)

MEDSTAFF, INC.

Attest:

By: /s/ Joseph Comwell

By: /s/ Victor Kalafa

Name: Joseph Comwell

Name: Victor Kalafa

Title: President

EXHIBIT 2.4

WORKLETTER

1. The Preliminary Plan.

Meyer & Associates, Inc. (the "Architect") has prepared a preliminary plan (the "Preliminary Plan") for the layout and construction of improvements to the Premises in connection with Tenant's initial occupancy thereof (the "Tenant Improvements"). The Preliminary Plan has been approved by Landlord and Tenant and is attached to this Workletter as Schedule 1. Notes to the Preliminary Plan are attached to this Workletter as Schedule 2.

2. Proposed Plans; Final Plans.

2.1. Following the execution of this Lease, Tenant will cause the Architect to prepare proposed plans and specifications for the construction of the Tenant Improvements (the "Proposed Plans"), in compliance with the requirements of this Section. The Architect shall be engaged by Tenant and shall be under the direction of Tenant.

2.2. The Proposed Plans shall (a) be consistent with the Preliminary Plan, and (b) include all information and specifications necessary for Landlord to complete construction of the Tenant Improvements, including, without limitation, the following:

- 2.2.1. partition layout (dimensioned);
- 2.2.2. door location and door schedule including hardware;
- 2.2.3. reflected ceiling plan;
- 2.2.4. telephone and electrical outlets with locations (dimensioned);
- 2.2.5. special electrical, HVAC and/or plumbing work;
- 2.2.6. mechanicals;
- 2.2.7. special loading requirements, such as the location of file cabinets and special equipment;
- 2.2.8. openings in the walls or floors;
- 2.2.9. all necessary sections and details for special equipment and fixtures; and
- 2.2.10. finishes including, without limitation, carpentry and millwork, floor coverings, wall coverings, color schedules, and any other special finishes.

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2.3. [Intentionally Omitted].

2.4. The Proposed Plans shall be subject to Landlord's approval. If Landlord disapproves the Proposed Plans, it shall state the reasons for such disapproval, and Tenant shall cause the Architect to promptly make any changes in the Proposed Plans reasonably required by Landlord. Tenant acknowledges that Landlord may disapprove the Proposed Plans if the cost of constructing the Tenant Improvements, as delineated therein (or the Base Building Work required in connection therewith), would be in excess of the amounts which Landlord has budgeted for the construction of the Tenant Improvements. The Proposed Plans, as finally approved by Landlord, are referred to hereinafter as the "Final Plans".

3. Engineering.

If the construction of the Tenant Improvements requires that the base building systems or structure be extended or adapted to meet Tenant's occupancy requirements ("Base Building Work"), Landlord shall engage such professional engineers as may be necessary to perform and coordinate all structural, mechanical, plumbing, electrical, fire protection and other engineering.

4. Construction By Landlord.

4.1. Landlord shall complete construction of the Tenant Improvements in accordance with the Final Plans. Landlord shall have the right, however:

4.1.1. to make substitutions of material of equivalent grade and quality when and if any specified material shall not be readily and reasonably available; and

4.1.2. to make changes necessitated by conditions met in the course of construction, provided that Tenant's approval of any substantial change shall first be obtained (which approval shall not be unreasonably withheld or delayed so long as there shall be general conformity with the Final Plans).

4.2. Landlord shall also complete construction of the Base Building Work in accordance with the construction schedule (the "Construction Schedule"), attached to this Workletter as Schedule 3.

5. Construction Costs.

Subject to approval of the Proposed Plans by Landlord, the construction of the Tenant Improvements and Base Building Work shall be done by Landlord at Landlord's cost and expense, except as otherwise set forth in Section 6.

6. Changes in the Final Plans.

6.1. All changes in the Final Plans ("Changes") shall be subject to the approval of Landlord. If Tenant desires to make a Change, Tenant shall

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submit a written request to Landlord describing the proposed Change. If Landlord approves the Change, the parties shall enter into a written Change Order, as hereinafter defined. Changes in the Final Plans may be accomplished only by a Change Order.

6.2. In connection with any Change, Tenant shall pay Landlord, at the time of executing the Change Order, an amount equal to the Change Cost. The term "Change Cost" means (a) the actual net increase in the construction costs resulting from the Change, including a five percent (5%) development administration fee, plus (b) if the Change Order results in an extension of the Delivery Date, a sum equal to the per diem Base Rent that would have otherwise been paid by Tenant for the period by which the Commencement Date will be delayed due to such Change Order, as agreed by Landlord and Tenant in such Change Order.

6.3. The term "Change Order" means a written instrument prepared by Landlord and signed by Landlord and the Tenant stating their agreement upon all of the following: (a) the change in the Final Plans; (b) the amount of the Change Cost; and (c) the extent of the adjustment in the Delivery Date, if any.

7. Tenant's Work.

7.1. All data and telecommunications wiring necessary to equip the Premises for Tenant's occupancy shall be furnished and installed by Tenant. Tenant shall comply with the provisions of Article 13 of the Lease and Exhibit 13.1.2 of the Lease in connection with any work which it performs pursuant to this Section 7. All such work shall be subject to coordination by Landlord. Tenant shall have access to the Premises prior to the Commencement Date for purposes of completing such work (but not before June 1, 2006), provided, however, that in connection with the performance of such work, Tenant shall not interfere with or delay the completion of the Tenant Improvements.

7.2. Landlord shall provide Tenant with an allowance for data and telecommunications wiring, in the amount of \$31,959.00. The foregoing allowance is based upon a formula of one dollar (\$1.00) per rentable square feet of space in the Premises. The allowance is subject to adjustment in accordance with such formula, based upon the final determination of the rentable square footage of the Premises made by Landlord's architect. The allowance shall be advanced in one lump sum upon completion of the work. Tenant shall be responsible for all amounts in excess of the allowance.

8. Tenant's Construction Representative.

Tenant hereby appoints Tim Rodden as its construction representative ("Tenant's Construction Representative") to act for Tenant with respect to all construction and construction related matters. Tenant may change Tenant's Construction Representative from time to time to another person who is skilled in the construction of tenant improvements in Class A office buildings or who is an officer or management level employee of Tenant, which change shall be effective upon receipt by Landlord of written notice of such change. Tenant's Construction Representative shall be available to attend regularly scheduled and

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special meetings with Landlord and the general contractor performing the Tenant Improvements, and shall be available generally at the Building. Tenant's Construction Representative shall have the authority to act on Tenant's behalf at all times and to bind Tenant with respect to all construction related matters including, but not limited to, scheduling changes and change orders.

9. Substantial Completion.

9.1. The Tenant Improvements shall be deemed substantially completed ("Substantial Completion or "Substantially Completed") when a certificate of occupancy or temporary certificate of occupancy has been issued for the Premises (punchlist items excepted). 9.2. Landlord shall use reasonable efforts to cause the Tenant Improvements to be Substantially Completed no later than one hundred (120) days after the later of the execution date of this Lease or Tenant's delivery of the Final Plans (the "Delivery Date"). The period of time for Landlord to Substantially Complete the Tenant Improvements shall be extended for additional periods of time equal to the time lost by Landlord or Landlord's contractors, subcontractors or suppliers due to strikes; Tenant Delay (as defined below); governmental restrictions and limitations; unavailability or delays in obtaining fuel, labor or materials; war or other national emergency; accidents; floods; defective materials; fire damage or other casualties; adverse weather conditions; the inability to obtain building or use and occupancy permits; or any cause similar or dissimilar to the foregoing which is beyond the reasonable control of Landlord or Landlord's contractors, subcontractors or suppliers.

9.3. In the event that Landlord has not delivered the Premises to Tenant in accordance with this Workletter on or before the Delivery Date (as the same may be extended pursuant to Section 9.2), then Rent shall be abated on the basis of one day of Rent (Base Rent and Additional Rent) for every day that Landlord has not delivered the Premises after the Delivery Date. In the event that the Tenant Improvements are not Substantially Completed by the date which is ninety (90) days following the Delivery Date (as the same may be extended pursuant to Section 9.2), Tenant shall have the right to terminate this Lease. Tenant shall exercise such right, if at all, by giving Landlord written notice at any time within the ten (10) day period immediately following the expiration of such ninety (90) day period. Upon the giving of such notice, this Lease shall terminate and be deemed null and void, and neither party shall have any further rights or obligations hereunder. Landlord shall have no liability to Tenant with respect to a holdover penalty to Tenant's landlord under its current lease, or any other consequential damages with respect to the delivery of the Premises to Tenant.

9.4. The term Tenant Delay as used in this Workletter means any:

9.4.1. delays caused by the failure of the Proposed or Final Plans to be complete and approved by all applicable governmental agencies and departments by the dates set forth herein where such failure results from the acts or omissions of Tenant or Tenant's representatives including any delays resulting from the redesign of part or all of the Final Plans after approval by Landlord for any reason;

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9.4.2. delays caused by Tenant's failure to comply with the specific time periods established in this Workletter;

9.4.3. delays, not caused by Landlord, in furnishing materials or procuring labor required for installations or work in the Premises which are not customarily provided by Landlord for office tenants in the Building, provided that Tenant shall be notified of Landlord's good faith estimate of the anticipated delay promptly after discovery thereof by Landlord, and shall be given an opportunity to specify alternative materials or requirements customarily provided by Landlord for office tenants;;

9.4.4. delays resulting from a Change Order (not to exceed the amount of time agreed to pursuant to the Change Order for the extension of the Delivery Date);

9.4.5. delays, not caused by Landlord, in furnishing materials or procuring labor for completion of the Tenant Improvements; or

9.4.6. delays caused by the performance of any work or activity in the Premises by Tenant or any of its employees, agents or contractors.

9.5. In the event of any Tenant Delay, Tenant acknowledges that the Commencement Date of the Lease Term may occur before the Premises can be occupied by Tenant, and that, as a result, Tenant may not have occupancy of the Premises for a full five months prior to the Rent Commencement Date.

10. Punchlist.

10.1. Upon Substantial Completion of the Tenant Improvements, Landlord shall notify Tenant's Construction Representative in writing. Within two (2) business days after receipt of Landlord's notice, Tenant's Construction Representative shall inspect the Tenant Improvements with Landlord and Landlord's general contractor. At the time of such inspection, the parties shall prepare a detailed punchlist of all incomplete, defective or nonconforming work. No items may be added to the punchlist items following such inspection. Notwithstanding the foregoing, if Tenant later discovers any incomplete, defective or non-conforming work which was not visible, observable or susceptible of detection at the time of such inspection, and Tenant gives notice of the specific incomplete, defective or non-conforming work to Landlord at least sixty (60) days prior to the expiration of the applicable warranty period, Landlord shall cause the general contractor to correct the relevant incomplete, defective or non-conforming work.

10.2. Landlord shall cause all punchlist items to be completed within a reasonable period after the date of the inspection.

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WORKLETTER SCHEDULE 1
PRELIMINARY PLAN

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WORKLETTER SCHEDULE 2
NOTES TO MEDSTAFF INTERIOR PRELIMINARY PLAN

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WORKLETTER SCHEDULE 3
BASE BUILDING CONSTRUCTION SCHEDULE

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EXHIBIT 9.2.1

RULES AND REGULATIONS

1. Common Facilities. Landlord shall have the right to control and operate the Common Facilities of the Property in such manner as Landlord, in its sole discretion, deems best for the protection of the Property and the benefit of tenants generally. Tenant shall not (a) obstruct the Common Facilities or use them for any purpose other than ingress and egress, (b) permit access to the Premises of persons in such number or under such conditions as would interfere with the use and enjoyment by other tenants of the common areas, or (c) place any mats, trash or other objects in the Common Facilities.

2. Restricted Areas. Tenant shall not enter any of the following areas without the prior written consent of Landlord: (a) the roof; (b) mechanical floors; or, (c) electrical, mechanical and telephone closets.

3. Projections. Tenant shall not attach to the Building any awnings, air conditioning units, fans, aerials, antennas, or other projections or similar devices, inside the Building or on its facade or roof.

4. Window Treatments. Tenant shall not attach or hang any drapes, blinds, shades, screens or other window treatment to any window or door of the Premises, without Landlord's prior written consent.

5. Building Systems. Tenant shall not use the electrical, mechanical, plumbing, and telecommunications systems and fixtures of the Building for any purposes other than those for which they were constructed. Tenant shall not deposit in any plumbing fixture any sweepings, rubbish, rags, coffee grounds, acids or other substances. Tenant shall not waste water by interfering or tampering with the faucets or otherwise.

6. Lighting Fixtures. Tenant shall install and use only fluorescent lighting fixtures, of a quality, type, design, and color approved by Landlord.

7. Wiring. If Tenant desires telecommunications, internet, security or other systems or services requiring installation of wiring, Landlord will direct where and how the wiring is to be installed. No boring, drilling or cutting shall be done without directions and approval from Landlord. All wiring must be clearly tagged at the distributing boards and junction boxes, and elsewhere as required by Landlord, with the number of the office to which such wires lead, the purpose of the wires, and the name of the company, if any, operating or servicing the same. If required by Landlord, all wiring and cabling installed by or for Tenant, whether inside or outside the Premises, shall be removed by Tenant (or, at Landlord's election, by Landlord), at Tenant's sole cost and expense, at the expiration or earlier termination of the Term.

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8. Walls, Ceilings and Floors. Tenant shall not mark, paint, drill into, or in any way deface any part of the Premises or the Building. Tenant shall not use the ceiling for the suspension of any item or fixture, including, without limitation, plants or decorative items. Tenant shall not fasten or attach nails or screws shall to the walls or ceilings, without Landlord's prior written consent. Tenant shall not lay any floor tile or other similar floor covering in the Premises, without Landlord's prior written consent. Floor coverings shall be affixed in only such manner as Landlord approves.

9. Floor Load. Tenant shall not allow the floor bearing capacity of the Premises (which is 100 pounds per square foot, live load) to be exceeded.

10. Signs. Tenant shall not place any signs, advertisements, notices or other lettering in or on the Premises or outside the Premises without Landlord's prior written consent. All signage shall be of a size, color and style approved by Landlord.

11. Advertising. Landlord shall have the right to prohibit any advertising by Tenant which, in Landlord's opinion, tends to impair the reputation of the Property or its desirability as an office building. Without Landlord's prior written consent, Tenant shall not use the name of the Property or use pictures or illustrations of the Property in any advertising other than in indicating Tenant's address.

12. Canvassing. Canvassing, soliciting and peddling on the Property are prohibited and Tenant shall cooperate in preventing the same.

13. Disturbance of Other Tenants. Tenant shall not do anything which would obstruct or interfere with the rights of other tenants, or injure, annoy or disturb other tenants. Without limiting the generality of the foregoing, Tenant shall not cause any noise, vibrations, odors, or electronic interference which disturbs other tenants, the operation of their equipment or the operation of any equipment in the Building.

14. Animals and Bicycles. Tenant shall not bring into or keep in or about the Building any bicycles, vehicles or animals of any kind (other than seeing-eye dogs assisting disabled persons).

15. Cooking; Vending Machines. Tenant shall not permit any cooking to be done in the Premises, except that, with Landlord's approval, Tenant may install and operate, for the convenience of its employees, a lounge or coffee room with sink, refrigerator, microwave oven and/or coffee makers. Tenant shall not cause or permit any food odors to emanate from the Premises. Tenant shall maintain sanitary conditions in any area used for food and beverage preparation and consumption. Tenant shall not install any food, beverage or other vending machines without Landlord's prior written consent which consent shall not be unreasonably withheld conditioned or delayed

16. Alcoholic Beverages. Tenant shall not serve, or permit the service of alcoholic beverages in the Premises unless it shall have procured Host Liquor Liability Insurance, issued by companies and in amounts reasonably satisfactory to Landlord, naming Landlord as an additional party insured.

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17. No Smoking. No smoking is permitted in any part of the Premises or the Building. No smoking is permitted outside the Building within a distance of thirty (30) feet of any Building entrance.

18. Manufacturing, Storage and Sale of Merchandise. Tenant shall not use the Premises for the manufacture or storage of merchandise, goods or property of any kind, or for the sale of merchandise, goods or property of any kind, at auction or otherwise.

19. Improper Uses. Tenant shall not use the Premises for any of the following purposes: (a) lodging or sleeping; (b) any immoral or illegal purpose; or (c) any other purpose which, in the judgment of Landlord, would impair the character, reputation, or appearance of the Building.

20. Hazardous Substances. Tenant shall not generate or keep flammable, combustible, explosive, caustic, hazardous or toxic fluids, chemicals or substances in the Premises or any part of the Property, except that Tenant may keep in the Premises commercial products normally used by occupants of office buildings for ordinary cleaning and office-related purposes, in such quantities as are appropriate for the size of the Premises.

21. Locks. Tenant shall not alter any lock or install a new or additional lock or any bolt or other security device on any door or window without the prior written consent of Landlord. If Landlord shall give its consent, Tenant shall in each case furnish Landlord with two keys for each such lock and security device. Tenant shall, upon the expiration or termination of the Lease, give Landlord all keys used in connection with the Premises (including keys to the Premises, rooms and offices within the Premises, storage rooms and closets, cabinets and other built-in furniture, and toilet rooms), whether such keys were furnished by Landlord or procured by Tenant. Tenant shall, upon the expiration or termination of the Lease, disclose to Landlord the combinations of all locks for safes, safe cabinets and vault doors, if any, remaining in the Premises.

22. Notice of Injury. Tenant shall immediately notify Landlord of any injury to a person or damage to property regardless of cause within the Premises or any public areas on the floors of the Building on which the Premises is located.

23. Delivery and Removal. Tenant shall not receive into or remove from the Building any freight, furniture or bulky matter of any description, except during such hours and in such manner as may be approved by Landlord. Landlord reserves the right to inspect all deliveries to the Building and to exclude from the Building anything that violates any of these rules and regulations. Any hand trucks, carryalls, or other apparatus used for delivery or removal shall be equipped with rubber tires, side guards and such other safeguards as Landlord may require. Tenant shall not move anything into or out of the Premises except by contractors approved by Landlord. Tenant shall not use the service elevator without Landlord's prior written consent.

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24. Dock Facilities. Dock facilities are to be used only for loading and unloading procedures. No dumpsters are to be placed at the loading dock without Landlord's prior written consent.

25. Contractors. Tenant shall not, directly or indirectly, employ or permit the employment of any contractor, subcontractor, mechanic or laborer in the Premises whose conduct has, in the past, caused, in Landlord's sole opinion, a hazard or nuisance to the Building and/or its occupants. If Tenant violates this provision, it shall, upon demand of Landlord, cause the contractors, subcontractors, mechanics or laborers to leave the Building immediately.

26. Labor Peace. Tenant shall not, directly or indirectly, employ or permit the employment of any contractor, subcontractor, mechanic or laborer in the Premises, if such employment would interfere or cause any conflict with other contractors, subcontractors, mechanics or laborers doing work in or about the Building for Landlord, Tenant or others. In the event of such interference or conflict, Tenant, upon demand of Landlord, shall cause the contractors, subcontractors, mechanics or laborers causing such interference or conflict to leave the Building immediately.

27. Security. Tenant shall cooperate with Landlord in assuring compliance with the security policies established by Landlord from time to time for the Building. Persons entering the Building may be subject to identification and registration. Landlord reserves the right to exclude from the Building, any person who does not properly identify himself; however, Landlord shall, in no case, be responsible for the admission or exclusion of any person to or from the Building. In case of invasion, mob, riot, public excitement, or other commotion, Landlord reserves the right to prevent access to the Building.

28. Doors to be Locked. Tenant shall keep doors to unattended areas locked, and shall otherwise exercise reasonable care to protect property from theft, loss or damage. Landlord shall not be responsible for the theft, loss or damage of any property.

29. Personal Property. Tenant shall not keep on or attach to the Premises any property belonging to anyone other than Tenant. Tenant may lease property to be kept in the Premises, however, no property shall be leased with the understanding that it is exempt from levy for rent. Tenant shall not keep upon or attach to the Premises any property which is subject to a security interest.

30. Inconsistencies with Lease. These rules and regulations shall be read in conjunction with the Lease and the other Exhibits. To the extent these rules and regulations are inconsistent with the remainder of the Lease and the other Exhibits, the Lease and the other Exhibits shall control.

31. Changes to Rules. Landlord shall have the right to amend or modify the rules and regulations from time to time as Landlord shall deem necessary or desirable provided however any such change shall not materially adversely affect Tenant's rights or increase Tenant's obligation under the Lease. Landlord shall give Tenant not less than thirty (30) days prior written notice of the content and effective date of any amendments or modifications to the rules and regulations.

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32. No Obligation to Enforce; Landlord Not Responsible for Violations by Other Tenants. Landlord shall apply and enforce the rules and regulations in a non-discriminatory manner, provided, however that Landlord shall not be liable to Tenant for violation of the rules and regulations by any tenant or other person. Landlord's failure to enforce any of the rules and regulations against Tenant or any other tenant or person shall not constitute a waiver thereof by Landlord.

33. Tenant Responsible for Compliance by Employees and Others. All rules and regulations shall apply to Tenant's agents, employees, contractors, subcontractors, licensees and invitees with the same force and effect as they apply to Tenant. Tenant shall be responsible for taking such measures as are necessary to assure that its agents, employees, contractors, subcontractors, licensees and invitees comply with these with these rules and regulations. Tenant shall be responsible for any breach of these rules and regulations by its agents, employees, contractors, subcontractors, licensees and invitees.

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EXHIBIT 9.6.1
LOCATION OF PARKING SPACES

EXHIBIT 11.1.1

HVAC SYSTEM

HVAC Description
Campus Investors `D' Building

Mechanical and Plumbing Systems

1. Design Criteria

a. Outdoor conditions

1. Summer: 93(degree) F DB and 75(degree) F WB.
2. Winter: 10(degree) F

b. Inside conditions

1. Heating

- a. Office: 70(degree) F.

(a) Warehouse (High Bay area): 70(degree)F.

- b. MEP Rooms: 60 (degree) F.

- c. Elevator machine rooms: 65(degree) F.

- d. (No winter humidification provided)

2. Cooling

- a. Office: 75(degree) F.

- b. Warehouse: Ventilation only

- c. MEP rooms: 85(degree) F.

- d. Elevator machine rooms: 85(degree) F.

c. Construction values

1. New Roof U = 0.064 BTU/sf/degree F.

2. Existing Wall U = 0.078 BTU/sf/degree F.

3. New Wall U = 0.044 BTU/sf/degree F.

4. Floor edge loss = 0.68 BTU/ft. of perimeter edge.

5. New Glass U = 0.29 BTU/sf/degree F.

6. Glass shading coefficient 0.44

d. Ventilation requirements

1. Office areas at 20 cfm/person at one (1) person per 150 s.f.

2. Toilet areas at 100 cfm per water closet or urinal.

3. Maintain positive pressure throughout entire facility.

4. Warehouse Area: 0.5 cfm per s.f.

2. HVAC system consists of variable air volume vertical self-contained air conditioning units and electric reheat with the following components:

a. Base building

1. Four (4) 60 Ton & Four (4) 85 Ton (Trane or equal) variable air volume vertical self-contained air conditioning units with electric heat, water side economizer, manually set relief hood for building pressure control, internal spring isolators integral with unit, with DDC building automation system interface mounted adjacent to units for Trane Tracer system. Units are designed to meet the above stated conditions.

2. Two (2) 250 ton induced draft cooling towers (BAC or equal) with water treatment control system and variable speed pumping.
 3. Thermally wrapped supply duct mains leaving each mechanical room for connection of VAV air handlers by Tenant. Acoustically wrapped return inlets connected to each mechanical room and plenum return (All supply ductwork will be externally wrapped with foil faced fiberglass materials).
 4. Variable air volume shut-off boxes with electric reheat, supply ductwork and diffusers for lobby and core areas. Electric unit heaters for entry vestibule and warehouse area.
 5. Split system air-cooled air conditioning units (EMI) for telecom, electrical, and elevator machine rooms.
 6. Fabric duct for temporary air distribution and conditioning within the tenant areas. The fabric duct system allows design flexibility for the Tenant during the fit-out construction phase.
 7. Four (4) supply and four (4) exhaust fans for warehouse ventilation.
 8. (2) Ventilating fans providing measured quantities of fresh outside air to each of the eight self-contained air conditioning units. The fans are sized to supply the full ventilation load of the building, including the warehouse area.
 9. Interface for a direct digital control (DDC) automation system shall be provided within air conditioning units ready for extension by Tenant during fit-out.
- b. Tenant Improvements
1. Tenant improvement work consists of furnishing and installation of the variable air volume shutoff boxes with electric re-heat, sensors; furnishing and installation of the Trane Tracer DDC System (or equal) and DDC communication loop, programming, tenant air distribution system, lay-in egg crate return grilles, extension and modification of air supply mains as required and balancing.
 2. Supply ductwork will be sheet metal with foil faced, external fiberglass duct wrap. Flex duct is permitted subject to applicable code. Perimeter diffusers will be linear slots and interior diffusers will be lay-in 2 x 2 with round neck.

EXHIBIT 13.1.2

STANDARDS FOR WORK PERFORMED BY TENANT

1. Landlord's Approval. Prior to making any Alterations to the Premises, Tenant shall obtain the approval of Landlord, in writing, of the specific work Tenant proposes to perform. In connection with any request for Landlord's approval, Tenant shall submit to Landlord reasonably detailed plans and specifications for the proposed Alterations.

2. Tenant's Contractors. All construction managers, contractors, subcontractors and sub-subcontractors engaged in connection with the Alterations (collectively, the "Tenant's Contractors" and individually, a "Tenant's Contractor") shall be subject to the approval of Landlord. All Tenant's Contractors shall be licensed by the authority having jurisdiction over the appropriate trade. Tenant shall not, at any time, directly or indirectly, employ or permit the employment of any contractors, subcontractors, mechanics or laborers in the Premises, if such employment would interfere or cause any conflict with other contractors, subcontractors, mechanics or laborers doing work in or about the Building for Landlord, Tenant or others. In the event of such interference or conflict, Tenant, upon demand of Landlord, shall cause the contractors, subcontractors, mechanics or laborers causing such interference or conflict to leave the Building immediately.

3. Manner of Performance. Prior to commencing the Alterations, Tenant shall obtain all permits required by any governmental authority having jurisdiction and shall deliver copies thereof to Landlord. The Alterations shall be done in accordance with the plans and specifications approved by Landlord, the requirements of Law and the regulations of Landlord's insurance underwriter. In addition, the Alterations shall be performed in a thorough, first-class and workmanlike manner, shall incorporate only new materials and shall be in good and usable condition at the date of completion. At any time and from time to time during the performance of the Alterations, Landlord and its authorized representatives may enter upon the Premises and inspect the Alterations. Such inspection shall, however, be for Landlord's benefit only and may not be relied upon by Tenant or any other party.

4. Insurance.

(a) All Tenant's Contractors shall maintain the following insurance coverages in the minimum amounts specified below or such greater amounts as may be required by Landlord based upon the risks of the project or good insurance practices:

(i) Commercial General Liability Insurance including Products/Completed Operations, Owners and Contractors Protective Liability and Broad Form Contractual Liability with the exclusion pertaining to explosion collapse and underground property damage hazards eliminated.

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(ii) Business Automobile Liability Insurance including owned, hired, and non-owned automobiles.

(iii) Statutory Workers' Compensation Insurance, including occupational disease with employers' liability limits not less than mandated by statute.

(b) In addition to the foregoing insurance coverages, during the course of construction, Tenant or Tenant's general contractor or construction manager shall maintain "All-risk" builder's risk insurance for the full replacement cost of the Alterations.

(c) The insurance identified under Subsections 4(a)(i) and (ii) above shall be in the amount of at least \$5,000,000 combined single limit per occurrence.

(d) Each policy of insurance required to be maintained by Tenant's Contractors shall comply with the same requirements as are applicable to Tenant's insurance under Section 14.3 of this Lease.

(e) Evidence of all coverage shall be delivered to Landlord prior to each Tenant's Contractor commencing work in the Premises.

(f) The liability of Tenant and Tenant's Contractors shall not be limited because of the insurance required hereunder or to the amounts thereof or because of any exclusions from coverage in any insurance policy.

5. Policies and Procedures. Tenant shall comply, and shall cause Tenant's Contractors to comply with all policies and procedures established by Landlord from time to time relating to construction by tenants in the Property. The Alterations shall be performed in a manner so as not to disturb or annoy other tenants or users of the Property and shall be performed only during such hours and under such conditions as may be established by Landlord.

6. Accidents. Tenant shall cause Tenant's Contractors to (a) take all precautions necessary for the prevention of accidents and for the safety of persons and property, and (b) promptly report to Landlord any injury and furnish Landlord a written accident report within 24 hours of the accident and a copy of the accident report filed with its insurance carrier at the time of filing of such report.

7. Responsibility for Injury. Tenant shall be responsible for any injury or damage to persons or property caused by Tenant's Contractors.

8. Storage. Tenant's Contractors may not use any space within the Property for the storage, handling or moving of materials or equipment without obtaining Landlord's prior written approval of such use.

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9. Mechanics Liens.

(a) Tenant shall secure from all Tenant's Contractors, and shall cause to be properly filed prior to the commencement of any Alterations, effective waivers of mechanics liens. Copies of filed waivers shall be delivered to Landlord prior to the commencement of any Alterations.

(b) Tenant shall promptly pay all Tenant's Contractors. Should any lien be made or filed in connection with the Alterations, Tenant shall bond against or discharge the same within thirty (30) days after receiving notice thereof. If Tenant shall fail to cause such lien to be bonded against or to be discharged within such period, then, in addition to any other right or remedy which Landlord may have under this Lease, at law or in equity, Landlord may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by procuring the discharge of such lien by deposit or by bonding. Any amount so paid by Landlord and all costs and expenses incurred by Landlord in connection therewith, together with interest at the Overdue Interest Rate from the respective dates of Landlord's making of the payment and incurring of the cost and expense, shall constitute Additional Rent payable by Tenant under this Lease and shall be paid by Tenant to Landlord on demand.

(c) Nothing set forth in this Lease shall be deemed or construed as (i) a consent or request by Landlord, expressed or implied, by inference or otherwise, to any contractor, laborer or materialman for the performance of any labor or the furnishing of any materials for any Alteration or repair of or to the Premises; or (ii) giving Tenant or any other person, firm or corporation any right to contract for or to perform any labor or furnish any services or materials that would permit or give rise to a lien against the Premises; or (iii) evidencing, indicating, or causing an appearance that any Alteration or repair to be done, or caused to be done, by Tenant is or was for the immediate use or benefit of Landlord.

(d) Upon completion of the Alterations, Tenant shall furnish Landlord with contractors' affidavits and full and final waivers of liens and receipted bills covering all labor and materials.

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EXHIBIT 27.1
PLAN OF ADJACENT SPACE

LEASE GUARANTY

THIS AGREEMENT (the "Guaranty") made as of February 17, 2006 (the "Execution Date"), by CROSS COUNTRY HEALTHCARE, INC., a Delaware corporation (the "Guarantor"), in favor of CAMPUS INVESTORS D BUILDING, L.P., a Delaware limited partnership (the "Landlord").

W I T N E S S E T H:

A. Landlord is the owner of a certain office building known as D Building (the "Property") located in Newtown Square, Delaware County, Pennsylvania, on the Kelly Preserve, which is Unit 1 of the Ellis Preserve, both planned communities pursuant to the provisions of the Pennsylvania Uniform Planned Community Act, Pennsylvania. Simultaneously with the execution of this Guaranty, Landlord has entered into a Lease Agreement with MedStaff, Inc., a Delaware corporation, also dated February 17, 2006 (the "Lease"). Pursuant to the terms of the Lease, Landlord has leased a portion of the Property to Tenant, which portion is more particularly described in the Lease.

B. Tenant is a wholly owned subsidiary of Guarantor. Guarantor is executing this Guaranty as an inducement to Landlord to enter into the Lease with Tenant.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor, intending to be legally bound, covenants and agrees as follows:

1. Guaranteed Obligations.

Guarantor hereby guarantees and becomes surety for all liabilities and obligations of Tenant under the Lease and all extensions, renewals, modifications and amendments of the Lease hereafter made (collectively, the "Obligations"), including, without limitation, the following:

1.1. the payment by Tenant of all rent and other amounts payable under the Lease (and all extensions, renewals, modifications and amendments of the Lease) when due, whether on the stated payment date, by acceleration on default or otherwise; and

1.2. the full and timely performance and observance by Tenant of all other obligations, covenants and agreements required to be performed by Tenant under the terms of the Lease (and all extensions, renewals, modifications and amendments of the Lease).

2. Guaranty Unconditional.

2.1. This Guaranty is a contract of suretyship. The liability of Guarantor under this Guaranty is irrevocable, absolute, unconditional, unlimited and continuing, and shall not be altered, diminished, impaired or otherwise affected by reason of any event, occurrence or action, circumstance or condition whatsoever.

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2.2. Without limiting the generality of Section 2.1, Guarantor agrees that none of the following shall affect Guarantor's liability for the full and timely payment and performance of the Obligations:

2.2.1. any neglect, delay, omission, failure, or refusal of Landlord to (a) make any demand on Tenant or any other Obligor (as hereinafter defined), (b) pursue any rights which Landlord has against Tenant or any other Obligor, (c) resort to any security which Landlord holds for the Obligations (the "Collateral"), (d) invoke any other rights or remedies available to Landlord with respect to the Obligations, or (e) take or prosecute any action for enforcement of the Obligations against Tenant or any other Obligor, or take or prosecute any action with respect to the Collateral;

2.2.2. the non-perfection of any security interest in or lien on any of the Collateral;

2.2.3. the impairment or loss of any Collateral, whether caused by any action or inaction of Landlord, or otherwise;

2.2.4. any failure of Landlord to sell or otherwise dispose of the Collateral in a commercially reasonable manner or as otherwise required by law;

2.2.5. the invalidity, irregularity or unenforceability of the Lease;

2.2.6. insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar proceeding (collectively, "Bankruptcy Proceedings") with respect to Tenant or any other Obligor;

2.2.7. the dissolution of, or any change in the corporate existence, structure, or ownership of Tenant or any other Obligor; or

2.2.8. any assignment of the Lease or subletting of the leased premises or any part thereof.

2.3. Guarantor acknowledges that Landlord may, in its sole discretion, elect to enforce this Guaranty for the total Obligations, or any part thereof, against Guarantor, without any duty or responsibility to pursue Tenant or any other Obligor or to resort to any Collateral, and that such election by Landlord shall not be a defense to any action Landlord may elect to take.

2.4. Tenant, Guarantor and any other parties now or hereafter liable for the payment or performance of the Obligations or any part of the Obligations are sometimes referred to in this Guaranty collectively as "Obligors" and individually as an "Obligor".

2.5. Notwithstanding the foregoing, Guarantor shall be entitled to enforce any and all defenses Tenant may have under the Lease.

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3. Bankruptcy.

3.1. Guarantor agrees that its liabilities and obligations under this Guaranty shall not be altered, diminished or affected by any Bankruptcy Proceedings with respect to Tenant or any other Obligor. Without limiting the generality of the foregoing, Guarantor agrees that its liabilities and obligations shall not be altered, diminished or affected by (a) rejection or disaffirmance of the Lease pursuant to any bankruptcy or insolvency law, or (b) by the operation of 11 U.S.C. Section 502(b)(6) or any other provision of any bankruptcy or insolvency law which may limit Landlord's claims for damages with respect to the Lease.

3.2. If acceleration of the time for payment by Tenant of all or any portion of the Obligations is stayed by reason of any Bankruptcy Proceedings with respect to Tenant, the full accelerated amount of the Obligations shall nevertheless be payable by Guarantor immediately upon demand by Landlord.

4. Actions By Landlord.

Without limiting the generality of Section 2.1, Guarantor agrees that (a) Landlord may take any of the following actions from time to time without the consent of or notice to Guarantor, and (b) no such action by Landlord shall affect the validity or enforceability of this Guaranty or in any way release, discharge, diminish, impair, reduce or otherwise affect the liabilities or obligations of Guarantor:

4.1. amend, modify, extend, renew or waive, the terms of the Lease including, without limitation, the following:

4.1.1. change the amount of rent or other sums payable under the Lease or the manner, place, terms of payment;

4.1.2. extend or change the time of payment or performance, grant extensions or indulgences with respect to payment or performance, and enter into agreements of forbearance with respect to payment or performance;

4.2. release, surrender, exchange, compromise or settle the Obligations, or any part thereof, whether in a legal proceeding or not, and whether voluntarily or involuntarily;

4.3. release Tenant and/or any one or more other Obligors from liability for all or any part of the Obligations, whether in a legal proceeding or not, and whether voluntarily or involuntarily;

4.4. add tenants, guarantors and sureties;

4.5. release or surrender any Collateral;

4.6. subordinate Landlord's interest in the Collateral to the interest of any other creditors of Tenant;

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4.7. subordinate payment of rent and other amounts due under the Lease to payment of any indebtedness of Tenant to any of its other creditors;

4.8. accept the assignment, substitution, exchange or pledge of collateral in place of all or any portion of the Collateral;

4.9. accept additional collateral as security for the Obligations;

4.10. take any other action which might give rise to a defense available to, or a discharge of Tenant and/or any one or more other Obligors.

Notwithstanding the foregoing, in the event Tenant ceases to be a wholly-owned subsidiary of Guarantor, provided that Landlord has received notice of such change in ownership, Landlord shall not increase Guarantor's obligations or reduce Guarantor's rights under this Guaranty without Guarantor's prior written consent, and any increase of Tenant's obligations or reduction of Tenant's right under the Lease shall not be applicable to Guarantor hereunder.

5. Application of Guaranty.

Subject to Section 4 above, Guarantor's liability under this Guaranty shall extend and apply to, and the term "Obligations" shall include Tenant's obligations in connection with:

5.1. both the initial term and any extensions or renewals of the term of the Lease;

5.2. both the initial leased premises and any additional or expansion space hereafter leased by Tenant from Landlord; and

5.3. both the Lease and any amendment to or modification of the Lease hereafter made.

6. Waivers.

Guarantor hereby waives:

6.1. notice of acceptance of this Guaranty;

6.2. presentment, demand, notice of nonpayment, notice of any default in connection with the Obligations, protest, notice of protest, any other notice of dishonor, notice of intent to accelerate and notice of acceleration;

6.3. notice of any disbursement to or for the account of Tenant;

6.4. notice of any amendment or modification of the Lease or any other action by Landlord of the nature described in Article 4;

6.5. all other notices in connection with the delivery, acceptance, performance, administration, default or enforcement of payment of this Guaranty or the Lease;

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6.6. diligence of collection;

6.7. any right to require that Landlord take or prosecute any action for the payment or performance of any of the Obligations by Tenant or any other Obligor, or take or prosecute any action with respect to the Collateral;

6.8. all errors, defects, imperfections and rights of appeal in any proceedings instituted by Landlord under the terms of this Guaranty or the Lease, and Guarantor hereby releases the same;

6.9. all benefit that might accrue to Guarantor by virtue of any present or future exemption laws, including, without limitation, laws exempting any property, real, personal or mixed, or any part of the proceeds arising from any sale of such property, from attachment, levy or sale under execution;

6.10. all benefit that might accrue to Guarantor by virtue of any present or future laws providing for valuation or appraisal, stay of execution, exemption from civil process, or extension of time for payment;

6.11. any right to require marshalling of assets;

6.12. any right of inquisition on any real estate levied on, and Guarantor voluntarily condemns the same and authorizes the prothonotary or clerk to enter upon the writ of execution this voluntary condemnation;

6.13. all claims of release, surrender, compromise, or discharge, and all defenses, set-offs, counterclaims, recoupments, reductions, diminutions, or limitations of or to any liability or obligation of Guarantor.

7. Representations and Warranties.

Guarantor represents and warrants to Landlord that:

7.1. Guarantor (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (b) has the power and authority to own its properties and assets and to carry on its business as now being conducted by it, and (c) has the power and authority to execute, deliver and perform all of its obligations under this Guaranty.

7.2. This Guaranty has been duly executed and delivered by Guarantor and constitutes the legal, valid and binding obligations of Guarantor, enforceable against Guarantor in accordance with its terms.

7.3. Neither the execution or delivery of this Guaranty by Guarantor nor the performance by Guarantor of its obligations under this Guaranty: (a) violate or conflict with (i) any of Guarantor's organizational documents, (ii) any law, rule, or regulation or any order, writ, injunction, or decree of any court, governmental authority or agency, or (iii) any provision of any

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indenture, agreement or other instrument to which it Guarantor is a party or by which it or any of its properties is bound; (b) result in the creation or imposition of any lien, charge or encumbrance of any nature; or (c) require any authorization, consent or approval of, or filing or registration with, any court or governmental authority.

7.4. The Lease will result in material benefits to Guarantor. This Guaranty was entered into by Guarantor for commercial purposes.

7.5. There is no action, suit or proceeding at law or in equity or by or before any governmental authority, agency or other instrumentality now pending or, to the knowledge of Guarantor, threatened against or affecting Guarantor or any of its properties or rights which, if adversely determined, would materially adversely impair or affect the business, properties or financial condition of Guarantor or the performance by Guarantor of its obligations under this Guaranty.

7.6. All financial statements delivered to Landlord by Guarantor are true, correct and complete in all material respects, were prepared in accordance with generally accepted accounting principles consistently applied and fairly represent Guarantor's financial condition as of the date thereof.

7.7. There has been no material adverse change in the financial condition, operations, affairs, prospects or business of Guarantor from the date of the most recent financial statements provided by Guarantor to Landlord.

7.8. No document, certificate or written statement furnished to Landlord by or on behalf of Guarantor contains any untrue statement of a material fact or fails to state a material fact necessary to make the statements contained therein not misleading. Guarantor acknowledges that all such written statements, representations and warranties have been relied upon by Landlord as an inducement to enter into the Lease with Tenant.

8. Certain Covenants and Agreements.

8.1. So long as the Obligations, or any part thereof, remain outstanding, Guarantor will furnish to Landlord:

8.1.1. within sixty (60) days after the end of each fiscal year, beginning with the fiscal year ending December 31, 2005, copies of its financial statements for such fiscal year including, without limitation, statements of financial condition, income and cash flows, a reconciliation of net worth, a listing of all contingent liabilities, notes to financial statements and any other information reasonably requested by Landlord, audited by a certified public accountant reasonably acceptable to Landlord provided, however, if Guarantor is a publicly traded company, such requirement shall be satisfied by Guarantor making such financial information publicly available; and

8.1.2. written notice of the occurrence of any default under this Guaranty, adverse litigation or material change in the financial condition of Guarantor, promptly following the occurrence thereof; and

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8.1.3. such other information as Landlord may from time to time reasonably request, promptly following such request.

8.2. So long as the Obligations, or any part thereof, remain outstanding, Guarantor covenants and agrees that Guarantor shall:

8.2.1. keep and maintain complete and accurate books and records in accordance with generally accepted accounting principles consistently applied;

8.2.2. permit representatives of Landlord to examine and audit Guarantor's (and its affiliates') books and records.

9. Waiver of Subrogation Rights.

9.1. So long as the Obligations, or any part thereof, remain outstanding, Guarantor hereby irrevocably and unconditionally waives any and all rights of subrogation, reimbursement, indemnification, contribution, or similar rights against Tenant and its assets (arising under any agreement or at law, in equity or otherwise) in connection with this Guaranty, including, without limitation, the payment or performance by Guarantor of any of the Obligations.

9.2. If any amount shall be paid to Guarantor contrary to the provisions of Section 9.1, such amount shall be held in trust for the benefit of Landlord and shall forthwith be paid to Landlord without affecting the liability of Guarantor under this Guaranty, and may be applied by Landlord against the Obligations in such order and manner as Landlord may determine in its sole discretion.

10. Subordinated Indebtedness.

10.1. Guarantor hereby agrees that until payment and performance in full of the Obligations, the Subordinated Indebtedness (as hereinafter defined) shall be subordinate and junior in right of payment to the prior payment in full of the Obligations. The term "Subordinated Indebtedness" means all indebtedness, liabilities, and obligations of Tenant to Guarantor, whether such indebtedness, liabilities, and obligations now exist or are hereafter incurred or arise, or whether the obligations of Tenant thereon are direct, indirect, contingent, primary, secondary, several, joint and several, or otherwise, and irrespective of whether such indebtedness, liabilities, or obligations are evidenced by a note, contract, open account, or otherwise, and irrespective of the person or persons in whose favor such indebtedness, obligations, or liabilities may, at their inception, have been, or may hereafter be created, or the manner in which they have been or may hereafter be acquired by Guarantor.

10.2. Guarantor agrees that any and all liens, security interests, judgments, charges, or other encumbrances upon Tenant's assets securing payment of any Subordinated Indebtedness shall be and remain inferior and subordinate to any and all liens, security interests, judgments, charges, or other encumbrances upon Tenant's assets securing payment or performance of the Obligations or any part thereof, regardless of whether such encumbrances in favor of Guarantor or Landlord presently exist or are hereafter created or attached.

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10.3. As security for the payment and performance of the Obligations, Guarantor hereby assigns to Landlord the Subordinated Indebtedness and all liens, security interests, judgments, charges, or other encumbrances upon Tenant's assets securing payment of the Subordinated Indebtedness. Upon the request of Landlord, Guarantor shall execute, deliver, and endorse to Landlord such documents and instruments as Landlord may request to perfect, preserve, and enforce its rights hereunder.

