
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended June 30, 2007

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 Number)

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

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

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

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

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

The registrant had outstanding 31,993,995 shares of Common Stock, par value \$0.0001 per share, as of July 31, 2007.

CROSS COUNTRY HEALTHCARE, INC.

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FORM 10-Q

June 30, 2007

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PART I. – FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**Cross Country Healthcare, Inc.
Condensed Consolidated Balance Sheets
(Unaudited, Amounts In Thousands)**

| | <u>June 30, 2007</u> | <u>December 31, 2006</u> |
|--|--------------------------|------------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ — | \$ — |
| Accounts receivable, net | 114,886 | 114,735 |
| Deferred tax assets | 6,708 | 7,888 |
| Income taxes receivable | 2,747 | 1,602 |
| Other current assets | 17,615 | 18,126 |
| Total current assets | <u>141,956</u> | <u>142,351</u> |
| Property and equipment, net | 21,807 | 20,562 |
| Trademarks, net | 18,922 | 17,199 |
| Goodwill, net | 313,798 | 310,173 |
| Other identifiable intangible assets, net | 10,806 | 9,310 |
| Other assets | 1,266 | 1,331 |
| Total assets | <u>\$ 508,555</u> | <u>\$ 500,926</u> |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 10,042 | \$ 13,744 |
| Accrued employee compensation and benefits | 26,319 | 29,213 |
| Current portion of long-term debt | 1,500 | 1,550 |
| Accrued legal settlement charge | — | 6,704 |
| Other current liabilities | 7,871 | 5,931 |
| Total current liabilities | <u>45,732</u> | <u>57,142</u> |
| Non-current deferred tax liabilities | 43,302 | 39,972 |
| Long-term debt | 27,506 | 19,979 |
| Other long-term liabilities | 9,997 | 8,977 |
| Total liabilities | <u>126,537</u> | <u>126,070</u> |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock | 3 | 3 |
| Additional paid-in capital | 251,781 | 254,273 |
| Other stockholders' equity | 130,234 | 120,580 |
| Total stockholders' equity | <u>382,018</u> | <u>374,856</u> |
| Total liabilities and stockholders' equity | <u>\$ 508,555</u> | <u>\$ 500,926</u> |

See accompanying notes to the condensed consolidated financial statements

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------|------------------------------|------------|
| | 2007 | 2006 | 2007 | 2006 |
| Revenue from services | \$ 175,339 | \$ 156,697 | \$ 351,432 | \$ 316,531 |
| Operating expenses: | | | | |
| Direct operating expenses | 133,736 | 120,455 | 269,340 | 242,900 |
| Selling, general and administrative expenses | 29,923 | 26,816 | 59,441 | 54,989 |
| Bad debt expense | 480 | 150 | 1,265 | 22 |
| Depreciation | 1,505 | 1,383 | 2,989 | 2,705 |
| Amortization | 370 | 356 | 739 | 712 |
| Legal settlement charge | 21 | — | 34 | — |
| Total operating expenses | 166,035 | 149,160 | 333,808 | 301,328 |
| Income from operations | 9,304 | 7,537 | 17,624 | 15,203 |
| Other expenses: | | | | |
| Interest expense, net | 529 | 320 | 1,015 | 706 |
| Income from continuing operations before income taxes | 8,775 | 7,217 | 16,609 | 14,497 |
| Income tax expense | 3,314 | 2,793 | 6,346 | 5,610 |
| Income from continuing operations | 5,461 | 4,424 | 10,263 | 8,887 |
| Discontinued operations, net of income taxes | — | 9 | — | 116 |
| Net income | \$ 5,461 | \$ 4,433 | \$ 10,263 | \$ 9,003 |
| Net income per common share - basic: | | | | |
| Income from continuing operations | \$ 0.17 | \$ 0.14 | \$ 0.32 | \$ 0.28 |
| Discontinued operations, net of income taxes | — | 0.00 | — | 0.00 |
| Net income | \$ 0.17 | \$ 0.14 | \$ 0.32 | \$ 0.28 |
| Net income per common share - diluted: | | | | |
| Income from continuing operations | \$ 0.17 | \$ 0.14 | \$ 0.31 | \$ 0.27 |
| Discontinued operations, net of income taxes | — | 0.00 | — | 0.00 |
| Net income | \$ 0.17 | \$ 0.14 | \$ 0.31 | \$ 0.27 |
| Weighted average common shares outstanding-basic | 32,038 | 32,092 | 32,086 | 32,109 |
| Weighted average common shares outstanding-diluted | 32,613 | 32,726 | 32,730 | 32,773 |

See accompanying notes to the condensed consolidated financial statements

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

| | Six Months Ended June 30, | |
|---|------------------------------|----------|
| | 2007 | 2006 |
| Operating activities | | |
| Net income | \$ 10,263 | \$ 9,003 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 2,989 | 2,705 |
| Amortization | 739 | 712 |
| Bad debt expense | 1,265 | 22 |
| Deferred income tax expense | 4,531 | 5,426 |
| Other noncash charges | 122 | 308 |
| Income from discontinued operations | — | (116) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (212) | 10,621 |
| Income taxes and other assets | 374 | 6,466 |
| Accounts payable and accrued expenses | (6,266) | (15,613) |
| Accrued legal settlement charge | (6,704) | — |
| Other liabilities | 1,529 | 413 |
| Net cash provided by continuing operations | 8,630 | 19,947 |
| Income from discontinued operations, net | — | 116 |
| Other noncash items | — | (195) |
| Change in net assets from discontinued operations | — | 233 |
| Net cash provided by discontinued operations | — | 154 |
| Net cash provided by operating activities | 8,630 | 20,101 |
| Investing activities | | |
| Acquisitions | (9,460) | — |
| Purchases of property and equipment | (3,528) | (3,845) |
| Other investing activities | — | (2) |
| Net cash used in investing activities | (12,988) | (3,847) |
| Financing activities | | |
| Repayment of debt | (79,389) | (17,260) |
| Proceeds from issuance of debt | 86,265 | 2,175 |
| Exercise of stock options | 1,389 | 326 |
| Stock repurchase and retirement | (4,172) | (1,464) |
| Tax benefit of stock option exercises | 265 | 27 |
| Net cash provided by (used in) financing activities | 4,358 | (16,196) |
| Change in cash and cash equivalents | — | 58 |
| Cash and cash equivalents at beginning of period | — | — |
| Cash and cash equivalents at end of period | \$ — | \$ 58 |

See accompanying notes to the condensed consolidated financial statements

CROSS COUNTRY HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

The condensed consolidated financial statements include the accounts of Cross Country Healthcare, Inc. and its wholly-owned direct and indirect subsidiaries (collectively, the Company). All material intercompany transactions and balances have been eliminated in consolidation. The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These operating results are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2006, included in the Company's Form 10-K as filed with the Securities and Exchange Commission. The December 31, 2006, unaudited condensed consolidated balance sheet included herein was derived from the December 31, 2006, audited consolidated balance sheet included in the Company's Form 10-K.

There were no material components of other comprehensive income other than the Company's consolidated net income during the three and six month periods ended June 30, 2007 and 2006.

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

The Company's foreign operations use their respective local currency as their functional currency. In accordance with Financial Accounting Standard Board (FASB) Statement No. 52, *Foreign Currency Translation*, assets and liabilities of these operations are translated at the exchange rates in effect on the balance sheet date. Income statement items are translated at the average exchange rates for the period. The impact of currency fluctuation is included in other stockholders' equity on the condensed consolidated balance sheet and was not material.

2. 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 including the vested portion of restricted shares. The denominator used to calculate diluted earnings per share reflects the dilutive effects of stock options and nonvested restricted stock (as calculated utilizing the treasury stock method). Certain shares of common stock that are issuable upon the exercise of options have been excluded from per share calculations because their effect would have been anti-dilutive.

3. ACQUISITIONS

AKOS Limited

On June 6, 2007, the Company acquired all of the shares of privately-held AKOS Limited (AKOS), based in the United Kingdom, for a total purchase price of up to £7.2 million, consisting of an up-front payment of £4.0 million and potential earnout payments up to a maximum of £3.2 million in 2007 and 2008. The share purchase agreement also specified an additional payment of £0.5 million, paid at closing, consisting of cash purchased, along with a post-closing net working capital adjustment. This additional payment was adjusted by an additional £0.2 million subsequent to June 30, 2007, based on changes in net working capital, as defined by the share purchase agreement. This will be recorded in U.S. dollars at the exchange rate when the payment is made and allocated to goodwill as additional purchase price.

The consideration for this acquisition equated to \$8.9 million in cash paid at closing, which included \$1.0 million for the additional payment and \$0.8 million which was held in escrow to cover any post-closing liabilities. The Company financed this transaction using its revolving credit facility.

The potential earnout payments are based on 2007 and 2008 performance, as defined by the share purchase agreement and would be recorded in U.S. dollars using the exchange rate at the time of payment. This contingent consideration is not related to the sellers' employment. If an earnout payment is made, it will be allocated to goodwill as additional purchase price, in accordance with FASB Statement No. 141, *Business Combinations*.

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

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

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

| | |
|---|-----------------|
| (Amounts in thousands) | |
| Current assets: | |
| Cash | \$ 1,257 |
| Accounts receivable, net | 1,078 |
| Other current assets | 106 |
| Total current assets | <u>2,441</u> |
| Property and equipment, net | 165 |
| Trademarks, net | 1,707 |
| Goodwill, net | 2,997 |
| Other identifiable intangible assets, net | 2,213 |
| Total assets acquired | <u>9,523</u> |
| Current liabilities: | |
| Accounts payable and accrued expenses | 175 |
| Income taxes payable | 51 |
| Other current liabilities | 405 |
| Deferred taxes | 25 |
| Total liabilities assumed | <u>656</u> |
| Net assets acquired | <u>\$ 8,867</u> |

Based on the preliminary independent third-party appraisal, total other identifiable intangible assets were \$2.2 million, which was assigned to customer relations with a useful life of 8.6 years. The excess of purchase price over the fair value of net tangible and intangible assets acquired was recorded as goodwill, which is expected to be deductible for tax purposes.

Metropolitan Research

On August 31, 2006, the Company acquired substantially all of the assets of privately-held Metropolitan Research Associates, LLC and Metropolitan Research Staffing Associates, LLC (collectively "Metropolitan Research") for a purchase price of approximately \$18.6 million. The consideration for this acquisition was approximately \$16.1 million in cash paid at closing, of which \$1.0 million is being held in escrow to cover any post-closing liabilities. The remaining approximate \$2.5 million of the purchase price was paid during the fourth quarter of 2006

as the associated milestones defined by the asset purchase agreement were reached. These payments were allocated to goodwill as additional purchase price. The Company financed this transaction using its revolving credit facility. During the six months ended June 30, 2007, a post-closing adjustment of approximately \$0.5 million, which included a net working capital adjustment, was paid and allocated to goodwill.

The asset purchase agreement also provides for a potential earnout payment of up to a maximum of \$6.4 million based on 2006 and 2007 performance, as defined by the asset purchase agreement. This contingent consideration is not related to the sellers' employment. If an earnout payment is made, it will be allocated to goodwill as additional purchase price, in accordance with FASB Statement No. 141, *Business Combinations*.

Metropolitan Research is headquartered in New York City and provides drug safety monitoring, contract research, and clinical trials staffing and services to the pharmaceutical, biotech and medical device industries. The Company believes that the addition of Metropolitan Research enhances the breadth of the service offerings in its clinical trials services business.

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

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

| | |
|---------------------------------------|------------------|
| (Amounts in thousands) | |
| Current assets: | |
| Accounts receivable, net | \$ 3,730 |
| Other current assets | 200 |
| Total current assets | <u>3,930</u> |
| Property and equipment | 350 |
| Trademarks | 1,700 |
| Goodwill | 4,890 |
| Other identifiable intangible assets | <u>5,490</u> |
| Total assets acquired | 16,360 |
| Current liabilities: | |
| Accounts payable and accrued expenses | <u>260</u> |
| Total liabilities assumed | <u>260</u> |
| Net assets acquired | <u>\$ 16,100</u> |

Based on the final independent third-party appraisal, total other identifiable intangible assets were \$5.5 million, of which \$4.1 million was assigned to customer relations with a weighted-average useful life of 23 years, \$1.0 million to database with a useful life of 4.5 years and \$0.4 million to non-compete agreements with a useful life of 5 years. The excess of purchase price over the fair value of net tangible and intangible assets acquired was recorded as goodwill, which is expected to be deductible for tax purposes.

