UNITED COMMUNITY BANKS INC
Form 424B3
April 02, 2015
TABLE OF CONTENTS
Filed Pursuant to Rule 424(b)(3)
Registration No. 333-202871
PROXY STATEMENT/PROSPECTUS

MERGER PROPOSED — YOUR VOTE IS VERY IMPORTANT

These materials are a proxy statement of MoneyTree Corporation ("MoneyTree") and a prospectus of United Community Banks, Inc. ("United"). They are furnished to you in connection with the notice of special meeting of shareholders to be held on April 27, 2015. At the special meeting of MoneyTree shareholders, you will be asked to vote on the merger of MoneyTree with and into United described in more detail herein. As of March 27, 2015, the record date for the MoneyTree shareholders meeting, there were 772,142 shares of common stock outstanding and 2,027 shares of Series C preferred stock outstanding and entitled to vote at that meeting. Approval of the merger requires the affirmative vote of holders of a majority of the shares of MoneyTree common stock and a majority of the shares of MoneyTree Series C preferred stock, voting separately as a class. Additionally, the holder of MoneyTree Series D preferred stock must consent to the merger. United will assume the Series D preferred stock from MoneyTree in connection with the merger and issue its own preferred stock with identical terms in replacement thereof.

Subject to the election and adjustment procedures described in this document, in connection with the merger if approved and consummated, (a) holders of MoneyTree common stock will be entitled to receive, in exchange for each share of MoneyTree common stock, consideration equal to either (i) 3.5832 shares of United common stock, or (ii) $65.00 in cash, without interest, and (b) holders of MoneyTree Series C preferred stock will be entitled to receive, in exchange for each share of Series C preferred stock, consideration equal to either (i) 89.58 shares of United common stock, or (ii) $1,625.00 in cash, without interest; provided, that an aggregate of no more than 154,428 shares of MoneyTree common stock and 405 shares of MoneyTree Series C preferred stock may be exchanged for cash and an aggregate of no more than 617,714 shares of MoneyTree common stock and 1,622 shares of MoneyTree Series C preferred stock may be exchanged for United common stock.

As a result, up to an aggregate of 2,358,691 shares of United common stock may be issued to MoneyTree shareholders if the merger is approved and consummated and there is no adjustment. This document is a United prospectus with respect to the offering and issuance of such 2,358,691 shares of United common stock.

United's common stock trades on the Nasdaq Global Select Market under the ticker symbol "UCBI".

The accompanying materials contain information regarding the proposed merger and the companies participating in the merger, and the Agreement and Plan of Merger pursuant to which the merger will be consummated if approved. We encourage you to read the entire document carefully. Please also see the "Risk Factors" section of United's Form 10-K for the year ended December 31, 2014, which is incorporated herein by reference, for a description of the factors that you should consider that may affect the value of United common stock to be issued in the merger.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the adequacy or accuracy of these materials. Any representation to the contrary is a criminal offense. Shares of common stock of United are not savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

The date of these materials is April 1, 2015, and they are expected to be first mailed to shareholders on or about April 3, 2015.

TABLE OF CONTENTS

MONEYTREE CORPORATION
200 East Broadway Street
Lenoir City, Tennessee 37771

Notice Of Special Meeting Of Shareholders
To Be Held On April 27, 2015

A special meeting of shareholders of MoneyTree Corporation will be held on April 27, 2015, at 10:00 a.m., local time, at the Highway 321 office of First National Bank, 257 Medical Park Drive, Lenoir City, Tennessee 37772 for the following purposes:

1. to consider and vote on an Agreement and Plan of Merger, under which MoneyTree Corporation ("MoneyTree") will merge with and into United Community Banks, Inc. ("United"), as more particularly described in the accompanying materials; and

2. to transact such other business as may properly come before the special meeting or any adjournments of the special meeting.

If MoneyTree shareholders approve the merger, MoneyTree will be merged with and into United. Unless adjusted pursuant to the terms of the merger agreement, MoneyTree shareholders may elect to receive shares of United common stock or cash in exchange for each of their shares of MoneyTree common stock and Series C preferred stock in the merger on the following basis:

- 3.5832 shares of United common stock for each share of MoneyTree common stock and 89.58 shares of United Common Stock for each share of MoneyTree Series C preferred stock; or

- $65.00 in cash, without interest, for each share of MoneyTree common stock and $1,625.00 in cash, without interest, for each share of MoneyTree Series C preferred stock.

provided, that an aggregate of no more than 154,428 shares of MoneyTree common stock and 405 shares of MoneyTree Series C preferred stock may be exchanged for cash and an aggregate of no more than 617,714 shares of MoneyTree common stock and 1,622 shares of MoneyTree Series C preferred stock may be exchanged for United common stock. If the aggregate cash elections are greater than the maximum, all such cash elections will be subject to proration, and, if the aggregate stock elections are greater than the maximum, all such stock elections will be subject to proration, all as more fully explained under the heading "Details of the Proposed Merger — The Merger Consideration" (page 16).

Approval of the merger will require the approval of the holders of at least a majority of the MoneyTree common stock and a majority of the Series C preferred stock, voting as a separate class, entitled to vote at the special meeting. Only shareholders of record of MoneyTree common stock and Series C preferred stock at the close of business on March 27, 2015 will be entitled to vote at the special meeting or any adjournments thereof. MoneyTree's board of directors has adopted a resolution approving the merger and the merger agreement and unanimously recommends that you vote for the proposal to approve the merger. Additionally, the holder of MoneyTree Series D preferred stock must consent to the merger. United will assume the Series D preferred stock from MoneyTree in connection with the merger and issue its own preferred stock with identical terms in replacement thereof.

If the merger is completed, MoneyTree shareholders who dissent with respect to the merger will be entitled to receive a cash payment for their shares of MoneyTree common stock and Series C preferred stock if they comply with certain statutory provisions of Chapter 23 of the Tennessee Business Corporation Act regarding the rights of dissenting shareholders, all as more fully explained under the heading "Details of the Proposed Merger — Rights of Dissenting

Shareholders" (page 24) and in Appendix B to the accompanying materials.

Business and financial information about MoneyTree is available without charge to you upon written or oral request made to Sandra Day, Shareholder Relations, MoneyTree Corporation, 200 East Broadway Street, P.O. Box 306, Lenoir City, Tennessee 37771, telephone number (865) 271-1602. To obtain delivery of such business and financial information before the special meeting, your request must be received no later than April 20, 2015.

TABLE OF CONTENTS

A form of proxy for use by you is enclosed. To ensure representation at the special meeting, each MoneyTree shareholder is requested to sign, date, and return the proxy card promptly in the enclosed, stamped envelope. MoneyTree shareholders may also vote via the Internet or telephone (see the instructions on the proxy card). A previously submitted proxy may be revoked by notifying Sandra Day of MoneyTree, in writing, or by submitting an executed, later-dated proxy prior to the special meeting to Sandra Day, Shareholder Relations, MoneyTree Corporation, 200 East Broadway Street, P.O. Box 306, Lenoir City, Tennessee 37771. A previously submitted proxy also may be revoked by attending the special meeting and requesting the right to vote in person. A properly signed and returned proxy card, if not revoked, will be voted at the special meeting in the manner specified by the duly submitted proxy.

By Order of the Board of Directors,

Ted L. Wampler, Chairman

April 1, 2015
Lenoir City, Tennessee

TABLE OF CONTENTS
TABLE OF CONTENTS

	Page
QUESTIONS AND ANSWERS ABOUT THE MERGER	1
SUMMARY	3
The Companies	3
The Terms of the Merger	4
The Reasons Management of Both Companies Support the Merger	4
Shareholders' Meeting	5
Record Date	5
Vote Required and Certain Consents	5
Accounting Treatment	5
Conditions, Termination, and Effective Date	5
Rights of Dissenting Shareholders	5
Federal Income Tax Consequences	5
Opinion of MoneyTree's Financial Advisor	6
Markets for Common Stock	6
Dividends	7
Differences in Legal Rights Between Shareholders of MoneyTree and United	7
Interests of Directors and Officers of MoneyTree and First National Bank in the Merger	7
SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF UNITED	8
RISK FACTORS	12
DETAILS OF THE PROPOSED MERGER	14
Background of the Merger	14
MoneyTree's Reasons for the Merger; Recommendation of MoneyTree's Board of Directors	15
The Merger Consideration	17
Merger Consideration Adjustment and Termination Rights	17
The Merger Agreement	18
Required Shareholder Approval and Consent	21
Expenses	21
Conduct of Business of MoneyTree Pending Closing	22
Interests of the Directors and Officers of MoneyTree and First National Bank in the Merger	22
Differences in Legal Rights Between Shareholders of MoneyTree and United	23
Dividends	24
Accounting Treatment	24
Regulatory Approvals	24
Rights of Dissenting Shareholders	24
Material Federal Income Tax Consequences of the Merger and Opinion of Tax Counsel	25
Opinion of MoneyTree's Financial Advisor	26
INFORMATION ABOUT UNITED COMMUNITY BANKS, INC.	35
General	35

Securities	35
Certain Provisions of United’s Articles of Incorporation and Bylaws Regarding Change of Control	38
INFORMATION ABOUT MONEYTREE CORPORATION	40
General — MoneyTree	40

TABLE OF CONTENTS

	Page
General — First National Bank	40
Property	40
Competition	40
Government Regulation and Control	40
Employees	41
Policies and Procedures	41
MANAGEMENT	42
Management Personnel	42
Limitation of Director Liability	43
Certain Transactions with Management	43
Director Compensation	44
Preferred Stock	44
Small Business Lending Fund	44
Series C Preferred Stock	45
INTEREST OF CERTAIN PERSONS IN THE MERGER	47
LEGAL MATTERS	47
EXPERTS	47
OTHER MATTERS	47
WHERE YOU CAN FIND MORE INFORMATION	47
INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE	48
A WARNING ABOUT FORWARD-LOOKING STATEMENTS	49

Appendix A — Agreement and Plan of Merger
Appendix B — Tennessee Dissenters' Rights Statute
Appendix C — Fairness Opinion

TABLE OF CONTENTS

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q:
What am I being asked to approve?