10.4. Without the prior written consent of Landlord, until the Obligations have been paid and performed in full, Guarantor shall not (a) demand or accept payment of all or any part of the Subordinated Indebtedness, (b) file suit against Tenant or exercise or enforce any other creditor's right it may have against Tenant, or (c) foreclose, repossess, sequester, or otherwise take steps or institute any actions or proceedings (judicial or otherwise, including without limitation the commencement of, or joinder in, any liquidation, bankruptcy, rearrangement, debtor's relief or insolvency proceeding) to enforce any liens, security interests, judgments or other encumbrances held by Guarantor on assets of Tenant.

10.5. If any sums shall be paid to Guarantor by Tenant or any other person or entity on account of the Subordinated Indebtedness, such sums shall be held in trust for the benefit of Landlord and shall forthwith be paid to Landlord without affecting the liability of Guarantor under this Guaranty, and may be applied by Landlord against the Obligations in such order and manner as Landlord may determine in its sole discretion.

10.6. In the event of any receivership, bankruptcy, reorganization, rearrangement, debtor's relief, or other insolvency proceeding involving Tenant as debtor, Landlord shall have the right to prove and vote any claim under the Subordinated Indebtedness and to receive directly from the receiver, trustee or other court custodian all dividends, distributions, and payments made in respect of the Subordinated Indebtedness. Landlord may apply any such dividends, distributions, and payments against the Obligations in such order and manner as Landlord may determine in its sole discretion, without affecting the liability of Guarantor under this Guaranty. Guarantor hereby appoints Landlord as Guarantor's attorney-in-fact, which appointment is coupled with an interest and is irrevocable, to enable Landlord to act in the place of Guarantor with respect to (a) any claim on the Subordinated Indebtedness, and (b) the receipt of any such dividends, distributions and payments.

10.7. Guarantor agrees that all promissory notes, accounts receivable, ledgers, records, or any other evidence of Subordinated Indebtedness shall contain a specific written notice that the indebtedness evidenced thereby is subordinated under the terms of this Guaranty.

11. Provisions Regarding Remedies.

11.1. No right or remedy of Landlord under this Guaranty or now or hereafter existing at law, in equity or by statute is intended to be exclusive of any other right or remedy.

11.2. Each such right or remedy of Landlord under this Guaranty or now or hereafter existing at law, in equity or by statute:

11.2.1. shall be cumulative and concurrent;

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11.2.2. shall be in addition to every other such right or remedy;

11.2.3. may be exercised singly, concurrently, successively or otherwise, at the sole discretion of Landlord;

11.2.4. shall not exhausted by one exercise thereof but may be exercised as often as Landlord shall deem necessary in its sole discretion; and

11.2.5. may be exercised by Landlord without such exercise constituting or being deemed an election of remedies affecting the exercise of any other remedy.

11.3. Landlord shall not be deemed to have modified or waived any of its rights or remedies under this Guaranty, unless such modification or waiver is in writing and signed by Landlord, and then only to the extent specifically set forth in such writing. Without limiting the generality of the foregoing, none of the following shall be construed as a waiver or release of any default under this Guaranty, any right or remedy of Landlord, or any liability or obligation of Guarantor:

11.3.1. failure by Landlord to exercise any right or remedy;

11.3.2. delay by Landlord in exercising any right or remedy;

11.3.3. failure by Landlord to insist upon strict performance of any term, covenant or condition of this Guaranty.

12. Further Assurances.

From time to time, at the request of Landlord, Guarantor shall:

12.1. execute and deliver to Landlord a written statement certifying any matter concerning this Guaranty or the Lease as Landlord may reasonably request;

12.2. promptly correct, or consent to the correction of, any defect, error or omission which may be discovered in the contents of this Guaranty; and

12.3. execute, acknowledge, deliver, record and file such further documents and instruments and perform such further acts and provide such further assurances as may be necessary, desirable or proper, in Landlord's opinion, to carry out more effectively the purposes of this Guaranty or perfect, protect and continue the liens and the security interests herein granted.

13. Costs and Expenses.

13.1. Following the occurrence of any default under this Guaranty, Guarantor shall pay upon demand all reasonable costs and expenses incurred by Landlord in connection with the collection of any sum payable under this Guaranty, or in the exercise by Landlord of any of its rights, remedies or powers under this Guaranty. This shall include, without limitation: (a) costs of

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suit; (b) reasonable attorneys fees; (c) fees allocated to Landlord's in-house legal counsel; and (c) amounts paid to accountants, real estate brokers and other advisors employed by Landlord.

13.2. In addition to the foregoing, Guarantor shall also pay upon demand all costs and expenses in connection with or on account of any matter involving this Guaranty, or for examination of matters subject to Landlord's approval under this Guaranty.

13.3. Any costs and expenses which are payable by Guarantor pursuant to this Article 15 shall bear interest at the Overdue Interest Rate (as defined in the Lease) from the date of demand by Landlord until paid in full.

14. Waiver of Jury Trial.

GUARANTOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING ARISING UNDER OR IN ANY CONNECTED WITH OR RELATING TO (A) THE LEASE OR THIS GUARANTY, (B) THE TRANSACTIONS RELATED TO THE LEASE OR THIS GUARANTY, OR (C) THE DEALINGS OF GUARANTOR AND LANDLORD WITH RESPECT TO THE LEASE OR THIS GUARANTY.

15. Governing Law; Jurisdiction and Venue.

15.1. This Guaranty shall be governed by and construed in accordance with the substantive laws of the Commonwealth of Pennsylvania .

15.2. For the purposes of any suit, action or proceeding arising under or in any connected with or relating to the Lease, this Guaranty, or the dealings of Guarantor and Landlord, Guarantor hereby submits to the jurisdiction of the state courts for Delaware County, Pennsylvania, and the federal courts for the Eastern District of Pennsylvania, as well as all courts from which an appeal may be taken from the aforesaid courts, and agrees that any order, process, notice of motion or other application to or by any such court or a judge thereof may be served within or without such court's jurisdiction by registered or certified mail or by personal service, provided that a reasonable time for appearance is allowed. Guarantor hereby irrevocably waives any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding brought in any of the state courts for Delaware County, Pennsylvania, or the federal courts for the Eastern District of Pennsylvania, as well as all courts from which an appeal may be taken from the aforesaid courts, and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

15.3. Guarantor agrees that any suit, action or proceeding against Landlord shall be commenced and maintained only in a court in the federal judicial district or county in which Landlord has its principal place of business in the Commonwealth of Pennsylvania, and further agrees, upon the request of Landlord, to discontinue (or agree to the discontinuance of) any such suit, action or proceeding pending in any other jurisdiction.

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16. Integration; Modifications.

16.1. This Guaranty (a) constitutes and contains the final and entire agreement between Landlord and Guarantor with respect to the transactions contemplated hereby, and (b) supersedes and is intended to be an integration of, all prior negotiations and understandings, oral and written, with respect thereto. Neither Landlord nor Guarantor shall be bound by any covenants, agreements, statements, representations or warranties, oral or written, not contained in this Guaranty.

16.2. This Guaranty shall not be modified or amended except in a writing intended for such purpose and executed by Guarantor and Landlord.

17. Notices.

Any notices required or permitted to be given under this Agreement shall be given in writing and shall be delivered (a) in person, (b) by a commercial overnight courier that guarantees next day delivery and provides a receipt, or (c) by legible facsimile (followed by hard copy sent concurrently with such facsimile, in accordance with preceding subsections (a) or (b)), and such notices shall be addressed as follows:

If to Landlord

Campus Investors D Building, L.P.
c/o BPG Management Company, L.P.
Suite 150
770 Township Line Road
Yardley, PA 19067
Facsimile No.: (267) 757-0549

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With a required copy to:

BPG Properties, Ltd.
3000 Centre Square West
1500 Market Street
Philadelphia, PA 19102
Attention: General Counsel
Facsimile No.: (215) 569-0329

If to Guarantor:

Cross Country Healthcare, Inc.
6551 Park of Commerce Blvd., N.W.
Boca Raton, FL 33487
Attention: General Counsel
Facsimile No.: (800) 565-9774

With a required copy to:

MedStaff, Inc.
297 South Newtown Street Road
Newtown Square, PA
Attention: Tim Rodden, COO
Facsimile No.: (610) 353-7850

or to such other address as either party may from time to time specify in writing to the other party. Any notice shall be effective only upon receipt (or refusal by the intended recipient to accept delivery). Notice given by facsimile shall be effective upon receipt of such facsimile (subject to the requirement that hard copy be sent concurrently in accordance with this Section). Any notice which is received on a Saturday, Sunday or a legal holiday, or after 5:00 P.M. prevailing local time at the place of receipt, shall be deemed received on the next business day.

18. Miscellaneous.

18.1. All information regarding Guarantor and this Guaranty may be furnished to such parties as Landlord may deem appropriate. This includes, without limitation, documentation, financial statements, tax returns, appraisals, reports, analyses, and any financial or other information regarding Guarantor and this Guaranty.

18.2. All liabilities and obligations of Guarantor shall be binding upon Guarantor and its heirs, executors, successors and assigns. All rights and privileges of Landlord under this Guaranty shall inure to the benefit of Landlord and its successors and assigns.

18.3. All covenants and agreements of Guarantor under this Guaranty shall be independent of any covenants or agreements made by Landlord under the Lease.

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18.4. Time is of the essence of each and every provision of this Guaranty of which time is an element.

18.5. The headings and captions in this Guaranty are inserted for convenience of reference only and in no way define, describe or limit the scope or intent of this Guaranty or any of the provisions hereof.

18.6. Where the context so requires, the use of the singular shall include the plural and vice versa and the use of the masculine shall include the feminine and the neuter. The words "Guarantor" and "Landlord" shall be deemed to include their respective heirs, executors, successors and assigns.

18.7. If any provision of this Guaranty, or the application thereof to any person, place or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the remainder of this Guaranty and such provisions as applied to other persons, places and circumstances shall remain in full force and effect.

18.8. This Guaranty shall be construed reasonably to carry out its intent, without presumption against or in favor of either Landlord or Guarantor.

18.9. This Guaranty may be executed in counterparts, each of which shall be an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, Guarantor has executed this Guaranty as of the Execution Date.

(Corporate Seal)

CROSS COUNTRY HEALTHCARE,
INC.

Attest:

By: _____

By: /s/ Victor Kalafa

Print Name: _____

Print Name: Victor Kalafa

Title: _____

Title: Vice President

CUSIP Number: _____

=====

\$75,000,000

CREDIT AGREEMENT

dated as of November 10, 2005

by and among

CROSS COUNTRY HEALTHCARE, INC.,

as Borrower,

the Lenders referred to herein,

and

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent,
Swingline Lender and Issuing Lender,

GENERAL ELECTRIC CAPITAL CORPORATION,
as Syndication Agent,

BANK OF AMERICA, N.A.,
as Co-Documentation Agent,

LASALLE BANK NATIONAL ASSOCIATION,
as Co-Documentation Agent,

and

WACHOVIA CAPITAL MARKETS, LLC
as Sole Lead Arranger and Sole Book Manager

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- Exhibit A-2 - Form of Swingline Note
- Exhibit A-3 - Form of Incremental Term Note
- Exhibit B - Form of Notice of Borrowing
- Exhibit C - Form of Notice of Account Designation
- Exhibit D - Form of Notice of Prepayment
- Exhibit E - Form of Notice of Conversion/Continuation
- Exhibit F - Form of Officer's Compliance Certificate
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- Exhibit J - Form of Divisional Build-Up Financial Report

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- Schedule 11.3 - Existing Loans, Advances and Investments
- Schedule 11.8 - Transactions with Affiliates

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CREDIT AGREEMENT, dated as of November 10, 2005, by and among CROSS COUNTRY HEALTHCARE, INC., a Delaware corporation (the "Borrower"), the lenders who are or may become a party to this Agreement (collectively, the "Lenders"), WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association, as Administrative Agent for the Lenders, GENERAL ELECTRIC CAPITAL CORPORATION, as Syndication Agent, BANK OF AMERICA, N.A., as Co-Documentation Agent, and LASALLE BANK NATIONAL ASSOCIATION, as Co-Documentation Agent.

STATEMENT OF PURPOSE

The Borrower has requested, and the Lenders have agreed, to extend certain credit facilities to the Borrower on the terms and conditions of this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, such parties hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 Definitions. The following terms when used in this Agreement shall have the meanings assigned to them below:

"Administrative Agent" means Wachovia, in its capacity as Administrative Agent hereunder, and any successor thereto appointed pursuant to Section 13.6.

"Administrative Agent's Office" means the office of the Administrative Agent specified in or determined in accordance with the provisions of Section 14.1(c).

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to any Person, any other Person (other than a Subsidiary of the Borrower) which directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person or any of its Subsidiaries. As used in this definition, the term "control" means (a) the power to vote five percent (5%) or more of the securities or other equity interests of a Person having ordinary voting power, or (b) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing, none of the Permitted Holders shall be deemed an "Affiliate" of the Borrower or of any Subsidiary of the Borrower.

"Aggregate Commitment" means the aggregate amount of the Lenders' Commitments hereunder, as such amount may be reduced or otherwise modified at any time or from time to time pursuant to the terms hereof. On the Closing Date, the Aggregate Commitment shall be Seventy-Five Million Dollars (\$75,000,000).

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"Agreement" means this Credit Agreement, as amended, restated, supplemented or otherwise modified from time to time.

"Applicable Law" means all applicable provisions of constitutions, laws, statutes, ordinances, rules, treaties, regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities and all orders and decrees of all courts and arbitrators.

"Applicable Margin" means the corresponding percentages per annum as set forth below based on the Consolidated Total Leverage Ratio:

PRICING LEVEL	CONSOLIDATED TOTAL LEVERAGE RATIO	LIBOR RATE +	BASE RATE +
I	Less than 0.75 to 1.00	1.25%	0.00%
II	Greater than or equal to 0.75 to 1.00, but less than 1.25 to 1.00	1.50%	0.25%
III	Greater than or equal to 1.25 to 1.00, but less than 1.75 to 1.00	1.75%	0.50%
IV	Greater than or equal to 1.75 to 1.00	2.00%	0.75%

The Applicable Margin shall be determined and adjusted quarterly, and shall be effective on, the date (each a "Calculation Date") of receipt by the Administrative Agent of the Officer's Compliance Certificate pursuant to Section 8.2 for the most recently ended fiscal quarter of the Borrower; provided that (a) the Applicable Margin shall be at Pricing Level II until the first Calculation Date occurring after the fiscal quarter ending December 31, 2005 and, thereafter the Pricing Level shall be determined by reference to the Consolidated Total Leverage Ratio as of the last day of the most recently ended fiscal quarter of the Borrower preceding the applicable Calculation Date, and (b) if the Borrower fails to provide the Officer's Compliance Certificate as required by Section 8.2 for the most recently ended fiscal quarter of the Borrower preceding the applicable Calculation Date, the Applicable Margin from such Calculation Date shall be based on Pricing Level IV until such time as an appropriate Officer's Compliance Certificate is provided, at which time the Pricing Level shall be determined by reference to the Consolidated Total Leverage Ratio as of the last day of the most recently ended fiscal quarter of the Borrower preceding such Calculation Date. The Applicable Margin shall be effective from one Calculation Date until the next Calculation Date. Any adjustment in the Applicable Margin shall be applicable to all Extensions of Credit then existing or subsequently made or issued.

"Approved Fund" means any Person (other than a natural Person), including, without limitation, any special purpose entity, that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business; provided, that such Approved Fund must be administered, managed or underwritten by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

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"Asset Acquisition" means a purchase, lease or other acquisition of (a) all or substantially all of the assets of any person; (b) a division or business of any person; or (c) assets that are substantial in relation to the Borrower and the Subsidiaries taken as a whole; provided, however, Asset Acquisition shall not include such acquisitions between the Borrower and any Subsidiary or between Subsidiaries.

"Asset Disposition" means the disposition of any or all of the assets (including, without limitation, the Capital Stock of a Subsidiary or any ownership interest in a joint venture) of any Credit Party or any Subsidiary thereof whether by sale, lease, transfer or otherwise. The term "Asset Disposition" shall not include (i) any Equity Issuance or (ii) any Debt Issuance.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 14.11), and accepted by the Administrative Agent, in substantially the form of EXHIBIT G or any other form approved by the Administrative Agent.

"Attributable Indebtedness" means, on any date, (a) in respect of any Capital Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any Synthetic Lease, the capitalized amount or principal amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a Capital Lease.

"Base Rate" means, at any time, the higher of (a) the Prime Rate and (b) the Federal Funds Rate plus 1/2 of 1%; each change in the Base Rate shall take effect simultaneously with the corresponding change or changes in the Prime Rate or the Federal Funds Rate.

"Base Rate Loan" means any Loan bearing interest at a rate based upon the Base Rate as provided in Section 5.1(a).

"Borrower" has the meaning assigned thereto in the introductory paragraph hereto.

"Business Day" means (a) for all purposes other than as set forth in clause (b) below, any day other than a Saturday, Sunday or legal holiday on which banks in Charlotte, North Carolina and New York, New York, are open for the conduct of their commercial banking business, and (b) with respect to all notices and determinations in connection with, and payments of principal and interest on, any LIBOR Rate Loan, any day that is a Business Day described in clause (a) and that is also a day for trading by and between banks in Dollar deposits in the London interbank market.

"Calculation Date" has the meaning assigned thereto in the definition of Applicable Margin.

"Capital Asset" means, with respect to the Borrower and its Subsidiaries, any asset that is, in accordance with GAAP, classified and accounted for as a capital asset on a Consolidated balance sheet of the Borrower and its Subsidiaries.

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"Capital Expenditures" means with respect to the Borrower and its Subsidiaries for any period, the aggregate cost of all Capital Assets acquired by the Borrower and its Subsidiaries during such period, as determined in accordance with GAAP; provided that for purposes of this definition, (a) the purchase price of assets that are purchased simultaneously with the trade-in or exchange of existing assets of a similar type and nature or with the application of Net Cash Proceeds from the sale or disposition of assets (to the extent permitted hereunder) or from any payment under an insurance policy or in connection with a condemnation policy shall be included in Capital Expenditures only to the extent of the gross amount of such purchase price less the credit granted by the seller of such assets for the assets being traded in at such time or the amount of such Net Cash Proceeds, as the case may be and (b) Permitted Acquisitions shall be excluded from Capital Expenditures.

"Capital Lease" means any lease of any property by the Borrower or any of its Subsidiaries, as lessee, that should, in accordance with GAAP, be classified and accounted for as a capital lease on a Consolidated balance sheet of the Borrower and its Subsidiaries.

"Capital Stock" means (a) in the case of a corporation, capital stock, (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (c) in the case of a partnership, partnership interests (whether general or limited), (d) in the case of a limited liability company, membership interests and (e) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cash Equivalents" has the meaning assigned thereto in Section 11.3(c).

"Change in Control" means the occurrence of any of the following events:

(a) any "person" or "group" (as such terms are used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act or any successor provisions to either of the foregoing), including any group acting for the purpose of acquiring, holding, voting or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act, other than any one or more of the Permitted Holders, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act, except that a person will be deemed to have "beneficial ownership" of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of shares representing 33% or more of the voting power represented by the capital stock of the Borrower; or

(b) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors (together with any new directors whose election or appointment by such Board or whose nomination for election by the shareholders of the Borrower was approved by a vote of 66-2/3% of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office.

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change

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in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority.

"Charterhouse" means Charterhouse Equity Partners III, L.P.

"Closing Date" means the date of this Agreement or such later Business Day upon which each condition described in Section 6.2 shall be satisfied or waived in all respects in a manner acceptable to the Administrative Agent, in its sole discretion.

"Code" means the Internal Revenue Code of 1986, and the rules and regulations thereunder, each as amended or modified from time to time.

"Collateral" means the collateral security for the Obligations pledged or granted pursuant to the Security Documents.

"Collateral Agreement" means the collateral agreement of even date executed by the Credit Parties in favor of the Administrative Agent for the benefit of itself and the Lenders, substantially in the form of EXHIBIT I, as amended, restated, supplemented or otherwise modified from time to time.

"Commitment" means, as to any Lender, the sum of such Lender's Revolving Credit Commitment and Incremental Term Loan Commitment, as applicable, as set forth in the Register, as the same may be increased, reduced or modified at any time or from time to time pursuant to the terms hereof, including, without limitation, pursuant to Section 2.7 or Section 4.1, as applicable.

"Commitment Fee Rate" shall have the meaning assigned thereto in Section 5.3(a).

"Commitment Percentage" means, as to any Lender, such Lender's Revolving Credit Commitment Percentage or Incremental Term Loan Commitment Percentage, as applicable.

"Consolidated" means, when used with reference to financial statements or financial statement items of any Person, such statements or items on a consolidated basis in accordance with applicable principles of consolidation under GAAP.

"Consolidated EBITDA" means, for any period, the sum of the following determined on a Consolidated basis, without duplication, for the Borrower and its Subsidiaries in accordance with GAAP: (a) Consolidated Net Income for such period plus (b) the sum of the following to the extent deducted in determining Consolidated Net Income: (i) the provision for taxes based on income or profits or utilized in computing net loss, (ii) Consolidated Interest Expense, (iii) depreciation, (iv) amortization, (v) any other non-cash charges (other than any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period), and (vi) fees and expenses related to any Equity Issuance or Debt Issuance, less (c) the sum of all non-cash items included in Consolidated Net Income for such period (other than any such non-cash items to the extent that it will result in the receipt of cash payments in any future period) plus (d) the charge taken by the Borrower in connection with the increase in liability insurance reserves in the fiscal quarter ending June 30, 2005 in an amount not to exceed

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\$5,300,000. For purposes of this Agreement, Consolidated EBITDA shall be adjusted on a pro forma basis, in a manner reasonably acceptable to the Administrative Agent, to include, as of the first day of any applicable period, any Permitted Acquisitions and any Asset Dispositions during such period, including any operating expense reductions for such period permitted to be reflected in financial statements by Regulation S-X under the Exchange Act.

"Consolidated Interest Expense" means, with respect to the Borrower and its Subsidiaries for any period, the gross interest expense of the Borrower and its Subsidiaries, all determined for such period on a Consolidated basis, without duplication, in accordance with GAAP, plus, to the extent not included in such total interest expense, and to the extent incurred by the Borrower or its Subsidiaries during such period, (a) interest expense attributable to Capital Leases; (b) other than with respect to the Commitments or with respect to the commitments under the Existing Credit Agreement, amortization of debt discount and debt issuance cost, including commitment fees; (c) capitalized interest; (d) non-cash interest expense; (e) commissions, discounts and other fees and charges owed with respect to letters of credit and banker's acceptance financing; (f) net costs associated with Net Hedging Obligations (including amortization of fees); (g) interest incurred in connection with investments in discontinued operations; and (h) interest accruing on Indebtedness of any other Person to the extent such interest is a Guaranty Obligation of the Borrower or any of its Subsidiaries. For purposes of this Agreement, Consolidated Interest Expense shall be adjusted on a pro forma basis, in a manner reasonably acceptable to the Administrative Agent, to include, as of the first day of any applicable period, any Permitted Acquisitions during such period.

"Consolidated Net Income" means, with respect to the Borrower and its Subsidiaries, for any period of determination, the net income (or loss) of the Borrower and its Subsidiaries for such period, determined on a Consolidated basis in accordance with GAAP; provided that there shall be excluded from Consolidated Net Income (a) the income (or loss) of any Person (other than the Borrower or any Wholly-Owned Subsidiary of the Borrower) except that (i) the Borrower's or any of its Wholly-Owned Subsidiary's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash distributed by such Person during such period to the Borrower or any Wholly-Owned Subsidiary thereof as a dividend or other distribution and (ii) the Borrower's or any of its Wholly-Owned Subsidiary's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income; (b) any gain or loss realized upon any Asset Disposition; provided, that any tax benefit or tax liability resulting therefrom shall also be excluded in calculating such Consolidated Net Income; (c) any extraordinary gain or loss; provided, that any tax benefit or tax liability resulting therefrom shall also be excluded in calculating such Consolidated Net Income; (d) the cumulative effect of a change in accounting principles; and (e) any non-cash compensation expense realized for grants of performance shares, stock options or other stock awards to officers, directors and employees of the Borrower or its Subsidiaries.

"Consolidated Total Leverage Ratio" means, as of any date of determination, the ratio of (a) Consolidated Total Indebtedness (excluding up to \$7,500,000 of Indebtedness in connection with any undrawn letters of credit) on such date to (b) Consolidated EBITDA for the period of four (4) consecutive fiscal quarters ending on or immediately prior to such date.

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"Consolidated Total Indebtedness" means, as of any date of determination with respect to the Borrower and its Subsidiaries on a Consolidated basis without duplication, the sum of all Indebtedness of the Borrower and its Subsidiaries.

"Credit Facility" means, collectively, the Revolving Credit Facility, the Incremental Term Loan Facility, the Swingline Facility and the L/C Facility.

"Credit Parties" means, collectively, the Borrower and the Subsidiary Guarantors.

"Debt Issuance" shall mean the issuance of any Indebtedness for borrowed money by the Borrower or any of its Subsidiaries. The term "Debt Issuance" shall not include (i) any Asset Disposition or (ii) any Equity Issuance.

"Debt Rating" means, as of any date of determination, the rating as determined by either S&P or Moody's of the Borrower's non-credit-enhanced, senior secured long-term debt.

"Default" means any of the events specified in Section 12.1 which with the passage of time, the giving of notice or any other condition, would constitute an Event of Default.

"Defaulting Lender" means any Lender that (a) has failed to fund any portion of the Revolving Credit Loans, the Incremental Term Loan (if applicable), participations in L/C Obligations or participations in Swingline Loans required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due, unless such amount is the subject of a good faith dispute, or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

"Dispute" means any dispute, claim or controversy arising out of, connected with or relating to this Agreement or any other Loan Document, between or among parties hereto and to the other Loan Documents.

"Divisional Build-Up Financial Report" means a quarterly financial report provided by the Borrower to the Administrative Agent and the Lenders in substantially the form of EXHIBIT J or any other form approved by the Administrative Agent.

"Dollars" or "\$" means, unless otherwise qualified, dollars in lawful currency of the United States.

"Domestic Subsidiary" means any Subsidiary organized under the laws of any political subdivision of the United States.

"Eligible Assignee" means (a) a Lender, (b) an Affiliate of a Lender, (c) an Approved Fund, and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent, (ii) in the case of any assignment of a Revolving Credit Commitment, the Swingline Lender and the Issuing Lender, and (iii) unless a Default or Event of Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed);

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provided that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of the Borrower's Subsidiaries.

"Employee Benefit Plan" means any employee benefit plan within the meaning of Section 3(3) of ERISA subject to Title IV of ERISA (other than a Multiemployer Plan) which (a) is maintained for employees of any Credit Party or any ERISA Affiliate or (b) has at any time within the preceding six (6) years been maintained by a Credit Party or any current or former ERISA Affiliate.

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, allegations, notices of noncompliance or violation, investigations (other than internal reports prepared by any Person in the ordinary course of business and not in response to any third party action or request of any kind) or proceedings relating in any way to any actual or alleged violation of or liability under any Environmental Law or relating to any permit issued, or any approval given, under any such Environmental Law, including, without limitation, any and all claims by Governmental Authorities for enforcement, cleanup, removal, response, remedial or other actions or damages, contribution, indemnification cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to human health or the environment.

"Environmental Laws" means any and all federal, foreign, state, provincial and local laws, statutes, ordinances, codes, rules, permits, licenses, approvals, written and binding interpretations and final orders of courts or Governmental Authorities, relating to the protection of human health or the environment, including, but not limited to, requirements pertaining to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation, handling, reporting, licensing, permitting, investigation or remediation of Hazardous Materials.

"Equity Issuance" means any issuance by the Borrower or any Subsidiary to any Person which is not a Credit Party of (a) shares of its Capital Stock, (b) any shares of its Capital Stock pursuant to the exercise of options or warrants or (c) any shares of its Capital Stock pursuant to the conversion of any debt securities to equity. The term "Equity Issuance" shall not include (i) any Asset Disposition or (ii) any Debt Issuance.

"ERISA" means the Employee Retirement Income Security Act of 1974, and the rules and regulations thereunder, each as amended or modified from time to time.

"ERISA Affiliate" means any Person who together with any Credit Party is treated as a single employer within the meaning of Section 414(b), (c), (m) or (o) of the Code or Section 4001(b) of ERISA.

"Eurodollar Reserve Percentage" means, for any day, the percentage (expressed as a decimal and rounded upwards, if necessary, to the next higher 1/100th of 1%) which is in effect for such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any basic, supplemental or emergency reserves) in respect of eurocurrency liabilities or any similar category of liabilities for a member bank of the Federal Reserve System in New York City.

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"Event of Default" means any of the events specified in Section 12.1; provided that any requirement for passage of time, giving of notice, or any other condition, has been satisfied.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, the Issuing Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which the Lender does business, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 5.12(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new Lending Office) or is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with Section 5.11(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 5.11(a).

"Existing Credit Agreement" means that certain Credit Agreement dated as of June 5, 2003 by and among the Borrower, the guarantors party thereto, the lenders party thereto, Citigroup Global Markets Inc., as sole bookrunner and joint lead arranger, Wachovia Securities LLC, as joint lead arranger, Citicorp 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, as amended prior to the date hereof.

"Extensions of Credit" means, as to any Lender at any time, (a) an amount equal to the sum of (i) the aggregate principal amount of all Revolving Credit Loans made by such Lender then outstanding, (ii) such Lender's Revolving Credit Commitment Percentage of the L/C Obligations then outstanding, (iii) such Lender's Revolving Credit Commitment Percentage of the Swingline Loans then outstanding and (iv) the aggregate principal amount of any Incremental Term Loan made by such Lender then outstanding, or (b) the making of any Loan or participation in any Letter of Credit by such Lender, as the context requires.

"FDIC" means the Federal Deposit Insurance Corporation, or any successor thereto.

"Federal Funds Rate" means, the rate per annum (rounded upwards, if necessary, to the next higher 1/100th of 1%) representing the daily effective federal funds rate as quoted by the Administrative Agent and confirmed in Federal Reserve Board Statistical Release H.15 (519) or any successor or substitute publication selected by the Administrative Agent. If, for any reason, such rate is not available, then "Federal Funds Rate" shall mean a daily rate which is determined, in the opinion of the Administrative Agent, to be the rate at which federal funds are being offered

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for sale in the national federal funds market at 9:00 a.m. Rates for weekends or holidays shall be the same as the rate for the most immediately preceding Business Day.

"Fee Letter" means the separate engagement letter agreement executed by the Borrower and the Administrative Agent and/or certain of its affiliates dated September 30, 2005.

"Fiscal Year" means the fiscal year of the Borrower and its Subsidiaries ending on December 31.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Foreign Subsidiary" means any Subsidiary that is not a Domestic Subsidiary.

"GAAP" means generally accepted accounting principles, as recognized by the American Institute of Certified Public Accountants and the Financial Accounting Standards Board, consistently applied and maintained on a consistent basis for the Borrower and its Subsidiaries throughout the period indicated and (subject to Section 14.9) consistent with the prior financial practice of the Borrower and its Subsidiaries.

"Governmental Approvals" means all authorizations, consents, approvals, permits, licenses and exemptions of, registrations and filings with, and reports to, all Governmental Authorities.

"Governmental Authority" means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Guaranty Obligation" means, with respect to the Borrower and its Subsidiaries, without duplication, any obligation, contingent or otherwise, of any such Person pursuant to which such Person has directly or indirectly guaranteed any Indebtedness of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of any such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness (whether arising by virtue of partnership arrangements, by agreement to keep well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement condition or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, that the term Guaranty Obligation shall not include endorsements for collection or deposit in the ordinary course of business.

"Hazardous Materials" means any substances or materials (a) which are or become defined as hazardous wastes, hazardous substances, pollutants, contaminants, chemical

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substances or mixtures or toxic substances under any Environmental Law, (b) which are toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise harmful to human health or the environment and are or become regulated by any Governmental Authority, (c) the presence of which require investigation or remediation under any Environmental Law or common law, (d) which are deemed to constitute a nuisance or a trespass which pose a health or safety hazard to Persons or neighboring properties, (e) which are contained in underground or aboveground storage tanks, whether empty, filled or partially filled with any substance, or (f) which contain, without limitation, friable asbestos, polychlorinated biphenyls in amounts that are regulated under applicable Environmental Laws, urea formaldehyde foam insulation, petroleum hydrocarbons, petroleum derived substances or waste, crude oil, nuclear fuel, natural gas or synthetic gas.

"Hedging Agreement" means any agreement with respect to any Interest Rate Contract, forward rate agreement, commodity swap, forward foreign exchange agreement, currency swap agreement, cross-currency rate swap agreement, currency option agreement or other agreement or arrangement designed to alter the risks of any Person arising from fluctuations in interest rates, currency values or commodity prices, all as amended, restated, supplemented or otherwise modified from time to time.

"Hedging Obligations" means all existing or future payment and other obligations owing by the Borrower under any Hedging Agreement (which such Hedging Agreement is permitted hereunder) with any Person that is a Lender or an Affiliate of a Lender at the time such Hedging Agreement is executed.

"Incremental Revolving Credit Commitment Effective Date" means the date, which shall be a Business Day, on or before the Revolving Credit Maturity Date, but no earlier than thirty (30) days after the date of delivery of the applicable Incremental Revolving Credit Commitment Notification, on which each of the applicable increases to the Revolving Credit Commitment shall become effective pursuant to Section 2.7.

"Incremental Revolving Credit Commitment Notification" has the meaning assigned thereto in Section 2.7.

"Incremental Term Loan Agreement" means each agreement executed pursuant to Section 4.1(c) by the Borrower and an existing Lender or a Person not theretofore a Lender, as applicable, and acknowledged by the Administrative Agent and each Guarantor, providing for an Incremental Term Loan hereunder, acknowledging that any Person not theretofore a Lender shall be a party hereto and have the rights and obligations of a Lender hereunder, and setting forth the Incremental Term Loan Commitment of such Lender.

"Incremental Term Loan Commitment" means (a) as to any Lender, the obligation of such Lender to make Incremental Term Loans, as applicable, to the account of the Borrower hereunder in an aggregate principal amount not to exceed the amount set forth opposite such Lender's name on the Register, as such amount may be increased, reduced or otherwise modified at any time or from time to time pursuant to the terms hereof and (b) as to all Lenders, the aggregate obligations of all Lenders to make the Incremental Term Loans, as such amount may

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be increased, reduced or otherwise modified at any time or from time to time. The Incremental Term Loan Commitment of all Lenders as of the Closing Date shall be \$0.

"Incremental Term Loan Effective Date" means the date, which shall be a Business Day, on or before the Revolving Credit Maturity Date, but no earlier than thirty (30) days after the date of delivery of the applicable Incremental Term Loan Notification, on which each of the Incremental Term Loan Lenders make Incremental Term Loans to the Borrower pursuant to Section 4.1.

"Incremental Term Loan Facility" means the incremental term loan facility established pursuant to Article IV.

"Incremental Term Loan Lender" has the meaning assigned thereto in Section 4.1(b).

"Incremental Term Loan Maturity Date" means the first to occur of (a) the Revolving Credit Maturity Date (or such later date as determined by the Borrower, the Administrative Agent and the applicable Incremental Term Loan Lenders) or (b) the date of termination by the Administrative Agent on behalf of the Lenders pursuant to Section 12.2(a).

"Incremental Term Loan Notification" has the meaning assigned thereto in Section 4.1.

"Incremental Term Loan Percentage" means, as to any Lender, (a) prior to making the applicable Incremental Term Loans, the ratio of (i) the Incremental Term Loan Commitment of such Lender to (ii) the Incremental Term Loan Commitments of all Lenders and (b) after the applicable Incremental Term Loans are made, the ratio of (i) the outstanding principal balance of the applicable Incremental Term Loans held by such Lender to (ii) the aggregate outstanding principal balance of the Incremental Term Loans held by all Lenders.

"Incremental Term Loans" means any incremental term loans made to the Borrower pursuant to Section 4.1, and all such incremental term loans collectively as the context requires

"Incremental Term Note" means a promissory note made by the Borrower in favor of a Lender evidencing the portion of the Incremental Term Loans made by such Lender, substantially in the form of EXHIBIT A-3 hereto, and any amendments, supplements and modifications thereto, any substitutes therefor, and any replacements, restatements, renewals or extension thereof, in whole or in part.

"Indebtedness" means, with respect to the Borrower and its Subsidiaries at any date and without duplication, the sum of the following calculated in accordance with GAAP:

(a) all liabilities, obligations and indebtedness for borrowed money including, but not limited to, obligations evidenced by bonds, debentures, notes or other similar instruments of any such Person;

(b) all obligations to pay the deferred purchase price of property or services of any such Person (including, without limitation, all obligations under non-competition, earn-out or similar agreements which are probable or likely; provided, however, that, to the extent and at the time any such non-competition, earn-out or similar obligation is deemed probable or likely, such

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obligation shall immediately constitute Indebtedness), except trade payables arising in the ordinary course of business not more than ninety (90) days past due;

(c) the Attributable Indebtedness of such Person with respect to such Person's obligations in respect of Capital Leases and Synthetic Leases (regardless of whether accounted for as indebtedness under GAAP);

(d) all Indebtedness of any other Person secured by a Lien on any asset owned by the Borrower or any Subsidiary (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

(e) all Guaranty Obligations of any such Person;

(f) all obligations, contingent or otherwise, of any such Person relative to the face amount of letters of credit, whether or not drawn, including, without limitation, any Reimbursement Obligation, and banker's acceptances issued for the account of any such Person;

(g) all obligations of any such Person to redeem, repurchase, exchange, defease or otherwise make payments in respect of Capital Stock of such Person (other than stock options, warrants, stock repurchases and other similar plans in the ordinary course of business); and

(h) all Net Hedging Obligations.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person.

"Indemnified Taxes" means Taxes and Other Taxes other than Excluded Taxes.

"Insurance and Condemnation Event" means the receipt by the Borrower or any of its Subsidiaries of any cash insurance proceeds or condemnation award payable by reason of theft, loss, physical destruction or damage, taking or similar event with respect to any of their respective property or assets.

"Interest Period" has the meaning assigned thereto in Section 5.1(b).

"Interest Rate Contract" means any interest rate swap agreement, interest rate cap agreement, interest rate floor agreement, interest rate collar agreement, interest rate option or any other agreement regarding the hedging of interest rate risk exposure executed in connection with hedging the interest rate exposure of any Person and any confirming letter executed pursuant to such agreement, all as amended, restated, supplemented or otherwise modified from time to time.

"ISP98" means the International Standby Practices (1998 Revision, effective January 1, 1999), International Chamber of Commerce Publication No. 590.

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"Issuing Lender" means Wachovia, in its capacity as issuer of any Letter of Credit, or any successor thereto.

"L/C Commitment" means the lesser of (a) Thirty-Five Million Dollars (\$35,000,000) and (b) the Revolving Credit Commitment.

"L/C Facility" means the letter of credit facility established pursuant to Article III.

"L/C Obligations" means at any time, an amount equal to the sum of (a) the aggregate undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit which have not then been reimbursed pursuant to Section 3.5.

"L/C Participants" means the collective reference to all the Lenders other than the Issuing Lender.

"Lender" means each Person executing this Agreement as a Lender (including, without limitation, the Issuing Lender and the Swingline Lender unless the context otherwise requires) set forth on the signature pages hereto and each Person that hereafter becomes a party to this Agreement as a Lender pursuant to Section 14.10.

"Lender Addition and Acknowledgment Agreement" means each agreement executed pursuant to Section 2.7 by the Borrower and an existing Lender or a Person not theretofore a Lender, as applicable, and acknowledged by the Administrative Agent and each Guarantor, providing for an increase in the Revolving Credit Commitment hereunder, acknowledging that any Person not theretofore a Lender shall be a party hereto and have the rights and obligations of a Lender hereunder, and setting forth the Revolving Credit Commitment of such Lender.

"Lending Office" with respect to any Lender, the office of such Lender maintaining such Lender's Revolving Credit Commitment Percentage or Incremental Term Loan Percentage, as applicable, of the Extensions of Credit.

"Letter of Credit Application" means an application, in the form specified by the Issuing Lender from time to time, requesting the Issuing Lender to issue a Letter of Credit.

"Letters of Credit" has the meaning assigned thereto in Section 3.1.

"LIBOR" means the rate of interest per annum determined on the basis of the rate for deposits in Dollars in minimum amounts of at least \$5,000,000 for a period equal to the applicable Interest Period which appears on the Telerate Page 3750 at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of the applicable Interest Period (rounded upward, if necessary, to the nearest 1/100th of 1%). If, for any reason, such rate does not appear on Telerate Page 3750, then "LIBOR" shall be determined by the Administrative Agent to be the arithmetic average of the rate per annum at which deposits in Dollars in minimum amounts of at least \$5,000,000 would be offered by first class banks in the London interbank market to the Administrative Agent at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of the applicable Interest Period for a period equal to such

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Interest Period. Each calculation by the Administrative Agent of LIBOR shall be conclusive and binding for all purposes, absent manifest error.

"LIBOR Rate" means a rate per annum (rounded upwards, if necessary, to the next higher 1/100th of 1%) determined by the Administrative Agent pursuant to the following formula:

$$\text{LIBOR Rate} = \frac{\text{LIBOR}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

"LIBOR Rate Loan" means any Loan bearing interest at a rate based upon the LIBOR Rate as provided in Section 5.1(a).

"Lien" means, with respect to any asset, any mortgage, leasehold mortgage, lien, pledge, charge, security interest, hypothecation or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capital Lease or other title retention agreement relating to such asset.

"Loan Documents" means, collectively, this Agreement, each Note, the Letter of Credit Applications, the Subsidiary Guaranty Agreement, the Security Documents, any Lender Addition and Acknowledgment Agreements, any Incremental Term Loan Agreements, and each other document, certificate and agreement required to be executed by the Borrower or any Subsidiary thereof pursuant to this Agreement (excluding any Hedging Agreement), all as may be amended, restated, supplemented or otherwise modified from time to time.

"Loans" means the collective reference to the Revolving Credit Loans, the Incremental Term Loans and the Swingline Loans and "Loan" means any of such Loans.

"Material Adverse Effect" means (a) a material adverse change in the business, assets, operations, properties, condition (financial or otherwise), prospects or Material Contracts of the Borrower and the Subsidiaries, taken as a whole, since December 31, 2004; (b) material impairment of the ability of any Credit Party to perform any of its obligations under any Loan Document to which it is a party; or (c) material impairment of the rights of or benefits available to the Lenders under any Loan Document.

"Material Contract" means any and all contracts or agreements required to be filed under exhibits 1, 2 (only to the extent that any such contract or agreement under exhibits 1 or 2 have continuing obligations (other than contingent liabilities)), 4, 9 and 10 of the Borrower's filings with the Securities and Exchange Commission under the Exchange Act.

"Moody's" means Moody's Investors Service, Inc. and any successor thereto.

"MSDW Funds" means Morgan Stanley Dean Witter Capital Partners IV, L.P., MSDW IV 892 Investors, L.P., Morgan Stanley Dean Witter Capital Investors IV, L.P., Morgan Stanley Venture Partners III, L.P., Morgan Stanley Venture Investors III, L.P., and The Morgan Stanley Venture Partners Entrepreneur Fund, L.P.

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"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which the Borrower or any ERISA Affiliate is making, or is accruing an obligation to make, or has accrued an obligation to make contributions within the preceding six (6) years.

"Net Cash Proceeds" means, as applicable, (a) with respect to any Asset Disposition by any Credit Party, the gross cash proceeds received by the Borrower or any of its Subsidiaries from such sale less the sum of (i) all income taxes and other taxes assessed by a Governmental Authority having jurisdiction over the Borrower or any of its Subsidiaries as a result of such sale, (ii) any fees and expenses incurred in connection with such sale, (iii) the principal amount of, premium, if any, and interest on any Indebtedness on the asset (or a portion thereof) sold, which Indebtedness is required to be repaid in connection with such sale and (iv) amounts provided as escrows or holdbacks against any liabilities under any indemnification obligations associated with such Assets Disposition; provided, however, that, to the extent and at the time any such amounts are released from such escrow or holdback to the Borrower or any of its Subsidiaries, such amounts constitute Net Cash Proceeds, (b) with respect to any Equity Issuance or Debt Issuance, the gross cash proceeds received by the Borrower or any of its Subsidiaries therefrom less all legal, underwriting, discounts, commissions and other fees and expenses incurred in connection therewith and (c) with respect to any payment under an insurance policy or in connection with a condemnation proceeding, the gross cash proceeds received by the Borrower or its Subsidiaries from an insurance company or Governmental Authority, as applicable, less the sum of (i) all fees and expenses in connection therewith and (ii) the principal amount of, premium, if any, and interest on any Indebtedness on the asset (or a portion thereof) subject to such loss or condemnation proceeding, which Indebtedness is required to be repaid in connection with such loss or condemnation proceeding.

"Net Hedging Obligations" means, as of any date, the Termination Value of any such Hedging Agreement on such date.

"Notes" means the collective reference to the Revolving Credit Notes, the Swingline Note and the Incremental Term Notes.

"Notice of Account Designation" has the meaning assigned thereto in Section 2.3(b).

"Notice of Borrowing" has the meaning assigned thereto in Section 2.3(a).

"Notice of Conversion/Continuation" has the meaning assigned thereto in Section 5.2.

"Notice of Prepayment" has the meaning assigned thereto in Section 2.4(c).

