

ON ASSIGNMENT INC
Form 10-K
March 02, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K

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

For the fiscal year ended December 31, 2014

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

Commission File Number 000-20540

ON ASSIGNMENT, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

26745 Malibu Hills Road
Calabasas, California 91301

(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (818) 878-7900

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common Stock, \$0.01 par value

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

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

As of June 30, 2014, the aggregate market value of our common stock held by non-affiliates of the registrant was approximately \$1,759,395,602.

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As of February 13, 2015, the registrant had 51,531,217 outstanding shares of Common Stock, \$0.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

We are incorporating by reference into Part III of this Annual Report on Form 10-K portions of the registrant's proxy statement for the 2015 Annual Meeting of Stockholders, to be filed within 120 days of the close of the registrant's fiscal year 2014.

ON ASSIGNMENT, INC.
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SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such statements are based upon current expectations, as well as management's beliefs and assumptions, and involve a high degree of risk and uncertainty. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Statements that include the words "believes," "anticipates," "plans," "expects," "intends," and similar expressions that convey uncertainty of future events or outcomes are forward-looking statements. Forward-looking statements include statements regarding our anticipated financial and operating performance for future periods. Our actual results could differ materially from those discussed or suggested in the forward-looking statements herein. Factors that could cause or contribute to such differences include, but are not limited to, the following: (1) actual demand for our services; (2) the general political and economic environment; (3) our ability to attract, train and retain qualified staffing consultants; (4) our ability to remain competitive in obtaining and retaining clients; (5) the availability of qualified contract professionals; (6) our ability to manage our growth efficiently and effectively; (7) continued performance and improvement of our enterprise-wide information systems; (8) our ability to manage our medical malpractice and other potential or actual litigation matters; (9) the successful integration of our recently acquired businesses; (10) the successful implementation of our five-year strategic plan; and the factors described in Item 1A of this Annual Report on Form 10-K ("2014 10-K") under the section titled "Risk Factors." Other factors also may contribute to the differences between our forward-looking statements and our actual results. In addition, as a result of these and other factors, our past financial performance should not be relied on as an indication of future performance. All forward-looking statements in this document are based on information available to us as of the date we file this 2014 10-K, and we assume no obligation to update any forward-looking statement or the reasons why our actual results may differ.

PART I

Item 1. Business

Overview and History

On Assignment, Inc. (NYSE: ASGN), is a leading global provider of highly skilled, hard-to-find professionals in the growing IT, engineering and life sciences sectors, where quality people are the key to success. We go beyond matching résumés with job descriptions to match people we know into positions we understand, for contract, contract-to-hire, and direct hire assignments.

We were incorporated on December 30, 1985, and commenced operation of our first contract staffing line of business, Lab Support. Expansion into other industries has been achieved through acquisitions as well as internal growth, and utilizing our experience and unique approach in servicing our clients and contract professionals. Since 1985, we have acquired a dozen companies. The following is a list of changes in our organization over the past three years:

On February 1, 2015, we sold our Physician segment which in this 2014 10-K, is included in income from continuing operations in our Condensed Consolidated Statements of Operations and Comprehensive Income for all periods presented (for further information see "Note 16. Subsequent Events" in Part II, Item 8).

On December 5, 2013, we acquired CyberCoders Holdings, Inc. and its subsidiary CyberCoders, Inc. ("CyberCoders"), a privately-owned provider of permanent placement services headquartered in Irvine, California. CyberCoders is included in the Oxford operating segment.

On December 2, 2013, we acquired Whitaker Medical, LLC ("Whitaker"), a privately-owned provider of physician staffing and services headquartered in Houston, Texas. Whitaker is included in the Physician operating segment.

On February 12, 2013, we sold our Nurse Travel division. On December 2, 2013, we sold our Allied Healthcare division. Allied Healthcare and Nurse Travel primarily made up the Healthcare segment, which is presented as discontinued operations in our Consolidated Statement of Operations and Comprehensive Income for all periods presented.

On May 15, 2012, we acquired Apex Systems, Inc. ("Apex Systems"), a privately-owned provider of information technology staffing and services headquartered in Richmond, Virginia. Apex Systems is in the Apex Segment which also includes our Lab Support business.

Financial information regarding our operating segments and our domestic and international revenues is included under "Financial Statements and Supplementary Data" in Part II, Item 8 of this 2014 10-K.

Our principal office is located at 26745 Malibu Hills Road, Calabasas, California 91301 and our telephone number is (818) 878-7900. We have approximately 143 branch offices within the United States and in eight foreign countries.

Industry and Market Dynamics

Based on December 2013 projections, the U.S. Bureau of Labor Statistics published U.S employment estimates that total employment for the next decade will grow by 15.6 million jobs, or 11 percent, between 2012 and 2022. By comparison, under the previous estimate for the 2010 to 2020 period, total employment was projected to grow by 14 percent. The decrease in projected growth from the prior period is primarily due to the relatively larger starting base in 2012, compared to employment levels in 2010.

Staffing Industry Analysts: Staffing Industry Insight (dated September 2014), an independent staffing industry publication, estimated that total staffing industry revenues were \$124.0 billion in 2014 and are forecast to be \$132.0 billion in 2015, up from \$118.0 billion in 2013. The biggest industry segment, contract labor, is forecast to grow at an annual rate of six percent in 2015 with revenues of \$115.0 billion, while permanent placement is forecasted to grow by ten percent in 2015 with revenues of \$17.0 billion. Within the contract segment, professional staffing is expected to grow at an annual rate of seven percent in 2015 to revenues of \$63.0 billion. The temporary staffing (or contract labor) industry is historically cyclical and typically has a strong correlation to employment and GDP growth.

This report also projects that the IT staffing market will increase by seven percent, the engineering staffing market will increase by five percent, and the life sciences professional staffing market will grow by six percent in 2015. Staffing Industry Analysts: 2014 Largest Clinical/Scientific Staffing Firms in Europe (dated December 9, 2014) projected the European Clinical/Scientific staffing market will grow 3.5 percent in 2015.

We anticipate that our life sciences and technology clients will increase their use of outsourced labor through professional staffing firms to meet the need for increases in capacity of their workforce. By using outsourced labor, these clients will benefit from cost structure advantages, improved flexibility to address fluctuating demand in business, and access to greater expertise.

Sales and Fulfillment

We serve the needs of our clients by effectively understanding and matching staffing needs with qualified contract professionals. In contrast to the mass market approach generally used for contract office/clerical and light industrial personnel, we believe effective assignments of contract life science and technology professionals require the people involved in making assignments to have significant knowledge of the client's industry and the ability to assess the specific needs of the client as well as the contract professionals' qualifications. We believe that face-to-face selling in many circumstances is significantly more effective than the telephonic solicitation of clients. Our strategy of using industry professionals to develop professional relationships provides us with a competitive advantage in our industry that we believe is recognized by our clients.

The professionals we place are often pre-screened and we are able to utilize our extensive database to quickly match qualifications with the required skill sets. Once on their assignment, contract professionals assigned to clients are generally our employees, although clients provide on-the-job supervisors for these professionals. Therefore, clients control and direct the work of contract professionals and approve hours worked, while we are responsible for many of the activities typically handled by the client's human resources department.

Our corporate offices are organized to perform many functions that allow staffing consultants and recruiters to focus more effectively on business development and the assignment of contract professionals. These functions include the recruiting and hiring of business development, recruitment and support staff, as well as ongoing training, coaching and administrative support.

Clients

During the year ended December 31, 2014, we provided contract professionals to approximately 7,680 clients. In 2014, we had no single customer that represented 10% or more of our revenues.

All contract assignments, regardless of their planned length, may be terminated with limited notice by the client or the contract professional. The duration of agreements with clients are generally dictated by the contract. Usually, contracts with clients may be terminated with 30 day notice by us or by the clients and, oftentimes, assignments may be terminated with less than one week's notice.

Permanent placements made with clients are typically subject to a 90 day placement guarantee. If the candidate leaves the company for any reason within 90 days of starting, we will find a replacement at no cost to the client.

Candidate Placements

The candidates we source and place are professionals looking for either contract work or permanent placement opportunities. Contract professionals often work with a number of staffing companies and develop relationships or preference based on a variety of factors, including competitive salaries and benefits, availability and diversity of assignments, quality and duration of assignments and responsiveness to requests for placement.

Hourly wage or contract rates for our contract professionals are established based on their specific skills and whether or not the assignment involves travel away from the professional's primary residence. For our consultant employees, we pay the related costs of employment including social security taxes, federal and state unemployment taxes, workers' compensation insurance and other similar costs. After achieving minimum service periods and hours worked, some of our contract professional employees are provided with paid holidays and the right to participate in our 401(k) Retirement Savings Plan and medical benefit plans.

Each contract professional's employment or independent contractor's relationship with us is terminable at will.

Professionals looking for a permanent placement may apply directly for open positions within a company or partner with a staffing agency to ensure they receive the best opportunities available in their industry. Candidates may work with one or more staffing company during this process and often develop long-term relationships with their recruiter for future career advancement. Once placed in a permanent position, the professional is paid and receives benefits directly through the employer.

Strategy

On Assignment's vision is to be the pre-eminent provider for skilled positions in technology and science. This vision is the foundation of our strategic plan, and our long-term goal is to grow our business to \$3.0 billion in revenue by 2018. To achieve this goal we will continue our specialization in the large and growing information technology, engineering, and life sciences professional staffing markets; reinforce our position as a dominant competitor in these markets; and invest primarily in domestic markets we believe provide significant growth opportunities. Our growth strategy also includes further disciplined acquisitions.

This revenue growth will generate higher incremental earnings through leveraging of our fixed costs. Our strategic investments will include enhancements of our primary business systems such as the use and capabilities of our enterprise-wide information system, PeopleSoft™. Our ongoing plan is to deploy a common front-office system integrated with the PeopleSoft™ platform wherever efficiencies can be realized. In addition, we will continue our investment in leasehold improvements as we expand, relocate, and rationalize our branch

facilities. We believe these improvements should continue to increase the productivity of our staffing consultants and streamline corporate operations.