Subsequent Event

On July 18, 2007, the Company completed the acquisition of all of the shares of privately-held Assent Consulting for \$19.6 million in cash. This transaction also includes an earnout provision up to a maximum of \$4.9 million based on 2007 and 2008 performance criteria. The Company financed this acquisition using its revolving credit facility.

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

5. DEBT

The Company's senior secured revolving credit facility entered into on November 10, 2005 (the 2005 Credit Agreement), consists 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 million 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 credit facility is being used for general corporate purposes including working capital, capital expenditures and permitted acquisitions and investments, as well as to pay fees and expenses related to the credit facility. As of June 30, 2007, the Company had \$27.5 million of borrowings and \$6.1 million of standby letters of credit outstanding under this facility, leaving \$41.4 million available for borrowings under the current facility. The Company may, at its 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.

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 June 30, 2007, 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*, \$26.5 million of borrowings under this facility is classified as long-term as of June 30, 2007. Short-term borrowings under this facility consist of borrowings that the Company intends to or has repaid as of the date of the issuance of these condensed consolidated financial statements.

The revolving credit agreement was amended in conjunction with the Company's acquisition of AKOS to increase the aggregate amount of Permitted Acquisitions, as defined by the 2005 Credit Agreement, during the term of the agreement from \$75.0 million to \$125.0 million.

Long-term debt includes capital lease obligations that are subordinate to the Company's senior secured facility. At June 30, 2007 and December 31, 2006, the Company had \$1.5 million and \$1.3 million, respectively, in capital lease obligations recorded as debt on the condensed consolidated balance sheets.

6. STOCKHOLDERS' EQUITY

The number of stock options granted and vested during the three and six months ended June 30, 2007 and 2006 were immaterial.

On May 10, 2006, the Company's Board of Directors authorized a new stock repurchase program whereby the Company may purchase up to an additional 1.5 million of its common shares, subject to the constraints of the Company's current credit agreement. In the three months ended March 31, 2007, the previously authorized 1.5 million share stock repurchase program, which was authorized on November 4, 2002, was depleted and, accordingly, the Company commenced purchases under the new authorization.

During the six months ended June 30, 2007, the Company repurchased, under both programs, a total of 230,658 shares at an average price of \$18.09. The cost of such purchases was approximately \$4.2 million. During the six months ended June 30, 2006, the Company purchased, under the November 2002 program, 84,500 shares of common stock at an average cost of \$17.33 per share, for a total cost of \$1.5 million. All of the common stock was retired. Under the remainder of the new authorization, the Company may purchase up to an additional 1,339,214 shares, subject to the constraints of the Company's current credit agreement. The shares may be purchased from time-to-time in the open market. The repurchase program may be discontinued at any time at the discretion of the Company. At June 30, 2007, the Company had approximately 32.0 million shares outstanding.

7. SEGMENT DATA

During the three months ended June 30, 2007, the Company reevaluated its reporting segments in conjunction with its recent acquisitions of clinical trials services businesses (See Note 3 – Acquisitions). As a result, the Company disaggregated clinical trials services from nurse and allied staffing, both formerly included in the healthcare staffing segment. The new reporting segment for clinical trials services includes the Company's organic ClinForce business, Metropolitan Research, and AKOS, and will include the Assent acquisition in future periods. All prior period data has been reclassified to conform to the current period presentation.

Nurse and allied staffing primarily provides travel nurse and allied staffing services and per diem nurse services. Clinical trials services provides clinical trials, drug safety, and regulatory professionals on both a contract staffing and outsourced basis to companies in the pharmaceutical, biotechnology and medical device industries, as well as to contract research organizations, primarily in the United States, Canada and Europe. Other human capital management services include the combined results of the Company's education and training and retained search businesses. Information on operating segments and a reconciliation to income from continuing operations before income taxes for the periods indicated are as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-------------------|------------------------------|-------------------|
| | 2007 | 2006 | 2007 | 2006 |
| (Amounts in thousands) | | | | |
| Revenue from unaffiliated customers: | | | | |
| Nurse and allied staffing | \$ 143,195 | \$ 134,501 | \$ 287,717 | \$ 271,550 |
| Clinical trials services | 19,569 | 10,426 | 39,280 | 20,977 |
| Other human capital management services | 12,575 | 11,770 | 24,435 | 24,004 |
| | <u>\$ 175,339</u> | <u>\$ 156,697</u> | <u>\$ 351,432</u> | <u>\$ 316,531</u> |
| Contribution income (a): | | | | |
| Nurse and allied staffing | \$ 12,863 | \$ 12,035 | \$ 25,056 | \$ 24,637 |
| Clinical trials services | 2,971 | 1,400 | 5,533 | 2,672 |
| Other human capital management services | 1,990 | 2,327 | 4,089 | 4,916 |
| | <u>17,824</u> | <u>15,762</u> | <u>34,678</u> | <u>32,225</u> |
| Unallocated corporate overhead | 6,624 | 6,486 | 13,292 | 13,605 |
| Depreciation | 1,505 | 1,383 | 2,989 | 2,705 |
| Amortization | 370 | 356 | 739 | 712 |
| Legal settlement charge | 21 | — | 34 | — |
| Interest expense, net | 529 | 320 | 1,015 | 706 |
| Income from continuing operations before income taxes | <u>\$ 8,775</u> | <u>\$ 7,217</u> | <u>\$ 16,609</u> | <u>\$ 14,497</u> |

The following historical quarterly information is being provided for comparative purposes and reflects the revised segment reporting:

| | First Quarter 2006 | Second Quarter 2006 | Third Quarter 2006 | Fourth Quarter 2006 | First Quarter 2007 | Second Quarter 2007 |
|---|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
| (Amounts in thousands, except FTEs) | | | | | | |
| Revenue from unaffiliated customers: | | | | | | |
| Nurse and allied staffing | \$137,049 | \$134,501 | \$138,111 | \$145,239 | \$144,522 | \$143,195 |
| Clinical trials services | 10,551 | 10,426 | 13,290 | 19,081 | 19,711 | 19,569 |
| Other human capital management services | 12,234 | 11,770 | 11,475 | 11,425 | 11,860 | 12,575 |
| | <u>\$159,834</u> | <u>\$156,697</u> | <u>\$162,876</u> | <u>\$175,745</u> | <u>\$176,093</u> | <u>\$175,339</u> |
| Contribution income (a): | | | | | | |
| Nurse and allied staffing | \$ 12,602 | \$ 12,035 | \$ 13,473 | \$ 14,840 | \$ 12,193 | \$ 12,863 |
| Clinical trials services | 1,272 | 1,400 | 1,740 | 2,516 | 2,562 | 2,971 |
| Other human capital management services | 2,589 | 2,327 | 2,181 | 1,951 | 2,099 | 1,990 |
| | <u>\$ 16,463</u> | <u>\$ 15,762</u> | <u>\$ 17,394</u> | <u>\$ 19,307</u> | <u>\$ 16,854</u> | <u>\$ 17,824</u> |
| FTEs (b) | 5,090 | 4,919 | 4,912 | 5,084 | 5,134 | 5,067 |

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

(b) FTEs represent the average number of nurse and allied contract staffing personnel on a full-time equivalent basis.

8. CONTINGENCIES

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

The Company paid \$6.7 million in the six months ended June 30, 2007 to settle this case as disclosed in its Form 10-K for the year ended December 31, 2006, as filed with the Securities and Exchange Commission. This settlement was included as accrued legal settlement charge on the condensed consolidated balance sheet as of December 31, 2006.

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

On July 5, 2007, the United States District Court Central District of California entered a judgment in favor of the MedStaff, Inc., Cross Country Healthcare, Inc., et al. and dismissed the lawsuit on its merits with prejudice. The court further ordered that the defendants recover their costs of suit. Accordingly, the Company no longer has any contingent liability related to this case.

Maureen Petray and Carina Higareda v. MedStaff, Inc.

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

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

9. RECENTLY ISSUED ACCOUNTING STANDARDS

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value under U.S. generally accepted accounting principles and expands disclosures about fair value measurements. FASB Statement No. 157 is effective for fiscal years beginning November 15, 2007, and interim periods within those fiscal years. The Company is currently assessing the impact, if any, the adoption of FASB Statement No. 157 will have on its consolidated financial condition, results of operations or cash flows.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. This standard allows companies to elect to follow fair value accounting for certain financial assets and liabilities in an effort to mitigate volatility in earnings without having to apply complex hedge accounting provisions. FASB Statement No. 159 is applicable only to certain financial instruments and is effective for fiscal years beginning after November 15, 2007. The Company has not yet completed its assessment of the impact, if any, FASB Statement No. 159 will have on its consolidated financial condition, results of operations or cash flows.

10. INCOME TAXES

The Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) as of January 1, 2007. Among other things, FIN 48 requires application of a “more likely than not” threshold to the recognition and derecognition of tax positions. It further requires that a change in judgment related to prior years’ tax positions be recognized in the quarter of such change.

As a result of the implementation of FIN 48, the Company recognized a \$1.7 million increase in the liability for unrecognized tax benefits of which, \$0.7 million was accounted for as a cumulative effect adjustment to the January 1, 2007 balance of retained earnings.

Unrecognized tax benefits were approximately \$2.7 million as of January 1, 2007 and approximately \$2.8 million as of June 30, 2007. If these unrecognized tax benefits were recognized, approximately \$1.3 million and \$1.4 million, respectively, would impact the effective tax rate. The Company expects its unrecognized tax benefits to decrease by \$0.9 million for federal tax positions related to prior years due to expected settlement in the next twelve months. In addition, the Company expects a decrease in unrecognized tax benefits of \$0.2 million to \$0.3 million over the next twelve months for state tax positions related to prior years.

The Company recognizes interest expense and penalties related to the above unrecognized tax benefits within income tax expense. The Company had accrued interest and penalties of approximately \$0.2 million as of January 1, 2007 and approximately \$0.3 million as of June 30, 2007.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and many state and local jurisdictions. With a few exceptions, the Company is no longer subject to U.S. Federal or State and Local income tax examination for the years prior to 2002.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company's condensed consolidated financial statements present a consolidation of all its operations. This discussion supplements the detailed information presented in the condensed consolidated financial statements and notes thereto which should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Form 10-K, filed for the year ended December 31, 2006, and is intended to assist the reader in understanding the financial results and condition of the Company.

Overview

Our nurse and allied staffing business segment represented approximately 82% of our revenue and is comprised of travel and per diem nurse staffing and travel allied health staffing. Travel nurse staffing represented approximately 84% of this business segment's revenue and approximately 69% of the Company's total revenue. Our clinical trials services business segment represented approximately 11% of total revenue and provides clinical research, drug safety and regulatory professionals on both a contract staffing and outsourced basis to companies in the pharmaceutical, biotechnology and medical device industries, as well as to contract research organizations, primarily in the United States, Canada and Europe. Our other human capital management services business segment represented approximately 7% of the remaining total Company revenue and consists of the education and training, and retained search businesses.

During the three months ended June 30, 2007, revenue was \$175.3 million, and net income was \$5.5 million, or \$0.17 per diluted share. During the six months ended June 30, 2007, cash provided by operating activities of \$8.6 million was used primarily for capital expenditures and to repurchase shares of our common stock. In addition, we borrowed a net of \$6.9 million to fund a legal settlement (see discussion below) and to assist us in funding an acquisition in our clinical trials services business segment (see Acquisitions below). We ended the quarter with total debt of \$29.0 million, resulting in a debt to total capitalization ratio of 7.1%.

Demand, as measured by the average monthly number of open orders from our hospital clients, is substantially higher than the low-point of the most recent industry down-turn in 2003, but is well below the prior industry peak in 2001. We believe this is due to improved labor dynamics that have created increased nurse turnover at hospitals recently, which in turn has contributed to price increases for our nurse staffing services and an improvement in the supply of RNs seeking travel assignments with us. Despite this more favorable environment for our core nurse staffing business, hospital in-patient admissions trends remained soft in the first half of 2007 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 2006 and into the first half of 2007, particularly the improvement in pricing. In addition to continued strength in pricing, our staffing volume for the first half of 2007 improved on a year over year basis.