"Obligations" means, in each case, whether now in existence or hereafter arising: (a) the principal of and interest on (including interest accruing after the filing of any bankruptcy or similar petition) the Loans, (b) the L/C Obligations, (c) all Hedging Obligations and (d) all other fees and commissions (including attorneys' fees), charges, indebtedness, loans, liabilities, financial accommodations, obligations, covenants and duties owing by the Borrower or any of its Subsidiaries to the Lenders or the Administrative Agent, in each case under any Loan Document or otherwise, with respect to any Loan or Letter of Credit of every kind, nature and description, direct or indirect, absolute or contingent, due or to become due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any note.

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"OFAC" means the U.S. Department of the Treasury's Office of Foreign Assets Control.

"OFAC Affiliate" means, with respect to any Person, any other Person (other than a Subsidiary of the Borrower) which directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person or any of its Subsidiaries. As used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Officer's Compliance Certificate" means a certificate of the chief financial officer or the treasurer of the Borrower substantially in the form of EXHIBIT F.

"Operating Lease" means, as to any Person as determined in accordance with GAAP, any lease of property (whether real, personal or mixed) by such Person as lessee which is not a Capital Lease.

"Other Taxes" means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"Participant" has the meaning assigned thereto in Section 14.10(d).

"PBGC" means the Pension Benefit Guaranty Corporation or any successor agency.

"Pension Plan" means any Employee Benefit Plan, other than a Multiemployer Plan, which is subject to the provisions of Title IV of ERISA or Section 412 of the Code and which (a) is maintained for the employees of the Borrower or any ERISA Affiliates or (b) has at any time within the preceding six (6) years been maintained for the employees of the Borrower or any of its current or former ERISA Affiliates.

"Permitted Acquisition" means an Asset Acquisition or a Stock Acquisition which in either case satisfies each of the following conditions:

(a) the Administrative Agent shall receive at least thirty (30) days' prior written notice of such proposed Permitted Acquisition, which notice shall include a detailed description of such proposed Permitted Acquisition including, without limitation, financial statements of the Target and a description of the business rationale of such acquisition;

(b) with respect to any single acquisition or series of related acquisitions, at least seventy-five percent (75%) of the revenues of the Target for the four fiscal quarters most recently ended shall be attributable to operations located in the United States;

(c) in the case of an Asset Acquisition, such assets shall comprise a business, or assets of a business, of a type which is the same line of business as the Borrower, or which is a related or complementary business to that of the Borrower; and in the case of a Stock Acquisition, the business of the Target shall be of a type which is the same line of business as that of the Borrower, or which is a related or complementary business to that of the Borrower;

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provided, however, that no such acquisition would require the Administrative Agent or any Lender to obtain regulatory or third party approvals in connection with the exercise of its rights and remedies under this Agreement or any other Loan Documents other than approvals required for the exercise of such rights and remedies with respect to the Borrower prior to such Permitted Acquisition;

(d) in the case of a Stock Acquisition, after giving effect thereto, the Target will either be merged with and into the Borrower, or shall be a Wholly-Owned Subsidiary of the Borrower; provided, however, that management and pre-acquisition holders of the Capital Stock of the Target may own up to ten percent (10%) in the aggregate of the Capital Stock of such Subsidiary following such Permitted Acquisition;

(e) in the case of a Stock Acquisition, such Permitted Acquisition shall be consensual and shall have been approved by the Target's board of directors or equivalent governing body;

(f) no additional Indebtedness, Guaranty Obligations, or other liabilities shall be incurred, assumed or otherwise be reflected on a consolidated balance sheet of the Borrower after giving effect to such Permitted Acquisition, except (i) Indebtedness permitted under Section 11.1, (ii) operating leases, (iii) ordinary course trade payables and accrued expenses of the Target, and (iv) Indebtedness consisting of Extensions of Credit incurred in contemplation of such acquisition for the purpose of financing such acquisition;

(g) the sum of all amounts paid or payable in cash in connection with (i) any single Permitted Acquisition (including all transaction costs and all Indebtedness and Guaranty Obligations (including any obligations to make earn-out payments or deferred payments which are probable or likely) incurred or assumed in connection therewith (whether or not reflected on a consolidated balance sheet of the Borrower) after giving effect to the Permitted Acquisition) shall not exceed \$25,000,000 and (ii) the aggregate amounts paid or payable for all Permitted Acquisitions shall not exceed \$75,000,000 during the term of this Agreement;

(h) the business and assets acquired in such Permitted Acquisition shall be free and clear of all Liens (other than Permitted Liens);

(i) concurrently with delivery of the notice referred to in clause (a), the Borrower shall have delivered to the Administrative Agent a pro forma consolidated balance sheet and statement of income of the Borrower and its Subsidiaries (the "Acquisition Pro Forma Financial Statements"), based on financial data for the period of four fiscal quarters most recently ended and giving pro forma effect to (i) such Permitted Acquisition, (ii) any related incurrences of Indebtedness and (iii) any operating expense reductions permitted to be reflected in financial statements by Regulation S-X under the Exchange Act, in each case as if they had occurred at the beginning of such period, and such Acquisition Pro Forma Financial Statements shall reflect that, on a pro forma basis, no Event of Default shall have occurred and be continuing or would result after giving effect to such Permitted Acquisition; provided, however, that the requirements of this clause (i) shall not apply if, in the case of an Asset Acquisition, a Subsidiary that had owned, directly or indirectly, only such assets as of the most recent fiscal quarter end for which financial statements have been delivered or, in the case of a Stock Acquisition, the Target, if it had been a

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Subsidiary of the Borrower as of the most recent fiscal quarter end for which financial statements have been delivered, would not have been considered a Significant Subsidiary of the Borrower;

(j) the Borrower shall have delivered a certificate of the Chief Financial Officer of the Borrower to the effect that: (i) the Borrower will be Solvent upon the consummation of the Permitted Acquisition and (ii) the Acquisition Pro Forma Financial Statements fairly present in all material respects the financial condition of the Borrower and the Subsidiaries (on a consolidated basis) as of the date thereof after giving effect to the Permitted Acquisition; provided, however, that the requirements of this clause (j) shall not apply if, in the case of an Asset Acquisition, a Subsidiary of the Borrower that had owned, directly or indirectly, only such assets as of the most recent fiscal quarter end for which financial statements have been delivered or, in the case of a Stock Acquisition, the Target, if it had been a Subsidiary of the Borrower as of the most recent fiscal quarter end for which financial statements have been delivered, would not have been considered a Significant Subsidiary of the Borrower;

(k) except where substantially all of the consideration for such acquisition consists of common stock of the Borrower, on or prior to the date of such Permitted Acquisition, the Administrative Agent shall have received, in form and substance reasonably satisfactory to the Administrative Agent, all opinions, certificates, lien search results and other documents reasonably requested by the Administrative Agent (including, without limitation, all documents required pursuant to Section 9.11 to be delivered at the time required pursuant to Section 9.11);

(l) the Administrative Agent and the Lenders shall have received Phase I environmental reports (reasonably satisfactory in scope and substance to the Administrative Agent) with respect to any owned property to be acquired;

(m) at the time of such Permitted Acquisition and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing; ; and

(n) as of the proposed closing date of the Permitted Acquisition and after giving effect thereto and any Extensions of Credit made or to be made in connection therewith, the Borrower shall have demonstrated to the Administrative Agent that Consolidated Total Leverage Ratio is at least 0.25 below the applicable ratio set forth in Section 10.1.

Notwithstanding the immediately preceding clauses (a)-(n), an Asset Acquisition or a Stock Acquisition will be deemed a Permitted Acquisition if approved in writing by the Required Lenders.

"Permitted Holder" means (a) Charterhouse or any entity controlled by the principals of Charterhouse Group, Inc. and (b) MSDW Funds or any entity controlled by the principals of the private equity group of Morgan Stanley Dean Witter & Co.

"Permitted Liens" means the Liens permitted pursuant to Section 11.2.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, government, or any agency or political subdivision or other entity.

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"Prime Rate" means, at any time, the rate of interest per annum publicly announced from time to time by Wachovia as its prime rate. Each change in the Prime Rate shall be effective as of the opening of business on the day such change in such prime rate occurs. The parties hereto acknowledge that the rate announced publicly by Wachovia as its prime rate is an index or base rate and shall not necessarily be its lowest or best rate charged to its customers or other banks.

"Register" has the meaning assigned thereto in Section 14.10(c).

"Reimbursement Obligation" means the obligation of the Borrower to reimburse the Issuing Lender pursuant to Section 3.5 for amounts drawn under Letters of Credit.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"Required Lenders" means, at any date, any combination of Lenders whose Commitments aggregate more than fifty percent (50%) of the Aggregate Commitment or, if the Commitments have been terminated pursuant to Section 12.2, any combination of Lenders holding more than fifty percent (50%) of the aggregate Extensions of Credit; provided that the Commitment of, and the portion of the Extensions of Credit, as applicable, held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

"Responsible Officer" means the chief executive officer, president, chief financial officer, controller, treasurer, assistant treasurer, secretary or assistant secretary of a Credit Party or any other officer of a Credit Party reasonably acceptable to the Administrative Agent. Any document delivered hereunder that is signed by a Responsible Officer of a Credit Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Credit Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Credit Party.

"Revolving Credit Commitment" means (a) as to any Revolving Credit Lender, the obligation of such Revolving Credit Lender to make Revolving Credit Loans to the account of the Borrower hereunder in an aggregate principal amount at any time outstanding not to exceed the amount set forth opposite such Revolving Credit Lender's name on the Register, as such amount may be reduced or modified at any time or from time to time pursuant to the terms hereof and (b) as to all Revolving Credit Lenders, the aggregate commitment of all Revolving Credit Lenders to make Revolving Credit Loans, as such amount may be reduced at any time or from time to time pursuant to the terms hereof, in each case, including, without limitation, pursuant to Section 2.7 hereof. The Revolving Credit Commitment of all Revolving Credit Lenders on the Closing Date shall be Seventy-Five Million Dollars (\$75,000,000).

"Revolving Credit Commitment Percentage" means, as to any Revolving Lender at any time, the ratio of (a) the amount of the Revolving Credit Commitment of such Revolving Credit Lender to (b) the Revolving Credit Commitments of all Revolving Credit Lenders.

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"Revolving Credit Facility" means the revolving credit facility established pursuant to Article II.

"Revolving Credit Lenders" means Lenders with a Revolving Credit Commitment.

"Revolving Credit Loans" means any revolving loan made to the Borrower pursuant to Section 2.1, and all such revolving loans collectively as the context requires.

"Revolving Credit Maturity Date" means the earliest to occur of (a) November 10, 2010, (b) the date of termination by the Borrower pursuant to Section 2.5(a)(i) or (c) the date of termination by the Administrative Agent on behalf of the Lenders pursuant to Section 12.2(a).

"Revolving Credit Note" means a promissory note made by the Borrower in favor of a Lender evidencing the Revolving Credit Loans made by such Lender, substantially in the form of EXHIBIT A-1, and any amendments, supplements and modifications thereto, any substitutes therefor, and any replacements, restatements, renewals or extension thereof, in whole or in part.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto.

"Sanctioned Entity" shall mean (i) an agency of the government of, (ii) an organization directly or indirectly controlled by, or (iii) a person resident in a country that is subject to a sanctions program identified on the list maintained by OFAC and available at <http://www.treas.gov/offices/enforcement/ofac/sanctions/index.html>, or as otherwise published from time to time as such program may be applicable to such agency, organization or person.

"Sanctioned Person" shall mean a person named on the list of Specially Designated Nationals or Blocked Persons maintained by OFAC available at <http://www.treas.gov/offices/enforcement/ofac/sdn/index.html>, or as otherwise published from time to time.

"Security Documents" means the collective reference to the Collateral Agreement and each other "record" (as such term is defined in the UCC) pursuant to which any Credit Party purports to pledge or grant a security interest in any property or assets securing the Obligations or any such Credit Party purports to guaranty the payment and/or performance of the Obligations, in each case, as amended, restated, supplemented or otherwise modified from time to time.

"Significant Subsidiary" means a significant subsidiary as such term is used in Regulation S-X under the Exchange Act.

"Solvent" means, as to the Borrower and its Subsidiaries on a particular date, that any such Person (a) has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage and is able to pay its debts as they mature, (b) has assets having a value, both at fair valuation and at present fair saleable value, greater than the amount required to pay its probable liabilities (including contingencies), and (c) does not believe that it will incur debts or liabilities beyond its ability to pay such debts or liabilities as they mature.

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"Stock Acquisition" means an acquisition of Capital Stock of any Person.

"Subordinated Indebtedness" means the collective reference to any Indebtedness of the Borrower or any Subsidiary contractually subordinated in right and time of payment to the Obligations and containing such other terms and conditions, in each case as are satisfactory to the Required Lenders.

"Subsidiary" means as to any Person, any corporation, partnership, limited liability company or other entity of which more than fifty percent (50%) of the outstanding Capital Stock having ordinary voting power to elect a majority of the board of directors or other managers of such corporation, partnership, limited liability company or other entity is at the time owned by or the management is otherwise controlled by such Person (irrespective of whether, at the time, Capital Stock of any other class or classes of such corporation, partnership, limited liability company or other entity shall have or might have voting power by reason of the happening of any contingency). Unless otherwise qualified references to "Subsidiary" or "Subsidiaries" herein shall refer to those of the Borrower.

"Subsidiary Guarantors" means each direct or indirect Subsidiary of the Borrower in existence on the Closing Date or which becomes a party to a Subsidiary Guaranty Agreement pursuant to Section 9.11.

"Subsidiary Guaranty Agreement" means the unconditional guaranty agreement of even date executed by the Subsidiary Guarantors in favor of the Administrative Agent for the ratable benefit of itself and the Lenders, substantially in the form of EXHIBIT H, as amended, restated, supplemented or otherwise modified from time to time.

"Swingline Commitment" means the lesser of (a) Ten Million Dollars (\$10,000,000) and (b) the Revolving Credit Commitment.

"Swingline Facility" means the swingline facility established pursuant to Section 2.2.

"Swingline Lender" means Wachovia in its capacity as swingline lender hereunder.

"Swingline Loan" means any swingline loan made by the Swingline Lender to the Borrower pursuant to Section 2.2, and all such swingline loans collectively as the context requires.

"Swingline Note" means a promissory note made by the Borrower in favor of the Swingline Lender evidencing the Swingline Loans made by the Swingline Lender, substantially in the form of EXHIBIT A-2, and any amendments, supplements and modifications thereto, any substitutes therefor, and any replacements, restatements, renewals or extension thereof, in whole or in part.

"Swingline Termination Date" means the first to occur of (a) the resignation of Wachovia as Administrative Agent in accordance with Section 13.6 (to the extent the new Administrative Agent appointed pursuant to Section 13.6 does not agree to succeed the Administrative Agent as Swingline Lender) and (b) the Revolving Credit Maturity Date.

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"Synthetic Lease" means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an Operating Lease in accordance with GAAP.

"Target" means a person whose Capital Stock is the subject of a proposed Permitted Acquisition.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority having jurisdiction over a Person, including any interest, additions to tax or penalties applicable thereto.

"Termination Event" means except for any such event or condition that could not reasonably be expected to have a Material Adverse Effect: (a) a "Reportable Event" described in Section 4043 of ERISA for which the notice requirement has not been waived by the PBGC, or (b) the withdrawal of the Borrower or any ERISA Affiliate from a Pension Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or (c) the termination of a Pension Plan, the filing of a notice of intent to terminate a Pension Plan or the treatment of a Pension Plan amendment as a termination, under Section 4041 of ERISA, if the plan assets are not sufficient to pay all plan liabilities, or (d) the institution of proceedings to terminate, or the appointment of a trustee with respect to, any Pension Plan by the PBGC, or (e) any other event or condition which would constitute grounds under Section 4042(a) of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan, or (f) the imposition of a Lien pursuant to Section 412 of the Code or Section 302 of ERISA, or (g) the partial or complete withdrawal of the Borrower of any ERISA Affiliate from a Multiemployer Plan if withdrawal liability is asserted by such plan, or (h) any event or condition which results in the reorganization or insolvency of a Multiemployer Plan under Sections 4241 or 4245 of ERISA, or (i) any event or condition which results in the termination of a Multiemployer Plan under Section 4041A of ERISA or the institution by PBGC of proceedings to terminate a Multiemployer Plan under Section 4042 of ERISA.

"Termination Value" means, in respect of any one or more Hedging Agreements, after taking into account the effect of any legally enforceable netting agreement relating to such Hedging Agreements, (a) for any date on or after the date such Hedging Agreements have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Hedging Agreements, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Hedging Agreements (which may include a Lender or any Affiliate of a Lender).

"UCC" means the Uniform Commercial Code as in effect in the State of New York, as amended or modified from time to time.

"Uniform Customs" means the Uniform Customs and Practice for Documentary Credits (1993 Revision), effective January, 1994 International Chamber of Commerce Publication No. 500.

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"United States" means the United States of America.

"Wachovia" means Wachovia Bank, National Association, a national banking association, and its successors.

"Wholly-Owned" means, with respect to a Subsidiary, that all of the shares of Capital Stock of such Subsidiary are, directly or indirectly, owned or controlled by the Borrower and/or one or more of its Wholly-Owned Subsidiaries (except for directors' qualifying shares or other shares required by Applicable Law to be owned by a Person other than the Borrower).

SECTION 1.2 Other Definitions and Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document: (a) the definitions of terms herein shall apply equally to the singular and plural forms of the terms defined, (b) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms, (c) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation", (d) the word "will" shall be construed to have the same meaning and effect as the word "shall", (e) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (f) any reference herein to any Person shall be construed to include such Person's permitted successors and assigns, (g) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (h) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (i) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights, (j) in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including", and (k) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

SECTION 1.3 Accounting Terms. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the audited financial statements required by Section 8.1(b), except as otherwise specifically prescribed herein.

SECTION 1.4 UCC Terms. Terms defined in the UCC in effect on the Closing Date and not otherwise defined herein shall, unless the context otherwise indicates, have the meanings provided by those definitions. Subject to the foregoing, the term "UCC" refers, as of any date of determination, to the UCC then in effect.

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SECTION 1.5 Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

SECTION 1.6 References to Agreement and Laws. Unless otherwise expressly provided herein, (a) references to formation documents, governing documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (b) references to any Applicable Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Applicable Law.

SECTION 1.7 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

SECTION 1.8 Letter of Credit Amounts. Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to mean the maximum face amount of such Letter of Credit after giving effect to all increases thereof contemplated by such Letter of Credit or the Letter of Credit Application therefor, whether or not such maximum face amount is in effect at such time.

ARTICLE II

REVOLVING CREDIT FACILITY

SECTION 2.1 Revolving Credit Loans. Subject to the terms and conditions of this Agreement, and in reliance upon the representations and warranties set forth herein, each Revolving Credit Lender severally agrees to make Revolving Credit Loans to the Borrower from time to time from the Closing Date through, but not including, the Revolving Credit Maturity Date as requested by the Borrower in accordance with the terms of Section 2.3; provided, that (a) the aggregate principal amount of all outstanding Revolving Credit Loans (after giving effect to any amount requested) shall not exceed the Revolving Credit Commitment less the sum of all outstanding Swingline Loans and outstanding L/C Obligations and (b) the principal amount of outstanding Revolving Credit Loans from any Revolving Credit Lender to the Borrower shall not at any time exceed such Revolving Credit Lender's Revolving Credit Commitment less such Revolving Credit Lender's Revolving Credit Commitment Percentage of outstanding L/C Obligations and outstanding Swingline Loans. Each Revolving Credit Loan by a Revolving Credit Lender shall be in a principal amount equal to such Revolving Lender's Revolving Credit Commitment Percentage of the aggregate principal amount of Revolving Credit Loans requested on such occasion. Subject to the terms and conditions hereof, the Borrower may borrow, repay and reborrow Revolving Credit Loans hereunder until the Revolving Credit Maturity Date.

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SECTION 2.2 Swingline Loans.

(a) Availability. Subject to the terms and conditions of this Agreement, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time from the Closing Date through, but not including, the Swingline Termination Date; provided, that the aggregate principal amount of all outstanding Swingline Loans (after giving effect to any amount requested), shall not exceed the lesser of (i) the Revolving Credit Commitment less the sum of all outstanding Revolving Credit Loans and the L/C Obligations and (ii) the Swingline Commitment.

(b) Refunding.

(i) Swingline Loans shall be refunded by the Revolving Credit Lenders on demand by the Swingline Lender. Such refundings shall be made by the Revolving Credit Lenders in accordance with their respective Revolving Credit Commitment Percentages and shall thereafter be reflected as Revolving Credit Loans of the Revolving Credit Lenders on the books and records of the Administrative Agent. Each Revolving Credit Lender shall fund its respective Revolving Credit Commitment Percentage of Revolving Credit Loans as required to repay Swingline Loans outstanding to the Swingline Lender upon demand by the Swingline Lender but in no event later than 2:00 p.m. on the next succeeding Business Day after such demand is made. No Revolving Credit Lender's obligation to fund its respective Revolving Credit Commitment Percentage of a Swingline Loan shall be affected by any other Revolving Credit Lender's failure to fund its Revolving Credit Commitment Percentage of a Swingline Loan, nor shall any Revolving Credit Lender's Revolving Credit Commitment Percentage be increased as a result of any such failure of any other Revolving Credit Lender to fund its Revolving Credit Commitment Percentage of a Swingline Loan.

(ii) The Borrower shall pay to the Swingline Lender on demand the amount of such Swingline Loans to the extent amounts received from the Revolving Credit Lenders are not sufficient to repay in full the outstanding Swingline Loans requested or required to be refunded. In addition, the Borrower hereby authorizes the Administrative Agent to charge any account maintained by the Borrower with the Swingline Lender (up to the amount available therein) in order to immediately pay the Swingline Lender the amount of such Swingline Loans to the extent amounts received from the Revolving Credit Lenders are not sufficient to repay in full the outstanding Swingline Loans requested or required to be refunded. If any portion of any such amount paid to the Swingline Lender shall be recovered by or on behalf of the Borrower from the Swingline Lender in bankruptcy or otherwise, the amount so recovered shall be ratably shared among all the Revolving Credit Lenders in accordance with their respective Revolving Credit Commitment Percentages (unless the amounts so recovered by or on behalf of the Borrower pertain to a Swingline Loan extended after the occurrence and during the continuance of an Event of Default of which the Administrative Agent has received notice in the manner required pursuant to Section 13.3 and which such Event of Default has not been waived by the Required Lenders or the Lenders, as applicable).

(iii) Each Revolving Credit Lender acknowledges and agrees that its obligation to refund Swingline Loans in accordance with the terms of this Section is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without

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limitation, non-satisfaction of the conditions set forth in Article VI. Further, each Revolving Credit Lender agrees and acknowledges that if prior to the refunding of any outstanding Swingline Loans pursuant to this Section, one of the events described in Section 12.1(j) or (k) shall have occurred, each Revolving Credit Lender will, on the date the applicable Revolving Credit Loan would have been made, purchase an undivided participating interest in the Swingline Loan to be refunded in an amount equal to its Revolving Credit Commitment Percentage of the aggregate amount of such Swingline Loan. Each Revolving Credit Lender will immediately transfer to the Swingline Lender, in immediately available funds, the amount of its participation and upon receipt thereof the Swingline Lender will deliver to such Revolving Credit Lender a certificate evidencing such participation dated the date of receipt of such funds and for such amount. Whenever, at any time after the Swingline Lender has received from any Revolving Credit Lender such Revolving Credit Lender's participating interest in a Swingline Loan, the Swingline Lender receives any payment on account thereof, the Swingline Lender will distribute to such Revolving Credit Lender its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Revolving Credit Lender's participating interest was outstanding and funded).

SECTION 2.3 Procedure for Advances of Revolving Credit Loans and Swingline Loans.

(a) Requests for Borrowing. The Borrower shall give the Administrative Agent irrevocable prior written notice substantially in the form of EXHIBIT B (a "Notice of Borrowing") not later than 12:00 p.m. (i) on the same Business Day for each Base Rate Loan and each Swingline Loan and (ii) at least three (3) Business Days before each LIBOR Rate Loan, of its intention to borrow, specifying (A) the date of such borrowing, which shall be a Business Day, (B) the amount of such borrowing, which shall be, (x) with respect to Base Rate Loans (other than Swingline Loans), (1) in an aggregate principal amount of \$1,000,000 or a whole multiple of \$500,000 in excess thereof or (2) equal to the remaining available balance of the applicable Commitments, (y) with respect to LIBOR Rate Loans in an aggregate principal amount of \$1,000,000 or a whole multiple of \$500,000 in excess thereof and (z) with respect to Swingline Loans in an aggregate principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof, (C) whether such Loan is to be a Revolving Credit Loan or Swingline Loan, (D) in the case of a Revolving Credit Loan whether the Loans are to be LIBOR Rate Loans or Base Rate Loans, and (E) in the case of a LIBOR Rate Loan, the duration of the Interest Period applicable thereto. A Notice of Borrowing received after 12:00 p.m. shall be deemed received on the next Business Day. The Administrative Agent shall promptly notify the Lenders of each Notice of Borrowing.

(b) Disbursement of Revolving Credit and Swingline Loans. Not later than 2:00 p.m. on the proposed borrowing date, (i) each Lender will make available to the Administrative Agent, for the account of the Borrower, at the office of the Administrative Agent in funds immediately available to the Administrative Agent, such Lender's Revolving Credit Commitment Percentage of the Revolving Credit Loans to be made on such borrowing date and (ii) the Swingline Lender will make available to the Administrative Agent, for the account of the Borrower, at the office of the Administrative Agent in funds immediately available to the Administrative Agent, the Swingline Loans to be made on such borrowing date. The Borrower hereby irrevocably authorizes the Administrative Agent to disburse the proceeds of each borrowing requested pursuant to this Section in immediately available funds by crediting or

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wiring such proceeds to the deposit account of the Borrower identified in the most recent notice substantially in the form of EXHIBIT C (a "Notice of Account Designation") delivered by the Borrower to the Administrative Agent or as may be otherwise agreed upon by the Borrower and the Administrative Agent from time to time. Subject to Section 5.7 hereof, the Administrative Agent shall not be obligated to disburse the portion of the proceeds of any Revolving Credit Loan requested pursuant to this Section to the extent that any Lender has not made available to the Administrative Agent its Revolving Credit Commitment Percentage of such Loan. Revolving Credit Loans to be made for the purpose of refunding Swingline Loans shall be made by the Revolving Credit Lenders as provided in Section 2.2(b).

SECTION 2.4 Repayment and Prepayment of Revolving Credit and Swingline Loans.

(a) Repayment on Termination Date. The Borrower hereby agrees to repay the outstanding principal amount of (i) all Revolving Credit Loans in full on the Revolving Credit Maturity Date, and (ii) all Swingline Loans in accordance with Section 2.2(b), together, in each case, with all accrued but unpaid interest thereon.

(b) Mandatory Prepayments. If at any time the outstanding principal amount of all Revolving Credit Loans plus the sum of all outstanding Swingline Loans and L/C Obligations exceeds the Revolving Credit Commitment, the Borrower agrees to repay immediately upon notice from the Administrative Agent, by payment to the Administrative Agent for the account of the Lenders, an amount equal to such excess with each such repayment applied first to the principal amount of outstanding Swingline Loans, second to the principal amount of outstanding Revolving Credit Loans and third, with respect to any Letters of Credit then outstanding, a payment of cash collateral into a cash collateral account opened by the Administrative Agent, for the benefit of the Lenders in an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit (such cash collateral to be applied in accordance with Section 12.2(b)).

(c) Optional Prepayments. The Borrower may at any time and from time to time prepay, without premium or penalty (except for amounts due under Section 5.9 hereof), Revolving Credit Loans and Swingline Loans, in whole or in part, with irrevocable prior written notice to the Administrative Agent substantially in the form of EXHIBIT D (a "Notice of Prepayment") given not later than 12:00 p.m. (i) on the same Business Day as each Base Rate Loan and each Swingline Loan and (ii) at least three (3) Business Days before each LIBOR Rate Loan, specifying the date and amount of prepayment and whether the prepayment is of LIBOR Rate Loans, Base Rate Loans, Swingline Loans or a combination thereof, and, if of a combination thereof, the amount allocable to each. Upon receipt of such notice, the Administrative Agent shall promptly notify each Lender. If any such notice is given, the amount specified in such notice shall be due and payable on the date set forth in such notice. Partial prepayments shall be in an aggregate amount of \$1,000,000 or a whole multiple of \$100,000 in excess thereof with respect to Base Rate Loans (other than Swingline Loans), \$1,000,000 or a whole multiple of \$500,000 in excess thereof with respect to LIBOR Rate Loans and \$100,000 or a whole multiple of \$100,000 in excess thereof with respect to Swingline Loans. A Notice of Prepayment received after 12:00 p.m. shall be deemed received on the next Business Day. Each such repayment shall be accompanied by any amount required to be paid pursuant to Section 5.9 hereof.

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(d) Limitation on Prepayment of LIBOR Rate Loans. The Borrower may not prepay any LIBOR Rate Loan on any day other than on the last day of the Interest Period applicable thereto unless such prepayment is accompanied by any amount required to be paid pursuant to Section 5.9 hereof.

(e) Hedging Agreements. No repayment or prepayment pursuant to this Section shall affect any of the Borrower's obligations under any Hedging Agreement.

SECTION 2.5 Permanent Reduction of the Revolving Credit Commitment.

(a) Voluntary Reduction. The Borrower shall have the right at any time and from time to time, upon at least five (5) Business Days prior written notice to the Administrative Agent, to permanently reduce, without premium or penalty, (i) the entire Revolving Credit Commitment at any time or (ii) portions of the Revolving Credit Commitment, from time to time, in an aggregate principal amount not less than \$3,000,000 or any whole multiple of \$1,000,000 in excess thereof. Any reduction of the Revolving Credit Commitments shall be applied to the Revolving Credit Commitment of each Revolving Credit Lender according to its Revolving Credit Commitment Percentage. All commitment fees accrued until the effective date of any termination of the Revolving Credit Commitments shall be paid on the effective date of such termination.

(b) Corresponding Payment. Each permanent reduction permitted pursuant to Section 2.5(a) or required pursuant to Section 2.4(b) shall be accompanied by a payment of principal sufficient to reduce the aggregate outstanding Revolving Credit Loans, Swingline Loans and L/C Obligations, as applicable, after such reduction to the Revolving Credit Commitment as so reduced and if the Revolving Credit Commitment as so reduced is less than the aggregate amount of all outstanding Letters of Credit, the Borrower shall be required to deposit cash collateral in a cash collateral account opened by the Administrative Agent in an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Such cash collateral shall be applied in accordance with Section 12.2(b). Any reduction of the Revolving Credit Commitment to zero shall be accompanied by payment of all outstanding Revolving Credit Loans and Swingline Loans (and furnishing of cash collateral satisfactory to the Administrative Agent for all L/C Obligations) and shall result in the termination of the Revolving Credit Commitment and the Swingline Commitment and the Revolving Credit Facility. Such cash collateral shall be applied in accordance with Section 12.2(b). If the reduction of the Revolving Credit Commitment requires the repayment of any LIBOR Rate Loan, such repayment shall be accompanied by any amount required to be paid pursuant to Section 5.9 hereof.

SECTION 2.6 Termination of Revolving Credit Facility. The Revolving Credit Facility shall terminate on the Revolving Credit Maturity Date.

SECTION 2.7 Increase in Revolving Credit Commitment.

(a) Subject to the conditions set forth below, at any time prior to the Revolving Credit Maturity Date, the Borrower, shall have the right upon not less than thirty (30) days' prior written notice (an "Incremental Revolving Credit Commitment Notification") to the

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Administrative Agent to increase the Revolving Credit Commitment in an aggregate principal amount as may be specified by the Borrower. Such Incremental Revolving Credit Commitment Notification shall specify the applicable Incremental Revolving Credit Commitment Effective Date. The Borrower shall not deliver more than four (4) Incremental Revolving Credit Commitment Notifications during the term of this Agreement.

(b) Increases in the Revolving Credit Commitment pursuant to this Section 2.7 shall be obtained from existing Lenders or from other banks, financial institutions or investment funds that qualify as Eligible Assignees (each such other bank, financial institution or investment fund, a "New Revolving Lender" and, collectively with the existing Lenders providing a portion of the proposed increase in the Revolving Credit Commitment pursuant to this Section 2.7, the "Incremental Revolving Credit Lenders"), in each case in accordance with this Section 2.7; provided that no existing Lender shall have any obligation to increase its Revolving Credit Commitment pursuant to this Section 2.7 and the failure by any existing Lender to respond to a request for such increase shall be deemed to be a refusal of such request by such existing Lender.

(c) The following terms and conditions shall apply to each increase in the Revolving Credit Commitment pursuant to this Section 2.7:

(i) such increase in the Revolving Credit Commitment pursuant to this Section 2.7 (and any Revolving Credit Loans made thereunder) shall constitute Obligations of the Borrower and shall be secured and guaranteed with the other Extensions of Credit on a pari passu basis;

(ii) the Borrower shall, upon the request of any Incremental Revolving Credit Lender, execute such Revolving Credit Notes as are necessary to reflect such Incremental Revolving Credit Lender's Revolving Credit Commitment;

(iii) the Administrative Agent and the Lenders shall have received from the Borrower an Officer's Compliance Certificate, in form and substance reasonably satisfactory to the Administrative Agent, demonstrating that, as of the applicable Incremental Revolving Credit Commitment Effective Date and after giving effect thereto and any Extensions of Credit made or to be made in connection therewith, the Borrower and its Subsidiaries are in pro forma compliance with the financial covenants set forth in Article X;

(iv) no Default or Event of Default shall have occurred and be continuing as of the applicable Incremental Revolving Credit Commitment Effective Date or after giving effect to such increase in the Revolving Credit Commitment pursuant to this Section 2.7;

(v) the representations and warranties made by each Credit Party in this Agreement and the other Loan Documents shall be true and correct on and as of the applicable Incremental Revolving Credit Commitment Effective Date with the same effect as if made on and as of such date (other than those representations and warranties that by their terms speak as of a particular date, which representations and warranties shall be true and correct as of such particular date);

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(vi) the Administrative Agent shall have received a resolution duly adopted by the board of directors of each Credit Party authorizing such increase in the Revolving Credit Commitment pursuant to this Section 2.7;

(vii) in no event shall the aggregate amount of all increases in the Revolving Credit Commitment pursuant to this Section 2.7 (including the requested increase) plus the aggregate principal amount of all Incremental Term Loans made pursuant to Section 4.1 exceed \$50,000,000,

(viii) the amount of such increase in the Revolving Credit Commitment pursuant to this Section 2.7 shall not be less than a minimum principal amount of \$15,000,000, or, if less, the remaining amount permitted pursuant to clause (vii) above;

(ix) the Borrower and each Incremental Revolving Credit Lender shall execute and deliver a Lender Addition and Acknowledgement Agreement to the Administrative Agent for its acceptance and recording in the Register, which shall be acknowledged by the Administrative Agent and each Guarantor and shall be in form and substance reasonably satisfactory to the Administrative Agent;

(x) the Administrative Agent shall have received any documents or information in connection with such increase in the Revolving Credit Commitment pursuant to this Section 2.7 as it may request in its reasonable discretion; and

(xi) the outstanding Revolving Credit Loans and Revolving Credit Commitment Percentages of L/C Obligations will be reallocated by the Administrative Agent on the applicable Incremental Revolving Credit Commitment Effective Date among the Lenders in accordance with their revised Revolving Credit Commitment Percentages (and the Lenders agree to make all payments and adjustments necessary to effect such reallocation and the Borrower shall pay any and all costs required pursuant to Section 5.9 in connection with such reallocation as if such reallocation were a repayment).

(d) Notwithstanding the provisions of Section 14.2 to the contrary, the Administrative Agent is hereby authorized to execute and deliver amendment documentation evidencing such amendments (or any other amendments necessary to effectuate the proposed increase in the Revolving Credit Commitment pursuant to this Section 2.7 on the terms set forth above) on behalf of the Lenders; provided that such amendment shall not modify this Agreement or any other Loan Document in any manner materially adverse to any Lender without the consent of such Lenders adversely affected thereby in accordance with Section 14.2 hereof.

(e) Upon the execution, delivery, acceptance and recording of the applicable Lender Addition and Acknowledgment Agreement, from and after the applicable Incremental Revolving Credit Commitment Effective Date, (i) each Incremental Revolving Credit Lender shall have a Revolving Credit Commitment as set forth in the Register and all the rights and obligations of a Lender with a Revolving Credit Commitment hereunder and (ii) all Revolving Credit Loans made on account of any increase in the Revolving Credit Commitment pursuant to this Section 2.7 shall bear interest at the rate applicable to the Revolving Credit Loans immediately prior to giving effect to such increase in the Revolving Credit Commitment pursuant to this Section 2.7.

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(f) The Administrative Agent shall maintain a copy of each Lender Addition and Acknowledgment Agreement delivered to it in accordance with Section 14.10(c).

ARTICLE III

LETTER OF CREDIT FACILITY

SECTION 3.1 L/C Commitment. Subject to the terms and conditions hereof, the Issuing Lender, in reliance on the agreements of the other Lenders set forth in Section 3.4(a), agrees to issue standby letters of credit ("Letters of Credit") for the account of the Borrower on any Business Day from the Closing Date through but not including the Revolving Credit Maturity Date in such form as may be approved from time to time by the Issuing Lender; provided, that the Issuing Lender shall have no obligation to issue any Letter of Credit if, after giving effect to such issuance, (a) the L/C Obligations would exceed the L/C Commitment or (b) the aggregate principal amount of outstanding Revolving Credit Loans, plus the aggregate principal amount of outstanding Swingline Loans, plus the aggregate amount of L/C Obligations would exceed the Revolving Credit Commitment. Each Letter of Credit shall (i) be denominated in Dollars in a minimum amount of \$100,000, or such lesser amount as is acceptable to the Issuing Lender, (ii) be a standby letter of credit issued to support obligations of the Borrower or any of its Subsidiaries, contingent or otherwise, incurred in the ordinary course of business, (iii) expire (including all rights of the Borrower or the beneficiary to require renewal thereof) on a date no more than twelve (12) months after the date of issuance or last renewal of such Letter of Credit, which date shall be no later than the fifth (5th) Business Day prior to the Revolving Credit Maturity Date but a Letter of Credit may by its terms be automatically renewable annually unless the Issuing Lender notifies the beneficiary thereof of its election not to renew such Letter of Credit (which the Issuing Lender agrees to do on and subject to the terms of Section 3.2(b)) and (iv) be subject to the Uniform Customs and/or ISP98, as set forth in the Letter of Credit Application or as determined by the Issuing Lender and, to the extent not inconsistent therewith, the laws of the State of New York. The Issuing Lender shall not at any time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause the Issuing Lender or any L/C Participant to exceed any limits imposed by, any Applicable Law. References herein to "issue" and derivations thereof with respect to Letters of Credit shall also include extensions or modifications of any outstanding Letters of Credit, unless the context otherwise requires.

SECTION 3.2 Procedure for Issuance of Letters of Credit/Automatic Renewal.

(a) The Borrower may from time to time request that the Issuing Lender issue a Letter of Credit by delivering to the Issuing Lender at the Administrative Agent's Office a Letter of Credit Application therefor, completed to the satisfaction of the Issuing Lender, and such other certificates, documents and other papers and information as the Issuing Lender may request. Upon receipt of any Letter of Credit Application, the Issuing Lender shall process such Letter of Credit Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall, subject to Section 3.1 and Article VI, promptly issue the Letter of Credit requested thereby (but in no event shall the Issuing Lender be required to issue any Letter of Credit earlier than three (3) Business Days after its receipt of the Letter of Credit Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original

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of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed by the Issuing Lender and the Borrower. The Issuing Lender shall promptly furnish to the Borrower a copy of such Letter of Credit and promptly notify each Lender of the issuance and upon request by any Lender, furnish to such Lender a copy of such Letter of Credit and the amount of such Lender's participation therein.

(b) If any Letter of Credit shall provide for the automatic renewal of the expiry date thereof, unless the Issuing Lender gives notice that such expiry date shall not be renewed, then the Issuing Lender shall allow such Letter of Credit to be renewed unless it shall have received, at least fifteen (15) days prior to the date on which such notice of nonrenewal must be delivered under such Letter of Credit (or such shorter period acceptable to the Issuing Lender) (i) notice from the Administrative Agent that such Issuing Lender is not permitted pursuant to this Agreement to renew such Letter of Credit (or Letters of Credit generally), or (ii) notice from the Borrower that it does not want the Issuing Lender to renew such Letter of Credit.

SECTION 3.3 Commissions and Other Charges.

(a) Letter of Credit Commissions. The Borrower shall pay to the Administrative Agent, for the account of the Issuing Lender and the L/C Participants, a letter of credit commission with respect to each Letter of Credit in an amount equal to the face amount of such Letter of Credit multiplied by the Applicable Margin with respect to Revolving Credit Loans that are LIBOR Rate Loans (determined on a per annum basis). Such commission shall be payable quarterly in arrears on the last Business Day of each calendar quarter commencing with the first such date to occur after the issuance of such Letter of Credit, on the Revolving Credit Maturity Date and thereafter on demand of the Administrative Agent. The Administrative Agent shall, promptly following its receipt thereof, distribute to the Issuing Lender and the L/C Participants all commissions received pursuant to this Section in accordance with their respective Revolving Credit Commitment Percentages.

(b) Issuance Fee. In addition to the foregoing commission, the Borrower shall pay to the Administrative Agent, for the account of the Issuing Lender, an issuance fee with respect to each Letter of Credit in an amount equal to the face amount of such Letter of Credit multiplied by one eighth of one percent (0.125%) per annum. Such issuance fee shall be payable quarterly in arrears on the last Business Day of each calendar quarter commencing with the first such date to occur after the issuance of such Letter of Credit, on the Revolving Credit Maturity Date and thereafter on demand of the Administrative Agent.

(c) Other Costs. In addition to the foregoing fees and commissions, the Borrower shall pay or reimburse the Issuing Lender for such normal and customary costs and expenses as are reasonably incurred or charged by the Issuing Lender in issuing, effecting payment under, amending or otherwise administering any Letter of Credit.

SECTION 3.4 L/C Participations.

(a) The Issuing Lender irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce the Issuing Lender to issue Letters of Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the

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Issuing Lender, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's Revolving Credit Commitment Percentage in the Issuing Lender's obligations and rights under and in respect of each Letter of Credit issued hereunder and the amount of each draft paid by the Issuing Lender thereunder. Each L/C Participant unconditionally and irrevocably agrees with the Issuing Lender that, if a draft is paid under any Letter of Credit for which the Issuing Lender is not reimbursed in full by the Borrower through a Revolving Credit Loan or otherwise in accordance with the terms of this Agreement, such L/C Participant shall pay to the Issuing Lender upon demand at the Issuing Lender's address for notices specified herein an amount equal to such L/C Participant's Revolving Credit Commitment Percentage of the amount of such draft, or any part thereof, which is not so reimbursed.

(b) Upon becoming aware of any amount required to be paid by any L/C Participant to the Issuing Lender pursuant to Section 3.4(a) in respect of any unreimbursed portion of any payment made by the Issuing Lender under any Letter of Credit, the Issuing Lender shall notify each L/C Participant of the amount and due date of such required payment and such L/C Participant shall pay to the Issuing Lender the amount specified on the applicable due date. If any such amount is paid to the Issuing Lender after the date such payment is due, such L/C Participant shall pay to the Issuing Lender on demand, in addition to such amount, the product of (i) such amount, times (ii) the daily average Federal Funds Rate as determined by the Administrative Agent during the period from and including the date such payment is due to the date on which such payment is immediately available to the Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. A certificate of the Issuing Lender with respect to any amounts owing under this Section shall be conclusive in the absence of manifest error. With respect to payment to the Issuing Lender of the unreimbursed amounts described in this Section, if the L/C Participants receive notice that any such payment is due (A) prior to 2:00 p.m. on any Business Day, such payment shall be due that Business Day, and (B) after 2:00 p.m. on any Business Day, such payment shall be due on the following Business Day.

(c) Whenever, at any time after the Issuing Lender has made payment under any Letter of Credit and has received from any L/C Participant its Revolving Credit Commitment Percentage of such payment in accordance with this Section, the Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise), or any payment of interest on account thereof, the Issuing Lender will distribute to such L/C Participant its pro rata share thereof; provided, that in the event that any such payment received by the Issuing Lender shall be required to be returned by the Issuing Lender, such L/C Participant shall return to the Issuing Lender the portion thereof previously distributed by the Issuing Lender to it.

SECTION 3.5 Reimbursement Obligation of the Borrower. In the event of any drawing under any Letter of Credit, the Borrower agrees to reimburse (either with the proceeds of a Revolving Credit Loan as provided for in this Section or with funds from other sources), in same day funds, the Issuing Lender on each date on which the Issuing Lender notifies the Borrower of the date and amount of a draft paid under any Letter of Credit for the amount of (a) such draft so paid and (b) any amounts referred to in Section 3.3(c) incurred by the Issuing Lender in connection with such payment. Unless the Borrower shall immediately notify the Issuing Lender

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that the Borrower intends to reimburse the Issuing Lender for such drawing from other sources or funds, the Borrower shall be deemed to have timely given a Notice of Borrowing to the Administrative Agent requesting that the Revolving Credit Lenders make a Revolving Credit Loan bearing interest at the Base Rate on such date in the amount of (a) such draft so paid and (b) any amounts referred to in Section 3.3(c) incurred by the Issuing Lender in connection with such payment, and the Revolving Credit Lenders shall make a Revolving Credit Loan bearing interest at the Base Rate in such amount, the proceeds of which shall be applied to reimburse the Issuing Lender for the amount of the related drawing and costs and expenses. Each Revolving Credit Lender acknowledges and agrees that its obligation to fund a Revolving Credit Loan in accordance with this Section to reimburse the Issuing Lender for any draft paid under a Letter of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, non-satisfaction of the conditions set forth in Section 2.3(a) or Article VI. If the Borrower has elected to pay the amount of such drawing with funds from other sources and shall fail to reimburse the Issuing Lender as provided above, the unreimbursed amount of such drawing shall bear interest at the rate which would be payable on any outstanding Base Rate Loans which were then overdue from the date such amounts become payable (whether at stated maturity, by acceleration or otherwise) until payment in full.