In 2014, we continued to focus on increasing market share in each of our segments, expanding our service offerings, and controlling our operating costs. We also substantially added to the number of recruiters and sales personnel employed by the Company. Over the course of the year, the average number of recruiters and sales personnel employed by the Company increased 22.3 percent. The increase in the number of recruiters and sales personnel is also driven by the acquisition of CyberCoders in December 2013, a technologically enhanced contingent search business that has allowed us to significantly increase our permanent placement revenues.

In December 2014, we completed our \$100.0 million share repurchase program whereby we repurchased 3.4 million shares at an average per share price of \$29.78. In January 2015, our Board of Directors authorized a new \$100.0 million share repurchase program effective February 23, 2015 and continuing for two years.

On February 3, 2015 we announced the completion of the sale of our Physician Segment, effective February 1, 2015. This transaction provides us with additional cash to pursue strategic acquisitions, execute repurchases of shares, increase investments in our organic growth strategy, and pay down debt.

Technology and Security

The current technology and process initiatives will improve our sales capabilities, recruiter productivity, and back office processing efficiency. We have multiple front office systems supporting all domestic and European locations that are essential to how each business unit goes to market. These tools are highly customized for all of our lines of business providing functionality for applicant tracking and search tools, customer and candidate contact management and sales management tools. Our next major front office development initiative supporting the Oxford segment is being deployed. We are expanding the use of our innovative front office tool called Cyrus for select business units.

The Apex Segment continues to successfully use Bullhorn™ for its front office system supporting 85 branches and a large customer base. We are simplifying our technology footprint gradually and at the same time making much advancement putting the best tools in the hands of our account executives and recruiters.

The use and capabilities of PeopleSoft™ ERP system extend across all domestic and European operations. We are further consolidating domestic back-office operations along divisional segments to put contractor care and support services closer to the customer and to lower the cost of transaction processing and realize synergy savings. Across the European business units we are in the process of consolidating back-office platforms and processing centers.

Pay-bill processing has been improved by deploying an on-line time collection and expense management system. This protected web-based application is a self-service tool that captures time and expense details by assignment and allows our customers to provide an electronic approval. This particular extension of PeopleSoft™ has been fully operational at Apex Systems and Oxford for many years. We continue to invest in self-service tools featuring mobility along with client and candidate portals to make working with On Assignment easy.

Significant infrastructure investments were completed the last year and will continue to keep our wide area network and computing platform running securely with high availability hardware. New cyber security protection tools and protocols are in-place for keeping information assets safe. Recurring security awareness programs are in place for educating and making our employees cyber-savvy. We conduct expert security assessments with independent 3rd parties to identify risks and stay current with emerging security best practices across this complex landscape. All primary business segments operate their digital systems from three geographically disparate data centers. We continue to consolidate smaller data processing locations (obtained from acquisitions) into the larger network operation centers to improve controls and lower cost. In the past year, we have experienced no deliberate cyber incident or material

unintentional mishap. None of our business operations were disrupted with an outage or breach penetrating our digital systems, network or computing infrastructure; and we will continue to follow high security standards.

Competition

We compete with other large publicly-held staffing companies as well as privately-owned temporary staffing companies on a national, regional or local basis. Each of our operating segments has unique competitors and further details are provided within the Operating Segments section below.

The principal competitive factors in attracting qualified candidates for temporary employment or engagements are salaries, contract rates and benefits, availability and variety, quality and duration of assignments and responsiveness to requests for placement. We believe that many people seeking temporary employment or engagements through us are also pursuing employment through other means, including other temporary staffing agencies. Therefore, the speed at which we place prospective contract professionals and the availability of appropriate assignments are important factors in our ability to complete assignments of qualified candidates. In addition to having high quality contract professionals to assign in a timely manner, the principal competitive factors in obtaining and retaining clients in the temporary staffing industry are properly assessing the clients' specific job requirements, the appropriateness of the contract professional assigned to the client, the price of services, and the monitoring of client satisfaction. Although we believe we compete favorably with respect to these factors, we expect competition to continue to increase.

Operating Segments

Apex Segment

Our Apex Segment now includes Apex Systems, LLC (“Apex Systems”) and Lab Support. During the quarter ended March 31, 2014, the Company realigned its former Life Sciences segment resulting in Lab Support U.S. being included in our combined Apex Segment (“Apex Segment”). Apex Segment revenues for 2014 were \$1.2 billion and represented 64.0 percent of our total revenues. The business's back-office activities are based in Richmond, Virginia with 85 branch offices nationwide supporting our sales, recruiting and field activities.

The Apex Segment provides mission-critical professionals for contract, contract-to-hire and permanent placement positions to Fortune 1000 and mid-market clients across the United States, and offers consulting services for other select project-based needs. This segment provides staffing and services support for companies from all major industries, including financial services, business services, consumer and industrials, technology, healthcare, government services, and communications.

Candidate quality is a priority of the Apex Segment and a proactive approach and thorough screening process is central to its business. Based upon the customer's requirements, skill-based recruiters will source candidates through several tools, such as a pipeline of pre-screened professionals, an applicant tracking system with over 3.1 million candidates nationwide, referrals, open houses/networking activities, social networking, and diversity-based technical communities.

Demand for Apex Systems’ services is driven by a shortage of IT professionals with specialized skills. Additionally, the demand for project-based work has created an ideal climate to boost the segment. Demand for Lab Support’s services is driven primarily by clients with research and development projects across a wide array of industries.

Apex Systems’ professionals include daily IT operations professionals across 13 primary skill disciplines that cover the entire IT project life-cycle. This includes skill disciplines within infrastructure, application development, project management, and healthcare IT that are often mission-critical to clients. These contract professionals encompass a wide variety of backgrounds and levels of experience within information technology. Specialized skills and training are typically dictated by recent technological advancements and trends impacting demand across the enterprise. Such specialization includes healthcare IT, Java, Microsoft, cloud computing, mobile development, and enterprise resource planning. Contract professionals assigned to clients are generally our employees, although clients provide on-the-job supervisors to control and direct professionals and approve hours worked. Apex Systems is responsible for many of the activities typically handled by the client's human resources department.

Apex Systems’ clients range from the large financial services companies and government contractors to local hospitals seeking support for Internal Classification of Diseases conversions. Assignments for Apex Systems typically vary from four to 12 months, although they can be longer. Correspondingly, for Lab Support, primary contacts with our clients are a mix of end users and process facilitators. End users consist of lab directors, managers and department heads. Facilitators consist of human resource managers, procurement departments and administrators. Facilitators are more price sensitive than end users who typically are more focused on technical capabilities.

Apex Systems’ Consulting Services group is growing to meet the increasing demands of the marketplace. The Consulting Services group supplements Apex Systems’ technical staffing solutions by providing deliverable-based services to also help organizations drive better business performance. The service offerings from this group include managed processes, such as support service centers and centers of excellence; managed projects, such as software

development, mobile applications, migration services, and consulting; and managed implementations, such as Enterprise Resource Planning and Electronic Health Records.

The largest competitors for Apex Systems include TEKsystems Inc., Robert Half International Inc., Kforce Inc., and Insight Global, Inc.

Lab Support provides locally-based, contract and permanent life science professionals to biotechnology, pharmaceutical, food and beverage, personal care, chemical, medical device, automotive, municipal, education and environmental industry clients in North America.

Lab Support has developed a tailored approach to the assignment-making process that utilizes staffing consultants. Unlike traditional approaches that tend to be focused on telephonic solicitation, our scientific staffing consultants are experienced professionals who work in branch offices throughout the United States and Canada to enable face-to-face meetings with clients and contract professionals. Most of Lab Support's staffing consultants are either focused on sales and business development or on fulfillment. Sales and business development staffing consultants meet with clients' managers to understand client needs, formulate position descriptions, and assess workplace environments. Fulfillment staffing consultants meet with candidates to assess their qualifications and interests and place these contract professionals on quality assignments with clients. Assignments for Lab Support generally vary from three to 12 months.

Scientific staffing professionals include chemists, clinical research associates, clinical lab assistants, engineers, biologists, biochemists, microbiologists, molecular biologists, biostatisticians, drug safety specialists, SAS programmers, medical writers, food scientists, regulatory affairs specialists, lab assistants and other skilled scientific professionals. These contract professionals range from individuals with bachelors and/or master's degrees and considerable experience to technicians with limited chemistry or biology backgrounds and lab experience.

We believe Lab Support is one of the few nationwide temporary staffing providers specializing exclusively in the placement of life science professionals. Although other nationwide temporary staffing companies compete with us with respect to scientific, clinical laboratory, many of these companies focus on office/clerical and light and heavy industrial personnel, which account for a significant portion of the overall contract staffing market. These competitors include Manpower Group, Inc., Kelly Services, Inc., Adecco S.A., Yoh Company and the Allegis Group.

Oxford Segment

Our Oxford Segment includes the operations of Oxford Global Resources, LLC (“Oxford”) and CyberCoders, Inc. (“CyberCoders”). The Oxford Segment revenues for 2014 were \$493.3 million and represented 26.5 percent of our total revenues.

Oxford specializes in recruiting and delivering experienced IT, engineering, and life sciences consultants to clients for temporary assignments. Oxford’s consultants typically have a great deal of knowledge and experience in a fairly narrow field which makes them uniquely qualified to fill a given assignment. Oxford combines international reach with local depth, serving clients through a network of recruiting centers across North America and Europe and local branch offices in major metropolitan markets in the United States. Assignments are highly diversified across the client base, averaging fewer than two contract assignments per client. Our competitive advantage comes from our recruiting-driven business process that results in our ability to respond very quickly with high quality candidates to a client's request, thus Oxford's tagline “The Right Talent. Right Now®”. The business's back-office activities are located north of Boston in Beverly, Massachusetts.

Demand for Oxford’s services is driven by a shortage of experienced consultants with specialized technical skills that organizations need quickly but cannot find on their own. Additionally, the push for adoption of health information technology and compliance with FDA regulations is accelerating demand for Oxford's services.