A:
You are being asked to approve the Agreement and Plan of Merger by and between MoneyTree and United, pursuant to which MoneyTree will be merged with and into United. Approval of the merger requires the affirmative vote of a majority of the outstanding shares of MoneyTree common stock and a majority of the outstanding Series C preferred stock, voting as a separate class. Additionally, the holder of MoneyTree Series D preferred stock must consent to the merger. The MoneyTree board of directors has unanimously approved and adopted the Agreement and Plan of Merger and recommends voting FOR approval of this merger agreement.

Q:
When is the merger expected to be completed?

A:
We plan to complete the merger during the second quarter of 2015.

Q:
What will I receive in the merger?

A:
Unless adjusted pursuant to the terms of the merger agreement, you will receive either 3.5832 shares of United common stock, or $65.00 in cash, without interest, for each share of MoneyTree common stock and either 89.58 shares of United common stock, or $1,625.00 in cash, without interest, for each share of MoneyTree Series C preferred stock; provided, that an aggregate of no more than 154,428 shares of MoneyTree common stock and 405 shares of MoneyTree Series C preferred stock may be exchanged for cash and an aggregate of no more than 617,714 shares of MoneyTree common stock and 1,622 shares of MoneyTree Series C preferred stock may be exchanged for United common stock. United will not issue fractional shares in the merger. Instead, you will receive a cash payment, without interest, for the value of any fraction of a share of MoneyTree common stock or Series C preferred stock that you would otherwise be entitled to receive based on the closing price of United common stock on the Nadsaq Global Select Market on the trading day immediately preceding the effective time of the merger.

To review what you will receive in the merger in greater detail, see “Details of the Proposed Merger — The Merger Consideration” beginning on page 17.

Q:
What should I do now?

A:
Indicate on the enclosed proxy card how you want to vote with respect to the proposed merger, and sign and mail the proxy card in the enclosed envelope as soon as possible so that your shares will be represented at the meeting. If you sign and send in a proxy card but do not indicate how you want to vote, your proxy will be voted in favor of the proposal to approve the merger. A special shareholders meeting will take place on April 27, 2015, at 10:00 a.m., local time, at the Highway 321 office of First National Bank, 257 Medical Park Drive, Lenoir City, Tennessee 37772, to vote on the merger proposal.

You may withdraw your proxy up to and including the day of the special meeting by notifying MoneyTree prior to the meeting, in writing, or by submitting an executed, later-dated proxy to: Sandra Day, Shareholder Relations, MoneyTree Corporation, 200 East Broadway Street, P.O. Box 306, Lenoir City, Tennessee 37771.

Q:

How can I elect stock, cash or both?

A:
You may indicate a preference to receive United common stock, cash or a combination of both in the merger by completing the enclosed election form. However, an aggregate of no more than 154,428 shares of MoneyTree common stock and 405 shares of MoneyTree Series C preferred stock may be exchanged for cash and an aggregate of no more than 617,714 shares of MoneyTree common stock and 1,622 shares of MoneyTree Series C preferred stock may be exchanged for United common stock. Accordingly, if the aggregate cash elections are greater than the maximum, each cash election will be reduced pro rata based on the amount that the aggregate cash elections exceed the maximum. Alternatively, if the aggregate stock elections are greater than the maximum, each stock election will be reduced pro rata based on the amount that the aggregate stock elections exceed the maximum. If you

TABLE OF CONTENTS

do not make an election by or at the special shareholders meeting to be held on April 27, 2015, you will be treated as though you elected to receive all cash unless cash has been fully subscribed by the electing MoneyTree shareholders, in which event you will be treated as if you elected all stock. MoneyTree's board of directors makes no recommendation as to whether you should choose United common stock or cash or a combination of both for your shares of MoneyTree common stock. You should consult with your own financial advisor on that decision.

Q:
What information should I consider?

A:
We encourage you to read this entire document carefully. You should also review the factors considered by each company's board of directors discussed in "Details of the Proposed Merger-Background of the Merger" beginning on page 14 and "Details of the Proposed Merger — MoneyTree's Reasons for the Merger; Recommendation of MoneyTree's Board of Directors" beginning on page 15.

Q:
What are the tax consequences of the merger to me?

A:
We expect that the exchange of shares of MoneyTree common stock and Series C preferred stock for United common stock by MoneyTree shareholders generally will be tax-free to you for federal income tax purposes. However, you will have to pay taxes at either capital gains or ordinary income rates, depending upon individual circumstances, on cash received (i) in exchange for your shares of MoneyTree common stock and Series C preferred stock; (ii) in lieu of fractional shares of United Stock; (iii) if you are a MoneyTree option holder, in exchange for your options; and (iv) upon your exercise of dissenters' rights. To review the tax consequences to MoneyTree shareholders and option holders in greater detail, see "Details of the Proposed Merger — Material Federal Income Tax Consequences of the Merger and Opinion of Tax Counsel" beginning on page 25.

Your tax consequences will depend on your personal situation. You should consult your tax adviser for a full understanding of the tax consequences of the merger to you.

Q:
Should I send in my stock certificates now?

A:
No. After the merger is completed, you will receive written instructions from United for exchanging your MoneyTree common stock and Series C preferred stock certificates for United common stock and/or cash.

Q:
Who should I call with questions?

A:
You should call Sandra Day, Shareholder Relations, MoneyTree Corporation, at 865-271-1602.

TABLE OF CONTENTS

SUMMARY

This summary highlights material information from these materials regarding the proposed merger. For a more complete description of the terms of the proposed merger, you should carefully read this entire document, and the related documents to which it refers. The Agreement and Plan of Merger and Agreement and Plan of Merger, which are the legal documents that govern the proposed merger, are in Appendix A to these materials. In addition, the sections entitled “Where You Can Find More Information”, on page 47, and “Incorporation of Certain Documents By Reference”, on page 48, contain references to additional sources of information about United.

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The Companies (see pages 35 and 38)

United Community Banks, Inc.
63 Highway 515
Blairsville, Georgia 30512
(706) 745-2151

United is the third largest bank holding company headquartered in Georgia. At December 31, 2014, United had total consolidated assets of $7.57 billion, total loans of $4.67 billion, total deposits of $6.33 billion and shareholders’ equity of $740 million. United conducts substantially all of its operations through its wholly-owned Georgia bank subsidiary, United Community Bank (the “Bank”), which as of December 31, 2014, operated at 103 locations throughout north Georgia, the Atlanta-Sandy Springs-Roswell, Georgia metropolitan statistical area, the Gainesville, Georgia metropolitan statistical area, coastal Georgia, western North Carolina, east and central Tennessee and the Greenville-Anderson-Mauldin, South Carolina metropolitan statistical area. In 2012, United expanded into Greenville, South Carolina by opening a loan production office which has subsequently been converted to a full-service branch.

Our community banks offer a full range of retail and corporate banking services, including checking, savings and time deposit accounts, secured and unsecured loans, wire transfers, brokerage services and other financial services, and are led by local bank presidents and management with significant experience in, and ties to, their communities. Each of the local bank presidents has authority, alone or with other local officers, to make most credit decisions.

United also operates United Community Mortgage Services, a full-service retail mortgage lending operation approved as a seller/servicer for Fannie Mae and the Federal Home Mortgage Corporation, as a division of the Bank. The Bank owns an insurance agency, United Community Insurance Services, Inc., known as United Community Advisory Services. United also owns a captive insurance subsidiary, United Community Risk Management Services, Inc., that provides risk management services for United’s subsidiaries. Another subsidiary of the Bank, United Community Payment Systems, LLC, provides payment processing services for the Bank’s customers. Additionally, United provides retail brokerage services through a third party broker/dealer.

For a complete description of our business, financial condition, results of operations and other important information, please refer to United’s filings with the Securities and Exchange Commission (the “SEC”) that are incorporated by reference in this prospectus, including its Annual Report on Form 10-K for the year ended December 31, 2014. For instructions on how to find copies of these documents, see “Where You Can Find More Information.”

United was incorporated in 1987 as a Georgia corporation. Its principal executive offices are located at 125 Highway 515 East, Blairsville, Georgia 30512, and its telephone number is (706) 781-2265. Its website is http://www.ucbi.com. Information on United’s website is not incorporated into this prospectus by reference and is not a part hereof.

TABLE OF CONTENTS

MoneyTree Corporation
200 East Broadway Street
Lenoir City, Tennessee 37771
(865) 271-1602

Moneytree Corporation is a business corporation incorporated on October 17, 2005, under the laws of the State of Tennessee for the purpose of acquiring 100% of the outstanding shares of First National Bank by means of a reorganization, which was completed on December 12, 2005. MoneyTree is registered as a bank holding company under the Federal Reserve Act, and as a result, its activities are subject to the supervision of the Federal Reserve Board.

First National Bank, MoneyTree's wholly-owned bank subsidiary, is an independent and locally oriented commercial bank headquartered in Lenoir City, Loudon County, Tennessee. First National Bank provides a full range of banking and related financial services with a focus on service to individual clients, small business, and mortgage banking for First National Bank's clients. The general banking business conducted includes the receipt of deposits, making of loans, issuance of checks, acceptance of drafts, consumer credit operations, and all aspects of a full service bank, including operating a limited trust department.

- The Terms of the Merger (see page 14)

If MoneyTree shareholders approve and consent to the merger, subject to required regulatory approvals, MoneyTree will be merged with and into United. Unless adjusted pursuant to the terms of the merger agreement, MoneyTree shareholders may elect to receive shares of United common stock or cash in exchange for each of their shares of MoneyTree common stock and Series C preferred stock in the merger on the following basis:

3.5832 shares of United common stock for each share of MoneyTree common stock and 89.58 shares of United Common Stock for each share of MoneyTree Series C preferred stock; or

$65.00 in cash, without interest, for each share of MoneyTree common stock and $1,625.00 in cash, without interest, for each share of MoneyTree Series C preferred stock;

provided, that an aggregate of no more than 154,428 shares of MoneyTree common stock and 405 shares of MoneyTree Series C preferred stock may be exchanged for cash and an aggregate of no more than 617,714 shares of MoneyTree common stock and 1,622 shares of MoneyTree Series C preferred stock may be exchanged for United common stock. You may elect any combination of stock or cash for all of your MoneyTree shares. If the aggregate cash elections are greater than the maximum, all such cash elections will be subject to proration, and, if the aggregate stock elections are greater than the maximum, all such stock elections will be subject to proration.