SECTION 3.6 Obligations Absolute. The Borrower's obligations under this Article III (including, without limitation, the Reimbursement Obligation) shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment which the Borrower may have or have had against the Issuing Lender or any beneficiary of a Letter of Credit or any other Person. The Borrower also agrees that the Issuing Lender and the L/C Participants shall not be responsible for, and the Borrower's Reimbursement Obligation under Section 3.5 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged (unless caused by the Issuing Lender's gross negligence or willful misconduct, as determined by a court of competent jurisdiction by final nonappealable judgment), or any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee. The Issuing Lender shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions caused by the Issuing Lender's gross negligence or willful misconduct, as determined by a court of competent jurisdiction by final nonappealable judgment. The Borrower agrees that any action taken or omitted by the Issuing Lender under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct shall be binding on the Borrower and shall not result in any liability of the Issuing Lender or any L/C Participant to the Borrower. The responsibility of the Issuing Lender to the Borrower in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are in conformity with such Letter of Credit.

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SECTION 3.7 Effect of Letter of Credit Application. To the extent that any provision of any Letter of Credit Application related to any Letter of Credit is inconsistent with the provisions of this Article III, the provisions of this Article III shall apply.

ARTICLE IV

INCREMENTAL TERM LOAN FACILITY

SECTION 4.1 Incremental Term Loans.

(a) Subject to the conditions set forth below, at any time prior to the Revolving Credit Maturity Date, the Borrower, shall have the right upon not less than thirty (30) days' prior written notice (an "Incremental Term Loan Notification") to the Administrative Agent to request Incremental Term Loans in an aggregate principal amount as may be specified by the Borrower. Such Incremental Term Loan Notification shall specify the applicable Incremental Term Loan Effective Date, and on such date, the Borrower shall deliver a Notice of Borrowing with respect to such Incremental Term Loan. The Borrower shall not deliver more than two (2) Incremental Term Loan Notifications during the term of this Agreement.

(b) Each Incremental Term Loan shall be obtained from existing Lenders or from other banks, financial institutions or investment funds that qualify as Eligible Assignees (each such other bank, financial institution or investment fund, a "New Term Lender" and, collectively with the existing Lenders providing an Incremental Term Loan Commitment with respect to such Incremental Term Loan, the "Incremental Term Loan Lenders"), in each case in accordance with this Section 4.1; provided that no existing Lender shall have any obligation to provide any portion of such Incremental Term Loan and the failure by any existing Lender to respond to a request for an Incremental Term Loan shall be deemed to be a refusal of such request by such existing Lender.

(c) The following terms and conditions shall apply to each Incremental Term Loan:

(i) such Incremental Term Loan shall constitute Obligations of the Borrower and shall be secured and guaranteed with the other Extensions of Credit on a pari passu basis;

(ii) the Borrower shall, upon the request of any Incremental Term Loan Lender, execute such Incremental Term Notes as are necessary to reflect the Incremental Term Loan of such Incremental Term Loan Lender;

(iii) the Administrative Agent and the Lenders shall have received from the Borrower an Officer's Compliance Certificate, in form and substance reasonably satisfactory to the Administrative Agent, demonstrating that, as of the applicable Incremental Term Loan Effective Date and after giving effect thereto and any Extensions of Credit made or to be made in connection therewith, the Borrower and its Subsidiaries are in pro forma compliance with the financial covenants set forth in Article X;

(iv) no Default or Event of Default shall have occurred and be continuing as of the applicable Incremental Term Loan Effective Date or after giving effect to the making of any such Incremental Term Loan;

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(v) the representations and warranties made by each Credit Party in this Agreement and the other Loan Documents shall be true and correct on and as of the applicable Incremental Term Loan Effective Date with the same effect as if made on and as of such date (other than those representations and warranties that by their terms speak as of a particular date, which representations and warranties shall be true and correct as of such particular date);

(vi) the Administrative Agent shall have received a resolution duly adopted by the board of directors of each Credit Party authorizing such Incremental Term Loan;

(vii) in no event shall the aggregate principal amount of all Incremental Term Loans made pursuant to this Section 4.1 (including the requested Incremental Term Loans) plus the aggregate amount of all increases in the Revolving Credit Commitment pursuant to Section 2.7 exceed \$50,000,000,

(viii) the amount of such Incremental Term Loan obtained hereunder shall not be less than a minimum principal amount of \$25,000,000, or, if less, the remaining amount permitted pursuant to clause (vii) above;

(ix) the Borrower and each Incremental Term Loan Lender shall execute and deliver an Incremental Term Loan Agreement to the Administrative Agent, for its acceptance and recording in the Register, which shall be acknowledged by the Administrative Agent and each Guarantor and shall be in form and substance reasonably satisfactory to the Administrative Agent; and

(x) the Administrative Agent shall have received any documents or information in connection with such Incremental Term Loan as it may request in its reasonable discretion.

(d) Notwithstanding the provisions of Section 14.2 to the contrary, the Administrative Agent is hereby authorized to execute and deliver amendment documentation evidencing such amendments (or any other amendments necessary to effectuate the Incremental Term Loan on the terms set forth above) on behalf of the Lenders; provided that such amendment shall not modify this Agreement or any other Loan Document in any manner materially adverse to any Lender without the consent of such Lenders adversely affected thereby in accordance with Section 14.2 hereof.

(e) Upon the execution, delivery, acceptance and recording of the applicable Incremental Term Loan Agreement, from and after the applicable Incremental Term Loan Effective Date, each Incremental Term Loan Lender shall have an Incremental Term Loan Commitment as set forth in the Register and all the rights and obligations of a Lender with such an Incremental Term Loan Commitment hereunder. The applicable Incremental Term Loan Lenders shall make the Incremental Term Loan to the Borrower on the applicable Incremental Term Loan Effective Date in an amount equal to the Incremental Term Loan Commitment of each Incremental Term Loan Lender with respect to such Incremental Term Loan as agreed upon pursuant to subsection (b) above.

(f) The Administrative Agent shall maintain a copy of each Incremental Term Loan Agreement delivered to it in accordance with Section 14.10(c).

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(g) The Applicable Margin and pricing grid, if applicable, for any proposed Incremental Term Loan shall be determined on the applicable Incremental Term Loan Effective Date. In addition, an amortization schedule shall be prepared by the Administrative Agent in accordance with the terms of Section 4.2(a) to provide for the repayment of the applicable Incremental Term Loan.

SECTION 4.2 Repayment of Incremental Term Loans.

(a) Repayment. The Borrower shall repay the aggregate outstanding principal amount of each Incremental Term Loan (if any) in consecutive quarterly installments on the last Business Day of each of March, June, September and December commencing with the first full calendar quarter ending after the applicable Incremental Term Loan Effective Date, in the following amounts (which amounts shall be calculated on the applicable Incremental Term Loan Effective Date); provided that in no event will any Incremental Term Loan mature prior to the Revolving Credit Maturity Date:

(i) as of any fiscal quarter end occurring prior to the Revolving Credit Maturity Date, an amount equal to one-quarter of one percent (0.25%) of the original principal amount of such Incremental Term Loans; and

(ii) as of any fiscal quarter end occurring on or after the Revolving Credit Maturity Date, such as is mutually agreed upon by the Borrower, and the applicable Incremental Term Loan Lenders; provided that no Incremental Term Loan shall be permitted to have a shorter average life to maturity than any outstanding Incremental Term Loan;

provided, further that (i) the Incremental Term Loans shall be paid in full, together with accrued interest thereon, on the applicable Incremental Term Loan Maturity Date and (ii) the amounts of individual installments may be adjusted pursuant to Section 4.3 hereof

(b) No Reborrowing. Amounts repaid pursuant to this Section 4.2 may not be reborrowed and will constitute a permanent reduction of the applicable Incremental Term Loan and the Incremental Term Loan Commitment.

SECTION 4.3 Prepayments of Incremental Term Loans, Revolving Credit Loans and Swingline Loans.

(a) Optional Prepayments. The Borrower shall have the right at any time and from time to time, without premium or penalty, to prepay the Incremental Term Loan, in whole or in part, upon delivery to the Administrative Agent of a Notice of Prepayment not later than 11:00 a.m. (i) on the same Business Day as each Base Rate Loan and (ii) at least three (3) Business Days before each LIBOR Rate Loan, specifying the date and amount of repayment and whether the repayment is of LIBOR Rate Loans or Base Rate Loans or a combination thereof, and, if of a combination thereof, the amount allocable to each. Each optional prepayment of the Incremental Term Loan hereunder shall be in an aggregate principal amount of at least \$1,000,000 or any whole multiple of \$500,000 in excess thereof and shall be applied, on a pro rata basis, to the outstanding scheduled principal installments of any Incremental Term Loan. Each repayment shall be accompanied by any amount required to be paid pursuant to Section 5.9 hereof. A

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Notice of Prepayment received after 11:00 a.m. shall be deemed received on the next Business Day. The Administrative Agent shall promptly notify the Lenders of each Notice of Prepayment.

(b) Mandatory Prepayments.

(i) Debt Issuances. The Borrower shall prepay the Loans and/or cash collateralize the L/C Obligations in the manner set forth in clause (v) below in amounts equal to one hundred percent (100%) of the aggregate Net Cash Proceeds from any Debt Issuance not otherwise permitted pursuant to Section 11.1 by the Borrower or any of its Subsidiaries or other Indebtedness not permitted pursuant to this Agreement. Such prepayment shall be made within three (3) Business Days after the date of receipt of the Net Cash Proceeds of any such transaction.

(ii) Equity Issuances. The Borrower shall prepay the Loans and/or cash collateralize the L/C Obligations in the manner set forth in clause (v) below in amounts equal to one hundred percent (100%) of the aggregate Net Cash Proceeds from any Equity Issuance by the Borrower or any of its Subsidiaries other than the exercise price on stock options or warrants; provided, that so long as no Event of Default has occurred and is continuing, no prepayments shall be required from the Net Cash Proceeds from Equity Issuances the proceeds of which are used to finance a Permitted Acquisition. Such prepayment shall be made within three (3) Business Days after the date of receipt of the Net Cash Proceeds of any such transaction.

(iii) Asset Dispositions. The Borrower shall prepay the Loans and/or cash collateralize the L/C Obligations in the manner set forth in clause (v) below in amounts equal to one hundred percent (100%) of the aggregate Net Cash Proceeds from any Asset Disposition by the Borrower or any of its Subsidiaries. Such prepayments shall be made within three (3) Business Days after receipt of the Net Cash Proceeds of any such transaction by the Borrower or any of its Subsidiaries; provided that, so long as no Default or Event of Default has occurred and is continuing, no prepayments shall be required hereunder (A) in connection with up to \$1,000,000 of aggregate Net Cash Proceeds from Asset Dispositions by the Borrower or any of its Subsidiaries which is reinvested within one hundred eighty (180) days after receipt of such Net Cash Proceeds by the Borrower or any of its Subsidiaries in other assets used in the business of the Borrower, or (B) in connection with Asset Dispositions permitted pursuant to Section 11.5(a), (b), (c), (d) and (e).

(iv) Insurance and Condemnation Events. The Borrower shall prepay the Loans and/or cash collateralize the L/C Obligations in the manner set forth in clause (v) below in amounts equal to one hundred percent (100%) of the aggregate Net Cash Proceeds from any Insurance and Condemnation Event by the Borrower or any of its Subsidiaries. Such prepayments shall be made within three (3) Business Days after receipt of Net Cash Proceeds of any such transaction by the Borrower or any of its Subsidiaries; provided that, so long as no Default or Event of Default has occurred and is continuing, no prepayments shall be required hereunder in connection with up to \$1,000,000 of aggregate Net Cash Proceeds from Insurance and Condemnation Events by the Borrower or any of its Subsidiaries which is reinvested within one hundred eighty (180) days after receipt of such Net Cash Proceeds by the Borrower or any of its Subsidiaries in other assets used in the business of the Borrower.

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(v) Notice; Manner of Payment. Upon the occurrence of any event triggering the prepayment requirement under clauses (i) through and including (iv) above, the Borrower shall promptly deliver a Notice of Prepayment to the Administrative Agent and upon receipt of such notice, the Administrative Agent shall promptly so notify the Lenders. Each prepayment of the Loans under this Section shall be applied first, to reduce on a pro rata basis the remaining scheduled amortization payments of the Incremental Term Loans and second, to the extent of any excess, to repay the Revolving Credit Loans (provided that, solely with respect to the portion of any such mandatory prepayment allocable to the Revolving Credit Loans, no prepayments will be required if (a) no Default or Event of Default has occurred and is continuing and (b) after giving pro forma effect to such prepayment (together with the underlying transaction giving rise thereto), the Borrower would be permitted under the terms of this Agreement to immediately re-borrow the amount of such mandatory prepayment).

Amounts prepaid under the Incremental Term Loans pursuant to this Section may not be reborrowed. Each prepayment shall be accompanied by any amount required to be paid pursuant to Section 5.9.

ARTICLE V

GENERAL LOAN PROVISIONS

SECTION 5.1 Interest.

(a) Interest Rate Options. Subject to the provisions of this Section, at the election of the Borrower, (i) Revolving Credit Loans and the Incremental Term Loans shall bear interest at (A) the Base Rate plus the Applicable Margin or (B) the LIBOR Rate plus the Applicable Margin and (ii) any Swingline Loan shall bear interest at the Base Rate plus the Applicable Margin. Any Incremental Term Loan shall bear interest as set forth in Section 4.1(g). The Borrower shall select the rate of interest and Interest Period, if any, applicable to any Loan at the time a Notice of Borrowing is given or at the time a Notice of Conversion/Continuation is given pursuant to Section 5.2. Any Loan or any portion thereof as to which the Borrower has not duly specified an interest rate as provided herein shall be deemed a Base Rate Loan.

(b) Interest Periods. In connection with each LIBOR Rate Loan, the Borrower, by giving notice at the times described in Section 2.3 or 5.2, as applicable, shall elect an interest period (each, an "Interest Period") to be applicable to such Loan, which Interest Period shall be a period of one (1), two (2), three (3), or six (6) months; provided that:

(i) the Interest Period shall commence on the date of advance of or conversion to any LIBOR Rate Loan and, in the case of immediately successive Interest Periods, each successive Interest Period shall commence on the date on which the immediately preceding Interest Period expires;

(ii) if any Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided, that if any Interest Period with respect to a LIBOR Rate Loan would otherwise expire on a day

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that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the immediately preceding Business Day;

(iii) any Interest Period with respect to a LIBOR Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the relevant calendar month at the end of such Interest Period;

(iv) no Interest Period shall extend beyond the Revolving Credit Maturity Date or Incremental Term Loan Maturity Date, as applicable, and Interest Periods shall be selected by the Borrower so as to permit the Borrower to make the quarterly principal installment payments pursuant to Section 4.2 without payment of any amounts pursuant to Section 5.9; and

(v) there shall be no more than six (6) Interest Periods in effect at any time.

(c) Default Rate. Subject to Section 12.3, (i) immediately upon the occurrence and during the continuance of an Event of Default under Section 12.1(a), (b), (j) or (k), or (ii) at the election of the Required Lenders, upon the occurrence and during the continuance of any other Event of Default, (A) the Borrower shall no longer have the option to request LIBOR Rate Loans or, Swingline Loans or Letters of Credit, (B) all outstanding LIBOR Rate Loans shall bear interest at a rate per annum of two percent (2%) in excess of the rate then applicable to LIBOR Rate Loans until the end of the applicable Interest Period and thereafter at a rate equal to two percent (2%) in excess of the rate then applicable to Base Rate Loans, and (C) all outstanding Base Rate Loans and other Obligations arising hereunder or under any other Loan Document shall bear interest at a rate per annum equal to two percent (2%) in excess of the rate then applicable to Base Rate Loans or such other Obligations arising hereunder or under any other Loan Document. Interest shall continue to accrue on the Obligations after an Event of Default set forth in Section 12.1(j) or 12.1(k) hereunder has occurred.

(d) Interest Payment and Computation. Interest on each Base Rate Loan shall be due and payable in arrears on the last Business Day of each calendar quarter commencing December 31, 2005; and interest on each LIBOR Rate Loan shall be due and payable on the last day of each Interest Period applicable thereto, and if such Interest Period extends over three (3) months, at the end of each three (3) month interval during such Interest Period. Interest on LIBOR Rate Loans and all fees payable hereunder shall be computed on the basis of a 360-day year and assessed for the actual number of days elapsed and interest on Base Rate Loans shall be computed on the basis of a 365/366-day year and assessed for the actual number of days elapsed.

(e) Maximum Rate. In no contingency or event whatsoever shall the aggregate of all amounts deemed interest under this Agreement charged or collected pursuant to the terms of this Agreement exceed the highest rate permissible under any Applicable Law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such a court determines that the Lenders have charged or received interest hereunder in excess of the highest applicable rate, the rate in effect hereunder shall automatically be reduced to the maximum rate permitted by Applicable Law and the Lenders shall at the Administrative Agent's option (i) promptly refund to the Borrower any interest received by the Lenders in excess of the maximum lawful rate or (ii) apply such excess to the principal balance of the Obligations on a

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pro rata basis. It is the intent hereof that the Borrower not pay or contract to pay, and that neither the Administrative Agent nor any Lender receive or contract to receive, directly or indirectly in any manner whatsoever, interest in excess of that which may be paid by the Borrower under Applicable Law.

SECTION 5.2 Notice and Manner of Conversion or Continuation of Loans. Provided that no Default or Event of Default has occurred and is then continuing, the Borrower shall have the option to (a) convert at any time following the third Business Day after the Closing Date all or any portion of any outstanding Base Rate Loans (other than Swingline Loans) in a principal amount equal to \$1,000,000 or any whole multiple of \$500,000 in excess thereof into one or more LIBOR Rate Loans and (b) upon the expiration of any Interest Period, (i) convert all or any part of its outstanding LIBOR Rate Loans in a principal amount equal to \$1,000,000 or a whole multiple of \$500,000 in excess thereof into Base Rate Loans (other than Swingline Loans) or (ii) continue such LIBOR Rate Loans as LIBOR Rate Loans. Whenever the Borrower desires to convert or continue Loans as provided above, the Borrower shall give the Administrative Agent irrevocable prior written notice in the form attached as EXHIBIT E (a "Notice of Conversion/Continuation") not later than 12:00 p.m. three (3) Business Days before the day on which a proposed conversion or continuation of such Loan is to be effective specifying (A) the Loans to be converted or continued, and, in the case of any LIBOR Rate Loan to be converted or continued, the last day of the Interest Period therefor, (B) the effective date of such conversion or continuation (which shall be a Business Day), (C) the principal amount of such Loans to be converted or continued, and (D) the Interest Period to be applicable to such converted or continued LIBOR Rate Loan. The Administrative Agent shall promptly notify the Lenders of such Notice of Conversion/Continuation.

SECTION 5.3 Fees.

(a) Commitment Fee. Commencing on the Closing Date, the Borrower shall pay to the Administrative Agent, for the account of the Revolving Credit Lenders, a non-refundable commitment fee at a rate per annum determined by reference to the pricing grid set forth below (the "Commitment Fee Rate") on the average daily unused portion of the Revolving Credit Commitment; provided, that the amount of outstanding Swingline Loans shall not be considered usage of the Revolving Credit Commitment for the purpose of calculating such commitment fee. The commitment fee shall be payable in arrears on the last Business Day of each calendar quarter during the term of this Agreement commencing December 31, 2005, and ending on the Revolving Credit Maturity Date. Such commitment fee shall be distributed by the Administrative Agent to the Revolving Credit Lenders pro rata in accordance with the Lenders' respective Revolving Credit Commitment Percentages. The Commitment Fee Rate shall be based upon the table set forth below and shall be determined and adjusted quarterly, and shall be effective on, each Calculation Date; provided, however, that (i) the initial Commitment Fee Rate shall be at Pricing Level II (as shown below) and shall remain at Pricing Level II until the first Calculation Date occurring after the fiscal quarter ending December 31, 2005 and thereafter the Pricing Level shall be determined by reference to the Consolidated Total Leverage Ratio as of the last day of the most recently ended Fiscal Quarter of the Borrower preceding the applicable Calculation Date, and (ii) if the Borrower fails to provide the Officer's Compliance Certificate as required by Section 8.2 for the most recently ended Fiscal Quarter of the Borrower preceding the applicable Calculation Date, the Commitment Fee Rate from such Calculation Date shall be

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based on Pricing Level IV (as shown below) until such time as an appropriate Officer's Compliance Certificate is provided, at which time the Pricing Level shall be determined by reference to the Consolidated Total Leverage Ratio as of the last day of the most recently ended Fiscal Quarter of the Borrower preceding such Calculation Date. The Commitment Fee Rate shall be effective from one Calculation Date until the next Calculation Date.

Pricing Level	Consolidated Total Leverage Ratio	Commitment Fee
I	Less than 0.75 to 1.00	0.25%
II	Greater than or equal to 0.75 to 1.00, but less than 1.25 to 1.00	0.25%
III	Greater than or equal to 1.25 to 1.00, but less than 1.75 to 1.00	0.375%
IV	Greater than or equal to 1.75 to 1.00	0.50%

(b) Administrative Agent's and Other Fees. In order to compensate the Administrative Agent for structuring and syndicating the Lenders for their obligations hereunder, the Borrower agrees to pay to the Administrative Agent, for the account of the Administrative Agent, the Lenders and their Affiliates, any fees set forth in the Fee Letter.

SECTION 5.4 Manner of Payment. Each payment by the Borrower on account of the principal of or interest on the Loans or of any fee, commission or other amounts (including the Reimbursement Obligation) payable to the Lenders under this Agreement shall be made not later than 1:00 p.m. on the date specified for payment under this Agreement to the Administrative Agent at the Administrative Agent's Office for the account of the Lenders (other than as set forth below) pro rata in accordance with their respective Commitment Percentages, (except as specified below), in Dollars, in immediately available funds and shall be made without any set-off, counterclaim or deduction whatsoever. Any payment received after such time but before 2:00 p.m. on such day shall be deemed a payment on such date for the purposes of Section 12.1, but for all other purposes shall be deemed to have been made on the next succeeding Business Day. Any payment received after 2:00 p.m. shall be deemed to have been made on the next succeeding Business Day for all purposes. Upon receipt by the Administrative Agent of each such payment, the Administrative Agent shall distribute to each Lender at its address for notices set forth herein its pro rata share of such payment in accordance with such Lender's Commitment Percentage, (except as specified below) and shall wire advice of the amount of such credit to each Lender. Each payment to the Administrative Agent of the Issuing Lender's fees or L/C Participants' commissions shall be made in like manner, but for the account of the Issuing Lender or the L/C Participants, as the case may be. Each payment to the Administrative Agent of Administrative Agent's fees or expenses shall be made for the account of the Administrative Agent and any amount payable to any Lender under Sections 5.9, 5.10, 5.11 or 14.3 shall be paid to the Administrative Agent for the account of the applicable Lender. Subject to Section 5.1(b)(ii) if any payment under this Agreement shall be specified to be made upon a day which is not a Business Day, it shall be made on the next succeeding day which is a Business

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Day and such extension of time shall in such case be included in computing any interest if payable along with such payment.

SECTION 5.5 Evidence of Indebtedness.

(a) Extensions of Credit. The Extensions of Credit made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Extensions of Credit made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrower shall execute and deliver to such Lender (through the Administrative Agent) a Revolving Credit Note, Incremental Term Note and/or Swingline Note, as applicable, which shall evidence such Lender's Revolving Credit Loans, Incremental Term Loan and/or Swingline Loans, as applicable, in addition to such accounts or records. Each Lender may attach schedules to its Notes and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

(b) Participations. In addition to the accounts and records referred to in subsection (a), each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit and Swingline Loans. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

SECTION 5.6 Adjustments. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other obligations hereunder resulting in such Lender's receiving payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other such obligations (other than pursuant to Sections 5.9, 5.10, 5.11 or 14.3 hereof) greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them; provided that

(a) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and

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(b) the provisions of this paragraph shall not be construed to apply to (x) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in Swingline Loans and Letters of Credit to any assignee or participant.

Each Credit Party consents to the foregoing and agrees, to the extent it may effectively do so under Applicable Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against each Credit Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of each Credit Party in the amount of such participation.

SECTION 5.7 Nature of Obligations of Lenders Regarding Extensions of Credit; Assumption by the Administrative Agent. The obligations of the Lenders under this Agreement to make the Loans and issue or participate in Letters of Credit are several and are not joint or joint and several. Unless the Administrative Agent shall have received notice from a Lender prior to a proposed borrowing date that such Lender will not make available to the Administrative Agent such Lender's ratable portion of the amount to be borrowed on such date (which notice shall not release such Lender of its obligations hereunder), the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the proposed borrowing date in accordance with Sections 2.3(b), and 4.1, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If such amount is made available to the Administrative Agent on a date after such borrowing date, such Lender shall pay to the Administrative Agent on demand an amount, until paid, equal to the product of (a) the amount not made available by such Lender in accordance with the terms hereof, times (b) the daily average Federal Funds Rate during such period as determined by the Administrative Agent, times (c) a fraction the numerator of which is the number of days that elapse from and including such borrowing date to the date on which such amount not made available by such Lender in accordance with the terms hereof shall have become immediately available to the Administrative Agent and the denominator of which is 360. A certificate of the Administrative Agent with respect to any amounts owing under this Section shall be conclusive, absent manifest error. If such Lender's Commitment Percentage of such borrowing is not made available to the Administrative Agent by such Lender within three (3) Business Days after such borrowing date, the Administrative Agent shall be entitled to recover such amount made available by the Administrative Agent with interest thereon at the rate per annum applicable to Base Rate Loans hereunder, on demand, from the Borrower. The failure of any Lender to make available its Commitment Percentage of any Loan requested by the Borrower shall not relieve it or any other Lender of its obligation, if any, hereunder to make its Commitment Percentage of such Loan available on the borrowing date, but no Lender shall be responsible for the failure of any other Lender to make its Commitment Percentage of such Loan available on the borrowing date.

SECTION 5.8 Changed Circumstances.

(a) Circumstances Affecting LIBOR Rate Availability. If with respect to any Interest Period the Administrative Agent or any Lender (after consultation with the Administrative Agent) shall determine that, by reason of circumstances affecting the foreign exchange and

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interbank markets generally, deposits in eurodollars, in the applicable amounts are not being quoted via the Telerate Page 3750 or offered to the Administrative Agent or such Lender for such Interest Period, then the Administrative Agent shall forthwith give notice thereof to the Borrower. Thereafter, until the Administrative Agent notifies the Borrower that such circumstances no longer exist, the obligation of the Lenders to make LIBOR Rate Loans and the right of the Borrower to convert any Loan to or continue any Loan as a LIBOR Rate Loan shall be suspended, and the Borrower shall repay in full (or cause to be repaid in full) the then outstanding principal amount of each such LIBOR Rate Loan together with accrued interest thereon, on the last day of the then current Interest Period applicable to such LIBOR Rate Loan or convert the then outstanding principal amount of each such LIBOR Rate Loan to a Base Rate Loan as of the last day of such Interest Period.

(b) Laws Affecting LIBOR Rate Availability. If, after the date hereof, the introduction of, or any change in, any Applicable Law or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any of the Lenders (or any of their respective Lending Offices) with any request or directive (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency, shall make it unlawful or impossible for any of the Lenders (or any of their respective Lending Offices) to honor its obligations hereunder to make or maintain any LIBOR Rate Loan, such Lender shall promptly give notice thereof to the Administrative Agent and the Administrative Agent shall promptly give notice to the Borrower and the other Lenders. Thereafter, until the Administrative Agent notifies the Borrower that such circumstances no longer exist, (i) the obligations of the Lenders to make LIBOR Rate Loans and the right of the Borrower to convert any Loan or continue any Loan as a LIBOR Rate Loan shall be suspended and thereafter the Borrower may select only Base Rate Loans hereunder, and (ii) if any of the Lenders may not lawfully continue to maintain a LIBOR Rate Loan to the end of the then current Interest Period applicable thereto as a LIBOR Rate Loan, the applicable LIBOR Rate Loan shall immediately be converted to a Base Rate Loan for the remainder of such Interest Period.

SECTION 5.9 Indemnity. The Borrower hereby indemnifies each of the Lenders against any loss or expense which may arise or be attributable to each Lender's obtaining, liquidating or employing deposits or other funds acquired to effect, fund or maintain any Loan (a) as a consequence of any failure by the Borrower to make any payment when due of any amount due hereunder in connection with a LIBOR Rate Loan, (b) due to any failure of the Borrower to borrow, continue or convert on a date specified therefor in a Notice of Borrowing or Notice of Conversion/Continuation or (c) due to any payment, prepayment or conversion of any LIBOR Rate Loan on a date other than the last day of the Interest Period therefor. The amount of such loss or expense shall be determined, in the applicable Lender's sole discretion, based upon the assumption that such Lender funded its Commitment Percentage of the LIBOR Rate Loans in the London interbank market and using any reasonable attribution or averaging methods which such Lender deems appropriate and practical. A certificate of such Lender setting forth the basis for determining such amount or amounts necessary to compensate such Lender shall be forwarded to the Borrower through the Administrative Agent and shall be conclusively presumed to be correct save for manifest error.

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SECTION 5.10 Increased Costs.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or advances, loans or other credit extended or participated in by, any Lender (except any reserve requirement reflected in the LIBOR Rate) or the Issuing Lender;

(ii) subject any Lender or the Issuing Lender to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any participation in a Letter of Credit or any LIBOR Rate Loan made by it, or change the basis of taxation of payments to such Lender or the Issuing Lender in respect thereof (except for Indemnified Taxes or Other Taxes covered by Section 5.11 and the imposition of, or any change in the rate of any Excluded Tax payable by such Lender or the Issuing Lender); or

(iii) impose on any Lender or the Issuing Lender or the London interbank market any other condition, cost or expense affecting this Agreement or LIBOR Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making, converting into or maintaining any LIBOR Rate Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to such Lender or the Issuing Lender of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or the Issuing Lender hereunder (whether of principal, interest or any other amount) then, upon written request of such Lender or the Issuing Lender, the Borrower shall promptly pay to any such Lender or the Issuing Lender, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Lender, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender or the Issuing Lender reasonably determines that any Change in Law affecting such Lender or the Issuing Lender or any lending office of such Lender or such Lender's or the Issuing Lender's holding company, if any, regarding capital requirements has the effect of reducing the rate of return on such Lender's or the Issuing Lender's capital or on the capital of such Lender's or the Issuing Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Lender, to a level below that which such Lender or the Issuing Lender or such Lender's or the Issuing Lender's holding company would have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Lender's policies and the policies of such Lender's or the Issuing Lender's holding company with respect to capital adequacy), then from time to time upon written request of such Lender or such Issuing Lender the Borrower shall promptly pay to such Lender or the Issuing Lender, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Lender or such Lender's or the Issuing Lender's holding company for any such reduction suffered.

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(c) Certificates for Reimbursement. A certificate of a Lender or the Issuing Lender setting forth the amount or amounts necessary to compensate such Lender or the Issuing Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender or the Issuing Lender, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender or the Issuing Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or the Issuing Lender pursuant to this Section for any increased costs incurred or reductions suffered more than six (6) months prior to the date that such Lender or the Issuing Lender, as the case may be, provides the certificate set forth in Section 5.10(c) hereof (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof).

SECTION 5.11 Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any Obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required by Applicable Law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or Issuing Lender, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with Applicable Law.

(b) Payment of Other Taxes by the Borrower. Without limiting the provisions of paragraph (a) above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(c) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent, each Lender and the Issuing Lender, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent, such Lender or the Issuing Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability shall be delivered to the Borrower by a Lender or the Issuing Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender or the Issuing Lender, and shall be conclusive absent manifest error.

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(d) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Status of Lenders. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by Applicable Law or reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by Applicable Law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by Applicable Law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Without limiting the generality of the foregoing, in the event that the Borrower is a resident for tax purposes in the United States, any Foreign Lender shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(i) duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party,

(ii) duly completed copies of Internal Revenue Service Form W-8ECI,

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not (A) a "bank" within the meaning of section 881(c)(3)(A) of the Code, (B) a "10 percent shareholder" of the Borrower within the meaning of section 881(c)(3)(B) of the Code, or (C) a "controlled foreign corporation" described in section 881(c)(3)(C) of the Code and (y) duly completed copies of Internal Revenue Service Form W-8BEN, or

(iv) any other form prescribed by Applicable Law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly completed together with such supplementary documentation as may be prescribed by Applicable Law to permit the Borrower to determine the withholding or deduction required to be made.

(f) Treatment of Certain Refunds. If the Administrative Agent, a Lender or the Issuing Lender determines, in its reasonable discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional

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amounts paid, by the Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent, such Lender or the Issuing Lender, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided that the Borrower, upon the request of the Administrative Agent, such Lender or the Issuing Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent, such Lender or the Issuing Lender in the event the Administrative Agent, such Lender or the Issuing Lender is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require the Administrative Agent, any Lender or the Issuing Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

(g) Survival. Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section shall survive the payment in full of the Obligations and the termination of the Commitments.

SECTION 5.12 Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 5.10, or requires the Borrower to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 5.11, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 5.10 or Section 5.11, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment to the extent solely related to any Extensions of Credit made by such Lender to the Borrower.

(b) Replacement of Lenders. If any Lender requests compensation under Section 5.10, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 5.11, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 14.10), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that

(i) the Borrower shall have paid to the Administrative Agent the assignment fee specified in Section 14.10,

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in Letters of Credit, accrued interest

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thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 5.9) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts),

(iii) in the case of any such assignment resulting from a claim for compensation under Section 5.10 or payments required to be made pursuant to Section 5.11, such assignment will result in a reduction in such compensation or payments thereafter, and

(iv) such assignment does not conflict with Applicable Law.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

SECTION 5.13 Security. The Obligations of the Borrower shall be secured as provided in the Security Documents.

ARTICLE VI

CLOSING; CONDITIONS OF CLOSING AND BORROWING

SECTION 6.1 Closing. The closing shall take place at the offices of Kennedy Covington Lobdell & Hickman, L.L.P. at 10:00 a.m. on November 10, 2005, or on such other place, date and time as the parties hereto shall mutually agree.

SECTION 6.2 Conditions to Closing and Initial Extensions of Credit. The obligation of the Lenders to close this Agreement and to make the initial Loan or issue or participate in the initial Letters of Credit, if any, is subject to the reasonable satisfaction of each of the following conditions:

(a) Executed Loan Documents. This Agreement, a Revolving Credit Note in favor of each Lender requesting a Revolving Credit Note, a Swingline Note in favor of the Swingline Lender (if requested thereby), the Security Documents, together with any other applicable Loan Documents, shall have been duly authorized, executed and delivered to the Administrative Agent by the parties thereto, shall be in full force and effect and no Default or Event of Default shall exist hereunder or thereunder.

(b) Closing Certificates; Etc. The Administrative Agent shall have received each of the following in form and substance reasonably satisfactory to the Administrative Agent:

(i) Officer's Certificate of the Borrower. A certificate from a Responsible Officer of the Borrower to the effect that all representations and warranties of the Borrower contained in this Agreement and the other Loan Documents that are subject to materiality or Material Adverse Effect qualifications are true, correct and complete and all representations and warranties of the Borrower contained in this Agreement and the other Loan Documents that are not subject to materiality or Material Adverse Effect qualifications are true, correct and complete in all material respects; that none of the Credit Parties is in violation of any of the covenants

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contained in this Agreement and the other Loan Documents; that, after giving effect to the transactions contemplated by this Agreement, no Default or Event of Default has occurred and is continuing; and that each of the Credit Parties, as applicable, has satisfied each of the conditions set forth in Section 6.2 and Section 6.3.

(ii) Certificate of Secretary of each Credit Party. A certificate of a Responsible Officer of each Credit Party certifying as to the incumbency and genuineness of the signature of each officer of such Credit Party executing Loan Documents to which it is a party and certifying that attached thereto is a true, correct and complete copy of (A) the articles or certificate of incorporation or formation of such Credit Party and all amendments thereto, certified as of a recent date by the appropriate Governmental Authority in its jurisdiction of incorporation or formation, (B) the bylaws or other governing document of such Credit Party as in effect on the Closing Date, (C) resolutions duly adopted by the board of directors or other governing body of such Credit Party authorizing the transactions contemplated hereunder and the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party, and (D) each certificate required to be delivered pursuant to Section 6.2(b)(iii).

(iii) Certificates of Good Standing. Certificates as of a recent date of the good standing of each Credit Party under the laws of its jurisdiction of organization and, to the extent requested by the Administrative Agent, each other jurisdiction where such Credit Party is qualified to do business and, to the extent available and requested by the Administrative Agent, a certificate of the relevant taxing authorities of such jurisdictions certifying that such Credit Party has filed required tax returns and owes no delinquent taxes.

(iv) Opinions of Counsel. Favorable opinions of Proskauer Rose, LLP, counsel to the Credit Parties, addressed to the Administrative Agent and the Lenders with respect to the Credit Parties, the Loan Documents and such other matters as the Lenders shall request.

(v) Tax Forms. Copies of the United States Internal Revenue Service forms required by Section 5.11(e).

(c) Personal Property Collateral.

(i) Filings and Recordings. The Administrative Agent shall have received all filings and recordations that are necessary to perfect the security interests of the Administrative Agent, on behalf of itself and the Lenders, in the Collateral and the Administrative Agent shall have received evidence reasonably satisfactory to the Administrative Agent that upon such filings and recordations such security interests constitute valid and perfected first priority Liens thereon.

(ii) Pledged Collateral. The Administrative Agent shall have received (A) original stock certificates or other certificates evidencing the Capital Stock pledged pursuant to the Security Documents, together with an undated stock power for each such certificate duly executed in blank by the registered owner thereof and (B) each original promissory note pledged pursuant to the Security Documents.

(iii) Lien Search. The Administrative Agent shall have received the results of a Lien search (including a search as to judgments, pending litigation and tax matters), in form and

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substance reasonably satisfactory thereto, made against the Credit Parties under the Uniform Commercial Code (or applicable judicial docket) as in effect in any state in which any such Credit Party is incorporated or in any other location reasonably requested by the Administrative Agent, indicating among other things that its assets are free and clear of any Lien except for Permitted Liens.

(iv) Hazard and Liability Insurance. The Administrative Agent shall have received certificates of property hazard, business interruption and liability insurance, evidence of payment of all insurance premiums for the current policy year of each (naming the Administrative Agent as loss payee (and mortgagee, as applicable) on all certificates for property hazard insurance and as additional insured on all certificates for liability insurance), and, if requested by the Administrative Agent, copies (certified by a Responsible Officer) of insurance policies in the form required under the Security Documents and otherwise in form and substance reasonably satisfactory to the Administrative Agent.

(d) Consents; Defaults.

(i) Governmental and Third Party Approvals. The Credit Parties shall have received all material governmental and third party consents and approvals reasonably requested by the Administrative Agent (or any other material consents as determined in the reasonable discretion of the Administrative Agent) in connection with the transactions contemplated by this Agreement and the other Loan Documents and the other transactions contemplated hereby and all applicable waiting periods shall have expired without any action being taken by any Person that could reasonably be expected to restrain, prevent or impose any material adverse conditions on any of the Credit Parties or such other transactions or that could seek or threaten any of the foregoing, and no law or regulation shall be applicable which in the reasonable judgment of the Administrative Agent could reasonably be expected to have such effect.

(ii) No Injunction, Etc. No action, proceeding, investigation, regulation or legislation shall have been instituted or, to the knowledge of the Borrower, threatened before any Governmental Authority to enjoin, restrain, or prohibit, or to obtain substantial damages in respect of, or which is related to or arises out of this Agreement or the other Loan Documents or the consummation of the transactions contemplated hereby or thereby, or which, in the Administrative Agent's reasonable discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement or the other Loan Documents or the consummation of the transactions contemplated hereby or thereby.

(e) Financial Matters.

(i) Financial Statements. The Administrative Agent shall have received (A) the audited Consolidated balance sheet of the Borrower and its Subsidiaries for the Fiscal Years 2002, 2003 and 2004 and the related audited statements of operations and cash flows for such Fiscal Years, (B) unaudited Consolidated balance sheet of the Borrower and its Subsidiaries as of September 30, 2005 and related unaudited interim statements of income and cash flows and (C) a

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pro forma balance sheet of the Borrower and its Subsidiaries giving effect to the transactions contemplated hereby, certified by the chief financial officer of the Borrower.

(ii) Financial Projections. Pro forma Consolidated financial statements for the Borrower and its Subsidiaries, and forecasts prepared by management of the Borrower, of balance sheets, income statements and cash flow statements on an annual basis for each year during the term of the Credit Facility.

(iii) Financial Condition Certificate. The Borrower shall have delivered to the Administrative Agent a certificate, in form and substance reasonably satisfactory to the Administrative Agent, and certified as accurate by a Responsible Officer, that (A) the Borrower and each of its Subsidiaries are each Solvent, (B) the Borrower's payables are current and not past due, (C) attached thereto are calculations evidencing compliance on a pro forma basis with the covenants contained in Article X hereof, (D) the financial projections previously delivered to the Administrative Agent represent the good faith estimates (utilizing reasonable assumptions) of the financial condition and operations of the Borrower and its Subsidiaries and (E) attached thereto is a calculation of the Applicable Margin.

(iv) Payment at Closing; Fee Letters. The Borrower shall have paid to the Administrative Agent and the Lenders the fees set forth or referenced in Section 5.3 and any other accrued and unpaid fees or commissions due hereunder (including, without limitation, legal fees and expenses) and to any other Person such amount as may be due thereto in connection with the transactions contemplated hereby, including all taxes, fees and other charges in connection with the execution, delivery, recording, filing and registration of any of the Loan Documents.

(f) Miscellaneous.

(i) Notice of Borrowing. The Administrative Agent shall have received a Notice of Borrowing from the Borrower in accordance with Section 2.3(a), and a Notice of Account Designation specifying the account or accounts to which the proceeds of any Loans made after the Closing Date are to be disbursed.

(ii) Due Diligence. The Administrative Agent shall have completed, to its reasonable satisfaction, all legal, tax, business and other due diligence with respect to the business, assets, liabilities, operations and condition (financial or otherwise) of the Borrower and its Subsidiaries in scope and determination reasonably satisfactory to the Administrative Agent in its sole discretion.

(iii) Existing Credit Agreement. The Existing Credit Agreement shall be repaid in full and terminated and all collateral security therefor shall be released, and the Administrative Agent shall have received a pay-off letter in form and substance reasonably satisfactory to it evidencing such repayment, termination, reconveyance and release.

(iv) Other Documents. All opinions, certificates and other instruments and all proceedings in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in form and substance to the Administrative Agent. The Administrative

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Agent shall have received copies of all other documents, certificates and instruments reasonably requested thereby, with respect to the transactions contemplated by this Agreement.

SECTION 6.3 Conditions to All Extensions of Credit. The obligations of the Lenders to make any Extensions of Credit (including the initial Extension of Credit), convert or continue any Loan and/or the Issuing Lender to issue or extend any Letter of Credit are subject to the satisfaction of the following conditions precedent on the relevant borrowing, continuation, conversion, issuance or extension date:

(a) Continuation of Representations and Warranties. The representations and warranties of the Borrower and each other Credit Party contained in Article VII and each other Loan Document that are subject to materiality or Material Adverse Effect qualifications shall be true and correct in all respects and the representations and warranties of the Borrower and each other Credit Party contained in Article VII and each other Loan Document that are not subject to materiality or Material Adverse Effect qualifications shall be true and correct in all material respects, in each case, both before and after giving effect to such proposed borrowing, continuation, conversion, issuance or extension, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date.

(b) No Existing Default. No Default or Event of Default shall have occurred and be continuing (i) on the borrowing, continuation or conversion date with respect to such Loan or after giving effect to the Loans to be made, continued or converted on such date or (ii) on the issuance or extension date with respect to such Letter of Credit or after giving effect to the issuance or extension of such Letter of Credit on such date.

(c) Notices. The Administrative Agent shall have received a Notice of Borrowing, or Notice of Conversion/Continuation, as applicable, from the Borrower in accordance with Section 2.3(a), or Section 4.1.

(d) Additional Documents. The Administrative Agent shall have received each additional document, instrument or other item reasonably requested by it.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES OF THE BORROWER

SECTION 7.1 Representations and Warranties. To induce the Administrative Agent and Lenders to enter into this Agreement and to induce the Lenders to make Extensions of Credit, the Borrower hereby represents and warrants to the Administrative Agent and Lenders both before and after giving effect to the transactions contemplated hereunder that:

(a) Organization; Power; Qualification. Each of the Borrower and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation, has the corporate power and authority to own its properties and to carry on its business as now being conducted and is duly qualified and authorized to do business in each jurisdiction in which the character of its properties or the nature of its business requires

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such qualification and authorization except in jurisdictions where the failure to be so qualified or in good standing could not reasonably be expected to result in a Material Adverse Effect. The jurisdictions in which the Borrower and its Subsidiaries are organized and qualified to do business as of the Closing Date are described on Schedule 7.1(a).