Oxford serves clients through two operating formats. The first consists of eleven recruiting centers in the U.S. and two in Europe where sales consultants recruit skilled IT and engineering professionals to fulfill client needs for temporary consultants across North America and Europe. The right candidates for these assignments often reside in locations remote from the client work-site and will travel away from their homes to perform the assignments. The second consists of 19 branch offices across the United States where technology professionals local to their metropolitan market are recruited to fulfill needs for clients in those cities. In each of these formats, we employ both client-oriented sales people and recruiters who specialize in one of the following six technical disciplines:

Information Technology consultants experienced in enterprise resource planning, business intelligence, database administration, application development, information security, and IT infrastructure provide functional and technical expertise, project management, and business analysis services.

Engineering consultants work as program managers, coordinators, lead project and design engineers, designers, and testers in the areas of software, hardware, electrical, mechanical, and process engineering.

Regulatory and compliance consultants provide clients in the life sciences industry with expertise in quality, validation, compliance, and auditing projects, so that clients can achieve compliance with FDA, CE Marking, and ICH guidelines and regulations.

Clinical research professionals deliver cutting-edge research skills to clients in industries such as biotechnology, medical device, and pharmaceutical as well as at clinical research organizations (“CROs”) and research hospitals and universities, and offer resourcing solutions that include functional outsourcing as well as contract, contract-to-hire,

and direct hire options.

Healthcare IT consultants partner with healthcare organizations to assist with assessments, implementations, and upgrades of clinical applications and electronic medical record (“EMR”) systems.

Health information management professionals offer flexible coding, auditing, and interim management staffing solutions to healthcare facilities, both at the client site and remotely, through contract staffing and direct hire alternatives.

Oxford provides services to clients in a wide range of industries. Clients range from large companies that may, for example, be installing new enterprise-wide computer systems and have a need for a subject matter expert with a specific technical and industry-specific experience, to small and mid-sized companies, such as a medical device manufacturer who needs a specialized hardware engineer. Assignments at Oxford have on average, a term of approximately five months.

Oxford’s competition includes local, regional and national specialty staffing companies as well as small boutique and large international IT and engineering consulting firms. Our larger competitors include Accenture, Inc., International Business Machines Corporation, and Robert Half International Inc.

CyberCoders (which was acquired in December 2013) specializes in recruiting professionals for permanent placements in engineering, technology, sales, executive, financial, accounting, scientific, legal, and operations positions across a wide range of industries.

CyberCoders' proprietary software and unique matching algorithm combine to deliver an impressive turnaround time for employers and helps candidates find jobs that truly fit their background and career goals. CyberCoders, accounted for \$61.6 million of direct hire and conversion fee revenues in 2014. CyberCoders is headquartered in Irvine, CA, with offices in Los Angeles and Boston.

Physician Segment

Our Physician Segment, VISTA Staffing Solutions ("VISTA"), is a leading provider of physician staffing, known as locum tenens coverage, and permanent physician search services. The Physician Segment revenues for 2014 were \$135.2 million and represented 7.3 percent of our total revenues. The majority of VISTA recruiters are located in Salt Lake City, Utah, Atlanta, Georgia, and Houston, Texas.

VISTA's business places physicians and advanced practice personnel, physician assistants and nurse practitioners, in a wide range of specialties throughout the United States, as well as Australia and New Zealand, under the brand VISTA, placing them in hospitals, community-based practices and federal, state and local facilities. VISTA provides short and long-term locum tenens services and full-service physician search and consulting services. The physician staffing market requires a high degree of specialized knowledge about credentialing and qualifications, as well as unique insurance requirements that make it more difficult to replicate than certain other types of staffing markets. VISTA operates out of three primary recruitment centers with several branch offices.

VISTA's sales and fulfillment functions are similar to those of our competitors. Client sales specialists are organized by geographic territories so that a single individual can handle a client's physician staffing needs for all disciplines. Recruiters and schedulers are organized by physician specialty and identify physician candidates with the skills, experience and availability to meet our clients' needs. In addition, VISTA has four branch locations that also carry out recruiting functions.

Physicians come from over 30 different specialties including emergency medicine, psychiatry, anesthesiology, radiology, family practice, surgical specialties, internal medicine, pediatrics, obstetrics and gynecology. The physicians placed at clients are independent contractors. Clients assign shifts and approve hours worked, while VISTA is responsible for issuing payments to the physicians for services rendered to its clients.

VISTA's clients include hospitals, doctors' practice groups, large healthcare systems and government agencies. VISTA is called on to supply temporary and permanent doctors because of the difficulty that healthcare providers have finding qualified practitioners. Assignments in the Physician segment typically had a term of two to six weeks.

VISTA competes in the healthcare market, serving hospitals, doctors' practice groups and private healthcare systems and government administrated healthcare agencies. Our competitors include CHG Healthcare Services, TeamHealth, Inc., Cross Country Healthcare, Inc. and AMN Healthcare Services, Inc., along with several other privately-held companies providing locum tenens services.

Effective February 1, 2015, we sold this segment for \$123 million in cash (see "Note 16. Subsequent Events" in Part II, Item 8, for more information on the sale). Operating results of this segment are included in our results of operations from continuing operations. Beginning with the filing of our Form 10-Q for the quarterly period ending on March 31, 2015, results of operations of this segment will be reported as discontinued operations on a retrospective basis for all periods presented.

Life Sciences Europe Segment

Our Life Sciences Europe segment (“Life Sciences Europe Segment”) includes our Lab Support and Valesta Clinical Research staffing businesses, which operate from 10 local branch offices in the United Kingdom, Netherlands, Belgium, and Spain. The Life Sciences Europe Segment revenues for 2014 were \$41.4 million and represented 2.2 percent of our total revenues. Demand for staffing in our Life Sciences Europe Segment is driven primarily by clients with research and development projects across a wide array of industries. Life Sciences Europe Segment provides locally-based contract and permanent life science professionals to clients in the biotechnology, pharmaceutical, food and beverage, personal care, chemical, medical device, automotive, municipal, education and environmental industries. Contract professionals recruited for these clients range from technicians with limited chemistry or biology backgrounds and lab experience to individuals with bachelor’s and/or master’s degrees and considerable experience.

Seasonality

Demand for our staffing services historically has been lower during the first and fourth quarters due to fewer business days resulting from client shutdowns, adverse weather conditions and a decline in the number of contract professionals willing to work during the holidays. As is common in the staffing industry, we run special incentive programs to keep our contract professionals working through the holidays. Demand for our staffing services usually increases in the second and third quarters of the year. In addition, our cost of services typically increases in the first quarter primarily due to the reset of payroll taxes.

Employees

At December 31, 2014, we employed approximately 2,800 full-time regular employees, including staffing consultants, regional sales directors, account managers, recruiters and corporate office employees. During 2014 we employed approximately 34,700 contract professionals and 1,300 locum tenens physicians.

Government Regulation

The healthcare industry is subject to extensive and complex federal and state laws and regulations related to professional licensure, certification, conduct of operations, payment for services, payment for referrals and insurance. Our operations are subject to additional state and local regulations that require temporary staffing companies placing healthcare personnel to be licensed or separately registered to an extent beyond that required by temporary staffing companies that only place non-healthcare personnel. To date, we have not experienced any material difficulties in complying with such regulations and obtaining required licensure.

Some states require state licensure with associated fees for businesses that employ and/or assign certain healthcare personnel at hospitals and other healthcare facilities. We are currently licensed in all the states that require such licenses. In addition, many of the contract healthcare professionals that we employ are required to be individually licensed and/or certified under applicable state laws. We take reasonable steps to ensure that our contract professionals possess all current licenses and certifications required for each placement. We provide state mandated workers' compensation insurance, unemployment insurance and professional liability insurance for our contract professionals who are employees and our regular employees. We provided separate medical malpractice insurance coverage for our locum tenens physicians placed through Vista and its subsidiaries. These expenses have a direct effect on our cost of services, margins and likelihood of achieving or maintaining profitability.

For a further discussion of government regulation associated with our business, see "Risk Factors" within Item 1A of Part I of this 2014 10-K.

Executive Officers of the Company

The executive officers of On Assignment, Inc. are as follows:

Name	Age	Position
Peter T. Dameris	55	Chief Executive Officer and President
Edward L. Pierce	58	Executive Vice President and Chief Financial Officer
James L. Brill	63	Senior Vice President and Chief Administrative Officer
Michael J. McGowan	61	Chief Operating Officer of On Assignment and President, Oxford
Randolph C. Blazer	64	President, Apex Systems
Theodore S. Hanson	46	Chief Financial Officer, Apex Systems and President, Lab Support division

Peter T. Dameris joined the Company in November 2003 as Executive Vice President, Chief Operating Officer and was promoted to President and Chief Executive Officer in September 2004. He was appointed to the Board of Directors of the Company in February 2005. From February 2001 through October 2002, Mr. Dameris served as Executive Vice President and Chief Operating Officer of Quanta Services, Inc. (NYSE: PWR), a leading provider of specialized contracting services for the electric and gas utility, cable and telecommunications industries. From December 1994 through September 2000, Mr. Dameris served in a number of different positions at Metamor Worldwide, Inc., an international, publicly-traded IT consulting/staffing company, including Chairman of the Board, President and Chief Executive Officer, Executive Vice President, General Counsel, Senior Vice President and Secretary. In June 2000, Mr. Dameris successfully negotiated the sale of Metamor for \$1.9 billion. From November 2002 to January 2006, Mr. Dameris was a member of the Board of Directors of BindView Corporation (acquired by Symantec Corporation in January 2006). Mr. Dameris received a Juris Doctorate from the University of Texas Law School and a Bachelor's degree in Business Administration from Southern Methodist University.