Results of Operations

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|--------|------------------------------|--------|
| | 2007 | 2006 | 2007 | 2006 |
| Revenue from services | 100.0% | 100.0% | 100.0% | 100.0% |
| Direct operating expenses | 76.3 | 76.9 | 76.6 | 76.7 |
| Selling, general and administrative expenses | 17.0 | 17.1 | 16.9 | 17.4 |
| Bad debt expense | 0.3 | 0.1 | 0.4 | 0.0 |
| Depreciation and amortization | 1.1 | 1.1 | 1.1 | 1.1 |
| Legal settlement charge | 0.0 | — | 0.0 | — |
| Income from operations | 5.3 | 4.8 | 5.0 | 4.8 |
| Interest expense, net | 0.3 | 0.2 | 0.3 | 0.2 |
| Income from continuing operations before income taxes | 5.0 | 4.6 | 4.7 | 4.6 |
| Income tax expense | 1.9 | 1.8 | 1.8 | 1.8 |
| Income from continuing operations | 3.1 | 2.8 | 2.9 | 2.8% |
| Discontinued operations, net of income taxes | — | 0.0 | — | 0.0 |
| Net income | 3.1% | 2.8% | 2.9% | 2.8% |

Acquisitions

On June 6, 2007, we acquired all of the shares of privately-held AKOS Limited (AKOS), based in the United Kingdom, for a total purchase price of up to £7.2 million, consisting of an up-front payment of £4.0 million and potential earnout payments up to £3.2 million in 2007 and 2008. The share purchase agreement also specified an additional payment of £0.5 million, paid at closing, consisting of cash purchased, along with a post-closing net working capital adjustment. This additional payment was adjusted by an additional £0.2 million subsequent to June 30, 2007, based on changes in net working capital, as defined by the share purchase agreement. This will be recorded in U.S. dollars at the exchange rate when the payment is made and allocated to goodwill as additional purchase price.

The consideration for this acquisition was approximately \$8.9 million in cash paid at closing, which included \$1.0 million for the additional payment and \$0.8 million which is being held in escrow to cover any post-closing liabilities. We financed this transaction using our revolving credit facility.

The potential earnout payments are based on 2007 and 2008 performance, as defined by the share purchase agreement and would be recorded in U.S. dollars using the exchange rate at the time of the payment. This contingent consideration is not related to the sellers' employment. If an earnout payment is made, it will be allocated to goodwill as additional purchase price, in accordance with FASB Statement No. 141, *Business Combinations*.

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

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

Based on the preliminary independent third-party appraisal, total other identifiable intangible assets were \$2.2 million, which was assigned to customer relations with a useful life of 8.6 years. The excess of purchase price over the fair value of net tangible and intangible assets acquired was recorded as goodwill, which is expected to be deductible for tax purposes.

On July 18, 2007, we completed an acquisition of the shares of privately-held Assent Consulting for \$19.6 million in cash. This transaction also includes an earnout provision up to a maximum of \$4.9 million based on 2007 and 2008 performance criteria. We financed this acquisition using our revolving credit facility.

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

Segment Information

During the three months ended June 30, 2007, we reevaluated our reporting segments in conjunction with our recent acquisitions of clinical trials services businesses. In addition to the clinical trials services acquisitions described above, we acquired substantially all of the assets of privately-held Metropolitan Research Associates, LLC and Metropolitan Research Staffing Associates, LLC (collectively, "Metropolitan Research") in the third quarter of 2006. We have disaggregated clinical trials services from nurse and allied staffing, both formerly included in our healthcare staffing segment and have presented a new reporting segment for clinical trials services that includes the results of our organic ClinForce business, Metropolitan Research, and AKOS, and will include the results of the Assent acquisition in future periods. All prior period data has been reclassified to conform to the current period presentation.

Our nurse and allied staffing business segment primarily provides travel nurse and allied staffing services and per diem nurse services. Our clinical trials services provides clinical trials, drug safety and regulatory professionals on both a contract staffing and outsourced basis to companies in the pharmaceutical, biotechnology and medical device industries, as well as to contract research organizations and acute care hospitals conducting clinical research trials in the United States, Canada and Europe. Other human capital management services include the combined results of the Company's education and training and retained search businesses.

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

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | June 30, | | June 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| (Amounts in thousands) | | | | |
| Revenue from unaffiliated customers: | | | | |
| Nurse and allied staffing | \$ 143,195 | \$ 134,501 | \$ 287,717 | \$ 271,550 |
| Clinical trials services | 19,569 | 10,426 | 39,280 | 20,977 |
| Other human capital management services | 12,575 | 11,770 | 24,435 | 24,004 |
| | <u>\$ 175,339</u> | <u>\$ 156,697</u> | <u>\$ 351,432</u> | <u>\$ 316,531</u> |
| Contribution income (a): | | | | |
| Nurse and allied staffing | \$ 12,863 | \$ 12,035 | \$ 25,056 | \$ 24,637 |
| Clinical trials services | 2,971 | 1,400 | 5,533 | 2,672 |
| Other human capital management services | 1,990 | 2,327 | 4,089 | 4,916 |
| | <u>17,824</u> | <u>15,762</u> | <u>34,678</u> | <u>32,225</u> |
| Unallocated corporate overhead | 6,624 | 6,486 | 13,292 | 13,605 |
| Depreciation | 1,505 | 1,383 | 2,989 | 2,705 |
| Amortization | 370 | 356 | 739 | 712 |
| Legal settlement charge | 21 | — | 34 | — |
| Interest expense, net | 529 | 320 | 1,015 | 706 |
| Income from continuing operations before income taxes | <u>\$ 8,775</u> | <u>\$ 7,217</u> | <u>\$ 16,609</u> | <u>\$ 14,497</u> |

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

Three Months Ended June 30, 2007 compared to Three Months Ended June 30, 2006

Revenue from services increased \$18.6 million, or 11.9%, to \$175.3 million for the three months ended June 30, 2007 as compared to \$156.7 million for the three months ended June 30, 2006. The increase was partially due to the additional revenue from our acquisitions. Excluding the impact of acquisitions, revenue increased \$11.5 million or 7.3%. This increase was primarily due to an increase in revenue from our nurse and allied staffing segment, supplemented by increases in organic revenue from our clinical trials services segment and our other human capital management services segment.

Revenue from our nurse and allied staffing business segment increased \$8.7 million, or 6.5%, to \$143.2 million in the three months ended June 30, 2007, from \$134.5 million in the three months ended June 30, 2006. The increase in revenue from our nurse and allied staffing business segment was primarily from our travel nurse staffing operations, and was partially offset by a decrease in revenue from our per diem staffing operations. The revenue increase was due to improved pricing and volume, slightly offset by a reduction in average hours worked per week.

Average nurse and allied staffing revenue per full-time equivalents (FTEs) and average bill rates increased approximately 3.4% and 4.6%, respectively, during the three months ended June 30, 2007, compared to the three months ended June 30, 2006. Mobile contracts, where the nurse is on the hospital payroll, accounted for approximately 1% of our staffing volume in both the three months ended June 30, 2007 and 2006.

The average number of nurse and allied staffing FTEs on contract in the three months ended June 30, 2007, increased 3.0% from the three months ended June 30, 2006.

In the three months ended June 30, 2007, nurse staffing operations generated 92.0% of nurse and allied staffing revenue and 8.0% was generated by allied staffing operations. For the three months ended June 30, 2006, 91.4% of nurse and allied staffing revenue was generated from nursing operations and 8.6% was generated by allied staffing operations.

Revenue from clinical trials services increased \$9.1 million, or 87.7%, to \$19.6 million in the three months ended June 30, 2007, from \$10.4 million in the three months ended June 30, 2006. Excluding the impact of the acquisitions of Metropolitan Research and AKOS, revenue increased \$2.0 million, or 18.9%. This increase is primarily due to an increase in temporary staffing volume, partially offset by a decrease in pricing due to mix.

Revenue from other human capital management services for the three months ended June 30, 2007, increased 6.8% to \$12.6 million from \$11.8 million in the three months ended June 30, 2006, reflecting increases in both our education and training and retained search revenue.

Direct operating expenses are comprised primarily of field employee compensation expenses, housing expenses, travel expenses and field insurance expenses. Direct operating expenses increased \$13.3 million, or 11.0%, to \$133.7 million for the three months ended June 30, 2007, as compared to \$120.5 million for three months ended June 30, 2006. This increase was partially due to the impact of the Metropolitan Research and AKOS acquisitions.

As a percentage of revenue, direct operating expenses represented 76.3% of revenue for the three months ended June 30, 2007 and 76.9% for the three months ended June 30, 2006. This decrease is primarily due to a change in mix of business segments due to the clinical trials services acquisitions. Clinical trials services tend to have lower direct costs as a percentage of revenue than our nurse and allied staffing business segment. Excluding acquisitions, there was a slight decrease in direct cost as a percentage of revenue primarily due to lower field benefit costs and a widening of our bill-pay spread in our nurse and allied staffing business, partially offset by higher housing expenses.

Selling, general and administrative expenses increased \$3.1 million or 11.6% to \$29.9 million for the three months ended June 30, 2007, as compared to \$26.8 million for the three months ended June 30, 2006. The increase in selling, general and administrative expenses was primarily due to additional expenses from the Metropolitan Research and AKOS acquisitions along with higher selling expenses in the nurse and allied staffing and other human capital management services businesses.

Unallocated corporate overhead was \$6.6 million in the three months ended June 30, 2007, compared to \$6.5 million in the three months ended June 30, 2006. As a percentage of consolidated revenue, unallocated corporate overhead was 3.8% during the three month period ended June 30, 2007, and 4.1% in the three month period ended June 30, 2006, primarily due to improved leverage.

As a percentage of revenue, selling, general and administrative expenses were 17.0% and 17.1%, respectively, for the three months ended June 30, 2007 and 2006.

Bad debt expense totaled \$0.5 million in the three months ended June 30, 2007 compared to \$0.2 million in the three months ended June 30, 2006. During the three month period ended June 30, 2007, we increased our reserves, based on the aging of certain accounts for a few slow-paying customers.

Contribution income from our nurse and allied staffing segment for the three months ended June 30, 2007, increased 6.9%, or \$0.8 million, to \$12.9 million from \$12.0 million in the three month period ended June 30, 2006. As a percentage of nurse and allied staffing revenue, contribution income was 9.0% for the three months ended June 30, 2007, compared to 8.9% for the three months ended June 30, 2006. This improvement was primarily due to a widening of our bill-pay spread.

Contribution income from clinical trials services for the three months ended June 30, 2007, increased \$1.6 million to \$3.0 million, compared to \$1.4 million in the three months ended June 30, 2006. Excluding the impact of the Metropolitan Research and AKOS acquisitions, contribution income increased \$0.3 million reflecting higher organic revenue. As a percentage of revenue, contribution income from our clinical trials services business was 15.2% in the three months ended June 30, 2007, compared to 13.4% in the three months ended June 30, 2006. This increase is primarily due to the impact of the acquisitions that operate at higher margins as well as organic improvement.

Contribution income from other human capital management services for the three months ended June 30, 2007, decreased by \$0.3 million or 14.5%, to \$2.0 million, from \$2.3 million in the three months ended June 30, 2006. This decrease was primarily due to a lower contribution from our education and training business. Contribution income as a percentage of other human capital management services revenue for three months ended June 30, 2007, was 15.8% compared to 19.8% for the three months ended June 30, 2006 primarily due to higher direct mail expenses in our education and training business and higher legal and administrative expenses in our retained search business.

Depreciation and amortization expense in the three months ended June 30, 2007, totaled \$1.9 million as compared to \$1.7 million for the three months ended June 30, 2006. As a percentage of revenue, depreciation and amortization expense was 1.1% for both the three month periods ended June 30, 2007 and 2006.

Interest expense, net totaled \$0.5 million for the three months ended June 30, 2007, as compared to \$0.3 million for the three months ended June 30, 2006. This increase was primarily due to higher average borrowings outstanding in the three months ended June 30, 2007, compared to the three months ended June 30, 2006, and a higher effective borrowing cost in the three months ended June 30, 2007. The effective interest rate on our borrowings for the three months ended June 30, 2007, was 6.8% compared to a rate of 6.6% for the three months ended June 30, 2006. Higher borrowings in the three months ended June 30, 2007, were primarily as a result of the funding of the acquisition of AKOS.