(b) Ownership. Each Subsidiary of the Borrower as of the Closing Date is listed on Schedule 7.1(b). As of the Closing Date, the capitalization of the Borrower and its Subsidiaries consists of the number of shares, authorized, issued and outstanding, of such classes and series, with or without par value, described on Schedule 7.1(b). All outstanding shares have been duly authorized and validly issued and are fully paid and nonassessable, with no personal liability attaching to the ownership thereof, and not subject to any preemptive or similar rights, except as described in Schedule 7.1(b). The shareholders of each Subsidiary of the Borrower and the number of shares owned by each as of the Closing Date are described on Schedule 7.1(b). As of the Closing Date, there are no outstanding stock purchase warrants, subscriptions, options, securities, instruments or other rights of any type or nature whatsoever, which are convertible into, exchangeable for or otherwise provide for or permit the issuance of Capital Stock of each Subsidiary of the Borrower, except as described on Schedule 7.1(b).

(c) Authorization of Agreement, Loan Documents and Borrowing. Each of the Borrower and its Subsidiaries has the right, power and authority and has taken all necessary corporate and other action to authorize the execution, delivery and performance of this Agreement and each of the other Loan Documents to which it is a party in accordance with their respective terms. This Agreement and each of the other Loan Documents have been duly executed and delivered by the duly authorized officers of the Borrower and each of its Subsidiaries party thereto, and each such document constitutes the legal, valid and binding obligation of the Borrower or its Subsidiary party thereto, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws from time to time in effect which affect the enforcement of creditors' rights in general and the availability of equitable remedies.

(d) Compliance of Agreement, Loan Documents and Borrowing with Laws, Etc. The execution, delivery and performance by the Borrower and its Subsidiaries of the Loan Documents to which each such Person is a party, in accordance with their respective terms, the Extensions of Credit hereunder and the transactions contemplated hereby do not and will not, by the passage of time, the giving of notice or otherwise, (i) require any Governmental Approval or violate any Applicable Law relating to the Borrower or any of its Subsidiaries where the failure to obtain such Governmental Approval could reasonably be expected to have a Material Adverse Effect, (ii) conflict with, result in a breach of or constitute a default under the articles of incorporation, bylaws or other organizational documents of the Borrower or any of its Subsidiaries, (iii) conflict with, result in a breach of or constitute a default under any indenture, agreement or other instrument to which such Person is a party or by which any of its properties may be bound or any Governmental Approval relating to such Person which could reasonably be expected to have a Material Adverse Effect, (iv) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by such Person other than Liens arising under the Loan Documents or (v) require any consent of any other Person in connection with the execution, delivery, performance, validity or enforceability of this

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Agreement other than consents for which the failure to obtain could not reasonably be expected to have a Material Adverse Effect.

(e) Compliance with Law; Governmental Approvals. Each of the Borrower and its Subsidiaries (i) has all material Governmental Approvals required by any Applicable Law for it to conduct its business, each of which is in full force and effect, is final and not subject to review on appeal and is not the subject of any pending or, to the best of its knowledge, threatened attack by direct or collateral proceeding, (ii) is in material compliance with each Governmental Approval applicable to it and in material compliance with all other Applicable Laws relating to it or any of its respective properties and (iii) has timely filed all material reports, documents and other materials required to be filed by it under all Applicable Laws with any Governmental Authority and has retained all material records and documents required to be retained by it under Applicable Law.

(f) Tax Returns and Payments. Each of the Borrower and its Subsidiaries has duly filed or caused to be filed all federal, state, material local and other tax returns required by Applicable Law to be filed, and has paid, or made adequate provision for the payment of, all federal, state, material local and other taxes, assessments and governmental charges or levies upon it and its property, income, profits and assets which are due and payable. Such returns accurately reflect in all material respects all liability for taxes of the Borrower and its Subsidiaries for the periods covered thereby. Other than as set forth on Schedule 7.1(f) hereto, there is no ongoing audit or examination or, to the knowledge of the Borrower, other investigation by any Governmental Authority having appropriate jurisdiction of the tax liability of the Borrower and its Subsidiaries. To the Borrower's knowledge, no Governmental Authority having appropriate jurisdiction has asserted any Lien or other claim against the Borrower or any Subsidiary thereof with respect to unpaid taxes which has not been discharged or resolved other than Permitted Liens. The charges, accruals and reserves on the books of the Borrower and any of its Subsidiaries in respect of federal, state, local and other taxes for all Fiscal Years and portions thereof since January 1, 1999 or the organization of any Subsidiary, if later, are in the judgment of the Borrower adequate, and the Borrower does not anticipate any additional taxes or assessments for any of such years.

(g) Intellectual Property Matters. Each of the Borrower and its Subsidiaries owns or possesses rights to use all material franchises, licenses, copyrights, copyright applications, patents, patent rights or licenses, patent applications, trademarks, trademark rights, service mark, service mark rights, trade names, trade name rights, copyrights and other rights with respect to the foregoing which are reasonably necessary to conduct its business. To the Borrower's knowledge, no event has occurred which permits, or after notice or lapse of time or both would permit, the revocation or termination of any such rights, and, to the Borrower's knowledge, neither the Borrower nor any Subsidiary thereof is liable to any Person for infringement under Applicable Law with respect to any such rights as a result of its business operations.

(h) Environmental Matters. Except as set forth on Schedule 7.1(h):

(i) The properties currently owned, leased or operated by the Borrower and its Subsidiaries do not contain, and to their knowledge have not previously contained, and any real property formerly owned, leased or operated by the Borrower or any of its Subsidiaries did

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not contain during the Borrower's or Subsidiaries' ownership, lease or operation thereof, any Hazardous Materials in amounts or concentrations which (A) constitute or constituted a material violation of applicable Environmental Laws or (B) could give rise to material liability under applicable Environmental Laws;

(ii) The Borrower, each of its Subsidiaries and their currently owned, leased and operated properties and all their operations conducted in connection therewith are in material compliance, and have been in material compliance, with all applicable Environmental Laws, and there is no contamination at, under or about such properties or such operations which could materially interfere with the continued operation of such properties or impair the fair saleable value thereof;

(iii) Neither the Borrower nor any Subsidiary thereof has received any written notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters, Hazardous Materials, or compliance with Environmental Laws that remain outstanding and unresolved, nor does the Borrower or any Subsidiary thereof have knowledge that any such notice will be received or is being threatened;

(iv) Borrower and its Subsidiaries have not transported or disposed of to or from the properties owned, leased or operated by the Borrower and its Subsidiaries any Hazardous Materials in violation of, or in a manner or to a location which is reasonably likely to give rise to liability under, Environmental Laws, nor has the Borrower or its Subsidiaries generated, treated, stored or disposed of Hazardous Material at, on or under any of such properties in violation of, or in a manner that could give rise to liability under, any applicable Environmental Laws;

(v) No judicial proceedings or governmental or administrative action is pending, or, to the knowledge of the Borrower, threatened, under any Environmental Law to which the Borrower or any Subsidiary thereof is or is reasonably likely to be named as a potentially responsible party with respect to their properties or operations, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to Borrower, any Subsidiary or their properties or operations that could reasonably be expected to have a Material Adverse Effect; and

(vi) There has been no release, or to the Borrower's knowledge, threat of release, of Hazardous Materials at or from properties owned, leased or operated by the Borrower or any Subsidiary during the Borrower's or its Subsidiaries' ownership, lease or operation thereof or, to the Borrower's knowledge, prior to the Borrower's or its Subsidiaries' ownership, lease or operations thereof, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws that could reasonably be expected to have a Material Adverse Effect.

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(i) ERISA.

(i) As of the Closing Date, neither the Borrower nor any ERISA Affiliate maintains or contributes to, or has any obligation under, any Employee Benefit Plans other than those identified on Schedule 7.1(i);

(ii) The Borrower and each ERISA Affiliate is in material compliance with all applicable provisions of ERISA and the regulations and published interpretations thereunder with respect to all Employee Benefit Plans except for any required amendments for which the remedial amendment period as defined in Section 401(b) of the Code has not yet expired and except where a failure to so comply could not reasonably be expected to have a Material Adverse Effect. Each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code has been determined by the Internal Revenue Service to be so qualified, and each trust related to such plan has been determined to be exempt under Section 501(a) of the Code except for such plans that have not yet received determination letters but for which the remedial amendment period for submitting a determination letter has not yet expired. No liability has been incurred by the Borrower or any ERISA Affiliate which remains unsatisfied for any taxes or penalties with respect to any Employee Benefit Plan or any Multiemployer Plan except for a liability that could not reasonably be expected to have a Material Adverse Effect;

(iii) As of the Closing Date, no Pension Plan has been terminated, nor has any accumulated funding deficiency (as defined in Section 412 of the Code) been incurred (without regard to any waiver granted under Section 412 of the Code), nor has any funding waiver from the Internal Revenue Service been received or requested with respect to any Pension Plan, nor has the Borrower or any ERISA Affiliate failed to make any contributions or to pay any amounts due and owing as required by Section 412 of the Code, Section 302 of ERISA or the terms of any Pension Plan prior to the due dates of such contributions under Section 412 of the Code or Section 302 of ERISA, nor has there been any event requiring any disclosure under Section 4041(c)(3)(C) or 4063(a) of ERISA with respect to any Pension Plan;

(iv) Except where the failure of any of the following representations to be correct in all material respects could not reasonably be expected to have a Material Adverse Effect, neither the Borrower nor any ERISA Affiliate has: (A) engaged in a nonexempt prohibited transaction described in Section 406 of the ERISA or Section 4975 of the Code, (B) incurred any liability to the PBGC which remains outstanding other than the payment of premiums and there are no premium payments which are due and unpaid, (C) failed to make a required contribution or payment to a Multiemployer Plan, or (D) failed to make a required installment or other required payment under Section 412 of the Code;

(v) No Termination Event has occurred or is reasonably expected to occur; and

(vi) Except where the failure of any of the following representations to be correct in all material respects could not reasonably be expected to have a Material Adverse Effect, no proceeding, claim (other than a benefits claim in the ordinary course of business), lawsuit and/or investigation is existing or, to the best knowledge of the Borrower after due inquiry, threatened concerning or involving any (A) employee welfare benefit plan (as defined in

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Section 3(1) of ERISA) currently maintained or contributed to by the Borrower or any ERISA Affiliate, (B) Pension Plan or (C) Multiemployer Plan.

(j) Margin Stock. Neither the Borrower nor any Subsidiary thereof is engaged principally or as one of its activities in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" (as each such term is defined or used, directly or indirectly, in Regulation U of the Board of Governors of the Federal Reserve System). No part of the proceeds of any of the Loans or Letters of Credit will be used for purchasing or carrying margin stock or for any purpose which violates, or which would be inconsistent with, the provisions of Regulation T, U or X of such Board of Governors.

(k) Government Regulation. Neither the Borrower nor any Subsidiary thereof is an "investment company" or a company "controlled" by an "investment company" (as each such term is defined or used in the Investment Company Act of 1940, as amended) and neither the Borrower nor any Subsidiary thereof is, or after giving effect to any Extension of Credit will be, subject to regulation under the Public Utility Holding Company Act of 1935 or the Interstate Commerce Act, each as amended, or any other Applicable Law which limits its ability to incur or consummate the transactions contemplated hereby.

(l) Employee Relations. Each of the Borrower and its Subsidiaries has a stable work force in place and is not, as of the Closing Date, party to any collective bargaining agreement nor has any labor union been recognized as the representative of its employees. The Borrower knows of no pending, threatened or contemplated strikes, work stoppage or other collective labor disputes involving its employees or those of its Subsidiaries.

(m) Burdensome Provisions. Neither the Borrower nor any Subsidiary thereof is a party to any agreement or instrument or subject to any corporate restriction that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(n) Financial Statements. The audited and unaudited financial statements delivered pursuant to Section 6.2(e) are complete and correct and fairly present in all material respects on a Consolidated basis the assets, liabilities and financial position of the Borrower and its Subsidiaries as at such dates, and the results of the operations and changes of financial position for the periods then ended (other than customary year-end adjustments for unaudited financial statements). All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP. Such financial statements show all material indebtedness and other material liabilities, direct or contingent, of the Borrower and its Subsidiaries as of the date thereof, including material liabilities for taxes, material commitments, and indebtedness, in each case, to the extent required to be disclosed under GAAP. The pro forma financial statements delivered pursuant to Section 6.2(e) were prepared in good faith on the basis of the assumptions stated therein, which assumptions are believed to be reasonable in light of then existing conditions except that such financial statements and forecasts shall be subject to normal year end closing and audit adjustments.

(o) No Material Adverse Change. Since December 31, 2004, there has been no material adverse change in the properties, business, operations, prospects, or condition (financial or otherwise) of the Borrower and its Subsidiaries and no event has occurred or condition arisen

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that could reasonably be expected to have a Material Adverse Effect; provided, that the Borrower has disclosed to the Administrative Agent the lawsuits set forth on Schedule 7.1(u), and, so long as there is no material adverse change in such lawsuits since September 30, 2005, such lawsuits do not currently have a Material Adverse Effect.

(p) Solvency. As of the Closing Date and after giving effect to each Extension of Credit made hereunder, the Borrower and each of its Subsidiaries will be Solvent.

(q) Titles to Properties. Each of the Borrower and its Subsidiaries has such title to the real property owned or leased by it as is necessary or desirable to the conduct of its business and valid and legal title to all of its material personal property and assets, including, but not limited to, those reflected on the balance sheets of the Borrower and its Subsidiaries delivered pursuant to Section 6.2(e), except those which have been disposed of by the Borrower or its Subsidiaries subsequent to such date which dispositions have been in the ordinary course of business or as otherwise expressly permitted hereunder.

(r) Insurance. The properties of the Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies or are self-insured, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in locations where the Borrower or the applicable Subsidiary operates.

(s) Liens. None of the properties and assets of the Borrower or any Subsidiary thereof is subject to any Lien, except Permitted Liens. Neither the Borrower nor any Subsidiary thereof has signed any financing statement or any security agreement authorizing any secured party thereunder to file any financing statement, except to perfect those Permitted Liens.

(t) Indebtedness and Guaranty Obligations. Schedule 11.1(c) is a complete and correct listing of all Indebtedness and Guaranty Obligations of the Borrower and its Subsidiaries as of the Closing Date in excess of \$1,000,000. As of the Closing Date, the Borrower and its Subsidiaries have performed and are in compliance with all of the material terms of such Indebtedness and Guaranty Obligations and all instruments and agreements relating thereto, and, as of the Closing Date, no default or event of default, or event or condition which with notice or lapse of time or both would constitute such a default or event of default on the part of the Borrower or any of its Subsidiaries exists with respect to any such Indebtedness or Guaranty Obligation.

(u) Litigation. Except for matters existing on the Closing Date and set forth on Schedule 7.1(u), there are no actions, suits or proceedings pending nor, to the knowledge of the Borrower, threatened against or in any other way relating adversely to or affecting the Borrower or any Subsidiary thereof or any of their respective properties in any court or before any arbitrator of any kind or before or by any Governmental Authority that (i) has or could reasonably be expected to have a Material Adverse Effect, or (ii) materially adversely affects any transaction contemplated hereby.

(v) Absence of Defaults. No event has occurred or is continuing which constitutes a Default or an Event of Default, or which constitutes, or which with the passage of time or giving

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of notice or both would constitute, a default or event of default by the Borrower or any Subsidiary thereof under any Material Contract or judgment, decree or order to which the Borrower or its Subsidiaries is a party or by which the Borrower or its Subsidiaries or any of their respective properties may be bound or which would require the Borrower or its Subsidiaries to make any payment thereunder prior to the scheduled maturity date therefore, except as could not reasonably be expected to have a Material Adverse Effect.

(w) Senior Indebtedness Status. The Obligations of the Borrower and each of its Subsidiaries under this Agreement and each of the other Loan Documents ranks and shall continue to rank at least senior in priority of payment to all Subordinated Indebtedness and all senior unsecured Indebtedness of each such Person and is designated as "Senior Indebtedness" under all instruments and documents, now or in the future, relating to all Subordinated Indebtedness and all senior unsecured Indebtedness of such Person.

(x) OFAC. None of the Borrower, any Subsidiary of the Borrower or any OFAC Affiliate of the Borrower or any Subsidiary Guarantor: (i) is a Sanctioned Person, (ii) has more than 10% of its assets in Sanctioned Entities, or (iii) derives more than 10% of its operating income from investments in, or transactions with Sanctioned Persons or Sanctioned Entities. The proceeds of any Loan will not be used and have not been used to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or a Sanctioned Entity.

(y) Disclosure. The Borrower and/or its Subsidiaries have disclosed to the Administrative Agent and the Lenders all agreements, instruments and corporate or other restrictions to which the Borrower or any of its Subsidiaries are subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. No financial statement, material report, material certificate or other material information, taken together as a whole, by or on behalf of any of the Borrower or any of its Subsidiaries to the Administrative Agent or any Lender in connection with the negotiation of any Loan Document or included therein or delivered pursuant thereto (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, pro forma financial information, estimated financial information and other projected or estimated information, such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 7.2 Survival of Representations and Warranties, Etc. All representations and warranties set forth in this Article VII or any of the Loan Documents (including, but not limited to, any such representation or warranty made in or in connection with any amendment thereto) shall constitute representations and warranties made under this Agreement. All representations and warranties made under this Agreement shall be made or deemed to be made at and as of the Closing Date (except those that are expressly made as of a specific date), shall survive the Closing Date and shall not be waived by the execution and delivery of this Agreement, any investigation made by or on behalf of the Lenders or any borrowing hereunder.

ARTICLE VIII

FINANCIAL INFORMATION AND NOTICES

Until all the Obligations have been paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner set forth in Section 14.2, the Borrower will furnish or cause to be furnished to the Administrative Agent at the Administrative Agent's Office at the address set forth in Section 14.1 and to the Lenders at their respective addresses as set forth on the Register, or such other office as may be designated by the Administrative Agent and Lenders from time to time:

SECTION 8.1 Financial Statements and Projections.

(a) Quarterly Financial Statements. (i) As soon as practicable and in any event within fifty (50) days (or, if earlier, on the date of any required public filing thereof) after the end of each fiscal quarter of each Fiscal Year, an unaudited Consolidated balance sheet of the Borrower and its Subsidiaries as of the close of such fiscal quarter and unaudited Consolidated statements of income and cash flows and a report containing management's discussion and analysis of such financial statements for the fiscal quarter then ended and that portion of the Fiscal Year then ended, including the notes thereto, all in reasonable detail setting forth in comparative form the corresponding figures as of the end of and for the corresponding period in the preceding Fiscal Year and prepared by the Borrower in accordance with GAAP and, if applicable, containing disclosure of the effect on the financial position or results of operations of any change in the application of accounting principles and practices during the period, and certified by the chief financial officer of the Borrower to present fairly in all material respects the financial condition of the Borrower and its Subsidiaries on a Consolidated basis as of their respective dates and the results of operations of the Borrower and its Subsidiaries for the respective periods then ended, subject to normal year end adjustments. Delivery by the Borrower to the Administrative Agent and the Lenders of the Borrower's quarterly report to the SEC on Form 10-Q with respect to any fiscal quarter, or the availability of such report on EDGAR Online, within the period specified above shall be deemed to be compliance by the Borrower with this Section 8.1(a)(i).

(ii) As soon as practicable and in any event within fifty (50) days after the end of each fiscal quarter of each Fiscal Year, a Divisional Build-Up Financial Report of the Borrower and its Subsidiaries for the fiscal quarter then ended.

(b) Annual Financial Statements. As soon as practicable and in any event within ninety-five (95) days (or, if earlier, on the date of any required public filing thereof) after the end of each Fiscal Year, an audited Consolidated balance sheet of the Borrower and its Subsidiaries as of the close of such Fiscal Year and audited Consolidated statements of income and cash flows and a report containing management's discussion and analysis of such financial statements for the Fiscal Year then ended, including the notes thereto, all in reasonable detail setting forth in comparative form the corresponding figures as of the end of and for the preceding Fiscal Year and prepared in accordance with GAAP and, if applicable, containing disclosure of the effect on the financial position or results of operations of any change in the application of accounting principles and practices during the year. Such annual financial statements shall be audited by

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any "Big Four" or other nationally-recognized independent certified public accounting firm, and accompanied by a report thereon by such certified public accountants that is not qualified with respect to scope limitations imposed by the Borrower or any of its Subsidiaries or with respect to accounting principles followed by the Borrower or any of its Subsidiaries not in accordance with GAAP or contain any qualification or exception which is of a "going concern" or similar nature. Delivery by the Borrower to the Administrative Agent and the Lenders of the Borrower's annual report to the SEC on Form 10-K with respect to any fiscal year, or the availability of such report on EDGAR Online, within the period specified above shall be deemed to be compliance by the Borrower with this Section 8.1(b).

(c) Annual Business Plan and Financial Projections. As soon as practicable and in any event within forty-five (45) days after the beginning of each Fiscal Year, a business plan of the Borrower and its Subsidiaries for the ensuing four (4) fiscal quarters, such plan to be prepared in accordance with GAAP and to include, on a quarterly basis, the following: a quarterly operating and capital budget, a projected income statement, statement of cash flows and balance sheet, accompanied by a certificate from a Responsible Officer of the Borrower to the effect that, to the best of such officer's knowledge, such projections are good faith estimates (utilizing reasonable assumptions) of the financial condition and operations of the Borrower and its Subsidiaries for such four (4) quarter period.

SECTION 8.2 Officer's Compliance Certificate. At each time financial statements are delivered pursuant to Sections 8.1(a) or (b) and at such other times as the Administrative Agent shall reasonably request, an Officer's Compliance Certificate.

SECTION 8.3 Accountants' Certificate. At each time financial statements are delivered pursuant to Section 8.1(b), a certificate of the independent public accountants certifying such financial statements that in connection with their audit, nothing came to their attention that caused them to believe that the Borrower failed to comply with the terms, covenants, provisions or conditions of Article X, insofar as they relate to financial and accounting matters or, if such is not the case, specifying such non-compliance and its nature and period of existence.

SECTION 8.4 Other Reports.

(a) Promptly upon receipt thereof, copies of all reports, if any, submitted to the Borrower or its Board of Directors by its independent public accountants in connection with their auditing function, including, without limitation, any management report and any management responses thereto; and

(b) such other information regarding the operations, business affairs and financial condition of the Borrower or any of its Subsidiaries as the Administrative Agent or any Lender may reasonably request.

SECTION 8.5 Notice of Litigation and Other Matters. Prompt (but in no event later than ten (10) days after an officer of the Borrower obtains knowledge thereof) telephonic and written notice of:

(a) the commencement of all proceedings and investigations by or before any Governmental Authority and all actions and proceedings in any court or before any arbitrator

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against or involving the Borrower or any Subsidiary thereof or any of their respective properties, assets or businesses that if adversely determined could reasonably be expected to have a Material Adverse Effect;

(b) any notice of any violation received by the Borrower or any Subsidiary thereof from any Governmental Authority including, without limitation, any notice of violation of Environmental Laws which in any such case could reasonably be expected to have a Material Adverse Effect;

(c) any labor controversy that has resulted in, or threatens to result in, a strike or other work action against the Borrower or any Subsidiary thereof;

(d) any attachment, judgment, lien, levy or order exceeding \$1,000,000 that has been assessed against the Borrower or any Subsidiary thereof;

(e) (i) any Default or Event of Default or (ii) any event which constitutes or which with the passage of time or giving of notice or both would constitute a default or event of default under any Material Contract to which the Borrower or any of its Subsidiaries is a party or by which the Borrower or any Subsidiary thereof or any of their respective properties are bound which could reasonably be expected to have a Material Adverse Effect;

(f) (i) any unfavorable determination letter from the Internal Revenue Service regarding the qualification of an Employee Benefit Plan under Section 401(a) of the Code (along with a copy thereof), (ii) all notices received by the Borrower or any ERISA Affiliate of the PBGC's intent to terminate any Pension Plan or to have a trustee appointed to administer any Pension Plan, (iii) all notices received by the Borrower or any ERISA Affiliate from a Multiemployer Plan sponsor concerning the imposition or amount of withdrawal liability pursuant to Section 4202 of ERISA and (iv) the Borrower obtaining knowledge or reason to know that the Borrower or any ERISA Affiliate has filed or intends to file a notice of intent to terminate any Pension Plan under a distress termination within the meaning of Section 4041(c) of ERISA; and

(g) any event which makes any of the representations set forth in Section 7.1 that is subject to materiality or Material Adverse Effect qualifications inaccurate in any respect or any event which makes any of the representations set forth in Section 7.1 that is not subject to materiality or Material Adverse Effect qualifications inaccurate in any material respect; and

(h) any announcement by Moody's or S&P of any change in a Debt Rating;

provided that delivery by the Borrower to the Administrative Agent and the Lenders of any Disclosure Statement filed with the SEC on Form 8-K, or the availability of such Disclosure Statement on EDGAR Online, within the period set forth above that provides the applicable notice required under any subsection of this Section 8.5 shall be deemed to be compliance by the Borrower with such applicable subsection.

ARTICLE IX

AFFIRMATIVE COVENANTS

Until all of the Obligations have been paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner provided for in Section 14.2, the Borrower will, and will cause each of its Subsidiaries to:

SECTION 9.1 Preservation of Corporate Existence and Related Matters. Except as permitted by Section 11.4, preserve and maintain its separate corporate existence and all rights, franchises, licenses and privileges necessary to the conduct of its business, and qualify and remain qualified as a foreign corporation and authorized to do business in each jurisdiction in which the failure to so qualify could reasonably be expected to have a Material Adverse Effect.

SECTION 9.2 Maintenance of Property. In addition to the requirements of any of the Security Documents, protect and preserve all properties necessary in and material to its business, including copyrights, patents, trade names, service marks and trademarks; maintain in good working order and condition, ordinary wear and tear excepted, all buildings, equipment and other tangible real and personal property; and from time to time make or cause to be made all repairs, renewals and replacements thereof and additions to such property necessary for the conduct of its business, so that the business carried on in connection therewith may be conducted in a commercially reasonable manner.

SECTION 9.3 Insurance. Maintain insurance with financially sound and reputable insurance companies against such risks and in such amounts as are customarily maintained by similar businesses and as may be required by Applicable Law and as are required by any Security Documents (including, without limitation, hazard and business interruption insurance), and on the Closing Date and from time to time thereafter deliver to the Administrative Agent upon its request information in reasonable detail as to the insurance then in effect, stating the names of the insurance companies, the amounts and rates of the insurance, the dates of the expiration thereof and the properties and risks covered thereby.

SECTION 9.4 Accounting Methods and Financial Records. Maintain a system of accounting, and keep proper books, records and accounts (which shall be true and complete in all material respects) as may be required or as may be necessary to permit the preparation of financial statements in accordance with GAAP and in compliance with the regulations of any Governmental Authority having jurisdiction over it or any of its properties.

SECTION 9.5 Payment and Performance of Obligations. Pay and perform all Obligations under this Agreement and the other Loan Documents, and pay or perform (a) all taxes, assessments and other governmental charges that may be levied or assessed upon it or any of its property, and (b) all other indebtedness, obligations and liabilities in accordance with customary trade practices; provided, that the Borrower or such Subsidiary may contest any item described in clauses (a) or (b) of this Section in good faith so long as adequate reserves are maintained with respect thereto in accordance with GAAP.

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SECTION 9.6 Compliance With Laws and Approvals. Observe and remain in compliance in all material respects with all Applicable Laws and maintain in full force and effect all Governmental Approvals, in each case applicable to the conduct of its business except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

SECTION 9.7 Environmental Laws. In addition to and without limiting the generality of Section 9.6, (a) comply with, and use commercially reasonable efforts to ensure such compliance by all tenants and subtenants with all applicable Environmental Laws and obtain and comply with and maintain, and use commercially reasonable efforts to ensure that all tenants and subtenants, if any, obtain and comply with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws, (b) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws, and promptly comply with all lawful orders and directives of any Governmental Authority regarding Environmental Laws, and (c) defend, indemnify and hold harmless the Administrative Agent and the Lenders, and their respective parents, Subsidiaries, Affiliates, employees, agents, officers and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature known or unknown, contingent or otherwise, arising out of, or in any way relating to the presence of Hazardous Materials, or the violation of, noncompliance with or liability under any Environmental Laws applicable to the operations of the Borrower or any such Subsidiary, or any orders, requirements or demands of Governmental Authorities related thereto, including, without limitation, reasonable attorney's and consultant's fees, investigation and laboratory fees, response costs, court costs and litigation expenses, except to the extent that any of the foregoing directly result from the gross negligence or willful misconduct of the party seeking indemnification therefor, as determined by a court of competent jurisdiction by final nonappealable judgment.

SECTION 9.8 Compliance with ERISA. In addition to and without limiting the generality of Section 9.6, (a) except where the failure to so comply could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (i) comply with all material applicable provisions of ERISA and the regulations and published interpretations thereunder with respect to all Employee Benefit Plans, (ii) not take any action or fail to take action the result of which could be a liability to the PBGC or to a Multiemployer Plan, (iii) not participate in any prohibited transaction that could result in any civil penalty under ERISA or tax under the Code and (iv) operate each employee welfare benefit plan (as defined in Section 3(l) of ERISA) in such a manner that will not incur any tax liability under Section 4980B of the Code or any liability to any qualified beneficiary as defined in Section 4980B of the Code and (b) furnish to the Administrative Agent upon the Administrative Agent's request such additional information about any Employee Benefit Plan as may be reasonably requested by the Administrative Agent.

SECTION 9.9 Compliance With Agreements. Comply in all respects with all leases, agreements and other instruments entered into in the conduct of its business including, without limitation, any Material Contract, except for such non-compliance as could not reasonably be expected to have a Material Adverse Effect.

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SECTION 9.10 Visits and Inspections. Permit representatives of the Administrative Agent or any Lender, from time to time upon prior reasonable notice and at such times during normal business hours, to visit and inspect its properties; inspect, review and make extracts from its books, records and files, including, but not limited to, management letters prepared by independent accountants; and discuss with its principal officers, and its independent accountants, its business, assets, liabilities, financial condition, results of operations and business prospects; provided, however, that with respect to environmental matters, the Administrative Agent and any Lender shall be limited to conduct Phase I Environmental Site Assessments of any properties owned by the Borrower or its Subsidiaries no more than once every twelve (12) months unless an Event of Default occurs and then only upon reasonable notice to the Borrower. Upon the occurrence and during the continuance of an Event of Default, the Administrative Agent or any Lender may do any of the foregoing at any time without advance notice.

SECTION 9.11 Additional Subsidiaries.

(a) Additional Domestic Subsidiaries. Notify the Administrative Agent of the creation or acquisition of any Domestic Subsidiary and promptly thereafter (and in any event within thirty (30) days), cause such Person to (i) become a Subsidiary Guarantor by delivering to the Administrative Agent a duly executed supplement to the Subsidiary Guaranty Agreement or such other document as the Administrative Agent shall deem appropriate for such purpose, (ii) pledge a security interest in all collateral owned by such Subsidiary by delivering to the Administrative Agent a duly executed supplement to each Security Document or such other document as the Administrative Agent shall deem appropriate for such purpose and comply with the terms of each Security Document, (iii) deliver to the Administrative Agent such documents and certificates referred to in Section 6.2 as may be reasonably requested by the Administrative Agent, (iv) deliver to the Administrative Agent such original Capital Stock or other certificates and stock or other transfer powers evidencing the Capital Stock of such Person, (v) deliver to the Administrative Agent such updated Schedules to the Loan Documents as requested by the Administrative Agent with respect to such Person, and (vi) deliver to the Administrative Agent such other documents as may be reasonably requested by the Administrative Agent, all in form, content and scope reasonably satisfactory to the Administrative Agent.

(b) Additional Foreign Subsidiaries. Notify the Administrative Agent at the time that any Person becomes a first tier Foreign Subsidiary of the Borrower or any Subsidiary, and promptly thereafter (and in any event within forty-five (45) days after such notification), cause (i) the Borrower or the applicable Subsidiary to deliver to the Administrative Agent Security Documents pledging sixty-five percent (65%) of the total outstanding Capital Stock of such new Foreign Subsidiary and a consent thereto executed by such new Foreign Subsidiary (including, without limitation, if applicable, original stock certificates (or the equivalent thereof pursuant to the Applicable Laws and practices of any relevant foreign jurisdiction) evidencing the Capital Stock of such new Foreign Subsidiary, together with an appropriate undated stock power for each certificate duly executed in blank by the registered owner thereof), (ii) such Person to deliver to the Administrative Agent such documents and certificates referred to in Section 6.2 as may be reasonably requested by the Administrative Agent, (iii) deliver to the Administrative Agent such updated Schedules to the Loan Documents as requested by the Administrative Agent with regard to such Person and (iv) such Person to deliver to the Administrative Agent such other

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documents as may be reasonably requested by the Administrative Agent, all in form, content and scope reasonably satisfactory to the Administrative Agent.

SECTION 9.12 Use of Proceeds. The Borrower shall use the proceeds of the Extensions of Credit (a) to finance the acquisition of Capital Assets, (b) to refinance existing Indebtedness of the Borrower (including, without limitation, the Existing Credit Agreement), and (c) for working capital and general corporate purposes of the Borrower and its Subsidiaries, including the payment of certain fees and expenses incurred in connection with the transactions.

SECTION 9.13 Further Assurances. Make, execute and deliver all such additional and further acts, things, deeds and instruments as the Administrative Agent or the Required Lenders (through the Administrative Agent) may reasonably require to document and consummate the transactions contemplated hereby and to vest completely in and insure the Administrative Agent and the Lenders their respective rights under this Agreement, the Letters of Credit and the other Loan Documents.

ARTICLE X

FINANCIAL COVENANTS

Until all of the Obligations have been paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner set forth in Section 14.2, the Borrower and its Subsidiaries on a Consolidated basis will not:

SECTION 10.1 Leverage Ratio: As of any fiscal quarter end, permit the Consolidated Total Leverage Ratio to be greater than 2.25 to 1.00.

SECTION 10.2 Interest Coverage Ratio: As of any fiscal quarter end, permit the ratio of (a) Consolidated EBITDA for the period of four (4) consecutive fiscal quarters ending on or immediately prior to such date to (b) Consolidated Interest Expense for the period of four (4) consecutive fiscal quarters ending on or immediately prior to such date to be less than 3.75 to 1.0.

SECTION 10.3 Maximum Capital Expenditures. Permit the aggregate amount of all Capital Expenditures in any Fiscal Year to exceed \$15,000,000. Notwithstanding the foregoing, the maximum amount of Capital Expenditures permitted by this Section 10.3 in any Fiscal Year may be increased by up to \$2,000,000 of Capital Expenditures that were permitted but not made under this Section 10.3 in the immediately preceding Fiscal Year (without giving effect to any carryover amount from prior Fiscal Years).

ARTICLE XI

NEGATIVE COVENANTS

Until all of the Obligations have been paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner set forth in Section 14.2, the Borrower has not and will not and will not permit any of its Subsidiaries to:

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SECTION 11.1 Limitations on Indebtedness. Create, incur, assume or suffer to exist any Indebtedness except:

(a) the Obligations (excluding Hedging Obligations permitted pursuant to Section 11.1(b));

(b) Indebtedness incurred in connection with a Hedging Agreement with a counterparty and upon terms and conditions (including interest rate) reasonably satisfactory to the Administrative Agent (which consent shall not be unreasonably withheld or delayed); provided, that any counterparty that is a Lender shall be deemed satisfactory to the Administrative Agent;

(c) Indebtedness existing on the Closing Date and listed on Schedule 11.1(c), and the renewal, refinancing, extension and replacement (but not the increase in the aggregate principal amount) thereof;

(d) Attributable Indebtedness of the Borrower and its Subsidiaries incurred in connection with Capital Leases in an aggregate amount not to exceed, on any date of determination, \$15,000,000 minus any Indebtedness outstanding pursuant to Section 11.1(e) hereto;

(e) purchase money Indebtedness of the Borrower and its Subsidiaries in an aggregate amount not to exceed, on any date of determination, \$15,000,000 minus any Indebtedness outstanding pursuant to Section 11.1(d) hereto;

(f) Indebtedness of a Person existing at the time such Person became a Subsidiary or assets were acquired from such Person, to the extent such Indebtedness was not incurred in connection with or in contemplation of, such Person becoming a Subsidiary or the acquisition of such assets, not to exceed in the aggregate at any time outstanding \$10,000,000;

(g) Guaranty Obligations in favor of the Administrative Agent for the benefit of the Administrative Agent and the Lenders;

(h) Guaranty Obligations with respect to Indebtedness permitted pursuant to subsections (a) through (f) of this Section;

(i) Indebtedness of the Borrower to any Wholly-Owned Subsidiary and of any Wholly-Owned Subsidiary to the Borrower or any other Wholly-Owned Subsidiary; provided, that (i) in the case of any such Indebtedness in an amount greater than \$1,000,000 owed to the Borrower or any Domestic Subsidiary, such Indebtedness is evidenced by a promissory note that has been pledged as security for the Obligations under the Collateral Agreement, (ii) in the case of any such Indebtedness in an amount greater than \$1,000,000 owed by the Borrower or a Domestic Subsidiary to any Foreign Subsidiary, such Indebtedness is subordinated to the Obligations on terms satisfactory to the Administrative Agent and (iii) in the case of all such Indebtedness, the loans and advances giving rise thereto are permitted under Section 11.3.

(j) Indebtedness with respect to surety bonds obtained by the Borrower or any of the Subsidiaries in the ordinary course of business to secure their obligations with respect to

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applicable worker's compensation laws, not to exceed in the aggregate at any time outstanding \$4,500,000;

(k) Indebtedness of the Borrower or any of the Subsidiaries incurred to finance insurance premiums, not to exceed in the aggregate at any time outstanding \$3,000,000;

(l) Unsecured Subordinated Indebtedness of the Borrower or any of the Subsidiaries to the seller of any business incurred in connection with a Permitted Acquisition of such business; provided, however, that (i) the terms of such Indebtedness shall not provide for any maturity, amortization, sinking fund payment, mandatory redemption, other required repayment or repurchase of, or cash interest or other similar payment with respect to, such Indebtedness, in each case prior to the Revolving Credit Maturity Date (except that deferred payments related to Permitted Acquisitions shall not be subject to this subclause (i)), (ii) the covenants and events of default relating to such Indebtedness shall be on market terms for Indebtedness of such type, reasonably satisfactory to the Administrative Agent, and shall be no more restrictive than the covenants and events of default in this Agreement, and (iii) the aggregate principal amount of Indebtedness permitted by this clause (l) shall not exceed in the aggregate at any time outstanding \$15,000,000; and

(m) Additional Indebtedness not otherwise permitted pursuant to this Section in an aggregate amount outstanding not to exceed \$15,000,000;

provided, that no agreement or instrument with respect to Indebtedness permitted to be incurred by this Section shall restrict, limit or otherwise encumber (by covenant or otherwise) the ability of any Subsidiary of the Borrower to make any payment to the Borrower or any of its Subsidiaries (in the form of dividends, intercompany advances or otherwise) for the purpose of enabling the Borrower to pay the Obligations; provided, further, that the aggregate principal amount of Indebtedness permitted by the foregoing clauses (c), (d), (e), (f), (j), (k), (l) and (m), excluding deferred payments related to Permitted Acquisitions, shall not exceed \$35,000,000 at any time outstanding.

SECTION 11.2 Limitations on Liens. Create, incur, assume or suffer to exist, any Lien on or with respect to any of its assets or properties (including, without limitation, shares of Capital Stock), real or personal, whether now owned or hereafter acquired, except:

(a) Liens for taxes, assessments and other governmental charges or levies (excluding any Lien imposed pursuant to any of the provisions of ERISA or Environmental Laws) not yet due or as to which the period of grace (not to exceed thirty (30) days), if any, related thereto has not expired or which are being contested in good faith and by appropriate proceedings if adequate reserves are maintained to the extent required by GAAP;

(b) Liens securing the claims of materialmen, mechanics, carriers, warehousemen, processors or landlords for labor, materials, supplies or rentals incurred in the ordinary course of business, (i) which are not overdue for a period of more than thirty (30) days or (ii) which are being contested in good faith and by appropriate proceedings if adequate reserves are maintained to the extent required by GAAP;

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(c) Liens consisting of deposits or pledges made in the ordinary course of business in connection with, or to secure payment of, obligations under workers' compensation, unemployment insurance or similar legislation;

(d) Liens constituting encumbrances in the nature of zoning restrictions, easements and rights or restrictions of record on the use of real property which do not, in any case, materially detract from the value of such property or impair the use thereof in the ordinary conduct of business;

(e) Liens of the Administrative Agent for the benefit of the Administrative Agent and the Lenders under the Loan Documents;

(f) Liens existing on any asset of any Person at the time such Person becomes a Subsidiary or is merged or consolidated with or into a Subsidiary which (i) were not created in contemplation of or in connection with such event, (ii) do not extend to or cover any other property or assets of Borrower or any Subsidiary and (iii) such Lien does not (A) materially interfere with the use, occupancy and operation of any asset or property subject thereto, (B) materially reduce the fair market value of such asset or property but for such Lien or (C) result in any material increase in the cost of operating, occupying or owning or leasing such asset or property, in each case, so long as any Indebtedness related to any such Liens are permitted under Section 11.1(f);

(g) Liens not otherwise permitted by this Section and in existence on the Closing Date and described on Schedule 11.2;

(h) Liens securing Indebtedness permitted under Sections 11.1(d) and (e); provided that (i) such Liens shall be created substantially simultaneously with the acquisition or lease of the related asset, (ii) such Liens do not at any time encumber any property other than the property financed by such Indebtedness, (iii) the amount of Indebtedness secured thereby is not increased and (iv) the principal amount of Indebtedness secured by any such Lien shall at no time exceed one hundred percent (100%) of the original purchase price or lease payment amount of such property at the time it was acquired;

(i) Judgment liens securing judgments that have not resulted in an Event of Default under Section 12.1(n);

(j) purported Liens evidenced by the filing of UCC financing statements relating solely to personal property leased pursuant to operating leases entered into in the ordinary course of business of the Borrower and its Subsidiaries; and

(k) Liens not otherwise permitted hereunder securing obligations not at any time exceeding in the aggregate \$4,000,000.

SECTION 11.3 Limitations on Loans, Advances, Investments and Acquisitions. Purchase, own, invest in or otherwise acquire, directly or indirectly, any Capital Stock, interests in any partnership or joint venture (including, without limitation, the creation or capitalization of any Subsidiary), evidence of Indebtedness or other obligation or security, substantially all or a portion of the business or assets of any other Person or any other investment or interest

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whatsoever in any other Person, or make or permit to exist, directly or indirectly, any loans, advances or extensions of credit to, or any investment in cash or by delivery of property in, any Person except:

(a) investments (i) in Subsidiaries existing on the Closing Date and (ii) the other loans, advances and investments described on Schedule 11.3, in each case, existing on the Closing Date;

(b) additional investments (i) in Wholly-Owned Domestic Subsidiaries; provided, that management or pre-acquisition holders of Capital Stock of any such Domestic Subsidiary acquired pursuant to a Permitted Acquisition may own up to ten percent (10%) in the aggregate of the Capital Stock of such Subsidiary so long as no more than two Subsidiaries are less than wholly owned at any one time, and (ii) in Wholly-Owned Foreign Subsidiaries in an aggregate amount not greater than \$2,000,000 during any Fiscal Year of the Borrower, in each case to the extent any resulting Indebtedness is permitted under Section 11.1(i);

(c) investments in (i) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency thereof maturing within one year from the date of acquisition thereof, (ii) commercial paper maturing no more than one hundred-eighty (180) days from the date of creation thereof and currently having the highest rating obtainable from either Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or Moody's Investors Service, Inc., (iii) certificates of deposit maturing no more than one hundred-eighty (180) days from the date of creation thereof issued by commercial banks incorporated under the laws of the United States, each having combined capital, surplus and undivided profits of not less than \$500,000,000 and having a rating of "A" or better by a nationally recognized rating agency; provided, that the aggregate amount invested in such certificates of deposit shall not at any time exceed \$5,000,000 for any one such certificate of deposit and \$10,000,000 for any one such bank, (iv) time deposits maturing no more than thirty (30) days from the date of creation thereof with commercial banks or savings banks or savings and loan associations each having membership either in the FDIC or the deposits of which are insured by the FDIC and in amounts not exceeding the maximum amounts of insurance thereunder, or (v) other investments approved in writing by the Required Lenders (all of the foregoing described in this Section 11.3(c), "Cash Equivalents")

(d) investments by the Borrower or any of its Subsidiaries in the form of Permitted Acquisitions;

(e) Hedging Agreements permitted pursuant to Section 11.1;

(f) purchases of assets in the ordinary course of business;

(g) investments in the form of loans and advances to employees in the ordinary course of business, which, in the aggregate, do not exceed at any time \$250,000;

(h) transactions permitted pursuant to Section 11.6; and

(i) other additional investments not otherwise permitted pursuant to this Section not exceeding \$2,000,000 in the aggregate in any Fiscal Year.