Edward L. Pierce joined the Company in September 2012 as Executive Vice President and Chief Financial Officer. Prior to this appointment, Mr. Pierce served on the Board of Directors for the Company from December 2007 to August 2012. From March 2011 through August 2012, Mr. Pierce was an executive in residence at Flexpoint Ford, a private equity firm. From February 2008 to March 2011, Mr. Pierce served as the President of First Acceptance Corporation, a publicly-traded retailer, servicer and underwriter of non-standard private passenger automobile insurance. Mr. Pierce served as Executive Vice President and Chief Financial Officer of First Acceptance Corporation from October 2006 through February 2008. From May 2001 through February 2006, Mr. Pierce served as Executive Vice President and Chief Financial Officer and as a director of BindView Development Corporation, a publicly-traded network security software development company. From November 1994 through January 2001, Mr. Pierce held various financial management positions, including Executive Vice President and Chief Financial Officer of Metamor Worldwide, Inc., a publicly-traded information technology consulting/staffing company. Mr. Pierce received his Bachelor's of Science degree in Accounting from Harding University and began his career with Arthur Andersen & Co. in Houston, Texas.

James L. Brill joined the Company in January 2007 as Senior Vice President, Finance and Chief Financial Officer and was appointed to Senior Vice President and Chief Administrative Officer in September 2012. Mr. Brill was Vice President, Finance and Chief Financial Officer of Diagnostic Products Corporation, a manufacturer of immuno-diagnostic kits, from July 1999 until it was acquired by Siemens in July 2006. From August 1998 to June 1999, Mr. Brill served as Chief Financial Officer of Jafra Cosmetics International, a marketing and direct-selling company in the skin care and beauty industry, and as Vice President of Finance and Administration and Chief Financial Officer of Vertel Corporation, a provider of middleware for the telecommunications industry, from 1996 to 1998. Mr. Brill also served as Senior Vice President, Finance and Chief Financial Officer of Merisel, Inc., a computer hardware and software distributor, from 1988 to 1996. Mr. Brill

has been a member of the Board of Directors of Onvia Inc. since March 2004. He holds a Bachelor's of Science degree from the United States Naval Academy and a Master's of Business Administration degree from the University of California Los Angeles.

Michael J. McGowan is Chief Operating Officer of the Company and President of Oxford. He was promoted to Chief Operating Officer in May 2012 and has held the position of President of Oxford since 1998. He joined Oxford in May of 1997 as Chief Operating Officer. Formerly, Mr. McGowan was Senior Vice President and General Manager for Kelly Services' Middle Markets Division, a provider of staffing solutions. Prior to that time he was Vice President & General Manager for The MEDSTAT Group, a healthcare information firm, and held increasingly senior positions for Automatic Data Processing ("ADP"), a provider of human resources, payroll and tax and benefits administration solutions, during a sixteen year tenure. Mr. McGowan holds a Bachelor's of Science degree in Electrical Engineering from Michigan State University and a Master's of Business Administration degree from the Eli Broad Graduate School of Management, also at Michigan State University. Mr. McGowan joined On Assignment as a result of the Company's acquisition of Oxford in January 2007.

Randolph C. Blazer joined On Assignment as President of Apex Systems as a result of the Company's acquisition of Apex Systems in May 2012. Prior to the acquisition, Mr. Blazer served as Apex Systems' Chief Operating Officer. Formerly, Mr. Blazer served as President of Public Sector for SAP America. From 2000 through 2004, Mr. Blazer was Chairman and Chief Executive Officer of BearingPoint Inc., one of the world's largest consulting and systems integration firms, based in McLean, Virginia. Under his leadership, the firm, then known as KPMG Consulting, launched the second-largest IPO of NASDAQ's history, becoming the first of the Big Five consulting firms to separate from its audit and tax parent and become an independent, publicly-traded company. From 1977 through 2000, Mr. Blazer held increasing senior positions with KPMG. Mr. Blazer has been a member of the Board of Directors of AtSite since September 2012. Mr. Blazer holds a Bachelor's degree in Economics from McDaniel College and a Master's of Business Administration from the University of Kentucky.

Theodore S. Hanson joined On Assignment as Chief Financial Officer of Apex Systems as a result of the Company's acquisition of Apex Systems in May 2012 and in January 2014, became the President of the Company's Lab Support division. Mr. Hanson joined Apex Systems in November 1998 as Corporate Controller and became Chief Financial Officer in January 2001. From 1991 to 1998, he worked at Keiter, Stephens, Hurst, Gary and Shreaves, an independent accounting firm in Virginia. He currently serves as Vice Chairman of the Massey Cancer Advisory Board. Mr. Hanson holds a Bachelor's of Science degree from Virginia Tech and a Master's of Business Administration from Virginia Commonwealth University.

Available Information and Access to Reports

We electronically file our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements and all amendments to those reports and statements with the Securities and Exchange Commission ("SEC"). You may read and copy any of our reports that are filed with the SEC in the following manner:

• At the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330;

• At the SEC's website, <http://www.sec.gov>;

• At our website, <http://www.onassignment.com>; or

• By contacting our Investor Relations Department at (818) 878-7900.

Our reports are available through any of the foregoing means and are available free of charge on our website as soon as practicable after such material is electronically filed with or furnished to the SEC. Also available on our website (<http://www.onassignment.com>), free of charge, are copies of our Code of Ethics for the Principal Executive Officer

and Senior Financial Officers, Code of Business Conduct and Ethics, Corporate Governance Guidelines and the charters for the committees of our Board of Directors. We intend to disclose any amendment to, or waiver from, a provision of our Code of Ethics for Principal Executive Officer and Senior Financial Officers on our website within five business days following the date of the amendment or waiver.

Item 1A. Risk Factors

Our business is subject to a number of risks including, but not limited to, the following:

U.S. and global market and economic developments could adversely affect our business, financial condition and results of operations.

In the past few years, global macroeconomic conditions and trends have been uncertain and difficult to predict, particularly within the United States and Europe, which have experienced a period of recession and slow growth. Demand for our staffing services is significantly affected by the general level of economic activity and employment in the United States, Europe and the other countries in which we operate. As economic activity slows, companies may defer projects for which they utilize our services or reduce their use of temporary employees before laying off full-time employees. We may also experience more competitive pricing pressure during periods of economic downturn. Approximately 95 percent of our revenue is generated by our business operations in the United States. Any significant economic downturn in the United States or other countries in which we operate could have a material adverse effect on our business, financial condition and results of operations.

Demand for the contract staffing services that we provide is significantly affected by global market and economic conditions. As economic activity slows, particularly any negative effect on research and development, quality control and capital spending, many clients or potential clients reduce their use of and reliance upon contract professionals. During periods of reduced economic activity, we may also be

subject to increased competition for market share and pricing pressure. As a result, a recession or periods of reduced economic activity could harm our business and results of operations.

If we are not able to remain competitive in obtaining and retaining temporary staffing clients, our future growth will suffer. Agreements may be terminated by clients and contract professionals at will and the termination of a significant number of such agreements would adversely affect our revenues and results of operations.

The contract staffing industry is highly competitive and fragmented with limited barriers to entry. We compete in national, regional and local markets with full-service agencies, and in regional and local markets with specialized contract staffing agencies. The success of our business depends upon our ability to continually secure new orders from clients and to fill those orders with our contract professionals.

Our agreements do not provide for exclusive use of our services, and clients are free to place orders with our competitors. Each contract professional's employment or independent contractor's relationship with us is terminable at will. If clients terminate a significant number of our staffing agreements or assignments and we are unable to generate new contract staffing orders to replace lost revenues, or a significant number of our contract professionals terminate their employment with us and we are unable to find suitable replacements, the growth of our business could be adversely affected and our revenues and results of operations could be harmed. As a result, it is imperative to our business that we maintain positive relationships with our clients and contract professionals.

To the extent that competitors seek to gain or retain market share by reducing prices or increasing marketing expenditures, we could lose revenues and our margins could decline, which could seriously harm our operating results and cause the trading price of our stock to decline. As we expand into new geographic markets, our success will depend in part on our ability to gain market share from competitors. We expect competition for clients to increase in the future, and the success and growth of our business depends on our ability to remain competitive. In addition, we continue to participate in a number of third party contracts as a subcontractor, and that requires us to participate in vendor management contracts, which may subject us to greater risks or lower margins.

If we are unable to sustain our rate of growth as set forth in our five-year business strategy, our growth prospects and future results are likely to be adversely affected.

Over the past several years, we have experienced revenue and earnings growth. Our five-year business strategy continues the expectation of future internal growth supplemented by acquisitions to attain \$3 billion in revenues by 2018. There is no assurance that we will be able to continue this pace of growth in the future or meet our strategic objectives for growth. Our growth could be negatively affected by many factors, including future technology industry conditions, macroeconomic events, competition and labor market trends or regulations. If our growth rate slows, or if it fails to grow at the pace anticipated, and we are unable to be successful in our growth initiatives and strategies, our financial results are likely to be adversely affected and could be worse than our expectations or those of investors or analysts.

Our business strategy also includes continuing efforts to restructure our organization, programs, technology and delivery of services to make us a more agile and effective competitor, to reduce the cost of operating our business and to increase our operating profit and operating profit margin. We may not be successful in our continuing restructuring efforts, and they may fail to achieve the cost savings we anticipate; further, we may fail to prevent the return of costs eliminated in these efforts. If we are not successful in implementing our restructuring efforts, our business, financial condition and results of operations could be materially adversely affected.

If we are unable to attract and retain qualified contract professionals, our business could be negatively impacted.

Our business is substantially dependent upon our ability to attract and retain contract professionals who possess the skills, experience, and licenses, as required, to meet the specified requirements of our clients. We compete for such contract professionals with other temporary staffing companies and with our clients and potential clients. There can be no assurance that qualified professionals will be available to us in adequate numbers to staff our operating segments. Moreover, our contract professionals are often hired to become regular employees of our clients. Attracting and retaining contract professionals depends on several factors, including our ability to provide contract professionals with desirable assignments and competitive wages and benefits. The cost of attracting and retaining contract professionals in the future may be higher than we anticipate if there is an increase in competitive wages and benefits (including costs associated with recent federal healthcare reform legislation) and, as a result, if we are unable to pass these costs on to our clients, our likelihood of achieving or maintaining profitability could decline. In periods of high unemployment, contract professionals frequently opt for full-time employment directly with clients and, due to a large pool of available candidates, clients are able to directly hire and recruit qualified candidates without the involvement of staffing agencies. If we are unable to attract and retain a sufficient number of contract professionals to meet client demand, we may be required to forgo staffing and revenue opportunities, which may hurt the growth of our business.