You will also receive a cash payment, without interest, for the value of any fraction of a share of United common stock that you would otherwise be entitled to receive based on the closing price of United common stock on the Nasdaq Global Select Market on the trading day immediately preceding the effective time of the merger.

Upon consummation of the merger, United will assume the MoneyTree Series D preferred stock from MoneyTree and issue its own preferred stock with identical terms in replacement thereof.

Following the merger, MoneyTree's subsidiary, First National Bank, will be merged with and into United Community Bank, a wholly-owned Georgia bank subsidiary of United, and United Community Bank will be the surviving bank.

- The Reasons Management of Both Companies Support the Merger (see page 15)

The boards of directors of MoneyTree and United support the merger and believe that it is in the best interests of both companies and their respective shareholders. The board of directors of MoneyTree believes that the merger will allow MoneyTree to better serve its customers and markets and that the merger will permit MoneyTree shareholders to have an equity interest in a resulting financial institution with greater financial resources, significant economies of scale, an

increased dividend and a larger shareholder
4

TABLE OF CONTENTS

base, which will increase the liquidity of the MoneyTree shareholders' equity investments. The board of directors of United believes that MoneyTree provides United with an expansion opportunity in an attractive market area. Both boards of directors believe that the terms of the merger are fair and equitable and that following the merger the combined bank will maintain the competitive advantage of a community banking business model.

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Shareholders' Meeting

The special meeting of shareholders of MoneyTree will be held on April 27, 2015 at 10:00 a.m., local time, at the Highway 321 office of First National Bank, 257 Medical Park Drive, Lenoir City, Tennessee 37772, for the purpose of voting on approval of the merger.

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Record Date

You are entitled to vote at the shareholders' meeting if you owned shares of MoneyTree common stock or Series C preferred stock on March 27, 2015.

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Vote Required and Certain Consents (see page 21)

Approval by holders of a majority of the MoneyTree common stock and a majority of the Series C preferred stock, voting as a separate class, outstanding on March 27, 2015, is required to approve the merger. As of such date, 772,142 shares of MoneyTree common stock were issued and outstanding and 2,027 shares of MoneyTree Series C preferred stock were issued and outstanding, each of which is entitled to one vote per share. All of the directors and 10% shareholders of MoneyTree have agreed to vote their shares in favor of the merger. MoneyTree's directors and 10% shareholders own 270,386 shares, or 35%, of MoneyTree common stock (excluding options).

Additionally, the holder of MoneyTree Series D preferred stock must consent to the merger.

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Conditions, Termination, and Effective Date (see pages 17, 18, 21 and 24)

The merger will not occur unless certain conditions are met, and United or MoneyTree can terminate the merger agreement if specified events occur or fail to occur. The merger must also be approved by holders of the MoneyTree common stock and Series C preferred stock, and consented to by the holder of the MoneyTree Series D preferred stock. Following the merger, MoneyTree's subsidiary, First National Bank, will be merged into United's Georgia bank subsidiary, United Community Bank.

The merger and the bank merger must be approved by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and the Department of Banking and Finance of the State of Georgia.

The closing of the merger will occur after the merger is approved by MoneyTree shareholders and the foregoing regulators and after the certificate of merger is filed as required under Georgia law.

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Accounting Treatment (see page 24)

The merger will be accounted for as a purchase of a business for financial reporting and accounting purposes.

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Rights of Dissenting Shareholders (see page 24)

As a holder of MoneyTree common stock or Series C preferred stock, you are entitled to dissent from the merger and to receive a cash payment for your MoneyTree common stock or Series C preferred stock, as applicable, if you follow certain statutory provisions regarding the rights of dissenting shareholders under Chapter 23 of the Tennessee Business Corporation Act.

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Federal Income Tax Consequences (see page 25)

	32,297
	17,841
	4,119
	13,722
Non-compete agreements	
	4,153
	2,675
	1,478
	3,153

	2,360
	793
Trademark	
	340
	274
	66
	340
	104
	236

$	57,369
$	20,370
$	36,999
$	34,603
$	18,371
$	16,232

Intangible assets not subject to amortization:

Goodwill	$	386,958	$	20,618	$	366,340	$	346,737	$	20,618	$

	326,119
Trademarks	
	66,150
	1,401
	64,749
	20,318
	1,401
	18,917
$	
	453,108

$

22,019

$

431,089

$

367,055

$

22,019

$

345,036

Estimated annual amortization expense is approximately as follows:

Year Ending December 31 (amounts in thousands):		
2008	$	1,174
2009		4,394
2010		4,247
2011		3,862
2012		3,609
Thereafter		19,713
	$	36,999

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

Nurse and Allied Staffing Segment	Physician Staffing Segment	Clinical Trials Services Segment	Other Human Capital Management	Total

				Services Segment	
Balance as of December 31, 2007	$ 257,667	$	$ 49,145	$ 19,307	$ 326,119
Acquisition of MDA	1,218	26,119			27,337
Earnout payment for Assent Consulting			4,552		4,552
Earnout payment for Metropolitan Research			6,436		6,436
Earnout payment and net working capital adjustment for AKOS			2,507		2,507
Currency translation adjustment for AKOS			(611)		(611)
Balance as of September 30, 2008	$ 258,885	$ 26,119	$ 62,029	$ 19,307	$ 366,340

As of September 30, 2008, the Company had approximately $3.1 million included in other intangible assets which related to a particular customer relationship. The relationship with this customer remains in good standing; however, the customer has begun to use offshore staffing to meet some of its needs and will not be renewing one of its contracts due to expire in the first quarter of 2009. The expiration of this particular contract has the potential to impact the projected revenue stream utilized in assessing the value of this intangible asset. Management will be aggressively pursuing other opportunities as they become available with this customer in an effort to replace this revenue stream. The Company does have other ongoing contracts with this customer that are expected to continue to generate business, but they are not significant or sufficient enough to replace the revenue stream that will be ending in the first quarter of 2009. Based on these circumstances, the Company may have to record an impairment charge if the future revenue stream from this customer relationship does not appear to support the recorded intangible asset. Due to the uncertainty related to its future revenue stream at this time, the Company s impairment analysis is not complete and a reasonable estimate of the amount of a potential impairment charge cannot be determined.

6.

RESERVES FOR CLAIMS

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

For claims reported prior to September 1, 2008, the workers compensation insurance carrier required the Company to fund a reserve for payment of claims. Those funds are maintained by the insurance carrier. Effective September 1, 2008, the Company has moved from a pre-funded program to a letter of credit structure to guarantee payments of claims. The Company had approximately $5.9 million and $6.7 million recorded as prepaid workers compensation expense included in other current assets on the condensed consolidated balance sheets at September 30, 2008 and December 31, 2007, respectively. At September 30, 2008, the Company had outstanding a $2.0 million standby letter of credit related to this new structure.

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

Separately, the Company s MedStaff subsidiary has a claims-made professional liability policy with a limit of $2.0 million per occurrence, $4.0 million in the aggregate and a $25,000 deductible. In addition, MDA has an occurrence-based professional liability policy with a limit of $1.0 million per occurrence, $3.0 million in the aggregate and a $0.5 million deductible for MDA, its independent contractor physicians, CRNAs and allied health professionals. MDA s $0.5 million deductible is insured by Jamestown Indemnity Ltd., a Cayman Island company and a wholly-owned subsidiary of MDA Holdings, Inc.(the Captive). Under the terms of the Captive s reinsurance policy it is required to guarantee the payment of claims to its insured parties primary medical malpractice insurance carrier via a $5.0 million letter of credit. The value of the letter of credit is secured by $5.0 million of cash held by the Captive in a restricted account and is reported as restricted cash on the condensed consolidated balance sheet. For healthcare professionals that are not insured through these individual policies or through MedStaff s policy, and for the Company s independent liabilities (such as negligent hiring), the Company provides primary coverage with a $2.0 million self-insured retention.

9

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

In August 2002, the Company changed its professional and general liability policy to include a self-insured limit of $2.0 million per claim through a self-insured retention.

7.

DEBT

At September 30, 2008, long-term debt consists of the following:

	September 30, 2008	December 31, 2007
(Amounts in thousands)		
Term loan, interest at 4.99%	$ 125,000	$
Revolving credit facility, weighted average interest at 5.65% and 6.81% at September 30, 2008 and December 31, 2007, respectively	18,250	38,000
Capitalized leases	1,158	1,452
	144,408	39,452
Less current portion	(9,214)	(5,067)
	$ 135,194	$ 34,385

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

The Credit Agreement was also amended for customary covenants for similar leveraged deals such as: 1) requiring the Company to hedge at least 40% of its floating rate exposure for 2 years; and 2) adding a mandatory prepayment provision from Excess Cash as defined by the Credit Agreement. Pursuant to the provisions of the Credit Agreement, in October 2008, the Company entered into interest rate swap agreements to effectively fix the interest on $70.0 million of its term debt for a period of 2 years at 3.04%, plus the applicable LIBOR spread.

The $75.0 million revolving credit facility has a $10.0 million sublimit for the issuance of Swingline Loans (as defined by the Credit Agreement) and a $35.0 million sublimit for the issuance of standby letters of credit. Swingline Loans and letters of credit issued under this facility reduce the revolving 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 September 30, 2008, the Company had $18.3 million of borrowings and $5.3 million of standby letters of credit outstanding under this facility, leaving $51.4 million available for borrowing. In addition, the Company has a letter of credit outstanding outside the Credit Agreement relating to MDA s Captive. See Note 6- Reserves for Claims.

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 September 30, 2008, 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,* $16.0 million of borrowings under this facility is classified as long-term as of September 30, 2008. 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.

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

Aggregate scheduled maturities of long-term debt as of September 30, 2008 are as follows:

Year Ending December 31 (Amounts in thousands):		
2008	$	4,003
2009		7,711
2010		26,441
2011		15,628
2012		36,719
2013		53,906
	$	144,408

8. STOCKHOLDERS EQUITY

Stock Repurchase Program

On May 10, 2006, the Company s Board of Directors authorized a stock repurchase program whereby the Company was authorized to purchase up to 1.5 million shares of its common stock. This repurchase program was completed and on February 28, 2008, the Company s Board of Directors authorized an additional stock repurchase program, whereby it may purchase up to an additional 1.5 million shares of its common stock, subject to the terms of the Company s credit agreement. The shares may be repurchased from time-to-time in the open market and the repurchase program may be discontinued at any time at the Company s discretion. The Company commenced repurchases under the February 2008 authorization during the first quarter of 2008 upon the completion of the May 2006 authorization.