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SECTION 11.4 Limitations on Mergers and Liquidation. Merge, consolidate or enter into any similar combination with any other Person or liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution) except:

(a) any Wholly-Owned Subsidiary of the Borrower may be merged or consolidated with or into the Borrower (provided that the Borrower shall be the continuing or surviving Person) or with or into any Subsidiary Guarantor (provided that the Subsidiary Guarantor shall be the continuing or surviving Person);

(b) any Wholly-Owned Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower or any other Wholly-Owned Subsidiary; (provided that if the transferor in such a transaction is a Subsidiary Guarantor, then the transferee must either be the Borrower or a Subsidiary Guarantor);

(c) any Wholly-Owned Subsidiary of the Borrower may merge into the Person such Wholly-Owned Subsidiary was formed to acquire in connection with a Permitted Acquisition; and

(d) any Subsidiary of the Borrower may wind-up into the Borrower or any Subsidiary Guarantor.

SECTION 11.5 Limitations on Asset Dispositions. Make any Asset Disposition (including, without limitation, the sale of any receivables and leasehold interests and any sale-leaseback or similar transaction) except:

(a) the sale of inventory in the ordinary course of business;

(b) the sale of obsolete, worn-out or surplus assets no longer used or usable in the business of the Borrower or any of its Subsidiaries;

(c) the transfer of assets to the Borrower or any Subsidiary Guarantor;

(d) the sale or discount without recourse of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof;

(e) the disposition of any Hedging Agreement; and

(f) additional Asset Dispositions not otherwise permitted pursuant to this Section in an aggregate amount not to exceed \$10,000,000 in any Fiscal Year.

SECTION 11.6 Limitations on Dividends and Distributions. Declare or pay any dividends upon any of its Capital Stock; purchase, redeem, retire or otherwise acquire, directly or indirectly, any shares of its Capital Stock, or make any distribution of cash, property or assets among the holders of shares of its Capital Stock; provided that:

(a) the Borrower or any Subsidiary may pay dividends in shares of its own Capital Stock;

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(b) any Subsidiary may pay cash dividends to the Borrower;

(c) the Borrower may repurchase, redeem, retire or otherwise acquire Capital Stock of the Borrower or any Affiliate of the Borrower owned by employees of the Borrower or any Subsidiary or their assignees, estates and heirs, at a price not in excess of fair market value determined in good faith by the Board of Directors of the Borrower, in an aggregate amount not to exceed \$4,000,000 during the term of this Agreement; and

(d) so long as (i) no Default or Event of Default shall have occurred and be continuing or would result therefrom and (ii) for a period of thirty (30) days prior to giving effect thereto and immediately after giving effect thereto, the sum of (A) the amount of cash and Cash Equivalents of the Borrower plus (B) the excess of the Total Revolving Credit Commitment over the outstanding Revolving Credit Loans, Swingline Loans and L/C Obligations, shall be no less than \$15,000,000, the Borrower may declare and pay dividends on its Capital Stock and make purchases, repurchases, redemptions, retirements and other acquisitions for value of its Capital Stock (excluding repurchases, redemptions, retirements and other acquisitions permitted under Section 11.6(c)) in an aggregate amount during the term of this Agreement not to exceed at any time than the sum of (Y) \$25,000,000 and (Z) twenty-five percent (25%) of the Consolidated Net Income of the Borrower for the period from January 1, 2005, through the end of the most recent fiscal quarter for which financial statements shall have been delivered pursuant to Section 8.1 at such time (taken as a single accounting period), if and only if the Consolidated Total Leverage Ratio is less than 1.50 to 1.00 at such time.

SECTION 11.7 Limitations on Exchange and Issuance of Capital Stock. Issue, sell or otherwise dispose of any class or series of Capital Stock that, by its terms or by the terms of any security into which it is convertible or exchangeable, is, or upon the happening of an event or passage of time would be, (a) convertible or exchangeable into Indebtedness or (b) required to be redeemed or repurchased, including at the option of the holder, in whole or in part, or has, or upon the happening of an event or passage of time would have, a redemption or similar payment due.

SECTION 11.8 Transactions with Affiliates. Directly or indirectly (a) make any loan or advance to, or purchase or assume any note or other obligation to or from, any of its officers, directors or other Affiliates, or to or from any member of the immediate family of any of its officers, directors or other Affiliates, or subcontract any operations to any of its Affiliates or (b) enter into, or be a party to, any other transaction not described in clause (a) above with any of its Affiliates other than:

(i) transactions permitted by Section 11.3, Section 11.4, Section 11.6 and Section 11.7;

(ii) transactions existing on the Closing Date and described on Schedule 11.8;

(iii) normal compensation and reimbursement of reasonable expenses of officers and directors; and

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(iv) transactions in the ordinary course of business on terms as favorable as the Borrower or such Subsidiary reasonably believes could be obtained by it on a comparable arms-length transaction with an independent, unrelated third party.

SECTION 11.9 Certain Accounting Changes; Organizational Documents. (a) Change its Fiscal Year end, or make any change in its accounting treatment and reporting practices except as required by GAAP or the Exchange Act or (b) amend, modify or change its certificate of incorporation (or corporate charter or other similar organizational documents) or amend, modify or change its bylaws (or other similar documents) in any manner materially adverse in any respect to the rights or interests of the Lenders.

SECTION 11.10 Amendments; Payments and Prepayments of Subordinated Indebtedness.

(a) Amend or modify (or permit the modification or amendment of) any of the terms or provisions of any Subordinated Indebtedness in any respect which would materially adversely affect the rights or interests of the Administrative Agent and Lenders hereunder.

(b) Cancel, forgive, make any payment or prepayment on, or redeem or acquire for value (including, without limitation, (i) by way of depositing with any trustee with respect thereto money or securities before due for the purpose of paying when due and (ii) at the maturity thereof) any Subordinated Indebtedness, except refinancings, refundings, renewals, extensions or exchange of any Subordinated Indebtedness permitted by Section 11.1(j) and (k).

SECTION 11.11 Restrictive Agreements.

(a) Enter into any Indebtedness which contains any negative pledge on assets or any covenants more restrictive than the provisions of Articles IX, X and XI hereof, or which restricts, limits or otherwise encumbers its ability to incur Liens on or with respect to any of its assets or properties other than the assets or properties securing such Indebtedness.

(b) Enter into or permit to exist any agreement which impairs or limits the ability of any Subsidiary of the Borrower to pay dividends to the Borrower.

SECTION 11.12 Nature of Business. Alter in any material respect the character or conduct of the business conducted by the Borrower and its Subsidiaries as of the Closing Date.

SECTION 11.13 Impairment of Security Interests. Take or omit to take any action, which might reasonably be expected or would have the result of materially impairing the security interests in favor of the Administrative Agent with respect to the Collateral or grant to any Person (other than the Administrative Agent for the benefit of itself and the Lenders pursuant to the Security Documents) any interest whatsoever in the Collateral, except for Permitted Liens and Asset Dispositions permitted under Section 11.5.

ARTICLE XII

DEFAULT AND REMEDIES

SECTION 12.1 Events of Default. Each of the following shall constitute an Event of Default, whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule or regulation of any Governmental Authority or otherwise:

(a) Default in Payment of Principal of Loans and Reimbursement Obligations. The Borrower shall default in any payment of principal of any Loan or Reimbursement Obligation when and as due (whether at maturity, by reason of acceleration or otherwise).

(b) Other Payment Default. The Borrower or any other Credit Party shall default in the payment when and as due (whether at maturity, by reason of acceleration or otherwise) of interest on any Obligation or the payment of any other Obligation, and such default shall continue for a period of three (3) Business Days.

(c) Misrepresentation. Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower or any other Credit Party herein or in any other Loan Document that is subject to materiality or Material Adverse Effect qualifications, shall be incorrect or misleading in any respect when made or deemed made or any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower or any other Credit Party herein or any other Loan Document that is not subject to materiality or Material Adverse Effect qualifications, shall be incorrect or misleading in any material respect when made or deemed made.

(d) Default in Performance of Certain Covenants. The Borrower or any other Credit Party shall default in the performance or observance of any covenant or agreement contained in Sections 8.1(a) or (b), 8.2 or 8.5(e)(i) or Articles X or XI.

(e) Default in Performance of Other Covenants and Conditions. The Borrower or any other Credit Party shall default in the performance or observance of any term, covenant, condition or agreement contained in this Agreement (other than as specifically provided for otherwise in this Section) or any other Loan Document and such default shall continue for a period of thirty (30) days after written notice thereof has been given to the Borrower by the Administrative Agent.

(f) Hedging Agreement. The Borrower or any other Credit Party shall default in the performance or observance of any terms, covenant, condition or agreement (after giving effect to any applicable grace or cure period) under any Hedging Agreement and such default causes the termination of such Hedging Agreement and such Credit Party has failed to pay all amounts due thereunder within five (5) days after the due date thereof (or such longer cure period as provided in such Hedging Agreement).

(g) Indebtedness Cross-Default. The Borrower or any other Credit Party shall (i) default in the payment of any Indebtedness (other than the Loans or any Reimbursement

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Obligation) the aggregate outstanding amount of which Indebtedness is in excess of \$5,000,000 beyond the period of grace if any, provided in the instrument or agreement under which such Indebtedness was created, or (ii) default in the observance or performance of any other agreement or condition relating to any Indebtedness (other than the Loans or any Reimbursement Obligation) the aggregate outstanding amount of which Indebtedness is in excess of \$5,000,000 or contained in any instrument or agreement evidencing, securing or relating thereto, the effect of which default is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, with the giving of notice if required, any such Indebtedness to become due prior to its stated maturity (any applicable grace period having expired).

(h) [Intentionally Left Blank]

(i) Change in Control. Any Change in Control shall occur.

(j) Voluntary Bankruptcy Proceeding. The Borrower or any Subsidiary thereof shall (i) commence a voluntary case under the federal bankruptcy laws (as now or hereafter in effect), (ii) file a petition seeking to take advantage of any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition for adjustment of debts, (iii) consent to or fail to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such bankruptcy laws or other laws, (iv) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of itself or of a substantial part of its property, domestic or foreign, (v) admit in writing its inability to pay its debts as they become due, (vi) make a general assignment for the benefit of creditors, or (vii) take any corporate action for the purpose of authorizing any of the foregoing.

(k) Involuntary Bankruptcy Proceeding. A case or other proceeding shall be commenced against the Borrower or any Credit Party thereof in any court of competent jurisdiction seeking (i) relief under the federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or adjustment of debts, or (ii) the appointment of a trustee, receiver, custodian, liquidator or the like for the Borrower or any Credit Party thereof or for all or any substantial part of their respective assets, domestic or foreign, and such case or proceeding shall continue without dismissal or stay for a period of sixty (60) consecutive days, or an order granting the relief requested in such case or proceeding (including, but not limited to, an order for relief under such federal bankruptcy laws) shall be entered.

(l) Failure of Agreements. Any material provision of this Agreement or any provision of any other Loan Document shall for any reason cease to be valid and binding on the Borrower or any other Credit Party party thereto or any such Person shall so state in writing, or any Loan Document shall for any reason cease to create a valid and perfected first priority Lien on, or security interest in, any of the Collateral purported to be covered thereby unless due to the failure by the Administrative Agent to perfect or maintain its perfection of its Lien on such Collateral, in each case other than in accordance with the express terms hereof or thereof.

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(m) Termination Event. The occurrence of any of the following events: (i) the Borrower or any ERISA Affiliate fails to make full payment when due of all amounts which, under the provisions of any Pension Plan or Section 412 of the Code, the Borrower or any ERISA Affiliate is required to pay as contributions thereto, (ii) an accumulated funding deficiency in excess of \$1,000,000 occurs or exists, whether or not waived, with respect to any Pension Plan, (iii) a Termination Event or (iv) the Borrower or any ERISA Affiliate as employers under one or more Multiemployer Plans makes a complete or partial withdrawal from any such Multiemployer Plan and the plan sponsor of such Multiemployer Plans notifies such withdrawing employer that such employer has incurred a withdrawal liability requiring payments in an amount exceeding \$1,000,000.

(n) Judgment. A judgment or order for the payment of money which causes the aggregate amount of all such judgments to exceed \$10,000,000 in any Fiscal Year shall be entered against the Borrower or any Credit Party by any Governmental Authority and such judgment or order shall continue without having been discharged, vacated or stayed for a period of thirty (30) days after the entry thereof.

(o) Environmental. Any one or more Environmental Claims shall have been asserted against the Borrower or any Credit Party; the Borrower and any Credit Party would be reasonably likely to incur liability as a result thereof; and such liability would be reasonably likely, individually or in the aggregate, to have a Material Adverse Effect.

SECTION 12.2 Remedies. Upon the occurrence of an Event of Default, with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower:

(a) Acceleration; Termination of Facilities. Terminate the Commitments and declare the principal of and interest on the Loans and the Reimbursement Obligations at the time outstanding, and all other amounts owed to the Lenders and to the Administrative Agent under this Agreement or any of the other Loan Documents (including, without limitation, all L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented or shall be entitled to present the documents required thereunder) and all other Obligations (other than Hedging Obligations), to be forthwith due and payable, whereupon the same shall immediately become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived by each Credit Party, anything in this Agreement or the other Loan Documents to the contrary notwithstanding, and terminate the Credit Facility and any right of the Borrower to request borrowings or Letters of Credit thereunder; provided, that upon the occurrence of an Event of Default specified in Section 12.1(j) or (k), the Credit Facility shall be automatically terminated and all Obligations (other than Hedging Obligations) shall automatically become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived by each Credit Party, anything in this Agreement or in any other Loan Document to the contrary notwithstanding.

(b) Letters of Credit. With respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to the preceding paragraph, the Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired

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amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay the other Obligations on a pro rata basis. After all such Letters of Credit shall have expired or been fully drawn upon, the Reimbursement Obligation shall have been satisfied and all other Obligations shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower.

(c) Rights of Collection. Exercise on behalf of the Lenders all of its other rights and remedies under this Agreement, the other Loan Documents and Applicable Law, in order to satisfy all of the Borrower's Obligations.

SECTION 12.3 Rights and Remedies Cumulative; Non-Waiver; etc. The enumeration of the rights and remedies of the Administrative Agent and the Lenders set forth in this Agreement is not intended to be exhaustive and the exercise by the Administrative Agent and the Lenders of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative, and shall be in addition to any other right or remedy given hereunder or under the other Loan Documents or that may now or hereafter exist at law or in equity or by suit or otherwise. No delay or failure to take action on the part of the Administrative Agent or any Lender in exercising any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege or shall be construed to be a waiver of any Event of Default. No course of dealing between the Borrower, the Administrative Agent and the Lenders or their respective agents or employees shall be effective to change, modify or discharge any provision of this Agreement or any of the other Loan Documents or to constitute a waiver of any Event of Default.

SECTION 12.4 Crediting of Payments and Proceeds. In the event that the Borrower shall fail to pay any of the Obligations when due and the Obligations have been accelerated pursuant to Section 12.2, all payments received by the Lenders upon the Obligations and all net proceeds from the enforcement of the Obligations shall be applied:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts, including attorney fees, payable to the Administrative Agent in its capacity as such and the Issuing Lender in its capacity as such (ratably among the Administrative Agent and the Issuing Lender in proportion to the respective amounts described in this clause First payable to them);

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders, including attorney fees (ratably among the Lenders in proportion to the respective amounts described in this clause Second payable to them);

Third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans and Reimbursement Obligations and any Hedging Obligations (including any termination payments and any accrued and unpaid interest thereon) (ratably among the Lenders in proportion to the respective amounts described in this clause Third payable to them);

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Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans and Reimbursement Obligations (ratably among the Lenders in proportion to the respective amounts described in this clause Fourth held by them);

Fifth, to the Administrative Agent for the account of the Issuing Lender, to cash collateralize any L/C Obligations then outstanding; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Law.

SECTION 12.5 Administrative Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Credit Party, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 3.3, 5.3 and 14.3) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 5.3 and 14.3.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

ARTICLE XIII

THE ADMINISTRATIVE AGENT

SECTION 13.1 Appointment and Authority. Each of the Lenders and the Issuing Lender hereby irrevocably appoints Wachovia to act on its behalf as the Administrative Agent hereunder

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and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent, the Lenders and the Issuing Lender, and neither the Borrower nor any Subsidiary thereof shall have rights as a third party beneficiary of any of such provisions.

SECTION 13.2 Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

SECTION 13.3 Exculpatory Provisions. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or Applicable Law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 14.2 and Section 12.2) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final nonappealable judgment. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrower, a Lender or the Issuing Lender.

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The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article VI or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

SECTION 13.4 Reliance by the Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the Issuing Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender or the Issuing Lender unless the Administrative Agent shall have received notice to the contrary from such Lender or the Issuing Lender prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

SECTION 13.5 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

SECTION 13.6 Resignation of Administrative Agent.

(a) The Administrative Agent may at any time give notice of its resignation to the Lenders, the Issuing Lender and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and no such successor shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring

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Administrative Agent may on behalf of the Lenders and the Issuing Lender, appoint a successor Administrative Agent meeting the qualifications set forth above provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or the Issuing Lender under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender and the Issuing Lender directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this paragraph. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this paragraph). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 14.2 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

(b) Any resignation by Wachovia as Administrative Agent pursuant to this Section shall also constitute its resignation as Issuing Lender and Swingline Lender. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Issuing Lender and Swingline Lender, (b) the retiring Issuing Lender and Swingline Lender shall be discharged from all of their respective duties and obligations hereunder or under the other Loan Documents, and (c) the successor Issuing Lender shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangement satisfactory to the retiring Issuing Lender to effectively assume the obligations of the retiring Issuing Lender with respect to such Letters of Credit.

SECTION 13.7 Non-Reliance on Administrative Agent and Other Lenders. Each Lender and the Issuing Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and the Issuing Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

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SECTION 13.8 No Other Duties, etc. Anything herein to the contrary notwithstanding, none of the syndication agents, documentation agents, co-agents, book manager, lead manager, arranger, lead arranger or co-arranger listed on the cover page or signature pages hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, a Lender or the Issuing Lender hereunder.

SECTION 13.9 Collateral and Guaranty Matters. The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion,

(a) to release any Lien on any Collateral granted to or held by the Administrative Agent, for the ratable benefit of itself and the Lenders, under any Loan Document (i) upon repayment of the outstanding principal of and all accrued interest on the Loans, payment of all outstanding fees and expenses hereunder, the termination of the Lenders' Commitments and the expiration or termination of all Letters of Credit, (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Loan Document, or (iii) subject to Section 14.2, if approved, authorized or ratified in writing by the Required Lenders;

(b) to subordinate any Lien on any Collateral granted to or held by the Administrative Agent under any Loan Document to the holder of any Lien on such Collateral that is permitted by Section 11.2(g); and

(c) to release any Subsidiary Guarantor from its obligations under the Subsidiary Guaranty Agreement if such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Subsidiary Guarantor from its obligations under the Subsidiary Guaranty Agreement pursuant to this Section.

ARTICLE XIV

MISCELLANEOUS

SECTION 14.1 Notices.

(a) Method of Communication. Except as otherwise provided in this Agreement, all notices and communications hereunder shall be in writing (for purposes hereof, the term "writing" shall include information in electronic format such as electronic mail and internet web pages), or by telephone subsequently confirmed in writing. Any notice shall be effective if delivered by hand delivery or sent via electronic mail, posting on an internet web page, telecopy, recognized overnight courier service or certified mail, return receipt requested, and shall be presumed to be received by a party hereto (i) on the date of delivery if delivered by hand or sent by electronic mail, posting on an internet web page, telecopy, (ii) on the next Business Day if sent by recognized overnight courier service and (iii) on the third Business Day following the date sent by certified mail, return receipt requested. A telephonic notice to the Administrative

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Agent as understood by the Administrative Agent will be deemed to be the controlling and proper notice in the event of a discrepancy with or failure to receive a confirming written notice.

(b) Addresses for Notices. Notices to any party shall be sent to it at the following addresses, or any other address as to which all the other parties are notified in writing.

If to the Borrower: Cross Country Healthcare, Inc.
6551 Park of Commerce Blvd., N.W.
Boca Raton, Florida 33487
Attention: Emil Hensel, Chief Financial Officer
Telephone No.: (561) 312-1750
Telecopy No.: (561) 912-9068

With a copy to: Steve Rubin, Esq.
Proskauer Rose LLP
1585 Broadway
New York, New York 10036-8299
Telephone No.: (212) 969-3330
Telecopy No.: (212) 969-2900

If to Wachovia as Administrative Agent: Wachovia Bank, National Association
Charlotte Plaza, CP-8
201 South College Street
Charlotte, North Carolina 28288-0680
Attention: Syndication Agency Services
Telephone No.: (704) 374-2698
Telecopy No.: (704) 383-0288

With copies to: One Wachovia Center
301 South College Street
Mail Code: NC-5562
Charlotte, North Carolina 28288
Attention: Richard Nelson
Telephone No.: (704) 715-1445
Telecopy No.: (704) 383-7611

If to any Lender: To the address set forth on the Register

(c) Administrative Agent's Office. The Administrative Agent hereby designates its office located at the address set forth above, or any subsequent office which shall have been specified for such purpose by written notice to the Borrower and Lenders, as the Administrative Agent's Office referred to herein, to which payments due are to be made and at which Loans will be disbursed and Letters of Credit requested.

SECTION 14.2 Amendments, Waivers and Consents. Except as set forth below or as specifically provided in any Loan Document, any term, covenant, agreement or condition of this Agreement or any of the other Loan Documents may be amended or waived by the Lenders, and any consent given by the Lenders, if, but only if, such amendment, waiver or consent is in

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writing signed by the Required Lenders (or by the Administrative Agent with the consent of the Required Lenders) and delivered to the Administrative Agent and, in the case of an amendment, signed by the Borrower; provided, that no amendment, waiver or consent shall:

(a) waive any conditions set forth in Section 6.2 without the written consent of each Lender;

(b) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 12.2) or the amount of Loans of any Lender (other than as set forth in Section 2.7 and Section 4.1 of this Agreement) without the written consent of such Lender;

(c) postpone any date fixed by this Agreement or any other Loan Document for any payment (excluding mandatory prepayments) of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;

(d) reduce the principal of, or the rate of interest specified herein on, any Loan or Reimbursement Obligation, or (subject to clause (iv) of the second proviso to this Section) any fees or other amounts payable hereunder or under any other Loan Document, or change the manner of computation of any financial ratio (including any change in any applicable defined term) used in determining the Applicable Margin that would result in a reduction of any interest rate on any Loan or any fee payable hereunder without the written consent of each Lender directly affected thereby; provided that only the consent of the Required Lenders shall be necessary (i) to waive any obligation of the Borrower to pay interest at the rate set forth in Section 5.1(c) during the continuance of an Event of Default, or (ii) to amend any financial covenant hereunder (or any defined term used therein) even if the effect of such amendment would be to reduce the rate of interest on any Loan or L/C Borrowing or to reduce any fee payable hereunder;

(e) change Section 5.4 or Section 12.4 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender;

(f) change Section 4.3(b)(v) in a manner that would alter the order of application of amounts prepaid pursuant thereto without the written consent of each Lender;

(g) change any provision of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; or

(h) release all of the Subsidiary Guarantors or release Subsidiary Guarantors comprising substantially all of the credit support for the Credit Party Obligations, in either case, from the Subsidiary Guaranty Agreement (other than as authorized in Section 13.9), without the written consent of each Lender; or

(i) release all or a material portion of the Collateral or release any Security Document (other than as authorized in Section 13.9 or as otherwise specifically permitted or

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contemplated in this Agreement or the applicable Security Document) without the written consent of each Lender;

provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Lender in addition to the Lenders required above, affect the rights or duties of the Issuing Lender under this Agreement or any Letter of Credit Application relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Swingline Lender in addition to the Lenders required above, affect the rights or duties of the Swingline Lender under this Agreement; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (iv) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender.

SECTION 14.3 Expenses; Indemnity.

(a) Costs and Expenses. The Borrower and any other Credit Party, jointly and severally, shall pay (i) all reasonable out of pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of one (1) counsel for the Administrative Agent), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out of pocket expenses incurred by the Issuing Lender in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable out of pocket expenses incurred by the Administrative Agent, any Lender or the Issuing Lender (including the reasonable fees, charges and disbursements of any counsel for the Administrative Agent, any Lender or the Issuing Lender), any Lender or the Issuing Lender, in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made or Letters of Credit issued hereunder, including all such reasonable out of pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender and the Issuing Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims (including, without limitation, any Environmental Claims or civil penalties or fines assessed by OFAC), damages, liabilities and related expenses (including the reasonable fees, charges and disbursements of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower or any other Credit Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto

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of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Issuing Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or Release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Claim related in any way to the Borrower or any of its Subsidiaries, (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any other Credit Party, and regardless of whether any Indemnitee is a party thereto, or (v) any claim (including, without limitation, any civil penalties or fines assessed by the U.S. Department of the Treasury's Office of Foreign Assets Control), investigation, litigation or other proceeding (whether or not the Administrative Agent or any Lender is a party thereto) and the prosecution and defense thereof, arising out of or in any way connected with the Loans, this Agreement or any other Loan Document or the transactions contemplated hereby or thereby, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower or any other Credit Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Borrower or such Credit Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by Lenders. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under clause (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof), the Issuing Lender or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), the Issuing Lender or such Related Party, as the case may be, such Lender's Applicable Margin (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) or the Issuing Lender in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) or Issuing Lender in connection with such capacity. The obligations of the Lenders under this clause (c) are subject to the provisions of Section 5.7.

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by Applicable Law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in clause (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in

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connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby; provided that such Indemnitee has utilized such usual and customary security procedures with any such information or other materials as it would utilize for its own similar information and materials.

(e) Payments. All amounts due under this Section shall be payable promptly after demand therefor.

SECTION 14.4 Right of Set-off. If an Event of Default shall have occurred and be continuing, each Lender, the Issuing Lender, the Swingline Lender and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by Applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender, the Issuing Lender, the Swingline Lender or any such Affiliate to or for the credit or the account of the Borrower or any other Credit Party against any and all of the Obligations of the Borrower or such Credit Party now or hereafter existing under this Agreement or any other Loan Document to such Lender, the Issuing Lender or the Swingline Lender, irrespective of whether or not such Lender, the Issuing Lender or the Swingline Lender shall have made any demand under this Agreement or any other Loan Document and although such Obligations of the Borrower or such Credit Party may be contingent or unmaturred or are owed to a branch or office of such Lender, the Issuing Lender or the Swingline Lender different from the branch or office holding such deposit or other obligation. The rights of each Lender, the Issuing Lender, the Swingline Lender and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender, the Issuing Lender, the Swingline Lender or their respective Affiliates may have. Each Lender, the Issuing Lender and the Swingline Lender agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

SECTION 14.5 Governing Law.

(a) Governing Law. This Agreement and the other Loan Documents, unless expressly set forth therein, shall be governed by, and construed in accordance with, the law of the State of New York, without reference to the conflicts or choice of law principles thereof.

(b) Submission to Jurisdiction. The Borrower and each other Credit Party irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the State of New York sitting in the Borough of Manhattan and of the United States District Court of the Borough of Manhattan, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by Applicable Law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other

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Loan Document shall affect any right that the Administrative Agent, any Lender or the Issuing Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Borrower or any other Credit Party or its properties in the courts of any jurisdiction.

(c) Waiver of Venue. The Borrower and each other Credit Party irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Service of Process. Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 14.1. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by Applicable Law.

SECTION 14.6 Waiver of Jury Trial.

(a) EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 14.7 Reversal of Payments. To the extent the Borrower makes a payment or payments to the Administrative Agent for the ratable benefit of the Lenders or the Administrative Agent receives any payment or proceeds of the collateral which payments or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds repaid, the Obligations or part thereof intended to be satisfied shall be revived and continued in full force and effect as if such payment or proceeds had not been received by the Administrative Agent.

SECTION 14.8 Injunctive Relief; Punitive Damages.

(a) The Borrower recognizes that, in the event the Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Agreement, any remedy of law may

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prove to be inadequate relief to the Lenders. Therefore, the Borrower agrees that the Lenders, at the Lenders' option, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

(b) The Administrative Agent, the Lenders and the Borrower (on behalf of itself and the Credit Parties) hereby agree that no such Person shall have a remedy of punitive or exemplary damages against any other party to a Loan Document and each such Person hereby waives any right or claim to punitive or exemplary damages that they may now have or may arise in the future in connection with any Dispute, whether such Dispute is resolved through arbitration or judicially.

SECTION 14.9 Accounting Matters. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

SECTION 14.10 Successors and Assigns; Participations.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither the Borrower nor any other Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that

(i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an

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assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than \$2,500,000, in the case of any assignment in respect of the Revolving Credit Facility, or \$1,000,000 (or otherwise agreed by the Administrative Agent and the Borrower), in the case of any assignment in respect of the Incremental Term Loan Facility, unless (A) such assignment is made to an existing Lender, to an Affiliate thereof, or (with respect to any Incremental Term Loan) to an Approved Fund, in which case no minimum amount shall apply, or (B) each of the Administrative Agent and, so long as no Default or Event of Default has occurred and is continuing, the Borrower otherwise consent (each such consent not to be unreasonably withheld or delayed); provided that the Borrower shall be deemed to have given its consent five (5) Business Days after the date written notice thereof has been delivered by the assigning Lender (through the Administrative Agent) unless such consent is expressly refused by the Borrower prior to such fifth (5th) Business Day;

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Commitment assigned;

(iii) subject to subclause (i) above in connection with the approval of the Borrower, any assignment of a Revolving Credit Commitment must also be approved by the Administrative Agent, the Swingline Lender and the Issuing Lender unless the Person that is the proposed assignee is itself a Lender with a Revolving Credit Commitment (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and

(iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500 for each assignment, and the Eligible Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 5.8, 5.9, 5.10, 5.11 and 14.3 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (d) of this Section.

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(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices in Charlotte, North Carolina, a copy of each Assignment and Assumption and each Incremental Term Loan Agreement delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver or modification described in Section 14.2 that directly affects such Participant. Subject to paragraph (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 5.8, 5.9, 5.10 and 5.11 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 14.4 as though it were a Lender, provided such Participant agrees to be subject to Section 5.6 as though it were a Lender.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Sections 5.10 and 5.11 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 5.11 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 5.11(e) as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve

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Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 14.11 Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by, or required to be disclosed to, any rating agency, or regulatory or similar authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by Applicable Laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies under this Agreement or under any other Loan Document (or any Hedging Agreement with a Lender or the Administrative Agent) or any action or proceeding relating to this Agreement or any other Loan Document (or any Hedging Agreement with a Lender or the Administrative Agent) or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any purchasing Lender, proposed purchasing Lender, Participant or proposed Participant, or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (iii) to an investor or prospective investor in an Approved Fund that also agrees that Information shall be used solely for the purpose of evaluating an investment in such Approved Fund, (iv) to a trustee, collateral manager, servicer, backup servicer, noteholder or secured party in an Approved Fund in connection with the administration, servicing and reporting on the assets serving as collateral for an Approved Fund, or (v) to a nationally recognized rating agency that requires access to information regarding the Borrower and its Subsidiaries, the Loans and Loan Documents in connection with ratings issued with respect to an Approved Fund, (g) with the consent of the Borrower, (h) to Gold Sheets and other similar bank trade publications, such information to consist of deal terms and other information customarily found in such publications; provided, however, that the Borrower shall receive prior written notice before the first disclosure by the Administrative Agent of such information, (i) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower which is not subject to an existing confidentiality agreement the existence of which the Administrative Agent or such Lender have been notified prior to the time such information has become available thereto or (j) to governmental regulatory authorities in connection with any regulatory examination of the Administrative Agent or any Lender or in accordance with the Administrative Agent's or any Lender's regulatory compliance policy if the Administrative Agent or such Lender deems necessary for the mitigation of claims by those authorities against the Administrative Agent or such Lender or any of its subsidiaries or affiliates. For purposes of this Section, "Information" means all information received from any Credit Party relating to any Credit Party or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by any Credit Party; provided that, in the case of information received from a Credit Party after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the

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confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 14.12 Performance of Duties. Each of the Credit Party's obligations under this Agreement and each of the other Loan Documents shall be performed by such Credit Party at its sole cost and expense.

SECTION 14.13 All Powers Coupled with Interest. All powers of attorney and other authorizations granted to the Lenders, the Administrative Agent and any Persons designated by the Administrative Agent or any Lender pursuant to any provisions of this Agreement or any of the other Loan Documents shall be deemed coupled with an interest and shall be irrevocable so long as any of the Obligations remain unpaid or unsatisfied, any of the Commitments remain in effect or the Credit Facility has not been terminated.

SECTION 14.14 Survival of Indemnities. Notwithstanding any termination of this Agreement, the indemnities to which the Administrative Agent and the Lenders are entitled under the provisions of this Article XIV and any other provision of this Agreement and the other Loan Documents shall continue in full force and effect and shall protect the Administrative Agent and the Lenders against events arising after such termination as well as before.

SECTION 14.15 Titles and Captions. Titles and captions of Articles, Sections and subsections in, and the table of contents of, this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement.

SECTION 14.16 Severability of Provisions. Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remainder of such provision or the remaining provisions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 14.17 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and shall be binding upon all parties, their successors and assigns, and all of which taken together shall constitute one and the same agreement.

SECTION 14.18 Integration. This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control; provided that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Lenders in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

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SECTION 14.19 Term of Agreement. This Agreement shall remain in effect from the Closing Date through and including the date upon which all Obligations arising hereunder or under any other Loan Document shall have been indefeasibly and irrevocably paid and satisfied in full and all Commitments have been terminated. No termination of this Agreement shall affect the rights and obligations of the parties hereto arising prior to such termination or in respect of any provision of this Agreement which survives such termination.

SECTION 14.20 Advice of Counsel, No Strict Construction. Each of the parties represents to each other party hereto that it has discussed this Agreement with its counsel. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

SECTION 14.21 USA Patriot Act. The Administrative Agent and each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower and Subsidiary Guarantors, which information includes the name and address of each Borrower and Subsidiary Guarantor and other information that will allow such Lender to identify such Borrower or Subsidiary Guarantor in accordance with the Act.

SECTION 14.22 Inconsistencies with Other Documents; Independent Effect of Covenants.

(a) In the event there is a conflict or inconsistency between this Agreement and any other Loan Document, the terms of this Agreement shall control; provided that any provision of the Security Documents which imposes additional burdens on the Borrower or its Subsidiaries or further restricts the rights of the Borrower or its Subsidiaries or gives the Administrative Agent or Lenders additional rights shall not be deemed to be in conflict or inconsistent with this Agreement and shall be given full force and effect.

(b) The Borrower expressly acknowledges and agrees that each covenant contained in Articles IX, X, or XI hereof shall be given independent effect. Accordingly, the Borrower shall not engage in any transaction or other act otherwise permitted under any covenant contained in Articles IX, X, or XI if, before or after giving effect to such transaction or act, the Borrower shall or would be in breach of any other covenant contained in Articles IX, X, or XI.

[Signature pages to follow]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed under seal by their duly authorized officers, all as of the day and year first written above.

CROSS COUNTRY HEALTHCARE, INC., as
Borrower

By: _____
Name: Joseph Boshart
Title: Chief Executive Officer

[Credit Agreement - Cross Country Healthcare, Inc.]

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AGENTS AND LENDERS:

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent, Swingline
Lender, Issuing Lender and Lender

By: /s/ Richard L. Nelson

Name: Richard L. Nelson
Title: Vice President

[Credit Agreement - Cross Country Healthcare, Inc.]

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GENERAL ELECTRIC CAPITAL CORPORATION,
as Syndication Agent and Lender

By: /s/ Earl F. Smith III

Name: Earl F. Smith III

Title: Its Duly Authorized Signatory

[Credit Agreement - Cross Country Healthcare, Inc.]

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BANK OF AMERICA, N.A., as Co-
Documentation Agent and Lender

By: /s/ Alexander L. Rody

Name: Alexander L. Rody
Title: Senior Vice President

[Credit Agreement - Cross Country Healthcare, Inc.]

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LASALLE BANK NATIONAL ASSOCIATION,
as Co-Documentation Agent and Lender

By: /s/ Dana Friedman

Name: Dana Friedman
Title: First Vice President

[Credit Agreement - Cross Country Healthcare, Inc.]

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CAROLINA FIRST BANK, as Lender

By: /s/ Kevin M. Short

Name: Kevin M. Short

Title: Senior Vice President

[Credit Agreement - Cross Country Healthcare, Inc.]

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NATIONAL CITY BANK OF KENTUCKY, as
Lender

By: /s/ Nicholas J. Comerford

Name: Nicholas J. Comerford
Title: Officer

[Credit Agreement - Cross Country Healthcare, Inc.]

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COMERICA BANK, as Lender

By: /s/ John Bonifacio

Name: John Bonifacio
Title: Vice President

[Credit Agreement - Cross Country Healthcare, Inc.]

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US BANK, N.A, as Lender

By: /s/ Thomas A. Heckman

Name: Thomas A. Heckman
Title: AVP

[Credit Agreement - Cross Country Healthcare, Inc.]

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SUBSIDIARY GUARANTY AGREEMENT,
dated as of November 10, 2005,
by and among
certain Subsidiaries of CROSS COUNTRY HEALTHCARE, INC.,
as Subsidiary Guarantors,
in favor of
WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent

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SUBSIDIARY GUARANTY AGREEMENT (as amended, restated, supplemented or otherwise modified, this "Guaranty" or this "Agreement"), dated as of November 10, 2005, is made by certain Subsidiaries of CROSS COUNTRY HEALTHCARE, INC., a Delaware corporation (such Subsidiaries, collectively, the "Subsidiary Guarantors", each, a "Subsidiary Guarantor"), in favor of WACHOVIA BANK, NATIONAL ASSOCIATION, as Administrative Agent (in such capacity, the "Administrative Agent") for the ratable benefit of itself and the financial institutions (the "Lenders") from time to time parties to the Credit Agreement, dated of even date herewith (as amended, restated, supplemented or otherwise modified, the "Credit Agreement"), by and among the Borrower, the Lenders, and the Administrative Agent.

STATEMENT OF PURPOSE

Pursuant to the terms of the Credit Agreement, the Lenders have agreed to make Extensions of Credit to the Borrower upon the terms and subject to the conditions set forth therein.

The Borrower and the Subsidiary Guarantors, though separate legal entities, comprise one integrated financial enterprise, and all Extensions of Credit to the Borrower will inure, directly or indirectly to the benefit of each of the Subsidiary Guarantors.

It is a condition precedent to the obligation of the Lenders to make their respective Extensions of Credit to the Borrower under the Credit Agreement that the Subsidiary Guarantors shall have executed and delivered this Guaranty to the Administrative Agent, for the ratable benefit of itself and the Lenders.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, and to induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective Extensions of Credit to the Borrower thereunder, the Subsidiary Guarantors hereby agree with the Administrative Agent, for the ratable benefit of itself and the Lenders, as follows:

ARTICLE I

DEFINED TERMS

SECTION 1.1 Definitions. The following terms when used in this Guaranty shall have the meanings assigned to them below:

"Additional Guarantor" means each Subsidiary of the Borrower which hereafter becomes a Guarantor pursuant to Section 4.17 hereof and Section 9.11 of the Credit Agreement.

"Applicable Insolvency Laws" means all Applicable Laws governing bankruptcy, reorganization, arrangement, adjustment of debts, relief of debtors, dissolution, insolvency, fraudulent transfers or conveyances or other similar laws (including, without limitation, 11 U.S.C. Sections 544, 547, 548 and 550 and other "avoidance" provisions of Title 11 of the United States Code, as amended or supplemented).

"Guaranteed Obligations" has the meaning set forth in Section 2.1.

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"Guaranty" means this Subsidiary Guaranty Agreement, as amended, restated, supplemented or otherwise modified.

"Solvent" means, as to each Guarantor on a particular date, that such Guarantor (a) has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage and is able to pay its debts as they mature, (b) has assets having a value, both at fair valuation and at present fair saleable value, greater than the amount required to pay its probable liabilities (including contingencies), and (c) does not believe that it will incur debts or liabilities beyond its ability to pay such debts or liabilities as they mature, subject in each case to the first sentence in Section 2.2 hereof.

SECTION 1.2 Other Definitional Provisions. Capitalized terms used and not otherwise defined in this Guaranty including the preambles and recitals hereof shall have the meanings ascribed to them in the Credit Agreement. In the event of a conflict between capitalized terms defined herein and in the Credit Agreement, the Credit Agreement shall control. The words "hereof," "herein", "hereto" and "hereunder" and words of similar import when used in this Guaranty shall refer to this Guaranty as a whole and not to any particular provision of this Guaranty, and Section references are to this Guaranty unless otherwise specified. The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms. Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Subsidiary Guarantor, shall refer to such Guarantor's Collateral or the relevant part thereof.

ARTICLE II

GUARANTY

SECTION 2.1 Guaranty. Each Subsidiary Guarantor hereby, jointly and severally with the other Subsidiary Guarantors, unconditionally guarantees to the Administrative Agent for the ratable benefit of itself and the Lenders, and their respective permitted successors, endorsees, transferees and assigns, the prompt payment and performance of all Obligations of the Borrower, whether primary or secondary (whether by way of endorsement or otherwise), whether now existing or hereafter arising, whether or not from time to time reduced or extinguished (except by payment thereof) or hereafter increased or incurred, whether enforceable or unenforceable as against the Borrower, whether or not discharged, stayed or otherwise affected by any Applicable Insolvency Law or proceeding thereunder, whether created directly with the Administrative Agent or any Lender or acquired by the Administrative Agent or any Lender through assignment or endorsement or otherwise, whether matured or unmatured, whether joint or several, as and when the same become due and payable (whether at maturity or earlier, by reason of acceleration, mandatory repayment or otherwise), in accordance with the terms of any such instruments evidencing any such obligations, including all renewals, extensions or modifications thereof (all Obligations of the Borrower, including all of the foregoing being hereafter collectively referred to as the "Guaranteed Obligations").

SECTION 2.2 Bankruptcy Limitations on Subsidiary Guarantors. Notwithstanding anything to the contrary contained in Section 2.1, it is the intention of each Subsidiary Guarantor and the Lenders that, in any proceeding

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involving the bankruptcy, reorganization, arrangement, adjustment of debts, relief of debtors, dissolution or insolvency or any similar proceeding with respect to any Subsidiary Guarantor or its assets, the amount of such Subsidiary Guarantor's obligations with respect to the Guaranteed Obligations shall be equal to, but not in excess of, the maximum amount thereof not subject to avoidance or recovery by operation of Applicable Insolvency Laws after giving effect to Section 2.3(a). To that end, but only in the event and to the extent that after giving effect to Section 2.3(a) such Subsidiary Guarantor's obligations with respect to the Guaranteed Obligations or any payment made pursuant to such Guaranteed Obligations would, but for the operation of the first sentence of this Section 2.2, be subject to avoidance or recovery in any such proceeding under Applicable Insolvency Laws after giving effect to Section 2.3(a), the amount of such Subsidiary Guarantor's obligations with respect to the Guaranteed Obligations shall be limited to the largest amount which, after giving effect thereto, would not, under Applicable Insolvency Laws, render such Subsidiary Guarantor's obligations with respect to the Guaranteed Obligations unenforceable or avoidable or otherwise subject to recovery under Applicable Insolvency Laws. To the extent any payment actually made pursuant to the Guaranteed Obligations exceeds the limitation of the first sentence of this Section 2.2 and is otherwise subject to avoidance and recovery in any such proceeding under Applicable Insolvency Laws, the amount subject to avoidance shall in all events be limited to the amount by which such actual payment exceeds such limitation and the Guaranteed Obligations as limited by the first sentence of this Section 2.2 shall in all events remain in full force and effect and be fully enforceable against such Subsidiary Guarantor. The first sentence of this Section 2.2 is intended solely to preserve the rights of the Administrative Agent hereunder against such Subsidiary Guarantor in such proceeding to the maximum extent permitted by Applicable Insolvency Laws and neither such Subsidiary Guarantor, the Borrower, any other Subsidiary Guarantor nor any other Person shall have any right or claim under such sentence that would not otherwise be available under Applicable Insolvency Laws in such proceeding.

SECTION 2.3 Agreements for Contribution.