Income taxes totaled \$3.3 million for the three months ended June 30, 2007, as compared to \$2.8 million for the three months ended June 30, 2006. The effective tax rate on continuing operations was 37.8% in the three months ended June 30, 2007, compared to 38.7% in the three months ended June 30, 2006. The reduction in our effective tax rate reflects lower than expected taxes incurred in our foreign operations.

As of January 1, 2007, the Company has adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109 (FIN 48)*. The impact upon adoption was to decrease retained earnings by approximately \$0.7 million. There was no material impact on our condensed consolidated statements of income in the three months ended June 30, 2007. See Note 10 – Income Taxes.

Six Months Ended June 30, 2007 compared to Six Months Ended June 30, 2006

Revenue from services increased \$34.9 million, or 11.0%, to \$351.4 million for the six months ended June 30, 2007 as compared to \$316.5 million for the six months ended June 30, 2006. The increase was partially due to the additional revenue from our acquisitions. Excluding the impact of acquisitions, revenue increased \$21.1 million or 6.7%. This increase was primarily due to an increase in revenue from our nurse and allied staffing business segment, supplemented by increases in organic revenue from our clinical trials services business segment and our other human capital management business services segment.

Revenue from our nurse and allied staffing business segment increased \$16.2 million, or 6.0%, to \$287.7 million in the six months ended June 30, 2007, from \$271.6 million in the six months ended June 30, 2006. The increase in revenue from our nurse and allied staffing business segment was primarily from our travel nurse staffing operations, and was partially offset by a decrease in revenue from our per diem staffing operations. The revenue increase was due to a combination of improved pricing and volume.

Average nurse and allied staffing revenue per FTE and average bill rates increased approximately 3.9% and 4.8%, respectively, during the six months ended June 30, 2007, compared to the six months ended June 30, 2006. Mobile contracts, where the nurse is on the hospital payroll, accounted for approximately 1% of our staffing volume in the six months ended June 30, 2007 and 2006. The average number of nurse and allied staffing FTEs on contract in the six months ended June 30, 2007, increased 2.0% from the six months ended June 30, 2006.

In the six months ended June 30, 2007, nurse staffing operations generated 92.1% of nurse and allied staffing revenue and 7.9% was generated by allied staffing operations. For the six months ended June 30, 2006, 91.5% of nurse and allied staffing revenue was generated from nursing operations and 8.5% was generated by allied staffing operations.

Revenue from clinical trials services increased \$18.3 million or 87.3% to \$39.3 million in the six months ended June 30, 2007, from \$21.0 million in the six months ended June 30, 2006. Excluding the impact of the acquisitions of Metropolitan Research and AKOS, revenue increased \$4.5 million, or 21.4%. This increase is primarily due to an increase in temporary staffing volume, partially offset by a decrease in pricing due to mix.

Revenue from other human capital management services for the six months ended June 30, 2007, increased \$0.4 million or 1.8%, to \$24.4 million from \$24.0 million in the six months ended June 30, 2006, primarily due to an increase in our education and training business. Revenue from our education and training business increased primarily due to an increase in the number of seminars and average fee per registrant.

Direct operating expenses are comprised primarily of field employee compensation expenses, housing expenses, travel expenses and field insurance expenses. Direct operating expenses increased \$26.4 million or 10.9% to \$269.3 million for the six months ended June 30, 2007, as compared to \$242.9 million for six months ended June 30, 2006. This increase was partially due to the impact of the Metropolitan Research and AKOS acquisitions.

As a percentage of revenue, direct operating expenses represented 76.6% of revenue for the six months ended June 30, 2007 and 76.7% for the six months ended June 30, 2006. This decrease is primarily due to a change in mix of business segments due to the clinical trials services acquisitions. Clinical trials services tend to have lower direct costs as a percentage of revenue than our other business segments. Excluding the impact of acquisitions, direct cost as a percentage of revenue increased slightly primarily due to higher housing expenses partially offset by a widening of our bill-pay spread and lower field benefit costs in our nurse and allied staffing business.

Selling, general and administrative expenses increased \$4.5 million, or 8.1%, to \$59.4 million for the six months ended June 30, 2007, as compared to \$55.0 million for the six months ended June 30, 2006. The increase in selling, general and administrative expenses was primarily due to additional expenses from Metropolitan Research and AKOS acquisitions, higher general and administrative expenses in our nurse and allied staffing business segment, higher selling expenses in our education and training business, and higher legal expenses in our retained search business.

Unallocated corporate overhead was \$13.3 million in the six months ended June 30, 2007, compared to \$13.6 million in the six months ended June 30, 2006. As a percentage of consolidated revenue, unallocated corporate overhead was 3.8% during the six month period ended June 30, 2007, and 4.3% in the six month period ended June 30, 2006, reflecting improved operating leverage.

As a percentage of revenue, selling, general and administrative expenses were 16.9% and 17.4% for the six months ended June 30, 2007 and 2006, respectively. This decrease is primarily due to improved operating leverage in our nurse and allied staffing and our organic clinical trials services business segments.

Bad debt expense totaled \$1.3 million in the six months ended June 30, 2007 compared to approximately \$22,000 in the six months ended June 30, 2006. During the six month period ended June 30, 2007, we increased our reserves, based on the aging of certain accounts for a few slow-paying customers.

Contribution income from our nurse and allied staffing segment for the six months ended June 30, 2007, increased \$0.4 million or 1.7%, to \$25.1 million from \$24.6 million in the six month period ended June 30, 2006. As a percentage of nurse and allied staffing revenue, contribution income was 8.7% for the six months ended June 30, 2007, compared to 9.1% for the six months ended June 30, 2006. This decrease is primarily due to higher housing, bad debt, and general and administrative salaries, partially offset by a widening of our bill-pay spread.

Contribution income from clinical trials services for the six months ended June 30, 2007, increased \$2.9 million to \$5.5 million in the six month ended June 30, 2007, compared to \$2.7 million in the six months ended June 30, 2006. Excluding the impact of the Metropolitan Research and AKOS acquisitions, contribution income increased \$0.9 million reflecting an improved contribution from our organic operations. As a percentage of revenue, contribution income from our clinical trials services business was 14.1% in the six months ended June 30, 2007, compared to 12.7% in the six months ended June 30, 2006. This increase is primarily due to a higher contribution margin from our organic clinical trials services business, reflecting higher margin business and improved operating leverage.

Contribution income from other human capital management services for the six months ended June 30, 2007, decreased \$0.8 million or 16.8%, to \$4.1 million from \$4.9 million in the six months ended June 30, 2006. This decrease reflects a lower contribution from both our retained search and education and training businesses. Contribution income as a percentage of other human capital management services revenue for the six months ended June 30, 2007, was 16.7% compared to 20.5% for the six months ended June 30, 2006 primarily due to higher direct mail expenses in our education and training business and higher legal and administrative expenses in our retained search business.

Depreciation and amortization expense in the six months ended June 30, 2007, totaled \$3.7 million as compared to \$3.4 million for the six months ended June 30, 2006. As a percentage of revenue, depreciation and amortization expense were 1.1% for both the six month periods ended June 30, 2007 and 2006.

Interest expense, net totaled \$1.0 million for the six months ended June 30, 2007, as compared to \$0.7 million for the six months ended June 30, 2006. This increase was primarily due to higher average borrowings outstanding in the six months ended June 30, 2007, compared to the six months ended June 30, 2006, and a higher effective borrowing cost in the six months ended June 30, 2007. The effective interest rate on our borrowings for the six months ended June 30, 2007, was 6.9% compared to a rate of 6.3% for the six months ended June 30, 2006. Higher borrowings outstanding in the six months ended June 30, 2007 were primarily due to the acquisition of AKOS and the legal settlement payment referred to above.

Income taxes totaled \$6.3 million for the six months ended June 30, 2007, as compared to \$5.6 million for the six months ended June 30, 2006. The effective tax rate on continuing operations was 38.2% in the six months ended June 30, 2007, compared to 38.7% in the six months ended June 30, 2006. There was no material impact on our condensed consolidated statements of income related to the adoption of FIN 48 in the six months ended June 30, 2007. See Note 10 – Income Taxes.

Liquidity and Capital Resources

As of June 30, 2007, we had a current ratio, defined as the amount of current assets divided by current liabilities, of 3.1 to 1.0. Working capital increased by \$11.0 million to \$96.2 million as of June 30, 2007, compared to \$85.2 million as of December 31, 2006. The increase in working capital is partly due to the payout of a specific legal settlement in the first quarter of 2007 that was accrued for in the amount of \$6.7 million and included in accrued legal settlement charge as of December 31, 2006. In addition, timing of payments impacted this increase.

Net cash provided by operating activities during the six months ended June 30, 2007, was \$8.6 million, compared to net cash provided by operating activities of \$20.1 million in the six months ended June 30, 2006. During the six months ended June 30, 2007, we paid \$6.7 million to settle the class-action lawsuit referred to above. The remaining decrease is primarily due to an increase in accounts receivable in the six months ended June 30, 2007, compared to a decrease in the six months ended June 30, 2006, due to higher revenue in the second quarter of 2007, partially offset by timing of payments to our vendors. Days' sales outstanding were approximately 60 days at both June 30, 2007 and December 31, 2006.

Investing activities used \$13.0 million during the six months ended June 30, 2007, primarily for the acquisition of AKOS and capital expenditures. During the six months ended June 30, 2006, investing activities used \$3.8 million, primarily for capital expenditures.

Net cash provided by financing activities during the six months ended June 30, 2007, was \$4.4 million compared to net cash used of \$16.2 million during the six months ended June 30, 2006. During the six months ended June 30, 2007, we borrowed a net of \$6.9 million, consisting of borrowings on our revolving credit facility, net of repayments of total debt, as compared to net repayments on total debt of \$15.1 million in the six months ended June 30, 2006. During the six months ended June 30, 2007, our borrowing was primarily a result of the need to fund the acquisition of AKOS. Other cash in the six months ended June 30, 2007, was used to repurchase our common stock and was partially offset by proceeds and tax benefits from stock option exercises.

Stockholders' Equity

On May 10, 2006, our Board of Directors authorized a new stock repurchase program whereby we may purchase up to an additional 1.5 million of our common shares, subject to the constraints of our current credit agreement. During the three months ended March 31, 2007, the previously authorized 1.5 million stock repurchase program, which was authorized on November 4, 2002, was depleted, and, accordingly, we commenced repurchases under this new authorization.

During the six months ended June 30, 2007, we repurchased, under both programs, a total of 230,658 shares at an average price of \$18.09. The cost of such purchases was approximately \$4.2 million. During the six months ended June 30, 2006, we purchased, under the November 2002 program, 84,500 shares of common stock at an average cost of \$17.33 per share, for a total cost of \$1.5 million. All of the common stock was retired. Under the remainder of the new authorization, we can purchase up to an additional 1.3 million shares. 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. At June 30, 2007, we had approximately 32.0 million shares outstanding.

Commitments and Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

During the six months ended June 30, 2007:

- The Company entered into a ten year lease, commencing June 15, 2007, for approximately 27,000 square feet of office space to replace the current space leased by its retained search business. Total future minimum rental payments are \$8.2 million.
- The Company exercised its option to extend its Boca Raton, Florida, facility lease for an additional five years, until May 1, 2018. Additional future minimum lease payments related to this extension are \$6.1 million.
- The Company entered into a seven year lease, commencing May 1, 2007, for approximately 14,000 square feet of office space to replace the current space leased by its education and training business. Total future minimum rental payments are \$2.1 million.

Critical Accounting Principles and Estimates

Our critical accounting principles remain consistent with those reported in our Annual Report on Form 10-K for the year ended December 31, 2006 as filed with the Securities and Exchange Commission. However, we have updated the specific details within the critical accounting policy related to legal matters as stated below:

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

On July 5, 2007, the United States District Court Central District of California entered a judgment in favor of the defendants and dismissed the lawsuit on its merits with prejudice. The court further ordered that the defendants recover their costs of suit. Refer to discussion in legal proceedings.

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurements. FASB Statement No. 157 is effective for fiscal years beginning November 15, 2007, and interim periods within those fiscal years. We are currently assessing the impact, if any, the adoption of FASB Statement No. 157 will have on our consolidated financial condition, results of operations or cash flows.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. This standard allows companies to elect to follow fair value accounting for certain financial assets and liabilities in an effort to mitigate volatility in earnings without having to apply complex hedge accounting provisions. FASB Statement No. 159 is applicable only to certain financial instruments and is effective for fiscal years beginning after November 15, 2007. We have not yet completed our assessment of the impact, if any, FASB Statement No. 159 will have on our consolidated financial condition, results of operations or cash flows.