During the three months ended September 30, 2008, the Company did not repurchase shares due to the impending and subsequent closing of its previously announced acquisition of MDA. During the nine months ended September 30, 2008, the Company repurchased a total, under both programs, of 924,235 shares at an average price of $11.66. The cost of such purchases was approximately $10.8 million. During the nine months ended September 30, 2007, the Company purchased a total of 346,998 shares of common stock at an average cost of $17.31 per share, for a total cost of $6.0 million. All of the common stock purchased was retired. Under the February 2008 authorization, the Company may purchase up to an additional 1,441,139 shares of common stock, subject to the constraints of the Company s Credit Agreement. Currently, the Company may not make any repurchases until the Leverage Ratio (as defined in the Credit Agreement) drops below 2 to 1. The Leverage Ratio on September 30, 2008 was 2.14 to 1. At September 30, 2008, the Company had approximately 30.8 million shares of common stock outstanding.

Share-Based Payments

During the nine month period ended September 30, 2008, the Company granted, under its 2007 Stock Incentive Plan, 110,310 restricted stock awards, and 158,664 stock appreciation rights to the Company s management team. The stock appreciation rights can only be settled with stock. The awards and rights vest over a 4 year period.

During the three and nine month periods ended September 30, 2008, $0.4 million and $0.9 million, respectively, was included in selling, general and administrative expenses related to share-based payments. Share-based payment expense was not material for the three and nine month periods ended September 30, 2007.

During the three and nine months ended September 30, 2008, 90,064 shares and 104,626 shares of common stock, respectively, were issued upon exercise of employee stock options. In addition, in the nine month period ended September 30, 2008, 2,046 shares of common stock were issued as a result of vested restricted stock.

9.

SEGMENT DATA

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

The nurse and allied staffing business segment primarily provides travel nurse and allied staffing services and per diem nurse services to primarily acute care hospitals which include public and private healthcare and for-profit and not-for-profit facilities throughout the U.S. The physician staffing business segment provides multi-specialty locum tenens (temporary physician staffing) to the healthcare industry in all 50 states. The clinical trials services business segment provides clinical trials, drug safety, and regulatory professionals on a contract staffing and outsourced basis to companies in the pharmaceutical, biotechnology and medical device industries, as well as to contract research organizations, primarily in the United States, Canada and Europe. The other human capital management services business segment includes the combined results of the Company s education and training and retained search businesses.

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

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2008	**2007**	**2008**	**2007**
(Amounts in thousands)				
Revenue from external customers:				
Nurse and allied staffing	$ 128,910	$ 145,780	$ 402,241	$ 433,497
Physician staffing	10,831		10,831	
Clinical trials services	25,414	26,164	75,181	65,444
Other human capital management services	12,979	13,180	40,083	37,615
	$ 178,134	$ 185,124	$ 528,336	$ 536,556
Contribution income (a):				
Nurse and allied staffing	$ 14,332	$ 14,329	$ 41,132	$ 39,385
Physician staffing	928		928	
Clinical trials services	3,755	5,064	11,937	10,597
Other human capital management services	1,589	1,639	6,092	5,728
	20,604	21,032	60,089	55,710
Unallocated corporate overhead	6,844	6,660	20,284	19,952
Depreciation	1,789	1,370	5,352	4,359
Amortization	713	622	2,029	1,361
Legal settlement charge				34
Income from operations	$ 11,258	$ 12,380	$ 32,424	$ 30,004

(a)

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

10.

COMMITMENTS AND CONTINGENCIES

Commitments:

The Company has entered into non-cancelable operating lease agreements for the rental of office space and equipment. Certain of these leases include options to renew as well as rent escalation clauses and in certain cases, incentives from the landlord for rent-free months and allowances for tenant improvements. The rent escalations and incentives have been reflected in the following table. Future minimum lease payments, as of September 30, 2008, associated with these agreements with terms of one year or more are approximately as follows:

Year Ending December 31 (Amounts in thousands):		
2008	$	1,755
2009		6,833
2010		6,009
2011		5,645
2012		5,216
Thereafter		13,978
	$	39,436

Contingencies:

Maureen Petray and Carina Higareda v. MedStaff, Inc.

On February 18, 2005, the Company s MedStaff subsidiary became the subject of a purported class action lawsuit (*Maureen Petray and Carina Higareda v. MedStaff, Inc.)* filed in the Superior Court of California in Riverside County. The lawsuit relates to only MedStaff corporate employees. The claims alleged under this lawsuit are generally similar in nature to those brought by Darrelyn Renee Henry in a lawsuit against the Company, which was dismissed (*Darrelyn Renee Henry vs. MedStaff, Inc., Cross Country Healthcare, Inc., Victor Kalafa, Tim Rodden, Talia Pico and Melissa Hetrick*).

The lawsuit alleges, among other things, violations of certain sections of the California Labor Code, the California Business and Professions Code, and recovery of unpaid wages and penalties. MedStaff currently has less than 50 corporate employees in California. The Plaintiffs, Maureen Petray and Carina Higareda, purport to sue on behalf of themselves and all others similarly situated, 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. On October 16, 2008, MedStaff, Inc. filed a Motion to Decertify the class. The Company is unable to determine its potential exposure, if any, and intends to vigorously defend this matter.

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

In the nine months ended September 30, 2007, the Company paid $6.7 million to settle the California wage and hour class action lawsuit filed against certain of the Company's subsidiaries in Superior Court in Orange County, California, in August of 2003.

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

11.

RECENTLY ISSUED ACCOUNTING STANDARDS

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

In March 2008, the FASB issued FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133.* FASB Statement No. 161 requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and its related interpretations, and how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. FASB Statement No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. FASB Statement No. 161 encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The Company expects to implement FASB Statement No. 161 in the fourth quarter of 2008 due to the interest rate swap agreements entered into in October 2008 (See Note 7-Debt) and it does not believe the adoption of FASB Statement No. 161 will have a material impact on its consolidated financial statements.

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

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. As the Company did not elect fair value treatment for qualifying instruments that exist as of the effective date, the adoption of this Standard did not have a material impact on its consolidated financial statements. The Company may elect to measure qualifying instruments at fair value in the future.

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 was effective for financial statements issued for fiscal years beginning after November 15, 2007. However, in February 2008, the FASB Staff Position No. 157-2 was issued, which delays the effective date for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The effective date has been deferred to fiscal years beginning after November 15, 2008 for these nonfinancial assets and liabilities. At January 1, 2008, the adoption of FASB Statement No. 157 did not have a material impact on the Company s condensed consolidated financial statements. The Company does not expect the deferred portion of the adoption to have a material impact on its consolidated financial statements.

ITEM 2.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The Company s condensed consolidated financial statements present a consolidation of all its operations. This discussion supplements the detailed information presented in the condensed consolidated financial statements and notes thereto which should be read in conjunction with the consolidated financial statements and related notes contained in the Company s Annual Report on Form 10-K, filed for the year ended December 31, 2007, 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, which comprises travel and per diem nurse and travel allied staffing, represented approximately 73% of our total revenue. Travel nurse staffing represented approximately 86% of this business segment s revenue and approximately 62% of the Company s total revenue. In the third quarter of 2008, the Company added a new business segment, physician staffing, as a result of its acquisition, on September 9, 2008, of substantially all of the assets of privately held MDA Holdings, Inc. and its subsidiaries and all of the outstanding stock of a subsidiary of privately-held MDA Holdings, Inc. (collectively, MDA). Physician staffing represented approximately 6% of our total revenue for the three months ended September 30, 2008. Our clinical trials services business segment, which provides a flexible range of traditional contract staffing, clinical research outsourcing, drug safety monitoring, and regulatory consulting services, represented approximately 14% of total revenue. Our other human capital management services business segment represented approximately 7% of total Company revenue and consists of the education and training, and retained search businesses.

For the three months ended September 30, 2008, revenue was $178.1 million, and net income was $6.2 million, or $0.20 per diluted share. Cash provided by operating activities for the nine months ended September 30, 2008, was $40.9 million and was used primarily for repurchases of shares of our common stock, earnout payments related to acquisitions in our clinical trials services business segment, repayments on our revolving credit facility and capital expenditures. We financed the purchase of MDA in early September by borrowing $125.0 million on a term loan under our restated and amended Credit Agreement. We ended the quarter with total debt of $144.4 million and $12.6 million in unrestricted cash, resulting in a ratio of debt, net of unrestricted cash, to total capitalization of 24.3%.

Nurse and Allied Staffing

The demand for our nurse and allied staffing business, as measured by the average monthly number of open orders from our hospital clients has decreased significantly from the second quarter of 2008 and on a year-over-year basis. In addition, we experienced a decrease in booking activity from our clients for future assignments. Our hospital clients have been increasingly reluctant to commit to a contract nurse, most often citing low patient census and budget reductions as factors for their hesitation. On the supply side, we believe a nurse s willingness to leave a full-time hospital staff position is affected by the overall economic environment and its potential impact on the employment security and income earnings potential of the nurse s spouse. We believe that recent weakness in the nation s employment statistics is likely having an adverse effect on the willingness of nurses to relinquish the security of a full-time hospital staff position in order to take a travel assignment with us. During the third quarter of 2008, we introduced a significant revision to our compensation and benefit package for our nurse and allied professionals. We believe this will significantly enhance our competitive position in the market place. While the initial response was less than anticipated due to the complexity of this program, we did experience an improved response later in the quarter. We are also seeing an increase in nurse applicant activity. However, this is occurring at a time when our customers appear less inclined to commit to contract nurses.

Physician Staffing

We believe this business will continue to experience growth due to a greater demand for physicians because they are revenue generators for hospitals and physician practice groups, unlike nurses who represent a cost center to hospitals.

Clinical Trials Services

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

Results of Operations

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	**2007**	**2008**	**2007**
Revenue from services	100.0 %	100.0 %	100.0 %	100.0 %
Direct operating expenses	73.4	75.2	73.8	76.2
Selling, general and administrative expenses	18.8	17.0	18.6	16.9
Bad debt expense	0.1	0.0	0.1	0.2
Depreciation and amortization	1.4	1.1	1.4	1.1
Income from operations	6.3	6.7	6.1	5.6
Foreign exchange loss	0.0	0.0	0.0	0.0
Interest expense, net	0.4	0.5	0.3	0.4
Income before income taxes	5.9	6.2	5.8	5.2
Income tax expense	2.4	2.4	2.3	2.0
Net income	3.5 %	3.8 %	3.5 %	3.2 %

Acquisitions

MDA Holdings, Inc.