(a) The Subsidiary Guarantors hereby agree among themselves that, if any Subsidiary Guarantor shall make an Excess Payment (as defined below), such Subsidiary Guarantor shall have a right of contribution from each other Subsidiary Guarantor in an amount equal to such other Subsidiary Guarantor's Contribution Share (as defined below) of such Excess Payment. The payment obligations of any Subsidiary Guarantor under this Section 2.3(a) shall be subordinate and subject in right of payment to the Guaranteed Obligations until such time as the Guaranteed Obligations have been paid in full, and none of the Subsidiary Guarantors shall exercise any right or remedy under this Section 2.3(a) against any other Subsidiary Guarantor until such Guaranteed Obligations have been paid in full. For purposes of this Section 2.3(a), (a) "Excess Payment" shall mean the amount paid by any Subsidiary Guarantor in excess of its Ratable Share of any Guaranteed Obligations; (b) "Ratable Share" shall mean, for any Subsidiary Guarantor in respect of any payment of Guaranteed Obligations, the ratio (expressed as a percentage) as of the date of such payment of Guaranteed Obligations of (i) the amount by which the aggregate present fair salable value of all of its assets and properties exceeds the amount of all debts and liabilities of such Subsidiary Guarantor (including probable contingent, subordinated, unmatured, and unliquidated liabilities, but excluding

the obligations of such Subsidiary Guarantor hereunder) to (ii) the amount by which the aggregate present fair salable value of all assets and other properties of all of the Subsidiary Guarantors exceeds the amount of all of the debts and liabilities (including probable contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of the Subsidiary Guarantors hereunder) of the Subsidiary Guarantors; provided, however, that, for purposes of calculating the Ratable Shares of the Subsidiary Guarantors in respect of any payment of Guaranteed Obligations, any Subsidiary Guarantor that became a Subsidiary Guarantor subsequent to the date of any such payment shall be deemed to have been a Subsidiary Guarantor on the date of such payment and the financial information for such Subsidiary Guarantor as of the date such Subsidiary Guarantor became a Subsidiary Guarantor shall be utilized for such Subsidiary Guarantor in connection with such payment; and (c) "Contribution Share" shall mean, for any Subsidiary Guarantor in respect of any Excess Payment made by any other Subsidiary Guarantor, the ratio (expressed as a percentage) as of the date of such Excess Payment of (i) the amount by which the aggregate present fair salable value of all of its assets and properties exceeds the amount of all debts and liabilities of such Subsidiary Guarantor (including probable contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of such Subsidiary Guarantor hereunder) to (ii) the amount by which the aggregate present fair salable value of all assets and other properties of the Subsidiary Guarantors other than the maker of such Excess Payment exceeds the amount of all of the debts and liabilities (including probable contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of the Subsidiary Guarantors) of the Subsidiary Guarantors other than the maker of such Excess Payment; provided, however, that, for purposes of calculating the Contribution Shares of the Subsidiary Guarantors in respect of any Excess Payment, any Subsidiary Guarantor that became a Subsidiary Guarantor subsequent to the date of any such Excess Payment shall be deemed to have been a Subsidiary Guarantor on the date of such Excess Payment and the financial information for such Subsidiary Guarantor as of the date such Subsidiary Guarantor became a Subsidiary Guarantor shall be utilized for such Subsidiary Guarantor in connection with such Excess Payment. Each of the Subsidiary Guarantors recognizes and acknowledges that the rights to contribution arising hereunder shall constitute an asset in favor of the party entitled to such contribution. This Section 2.3 shall not be deemed to affect any right of subrogation, indemnity, reimbursement or contribution that any Subsidiary Guarantor may have under Applicable Law against the Borrower in respect of any payment of Guaranteed Obligations.

(b) No Subrogation. Notwithstanding any payment or payments by any of the Subsidiary Guarantors hereunder, or any set-off or application of funds of any of the Subsidiary Guarantors by the Administrative Agent or any Lender, or the receipt of any amounts by the Administrative Agent or any Lender with respect to any of the Guaranteed Obligations, none of the Subsidiary Guarantors shall be entitled to be subrogated to any of the rights of the Administrative Agent or any Lender against the Borrower or the other Subsidiary Guarantors or against any collateral security held by the Administrative Agent or any Lender for the payment of the Guaranteed Obligations nor shall any of the Subsidiary Guarantors seek any reimbursement from the Borrower or any of the other Subsidiary Guarantors in respect of payments made by such Subsidiary Guarantor in connection with the Guaranteed Obligations, until all amounts owing to the Administrative Agent and the Lenders on account of the Guaranteed Obligations are paid in full and the Commitments are terminated. If any amount shall be paid to any Subsidiary Guarantor on account of such subrogation rights at any time when all of the Guaranteed Obligations shall not have been paid in full, such amount shall be held by such Subsidiary Guarantor in trust for the Administrative Agent, segregated from other funds of such Subsidiary Guarantor, and shall, forthwith upon receipt by such Subsidiary Guarantor, be turned over to the Administrative Agent in the exact form received by such Subsidiary

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Guarantor (duly endorsed by such Subsidiary Guarantor to the Administrative Agent, if required) to be applied against the Guaranteed Obligations, whether matured or unmatured, in such order as set forth in the Credit Agreement.

SECTION 2.4 Nature of Guaranty.

(a) Each Subsidiary Guarantor agrees that this Guaranty is a continuing, unconditional guaranty of payment and performance and not of collection, and that its obligations under this Guaranty shall be primary, absolute and unconditional, irrespective of, and unaffected by:

(i) the genuineness, validity, regularity, enforceability or any future amendment of, or change in, the Credit Agreement or any other Loan Document or any other agreement, document or instrument to which the Borrower or any Subsidiary Guarantor is or may become a party;

(ii) the absence of any action to enforce this Guaranty, the Credit Agreement or any other Loan Document or the waiver or consent by the Administrative Agent or any Lender with respect to any of the provisions of this Guaranty, the Credit Agreement or any other Loan Document;

(iii) the existence, value or condition of, or failure to perfect its Lien against, any security for or other guaranty of the Guaranteed Obligations or any action, or the absence of any action, by the Administrative Agent or any Lender in respect of such security or guaranty (including, without limitation, the release of any such security or guaranty); or

(iv) any other action or circumstances which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor;

it being agreed by each Subsidiary Guarantor that, subject to the first sentence of Section 2.2, its obligations under this Guaranty shall not be discharged until the final indefeasible payment and performance, in full, of the Guaranteed Obligations and the termination of the Commitments.

(b) Each Subsidiary Guarantor represents, warrants and agrees that its obligations under this Guaranty are not and shall not be subject to any counterclaims, offsets or defenses of any kind (other than the defense of payment) against the Administrative Agent, the Lenders or the Borrower whether now existing or which may arise in the future, except as provided in the Loan Documents.

(c) Each Subsidiary Guarantor hereby agrees and acknowledges that the Guaranteed Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon this Guaranty, and all dealings between the Borrower and any of the Subsidiary Guarantors, on the one hand, and the Administrative Agent and the Lenders, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon this Guaranty.

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SECTION 2.5 Waivers. To the extent permitted by law, each Subsidiary Guarantor expressly waives all of the following rights and defenses (and agrees not to take advantage of or assert any such right or defense):

(a) any rights it may now or in the future have under any statute (including, without limitation, North Carolina General Statutes Section 26-7, et seq. or similar law), or at law or in equity, or otherwise, to compel the Administrative Agent or any Lender to proceed in respect of the Obligations against the Borrower or any other Person or against any security for or other guaranty of the payment and performance of the Guaranteed Obligations before proceeding against, or as a condition to proceeding against, such Subsidiary Guarantor;

(b) any defense based upon the failure of the Administrative Agent or any Lender to commence an action in respect of the Guaranteed Obligations against the Borrower, such Subsidiary Guarantor, any other guarantor or any other Person or any security for the payment and performance of the Guaranteed Obligations;

(c) any right to insist upon, plead or in any manner whatever claim or take the benefit or advantage of, any appraisal, valuation, stay, extension, marshalling of assets or redemption laws, or exemption, whether now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance by such Subsidiary Guarantor of its obligations under, or the enforcement by the Administrative Agent or the Lenders of this Guaranty;

(d) any right of diligence, presentment, demand, protest and notice (except as specifically required herein) of whatever kind or nature with respect to any of the Guaranteed Obligations and waives, to the extent permitted by Applicable Laws, the benefit of all provisions of law which are or might be in conflict with the terms of this Guaranty;

(e) any structured change in, restructuring of or other similar change of the Borrower or any of its Subsidiaries; and

(f) any and all right to notice of the creation, renewal, extension or accrual of any of the Obligations and notice of or proof of reliance by the Administrative Agent or any Lender upon, or acceptance of, this Guaranty.

Each Subsidiary Guarantor agrees that any notice or directive given at any time to the Administrative Agent or any Lender which is inconsistent with any of the foregoing waivers shall be null and void and may be ignored by the Administrative Agent or such Lender, and, in addition, may not be pleaded or introduced as evidence in any litigation relating to this Guaranty for the reason that such pleading or introduction would be at variance with the written terms of this Guaranty, unless the Administrative Agent and the Required Lenders have specifically agreed otherwise in writing. The foregoing waivers are of the essence of the transaction contemplated by the Credit Agreement and the other Loan Documents and, but for this Guaranty and such waivers, the Administrative Agent and Lenders would decline to enter into the Credit Agreement and the other Loan Documents.

SECTION 2.6 Modification of Loan Documents, etc. Neither the Administrative Agent nor any Lender shall incur any liability to any Subsidiary

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Guarantor as a result of any of the following, and none of the following shall impair or release this Guaranty or any of the obligations of any Subsidiary Guarantor under this Guaranty:

(a) any change or extension of the manner, place or terms of payment of, or renewal or alteration of all or any portion of, the Guaranteed Obligations;

(b) any action under or in respect of the Credit Agreement or the other Loan Documents in the exercise of any remedy, power or privilege contained therein or available to any of them at law, in equity or otherwise, or waiver or refraining from exercising any such remedies, powers or privileges;

(c) any amendment to, or modification of, in any manner whatsoever, the Loan Documents;

(d) any extension or waiver of the time for performance by any Subsidiary Guarantor, any other guarantor, the Borrower or any other Person of, or compliance with, any term, covenant or agreement on its part to be performed or observed under a Loan Document, or waiver of such performance or compliance or consent to a failure of, or departure from, such performance or compliance;

(e) the taking and holding security or collateral for the payment of the Guaranteed Obligations or the sale, exchange, release, disposal of, or other dealing with, any property pledged, mortgaged or conveyed, or in which the Administrative Agent or the Lenders have been granted a Lien, to secure any Indebtedness of any Subsidiary Guarantor, any other guarantor or the Borrower to the Administrative Agent or the Lenders;

(f) the release of anyone who may be liable in any manner for the payment of any amounts owed by any Subsidiary Guarantor, any other guarantor or the Borrower to the Administrative Agent or any Lender;

(g) any modification or termination of the terms of any intercreditor or subordination agreement pursuant to which claims of other creditors of any Subsidiary Guarantor, any other guarantor or the Borrower are subordinated to the claims of the Administrative Agent or any Lender; or

(h) any application of any sums by whomever paid or however realized to any Guaranteed Obligations owing by any Subsidiary Guarantor, any other guarantor or the Borrower to the Administrative Agent or any Lender in such manner as the Administrative Agent or any Lender shall determine in its reasonable discretion.

SECTION 2.7 Demand by the Administrative Agent. In addition to the terms set forth in this Article II and in no manner imposing any limitation on such terms, if all or any portion of the then outstanding Guaranteed Obligations are declared to be immediately due and payable, then the Subsidiary Guarantors shall, upon demand in writing therefor by the Administrative Agent to the Subsidiary Guarantors, pay all or such portion of the outstanding Guaranteed Obligations due hereunder then declared due and payable.

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SECTION 2.8 Remedies. Upon the occurrence and during the continuance of any Event of Default, with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, enforce against the Subsidiary Guarantors their obligations and liabilities hereunder and exercise such other rights and remedies as may be available to the Administrative Agent hereunder, under the Credit Agreement or the other Loan Documents or otherwise.

SECTION 2.9 Benefits of Guaranty. The provisions of this Guaranty are for the benefit of the Administrative Agent and the Lenders and their respective permitted successors, transferees, endorsees and assigns, and nothing herein contained shall impair, as between the Borrower, the Administrative Agent and the Lenders, the obligations of the Borrower under the Loan Documents. In the event all or any part of the Obligations are transferred, endorsed or assigned by the Administrative Agent or any Lender to any Person or Persons as permitted under the Credit Agreement, any reference to an "Administrative Agent", or "Lender" herein shall be deemed to refer equally to such Person or Persons.

SECTION 2.10 Termination; Reinstatement.

(a) Subject to clause (c) below, this Guaranty shall remain in full force and effect until all the Guaranteed Obligations and all the obligations of the Subsidiary Guarantors shall have been paid in full and the Commitments terminated.

(b) No payment made by the Borrower, any Subsidiary Guarantor, or any other Person received or collected by the Administrative Agent or any Lender from the Borrower, any Subsidiary Guarantor, or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Guaranteed Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Subsidiary Guarantor hereunder which shall, notwithstanding any such payment (other than any payment made by such Subsidiary Guarantor in respect of the obligations of the Subsidiary Guarantors or any payment received or collected from such Subsidiary Guarantor in respect of the obligations of the Subsidiary Guarantors), remain liable for the obligations of the Subsidiary Guarantors up to the maximum liability of such Subsidiary Guarantor hereunder until the Guaranteed Obligations and all the obligations of the Subsidiary Guarantors shall have been paid in full and the Commitments terminated.

(c) Each Subsidiary Guarantor agrees that, if any payment made by the Borrower or any other Person applied to the Guaranteed Obligations is at any time annulled, set aside, rescinded, invalidated, declared to be fraudulent or preferential or otherwise required to be refunded or repaid, or is repaid in whole or in part pursuant to a good faith settlement of a pending or threatened claim, or the proceeds of any Collateral are required to be refunded by the Administrative Agent or any Lender to the Borrower, its estate, trustee, receiver or any other Person, including, without limitation, any Subsidiary Guarantor, under any Applicable Law or equitable cause, then, to the extent of such payment or repayment, each Subsidiary Guarantor's liability hereunder (and any Lien or Collateral securing such liability) shall be and remain in full force and effect, as fully as if such payment had never been made, and, if prior thereto, this Guaranty shall have been canceled or surrendered (and if any Lien or Collateral securing such Subsidiary Guarantor's liability hereunder shall have been released or terminated by virtue of such cancellation or surrender), this Guaranty (and such Lien or Collateral) shall be reinstated in full force

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and effect, and such prior cancellation or surrender shall not diminish, release, discharge, impair or otherwise affect the obligations of such Subsidiary Guarantor in respect of the amount of such payment (or any Lien or Collateral securing such obligation).

SECTION 2.11 Payments. Payments by the Subsidiary Guarantors shall be made to the Administrative Agent, to be credited and applied to the Guaranteed Obligations in accordance with the terms of the Credit Agreement, in immediately available Dollars to an account designated by the Administrative Agent or at the Administrative Agent's Office or at any other address that may be specified in writing from time to time by the Administrative Agent.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to make any Extensions of Credit, each Subsidiary Guarantor hereby represents and warrants that:

SECTION 3.1 Organization; Power; Qualification. Such Subsidiary Guarantor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation, has the power and authority to own its properties and to carry on its business as now being conducted and is duly qualified and authorized to do business in each jurisdiction in which the character of its properties or the nature of its business requires such qualification and authorization except in jurisdictions where the failure to be so qualified or in good standing could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.2 Authorization of Agreement; Enforceability. Such Subsidiary Guarantor has the right, power and authority and has taken all necessary corporate and other action to authorize the execution, delivery and performance of this Guaranty in accordance with its terms. This Guaranty has been duly executed and delivered by the duly authorized officers of the Subsidiary Guarantor and constitutes the legal, valid and binding obligation of such Subsidiary Guarantor, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws from time to time in effect which affect the enforcement of creditors' rights in general and the availability of equitable remedies.

SECTION 3.3 Compliance of Guaranty with Laws, etc. The execution, delivery and performance by such Subsidiary Guarantor of this Guaranty, in accordance with its terms, does not and will not, by the passage of time, the giving of notice or otherwise, (i) require any Governmental Approval or violate any Applicable Law relating to such Subsidiary Guarantor where the failure to obtain such Governmental Approval could reasonably be expected to have a Material Adverse Effect, (ii) conflict with, result in a breach of or constitute a default under the articles of incorporation, bylaws or other organizational documents of such Subsidiary Guarantor which could reasonably be expected to have a Material Adverse Effect, (iii) conflict with, result in a breach of or constitute a default under any indenture, agreement or other instrument to which

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such Subsidiary Guarantor is a party or by which any of its properties may be bound or any Governmental Approval relating to such Subsidiary Guarantor which could reasonably be expected to have a Material Adverse Effect, (iv) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by such Subsidiary Guarantor other than Liens arising under the Loan Documents or (v) require any consent or authorization of, filing with, or other act in respect of, an arbitrator or Governmental Authority and no consent of any other Person is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty other than consents for which the failure to obtain could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.4 Title to Properties. Such Subsidiary Guarantor has such title to the real property owned or leased by it as is necessary or desirable to the conduct of its business and valid and legal title to all of its material personal property and assets, including, but not limited to, those reflected on the balance sheets of the Borrower and its Subsidiaries delivered pursuant to Section 8.1 of the Credit Agreement, except those which have been disposed of by such Subsidiary Guarantor subsequent to the date of such balance sheets which dispositions have been in the ordinary course of business or as otherwise expressly permitted under the terms of the Credit Agreement.

SECTION 3.5 Liens. None of the properties and assets of such Subsidiary Guarantor is subject to any Lien, except Permitted Liens under the terms of the Credit Agreement. Except as set forth on Schedule 11.2 of the Credit Agreement, no financing statement under the Uniform Commercial Code of any state which names such Subsidiary Guarantor or any of its respective trade names or divisions as debtor and which has not been terminated, has been filed in any state or other jurisdiction and such Subsidiary Guarantor has not signed any such financing statement or any security agreement authorizing any secured party thereunder to file any such financing statement, except to perfect those Permitted Liens.

SECTION 3.6 Litigation. Except for matters existing on the Closing Date and set forth on Schedule 7.1(u) to the Credit Agreement, there are no actions, suits or proceedings pending nor, to the knowledge of such Subsidiary Guarantor, threatened against or in any other way relating adversely to or affecting such Subsidiary Guarantor or any of their respective properties in any court or before any arbitrator of any kind or before or by any Governmental Authority that (i) has or could reasonably be expected to have a Material Adverse Effect, or (ii) materially adversely affects any transaction contemplated by this Guaranty or the Loan Documents.

SECTION 3.7 Solvency. As of the Closing Date (or such later date upon which such Subsidiary Guarantor became a party hereto) such Subsidiary Guarantor is Solvent.

ARTICLE IV

MISCELLANEOUS

SECTION 4.1 Notices. All notices and communications hereunder shall be given to the addresses and otherwise made in accordance with Section 14.1 of the Credit Agreement; provided that notices and communications to the Subsidiary Guarantors shall be directed to the Subsidiary Guarantors, at the address of the Borrower set forth in Section 14.1 of the Credit Agreement.

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SECTION 4.2 Amendments in Writing. None of the terms or provisions of this Guaranty may be waived, amended, supplemented or otherwise modified except in accordance with Section 14.2 of the Credit Agreement.

SECTION 4.3 Expenses; Indemnification; Waiver of Consequential Damages, etc.

(a) Each Subsidiary Guarantor agrees to pay or reimburse each Lender and the Administrative Agent for all its costs and expenses incurred in connection with enforcing or preserving any rights under this Guaranty and the other Loan Documents to which such Subsidiary Guarantor is a party, including, without limitation, the reasonable fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to each Lender and of counsel to the Administrative Agent.

(b) Each Subsidiary Guarantor agrees to pay, and to save the Administrative Agent and the Lenders harmless from, any and all liabilities with respect to, or resulting from, any such Subsidiary Guarantor's delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable in connection with any of the transactions contemplated by this Guaranty.

(c) Each Subsidiary Guarantor agrees to pay, and to save the Administrative Agent and the Lenders harmless from any and all liabilities, obligations, losses, damages, penalties, costs and expenses in connection with actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Guaranty to the extent the Borrower would be required to do so pursuant to Section 14.3 of the Credit Agreement.

(d) To the fullest extent permitted by Applicable Law, each Subsidiary Guarantor shall not assert, and hereby waives, any claim against any indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Guaranty, any other Loan Document or any agreement or instrument contemplated hereby or the transactions contemplated hereby or thereby. No indemnitee referred to in this Section 4.3 shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Guaranty or the other Loan Documents or the transactions contemplated hereby or thereby; provided that such Indemnitee has utilized such usual and customary security procedures with any such information or other materials as it would utilize for its own similar information and materials.

(e) All amounts due under this Section shall be payable promptly after demand therefor.

SECTION 4.4 Right of Set-off. If an Event of Default shall have occurred and be continuing under Section 14.4 of the Credit Agreement, each Lender, the Issuing Lender, the Swingline Lender and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by Applicable Law, to set-off and apply any and all

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deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender, the Issuing Lender, the Swingline Lender or any such Affiliate to or for the credit or the account of each Subsidiary Guarantor against any and all of the Guaranteed Obligations of such Subsidiary Guarantor now or hereafter existing under this Agreement or any other Loan Document to such Lender, the Issuing Lender or the Swingline Lender, irrespective of whether or not such Lender, the Issuing Lender or the Swingline Lender shall have made any demand under this Agreement or any other Loan Document and although such Guaranteed Obligations of such Subsidiary Guarantor may be contingent or unmatured or are owed to a branch or office of such Lender, the Issuing Lender or the Swingline Lender different from the branch or office holding such deposit or other obligation. The rights of each Lender, the Issuing Lender, the Swingline Lender and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender, the Issuing Lender, the Swingline Lender or their respective Affiliates may have. Each Lender, the Issuing Lender and the Swingline Lender agrees to notify such Subsidiary Guarantor promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

SECTION 4.5 Governing Law; Jurisdiction; Venue; Service of Process.

(a) Governing Law. This Guaranty shall be governed by, and construed in accordance with, the law of the State of New York, without reference to the conflicts or choice of law principles thereof.

(b) Submission to Jurisdiction. Each Subsidiary Guarantor irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the State of New York sitting in the Borough of Manhattan and of the United States District Court of the Borough of Manhattan, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Guaranty or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Guaranty or in any other Loan Document shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Guaranty or any other Loan Document against any Subsidiary Guarantor or its properties in the courts of any jurisdiction.

(c) Waiver of Venue. Each Subsidiary Guarantor irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Guaranty or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

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(d) Service of Process. Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 14.1 of the Credit Agreement. Nothing in this Guaranty will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

SECTION 4.6 Waiver of Jury Trial.

(a) EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS GUARANTY AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 4.7 No Waiver by Course of Conduct, Cumulative Remedies.

Neither the Administrative Agent nor any Lender shall by any act (except by a written instrument pursuant to Section 4.2), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising on the part of the Administrative Agent or any Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Administrative Agent or any Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Administrative Agent or such Lender would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

SECTION 4.8 Successors and Assigns. This Guaranty shall be binding upon the successors and assigns of each Subsidiary Guarantor and shall inure to the benefit of each Subsidiary Guarantor (and shall bind all Persons who become bound as a Subsidiary Guarantor under this Guaranty), the Administrative Agent and the Lenders and their successors and assigns; provided, that no Subsidiary Guarantor may assign, transfer or delegate any of its rights or obligations under this Guaranty without the prior written consent of the Administrative Agent and the Lenders unless such transaction is expressly permitted under the Credit Agreement.

SECTION 4.9 Survival of Indemnities. Notwithstanding any termination of this Guaranty, the indemnities to which the Administrative Agent and the Lenders are entitled under the provisions of Section 4.3 and any other provision of this Guaranty and the other Loan Documents shall continue in full force and effect

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and shall protect the Administrative Agent and the Lenders against events arising after such termination as well as before.

SECTION 4.10 Titles and Captions. Titles and captions of Articles, Sections and subsections in, and the table of contents of, this Guaranty are for convenience only, and neither limit nor amplify the provisions of this Guaranty.

SECTION 4.11 Severability of Provisions. Any provision of this Guaranty or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remainder of such provision or the remaining provisions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 4.12 Counterparts. This Guaranty may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and shall be binding upon all parties, their successors and assigns, and all of which taken together shall constitute one and the same agreement.

SECTION 4.13 Integration. This Guaranty comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Guaranty and those of any other Loan Document, the provisions of the Credit Agreement shall control; provided, that any provision of the any other Loan Document which imposes additional burdens on any Subsidiary Guarantor or further restricts the rights of any Subsidiary Guarantor or gives the Administrative Agent or Lenders additional rights shall not be deemed to be in conflict or inconsistent with this Guaranty and shall be given full force and effect.

SECTION 4.14 Advice of Counsel, No Strict Construction. Each of the parties represents to each other party hereto that it has discussed this Guaranty with its counsel. The parties hereto have participated jointly in the negotiation and drafting of this Guaranty. In the event an ambiguity or question of intent or interpretation arises, this Guaranty shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Guaranty.

SECTION 4.15 Acknowledgements. Each Guarantor hereby acknowledges that:

(a) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to any Subsidiary Guarantor arising out of or in connection with this Guaranty or any of the other Loan Documents, and the relationship between the Subsidiary Guarantors, on the one hand, and the Administrative Agent and Lenders, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(b) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Guarantors and the Lenders.

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SECTION 4.16 Releases. At such time as the Guaranteed Obligations shall have been paid in full and the Commitments have been terminated, this Guaranty and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Subsidiary Guarantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party.

SECTION 4.17 Additional Guarantors. Each Subsidiary of the Borrower that is required to become a party to this Guaranty pursuant to Section 9.11 of the Credit Agreement shall become a Subsidiary Guarantor for all purposes of this Guaranty upon execution and delivery by such Subsidiary of a supplement in form and substance satisfactory to the Administrative Agent.

[Signature Pages to Follow]

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IN WITNESS WHEREOF, each of the Subsidiary Guarantors has executed and delivered this Guaranty under seal by their duly authorized officers, all as of the day and year first above written.

ASSIGNMENT AMERICA, INC., as
Grantor and Issuer

By: /s/ Daniel Lewis

Name: Daniel Lewis

Title: Assistant Treasurer

CROSS COUNTRY TRAVCORPS, INC., as
Grantor and Issuer

By: /s/ Joseph A. Boshart

Name: Joseph A. Boshart

Title: Vice President

CROSS COUNTRY LOCAL, INC., as
Grantor and Issuer

By: /s/ Daniel Lewis

Name: Daniel Lewis

Title: Assistant Treasurer

[Signature Pages Continue]

NOVAPRO, INC., as Grantor and Issuer

By: /s/ Daniel Lewis

Name: Daniel Lewis

Title: Assistant Treasurer

TVCM, INC., as Grantor and Issuer

By: /s/ Daniel Lewis

Name: Daniel Lewis

Title: Assistant Treasurer

CC STAFFING, INC., as
Grantor and Issuer

By: /s/ Emil Hensel

Name: Emil Hensel

Title: President

CROSS COUNTRY CONSULTING, INC., as
Grantor and Issuer

By: /s/ Daniel Lewis

Name: Daniel Lewis

Title: /s/ Assistant Treasurer

CEJKA SEARCH, INC., as
Grantor and Issuer

By: /s/ Daniel Lewis

Name: Daniel Lewis

Title: Assistant Treasurer

[Signature Pages Continue]

CLINFORCE, INC., as Grantor and Issuer

By: /s/ Emil Hensel

Name: Emil Hensel

Title: Vice President

CROSS COUNTRY EDUCATION, INC., as
Grantor and Issuer

By: /s/ Joseph A. Boshart

Name: Joseph A. Boshart

Title: Vice President

MEDSTAFF, INC., as Grantor and Issuer

By: /s/ Joseph A. Boshart

Name: Joseph A. Boshart

Title: Chief Executive Officer

CROSS COUNTRY CAPITAL, INC., as
Grantor and Issuer

By: /s/ Emil Hensel

Name: Emil Hensel

Title: Vice President

HEALTHSTAFFERS, INC., as
Grantor and Issuer

By: /s/ Joseph A. Boshart

Name: Joseph A. Boshart

Title: Chief Executive Officer

[Signature Pages Continue]

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MCVT, INC., as Grantor and Issuer

By: /s/ Emil Hensel

Name: Emil Hensel

Title: /s/ Vice President &
Chief Financial Officer

[Signature Pages Continue]

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WACHOVIA BANK, NATIONAL ASSOCIATION
as Administrative Agent

By: /s/ Richard L. Nelson

Name: Richard L. Nelson

Title: Vice President

COLLATERAL AGREEMENT,
dated as of November 10, 2005,

by and among

CROSS COUNTRY HEALTHCARE, INC.,
and certain of its Subsidiaries,
as Grantors,

in favor of

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent

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COLLATERAL AGREEMENT (this "Agreement"), dated as of November 10, 2005, by and among CROSS COUNTRY HEALTHCARE, INC., a Delaware corporation (the "Borrower"), certain of its Subsidiaries as identified on the signature pages hereto and any Additional Grantor (as defined below) who may become party to this Agreement (such Subsidiaries and Additional Grantors, collectively, with the Borrower, the "Grantors"), in favor of WACHOVIA BANK, NATIONAL ASSOCIATION, as Administrative Agent (in such capacity, the "Administrative Agent") for the ratable benefit of the banks and other financial institutions (the "Lenders") from time to time parties to the Credit Agreement, dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among the Borrower, the Lenders, and the Administrative Agent.

STATEMENT OF PURPOSE

Pursuant to the Credit Agreement, the Lenders have agreed to make Extensions of Credit to the Borrower upon the terms and subject to the conditions set forth therein.

Pursuant to the terms of the Subsidiary Guaranty Agreement of even date, certain Subsidiaries of the Borrower who are parties hereto have guaranteed the payment and performance of the Obligations.

It is a condition precedent to the obligation of the Lenders to make their respective Extensions of Credit to the Borrower under the Credit Agreement that the Grantors shall have executed and delivered this Agreement to the Administrative Agent, for the ratable benefit of itself and the Lenders.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, and to induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective Extensions of Credit to the Borrower thereunder, each Grantor hereby agrees with the Administrative Agent, for the ratable benefit of itself and the Lenders, as follows:

ARTICLE I

DEFINED TERMS

SECTION 1.1 Terms Defined in the Uniform Commercial Code.

(a) The following terms when used in this Agreement shall have the meanings assigned to them in the UCC (as defined in the Credit Agreement) as in effect from time to time: "Account", "Account Debtor", "Authenticate", "Certificated Security", "Chattel Paper", "Commercial Tort Claims", "Deposit Account", "Documents", "Electronic Chattel Paper", "Equipment", "Farm Products" "Fixture", "General Intangible", "Instrument", "Inventory", "Investment Company Security", "Investment Property", "Letter of Credit Rights", "Proceeds", "Record", "Registered Organization", "Security", "Securities Entitlement", "Securities Intermediary", "Securities Account", "Supporting Obligation", "Tangible Chattel Paper", and "Uncertificated Security".

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(b) Terms defined in the UCC and not otherwise defined herein or in the Credit Agreement shall have the meaning assigned in the UCC as in effect from time to time.

SECTION 1.2 Definitions. The following terms when used in this Agreement shall have the meanings assigned to them below:

"Additional Grantor" means each Subsidiary of the Borrower which hereafter becomes a Grantor pursuant to Section 7.15 (as required pursuant to Section 9.11 of the Credit Agreement).

"Agreement" means this Collateral Agreement, as amended, restated, supplemented or otherwise modified from time to time.

"Applicable Insolvency Laws" means all Applicable Laws governing bankruptcy, reorganization, arrangement, adjustment of debts, relief of debtors, dissolution, insolvency, fraudulent transfers or conveyances or other similar laws (including, without limitation, 11 U.S.C. Sections 547, 548 and 550 and other "avoidance" provisions of Title 11 of the United States Code).

"Assignment of Claims Act" means the Assignment of Claims Act of 1940 (41 U.S.C. Section 15, 31 U.S.C. Section 3737, and 31 U.S.C. Section 3727), including all amendments thereto and regulations promulgated thereunder.

"Collateral" has the meaning assigned thereto in Section 2.1.

"Collateral Account" means any collateral account established by the Administrative Agent as provided in Section 5.2.

"Control" means the manner in which "control" is achieved under the UCC with respect to any Collateral for which the UCC specifies a method of achieving "control".

"Controlled Depository" has the meaning assigned thereto in Section 4.6.

"Controlled Intermediary" has the meaning assigned thereto in Section 4.6.

"Copyrights" means collectively, all of the following of any Grantor: (a) all copyrights, rights and interests in copyrights, works protectable by copyright, copyright registrations and copyright applications anywhere in the world, including, without limitation, those listed on Schedule 3.11 hereto, (b) all reissues, extensions, continuations (in whole or in part) and renewals of any of the foregoing, (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including, without limitation, damages or payments for past or future infringements of any of the foregoing, (d) the right to sue for past, present and future infringements of any of the foregoing and (e) all rights corresponding to any of the foregoing throughout the world.

"Copyright Licenses" means any written agreement naming any Grantor as licensor or licensee, including, without limitation, those listed in Schedule 3.11, granting any right under any Copyright, including, without limitation, the grant of rights to manufacture, distribute, exploit and sell materials derived from any Copyright.

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"Effective Endorsement and Assignment" means, with respect to any specific type of Collateral, all such endorsements, assignments and other instruments of transfer reasonably requested by the Administrative Agent with respect to the Security Interest granted in such Collateral, and in each case, in form and substance satisfactory to the Administrative Agent.

"Excluded Deposit Account" means, collectively, (a) Deposit Accounts established solely for the purpose of funding payroll and other compensation and benefits to employees and (b) so long as no Default or Event of Default has occurred and is continuing, Deposit Accounts (other than the Collection Account) with amounts on deposit that, when aggregated with the amounts on deposit in all other Deposit Accounts for which a control agreement has not been obtained (other than those specified in clause (a)), do not exceed \$50,000.

"Government Contract" means a contract between any Grantor and an agency, department or instrumentality of the United States or any state, municipal or local Governmental Authority located in the United States or all obligations of any such Governmental Authority arising under any Account now or hereafter owing by any such Governmental Authority, as account debtor, to any Grantor.

"Grantors" has the meaning set forth in the Preamble of this Agreement.

"Intellectual Property" means, collectively, all of the following of any Grantor: (a) all systems software, applications software and internet rights, including, without limitation, screen displays and formats, internet domain names, web sites (including web links), program structures, sequence and organization, all documentation for such software, including, without limitation, user manuals, flowcharts, programmer's notes, functional specifications, and operations manuals, all formulas, processes, ideas and know-how embodied in any of the foregoing, and all program materials, flowcharts, notes and outlines created in connection with any of the foregoing, whether or not patentable or copyrightable, (b) concepts, discoveries, improvements and ideas, (c) any useful information relating to the items described in clause (a) or (b), including know-how, technology, engineering drawings, reports, design information, trade secrets, practices, laboratory notebooks, specifications, test procedures, maintenance manuals, research, development, manufacturing, marketing, merchandising, selling, purchasing and accounting, (d) Patents and Patent Licenses, Copyrights and Copyright Licenses, and Trademarks and Trademark Licenses, and (e) other licenses to use any of the items described in the foregoing clauses (a), (b), (c) and (d) or any other similar items of such Grantor necessary for the conduct of its business.

"Issuer" means any issuer of any Investment Property or Partnership/LLC Interests (including, without limitation, any Issuer as defined in the UCC).

"Obligations" means with respect to the Borrower, the meaning assigned thereto in the Credit Agreement, and with respect to each Subsidiary Guarantor, the obligations of such Subsidiary Guarantor under the Subsidiary Guaranty Agreement executed by such Subsidiary Guarantor and with respect to all Grantors, all liabilities and obligations of the Grantors hereunder and all liabilities and obligations of the Grantors with respect to overdrafts, returned items and related liabilities and all indemnification obligations under the Loan Documents now or hereafter owing by any Grantor to Wachovia Bank, National Association, any Affiliate thereof or the Administrative Agent arising from or

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in connection with treasury, depository or cash management services or in connection with any automated clearinghouse transfer of funds for the benefit of such Grantor.

"Partnership/LLC Interests" means, with respect to any Grantor, the entire partnership, membership interest or limited liability company interest, as applicable, of such Grantor in each partnership, limited partnership or limited liability company owned thereby, including, without limitation, such Grantor's capital account, its interest as a partner or member, as applicable, in the net cash flow, net profit and net loss, and items of income, gain, loss, deduction and credit of any such partnership, limited partnership or limited liability company, as applicable, such Grantor's interest in all distributions made or to be made by any such partnership, limited partnership or limited liability company, as applicable, to such Grantor and all of the other economic rights, titles and interests of such Grantor as a partner or member, as applicable, of any such partnership, limited partnership or limited liability company, as applicable, whether set forth in the partnership agreement or membership agreement, as applicable, of such partnership, limited partnership or limited liability company, as applicable, by separate agreement or otherwise.

"Patents" means collectively, all of the following of any Grantor: (a) all patents, rights and interests in patents, patentable inventions and patent applications anywhere in the world, including, without limitation, those listed on Schedule 3.11 hereto, (b) all reissues, extensions, continuations (in whole or in part) and renewals of any of the foregoing, (c) all income, royalties, damages or payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including, without limitation, damages or payments for past or future infringements of any of the foregoing, (d) the right to sue for past, present and future infringements of any of the foregoing and (e) all rights corresponding to any of the foregoing throughout the world.

"Patent License" means all agreements now or hereafter in existence, whether written, implied or oral, providing for the grant by or to any Grantor of any right to manufacture, use or sell any invention covered in whole or in part by a Patent, including, without limitation, any of the foregoing referred to in Schedule 3.11 hereto.

"Restricted Securities Collateral" has the meaning assigned thereto in Section 5.3.

"Securities Act" means the Securities Act of 1933, including all amendments thereto and regulations promulgated thereunder.

"Security Interests" means the security interests granted pursuant to Article II, as well as all other security interests created or assigned as additional security for the Obligations pursuant to the provisions of the Credit Agreement.

"Trademarks" means collectively all of the following of any Grantor: (a) all trademarks, rights and interests in trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, other business identifiers, prints and labels on which any of the foregoing have appeared or appear, whether registered or unregistered,

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all registrations and recordings thereof, and all applications in connection therewith (other than each application to register any trademark or service mark prior to the filing under Applicable Law of a verified statement of use for such mark) anywhere in the world, including, without limitation, those listed on Schedule 3.11 hereto, (b) all reissues, extensions, continuations (in whole or in part) and renewals of any of the foregoing, (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including, without limitation, damages or payments for past or future infringements of any of the foregoing, (d) the right to sue for past, present and future infringements of any of the foregoing and (e) all rights corresponding to any of the foregoing (including the goodwill) throughout the world.

"Trademark License" means any agreement now or hereafter in existence, whether written or oral, providing for the grant by or to any Grantor of any right to use any Trademark, including, without limitation, any of the foregoing referred to in Schedule 3.11.

"Vehicles" means all cars, trucks, trailers, construction and earth moving equipment and other vehicles covered by a certificate of title under the laws of any state, all tires and all other appurtenances to any of the foregoing.

SECTION 1.3 Other Definitional Provisions. Terms defined in the Credit Agreement and not otherwise defined herein shall have the meaning assigned thereto in the Credit Agreement. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document: (a) the definitions of terms herein shall apply equally to the singular and plural forms of the terms defined, (b) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms, (c) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation", (d) the word "will" shall be construed to have the same meaning and effect as the word "shall", (e) any definition of or reference to any agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (f) any reference herein to any Person shall be construed to include such Person's permitted successors and assigns, (g) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (h) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (i) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights, (j) in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including", (k) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document and (l) where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof.

ARTICLE II

SECURITY INTEREST

SECTION 2.1 Grant of Security Interest. Each Grantor hereby grants, pledges and collaterally assigns to the Administrative Agent, for the ratable benefit of itself and the Lenders, a security interest in, all of such Grantor's right, title and interest in the following property, now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest, and wherever located or deemed located (collectively, the "Collateral"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations:

- (a) all Accounts;
- (b) all cash and currency;
- (c) all Chattel Paper;
- (d) all Commercial Tort Claims identified on Schedule 3.9.;
- (e) all Deposit Accounts;
- (f) all Documents;
- (g) all Equipment;
- (h) all Fixtures;
- (i) all General Intangibles;
- (j) all Instruments;
- (k) all Intellectual Property;
- (l) all Inventory;
- (m) all Investment Property;
- (n) all Letter of Credit Rights;
- (o) all Vehicles;
- (p) all other personal property not otherwise described above;
- (q) all books and records pertaining to the Collateral; and

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(r) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security and Supporting Obligations (as now or hereafter defined in the UCC) given by any Person with respect to any of the foregoing;

provided, that (i) any Security Interest on any Capital Stock or other ownership interests issued by any Foreign Subsidiary shall be limited to 65% of all issued and outstanding shares of all classes of Capital Stock of such Foreign Subsidiary, (ii) the Security Interests granted herein shall not extend to, and the term "Collateral" shall not include, any rights under any lease, contract or agreement (including, without limitation, any license for Intellectual Property) to the extent that the granting of a security interest therein is specifically prohibited in writing by, or would constitute an event of default under or would grant a party a termination right under any agreement governing such right unless such prohibition is not enforceable or is otherwise ineffective under Applicable Law. Notwithstanding any of the foregoing, such proviso shall not affect, limit, restrict or impair the grant by any Grantor of a Security Interest in any Account or any money or other amounts due and payable to any Grantor or to become due and payable to any Grantor under such lease, contract or agreement.

Notwithstanding the foregoing, the payment and performance of the Obligations shall not be secured by any Hedging Agreement between any Grantor and the Administrative Agent or any Lender or any Affiliate of the Administrative Agent or any Lender.

SECTION 2.2 Grantors Remain Liable. Anything herein to the contrary notwithstanding: (a) each Grantor shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by Administrative Agent of any of the rights hereunder shall not release any Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral, (c) neither the Administrative Agent nor any Lender shall have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement, nor shall the Administrative Agent or any Lender be obligated to perform any of the obligations or duties of any Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder, and (d) neither the Administrative Agent nor any Lender shall have any liability in contract or tort for any Grantor's acts or omissions.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective Extensions of Credit to the Borrower thereunder, each Grantor hereby represents and warrants to the Administrative Agent and each Lender that:

SECTION 3.1 Existence. Each Grantor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation, has the requisite power and authority to own its properties and to carry on its business as now being conducted and is duly qualified and

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authorized to do business in each jurisdiction in which the character of its properties or the nature of its business requires such qualification and authorization except in jurisdictions where the failure to be so qualified or in good standing could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.2 Authorization of Agreement; No Conflict. Each Grantor has the right, power and authority and has taken all necessary corporate and other action to authorize the execution, delivery and performance of, this Agreement. This Agreement has been duly executed and delivered by the duly authorized officers of each Grantor and this Agreement constitutes the legal, valid and binding obligation of the Grantors enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws from time to time in effect which affect the enforcement of creditors' rights in general and the availability of equitable remedies. The execution, delivery and performance by the Grantors of this Agreement will not, by the passage of time, the giving of notice or otherwise, violate any material provision of any Applicable Law or Material Contract which could reasonably be expected to have a Material Adverse Effect, and will not result in the creation or imposition of any Lien, other than the Security Interests, upon or with respect to any property or revenues of any Grantor.

SECTION 3.3 Consents. No approval, consent, exemption, authorization or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, any Grantor of this Agreement, except (a) as may be required by laws affecting the offering and sale of securities generally, (b) filings with the United States Copyright Office and/or the United States Patent and Trademark Office, (c) filings under the UCC and/or the Assignment of Claims Act and (d) as may be required with respect to Vehicles represented by a certificate of title.

SECTION 3.4 Perfected First Priority Liens. Each financing statement naming any Grantor as a debtor is in appropriate form for filing in the appropriate filing offices of the states specified on Schedule 3.6. The Security Interests granted pursuant to this Agreement (a) constitute valid security interests in all of the Collateral in favor of the Administrative Agent, for the ratable benefit of itself and the Lenders, as collateral security for the Obligations, and (b): (1) when UCC financing statements containing an adequate description of the Collateral shall have been filed in the offices specified in Schedule 3.6, the Security Interests will constitute perfected security interests in all right, title and interest of such Grantor in the Collateral to the extent that a security interest therein may be perfected by filing pursuant to the UCC, prior to all other Liens and rights of others therein except for Permitted Liens; (2) when each Patent and Trademark security agreement has been filed with the United States Patent and Trademark Office, the Security Interests will constitute perfected security interests in all right, title and interest of such Grantor in the Intellectual Property therein described, prior to all other Liens and rights of others therein except for Permitted Liens; and (3) when each control agreement has been executed and delivered to the Administrative Agent, the Security Interests will constitute perfected security interests in all right, title and interest of the Grantors in the Deposit Accounts and Securities Accounts, as applicable, subject thereto, prior to all other Liens and rights of others therein and subject to no adverse claims except for Permitted Liens.

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SECTION 3.5 Title, No Other Liens. Except for the Security Interests, each Grantor owns each item of the Collateral free and clear of any and all Liens or claims other than Permitted Liens. No financing statement under the UCC of any state which names a Grantor as debtor or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as have been filed in favor of the Administrative Agent, for the ratable benefit of itself and the Lenders, pursuant to this Agreement or in connection with Permitted Liens. No Collateral is in the possession or Control of any Person asserting any claim thereto or security interest therein, except that (a) the Administrative Agent or its designee may have possession or Control of Collateral as contemplated hereby, (b) a depository bank may have Control of a Deposit Account owned by a Grantor at such depository bank and a Securities Intermediary may have Control over a Securities Account owned by a Grantor at such Securities Intermediary, in each case subject to the terms of any Deposit Account control agreement or Securities Account control agreement, as applicable and to the extent required by Section 4, in favor of the Administrative Agent, and (c) a bailee, consignee or other Person may have possession of the Collateral as contemplated by, and so long as, the applicable Grantors have complied to the satisfaction of the Administrative Agent with the applicable provisions of Section 4.6(c).

SECTION 3.6 State of Organization; Location of Inventory, Equipment and Fixtures; other Information.

(a) The exact legal name of each Grantor is set forth on Schedule 3.6.

(b) Each Grantor is a Registered Organization organized under the laws of the state identified on Schedule 3.6 under such Grantor's name. The taxpayer identification number and Registered Organization number of each Grantor is set forth on Schedule 3.6 under such Grantor's name.

(c) All Collateral consisting of Inventory, Equipment and Fixtures (whether now owned or hereafter acquired) is (or will be) located at the locations specified on Schedule 3.6, except as otherwise permitted hereunder.