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

This Form 10-Q includes forward-looking statements. Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, “suggests”, and similar expressions are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements. These factors include the following: our ability to attract and retain qualified nurses and other healthcare personnel, costs and availability of short-term leases for our travel nurses, demand for the healthcare services we provide, both nationally and in the regions in which we operate, the functioning of our information systems, the effect of existing or future government regulation and federal and state legislative and enforcement initiatives on our business, our clients’ ability to pay us for our services, our ability to successfully implement our acquisition and development strategies, including from time to time entering into Letters of Intent which may or may not result in the completion of an acquisition, the effect of liabilities and other claims asserted against us, the effect of competition in the markets we serve, our ability to successfully defend the Company, its subsidiaries, and its officers and directors on the merits of any lawsuit or determine its potential liability, if any, and other factors set forth in Item 1.A. “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2006, as filed and updated in our Form 10-Q filings.

Although we believe that these statements are based upon reasonable assumptions, we cannot guarantee future results. Given these uncertainties, the forward-looking statements discussed in this Form 10-Q might not occur. The Company does not have a policy of updating or revising forward-looking statements, and thus it should not be assumed that our silence over time means that actual events are occurring as expressed or implied in such forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following additional risk should be read in conjunction with risks previously disclosed in our Form 10-K filing for the year ended December 31, 2006:

We are exposed to the impact of foreign currency fluctuations. Changes in foreign currency exchange rates impact translations of foreign denominated assets and liabilities into U.S. dollars and future earnings and cash flows from transactions denominated in different currencies. Our international operations generated less than 1% of our consolidated revenue in the three and six month periods ended June 30, 2007, and were primarily from the United Kingdom. We have not entered into any foreign currency derivative instruments.

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

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

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II. – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

On July 5, 2007, the United States District Court Central District of California entered a judgment in favor of MedStaff, Inc., Cross Country Healthcare, Inc., et al. and dismissed the lawsuit on its merits with prejudice. The court further ordered that the defendants recover their costs of suit. For further information about the history of this proceeding, refer to our 10-Q filing for the quarterly period ending March 31, 2007.

Maureen Petray and Carina Higareda v. MedStaff, Inc.

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

ITEM 1A. RISK FACTORS

The following new Risk Factor should be carefully considered along with the Risk Factors, as previously disclosed in our Form 10-K for the year ended December 31, 2006 and our Form 10-Q for the quarter ended March 31, 2007.

We are subject to business risks associated with our operations outside of the United States, which could negatively impact our operations and make these operations significantly more costly.

Our international business activities are subject to inherent risks, including, but not limited to: overlapping or varying tax structures; inflation; fluctuations in currency exchange rates; varying economic and political conditions; multiple regulations concerning pay rates, benefits, vacation, statutory holiday pay, workers' compensation, union membership, termination pay; the termination of employment; management inefficiencies; and variations in foreign law applicable to our non-U.S. businesses generally. In addition, there can be no assurance we will be able to continue to obtain all necessary licenses or approvals to continue our operations in these foreign jurisdictions or that the cost of compliance will not prove to be material in the future. Any negative condition resulting from any one of these risks may severely reduce our revenues and profits and any attempts to mitigate these risks may not be successful.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) On May 10, 2006, our Board of Directors authorized a new stock repurchase program whereby we may purchase up to an additional 1.5 million of our common shares, subject to the constraints of our current credit agreement. The shares may be repurchased from time-to-time in the open market and may be discontinued at any time at our discretion.

During the three months ended June 30, 2007, we purchased, under this program, a total of 105,412 shares at an average price of \$17.53. 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> |
|-------------------------------|---|---|---|--|
| April 1 – April 30, 2007 | 18,100 | \$18.27 | 18,100 | 1,426,526 |
| May 1 – May 31, 2007 | 49,212 | \$17.35 | 49,212 | 1,377,314 |
| June 1 – June 30, 2007 | 38,100 | \$17.17 | 38,100 | 1,339,214 |
| Total April 1 – June 30, 2007 | <u>105,412</u> | <u>\$17.53</u> | <u>105,412</u> | <u>1,339,214</u> |

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

- (a) information set forth in this Item 4 relates to matters submitted to a vote at the Company's Annual Meeting of Stockholders (Annual Meeting) on May 10, 2007.
- (b) following seven individuals were elected to serve as a director of the Company: Joseph A. Boshart, Emil Hensel, W. Larry Cash, C. Taylor Cole Jr., Thomas C. Dircks, Gale Fitzgerald, and Joseph Trunfio.
- (c) (i) A proposal to elect the above mentioned directors for a one year term ending in 2008 and until their successors are duly elected and qualified was approved with the following vote:

| | <u>Votes For</u> | <u>Votes Withheld</u> |
|--------------------|------------------|-----------------------|
| Joseph A. Boshart | 22,338,389 | 45,459 |
| Emil Hensel | 21,403,819 | 980,029 |
| W. Larry Cash | 22,333,887 | 49,961 |
| Thomas C. Dircks | 21,374,490 | 1,009,358 |
| C. Taylor Cole Jr. | 22,330,235 | 53,613 |
| Gale Fitzgerald | 22,330,235 | 53,613 |
| Joseph Trunfio | 22,319,187 | 64,661 |

- (ii) A proposal to ratify Ernst & Young LLP as the Company's registered public accounting firm for the fiscal year ending December 31, 2007 was approved with 22,338,389 votes for, 45,459 against and 0 abstentions.
- (iii) A proposal to adopt the Company's 2007 Stock Incentive Plan was approved with 22,044,257 votes for 339,391 votes against and 200 abstentions.

ITEM 6. EXHIBITS

See Exhibit Index immediately following signature page.

SIGNATURES

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

CROSS COUNTRY HEALTHCARE, INC.

Date: August 9, 2007

By: /s/ EMIL HENSEL
Emil Hensel
Chief Financial Officer and Director
(Principal Financial Officer)

Date: August 9, 2007

By: DANIEL J. LEWIS
Daniel J. Lewis
Chief Accounting Officer
(Principal Accounting Officer)

EXHIBIT INDEX

| <u>No.</u> | <u>Description</u> |
|----------------------|--|
| 10.1 | Executive Service Agreement dated June 6, 2007, between Paul Evans and AKOS Limited |
| 10.2 | Employment Agreement, dated July 13, 2007, between David Hnatek and Assent Consulting |
| 10.3 | Employment Agreement, dated July 13, 2007, between Robert Adzich and Assent Consulting |
| 31.1 | Certification Pursuant to pursuant to Rule 13a-14(a) and Rule 15d-14 (a) by Joseph A. Boshart, President and Chief Executive Officer |
| 31.2 | Certification Pursuant to pursuant to Rule 13a-14(a) and Rule 15d-14 (a) by Emil Hensel, Chief Financial Officer |
| 32.1 | Certification Pursuant to 18 U.S.C. Section 1350 by Joseph A. Boshart, Chief Executive Officer |
| 32.2 | Certification Pursuant to 18 U.S.C. Section 1350 by Emil Hensel, Chief Financial Officer |

AKOS LIMITED

AND

PAUL EVANS

EXECUTIVE SERVICE AGREEMENT

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THIS AGREEMENT is made on 6 June 2007

BETWEEN:

- (1) AKOS LIMITED (No 03447118) whose registered office is at The Coach House, The Grove, Pipers Lane, Harpenden, Herts AL5 1AH (the "COMPANY");
- (2) PAUL EVANS of The White House, Cuckolds Cross, Whitwell, Herts SG4 8HL, UK (the "EXECUTIVE").

THE PARTIES AGREE AS FOLLOWS:

1. DEFINITIONS

In this agreement (unless the context requires otherwise):

"BOARD" means the board of directors from time to time of the Company (including any committee of the board duly appointed by it);

"EARN-OUT PERIOD" shall have the meaning ascribed to it in the Share Purchase Agreement between (1) Cross Country Healthcare UK Holdco Limited and (2) Winston Paul John Evans and (3) Susan Morag Evans and (4) Cross Country Healthcare Inc. dated 6 June 2007;

"GROUP COMPANY" means the Company, the holding company (as defined in section 736 of the Companies Act 1985) (if any) of the Company, or any subsidiary undertaking (as defined in section 258 of the Companies Act 1985) or associated company (as defined in sections 416 et seq. of the Income and Corporation Taxes Act 1988) of the Company or of the holding company (if any) of the Company; and

"HMRC" means Her Majesty's Revenue & Customs and, where relevant, any predecessor body which carried out its (or part of its) functions.

2. TERM OF APPOINTMENT

2.1 The Company shall employ the Executive and the Executive shall serve the Company on the terms of this agreement (the "APPOINTMENT"). The Appointment shall commence on 6 June 2007 and shall continue until terminated:

- (a) as provided for elsewhere in this agreement;
- (b) by the Company giving to the Executive not less than 3 months' prior written notice and by the Executive giving to the Company not less than 3 months' prior written notice, such notice, in either case, not to expire at any time before the end of the Earn-Out Period; or

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(c) unless otherwise agreed, automatically on the Executive's 65th birthday being the contractual retirement date.

2.2 The Executive's period of continuous employment began on 16 December 1986.

2.3 The Executive will be provided with a copy of the Company's staff handbook and details of any other rules and procedures. These do not form part of the Executive's contract of employment with the Company. To the extent that there is a conflict between the terms of this agreement and any handbook, policies or procedures, then the terms of this agreement shall prevail.

2.4 Notwithstanding clause 2.1(b) above, where notice is served to terminate the Appointment (whether by the Company or the Executive) the Company may (at its sole and absolute discretion) terminate the Appointment at any time and with immediate effect by making to the Executive a payment in lieu of the notice period (or, if applicable, the remainder of the notice period) equivalent to the proportion of Salary and contractual benefits (at the date of termination) for the notice period (or remainder of the notice period). Such payment will be subject to income tax and national insurance contributions.

2.5 For the avoidance of doubt:

(a) if the Company terminates the Executive's employment other than in accordance with its rights under this agreement any entitlement to damages for breach of contract will be assessed on the normal common law principles (including the Executive's obligation to mitigate his loss); and

(b) the right of the Company to make a payment in lieu of notice does not give rise to any right for the Executive to receive such a payment.

2.6 The Executive warrants that, to the best of his knowledge, he is physically and mentally fit to be employed by the Company and to perform his duties for the Company.

3. DUTIES

3.1 The Executive shall perform the duties of Managing Director of the Company or such other role in the Company as the Board may reasonably consider appropriate provided that the nature and status of the role are similar to the nature and status of the Appointment. The Executive's job description will be provided to him but does not form part of this agreement and the Company may, upon reasonable notice to the Executive, depart from and/or amend this job description from time to time.

3.2 The Executive shall:

- (a) unless incapacitated or sick devote the whole of his working time and attention to the duties assigned to him;
- (b) faithfully and diligently serve the Company (and all Group Companies);
- (c) use all his reasonable endeavours to promote and protect the interests of the Company (and all Group Companies);
- (d) obey all reasonable and lawful directions given to him by or under the authority of the Board;
- (e) perform services for and (if the Company so requests) hold offices in such Group Companies as the Board may from time to time reasonably require without additional remuneration (except as otherwise agreed) provided always that the Executive shall (in the event that he holds any such office):
 - (i) hold any such office subject to the articles of association of the relevant Group Company as amended from time to time;
 - (ii) following the termination of this agreement (if the Board so reasonably requests) immediately resign (without any claim for compensation) from any office held in any Group Company and the Executive hereby irrevocably appoints the Company to be his attorney to execute and do any such instrument or thing and generally to use his name for the purpose of giving the Company or its nominee the full benefit of this clause;
 - (iii) shall not do anything that would cause him to be disqualified from holding any such office;
 - (iv) shall not (without the prior written approval of the Board) resign from any office which he holds in the Company or any Group Company; and
 - (v) acknowledges that the termination of any such office which he holds in the Company or any Group Company (including failure to be re-elected to the office following retirement by rotation) shall not terminate the Appointment which shall continue on the basis that the Executive is an employee only;
- (f) (if the Company so requests) carry out his duties and exercise his powers jointly with such person or persons as the Board may appoint to act jointly with him;
- (g) work at such places in the United Kingdom as the Company may reasonably require, it being envisaged that the Executive's normal place of work initially shall be the Company's registered office as referred to above;

- (h) travel to such places (whether in or outside the United Kingdom) by such means commensurate with other Board members and on such occasions as the Company may reasonably from time to time require;
- (i) make such reports to the Board or to anyone nominated by the Board on any matters concerning the affairs of the Company or any Group Company as are reasonably required;
- (j) comply with any code of practice issued by the Company (as amended from time to time) relating to transactions in securities and with all requirements of all regulatory authorities relevant to the Company or any Group Company with which the Executive is concerned;
- (k) consent to the Company monitoring and/or recording any use that he makes of its telecommunication or computer systems and will comply with any policies that it may issue from time to time concerning the use of such systems;
- (l) not enter into, on behalf of any Group Company, any arrangement which is outside its normal course of business, is outside his normal duties or contains unusual or onerous terms; and
- (m) report the wrongdoing (including acts of misconduct, dishonesty, breaches of contract, fiduciary duty, company rules or the rules of the relevant regulatory bodies) whether committed or discussed by any other director or member of staff of the Company and any Group Company of which the Executive was aware to the Board immediately.