On September 9, 2008, we consummated the acquisition of MDA. We paid $115.9 million in cash at closing, which included $3.6 million as an estimated net working capital adjustment which is subject to final adjustments. This transaction also includes an earnout provision based on 2008 and 2009 performance criteria. This contingent consideration is not related to the sellers employment. Of the cash paid at closing, approximately $8.7 million is being held in escrow to cover any post-closing liabilities and $0.3 million is being held in escrow to cover any net working capital adjustments.

Our senior secured revolving credit facility entered into on November 10, 2005 was amended and restated as of September 9, 2008 in connection with the acquisition of MDA. The Credit Agreement keeps in place an existing $75.0

million revolving credit facility and provides for a 5 year $125.0 million term loan facility with Wachovia Capital Markets, LLC and certain of its affiliates, Banc of America Securities LLC and certain other lenders. The proceeds from the term loan were used to fund the acquisition, pay financing related fees, and pay certain acquisition expenses. The remainder of the proceeds was used to reduce our borrowings under our revolving credit facility. See Note 7 to the condensed consolidated financial statements - Debt for more information about the term loan and amended Credit Agreement.

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

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

Based on the preliminary independent third-party appraisal, the Company assigned the following values to intangible assets: $46.0 million to trademarks with an indefinite life, $20.0 million for customer relations with a useful life of 12 years, $2.0 million to database with a useful life of 5 years, and $1.0 million to noncompete agreements with a weighted average useful life of 4 years. The excess of purchase price over the fair value of net tangible and intangible assets acquired approximated $26.8 million and was recorded as goodwill, which is expected to be deductible for tax purposes. The purchase price allocation could change based on the ultimate resolution of initial assessments, the final audited financial statements, and/or the final third-party appraisal. Additional acquisition costs of approximately $0.5 million were incurred during the three and nine months ended September 30, 2008, and are included as goodwill in the condensed consolidated balance sheet.

Assent Consulting

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

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

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

Based on an independent third-party appraisal, we assigned the following values to intangible assets: $5.2 million for customer relations with a useful life of 10 years, $0.5 million to database with a useful life of 6 years, $0.4 million to a noncompete agreement with a useful life of 5 years, and $0.3 million to trademarks with a useful life of 1.5 years. The excess of purchase price over the fair value of net tangible and intangible assets acquired approximated $11.6 million and was recorded as goodwill, which is deductible for tax purposes.

AKOS Limited

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

The consideration for this acquisition was approximately $8.9 million in cash paid at closing, which included $1.0 million for the additional payment and $0.8 million which is being held in escrow to cover any post-closing liabilities. The post-closing working capital adjustment paid by us equated to approximately $0.4 million. 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 is not related to the sellers employment. In the first quarter of 2008, we paid 1.1 million (approximately $2.2 million) related to 2007 performance. This payment and any additional earnout payment will be allocated to goodwill as additional purchase price, in accordance with FASB Statement No. 141.

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

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

Based on an independent third-party appraisal, we assigned $1.7 million to trademarks with an indefinite life and not subject to amortization. In addition, we assigned $2.6 million to total other identifiable intangible assets subject to amortization as follows: $2.2 million was assigned to customer relations with a useful life of 8.6 years, and $0.4 million was assigned to other intangibles with an estimated useful life of 6 years. The excess of purchase price over the fair value of net tangible and intangible assets acquired approximated $3.8 million and was recorded as goodwill, which is not deductible locally for tax purposes.

Goodwill and Other Identifiable Intangible Assets

Goodwill and other intangible assets represented 117% of our stockholders equity as of September 30, 2008. Goodwill and other identifiable intangible assets from the acquisition of the assets of our predecessor, Cross Country Staffing, a partnership, as well as from subsequent acquisitions were $366.3 million and $101.7 million, respectively, net of accumulated amortization, at September 30, 2008. In accordance with FASB Statement No. 142, goodwill and certain other identifiable intangible assets are not subject to amortization. Instead, we review impairment annually. Refer to our Critical Accounting Principles and Estimates section of our Management s Discussion and Analysis as filed in our Annual Report on Form 10-K for the year ended December 31, 2007. Other identifiable intangible assets, which are subject to amortization, are being amortized using the straight-line method over their estimated useful lives ranging from 1 to 25 years. Refer to Note 5- Goodwill and Intangible Assets for more detailed information.

As of September 30, 2008, we had approximately $3.1 million included in other intangible assets which related to a particular customer relationship. The relationship with this customer remains in good standing; however, the customer has begun to use offshore staffing to meet some of its needs and will not be renewing one of its contracts due to expire in the first quarter of 2009. The expiration of this particular contract has the potential to impact our projected revenue stream utilized in assessing the value of this intangible asset. We will be aggressively pursuing other opportunities as they become available with this customer in an effort to replace this revenue stream. We do have other ongoing contracts with this customer that are expected to continue to generate business, but they are not significant or sufficient enough to replace the revenue stream that will be ending in the first quarter of 2009. Based on these circumstances, we may have to record an impairment charge if the future revenue stream from this customer relationship does not appear to support the recorded intangible asset. Due to the uncertainty related to its future revenue stream at this time, our impairment analysis is not complete and a reasonable estimate of the amount of a potential impairment charge cannot be determined, but we do not expect it exceed $0.06 per diluted share.

Segment Information

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

Our nurse and allied staffing business segment primarily provides travel nurse and allied staffing services and per diem nurse services to acute care hospitals. Nurse and allied staffing services are also marketed to public and private healthcare facilities and for-profit and not-for-profit facilities throughout the U.S. The physician staffing business segment provides multi-specialty locum tenens (temporary physician staffing) to the healthcare industry in all 50 states. Our clinical trials services business segment provides clinical trials, drug safety and regulatory professionals on a contract staffing and outsourced basis to companies in the pharmaceutical, biotechnology and medical device industries, as well as to contract research organizations (CRO) and acute care hospitals conducting clinical research trials in the United States, Canada and Europe. Our other human capital management services business segment includes the combined results of our Company s education and training and retained search businesses.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	**2007**	**2008**	**2007**
(Amounts in thousands)				
Revenue from external customers:				
Nurse and allied staffing	$ 128,910	$ 145,780	$ 402,241	$ 433,497
Physician staffing	10,831		10,831	
Clinical trials services	25,414	26,164	75,181	65,444
Other human capital management services	12,979	13,180	40,083	37,615
	$ 178,134	$ 185,124	$ 528,336	$ 536,556
Contribution income (a):				
Nurse and allied staffing	$ 14,332	$ 14,329	$ 41,132	$ 39,385
Physician staffing	928		928	
Clinical trials services	3,755	5,064	11,937	10,597
Other human capital management services	1,589	1,639	6,092	5,728
	20,604	21,032	60,089	55,710

Unallocated corporate overhead		6,844		6,660		20,284		19,952
Depreciation		1,789		1,370		5,352		4,359
Amortization		713		622		2,029		1,361
Legal settlement charge								34
Income from operations	$	11,258	$	12,380	$	32,424	$	30,004

(a)

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

Three Months Ended September 30, 2008 compared to Three Months Ended September 30, 2007

Revenue from services

Revenue from services decreased $7.0 million, or 3.8%, to $178.1 million for the three months ended September 30, 2008, as compared to $185.1 million for the three months ended September 30, 2007. Excluding the impact of acquisitions, revenue decreased $19.5 million or 10.5%. The decrease in revenue was primarily due to a decrease in revenue from our nurse and allied staffing business segment as well as decreases in our clinical trials services and other human capital management services.

Nurse and allied staffing

Revenue from our nurse and allied staffing business segment decreased $16.9 million, or 11.6%, to $128.9 million in the three months ended September 30, 2008, from $145.8 million in the three months ended September 30, 2007. The decrease in revenue reflected a decrease in staffing volume versus the prior year that was partially offset by improved pricing.

Average nurse and allied staffing revenue per full-time equivalents (FTEs) and average bill rates increased approximately 1.9% and 2.2%, respectively, during the three months ended September 30, 2008, compared to the three months ended September 30, 2007. The average number of nurse and allied staffing FTEs on contract during the three months ended September 30, 2008, decreased 13.3% from the three months ended September 30, 2007.

Physician staffing

Revenue from our physician staffing business was $10.8 million in the three months ended September 30, 2008, entirely from the acquisition of MDA.

Clinical trials services

Revenue from clinical trials services decreased $0.8 million, or 2.9%, to $25.4 million in the three months ended September 30, 2008, from $26.2 million in the three months ended September 30, 2007. Excluding the impact of the acquisition of Assent, revenue decreased $1.8 million, or 6.8%. This decline is primarily due to a decrease in our drug safety business due to the loss of a specific contract (see Note 5 to the condensed consolidated financial statements Goodwill and Intangible Assets) and a decrease in traditional contract staffing volume; partially offset by an increase in revenue from CRO projects. The decrease in staffing volume is due to the completion of certain contracts and delays in the start-up of certain clinical trials.

Other human capital management services

Revenue from other human capital management services for the three months ended September 30, 2008, decreased $0.2 million, or 1.5%, to $13.0 million from $13.2 million in the three months ended September 30, 2007, reflecting a decrease in revenue from our education and training business partially offset by an increase in revenue from our retained search business. Revenue from our education and training business declined primarily due to lower seminar attendance. Revenue from our retained search business was up slightly due to stronger placement activity.

Direct operating expenses

Direct operating expenses are comprised primarily of field employee compensation expenses, housing expenses, travel expenses and field insurance expenses. Direct operating expenses decreased $8.6 million, or 6.2%, to $130.7 million for the three months ended September 30, 2008, as compared to $139.3 million for the three months ended September 30, 2007.

As a percentage of total revenue, direct operating expenses represented 73.4% of revenue for the three months ended September 30, 2008 and 75.2% for the three months ended September 30, 2007. This decrease is primarily due to a widening of our bill-pay spread in our travel staffing operations, and a change in mix of revenue from our business segments. Revenue from our clinical trials services and other human capital management services are a higher percentage of total revenue from services in the three months ended September 30, 2008, compared to the three months ended September 30, 2007, primarily due to the clinical trials services acquisitions. Clinical trials services and other human capital management services tend to have lower direct costs as a percentage of revenue than our nurse and allied staffing business segment.