(d) The mailing address, chief place of business, chief executive office and office where each Grantor keeps its books and records relating to the Accounts, Documents, General Intangibles, Instruments and Investment Property in which it has any interest is located at the locations specified on Schedule 3.6 under such Grantor's name. No Grantor has any other places of business except those separately set forth on Schedule 3.6 under such Grantor's name. No Grantor does business nor has done business during the past five years under any trade name or fictitious business name except as disclosed on Schedule 3.6 under such Grantor's name. Except as disclosed on Schedule 3.6 under such Grantor's name, no Grantor has acquired assets from any Person, other than assets acquired in the ordinary course of such Grantor's business, during the past five years.

SECTION 3.7 Accounts. Each existing Account constitutes, and each hereafter arising Account will constitute, the legally valid and binding obligation of the applicable Account Debtor. The amount represented by each Grantor to the Administrative Agent as owing by each Account Debtor is, or will

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be, the correct amount actually and unconditionally owing, except for ordinary course cash discounts and allowances where applicable. To the knowledge of each Grantor, no Account Debtor has any defense, set-off, claim or counterclaim against any Grantor that can be asserted against the Administrative Agent, whether in any proceeding to enforce Administrative Agent's rights in the Collateral or otherwise except defenses, setoffs, claims or counterclaims that are not, in the aggregate, material to the value of the Accounts. None of the Accounts is, nor will any hereafter arising Account be, evidenced by a promissory note or other Instrument other than a check that has not been pledged to the Administrative Agent in accordance with the terms hereof.

SECTION 3.8 Chattel Paper. As of the date hereof, no Grantor holds any Chattel Paper in the ordinary course of its business.

SECTION 3.9 Commercial Tort Claims. As of the date hereof, all Commercial Tort Claims owned by any Grantor are listed on Schedule 3.9.

SECTION 3.10 Deposit Accounts. As of the date hereof, all Deposit Accounts (including, without limitation, cash management accounts that are Deposit Accounts), securities accounts and lockboxes including the: (a) owner of the account, (b) name and address of financial institution or securities broker where such accounts are located, (c) account numbers and (d) purpose or use of such account owned by any Grantor are listed on Schedule 3.10.

SECTION 3.11 Intellectual Property.

(a) As of the date hereof, all Copyright registrations, Copyright applications, issued Patents, Patent applications, Trademark registrations and Trademark applications owned by any Grantor in its own name on the date hereof is listed on Schedule 3.11.

(b) Except as set forth in Schedule 3.11 on the date hereof, none of the Intellectual Property owned by any Grantor is the subject of any written licensing or franchise agreement pursuant to which such Grantor is the licensor or franchisor, except as could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.12 Inventory. Collateral consisting of Inventory is of good and merchantable quality, free from any material defects. To the knowledge of each Grantor, none of such Inventory is subject to any licensing, Patent, Trademark, trade name or Copyright with any Person that restricts any Grantor's ability to manufacture and/or sell such Inventory. The completion of the manufacturing process of such Inventory by a Person other than the applicable Grantor would be permitted under any contract to which such Grantor is a party or to which the Inventory is subject.

SECTION 3.13 Investment Property; Partnership/LLC Interests.

(a) As of the date hereof, all Investment Property (including, without limitation, Securities Accounts and cash management accounts that are Investment Property) and all Partnership/LLC Interests owned by any Grantor is listed on Schedule 3.13.

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(b) All Investment Property and all Partnership/LLC Interests issued by any Issuer to any Grantor (i) have been duly and validly issued and, if applicable, are fully paid and nonassessable, (ii) are beneficially owned as of record by such Grantor and (iii) constitute all the issued and outstanding shares of all classes of the capital stock of such Issuer issued to such Grantor.

(c) None of the Partnership/LLC Interests (i) are traded on a Securities exchange or in Securities markets, (ii) by their terms expressly provide that they are Securities governed by Article 8 of the UCC, (iii) are Investment Company Securities or (iv) are held in a Securities Account.

SECTION 3.14 Instruments.

Except as set forth on Schedule 3.14 hereto, as of the date hereof, no Grantor holds any Instruments or is named a payee of any promissory note or other evidence of indebtedness.

SECTION 3.15 Farm Products. None of the Collateral constitutes, or is the Proceeds of, Farm Products.

SECTION 3.16 Government Contracts. Except as set forth on Schedule 3.16 hereto, as of the date hereof, no Grantor is party to any contract with a Governmental Authority under which such Governmental Authority, as account debtor, owes a monetary obligation to any Grantor under any account.

ARTICLE IV

COVENANTS

Until the Obligations shall have been paid in full and the Commitments terminated, unless consent has been obtained in the manner provided for in Section 7.1, each Grantor covenants and agrees that:

SECTION 4.1 Maintenance of Perfected Security Interest; Further Information.

(a) Each Grantor shall maintain the Security Interest created by this Agreement as a first priority perfected Security Interest (other than Permitted Liens) and shall defend such Security Interest against the claims and demands of all Persons whomsoever (other than Permitted Liens).

(b) Each Grantor will furnish to the Administrative Agent upon the Administrative Agent's reasonable request and the Lenders from time to time statements and schedules further identifying and describing the assets and property of such Grantor and such other reports in connection therewith as the Administrative Agent may reasonably request, all in reasonable detail.

SECTION 4.2 Maintenance of Insurance.

(a) Each Grantor will maintain, with financially sound and reputable companies, insurance policies or provide for self-insurance (i) insuring the Collateral against loss by fire, explosion, theft, fraud and such other casualties, including business interruption, as may be reasonably satisfactory to the Administrative Agent in amounts and with deductibles at least as favorable as those generally maintained by businesses of similar size engaged in similar activities and (ii) insuring such Grantor and the Administrative Agent, for the ratable benefit of the Lenders, against liability for hazards, risks and liability to persons and property relating to the Collateral, in amounts and with deductibles at least as favorable as those generally maintained by businesses of similar size engaged in similar activities, such policies to be in such form and having such coverage as may be reasonably satisfactory to the Administrative Agent and the Lenders.

(b) All such insurance shall (i) name the Administrative Agent for the ratable benefit of itself and the Lenders as loss payee (to the extent covering risk of loss or damage to tangible property) and as an additional insured as its interests may appear (to the extent covering any other risk), (ii) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least thirty (30) days after receipt by the Administrative Agent of written notice thereof and (iii) be reasonably satisfactory in all other respects to the Administrative Agent.

(c) Upon the request of the Administrative Agent from time to time, each Grantor shall deliver to the Administrative Agent and the Lenders periodic information from a reputable insurance broker with respect to the insurance referred to in this Section 4.2.

SECTION 4.3 Changes in Locations; Changes in Name or Structure. No Grantor will, except upon thirty (30) days' prior written notice to the Administrative Agent and delivery to the Administrative Agent of (a) all additional financing statements (executed if necessary for any particular filing jurisdiction) and other instruments and documents reasonably requested by the Administrative Agent to maintain the validity, perfection and priority of the Security Interests and (b) if applicable, a written supplement to the Schedules of this Agreement:

(i) permit any Deposit Account (other than Excluded Deposit Accounts) to be held by or at a depository bank other than the depository bank that held such Deposit Account as of the date hereof as set forth on Schedule 3.10;

(ii) permit any Investment Property (other than Certificated Securities delivered to the Administrative Agent pursuant to Section 4.5) to be held by a Securities Intermediary other than the Securities Intermediary that held such Investment Property as of the date hereof as set forth on Schedule 3.13;

(iii) change its jurisdiction of organization or the location of its chief executive office from that identified on Schedule 3.6; or

(iv) change its name, identity or corporate or organizational structure to such an extent that any financing statement filed by the Administrative Agent in connection with this Agreement would become misleading.

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SECTION 4.4 Required Notifications. Each Grantor shall promptly notify the Administrative Agent, in writing, of: (a) any Lien (other than the Security Interests or Permitted Liens) on any of the Collateral which would adversely affect the ability of the Administrative Agent to exercise any of its remedies hereunder, (b) the occurrence of any other event which could reasonably be expected to have a Material Adverse Effect on the aggregate value of the Collateral or on the Security Interests, (c) any Collateral which, to the knowledge of such Grantor, constitutes a Government Contract, and (d) the acquisition or ownership by such Grantor of any (i) Commercial Tort Claim, (ii) Deposit Account (other than Excluded Deposit Accounts), or (iii) Investment Property after the date hereof.

SECTION 4.5 Delivery Covenants. Each Grantor will deliver and pledge to the Administrative Agent, for the ratable benefit of itself and the Lenders, all Certificated Securities, Partnership/LLC Interests evidenced by a certificate, negotiable Documents, Instruments, and Tangible Chattel Paper owned or held by such Grantor, in each case, together with an Effective Endorsement and Assignment and all Supporting Obligations, as applicable, unless such delivery and pledge has been waived in writing by the Administrative Agent.

SECTION 4.6 Control Covenants.

(a) To the extent requested by the Administrative Agent, each Grantor shall instruct (and otherwise use its commercially reasonable efforts) to cause (i) each depository bank (other than the Administrative Agent) holding a Deposit Account (other than Excluded Deposit Accounts) owned by such Grantor and (ii) each Securities Intermediary holding any Investment Property owned by such Grantor, to execute and deliver a control agreement, sufficient to provide the Administrative Agent with Control of such Deposit Account and otherwise in form and substance satisfactory to the Administrative Agent (any such depository bank executing and delivering any such control agreement, a "Controlled Depository", and any such Securities Intermediary executing and delivering any such control agreement, a "Controlled Intermediary"). In the event any such depository bank or Securities Intermediary refuses to execute and deliver such control agreement, the Administrative Agent, in its sole discretion, may require the applicable Deposit Account and Investment Property to be transferred to the Administrative Agent or a Controlled Depository or Controlled Intermediary, as applicable. After the date hereof, all Deposit Accounts and all Investment Property will be maintained with the Administrative Agent or with a Controlled Depository or a Controlled Intermediary, as applicable.

(b) Each Grantor will take such actions and deliver all such agreements as are requested by the Administrative Agent to provide the Administrative Agent with Control of all Letter of Credit Rights and Electronic Chattel Paper owned or held by such Grantor, including, without limitation, with respect to any such Electronic Chattel Paper, by having the Administrative Agent identified as the assignee of the Record(s) pertaining to the single authoritative copy thereof.

(c) If any Collateral (other than Collateral specifically subject to the provisions of Section 4.6(a) and Section 4.6(b)) exceeding in value \$100,000 in the aggregate (such Collateral exceeding such amount, the "Excess Collateral") is at any time in the possession or control of any consignee,

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warehouseman, bailee (other than a carrier transporting Inventory to a purchaser in the ordinary course of business), processor, or any other third party, such Grantor shall notify in writing such Person of the Security Interests created hereby, shall use its commercially reasonable efforts to obtain such Person's written agreement in writing to hold all such Collateral for the Administrative Agent's account subject to the Administrative Agent's instructions; provided that if such Grantor is not able to obtain such agreement and cause the delivery of such items, the Administrative Agent, in its sole discretion, may require such Excess Collateral to be moved to another location specified thereby. Further, each Grantor shall perfect and protect such Grantor's ownership interests in all Inventory stored with a consignee against creditors of the consignee by filing and maintaining financing statements against the consignee reflecting the consignment arrangement filed in all appropriate filing offices, providing any written notices required to notify any prior creditors of the consignee of the consignment arrangement, and taking such other actions as may be appropriate to perfect and protect such Grantor's interests in such inventory under Section 2-326, Section 9-103, Section 9-324 and Section 9-505 of the UCC or otherwise. All such financing statements filed pursuant to this Section 4.6(c) shall be assigned, on the face thereof, to the Administrative Agent, for the ratable benefit of itself and the other Lenders.

SECTION 4.7 Filing Covenants. Pursuant to Section 9-509 of the UCC and any other Applicable Law, each Grantor authorizes the Administrative Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as the Administrative Agent determines appropriate to perfect the Security Interests of the Administrative Agent under this Agreement. Such financing statements may describe the Collateral in the same manner as described herein or may contain an indication or description of Collateral that describes such property in any other manner as the Administrative Agent may determine, in its sole discretion, is necessary, advisable or prudent to ensure the perfection of the Security Interest in the Collateral granted herein, including, without limitation, describing such property as "all assets" or "all personal property." Further, a photographic or other reproduction of this Agreement shall be sufficient as a financing statement or other filing or recording document or instrument for filing or recording in any jurisdiction. Grantor hereby authorizes, ratifies and confirms all financing statements and other filing or recording documents or instruments filed by Administrative Agent prior to the date of this Agreement.

SECTION 4.8 Accounts.

(a) Other than in the ordinary course of business, no Grantor will (i) grant any extension of the time of payment of any Account, (ii) compromise or settle any Account for less than the full amount thereof, (iii) release, wholly or partially, any Account Debtor, (iv) allow any credit or discount whatsoever on any Account or (v) amend, supplement or modify any Account in any manner that could reasonably be likely to materially, adversely affect the value thereof, except in each of cases (i) through (iv) for actions taken in the ordinary course of business by the Grantor.

(b) At any time and from time to time, upon the Administrative Agent's reasonable request and at the expense of the relevant Grantor, such Grantor shall cause independent public accountants or others satisfactory to the

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Administrative Agent to furnish to the Administrative Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Accounts.

SECTION 4.9 Intellectual Property.

(a) Except as could not reasonably be expected to have a Material Adverse Effect, each Grantor (either itself or through licensees) (i) will continue to use each registered Trademark (owned by such Grantor) and Trademark for which an application (owned by such Grantor) is pending, to the extent reasonably necessary to maintain such Trademark in full force free from any claim of abandonment for non-use, (ii) will maintain products and services offered under such Trademark at a level substantially consistent with the quality of such products and services as of the date hereof, (iii) will not (and will not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby such Trademark could reasonably be expected to become invalidated or impaired in any way, (iv) will not do any act, or knowingly omit to do any act, whereby any issued Patent owned by such Grantor would reasonably be expected to become forfeited, abandoned or dedicated to the public, (v) will not (and will not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any registered Copyright owned by such Grantor or Copyright for which an application is pending (owned by such Grantor) could reasonably be expected to become invalidated or otherwise impaired and (vi) will not (either itself or through licensees) do any act whereby any material portion of the Copyrights may fall into the public domain.

(b) Each Grantor will notify the Administrative Agent and the Lenders promptly if it knows that any application or registration relating to any material Intellectual Property owned by such Grantor will become forfeited, abandoned or dedicated to the public, or of any adverse determination (including, without limitation, the institution of, or any such determination in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court or tribunal in any country) regarding such Grantor's ownership of, or the validity of, any material Intellectual Property owned by such Grantor or such Grantor's right to register the same or to own and maintain the same.

(c) Whenever such Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, such Grantor shall report such filing to the Administrative Agent within five (5) Business Days after the last day of the fiscal quarter in which such filing occurs. Upon request of the Administrative Agent, such Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as the Administrative Agent may reasonably request to evidence the Administrative Agent's and the Lenders' security interest in any material Copyright, Patent or Trademark and the goodwill and General Intangibles of such Grantor relating thereto or represented thereby.

(d) Each Grantor will take all reasonable and necessary steps, at such Grantor's sole cost and expense, including, without limitation, in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or

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any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of the material Intellectual Property, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(e) In the event that the Grantor has knowledge that any material Intellectual Property owned by it has been infringed, misappropriated or diluted by a third party, the applicable Grantor shall (i) at such Grantor's sole cost and expense, take such actions as such Grantor shall reasonably deem appropriate under the circumstances to protect such Intellectual Property and (ii) if such Intellectual Property is of material economic value, promptly notify the Administrative Agent after it learns of such infringement, misappropriation or dilution.

SECTION 4.10 Investment Property; Partnership/LLC Interests.

(a) Without the prior written consent of the Administrative Agent, no Grantor will (i) vote to enable, or take any other action to permit, any applicable Issuer to issue any Investment Property or Partnership/LLC Interests, except for such those additional Investment Property or Partnership/LLC Interests that will be subject to the Security Interest granted herein in favor of the Administrative Agent, or (ii) enter into any agreement or undertaking restricting the right or ability of such Grantor or the Administrative Agent to sell, assign or transfer any Investment Property or Partnership/LLC Interests or Proceeds thereof. The Grantors will defend the right, title and interest of the Administrative Agent in and to any Investment Property and Partnership/LLC Interests against the claims and demands of all Persons whomsoever.

(b) If any Grantor shall become entitled to receive or shall receive (i) any Certificated Securities (including, without limitation, any certificate representing a stock dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights in respect of the ownership interests of any Issuer, whether in addition to, in substitution of, as a conversion of, or in exchange for, any Investment Property, or otherwise in respect thereof, or (ii) any sums paid upon or in respect of any Investment Property upon the liquidation or dissolution of any Issuer, such Grantor shall accept the same as the agent of the Administrative Agent and the Lenders, hold the same in trust for the Administrative Agent and the Lenders, segregated from other funds of such Grantor, and promptly deliver the same to the Administrative Agent in accordance with the terms hereof.

SECTION 4.11 Equipment. Each Grantor will maintain each item of Equipment in good working order and condition (reasonable wear and tear and obsolescence excepted), necessary for such purpose and will promptly furnish to the Administrative Agent a statement respecting any material loss or damage to any Equipment material to such Grantor.

SECTION 4.12 Vehicles. Upon the request of the Administrative Agent upon the occurrence and during the continuance of an Event of Default, all applications for certificates of title or ownership indicating the Administrative Agent's first priority Lien on the Vehicle (subject to any Permitted Liens) covered by such certificate, and any other necessary documentation, shall be filed in each office in each jurisdiction which the Administrative Agent shall deem reasonably advisable to perfect its Liens on the Vehicles; provided that, with respect to Vehicles subject to Permitted Liens, no such application or other documentation shall be required. Prior thereto, each

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certificate of title or ownership relating to each Vehicle shall be maintained by the applicable Grantor in accordance with Applicable Law to reflect the ownership interest of such Grantor.

SECTION 4.13 Government Contracts.

Each Grantor shall promptly notify the Administrative Agent, in writing, if it enters into any contract with a Governmental Authority under which such Governmental Authority, as account debtor, owes a material monetary obligation to the Grantor under any Account.

SECTION 4.14 Further Assurances. Upon the request of the Administrative Agent and at the sole expense of the Grantors, each Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as the Administrative Agent may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, (i) the assignment of any Material Contract, (ii) with respect to Government Contracts, assignment agreements and notices of assignment, in form and substance satisfactory to the Administrative Agent, duly executed by any Grantors party to such Government Contract in compliance with the Assignment of Claims Act (or analogous state Applicable Law), and (iii) all applications, certificates, instruments, registration statements, and all other documents and papers the Administrative Agent may reasonably request and as may be required by law in connection with the obtaining of any consent, approval, registration, qualification, or authorization of any Person deemed necessary or appropriate for the effective exercise of any rights under this Agreement.

ARTICLE V

REMEDIAL PROVISIONS

SECTION 5.1 General Remedies. If an Event of Default shall occur and be continuing, the Administrative Agent, on behalf of the Lenders, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the UCC or any other Applicable Law. Without limiting the generality of the foregoing, the Administrative Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Administrative Agent or any Lender or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without

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assumption of any credit risk. The Administrative Agent may disclaim all warranties in connection with any sale or other disposition of the Collateral, including, without limitation, all warranties of title, possession, quiet enjoyment and the like. The Administrative Agent or any Lender shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Administrative Agent's request, to assemble the Collateral and make it available to the Administrative Agent at places which the Administrative Agent shall reasonably select, whether at such Grantor's premises or elsewhere. To the extent permitted by Applicable Law, each Grantor waives all claims, damages and demands it may acquire against the Administrative Agent or any Lender arising out of the exercise by them of any rights hereunder except to the extent any such claims, damages, or demands result solely from the gross negligence or willful misconduct of the Administrative Agent or any Lender, in each case against whom such claim is asserted. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least ten (10) days before such sale or other disposition.

SECTION 5.2 Specific Remedies.

(a) The Administrative Agent hereby authorizes each Grantor to collect such Grantor's Accounts, under the Administrative Agent's direction and control; provided that the Administrative Agent may curtail or terminate such authority at any time after the occurrence and during the continuance of an Event of Default.

(b) Upon the occurrence and during the continuance of an Event of Default:

(i) the Administrative Agent may communicate with Account Debtors of any Account subject to a Security Interest and upon the request of the Administrative Agent, each Grantor shall notify (such notice to be in form and substance satisfactory to the Administrative Agent) its Account Debtors and parties to the Material Contracts subject to a Security Interest that such Accounts and the Material Contracts have been assigned to the Administrative Agent, for the ratable benefit of itself and the Lenders;

(ii) each Grantor shall forward to the Administrative Agent, on the last Business Day of each week, deposit slips related to all cash, money, checks or any other similar items of payment received by the Grantor during such week, and, if requested by the Administrative Agent, copies of such checks or any other similar items of payment, together with a statement showing the application of all payments on the Collateral during such week and a collection report with regard thereto, in form and substance satisfactory to the Administrative Agent;

(iii) whenever any Grantor shall receive any cash, money, checks or any other similar items of payment relating to any Collateral (including any Proceeds of any Collateral), subject to the terms of any Permitted Liens, such Grantor agrees that it will, within one (1) Business Day of such receipt, deposit all such items of payment into the Collateral Account or in a Deposit Account at a Controlled Depository, until such Grantor shall deposit such cash, money, checks or any other similar items of payment in the Collateral Account or in a

Deposit Account at a Controlled Depositary, such Grantor shall hold such cash, money, checks or any other similar items of payment in trust for the Administrative Agent and Lenders and as property of the Administrative Agent and Lenders, separate from the other funds of such Grantor, and the Administrative Agent shall have the right in to transfer or direct the transfer of the balance of each Deposit Account to the Collateral Account. All such Collateral and Proceeds of Collateral received by the Administrative Agent hereunder shall be held by the Administrative Agent in the Collateral Account as collateral security for all the Obligations and shall not constitute payment thereof until applied as provided in Section 5.4; -----

(iv) the Administrative Agent shall have the right to receive any and all cash dividends, payments or distributions made in respect of any Investment Property, or Partnership/LLC Interests or other Proceeds paid in respect of any Investment Property, or Partnership/LLC Interests, and any or all of any Investment Property, or Partnership/LLC Interests shall be registered in the name of the Administrative Agent or its nominee, and the Administrative Agent or its nominee may thereafter exercise (A) all voting, corporate and other rights pertaining to such Investment Property, or Partnership/LLC Interests at any meeting of shareholders, partners or members of the relevant Issuers and (B) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Investment Property, or Partnership/LLC Interests as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Investment Property, or Partnership/LLC Interests upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate, partnership or company structure of any Issuer or upon the exercise by any Grantor or the Administrative Agent of any right, privilege or option pertaining to such Investment Property, or Partnership/LLC Interests, and in connection therewith, the right to deposit and deliver any and all of the Investment Property, or Partnership/LLC Interests with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as the Administrative Agent may determine), all without liability except to account for property actually received by it; but the Administrative Agent shall have no duty to any Grantor to exercise any such right, privilege or option and the Administrative Agent and the Lenders shall not be responsible for any failure to do so or delay in so doing. In furtherance thereof, each Grantor hereby authorizes and instructs each Issuer with respect to any Collateral consisting of Investment Property and Partnership/LLC Interests to (i) comply with any instruction received by it from the Administrative Agent in writing that (A) states that an Event of Default has occurred and is continuing and (B) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and each Grantor agrees that each Issuer shall be fully protected in so complying following receipt of such notice and prior to notice that such Event of Default is no longer continuing, and (ii) except as otherwise expressly permitted hereby, pay any dividends, distributions or other payments with respect to any Investment Property, or Partnership/LLC Interests directly to the Administrative Agent; and

(v) the Administrative Agent shall be entitled to (but shall not be required to): (A) proceed to perform any and all obligations of the applicable Grantor under any Material Contract and exercise all rights of such Grantor thereunder as fully as such Grantor itself could, (B) do all other acts which the Administrative Agent may deem necessary or

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proper to protect its Security Interest granted hereunder, provided such acts are not inconsistent with or in violation of the terms of any of the Credit Agreement, of the other Loan Documents or Applicable Law, and (C) sell, assign or otherwise transfer any Material Contract in accordance with the Credit Agreement, the other Loan Documents and Applicable Law, subject, however, to the prior approval of each other party to such Material Contract, to the extent required under the Material Contract.

(c) Unless an Event of Default shall have occurred and be continuing and the Administrative Agent shall have given notice to the relevant Grantor of the Administrative Agent's intent to exercise its corresponding rights pursuant to Section 5.2(b), each Grantor shall be permitted to receive all cash dividends, payments or other distributions made in respect of any Investment Property and Partnership/LLC Interests, in each case paid in the normal course of business of the relevant Issuer and consistent with past practice, to the extent permitted in the Credit Agreement, and to exercise all voting and other corporate, company and partnership rights with respect to any Investment Property and Partnership/LLC Interests; provided that, no vote shall be cast or other corporate, company and partnership right exercised or other action taken which, in the Administrative Agent's reasonable judgment, would impair the Collateral in any material respect or which would result in a Default or Event of Default under any provision of the Credit Agreement, this Agreement or any other Loan Document.

SECTION 5.3 Registration Rights.

(a) If the Administrative Agent shall determine that in order to exercise its right to sell any or all of the Collateral it is necessary or advisable to have such Collateral registered under the provisions of the Securities Act (any such Collateral, the "Restricted Securities Collateral"), the relevant Grantor will use commercially reasonable efforts to cause each applicable Issuer (and the officers and directors thereof) to (i) execute and deliver all such instruments and documents, and do or cause to be done all such other acts as may be, in the opinion of the Administrative Agent, necessary or advisable to register such Restricted Securities Collateral, or that portion thereof to be sold, under the provisions of the Securities Act, (ii) use its commercially reasonable efforts to cause the registration statement relating thereto to become effective and to remain effective for a period of one year from the date of the first public offering of such Restricted Securities Collateral, or that portion thereof to be sold, and (iii) make all amendments thereto and/or to the related prospectus which, in the opinion of the Administrative Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. Each Grantor agrees to cause each applicable Issuer (and the officers and directors thereof) to comply with the provisions of the securities or "Blue Sky" laws of any and all jurisdictions which the Administrative Agent shall designate and to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) which will satisfy the provisions of Section II (a) of the Securities Act.

(a) Each Grantor recognizes that the Administrative Agent may be unable to effect a public sale of any or all the Restricted Securities Collateral, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own

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account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Administrative Agent shall be under no obligation to delay a sale of any of the Restricted Securities Collateral for the period of time necessary to permit the Issuer thereof to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if such Issuer would agree to do so.

(b) Each Grantor agrees to use its commercially reasonable efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Restricted Securities Collateral valid and binding and in compliance with any and all other Applicable Laws. Each Grantor further agrees that a breach of any of the covenants contained in this Section 5.3 will cause irreparable injury to the Administrative Agent and the Lenders, that the Administrative Agent and the Lenders have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 5.3 shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the Credit Agreement.

SECTION 5.4 Application of Proceeds. At such intervals as may be agreed upon by the Borrower and the Administrative Agent, or, if an Event of Default shall have occurred and be continuing, at any time at the Administrative Agent's election, the Administrative Agent may apply all or any part of the Collateral or any Proceeds of the Collateral in payment in whole or in part of the Obligations (after deducting all reasonable costs and expenses of incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Administrative Agent and the Lenders hereunder, including, without limitation, reasonable attorneys' fees and disbursements) in accordance with Section 14.3 of the Credit Agreement. Only after (i) the payment by the Administrative Agent of any other amount required by any provision of law, including, without limitation, Section 9-610 and Section 9-615 of the UCC and (ii) the payment in full of the Obligations and the termination of the Commitments, shall the Administrative Agent account for the surplus, if any, to any Grantor, or to whomever may be lawfully entitled to receive the same (if such Person is not a Grantor).

SECTION 5.5 Waiver, Deficiency. Each Grantor hereby waives, to the extent permitted by Applicable Law, all rights of redemption, appraisal, valuation, stay, extension or moratorium now or hereafter in force under any Applicable Law in order to prevent or delay the enforcement of this Agreement or the absolute sale of the Collateral or any portion thereof. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Obligations and the fees and disbursements of any attorneys employed by the Administrative Agent or any Lender to collect such deficiency.

ARTICLE VI

THE ADMINISTRATIVE AGENT

SECTION 6.1 Administrative Agent's Appointment as Attorney-In-Fact.

(a) Each Grantor hereby irrevocably constitutes and appoints the Administrative Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Administrative Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following upon the occurrence and during the continuation of an Event of Default:

(i) in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Account or Material Contract subject to a Security Interest or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Administrative Agent for the purpose of collecting any and all such moneys due under any Account or Material Contract subject to a Security Interest or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Administrative Agent may request to evidence the Administrative Agent's and the Lenders' security interest in such Intellectual Property and the goodwill and General Intangibles of such Grantor relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in this Agreement, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) (A) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Administrative Agent or as the Administrative Agent shall direct; (B) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (C) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (D) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any

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Collateral; (E) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (F) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Administrative Agent may deem appropriate; (G) assign any Copyright, Patent or Trademark (along with the goodwill of the business to which any such Copyright, Patent or Trademark pertains), for such term or terms, on such conditions, and in such manner, as the Administrative Agent shall in its sole discretion determine; and (H) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Administrative Agent were the absolute owner thereof for all purposes, and do, at the Administrative Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Administrative Agent deems necessary to protect, preserve or realize upon the Collateral and the Administrative Agent's and the Lenders' Security Interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein, the Administrative Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement in accordance with the provisions of Section 6.1(a).

(c) The expenses of the Administrative Agent incurred in connection with actions taken pursuant to the terms of this Agreement, together with interest thereon at a rate per annum equal to the highest rate per annum at which interest would then be payable on any category of past due Base Rate Loans under the Credit Agreement, from the date of payment by the Administrative Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Administrative Agent on demand.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof in accordance with Section 6.1(a). All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the Security Interests created hereby are released.

SECTION 6.2 Duty of Administrative Agent. The Administrative Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the UCC or otherwise, shall be to deal with it in the same manner as the Administrative Agent deals with similar property for its own account. Neither the Administrative Agent, any Lender nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Administrative Agent and the Lenders hereunder are solely to protect the Administrative Agent's and the Lenders' interests in the Collateral and shall not impose any duty upon the Administrative Agent or any Lender to exercise any such powers. The Administrative Agent and the Lenders shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

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SECTION 6.3 Authority of Administrative Agent. Each Grantor acknowledges that the rights and responsibilities of the Administrative Agent under this Agreement with respect to any action taken by the Administrative Agent or the exercise or non exercise by the Administrative Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Administrative Agent and the Lenders, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Administrative Agent and the Grantors, the Administrative Agent shall be conclusively presumed to be acting as agent for the Lenders with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement to make any inquiry respecting such authority.

ARTICLE VII

MISCELLANEOUS

SECTION 7.1 Amendments in Writing. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with Section 14.2 of the Credit Agreement.

SECTION 7.2 Notices. All notices, requests and demands to or upon the Administrative Agent or any Grantor hereunder shall be effected in the manner provided for in Section 14.1 of the Credit Agreement.

SECTION 7.3 No Waiver by Course of Conduct, Cumulative Remedies. Neither the Administrative Agent nor any Lender shall by any act (except by a written instrument pursuant to Section 7.1), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising on the part of the Administrative Agent or any Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Administrative Agent or any Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Administrative Agent or such Lender would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

SECTION 7.4 Enforcement Expenses, Indemnification.

(a) Each Grantor agrees to pay or reimburse each Lender and the Administrative Agent for all its costs and expenses incurred in connection with enforcing or preserving any rights under this Agreement and the other Loan Documents to which such Grantor is a party, (including, without limitation, in connection with any workout, restructuring, bankruptcy or other similar proceeding) including, without limitation, the reasonable fees and disbursements of counsel to each Lender and of counsel to the Administrative Agent.

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(b) Each Grantor agrees to pay, and to save the Administrative Agent and the Lenders harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes (in each case, subject to Section 5.11 of the Credit Agreement) which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) Each Grantor agrees to pay, and to save the Administrative Agent and the Lenders harmless from any and all liabilities, obligations, losses, damages, penalties, costs and expenses in connection with actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent any Grantor would be required to do so pursuant to Section 14.2 of the Credit Agreement.

(d) The agreements in this Section 7.4 shall survive termination of the Commitments and repayment of the Obligations and all other amounts payable under the Credit Agreement and the other Loan Documents.

SECTION 7.5 Waiver of Jury Trial.

(a) EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 7.6 Successors and Assigns. This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of each Grantor (and shall bind all Persons who become bound as a Grantor to this Collateral Agreement), the Administrative Agent and the Lenders and their successors and assigns; provided that no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent (given in accordance with Section 7.1).

SECTION 7.7 Set-Off. If an Event of Default shall have occurred and be continuing under Section 14.4 of the Credit Agreement, each Lender, the Issuing Lender, the Swingline Lender and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by Applicable Law, to set-off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and

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other obligations (in whatever currency) at any time owing by such Lender, the Issuing Lender, the Swingline Lender or any such Affiliate to or for the credit or the account of each Grantor against any and all of the Obligations now or hereafter existing under this Agreement or any other Loan Document to such Lender, the Issuing Lender or the Swingline Lender, irrespective of whether or not such Lender, the Issuing Lender or the Swingline Lender shall have made any demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured or are owed to a branch or office of such Lender, the Issuing Lender or the Swingline Lender different from the branch or office holding such deposit or other obligation. The rights of each Lender, the Issuing Lender, the Swingline Lender and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender, the Issuing Lender, the Swingline Lender or their respective Affiliates may have. Each Lender, the Issuing Lender and the Swingline Lender agrees to notify such Grantor promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

SECTION 7.8 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

SECTION 7.9 Severability. Any provision of this Agreement or any other Loan Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remainder of such provision or the remaining provisions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 7.10 Section Heading. The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

SECTION 7.11 Integration. This Agreement and the other Loan Documents represent the agreement of the Grantors, the Administrative Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Loan Documents.

SECTION 7.12 Governing Law. This Agreement unless otherwise expressly set forth herein, shall be governed by, construed, interpreted and enforced in accordance with, the laws of the State of New York without reference to any other conflicts of law principles thereof.

SECTION 7.13 Consent to Jurisdiction. Each Grantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the State of New York sitting in the Borough of Manhattan and of the United States District Court of the Borough of Manhattan, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto

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irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by Applicable Law, in such Federal court. Each Grantor hereby irrevocably consents to the service of a summons and complaint and other process in any action, claim or proceeding brought by the Administrative Agent or any Lender in connection with this Agreement or any other Loan Documents, any rights or obligations hereunder or thereunder, or the performance of such rights and obligations, on behalf of itself or its property, in the manner specified in Section 14.1 of the Credit Agreement. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other Loan Document shall affect any right that the Administrative Agent, any Lender or the Issuing Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Grantor or its properties in the courts of any jurisdiction.

SECTION 7.14 Acknowledgements.

(a) Each Grantor hereby acknowledges that: (i) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party, (ii) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Grantors, on the one hand, and the Administrative Agent and Lenders, on the other hand, in connection herewith or therewith is solely that of debtor and creditor, and (iii) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby or thereby among the Lenders or among the Grantors and the Lenders.

(b) Each Issuer party to this Agreement acknowledges receipt of a copy of this Agreement and agrees to be bound thereby and to comply with the terms thereof insofar as such terms are applicable to it. Each Issuer agrees to provide such notices to the Administrative Agent as may be necessary to give full effect to the provisions of this Agreement.

SECTION 7.15 Additional Grantors. Each Subsidiary of the Borrower that is required to become a party to this Agreement pursuant to Section 9.11 of the Credit Agreement shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of a joinder agreement in form and substance satisfactory to the Administrative Agent.

SECTION 7.16 Releases.

(a) At such time as the Obligations shall have been paid in full and the Commitments have been terminated, the Collateral shall be released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. At the request and sole expense of any Grantor following any such termination, the Administrative Agent shall deliver to such Grantor any Collateral held by the Administrative Agent hereunder, and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination

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(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by any Grantor in a transaction permitted by the Credit Agreement, then the Administrative Agent, at the request and sole expense of such Grantor, shall execute and deliver to such Grantor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral. In the event that all the capital stock of any Grantor shall be sold, transferred or otherwise disposed of in a transaction permitted by the Credit Agreement, then, at the request of the Borrower and at the expense of the Grantors, such Grantor shall be released from its obligations hereunder; provided that the Borrower shall have delivered to the Administrative Agent, at least five (5) Business Days prior to the date of the proposed release, a written request for release identifying the relevant Grantor and the terms of the sale or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by the Borrower stating that such transaction is in compliance with the Credit Agreement and the other Loan Documents.

[Signature Pages to Follow]

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IN WITNESS WHEREOF, the parties hereto have caused this Collateral Agreement to be executed under seal by their duly authorized officers, all as of the day and year first written above.

CROSS COUNTRY HEALTHCARE, INC.,
as Grantor

By: /s/ Joseph A. Boshart

Name: Joseph A. Boshart

Title: President & Chief Executive Officer

ASSIGNMENT AMERICA, INC., as Grantor and Issuer

By: /s/ Daniel Lewis

Name: Daniel Lewis

Title: Assistant Treasurer

CROSS COUNTRY TRAVCORPS, INC., as Grantor and Issuer

By: /s/ Joseph A. Boshart

Name: Joseph A. Boshart

Title: Vice President

CROSS COUNTRY LOCAL, INC., as Grantor and Issuer

By: /s/ Daniel Lewis

Name: Daniel Lewis

Title: Assistant Treasurer

[Signature Pages Continue]

NOVAPRO, INC., as Grantor and Issuer

By: /s/ Daniel Lewis

Name: Daniel Lewis

Title: Assistant Treasurer

TVCM, INC., as Grantor and Issuer

By: /s/ Daniel Lewis

Name: Daniel Lewis

Title: Assistant Treasurer

CC STAFFING, INC., as Grantor and Issuer

By: /s/ Emil Hensel

Name: Emil Hensel

Title: President

CROSS COUNTRY CONSULTING, INC., as Grantor and Issuer

By: /s/ Daniel Lewis

Name: Daniel Lewis

Title: /s/ Assistant Treasurer

CEJKA SEARCH, INC., as Grantor and Issuer

By: /s/ Daniel Lewis

Name: Daniel Lewis

Title: Assistant Treasurer

[Signature Pages Continue]

CLINFORCE, INC., as Grantor and Issuer

By: /s/ Emil Hensel

Name: Emil Hensel

Title: Vice President

CROSS COUNTRY EDUCATION, INC., as Grantor and Issuer

By: /s/ Joseph A. Boshart

Name: Joseph A. Boshart

Title: Vice President

MEDSTAFF, INC., as Grantor and Issuer

By: /s/ Joseph A. Boshart

Name: Joseph A. Boshart

Title: Chief Executive Officer

CROSS COUNTRY CAPITAL, INC., as Grantor and Issuer

By: /s/ Emil Hensel

Name: Emil Hensel

Title: Vice President

HEALTHSTAFFERS, INC., as Grantor and Issuer

By: /s/ Joseph A. Boshart

Name: Joseph A. Boshart

Title: Chief Executive Officer

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MCVT, INC., as Grantor and Issuer

By: /s/ Emil Hensel

Name: Emil Hensel

Title: /s/ Vice President &
Chief Financial Officer

[Signature Pages Continue]

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WACHOVIA BANK, NATIONAL ASSOCIATION
as Administrative Agent

By: /s/ Richard L. Nelson

Name: Richard L. Nelson

Title: Vice President

JOINDER AGREEMENT

JOINDER AGREEMENT, dated as of January 18, 2006, among CROSS COUNTRY HEALTHCARE, INC., a Delaware corporation, the Guarantors (as defined in the Subsidiary Guaranty Agreement), and, together with the Company, the "Joinder Parties" in connection with the Credit Agreement, dated November 11, 2005 herewith (as amended, restated, supplemented or otherwise modified, the "Credit Agreement").

WHEREAS, Cross Country Healthcare, Inc. executed a Subsidiary Guaranty Agreement with Wachovia Bank, National Association, as Administrative Agent (in such capacity, the "Administrative Agent") for the ratable benefit of itself and the financial institutions (the "Lenders").

WHEREAS, pursuant to the terms of the Subsidiary Guaranty Agreement, Section 4.17 and Section 9.11 of the Credit Agreement, the Guarantor is required to add additional guarantors if created, acquired, or formed.

WHEREAS, Cross Country Healthcare, Inc. has incorporated a new company called Clinforce, LLC., a Delaware limited liability company on December 19, 2005.

WHEREAS, Cross Country Healthcare, Inc. has incorporated a company called Cross Country Education, LLC. a Delaware limited liability company on December 19, 2005.

NOW, THEREFORE, the undersigned hereby agree for the benefit of the Administrative Agent and the Lenders, as follows:

1. Each of the Joinder Parties hereby acknowledges that it has received and reviewed a copy of the Subsidiary Guaranty Agreement and all other documents in connection with entering into this Joinder Agreement and acknowledges and agrees, as indicated by its signature below, to (i) join and become a party to the Subsidiary Guaranty Agreement; (ii) be bound by all covenants, agreements, representations, warranties and acknowledgements attributable to it under the Subsidiary Guaranty Agreement as if made by, and with respect to, such signatory hereto; and (iii) perform all obligations and duties required of it pursuant to the Subsidiary Guaranty Agreement.

2. Each of the Joinder Parties hereby represents and warrants its has all the requisite corporate or limited liability company power and authority to execute, deliver and perform its obligations under this Joinder and that when this Joinder is executed and delivered, it will constitute a valid and legally binding agreement enforceable against each of the undersigned in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a preceding in equity or at law) and an implied covenant of good faith and fair dealing.

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3. This Joinder may be signed in one or more counterparts (which maybe delivered in original form or telecopier), each of which shall constitute an original when so executed and all of which together shall constitute one and the same agreement.

4. No amendment or waiver of any provision of this Joinder, nor any consent or approval to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by the parties thereto.

5. This Joinder shall be governed by and construed in accordance with, the laws of the state of New York. The Parties hereto each hereby waive any right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Joinder. Each Joinder Party agrees that any suit, action or proceeding against a Joinder Party brought by any lender or holder, arising out of or based upon this Joinder may be instituted in any state or U.S. federal court in the city of New York and county of New York and waives any objection which it may now or hereafter have to the laying of venue of any such proceeding, and irrevocably submits to the non-exclusive jurisdiction of such courts in any suit, action or proceeding.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the undersigned have executed this Agreement this
18th day of January, 2006.

CLINFORCE, LLC., as Subsidiary
Guarantor

By: /s/ Emil Hensel

Name: Emil Hensel
Title: Vice President

CROSS COUNTRY EDUCATION, LLC.,
as Subsidiary Guarantor

By: /s/ Emil Hensel

Name: Emil Hensel
Title: Vice President

[Signature Pages Continue]

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WACHOVIA BANK, NATIONAL
ASSOCIATION as Administrative Agent

By: /s/ Richard L. Nelson

Name: Richard L. Nelson
Title: Vice President

LIST OF SUBSIDIARIES

<u>Subsidiary</u>	<u>State of Incorporation</u>
Assignment America, Inc.	Delaware
Cejka Search, Inc.	Delaware
CC Staffing, Inc.	Delaware
ClinForce, LLC (f/k/a ClinForce, Inc.)	Delaware
Cross Country Capital, Inc.	Delaware
Cross Country Infotech, Pvt, Ltd.	India
Cross Country Local, Inc. (f/k/a Flex Staff, Inc.)	Delaware
Cross Country Education, LLC (f/k/a Cross Country Education, Inc., Cross Country Seminars, Inc., and CCS /Heritage Acquisition Corp.)	Delaware
Cross Country TravCorps, Inc.	Delaware
Cross Country TravCorps, Inc. Ltd. (NZ) (a)	New Zealand
HealthStaffers, Inc.	Delaware
MCVT, Inc.	Delaware
Med-Staff, Inc. (f/k/a Cross Country Nurses, Inc.)	Delaware
NovaPro, Inc.	Delaware
TVCM, Inc.	Delaware

(a) Dissolved in March 2005

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-3 No. 333-120189) and the related Prospectus of Cross Country Healthcare, Inc.;
and
- (2) Registration Statement (Form S-8 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 reports dated March 3, 2006, with respect to the consolidated financial statements and schedule of Cross Country Healthcare, Inc., Cross Country Healthcare, Inc.'s management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Cross Country Healthcare, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2005.

/s/ ERNST & YOUNG LLP
Certified Public Accountants

West Palm Beach, Florida
March 3, 2006

CERTIFICATION

I, Joseph A. Boshart, certify that:

1. I have reviewed this annual report on Form 10K of Cross Country Healthcare, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2006

/s/ JOSEPH A. BOSCHART

Joseph A. Boshart
President and Chief Executive Officer

CERTIFICATION

I, Emil Hensel, certify that:

1. I have reviewed this annual report on Form 10K of Cross Country Healthcare, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2006

/s/ EMIL HENSEL

Emil Hensel
Chief Financial Officer

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

In connection with the accompanying Annual Report on Form 10-K of Cross Country Healthcare, Inc. (the "Company") for the year ended December 31, 2005 (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 9, 2006

/s/ JOSEPH A. BOSHART

Joseph A. Boshart
Chief Executive Officer

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

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

In connection with the accompanying Annual Report on Form 10-K of Cross Country Healthcare, Inc. (the "Company") for the year ended December 31, 2005 (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 9, 2006

/s/ EMIL HENSEL

Emil Hensel
Chief Financial Officer

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