The loss of key members of our senior management team could adversely affect the execution of our business strategy and our financial results.

We believe that the successful execution of our business strategy and our ability to build upon the significant recent investments in our business and acquisitions of new businesses depends on the continued employment of key members of our senior management team. If any members of our senior management team become unable or unwilling to continue in their present positions, we could incur significant costs, spend time and experience business disruption in our efforts to replace them, and our financial results and our business could be materially adversely affected.

Reclassification of our independent contractors by tax or regulatory authorities could materially and adversely affect our business model and could require us to pay significant retroactive wages, taxes and penalties.

We may place individuals who work for their own corporations to provide services in connection with our business as independent contractors rather than employees, and in the past, a substantial portion of the placements in our Physician segment were independent contractors rather than employees. As such, we do not withhold or pay income or other employment related taxes, or provide workers' compensation insurance for them. We believe that our classification of those individuals or their corporations as independent contractors is consistent with general industry standard and applicable guidelines from the U.S. Department of Labor and the Internal Revenue Service, but can nonetheless be challenged by the contractors themselves or by relevant taxing authorities. If federal or state taxing authorities determine that individuals employed by their own corporations engaged as independent contractors are employees, our business model would be materially and adversely affected.

We are in the business of providing employees to clients, and significant legal actions and claims could subject us to substantial uninsured liabilities, result in damage to our business reputation, result in the discontinuation of our client relationships, and adversely affect our recruitment and retention efforts.

We employ people internally and in the workplaces of other businesses. Our ability to control the workplace environment of our clients is limited. Further, many of these individuals have access to client information systems and confidential information. As the employer of record of our contract professionals, we incur a risk of liability to our contract professionals for various workplace events, including claims of physical injury, discrimination, harassment or failure to protect confidential personal information. Other inherent risks include possible claims of errors and omissions; intentional misconduct; release, misuse or misappropriation of client intellectual property, employment of illegal aliens, criminal activity, torts, or other claims. In recent years, we have been subject to an increasing number of legal actions alleging malpractice, vicarious liability, intentional torts, negligent hiring, discrimination, sexual harassment, retroactive entitlement to employee benefits, violation of wage and hour requirements, and 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 most instances, we are required to indemnify clients against some or all of these risks. A failure of any of our employees internally or contract professionals in the workplace to observe our policies and guidelines intended to reduce these risks could result in negative publicity, injunctive relief, criminal investigations and/or charges, payment of monetary damages or fines, or other material adverse effects on our business. Claims raised by clients stemming from the improper actions of our contract professionals, even if without merit, could cause us to incur significant expense associated with the costs or damages related to such claims. Further, such claims by clients could damage our business reputation and result in the discontinuation of client relationships. Any associated negative publicity could adversely affect our ability to attract and retain qualified contract professionals in the future.

To protect ourselves from the cost of these types of claims, we maintain workers' compensation, medical malpractice, errors and omissions, employment practices and general liability insurance coverage in amounts and with deductibles that we believe are appropriate for our operations. Our coverage includes a retention amount, and 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. In this regard, we face various employment-related risks not covered by insurance, such as wage and hour laws and employment tax responsibility. U.S. Courts in recent years have been receiving large numbers of wage and hour class action claims alleging misclassification of overtime eligible workers and/or failure to pay overtime-eligible workers for all hours worked.

Future changes in reimbursement trends or regulations compliance could hamper our Healthcare IT segments clients' ability to pay us, which would harm our financial results.

Several 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, thereby hampering their ability to pay us.

Extensive and complex laws that apply to our hospital and healthcare facility clients, including laws related to Medicare, Medicaid and other federal and state healthcare programs, could indirectly affect the demand or the prices paid for our services. For example, our hospital and healthcare facility clients could suffer civil and/or criminal penalties and/or be excluded from participating in Medicare, Medicaid and other healthcare programs if they fail to comply with the laws and regulations applicable to their businesses. In addition, our hospital and healthcare facility clients could receive reduced reimbursements or be excluded from coverage because of a change in the rates or conditions set by federal or state governments. In turn, violations of or changes to these laws and regulations that adversely affect our hospital and healthcare facility clients could also adversely affect the prices that these clients are willing or able to pay for our services.

U.S. healthcare legislation could negatively impact our results of operations by increasing the cost of providing temporary staffing services.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "ACA") were signed into U.S. law. The ACA represents comprehensive healthcare reform legislation that, in addition to

other provisions, will require that we provide healthcare coverage to our temporary employees in the United States or incur penalties. While the costs associated with the law may have less impact on us than our competitors due to the level and scope of benefits we already offer, and while our intent is to bill additional costs to our customers, there can be no assurance that we will be able to increase client bill rates in a sufficient amount to cover the increased costs. This may reduce our gross and operating margins and negatively impact our financial results. Additionally, since significant provisions of the ACA did not become effective until 2014, and the requirement that we provide healthcare coverage or incur penalties has been delayed until 2015, any future changes to the ACA or their implementation, through regulations or otherwise, could significantly impact any estimates we develop regarding increased costs. As a result of this uncertainty, we are unable at this time to estimate the net impact of the ACA, although we believe the net financial impact on our results of operations could be significant.

We may be subject to increases in payroll-related costs and unemployment insurance taxes, resulting in lower margins.

We currently pay federal, state and local payroll costs and taxes for our corporate employees and contract professional employees. If we are subject to significant increases in costs associated with payroll and unemployment taxes, we may not be able to increase client bill rates to cover the additional expense and this may reduce our gross and operating margins and affect our financial results.

We may not successfully make or integrate acquisitions, which could harm our business and growth.

As part of our growth strategy, we intend to opportunistically pursue selected acquisitions. We compete with other companies in the professional staffing and consulting industries for acquisition opportunities, and we cannot assure that we will be able to affect future acquisitions on commercially reasonable terms or at all. To the extent we enter into acquisition transactions in the future, we may experience:

- delays in realizing or a failure to realize the benefits, cost savings and synergies that we anticipate;
- difficulties or higher-than-anticipated costs associated with integrating any acquired companies into our businesses;
- attrition of key personnel from acquired businesses;
- diversion of management's attention from other business concerns;
- inability to maintain the business relationships and reputation of the acquired companies;
- difficulties in integrating the acquired companies into our information systems, controls, policies and procedures;
- additional risks relating to the businesses or industry of the acquired companies that are different from ours;
- unexpected liabilities, costs or charges;
- unforeseen operating difficulties that require significant financial and managerial resources that would otherwise be available for the ongoing development or expansion of our existing operations; and
- impairment related to goodwill and other identifiable intangible assets acquired.

To undertake more transactions, additional financing may be necessary and, if used, would result in additional debt, dilution of outstanding equity, or both. We may face unexpected contingent liabilities arising from these or future acquisitions that could harm our business.

We have indemnification obligations related to the sales of three of our business units, which could negatively impact our financial results.

As part of our five-year strategic plan, in 2013 we divested of two of our business units, our Nurse Travel business and our Allied Healthcare business. In February 2015, we sold our Physician business. We have ongoing indemnification obligations with respect to liabilities of the sold businesses, and merger and sale activity in general correlates with higher litigation risk. We have not received any material claims for indemnification under the applicable sale agreements governing the dispositions, nor have we received notice of any litigation claims related to the sale activities, however if any significant claims are made and become due and payable, we could incur additional costs and our financial results could be negatively impacted.

Impairment of goodwill or identifiable intangible assets could materially impact future results of operations.

We have approximately \$570.7 million in goodwill and \$262.6 million in identifiable intangible assets at December 31, 2014. As part of the testing of goodwill impairment, Accounting Standards Codification Topic 350, Intangibles - Goodwill and Other, requires us to estimate the fair value of our reporting units on at least an annual basis and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The impairment tests consist of comparing the fair value of a reporting unit with its carrying amount including goodwill. We determine the fair value of each reporting unit based upon a

weighted average calculation using the fair value derived from a discounted cash flow analysis and a market approach analysis. Discounted cash flows are developed for each reporting unit based on assumptions including revenue growth expectations, gross margins, operating expense projections, working capital, capital expense requirements and tax rates. The multi-year financial forecasts for each reporting unit used in the cash flow models considered several key business drivers such as new product lines, historical performance and industry and economic trends, among other considerations. The market approach considers multiple financial metrics, primarily EBITDA, based on trading multiples of a group of guideline public companies in the staffing industry, which multiples are then applied to the corresponding financial metrics of our reporting units to derive an indication of fair value. The similar transaction method considers multiple financial metrics, primarily EBITDA, based on trading multiples of actual transactions that have occurred, which multiples are then applied to the corresponding financial metrics of our reporting units to derive an indication of fair value. There are inherent uncertainties related to the factors, and management's judgment in applying these factors. At October 31, 2014, we performed our annual goodwill impairment test and concluded that there was no impairment. Future declines in our market capitalization or any other impairment indicators subsequent to the balance sheet date could be an early indication that remaining goodwill may become impaired in the future. Although a future impairment of goodwill and indefinite lived identifiable intangible assets would not affect our cash flow, it would negatively impact our operating results.

Intangible assets with indefinite lives consist of trademarks. We test trademarks for impairment on an annual basis, on October 31. In order to test the trademarks for impairment, we determine the fair value of the trademarks and compare such amount to its carrying value. We determine the fair value of the trademarks using a projected discounted cash flow analysis based on the relief-from-royalty approach. The principal factors used in the discounted cash flow analysis requiring judgment are projected net sales, discount rate, royalty rate and terminal value assumption. The royalty rate used in the analysis is based on transactions that have occurred in our industry. Intangible assets having finite lives are amortized over their useful lives and are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Customer relations are amortized using an accelerated method. Contractor relations and non-compete agreements are amortized using the straight-line method. In December 2014 we closed our European retained search unit and recorded a trademark impairment charge of \$0.5 million, which is included in income (loss) from discontinued operations, net of income taxes in our Consolidated Statement of Operations and Comprehensive Income.