Selling, general and administrative expenses

Selling, general and administrative expenses increased $2.0 million, or 6.3%, to $33.5 million for the three months ended September 30, 2008, as compared to $31.5 million for the three months ended September 30, 2007. The increase in selling, general and administrative expenses was primarily due to the acquisition of MDA.

Included in selling, general and administrative expenses is unallocated corporate overhead of $6.8 million in the three months ended September 30, 2008, compared to $6.7 million in the three months ended September 30, 2007. As a percentage of consolidated revenue, unallocated corporate overhead was 3.8% during the three month period ended September 30, 2008, and 3.6% in the three month period ended September 30, 2007, primarily due to higher compensation of approximately $0.4 million related to share-based payments. Excluding share-based payment compensation, unallocated corporate overhead was lower in the three months ended September 30, 2008.

As a percentage of total revenue, selling, general and administrative expenses were 18.8% and 17.0%, respectively, for the three months ended September 30, 2008 and 2007, primarily due to negative operating leverage in our nurse and allied staffing segment and a change in mix of revenue from our business segments. Revenue from our clinical trials services and other human capital management services increased at a higher rate than our nursing and allied staffing business segment, primarily due to the clinical trials services acquisitions. Clinical trial services and other human capital management services generally operate with a higher selling, general and administrative burden than our nursing and allied staffing business segment.

Bad debt expense

Bad debt expense was $0.2 million in the three months ended September 30, 2008. No bad debt expense was recorded in the three months ended September 30, 2007.

Contribution income

Contribution income from our nurse and allied staffing segment for the three months ended September 30, 2008, was $14.3 million, essentially flat from the three month period ended September 30, 2007. As a percentage of nurse and allied staffing revenue, segment contribution income was 11.1% for the three months ended September 30, 2008, and 9.8% for the three months ended September 30, 2007. This increase is primarily due to a widening of our bill-pay spread and lower insurance expenses.

Contribution income from physician staffing for the three months ended September 30, 2008, was $0.9 million, representing the 22 days of operations since our acquisition of this business. As a percentage of physician staffing revenue, contribution income was 8.6%.

Contribution income from clinical trials services for the three months ended September 30, 2008, decreased $1.3 million to $3.8 million, compared to $5.1 million in the three months ended September 30, 2007. As a percentage of clinical trials services revenue, segment contribution income was 14.8% in the three months ended September 30, 2008, compared to 19.4% in the three months ended September 30, 2007. This decline is primarily due to an increase in direct costs associated with a CRO project and a decrease in revenue from drug safety engagements which had higher margins than our traditional contract staffing assignments.

Contribution income from other human capital management services for the three months ended September 30, 2008, was $1.6 million, essentially flat from the three months ended September 30, 2007. Contribution income as a percentage of other human capital management services revenue for the three months ended September 30, 2008, was 12.2% compared to 12.4% for the three months ended September 30, 2007.

Depreciation and amortization expense

Depreciation and amortization expense in the three months ended September 30, 2008, totaled $2.5 million as compared to $2.0 million for the three months ended September 30, 2007. As a percentage of total revenue, depreciation and amortization expense was 1.4% for the three month period ended September 30, 2008 and 1.1% for the three month period ended September 30, 2007. This increase is primarily due to higher amortization expense related to our acquisitions and additional depreciation expense from fixed assets that were placed into service since the beginning of 2008 due to technology upgrades.

Interest expense, net

Interest expense, net, totaled $0.8 million for the three months ended September 30, 2008 and 2007. Higher average borrowings outstanding were offset by a lower effective interest rate on our borrowings. Higher borrowings in the three months ended September 30, 2008, were primarily due to financing of the MDA acquisition. The effective interest rate on our borrowings for the three months ended September 30, 2008, was 4.7% compared to a rate of 6.8% for the three months ended September 30, 2007. In October 2008, we entered into interest rate swap agreements to effectively fix the interest on $70.0 million of our term debt for a period of 2 years at 3.04%, plus the applicable LIBOR spread.

Income tax expense

Income tax expense totaled $4.4 million for the three months ended September 30, 2008, as compared to $4.5 million for the three months ended September 30, 2007. The effective tax rate was 41.5% in the three months ended September 30, 2008, compared to 38.8% in the three months ended September 30, 2007. The change in rate is due to a revision of the estimated tax rate for the full year 2008, primarily reflecting the introduction of per diem allowances for our travel nurse and allied staffing field personnel. A portion of these allowances are not deductible for tax purposes.

Nine Months Ended September 30, 2008 compared to Nine Months Ended September 30, 2007

Revenue from services

Revenue from services decreased $8.2 million, or 1.5%, to $528.3 million for the nine months ended September 30, 2008 as compared to $536.6 million for the nine months ended September 30, 2007. The decrease was primarily due a decrease in revenue from our nurse and allied staffing business segment partially offset by the added revenue of the MDA acquisition and an increase in our clinical trials services and other human capital management services business segments. The increase in our clinical trials services business segment was due to the acquisitions of AKOS and Assent. Excluding the impact of acquisitions, consolidated revenue from services decreased $33.7 million or 6.3%.

Nurse and allied staffing

Revenue from our nurse and allied staffing business segment decreased $31.3 million, or 7.2%, to $402.2 million in the nine months ended September 30, 2008, from $433.5 million in the nine months ended September 30, 2007. A decrease in volume versus the prior year more than offset improved pricing.

Average nurse and allied staffing revenue per FTEs and average bill rates increased approximately 3.0% during the nine months ended September 30, 2008, compared to the nine months ended September 30, 2007. The average number of nurse and allied staffing FTEs on contract during the nine months ended September 30, 2008, decreased 9.9% from the nine months ended September 30, 2007.

Physician staffing

Revenue from our physician staffing business was $10.8 million in the nine months ended September 30, 2008. This revenue was generated by MDA, acquired on September 9, 2008.

Clinical trials services

Revenue from clinical trials services increased $9.7 million, or 14.9%, to $75.2 million in the nine months ended September 30, 2008, from $65.4 million in the nine months ended September 30, 2007. Excluding the impact of the acquisitions of Assent and AKOS, revenue decreased $4.2 million, or 6.5%. This decline was primarily due to a decrease in traditional contract staffing volume and a decrease in revenue from the drug safety contract described above; partially offset by an increase in revenue from CRO projects.

Other human capital management services

Revenue from other human capital management services for the nine months ended September 30, 2008, increased $2.5 million, or 6.6%, to $40.1 million from $37.6 million in the nine months ended September 30, 2007, reflecting increases in both our education and training and our retained search businesses.

Direct operating expenses

Direct operating expenses are comprised primarily of field employee compensation expenses, housing expenses, travel expenses and field insurance expenses. Direct operating expenses decreased $18.5 million, or 4.5%, to $390.1 million for the nine months ended September 30, 2008, as compared to $408.6 million for the nine months ended September 30, 2007.

As a percentage of total revenue, direct operating expenses represented 73.8% of revenue for the nine months ended September 30, 2008 and 76.2% for the nine months ended September 30, 2007. This decrease is primarily due to a widening of our bill-pay spread in our travel staffing operations, a change in mix of revenue from our business segments, lower professional liability expenses and lower housing cost as a percentage of revenue; partially offset by higher health insurance claims. Revenue from our clinical trials services and other human capital management services are a higher percentage of total revenue from services in the nine months ended September 30, 2008 compared to the nine months ended September 30, 2007, primarily due to the clinical trials services acquisitions. Clinical trials services and other human capital management services tend to have lower direct costs as a percentage of revenue than our nurse and allied staffing business segment.

Selling, general and administrative expenses

Selling, general and administrative expenses increased $6.8 million, or 7.5%, to $97.8 million for the nine months ended September 30, 2008, as compared to $90.9 million for the nine months ended September 30, 2007. The increase in selling, general and administrative expenses was primarily due to additional expenses from acquisitions and higher compensation expense partially offset by lower legal fees.

Included in selling, general and administrative expenses is unallocated corporate overhead of $20.3 million for the nine months ended September 30, 2008, compared to $20.0 million for the nine months ended September 30, 2007. As a percentage of consolidated revenue, unallocated corporate overhead was 3.8% during the nine month period ended September 30, 2008 and 3.7% for the nine month period ended September 30, 2007.

As a percentage of total revenue, selling, general and administrative expenses were 18.6% and 16.9%, respectively, for the nine months ended September 30, 2008 and 2007, primarily due to a combination of a change in mix of revenue from our business segments and higher expenses as discussed above. Revenue from our clinical trials services and other human capital management services increased at a higher rate than our nursing and allied staffing business segment, primarily due to the clinical trials services acquisitions. Clinical trial services and other human capital management services generally operate with a higher selling, general and administrative burden than our nursing and allied staffing and physician staffing business segments.

Bad debt expense

Bad debt expense totaled $0.7 million for the nine months ended September 30, 2008 compared to $1.3 million in the nine months ended September 30, 2007. Bad debt expense as a percentage of total revenue was 0.1% in the nine months ended September 30, 2008 compared to 0.2% in the nine months ended September 30, 2007. This decrease is due to improved collections during the nine month period ended September 30, 2008.

Contribution income

Contribution income from our nurse and allied staffing segment for the nine months ended September 30, 2008, increased $1.7 million, or 4.4%, to $41.1 million from $39.4 million in the nine month period ended September 30, 2007. As a percentage of nurse and allied staffing revenue, segment contribution income was 10.2% for the nine months ended September 30, 2008, and 9.1% for the nine months ended September 30, 2007. This increase is primarily due to a widening of our bill-pay spread, and secondarily by lower professional liability expenses and a moderation in the rate of increase of housing costs, partially offset by higher health insurance claims.

Contribution income from physician staffing for the nine months ended September 30, 2008, was $0.9 million, representing the 22 days of operations since our acquisition of this business. As a percentage of physician staffing revenue, contribution income was 8.6%.

Contribution income from clinical trials services for the nine months ended September 30, 2008, increased $1.3 million to $11.9 million, compared to $10.6 million in the nine months ended September 30, 2007. As a percentage of clinical trials services revenue, segment contribution income was 15.9% in the nine months ended September 30, 2008, compared to 16.2% in the nine months ended September 30, 2007.