3.3 The Executive shall work such hours as are reasonably necessary for the proper performance of his duties.

3.4 The Parties agree that the nature of the Executive's Appointment is such that his working time cannot be measured and, accordingly, that the Appointment falls within the scope of regulation 20 of the Working Time Regulations 1998 (the "REGULATIONS"). Notwithstanding this, in the event that the Appointment does not fall within section 20 of the Regulations, the Executive agrees to opt out of Regulation 4 (1) of the Regulations which limits the average working week (calculated in accordance with the Regulations) of each worker to a maximum of 48 hours. Should the Executive wish to terminate this opt-out then he may do so by giving the Company not less than three months' written notice. The Executive will comply with any policy of the Company in force from time to time concerning the maintenance of records of the hours that he works.

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4. HOLIDAY

4.1 The Executive shall be entitled to 30 working days' holiday (in addition to the usual English public holidays) in each complete holiday year worked (which is the period of 12 months commencing on 1 January each year) at full salary (provided always that the holiday entitlement shall accrue on a pro rata basis whereby the Executive shall be entitled to 1/260th of the holiday entitlement in any holiday year for each full working day of the Appointment). Holiday will be taken at such time or times as may be approved in advance by the Board. Holidays not taken in any holiday year cannot be carried over to a subsequent holiday year, without the consent of the Board such consent not to be unreasonably withheld or delayed.

4.2 Upon termination of the Appointment:

- (a) the Executive shall be entitled to receive payment in lieu of any holiday entitlement which has accrued prior to the date of termination but is unused (provided that such termination is not pursuant to clause 12 of this agreement nor follows the Executive's resignation where the Executive fails to serve his requisite period of notice pursuant to clause 2.1(b)); or
- (b) the Company shall be entitled to make a deduction from the Executive's remuneration in respect of holidays taken in excess of the entitlement accrued prior to the date of termination.

4.3 If either party serves notice to terminate the Appointment the Company may require the Executive to take any accrued but unused holiday entitlement during the notice period (whether or not the Executive is on Garden Leave as defined in clause 10 of this agreement) and the Executive's holiday entitlement shall not accrue for any period during which the Executive is on Garden Leave.

5. OUTSIDE INTERESTS

5.1 The Executive shall not (save as a representative of the Company or with the prior written approval of the Board) whether directly or indirectly, paid or unpaid, be engaged or concerned in the conduct of, be or become an employee, agent, partner, consultant or director of or assist or have any financial interest in any other actual or prospective business or profession without the written approval of the Board.

5.2 The Executive shall be permitted to hold shares or securities of a company any of whose shares or securities are quoted or dealt in on any recognised investment exchange provided that:

- (a) any such holding shall not exceed five per cent. of the issued share capital of the company concerned and is held by way of bona fide investment only ("INVESTMENT"); and

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(b) he complies with all applicable rules, laws and regulations relating to dealings in shares, debentures and other securities (including but not limited to the Criminal Justice Act 1993, the regulations of the UK Listing Authority, and any requirement or code of practice issued by the Company including but not limited to any share dealing policy or code issued by the Company) as amended from time to time.

5.3 The Executive shall disclose to the Board any matters relating to his spouse (or anyone living as such), their children, stepchildren, parents or any trust or firm whose affairs or actions he controls which, if they applied to the Executive, would contravene clauses 5.1 or 5.2 to the extent that he has actual knowledge of such matters.

6. SALARY AND BENEFITS

6.1 The Executive shall be paid a basic salary of (pound)150,000 per annum or such other rate as may be agreed from time to time (the "SALARY") subject to such deductions are required by law. The Executive shall not be entitled to any other remuneration by reason of his holding any office in any Group Company. The Salary shall be payable by bank credit transfer in equal monthly instalments in arrears on or about the last working day of each calendar month to such bank account as the Executive may nominate.

6.2 The Executive may participate in:

(a) such stakeholder pension scheme as may be designated by the Company from time to time subject to the rules of the scheme and any applicable HMRC limits, in both cases as amended from time to time, provided that, for the avoidance of doubt, the Company shall not make any contributions to any such scheme. A contracting-out certificate is not in force in respect of the Executive's employment; and

(b) the Company's private medical insurance scheme subject to the Executive's health not being such as to prevent inclusion in such scheme on terms and at a premium which the Company considers reasonable, the rules of the scheme and any relevant rules or insurance policy of the private medical cover provider as amended from time to time. The Company may change the private medical cover provider and/or replace with a comparable scheme on reasonable notice to the Executive.

6.3 The Company may deduct from any sums owed to the Executive all sums which he from time to time owes the Company or any Group Company.

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7. EXPENSES

The Company shall reimburse the Executive for all reasonable travel, accommodation and other expenses properly authorised by the Company and wholly, exclusively and necessarily incurred in or about the performance of his duties hereunder, which expenses shall be evidenced in such manner as the Company may reasonably specify from time to time.

8. CONFIDENTIAL INFORMATION

8.1 Subject to clause 8.2 below and without prejudice to his common law duties, the Executive shall not (save in the proper course of his duties, as required by law or as authorised by the Company) use or communicate to any person (and shall use his best endeavours to prevent the use or communication of) any trade or business secrets or confidential information of or relating to the Company or any Group Company (including but not limited to details of clients or customers (including client or customer lists and requirements), consultants, suppliers, designs, products, product applications, trade arrangements, terms of business, operating systems, sales information, marketing information or strategies, manufacturing processes, disputes, commission or bonus arrangements, pricing and fee arrangements, know-how, formulae, inventions, dealings, negotiations, transactions, employees or officers, and structures, business plans, financial information, inventions, research and development activities, personal or sensitive personal data and anything marked or treated as confidential in each case whether actual or potential) which he creates, develops, receives or obtains while in the service of the Company. This restriction shall continue to apply after the termination of the Appointment howsoever arising without limit in time.

8.2 Reference to confidential information in this clause 8 shall not include: information which is in the public domain at the time of any disclosure of such information by the Executive (other than information in the public domain for so long as the Executive is in a position to use such information more readily than others who have not worked for the Company); information which comes into the public domain after its disclosure otherwise than by reason of a breach of this agreement; information which was already demonstrably known to the receiving party at the date of disclosure and had not been received in confidence from any Group Company; or information which is required to be disclosed as a matter of law.

8.3 During the Appointment the Executive shall not make (other than for the benefit of the Company) any record (whether on paper, computer memory, disc or otherwise) relating to any matter within the scope of the business of the Company or any Group Company or their clients or customers and suppliers or concerning its or their dealings or affairs or (either during the Appointment or afterwards) use such records (or allow them to be used) other than for the benefit of the Company or the relevant Group Company. All such records (and any copies of them) shall belong to the Company or the relevant Group Company and shall be handed over to the Board (or such other person as the Board may

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nominate) by the Executive on the termination of the Appointment or at any time during the Appointment at the request of the Board.

- 8.4 Subject to the Executive's duties at clause 3 of this agreement the Executive shall not during the Appointment either directly or indirectly publish any opinion, fact or material on any matter connected with or relating to the business of the Company or any Group Company (whether confidential or not) without the prior written approval of the Board.
- 8.5 Nothing in this clause shall prevent the Executive from disclosing information which he is entitled to disclose under the Public Interest Disclosure Act 1998 provided that the disclosure is made in the appropriate way to an appropriate person having regard to the provisions of the Act and he has first fully complied with the Company's procedures relating to such disclosures.
- 8.6 By signing this contract the Executive agrees that the Company may use information about him which he may provide or which it may acquire during the course of his employment and the Executive consents to the Company and any other Group Companies holding and processing the following data relating to him:
- (a) personal data, for legal, administrative and management purposes; and
 - (b) "sensitive personal data" (as defined in the Data Protection Act 1998) including:
 - (i) his health records and any medical reports given to or obtained by the Company, for monitoring sick leave and taking decisions as to his fitness to work;
 - (ii) his racial or ethnic origin (in order to monitor compliance with the Race Relations Act 1976);
 - (iii) any information relating to criminal proceedings in which he has been involved for compliance with the Company's legal or regulatory requirements, for insurance purposes, and in relation to its obligations to third parties.
- 8.7 The Company may make such information available to Group Companies, regulatory authorities, potential or future employers, governmental or quasi-governmental organisations and potential purchasers of the Company or the business in which the Executive works.
- 8.8 The Executive consents to the transfer of appropriate parts of the information that the Company holds relating to him to locations outside the European Economic Area to any Group Companies, clients and customers and other business contacts for the purpose of furthering the Company's business interests.

9. INVENTIONS AND CREATIVE WORKS

- 9.1 For the purposes of this clause "INTELLECTUAL PROPERTY RIGHTS" means any and all patents, trade marks, service marks, rights in designs, get-up, trade, business or domain names, goodwill associated with the foregoing, copyright (including rights in computer software and databases), topography rights (in each case whether registered or not and any applications to register or rights to apply for the registration of any of the foregoing), rights in inventions, knowhow, trade secrets and other confidential information, rights in databases and all other intellectual property rights or forms of protection of a similar nature or having equivalent or similar effect to any of these which may now or in the future subsist anywhere in the world for the full period thereof and all extensions or removals thereof.
- 9.2 The Executive acknowledges that because of the nature of his duties, and the particular responsibilities arising as a result of such duties which he owes to the Company and the Group Companies, he has a special obligation to further the interests of the Company and the Group Companies. In particular, the Executive's duties will include reviewing the products and services of the Company and, if appropriate, Group Companies with a view to identifying and implementing potential improvements.
- 9.3 The Executive shall promptly disclose to the Company any idea, invention or work which is relevant to (or capable of use in) the business of the Company or any Group Company now or in the future made by him in the course of his performance of his duties, whether alone or with any other person. The Executive acknowledges that all Intellectual Property Rights subsisting (or which may in the future subsist) in any such ideas, inventions or works or which in any other way arise from his performance of his duties, whether alone or with any other person, including without limitation such Intellectual Property Rights as subsist in any record of the type referred to in clause 8.3 above or the contents or subject matter thereof, will, on creation, vest in and be the exclusive property of the Company and if they do not do so he shall assign them to the Company (upon its request and at its cost) and, to the extent permitted by law, does hereby so assign them. The Executive hereby irrevocably waives any "Moral Rights" which he may have in any such ideas, inventions or works under chapter IV of part I of the Copyright, Designs and Patents Act 1988.
- 9.4 The Executive hereby irrevocably appoints the Company to be his attorney in his name and on his behalf to execute and do any such instrument or thing and generally to use his name for the purpose of giving to the Company or its nominee the full benefit of this clause and acknowledges in favour of any third party that a certificate in writing signed by any director or secretary of the Company that any instrument or act falls within the authority hereby conferred shall be conclusive evidence that such is the case.

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10. GARDEN LEAVE

10.1 Despite any other provision in this agreement the Company is under no obligation to provide the Executive with work and may at any time require the Executive to perform no duties whatsoever, or any such duties as it may reasonably require and may exclude the Executive from any premises of any Group Company and, for the purposes of this agreement, "GARDEN LEAVE" means any period during which the Company exercises its rights under this sub-clause 10.1.