We are subject to business risks associated with international operations, which could make our international operations significantly more costly.

Although we have limited experience in marketing, selling and supporting our services outside of North America, we had international sales in the European Union, Canada, New Zealand and Australia in 2014. Our international operations comprised approximately 4.4 percent of total sales in 2014 compared with 4.7 percent in 2013 and 6.6 percent in 2012.

Operations in certain markets are subject to risks inherent in international business activities, including:

- fluctuations in currency exchange rates;
- complicated work permit requirements;
- varying economic and political conditions;
- seasonal reductions in business activity during the summer months in Europe and Asia;
- overlapping or differing tax structures;

- difficulties collecting accounts receivable; and
- regulations concerning pay rates, benefits, vacation, union membership, redundancy payments and the termination of employment.

Our inability to effectively manage our international operations could result in increased costs and adversely affect our results of operations.

An information technology system failure may adversely affect our business.

The operation of our business is dependent on the proper functioning of our information systems. In 2014, we continued to upgrade our information technology systems, including our PeopleSoft TM and Recruitmax TM technology enterprise-wide information systems used in daily operations to identify and match staffing resources and client assignments, track regulatory credentialing, manage scheduling, and perform billing and accounts receivable functions. We also rely on our information systems in managing our accounting and financial reporting. If the systems fail or are otherwise unable to function in a manner that properly supports our business operations, or if these systems require significant costs to repair, maintain or further develop, we could experience business interruptions or delays that could materially and adversely affect our business and financial results. Our information systems are vulnerable to fire, storm, flood, power loss, telecommunications failures, terrorist attacks, physical or software break-ins, viruses, security breaches and similar events. Our network infrastructure is currently located at our facility in Salt Lake City, Utah and is in the process of being moved to Las Vegas, Nevada. As a result, any system failure or service outage at this primary facility could result in a loss of service for the duration of the failure of the outage. Our headquarters location in Southern California is susceptible to earthquakes and has experienced power shortages and outages in the past, which could result in system failures or outages. If our information systems fail or are otherwise unavailable, these functions would have to

be accomplished manually, which could impact our ability to respond to business opportunities quickly, to pay our staff in a timely fashion and to bill for services efficiently.

Our collection, use and retention of personal information and personal health information create risks that may harm our business.

In the ordinary course of our business, we collect and retain personal information of our employees and contract professionals and their dependents including, without limitation, full names, social security numbers, addresses, birth dates, and payroll-related information. Our employees may also have access to, receive and use personal health information in the ordinary course of our Health Information Management businesses. We use commercially available information security technologies to protect such information in digital format. We also use security and business controls to limit access to such information. However, employees or third parties may be able to circumvent these measures and acquire or misuse such information, resulting in breaches of privacy, and errors in the storage, use or transmission of such information may result in breaches of privacy. Privacy breaches may require notification and other remedies, which can be costly, and which may have other serious adverse consequences for our business, including regulatory penalties and fines, claims for breach of contract, claims for damages, adverse publicity, reduced demand for our services by clients and/or flex employment candidates, harm to our reputation, and regulatory oversight by state or federal agencies.

The possession and use of personal information and data in conducting our business subjects us to legislative and regulatory burdens. We may be required to incur significant expenses to comply with mandatory privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations with our clients.

Cybersecurity risks and cyber incidents could adversely affect our business and disrupt operations.

Cyber incidents can result from deliberate attacks or unintentional events. These incidents can include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of intrusion, we may be unable to anticipate these incidents or techniques, timely discover them, or implement adequate preventative measures. Our information technology may not provide sufficient protection, and as a result we may lose significant information about us or our employees or customers. Other results of these incidents could include, but are not limited to, disrupted operations, liability for stolen assets or the disclosure of personally identifiable information of our employees or independent contractors, misstated financial data, increased cybersecurity protection costs, litigation and reputational damage adversely affecting customer or investor confidence.

Failure of internal controls may leave us susceptible to errors and fraud.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the control system are met. Furthermore, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, would be detected.

As of December 31, 2014, we had \$415.1 million of total debt, which could adversely affect our operating flexibility, and the restrictive covenants under our debt instruments could trigger prepayment obligations or additional costs.

Our level of debt and the limitations imposed on us by our credit agreements could have important consequences for investors, including the following:

- we will have to use a portion of our cash flow from operations for debt service rather than for our operations;
- we may not be able to obtain additional debt financing for future working capital, capital expenditures or other corporate purposes or may have to pay more for such financing;
- some or all of the debt under our current or future revolving credit facilities may be at a variable interest rate, making us more vulnerable to increases in interest rates;
- we could be less able to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions; and
- we may be disadvantaged compared to competitors with less leverage.

Our failure to comply with restrictive covenants under our credit facilities and other debt instruments could result in an event of default, which, if not cured or waived, could result in the requirement to repay such borrowings before their due date. Some covenants are tied to our operating results and thus may be breached if we do not perform as expected. Further, the terms of our revolving credit facility permit additional borrowings, subject to certain conditions. If new debt is added to our current debt levels, the related risks we now face could intensify.

We expect to obtain the money to pay our expenses and to repay borrowings under our credit facility primarily from our operations. Our ability to meet our expenses thus depends on our future performance, which will be affected by financial, business, economic and other factors. If we do not have enough money, we may be required to refinance all or part of our existing debt, sell assets or borrow additional funds. We may not be able to take such actions on terms that are favorable to us, if at all. The lenders may require fees and expenses to be paid or other changes to terms in connection with waivers or amendments. If we are forced to refinance these borrowings on less favorable terms, our results of operations and financial condition could be adversely affected by increased costs and/or rates. The lenders may require fees and expenses to be paid or other changes to terms in connection with waivers or amendments. If we are forced to refinance these borrowings on less favorable terms, our results of operations and financial condition could be adversely affected by increased costs and/or rates.

The trading price of our common stock has experienced significant fluctuations, which could make it difficult for us to access the public markets for financing or use our common stock as consideration in a strategic transaction.

In 2014, the trading price of our common stock experienced significant fluctuations, ranging from a high of \$39.86 to a low of \$25.98. The closing price of our common stock on the NYSE was \$37.69 on February 13, 2015. Our common stock may continue to fluctuate widely as a result of a large number of factors, many of which are beyond our control, including:

- period to period fluctuations in our financial results or those of our competitors;
- failure to meet previously announced guidance or analysts' expectations of our quarterly results;
- announcements by us or our competitors of acquisitions, significant contracts, commercial relationships or capital commitments;
- commencement of, or involvement in, litigation;
- any major change in our board or management;
- changes in government regulations, including those related to Medicare and Medicaid reimbursement policies;
- recommendations by securities analysts or changes in earnings estimates;
- announcements about our earnings that are not in line with analyst expectations;
- the volume of shares of common stock available for public sale;
- announcements by our competitors of their earnings that are not in line with analyst expectations;
- sales of stock by us or by our stockholders;
- short sales, hedging and other derivative transactions in shares of our common stock; and
- general economic conditions, slow or negative growth of unrelated markets and other external factors.

Our results of operations may vary from quarter to quarter as a result of a number of factors, including, among other things, the level of demand for our temporary staffing services, changes in our pricing policies or those of our competitors, our ability to control costs, and our ability to manage our accounts receivable balances, which may make it difficult to evaluate our business and could cause instability in the trading price of our common stock. In addition,

the stock market has experienced extreme price and volume fluctuations that have affected the trading prices of the common stock of many companies involved in the temporary staffing industry. As a result of these fluctuations, we may encounter difficulty should we determine to access the public markets for financing or use our common stock as consideration in a strategic transaction.

A significant loss or suspension of our business with the federal government or government contractors could lead to a material reduction in our revenues, cash flows and operating results.

We contract with and serve the U.S. federal government and its agencies as a prime contractor. We also provide staffing services as a subcontractor to federal prime contractors. In these capacities, we must comply with complex laws and regulations relating to the formation, administration, and performance of federal government contracts. These laws and regulations create compliance risk and may impose added costs on our business. If a government review, investigation or audit uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, harm to our reputation, suspension of payments, fines, and suspension or debarment from doing business with federal government agencies.

There is often intense competition to win federal agency contracts. Even when a contract is awarded to us, competitors may protest such awards. If we are unable to successfully compete for new business or win competitions to maintain existing business, our business could be materially adversely affected. After a government contract is awarded and funded by the federal government, we are dependent upon the ability of the relevant agency to administratively manage the contract. We can be adversely impacted by delays in the start-up of already awarded and funded projects, including delays due to shortages of acquisition and contracting personnel within the federal government agencies.

Contracts awarded pursuant to GSA Schedules with certain terms previously negotiated with the federal government constitute a significant percentage of revenues from our federal agency clients. If we were to lose one or more of these Schedules or other contracting vehicles, we could lose revenues and our operating results could be materially adversely affected. These Schedules or contracts typically have an initial term with multiple options that may be exercised by our government agency clients to extend the contract for successive periods of one or more years. We can provide no assurance that our clients will exercise these options.

Some government contracts require us to maintain facility security clearances and require some of our employees to maintain individual security clearances. If our employees lose or are unable to timely obtain security clearances, or we lose a facility clearance, a government agency client may terminate the contract or decide not to renew it upon its expiration. In addition, a security breach by us could cause serious harm to our business, damage our reputation, and prevent us from being eligible for further work on sensitive or classified systems for federal government clients.

Provisions in our corporate documents and Delaware law may delay or prevent a change in control that our stockholders consider favorable.