Contribution income from other human capital management services for the nine months ended September 30, 2008, increased by $0.4 million, or 6.4%, to $6.1 million, from $5.7 million in the nine months ended September 30, 2007 due to improved contribution income in the retained search business partially offset by lower contribution income from the education and training businesses. Contribution income as a percentage of other human capital management services revenue was 15.2% for the nine month periods ended September 30, 2008 and 2007.

Depreciation and amortization expense

Depreciation and amortization expense in the nine months ended September 30, 2008, totaled $7.4 million as compared to $5.7 million for the nine months ended September 30, 2007. As a percentage of revenue, depreciation and amortization expense was 1.4% for the nine month period ended September 30, 2008 and 1.1% for the nine months ended September 30, 2007. This increase is primarily due to higher amortization expense related to acquisitions and additional depreciation expense from fixed assets that were placed into service since the beginning of 2008 due to technology upgrades.

Interest expense, net

Interest expense, net, totaled $2.0 million for the nine months ended September 30, 2008 and $1.8 million for the nine months ended September 30, 2007. This increase was due to higher average borrowings in the nine months ended September 30, 2008, partially offset by a lower effective interest rate. Higher borrowings in the nine months ended September 30, 2008, were primarily due to the financing of the MDA and 2007 acquisitions, stock repurchases and earnout payments. The effective interest rate on our borrowings for the nine months ended September 30, 2008, was 5.1% compared to a rate of 6.9% for the nine months ended September 30, 2007.

Income tax expense

Income tax expense totaled $12.2 million for the nine months ended September 30, 2008, as compared to $10.8 million for the nine months ended September 30, 2007. The effective tax rate was 39.9% in the nine months ended September 30, 2008, compared to 38.4% in the nine months ended September 30, 2007. The increase in the tax rate was primarily due to a revised estimate of the current year s taxable income, primarily reflecting the introduction of per diem allowances for our travel nurse and allied staffing field personnel. A portion of these allowances are not deductible for tax purposes.

Liquidity and Capital Resources

As of September 30, 2008, we had a current ratio, defined as the amount of current assets divided by current liabilities, of 2.3 to 1. Working capital decreased by $3.8 million to $94.9 million as of September 30, 2008, compared to $98.7 million as of December 31, 2007.

Net cash provided by operating activities during the nine months ended September 30, 2008, was $40.9 million, compared to $16.0 million in the nine months ended September 30, 2007. During the nine months ended September 30, 2007, we paid $6.7 million, pretax, to settle the California wage and hour class-action lawsuit

(*Cossack, et. al. v. Cross Country TravCorps and Cross Country Nurses, Inc*.). Exclusive of this prior year payment, net cash provided by operating activities in the nine months ended September 30, 2008 was higher, primarily due to a decrease in accounts receivable in the nine months ended September 30, 2008, compared to an increase in accounts receivable in the nine months ended September 30, 2007. In addition net cash provided by operating activities was higher due to timing of payments, partially offset by lower net income. Number of days sales outstanding decreased 5 days to 54 days at September 30, 2008, compared to 59 days at December 31, 2007, primarily due to the impact of the MDA acquisition which operates with lower days sales outstanding than our other businesses.

Investing activities used $129.7 million in cash during the nine months ended September 30, 2008, primarily for the purchase of MDA and earnout payments related to the acquisitions of Assent, AKOS and Metropolitan Research. During the nine months ended September 30, 2007, investing activities used $34.0 million in cash, primarily for the acquisitions of Assent and AKOS and capital expenditures.

Net cash provided by financing activities during the nine months ended September 30, 2008, was $92.6 million compared to $17.9 million during the nine months ended September 30, 2007. During the nine months ended September 30, 2008, we borrowed $125.0 million through a term loan to fund the acquisition of MDA. In addition, we repaid a net of $20.2 million of our total debt, as compared to net borrowings of $22.0 million in the nine months ended September 30, 2007. During the nine months ended September 30, 2008, we used $10.8 million to repurchase and retire stock as compared to $6.0 million in the nine months ended September 30, 2007. Debt issuance costs paid were $2.6 million in the nine months ended September 30, 2008 related to the MDA financing. Proceeds and tax benefits from the exercise of employee stock options provided $1.2 million in the nine months ended September 30, 2008 compared to $1.9 million in the nine months ended September 30, 2007.

Stockholders Equity

On May 10, 2006, our Board of Directors authorized a stock repurchase program whereby we may purchase up to 1.5 million shares of our common stock. This repurchase program was completed and on February 28, 2008, our Board of Directors authorized an additional stock repurchase program whereby we may purchase up to an additional 1.5 million shares of our common stock, subject to the terms of our current credit agreement. The shares may be repurchased from time-to-time in the open market and the repurchase program may be discontinued at any time at our discretion. We commenced repurchases under this authorization during the first quarter of 2008 upon the completion of the May 2006 authorization.

During the nine months ended September 30, 2008, we repurchased, under both programs, a total of 924,235 shares at an average price of $11.66. The cost of such purchases was approximately $10.8 million. During the nine months ended September 30, 2007, we purchased 346,998 shares of common stock at an average cost of $17.31 per share, for a total cost of $6.0 million. All of the common stock was retired. Under the remainder of the February 2008 authorization, we can purchase up to an additional 1,441,139 shares. Currently, we may not make any repurchases until the Leverage Ratio (as defined in the Credit Agreement) drops below 2 to 1. The Leverage Ratio on September 30, 2008 was 2.14 to 1. At September 30, 2008, we had approximately 30.8 million shares of common stock outstanding.

Credit Facility

Our senior secured revolving credit facility entered into on November 10, 2005 was amended and restated as of September 9, 2008 in connection with the acquisition of MDA. The $200.0 million Credit Agreement, dated as of November 10, 2005 and Amended and Restated as of September 9, 2008 (the Credit Agreement) keeps in place an existing $75.0 million revolving credit facility and provides for a 5-year $125.0 million term loan facility with Wachovia Capital Markets, LLC and certain of its affiliates, Banc of America Securities LLC and certain other lenders. The term loan bears interest at a rate of, at our option, either: (i) LIBOR plus a leverage-based margin or (ii) Base Rate (as defined in the Credit Agreement) plus a leverage-based margin.

The Credit Agreement was also amended for customary covenants for similar leveraged deals such as: 1) requiring us to hedge at least 40% of our floating rate exposure for 2 years; and 2) adding a mandatory prepayment provision from Excess Cash as defined by the Credit Agreement. Pursuant to the provisions of the Credit Agreement, subsequent to

September 30, 2008, in October 2008, we entered into interest rate swap agreements to effectively fix the interest on $70.0 million of our term debt for a period of 2 years at 3.04%, plus the applicable LIBOR spread.

Commitments and Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

The following table reflects our contractual obligations and other commitments as of September 30, 2008:

Commitments	Total	2008	2009	2010	2011	2012	Thereafter
	(Unaudited, amounts in thousands)						
Senior secured credit facility (a)	$ 143,250	$ 3,813	$ 7,031	$ 26,156	$ 15,625	$ 36,719	$ 53,906
Capital lease obligations	1,158	190	680	285	3		
Operating leases obligations (b)	39,436	1,755	6,833	6,009	5,645	5,216	13,978
Purchase obligations (c)	1,128	267	760	101			
Earnouts (d)							
	$ 184,972	$ 6,025	$ 15,304	$ 32,551	$ 21,273	$ 41,935	$ 67,884

(a)

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

(b)

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

(c)

Other contractual obligations include contracts for information systems maintenance and support and consulting services.

(d)

Earnouts are contingent payments related to our acquisitions. The Company may be required to pay an earnout to the sellers of MDA. However, the amount cannot be determined at this time. See Note 4 to the condensed consolidated financial statements Acquisitions.

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, 2007, as filed with the Securities and Exchange Commission.

Recent Accounting Pronouncements

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

In March 2008, the FASB issued FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133.* FASB Statement No. 161 requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and its related interpretations, and how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. FASB Statement No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. FASB Statement No. 161 encourages, but does not require, comparative disclosures for earlier periods at initial adoption. We expect to implement FASB Statement No. 161 during the fourth quarter due to the interest rate swap agreements we have entered into in October 2008 (See Note 7 to the condensed consolidated financial statements - Debt) and we do not believe the adoption of FASB Statement No. 161 will have a material impact on our consolidated financial statements.

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

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 did not elect to measure any assets or liabilities at fair value that are not already measured at fair value under existing standards. Therefore, the standard had no impact on our consolidated financial statements.

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 financial statements issued for fiscal years beginning after November 15, 2007. However, in February 2008, the FASB Staff Position No. 157-2 was issued, which delays the effective date for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The effective date has been deferred to fiscal years beginning after November 15, 2008 for these nonfinancial assets and liabilities. At January 1, 2008, the adoption of FASB Statement No. 157 did not have a material impact on our consolidated condensed financial statements. We do not expect the deferred portion of the adoption to have a material impact on our consolidated financial statements.

ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion supplements the detailed information presented in our Annual Report on Form 10-K filed for the year ended December 31, 2007.

Our exposure to interest rate changes has increased from December 31, 2007, due to the term loan financing related to our acquisition of MDA as described in Note 7 Debt to the condensed consolidated financial statements. The $125.0 million term loan bears interest at a rate of, at our option, either: (i) LIBOR plus a leverage-based margin or (ii) Base Rate plus a leverage-based margin. A 1% change in interest rates on our variable rate debt, including the term loan, would have resulted in interest expense fluctuating approximately $0.1 million and $0.3 million in the three and nine month periods ending September 30, 2008.

In October 2008, we entered into interest rate swap agreements to effectively fix the interest on $70.0 million of our term loan for a period of 2 years at 3.04%, plus the applicable LIBOR spread.

ITEM 4.

CONTROLS AND PROCEDURES

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

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

PART II. OTHER INFORMATION

ITEM 1.

LEGAL PROCEEDINGS

Maureen Petray and Carina Higareda v. MedStaff, Inc.