10.2 During any period of Garden Leave the Executive shall:

- (a) remain an employee of the Company and be bound by the terms of this agreement;
- (b) not (except as a representative of the Company or with the prior written approval of the Board) whether directly or indirectly, paid or unpaid be engaged or concerned in the conduct of any other actual or prospective business or profession or be or become an employee, agent, partner, consultant or director of any other company or firm or assist or have any financial interest in any other such business or profession;
- (c) not have any contact or communication (save for any purely personal contact) with any client or customer, employee, officer, director, agent or consultant of any Group Company save for any member of the Board or save with the prior written consent of the Board;
- (d) keep the Company informed of his whereabouts so that he can be called upon to perform any appropriate duties as required by the Company except during any periods taken as holiday;
- (e) (if the Company so requests) resign from any office in any Group Company;
- (f) continue to receive the Salary and his contractual benefits in the usual way; and
- (g) (if the Company so requests) return to the Company any property belonging to any Group Company save to the extent such property constitutes his contractual employment benefits.

11. RESTRICTIONS AFTER TERMINATION

11.1 The Executive acknowledges that because of the nature of his duties and the particular responsibilities arising as a result of such duties owed to the Company and each Group Company he has knowledge of trade secrets and confidential business information (including details of customers) and is therefore in a position to harm their legitimate business interests if he were to make use of such trade secrets or

confidential business information for his own purposes or the purposes of another. Accordingly, having regard to the above, the Executive accepts that the restrictions in this clause are reasonable.

11.2 The Executive covenants to the Company for itself and as trustee for each Group Company that in order to protect the confidential information, trade secrets and business connections of the Company and each Group Company he shall not for the following periods (less any period or periods spent on Garden Leave immediately prior to Termination) after Termination howsoever arising (but excluding repudiatory breach of this agreement by the Company) save with the prior written consent of the Board directly or indirectly, either alone or jointly with or on behalf of any third party and whether on his own account or as principal, partner, shareholder, director, employee, consultant or in any other capacity whatsoever:

- (a) for 12 months following Termination in the Relevant Territory and in competition with the Company or any Relevant Group Company engage, assist or be interested in any undertaking which provides Services or Products;
- (b) for 12 months following Termination and in competition with the Company or any Relevant Group Company directly or indirectly do business with or for or have any dealings with any Client in relation to the supply of Services and/or Products;
- (c) for 12 months following Termination and in competition with the Company or any Relevant Group Company solicit or interfere with or endeavour to entice away from the Company or any Relevant Group Company any Client in relation to the supply of Services and/or Products;
- (d) for 12 months following Termination and in competition with the Company or any Relevant Group Company directly or indirectly do business with or for or have any dealings with any Prospective Client in relation to the supply of Services and/or Products;
- (e) for 12 months following Termination and in competition with the Company or any Relevant Group Company solicit or interfere with or endeavour to entice away from the Company or any Relevant Group Company any Prospective Client in relation to the supply of Services and/or Products;
- (f) for 12 months following Termination solicit the employment or engagement of any Key Employee for a business which is in competition with the Company or any Relevant Group Company (whether or not such person would breach their contract of employment or engagement by reason of leaving the service of the business in which they work); and
- (g) at any time following Termination represent himself as being in any way connected with or interested in the business of the Company or any Relevant Group Company save to the extent that

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such connection or interest arises from the Share Purchase Agreement.

- 11.3 Each of the obligations in this clause is an entire, separate and independent restriction on the Executive, despite the fact that they may be contained in the same phrase and if any part is found to be invalid or unenforceable the remainder will remain valid and enforceable.
- 11.4 While the restrictions are considered by the parties to be fair and reasonable in the circumstances, it is agreed that if any of them should be judged to be void or ineffective for any reason, but would be treated as valid and effective if part of the wording was deleted, they shall apply with such modifications as necessary to make them valid and effective.
- 11.5 The Executive will (at the request and cost of the Company) enter into a direct agreement with any Group Company under which he will accept restrictions corresponding to the restrictions contained in this clause 11.
- 11.6 The provisions of this clause will not prevent the Executive from:
- (a) holding an Investment; or
 - (b) being engaged, assisting or being interested in any business concern which provides Services and/or Products provided that the Executive's work is not in any way connected with the provision of similar Services and/or Products and provided that that business concern does not exclusively or predominantly provide similar Services and/or Products.
- 11.7 If the Executive is offered employment or a consultancy arrangement or a partnership or any other engagement with a third party at any time during the Appointment or in the six months following Termination (howsoever arising), he will supply that third party with details concerning the restrictions in this clause 11 provided that he shall not be permitted to provide that third party with a copy of this agreement without the prior written approval of the Board.
- 11.8 For the purposes of this clause:
- (a) "CLIENT" means any person, firm, company or entity which was a client of the Company or any Relevant Group Company at any time during the 12 months' prior to Termination and with which the Executive was materially concerned or had material personal contact at any time during the said period of 12 months;
 - (b) "KEY EMPLOYEE" means any person who immediately prior to Termination was a senior manager or a director of the Company or any Relevant Group Company with whom the Executive worked

closely at any time during the period of 12 months prior to Termination;

- (c) "PROSPECTIVE CLIENT" means any person, firm, company or other entity with whom the Company or any Relevant Group Company has been in formal negotiations with a view to providing services and/or products to or for such person, firm, company or other entity provided that such person, firm, company or other entity shall not be a Prospective Client if such person, firm, company or other entity concerned has indicated that they do not wish the Company to provide such services and/or products to them;
- (d) "RELEVANT GROUP COMPANY" means any Group Company (and, if applicable, its predecessors in business) for which the Executive performed services to a material degree or in which he held office at any time during the 12 months prior to Termination;
- (e) "RELEVANT TERRITORY" means the area constituting the market of the Company and any Relevant Group Company for Services or Products in the period of 12 months prior to Termination and with which area the Executive was materially concerned at any time during the said period of 12 months;
- (f) "SERVICES" and "PRODUCTS" means services and/or products which are directly competitive with those supplied and/or produced by the Company and/or any Relevant Group Company in the period 12 months prior to Termination and with the supply and/or production of which the Executive was materially concerned at any time in the said period of 12 months; and
- (g) "TERMINATION" means the date of termination of the Appointment.

12. TERMINATION BY EVENTS OF DEFAULT

12.1 The Company may terminate the Appointment by notice but with immediate effect if the Executive:

- (a) is guilty of gross misconduct or commits any serious or (after warning) repeated or continued material breach of his obligations to the Company (other than by reason of absence due to illness or injury);
- (b) becomes bankrupt or makes any arrangement or composition with or for the benefit of his creditors;
- (c) is convicted of any criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed) or any offence under any regulation or legislation relating to insider dealing;

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- (d) is disqualified from holding any office which he is required to hold in any Group Company or resigns from such office other than in response to a repudiatory breach of contract by the Company without the prior written approval of the Board;
- (e) becomes of unsound mind or a patient under any statute relating to mental health;
- (f) does anything (in the course of his duties or otherwise) which in the reasonable opinion of the Board does actually bring himself or any Group Company into disrepute;
- (g) is prevented by illness, injury or other incapacity from fully performing his obligations to the Company for an aggregate of 90 days in any period of 12 months; or
- (h) is guilty of a serious breach of the rules and regulations of any regulatory authority applicable to the business of any Group Company or any compliance manual of the Company.

12.2 Any delay by the Company in exercising such right to terminate shall not constitute a waiver thereof.

12.3 Without prejudice to the Company's obligation to act fairly in all the circumstances, in any case falling within clause 12.1 (a), (c), (f) or (h) above no notice shall be given until the conclusion of a reasonable disciplinary procedure.

13. INCAPACITY AND MEDICAL EXAMINATION

13.1 If the Executive is absent from work, the Company shall pay him his normal pay and benefits for up to 20 working days in any 12 month period, inclusive of his entitlement to Statutory Sick Pay ("SSP") provided that he satisfies the relevant requirements, the qualifying days for SSP purposes being Monday to Friday. Any further Company sick pay paid by the Company in excess of SSP shall be at the discretion of the Board. The Executive shall comply with the Company's rules on notification and evidence of absence due to illness or injury (as amended from time to time).

13.2 If the Executive is away from work due to illness or injury for a consecutive period of 45 working days or the Company reasonably envisages that he will be away for such a period the Company may (without prejudice to the provisions of clause 12 of this agreement) appoint another person or persons to perform the Executive's duties until he returns to work.

13.3 The Company may from time to time where there appears a good reason to do so require the Executive to undergo examinations by medical

advisers appointed or approved by the Company and the Executive authorises such advisers to disclose to the Company the results of such examinations and to discuss with it any matter arising from such examinations that may affect the Executive's performance of his duties.

- 13.4 If the Executive is unable to perform his duties under this agreement as a result of ill health, accident or injury caused by actionable negligence, nuisance or breach of any statutory duty on the part of any third party in respect of which damages may be recoverable the Executive will immediately inform the Company of this fact and all relevant particulars. The Executive may (if requested to do so by the Company and at the cost of the Company) pursue a claim against the third party for damages and will notify the Company of the progress of the claim and any settlement, award or judgment. The Executive will pay the Company that part of any damages or compensation recovered by him which relates to loss of earnings for the period during which he was paid by the Company excluding SSP but unable to perform his duties under this agreement provided, however, that the payment to the Company will not exceed the total amount paid to him by the Company in respect of the relevant period.

14. OBLIGATIONS UPON TERMINATION

- 14.1 Upon whichever is the first to occur of termination of the Appointment howsoever arising or the Company sending the Executive on Garden Leave the Executive shall (if the Board so requests):

- (a) immediately resign without claim for compensation from any offices held in the Company or any Group Company and membership of any organisation and any office in any other company acquired by reason of or in connection with the Appointment and the Executive hereby irrevocably appoints the Company to be his attorney in his name and on his behalf to execute any documents and to do any things necessary or requisite to give effect to this sub-clause 14.1(a);
- (b) deliver to the Board all documents (including, but not limited to, correspondence, lists of clients or customers, plans, drawings, accounts and other documents of whatsoever nature and all copies thereof, whether on paper, computer memory or otherwise) made, compiled or acquired by him during the Appointment and relating to the business, finances or affairs of the Company or any Group Company or its or their clients and any other property of any Group Company which is in his possession, custody, care or control. This clause shall not apply to any property provided to the Executive as a benefit during any period of Garden Leave provided, however, that such property shall be returned to the Company at the end of the Garden Leave period. If so requested by the Company, he shall send to the Board a signed statement confirming that he has complied with his obligations under this sub-clause 14.1(b);

- (c) in consultation with the Board, use his reasonable endeavours to irretrievably delete any information relating to the business of the Company or any Group Company stored on any magnetic or optical disc or memory and all matter derived therefrom which is in his possession, custody, care or control outside the premises of the Company and shall produce such evidence of compliance with this sub-clause as the Company may reasonably require; and
- (d) transfer (without payment) to the Company (or as it may direct) any qualifying or nominee shareholdings which he holds in connection with the Appointment and the Executive hereby irrevocably appoints the Company to be his attorney to execute such transfers on his behalf.

15. RECONSTRUCTION AND AMALGAMATION

If the Executive's employment is terminated at any time in connection with any reconstruction or amalgamation of the Company or any Group Company whether by winding up or otherwise and he receives an offer of employment on terms which (considered in their entirety) are no less favourable than the terms of this agreement and that the nature and status of the role are similar to the nature and status of the Appointment from an undertaking involved in or resulting from such reconstruction or amalgamation he shall have no claim whatsoever against the Company or any such undertaking arising out of or connected with such termination.

16. DISCIPLINARY AND GRIEVANCE PROCEDURES

- 16.1 The Company's disciplinary rules and procedures and grievance procedures as amended from time to time can be found in the Company's staff handbook (as amended from time to time). For the avoidance of doubt, such rules and procedures do not form part of this agreement.
- 16.2 The Company may at any time and upon notice from the Board suspend the Executive for a period of up to one month for the purposes of investigating any allegation of misconduct or neglect against him and during this period he will continue to receive his salary and all contractual benefits but will not (except with the prior written approval of the Board) attend any premises of or contact any employee (other than any director) or client or customer of any Group Company.

17. NOTICES

Any notice to be given hereunder shall be in writing. Notices may be given by either party by personal delivery or post or by fax addressed to the other party at (in the case of the Company) its registered office for the time being and (in the case of the Executive) his last known address. Any such notice given by letter or fax shall be deemed to have been served at the time at which the notice was delivered personally or received or (if sent by post) would be delivered in the ordinary course of post.