Provisions in our certificate of incorporation and bylaws could have the effect of delaying or preventing a change of control or changes in our management. These provisions include the following:

Our Board of Directors has the right to elect directors to fill a vacancy created by the expansion of the Board of Directors up to nine or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our Board of Directors.

Stockholders must provide advance notice to nominate individuals for election to the Board of Directors or to propose matters that can be acted upon at a stockholders' meeting. Further, our Board of Directors is divided into three classes, and only one class is up for election each year. These provisions may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.

Our Board of Directors may issue, without stockholder approval, up to one million shares of undesignated or "blank check" preferred stock. The ability to issue undesignated or "blank check" preferred stock makes it possible for our Board of Directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt or make it more difficult for a third party to acquire us.

As a Delaware corporation, we are also subject to certain Delaware anti-takeover provisions, including Section 203 of the Delaware General Corporation Law. Under these provisions, a corporation may not engage in a business combination with any large stockholders who hold 15 percent or more of our outstanding voting capital stock in a merger or business combination unless the holder has held the stock for three years, the board of directors has expressly approved the merger or business transaction or at least two-thirds of the outstanding voting capital stock not owned by such large stockholder approve the merger or the transaction. These provisions of Delaware law may have the effect of delaying, deferring or preventing a change of control, and may discourage bids for our common stock at a premium over its market price. In addition, our Board of Directors could rely on these provisions of Delaware law to discourage, prevent or delay an acquisition of us.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

As of December 31, 2014, we leased approximately 37,200 square feet of office space through November 2021 for our field support and corporate headquarters in Calabasas, California. Additionally, we leased approximately 48,300 square feet of office space through December 2015 at our Oxford headquarters in Beverly, Massachusetts; and 55,900 square feet of office space through March 2017 at our Apex Systems headquarters in Richmond, Virginia. We leased approximately 54,800 square feet of office space through January 31, 2015 at the VISTA headquarters in Salt Lake City, Utah. On February 1, 2015 we sold our subsidiary VISTA Staffing Solutions.

In addition, as of December 31, 2014, we leased approximately 771,000 square feet of total office space in approximately 143 branch office locations in the United States, United Kingdom, Netherlands, Belgium, Ireland, Spain, China and Canada. A branch office typically occupies space ranging from approximately 1,000 to 5,000 square feet with lease terms that typically range from six months to five years.

Item 3. Legal Proceedings

We are involved in various legal proceedings, claims and litigation arising in the ordinary course of business. However, based on the facts currently available, we do not believe that the disposition of matters that are pending or asserted will have a material effect on our financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

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

Price Range of Common Stock

Our common stock is listed on the New York Stock Exchange, or NYSE, under the symbol ASGN. The following table sets forth the range of high and low sales prices as reported on the NYSE for each quarterly period within the two most recent fiscal years. At February 13, 2015 we had approximately 62 holders of record, approximately 14,500 beneficial owners of our common stock, and 51,531,217 shares outstanding.

	Price Range of Common Stock	
	High	Low
Year Ended December 31, 2014		
First Quarter	\$38.93	\$29.32
Second Quarter	\$39.86	\$32.70
Third Quarter	\$37.09	\$26.23
Fourth Quarter	\$34.29	\$25.98
Year Ended December 31, 2013		
First Quarter	\$26.09	\$20.41
Second Quarter	\$27.63	\$22.02
Third Quarter	\$33.74	\$25.24
Fourth Quarter	\$35.71	\$30.15

Since inception, we have not declared or paid any cash dividends on our common stock, and we have no present intention of paying any dividends on our common stock in the foreseeable future, though we have implemented stock repurchase programs in the past, and the Board of Directors has authorized an additional \$100 million share repurchase program. See "Note 16. Subsequent Events" in Part II, Item 8 for further information. Our Board of Directors periodically reviews our dividend policy to determine whether the declaration of dividends is appropriate. Terms of our senior credit facility restrict our ability to pay dividends. The restriction is variable based upon our leverage ratio and certain other circumstances, as outlined in the agreement.

Stock Performance Graph

The following graph compares the performance of On Assignment's common stock price during the period from December 31, 2009 to December 31, 2014 with the composite prices of companies listed on the NYSE, and of companies included in the SIC Code No. 736—Personnel Supply Services Companies Index. The companies listed in the SIC Code No. 736 include peer companies in the same industry or line of business as On Assignment.

The graph depicts the results of investing \$100 in our common stock, the NYSE market index, and an index of the companies listed in the SIC Code No. 736 on January 1, 2010 and assumes that dividends were reinvested during the period.

The comparisons shown in the graph below are based upon historical data, and we caution stockholders that the stock price performance shown in the graph below is not indicative of, nor intended to forecast, potential future performance.

ASSUMES \$100 INVESTED ON JANUARY 1, 2010
 ASSUMES DIVIDEND REINVESTED
 FISCAL YEAR ENDING DECEMBER 31, 2014

	Year Ended December 31,					
	2014	2013	2012	2011	2010	2009
On Assignment, Inc. (ASGN)	\$464.20	\$488.39	\$283.64	\$156.36	\$113.99	\$100.00
SIC Code No. 736						
Index—Personnel Supply Service	\$178.61	\$162.87	\$124.29	\$99.21	\$124.61	\$100.00
Company Index						
NYSE Stock Market Index	\$172.27	\$161.20	\$127.53	\$109.70	\$113.76	\$100.00

Common Stock Repurchases

The Board of Directors approved a \$100.0 million share repurchase program on July 21, 2014. The authorization was effective August 4, 2014 and continued for two years thereafter. On Assignment purchases of securities during the quarter ended December 31, 2014 are shown in the table below.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet be Purchased Under the Plans or Programs
October	—	—	—	\$31,815,000
November	794,811	\$30.29	794,811	\$7,743,000
December	248,393	\$31.17	248,393	—
Total	1,043,204	\$30.50	1,043,204	—

Item 6. Selected Financial Data

The following table presents selected financial data of On Assignment. This selected financial data should be read in conjunction with the consolidated financial statements and notes thereto included under “Financial Statements and Supplementary Data” in Part II, Item 8 of this report.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands, except per share data)				
Summary Results of Operations⁽¹⁾:					
Revenues	\$1,859,922	\$1,628,927	\$1,134,614	\$510,372	\$370,032
Cost of services	1,262,010	1,143,438	781,905	337,535	242,557
Gross profit	597,912	485,489	352,709	172,837	127,475
Selling, general and administrative expenses	427,241	339,423	252,574	132,953	110,989
Amortization of intangible assets	24,401	21,686	17,863	2,144	1,970
Operating income	146,270	124,380	82,272	37,740	14,516
Interest expense, net	(12,730)	(15,863)	(15,768)	(2,936)	(5,960)
Write-off of loan costs	—	(14,958)	(813)	—	(2,208)
Income before income taxes	133,540	93,559	65,691	34,804	6,348
Provision for income taxes	54,527	38,848	28,496	14,582	3,323
Income from continuing operations	79,013	54,711	37,195	20,222	3,025
Gain on sale of discontinued operations, net of income taxes	—	30,840	—	—	—
Income (loss) from discontinued operations, net of income taxes	(1,829)	(1,039)	5,458	4,075	(12,922)
Net income (loss)	\$77,184	\$84,512	\$42,653	\$24,297	\$(9,897)
Basic earnings per common share:					
Income from continuing operations	\$1.48	\$1.02	\$0.80	\$0.55	\$0.08
Income (loss) from discontinued operations	(0.04)	0.56	0.11	0.11	(0.35)
Net income (loss)	\$1.44	\$1.58	\$0.91	\$0.66	\$(0.27)
Diluted earnings per common share:					
Income from continuing operations	\$1.46	\$1.00	\$0.78	\$0.54	\$0.08
Income (loss) from discontinued operations	(0.04)	0.55	0.11	0.10	(0.35)
Net income (loss)	\$1.42	\$1.55	\$0.89	\$0.64	\$(0.27)
Number of shares and share equivalents used to calculate earnings (loss) per share:					
Basic	53,437	53,481	46,739	36,876	36,429
Diluted	54,294	54,555	47,826	37,758	37,050
Balance Sheet Data (at end of year):					
Cash and cash equivalents	\$31,714	\$37,350	\$27,479	\$17,739	\$18,409
Working capital	220,338	182,142	177,228	74,705	50,596
Total assets	1,274,174	1,258,809	1,114,463	427,267	359,116
Long-term liabilities	474,200	450,381	446,571	107,513	76,579
Stockholders' equity	634,408	640,133	532,723	246,743	219,487

(1) Results of Operations have been restated to give retrospective effect to the closure of the European retained search unit in December 2014. The results of that unit are included in discontinued operations for all periods presented (see "Note 5. Discontinued Operations" in Part II, Item 8 for further information).

On December 5, 2013, we acquired CyberCoders, on December 2, 2013, we acquired Whitaker, and on May 15, 2012, we acquired Apex Systems (see "Note 4. Acquisitions" in Part II, Item 8 for further information).

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

The following discussion should be read in conjunction with the other sections of this 2014 10-K, including the Special Note on Forward-looking Statements and Part I, "Item 1A — Risk Factors".

OVERVIEW

On Assignment, Inc. is a leading global provider of in-demand, skilled professionals in the growing technology, healthcare, and life sciences sectors. We provide clients with short- and long-term placement of contract, contract-to-hire, and direct hire professionals.

The Apex Segment provides information technology and scientific staffing professionals for contract, contract-to-hire and permanent placement positions to Fortune 1000 and mid-market clients across the United States, and offers consulting services for other select project-based needs. Apex Segment provides staffing and services support for companies from all major industries, including financial services, business services, consumer and industrials, technology, healthcare, government services, and communications.

The Oxford Segment provides high-end contract and direct placement services of information technology and engineering professionals with expertise in specialized information technology, software and hardware engineering, and mechanical, electrical, validation and telecommunications engineering fields.