On February 18, 2005, the Company s MedStaff subsidiary became the subject of a purported class action lawsuit (*Maureen Petray and Carina Higareda v. MedStaff, Inc.)* filed in the Superior Court of California in Riverside County. The lawsuit relates to only MedStaff corporate employees. The claims alleged under this lawsuit are generally similar in nature to those brought by Darrelyn Renee Henry in a lawsuit against the Company, which was dismissed (*Darrelyn Renee Henry vs. MedStaff, Inc., Cross Country Healthcare, Inc., Victor Kalafa, Tim Rodden, Talia Pico and Melissa Hetrick*).

The lawsuit alleges, among other things, violations of certain sections of the California Labor Code, the California Business and Professions Code, and recovery of unpaid wages and penalties. MedStaff currently has less than 50 corporate employees in California. The Plaintiffs, Maureen Petray and Carina Higareda, purport to sue on behalf of themselves and all others similarly situated, 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. On October 16, 2008, MedStaff, Inc. filed a Motion to Decertify the class. The Company is unable to determine its potential exposure, if any, and intends to vigorously defend this matter.

ITEM 1A.

RISK FACTORS

The following risk factors, replace the risk factors in their entirety included in the Company s Annual Report on Form 10-K.

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

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

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

We compete with hospitals, healthcare facilities, physician groups and other healthcare staffing companies for qualified healthcare professionals. Because there is currently a shortage of qualified healthcare professionals, competition for them is intense. Our ability to recruit and retain healthcare professionals depends on our ability to, among other things, offer assignments that are attractive to healthcare professionals and offer them competitive wages and benefits or payments, as applicable. To induce healthcare professionals to take assignments with or through our competitors, they might increase hourly wages or other benefits. If we do not raise wages or other benefits in response to such increases by our competitors, we could face difficulties attracting and retaining qualified healthcare professionals. In addition, if we raise wages in response to our competitors wage increases and are unable to pass such cost increases on to our clients, our margins could decline.

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

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

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

Our arrangements with hospitals, healthcare facilities and physician group clients are generally terminable upon 30 to 90 days notice. We may have fixed costs, including housing costs, associated with terminated arrangements that we will be obligated to pay post-termination. Our clinical trials services business is conducted under long-term contracts with individual clients that may perform numerous clinical trials. Some of these long-term contracts are terminable by the clients without cause upon 30 to 60 days notice. Sponsors may decide to immediately discontinue trials at any time if compounds or biologics being studied do not meet targeted expectations. Clients utilizing our clinical trials services may also decide to offshore work outside of the United States to countries where we do not currently provide those services and this could adversely impact our business. In addition, the scope of work under a contract may be changed favorably or unfavorably for our business. Clients may also develop their own in-house capabilities that may replace their need to outsource clinical trials services to us. The delay, loss, termination or unfavorable change in the scope of work performed under a clinical trials services contract could negatively impact our business.

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

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

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

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

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

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

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

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

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

We are dependent on the proper functioning of our information systems in operating our business. Critical information systems used in daily operations identify and match staffing resources and client assignments and perform billing and accounts receivable functions. Additionally, we rely on our information systems in managing our accounting and financial reporting. If these systems are damaged or disrupted and unable to function properly in order to support our business operations or require significant costs to repair, maintain or further develop, our business and financial results could be materially adversely affected. Our information systems are protected through a secure hosting facility and additional backup remote processing capabilities also exist in the event our primary systems fail or are not accessible. However, the business is still vulnerable to fire, storm, flood, power loss, telecommunications failures, physical or software break-ins and similar events which may prevent personnel from gaining access to systems necessary to perform their tasks in an automated fashion. In the event that critical information systems fail or are otherwise unavailable, these functions would have to be accomplished manually, which could impact our ability to identify business opportunities quickly, to maintain billing and clinical records reliably, to bill for services efficiently and to maintain our accounting and financial reporting accurately.

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

Catastrophes can be caused by various events, including, but not limited to, hurricanes and other severe weather. The incidence and severity of catastrophes are inherently unpredictable. The extent of losses from a catastrophe is a function of both the total amount of insured exposure and the severity of the event. We do not maintain business interruption insurance for these events. We could suffer material financial losses as a result of such catastrophes.

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

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

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

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

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

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

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

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

Competition for acquisition opportunities may restrict our future growth by limiting our ability to make acquisitions at reasonable valuations and lack of liquidity in the credit markets may restrict our ability to make certain desirable acquisitions.

Our business strategy includes increasing our market share and presence in the temporary nurse and allied staffing, clinical trials services and locum tenens industries as well as other human capital management services through strategic acquisitions of companies that complement or enhance our business. We have historically faced competition for acquisitions. In the future, this could limit our ability to grow by acquisition or could raise the prices of acquisitions and make them less accretive to our earnings. In addition, even if we are able to negotiate acceptable terms at reasonable valuations, there can be no assurance that there will be sufficient liquidity available on terms favorable to the Company to complete such acquisition. If we are unable to secure necessary financing under our credit facility or otherwise, we may be unable to complete desirable acquisitions. Certain restrictive covenants in our credit facility may also limit our ability to complete desirable acquisitions.

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

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

These acquisitions involve numerous risks, including:

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Potential loss of key employees or clients of acquired companies;

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Difficulties integrating acquired personnel and distinct cultures into our business;

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

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

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

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

Impairment in the value of the Company s goodwill or other intangible assets could adversely affect the Company s financial condition and results of operations.

The Company is required to test goodwill and intangible assets with indefinite lives annually, including the goodwill associated with past acquisitions and any future acquisitions, to determine if impairment has occurred. Interim reviews must also be performed whenever events or changes in circumstances indicate that impairment may have occurred. If the testing performed indicates that impairment has occurred, the Company is required to record a non-cash impairment charge for the difference between the value of the goodwill or other intangible assets and the implied fair value of the goodwill or other intangible assets in the period the determination is made. The testing of goodwill and other intangible assets for impairment requires the Company to make significant estimates about our future performance and cash flows, as well as other assumptions. These estimates can be affected by numerous factors, including changes in economic, industry or market conditions, changes in business operations, changes in competition or potential changes in the Company s stock price and market capitalization. Changes in these factors, or changes in actual performance compared with estimates of our future performance, could affect the fair value of goodwill or other intangible assets, which may result in an impairment charge. The Company cannot accurately predict the amount and timing of any impairment of assets. Should the value of goodwill or other intangible assets become impaired, there could be an adverse effect on the Company s financial condition and results of operation. At September 30, 2008, goodwill (net of amortization) represented 54.9% of the Company s total assets.

Significant legal actions could subject us to substantial uninsured liabilities.

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

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

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

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

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

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

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

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

We are party to various litigation claims and legal proceedings. We evaluate these litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, if any, we establish reserves and/or disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. While we do have certain business insurance, it may not be sufficient to cover our need. We caution you that actual outcomes or losses may differ materially from those estimated by our current assessments which would impact our profitability. Adverse developments in existing litigation claims or legal proceedings involving our Company or new claims could require us to establish or increase litigation reserves or enter into unfavorable settlements or satisfy judgments for monetary damages for amounts in excess of current reserves, which could adversely affect our financial results for future periods.

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

Charterhouse Equity Partners III (CEP III) and CHEF Nominees Limited (CHEF) own approximately 8% of our outstanding common stock and continue to have two designees serving on our Board of Directors (which is currently comprised of seven members). Accordingly, they will be able to substantially influence:

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the election of Directors

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management and policies; and

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

Under our stockholders agreement, the CEP Investors had the right to designate two directors for nomination to our Board of Directors. This number decreased (i) to one director when CEP reduced its ownership pursuant to a Secondary Offering in November 2006 by more than 50% of their holdings prior to our initial public offering and (ii) the number will decrease to zero upon a reduction of ownership by more than 90% of their holdings prior to our initial public offering. Their interests may conflict with the interests of the other holders of our common stock.

A registration statement under the Securities Act covering resale of CEP III s stock is presently in effect and sales of this stock could cause our stock price to decline.

The Company presently maintains an effective shelf registration under the Securities Act covering the resale of stock held by CEP III. These shares represent approximately 8% of our outstanding common stock and sales of the stock could cause our stock price to decline. In addition, we registered 4,398,001 shares of common stock for issuance under our 1999 stock option plans and 1,500,000 shares of common stock for our 2007 Stock Incentive Plan. Options to purchase 2,068,409 shares of common stock were issued and outstanding as of September 30, 2008, of which, options to purchase 2,050,149 shares were vested. In addition, 319,164 shares of stock appreciation rights were issued and outstanding as of September 30, 2008, none of which were vested. Shares of restricted stock outstanding as of September 30, 2008, were 201,039. Common stock issued upon exercise of stock options, stock appreciation rights and restricted stock, under our benefit plans, is eligible for resale in the public market without restriction.

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

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

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

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

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

Recent market disruptions may adversely affect our operating results and financial condition.

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

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

ITEM 6.

EXHIBITS

See Exhibit Index immediately following signature page.

SIGNATURES

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

	CROSS COUNTRY HEALTHCARE, INC.	
Date: November 10, 2008	By:	/s/ EMIL HENSEL Emil Hensel Chief Financial Officer and Director (Principal Financial Officer)
Date: November 10, 2008	By:	/s/ DANIEL J. LEWIS Daniel J. Lewis Chief Accounting Officer (Principal Accounting Officer)

EXHIBIT INDEX

No.	**Description**
10.1	Lease Agreement dated February 1, 2007, by and between MDA Holding, Inc. and ADKS Realty Corporation
10.2	Lease Agreement dated March 1, 1999 by and between Medical Doctors Associates, Inc. and ADKS Realty Corporation
10.3	Lease Agreement dated as of October 29, 2007, by and between Crestline Office Center Associates LLC, and MDA Holdings, Inc.
10.4	Lease Agreement dated as of September 21, 2004, by and between TGS American Realty Limited Partnership and Medical Doctor Associates, Inc.
10.5	First Amendment to Lease Agreement dated as of September 1, 2007, by and between Cornerstone Opportunity Ventures, LLC and Cejka Search, Inc.
10.6*	Purchase Agreement, dated as of July 22, 2008, by and among Cross Country Healthcare, Inc., StoneCo H, Inc., MDA Holdings, Inc., Medical Doctor Associates, Inc., Allied Health Group, Inc., Credent Verification and Licensing Services, Inc. and Jamestown Indemnity, Ltd., and MDA Employee Stock Ownership and 401(k) Plan ESOP Component Trust
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

*

Previously filed as an exhibit to the Company s Form 8-K dated July 22, 2008, and incorporated by reference herein.