18. ENTIRE AGREEMENT AND PREVIOUS CONTRACTS

Each party on behalf of itself and (in the case of the Company, as agent for the Group Companies) acknowledges and agrees with the other party (the Company acting on behalf of itself and as agent for each Group Company) that:

- (a) this agreement constitutes the entire and only agreement between the Executive and any Group Company relating to his employment with the Company;
- (b) neither the Executive nor the Company nor any Group Company has been induced to enter into this agreement in reliance upon, nor has any such party been given, any warranty, representation, statement, assurance, covenant, agreement, undertaking, indemnity or commitment of any nature whatsoever other than as are expressly set out in this agreement and, to the extent that any of them has been, it (in the case of the Company, acting on behalf of all Group Companies) and he unconditionally and irrevocably waives any claims, rights or remedies which any of them might otherwise have had in relation thereto;

provided that the provisions of this clause 18 shall not exclude any liability which any of the parties or, where appropriate, the Group Companies would otherwise have to any other party or, where appropriate, to the Group Companies or any right which any of them may have in respect of any statements made fraudulently by any of them prior to the execution of this agreement or any rights which any of them may have in respect of fraudulent concealment by any of them.

18.2 Any previous agreement or arrangement between the Executive and the Company or any Group Company concerning the Executive's employment including, but not limited to, the Executive's previous, unwritten employment contract with the Company shall be deemed to have been terminated by mutual consent as from the date of this agreement.

18.3 This agreement may be varied only by a document signed by each of the parties and expressly incorporating the terms of this Agreement as varied in the documents.

19. PROPER LAW

19.1 This agreement (and any dispute, controversy, proceedings or claim of whatever nature arising out of or in any way relating to this agreement or its formation) shall be governed by and construed in accordance with English law.

19.2 Each of the parties to this agreement irrevocably agrees that the courts of England shall have exclusive jurisdiction to hear and decide any suit, action or proceedings, and/or to settle any disputes, which may arise out of or in connection with this agreement and, for these

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purposes, each party irrevocably submits to the jurisdiction of the courts of England.

20. CONSTRUCTION

20.1 The headings in this agreement are inserted for convenience only and shall not affect its construction.

20.2 Any reference to a statutory provision shall be construed as a reference to any statutory modification or re-enactment thereof (whether before or after the date hereof) for the time being in force.

20.3 No modification, variation or amendment to this agreement shall be effective unless such modification, variation or amendment is in writing and has been signed by or on behalf of both parties.

21. THIRD PARTY RIGHTS

21.1 The Contracts (Rights of Third Parties) Act 1999 shall only apply to this agreement in relation to any Group Company. No person other than the parties to this agreement and any Group Companies shall have any rights under it and it will not be enforceable by any person other than those parties.

22. COUNTERPARTS

This agreement may be executed by counterparts which together shall constitute one agreement. Either party may enter into this agreement by executing a counterpart and this agreement shall not take effect until it has been executed by both parties. Delivery of executed counterpart of this agreement by facsimile shall take effect as delivery of an executed counterpart of this agreement provided that, the relevant party shall give the other the original of such counterpart as soon as reasonably practicable thereafter.

IN WITNESS whereof this agreement has been executed as a deed on the date first above written.

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Signed as a deed by)
PAUL EVANS) /s/ Paul Evans
in the presence of: -----

Signed as a deed by AKOS LIMITED)
acting by.....) /s/ Tony Sims
a director and.....) -----
a director/secretary) /s/ Susan E. Ball

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement"), dated July 13, 2007, is made and entered into by and between Assent Consulting, a California corporation ("Employer"), and David Hnatek ("Employee").

WHEREAS, Assent Consulting (the "Company"), Employee, and the other Stockholders of the Company are parties to a Stock Purchase Agreement dated the date hereof (the "Purchase Agreement") pursuant to which ClinForce, LLC is acquiring all of the issued and outstanding shares of capital stock of the Company; and

WHEREAS, Employee is a Stockholder of the Company and Employer desires to have the continuing benefit of his knowledge and experience and to employ Employee; and

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

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

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

2. Term of Employment; Compensation. Employee's employment hereunder shall commence at 12:01 a.m. on the first day following the consummation of the transactions contemplated in the Purchase Agreement, and shall end at 11:59 p.m. on December 31, 2008 (the "Term"), unless renewed or as mutually agreed upon by the parties or sooner terminated by Employer for Cause or without Cause or by Employee for Good Reason in accordance with the terms and conditions set forth in this Agreement. During the term hereof, Employer shall pay Employee an annual salary of \$160,000.00 (prorated for the remainder of fiscal year 2007 based upon a 365-day year). Employee shall also be included or entitled to participate in

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such employee benefit programs as are maintained from time to time by Employer on the same terms and conditions as similarly situated employees.

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

Employee's employment under this Agreement may be terminated by the Employer without Cause at any time subsequent to completion of the earnout period per the Purchase Agreement. In the event of such termination, the Company shall be obligated to pay Employee severance equal to twelve (12) months of his then current base salary. If during the applicable time period Employee becomes employed elsewhere or Employee derives income as a consultant, severance pay shall be reduced by the amount of Employee's income during that period. The Company shall not be obligated to make any payments to Employee under this Section 2 until (i) Employee shall have delivered to the Company a release of all claims (other than payments to be made under this Section 2) in form and substance reasonably satisfactory to the Company and (ii) such release shall have become effective and irrevocable under applicable law.

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

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

4. Representations and Warranties. Employee hereby represents and warrants to Employer that (i) there are no restrictions, agreements or understandings whatsoever to which Employee is a party which would prevent or make unlawful Employee's execution of this Agreement or Employee's employment hereunder, (ii) Employee's execution of this Agreement and Employee's employment hereunder shall not constitute a breach or violation of any law, contract, agreement or understanding, oral or written, to which Employee is a party or by which Employee is bound, (iii) Employee is free and able to execute this

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Agreement and to enter into employment with Employer, and (iv) this Agreement is Employee's valid and binding obligation, enforceable in accordance with its terms. The foregoing representations and warranties shall forever survive the termination of this Agreement.

5. Covenants.

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

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

(c) Employee agrees that Employee shall not use or disclose to anyone outside of Employer any Confidential Information, except for any Confidential Information (i) lawfully received from another source free of restriction and without breach of this Agreement, (ii) that becomes generally available to the public without breach of this Agreement, (iii) known to the receiving party at the time of disclosure, or (iv) independently developed by the receiving party without resort to the Confidential Information. In the event Employee is requested or required by law, judicial or governmental order or

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

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

(e) Employee agrees that, both during Employee's employment by Employer and unless employment is terminated by Employee for Good Reason for a period of two (2) years following the termination of his employment by Employer, Employee will not, (i) interfere with the business of Employer by soliciting, inducing, attempting to solicit or induce, by combining or conspiring with, or attempting to do so, or in any other manner, to influence in the first instance any employees, officers, directors, agents, consultants, representatives, employees, suppliers, distributors, third party payors, referral sources, tenants, landlords or business contacts (collectively, the "Business Affiliates") of Employer or any of its Affiliates to terminate any Business Affiliate's position as an employee, officer, director, agent, consultant, representative, employee, supplier, distributor, third party payor, referral source, tenant, landlord or business contact with Employer or any of its Affiliates which may exist as of the date of termination of this Agreement or (ii) induce or attempt to induce any party to any contract with Employer or its Affiliates which may exist as of the date of termination of this Agreement to terminate or materially and adversely modify its relationship with Employer or

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any of its Affiliates after the date hereof. It is specifically agreed that the period of two (2) years following termination of this Agreement stated at the beginning of this paragraph shall be computed by excluding from such computation any time during which Employee is in violation of any provision of this paragraph.

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

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

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

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

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

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

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

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

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

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

ASSENT CONSULTING, a California corporation

By: /s/ Anthony Sims

Name: Anthony Sims
Title: President

By: /s/ David Hnatek

David Hnatek

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement"), dated July 13, 2007, is made and entered into by and between Assent Consulting, a California corporation ("Employer"), and Robert Adzich ("Employee").

WHEREAS, Assent Consulting (the "Company"), Employee, and the other Stockholders of the Company are parties to a Stock Purchase Agreement dated the date hereof (the "Purchase Agreement") pursuant to which ClinForce, LLC is acquiring all of the issued and outstanding shares of capital stock of the Company; and

WHEREAS, Employee is a Stockholder of the Company and Employer desires to have the continuing benefit of his knowledge and experience and to employ Employee; and

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

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

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

2. Term of Employment; Compensation. Employee's employment hereunder shall commence at 12:01 a.m. on the first day following the consummation of the transactions contemplated in the Purchase Agreement, and shall end at 11:59 p.m. on December 31, 2008 (the "Term"), unless renewed or as mutually agreed upon by the parties or sooner terminated by Employer for Cause or without Cause or by Employee for Good Reason in accordance with the terms and conditions set forth in this Agreement. During the term hereof, Employer shall pay Employee an annual

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salary of \$160,000.00 (prorated for the remainder of fiscal year 2007 based upon a 365-day year). Employee shall also be included or entitled to participate in such employee benefit programs as are maintained from time to time by Employer on the same terms and conditions as similarly situated employees.

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

Employee's employment under this Agreement may be terminated by the Employer without Cause at any time subsequent to completion of the earnout period per the Purchase Agreement. In the event of such termination, the Company shall be obligated to pay Employee severance equal to twelve (12) months of his then current base salary. If during the applicable time period Employee becomes employed elsewhere or Employee derives income as a consultant, severance pay shall be reduced by the amount of Employee's income during that period. The Company shall not be obligated to make any payments to Employee under this Section 2 until (i) Employee shall have delivered to the Company a release of all claims (other than payments to be made under this Section 2) in form and substance reasonably satisfactory to the Company and (ii) such release shall have become effective and irrevocable under applicable law.

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

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

4. Representations and Warranties. Employee hereby represents and warrants to Employer that (i) there are no restrictions, agreements or understandings whatsoever to which Employee is a party which would prevent or make unlawful Employee's execution of this Agreement or Employee's employment hereunder, (ii) Employee's execution of this Agreement and Employee's employment hereunder shall not constitute a breach or violation of any law, contract, agreement or understanding, oral or written, to which Employee is a party or by which Employee is bound, (iii) Employee is free and able to execute this

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Agreement and to enter into employment with Employer, and (iv) this Agreement is Employee's valid and binding obligation, enforceable in accordance with its terms. The foregoing representations and warranties shall forever survive the termination of this Agreement.

5. Covenants.

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

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

(c) Employee agrees that Employee shall not use or disclose to anyone outside of Employer any Confidential Information, except for any Confidential Information (i) lawfully received from another source free of restriction and without breach of this Agreement, (ii) that becomes generally available to the public without breach of this Agreement, (iii) known to the receiving party at the time of disclosure, or (iv) independently developed by the receiving party without resort to the Confidential Information. In the event Employee is requested or required by law, judicial or governmental order or

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

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

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

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period of two (2) years following termination of this Agreement stated at the beginning of this paragraph shall be computed by excluding from such computation any time during which Employee is in violation of any provision of this paragraph.

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

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

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

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

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

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

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

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

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

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

ASSENT CONSULTING, a California corporation

By: /s/ Anthony Sims

Name: Anthony Sims
Title: President

By: /s/ Robert Adzich

Robert Adzich

Certification

I, Joseph A. Boshart, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cross Country Healthcare, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent 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: August 9, 2007

/s/ JOSEPH A. BOSCHART

Joseph A. Boshart
President and Chief Executive Officer

Certification

I, Emil Hensel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cross Country Healthcare, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent 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: August 9, 2007

/s/ EMIL HENSEL

Emil Hensel

Chief Financial Officer

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

In connection with the accompanying Quarterly Report on Form 10-Q of Cross Country Healthcare, Inc. (the "Company") for the quarterly period ended June 30, 2007 (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: August 9, 2007

/s/ JOSEPH A. BOSHA RT

Joseph A. Boshart
President and Chief Executive Officer

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

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

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

In connection with the accompanying Quarterly Report on Form 10-Q of Cross Country Healthcare, Inc. (the "Company") for the quarterly period ended June 30, 2007 (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: August 9, 2007

/s/ EMIL HENSEL

Emil Hensel

Chief Financial Officer

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

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