The Physician Segment is a leading provider of physician staffing, known as locum tenens. This division also provides permanent physician search services and temporary staffing for nurse practitioners, nurse anesthetists and physicians assistants. This segment provides short- and long-term locum tenens services and full-service physician search and consulting services, primarily in the United States, with some locum tenens placements in Australia and New Zealand. We work with physicians in a wide range of specialties, placing them in hospitals, community-based practices and federal, state and local facilities. On February 1, 2015, we sold the Physician Segment which in this 2014 10-K, is included in income from continuing operations in our Condensed Consolidated Statements of Operations and Comprehensive Income for all periods presented (for further information see "Note 16. Subsequent Events" in Item 8).

The Life Sciences Europe Segment provides locally-based contract life science professionals to clients in the biotechnology, pharmaceutical, food and beverage, medical device, personal care, chemical, automotive, educational and environmental industries. Our contract professionals include chemists, clinical research associates, clinical lab assistants, engineers, biologists, biochemists, microbiologists, molecular biologists, food scientists, regulatory affairs specialists, lab assistants, biostatisticians, drug safety specialists, SAS programmers, medical writers, and other skilled scientific professionals.

Results of Operations

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2014 COMPARED WITH THE YEAR ENDED DECEMBER 31, 2013

	Year Ended December 31,		Change	
	2014	2013	\$	%
Revenues by segment (in thousands):				
Apex	\$1,190,052	\$1,059,993	\$130,059	12.3 %

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Oxford	493,320	423,670	69,650	16.4	%
Physician	135,181	105,827	29,354	27.7	%
Life Sciences Europe	41,369	39,437	1,932	4.9	%
	\$1,859,922	\$1,628,927	\$230,995	14.2	%

Revenues increased \$231.0 million, or 14.2 percent, on a reported basis. On a pro forma basis, which assumes the acquisitions of CyberCoders and Whitaker occurred at the beginning of 2012, consolidated revenues increased \$145.7 million, 8.5 percent year-over-year. The increase in revenues is due to year-over-year organic growth of 8.2 percent and the acquisitions of Whitaker and CyberCoders, which contributed \$104.4 million of revenues. Direct hire and conversion fee revenues were \$86.3 million, or 4.6 percent of total revenues, up from \$26.4 million, or 1.6 percent of total revenues, for the prior year period. The increase is due to CyberCoders, which accounted for \$61.6 million of direct hire and conversion fee revenues for the period.

Apex Segment accounted for 64.0 percent of consolidated revenues. Revenues for Apex Segment were \$1.2 billion, up 12.3 percent year-over-year, reflecting a 9.0 percent increase in the average number of contract professionals on assignment and a 1.0 percent increase in the average bill rate.

Oxford Segment accounted for 26.5 percent of consolidated revenues. Revenues for Oxford Segment were \$493.3 million, up 16.4 percent year-over-year on a reported basis and up 2.1 percent on a pro forma basis. Revenues for the Oxford Segment include CyberCoders, which was acquired in December 2013. Revenues for CyberCoders were \$77.1 million, up 22.0 percent year-over-year on a pro forma basis.

Physician Segment accounted for 7.3 percent of consolidated revenues. Revenues for Physician Segment were \$135.2 million, up 27.7 percent year-over-year on a reported basis and up 2.7 percent on a pro forma basis. Revenues for the Physician Segment included Whitaker, which was acquired in December 2013. Revenues for Whitaker were \$27.3 million for 2014.

Life Sciences Europe Segment accounted for 2.2 percent of consolidated revenues. Revenues for Life Sciences Europe Segment were \$41.4 million, up 4.9 percent year-over-year, due to a 4.5 percent increase in the average number of contract professionals and a 1.2 percent increase in the average bill rate, compared with the same period of the prior year.

Gross Profit and Gross Margins

	Year Ended December 31,		2013			
	2014		Gross Profit	Gross Margin		
Gross Profit by segment (in thousands):						
Apex	\$335,322	28.2	% \$294,611	27.8	%	
Oxford	208,607	42.3	% 147,348	34.8	%	
Physician	40,477	29.9	% 30,614	28.9	%	
Life Sciences Europe	13,506	32.6	% 12,916	32.8	%	
	\$597,912	32.1	% \$485,489	29.8	%	

Gross profit was \$597.9 million, up 23.2 percent, year-over-year as a result of the increase in revenues and expansion in gross margin. Gross margin was 32.1 percent, up approximately 2.3 percentage points year-over-year. The expansion in gross margin was due to the higher mix of direct hire and conversion fee revenues (4.6 percent of revenues up from 1.6 percent year-over-year) and higher contract gross margins. The higher mix of direct hire and conversion fee revenues was attributable to CyberCoders, which accounted for 71.3 percent of direct hire and conversion fee revenues in 2014.

Apex Segment accounted for 56.1 percent of consolidated gross profit. Apex Segment's gross profit was \$335.3 million, up 13.8 percent year-over-year as a result of the year-over-year increase in revenues and expansion in its gross margin. Gross margin was 28.2 percent, up approximately 40 basis points year-over-year. The expansion in gross margin is due to a 2.2 percent increase in bill/pay spread and a slightly higher mix of permanent placement revenues.

Oxford Segment accounted for 34.9 percent of consolidated gross profit. Oxford Segment's gross profit was \$208.6 million, up 41.6 percent year-over-year on a reported basis and 5.3 percent on a pro forma basis. Oxford Segment's gross margin was 42.3 percent, an expansion of 7.5 percentage points year-over-year on a reported basis and up 1.3 percentage points on a pro forma basis. The expansion in gross margin is due to a higher mix of direct hire and conversion fee revenues related to CyberCoders.

Physician Segment accounted for 6.8 percent of consolidated gross profit. Physician Segment's gross profit was \$40.5 million, up 32.2 percent year-over-year on a reported basis and 5.5 percent on a pro forma basis. Physician Segment's gross margin was 29.9 percent, an expansion of 1.0 percentage point year-over-year on a reported basis and up 80

basis points on a pro forma basis. The expansion in gross margin reflected a \$2.4 million reduction in the medical malpractice reserve during the year.

Life Sciences Europe Segment accounted for 2.3 percent of consolidated gross profit. Life Sciences Europe Segment's gross profit was \$13.5 million, up 4.6 percent, as a result of the 4.9 percent increase in revenues. Gross margin for the period was 32.6 percent, a decrease of approximately 20 percentage points. The contraction in gross margin was due to lower bill/pay margin, partially offset by a slightly higher mix of direct hire and conversion fee revenues.

Selling, General and Administrative Expenses. Selling, general and administrative ("SG&A") expenses include field operating expenses, such as costs associated with our network of staffing consultants and branch offices, including staffing consultant compensation, rent, other office expenses, marketing and recruiting expenses for our contract professionals. SG&A expenses also include our corporate and branch office support expenses, such as the salaries of corporate operations and support personnel, recruiting and training expenses for field staff, marketing staff expenses, expenses related to being a publicly-traded company and other general and administrative expenses.

During 2014, SG&A expenses were \$427.2 million, an increase of \$87.8 million year-over-year. SG&A expenses as a percentage of revenues was 23.0 percent for 2014, up from 20.8 percent in 2013. The year-over-year increase in SG&A expenses was due to the inclusion of CyberCoders (which has a higher gross margin and higher SG&A as a percent of revenue than our other business units), and higher branch expenses related to the acceleration in hiring of additional sales consultants and recruiters. SG&A expenses in 2014 also included acquisition, integration and strategic planning expenses of \$5.7 million.

Amortization of Intangible Assets. Amortization of intangible assets was \$24.4 million compared with \$21.7 million in 2013. The increase is related to amortization from CyberCoders and Whitaker, which were acquired in December 2013.

Interest Expense. Interest expense (net of interest income) for 2014 was \$12.7 million compared with \$15.9 million in the same period of 2013. Interest expense in 2014 was comprised of interest on the credit facility of \$11.3 million and amortization of capitalized loan costs of \$1.4 million. In February 2014, we amended our credit facility resulting in an increase in borrowings under our term A loan facility of \$82.5 million to \$175.0 million and a pay down on the term B loan facility by the same amount. The effective interest in 2014 was 3.27 percent, compared with 4.42 percent in 2013.

Write-Off of Loan Costs. Write-off of loan costs in 2013 was \$15.0 million related to the refinancing of our credit facility in May 2013. The refinancing in May 2013 was treated as an early extinguishment of debt resulting in a full write-off of the loan costs associated with the previous facility.

Provision for Income Taxes. The provision for income taxes was \$54.5 million compared with \$38.8 million for 2013. The annual effective tax rate was 40.8 percent for 2014 and 41.5 percent for 2013. The improvement in the effective tax rate relates to higher growth of pre-tax income relative to growth of permanent differences between financial and tax income.

Income from Continuing Operations. Income from continuing operations was \$79.0 million compared with \$54.7 million for 2013. On a pro forma basis, which assumes the acquisitions of CyberCoders and Whitaker occurred at the beginning of 2012, income from continuing operations increased by \$19.7 million or 33.2 percent.

Discontinued Operations. Discontinued operations include the net operating results of our Nurse Travel division (which was sold in February 2013), our Allied Healthcare division (which was sold in December 2013) and our European retained search business (which was shut down in December 2014). Discontinued operations also include the net of tax gain on the sale of Nurse Travel and Allied Healthcare divisions. Income (loss) from discontinued operations, net of income taxes, was \$(1.8) million in 2014 and \$(1.0) million in 2013 and the gain on sale of these divisions was \$30.8 million in 2013.

Net Income. Net income was \$77.2 million, compared with \$84.5 million in 2013. Net income in 2013 included a gain of \$30.8 million from the sale of our Allied Healthcare and Nurse Travel units.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2013 COMPARED WITH THE YEAR ENDED DECEMBER 31, 2012

	Year Ended December 31,		Change	
	2013	2012	\$	%
Revenues by segment (in thousands):				
Apex	\$1,059,993	\$617,844	\$442,149	71.6 %
Oxford	423,670	375,196	48,474	12.9 %
Physician	105,827	102,679	3,148	3.1 %
Life Sciences Europe	39,437	38,895	542	1.4 %
	\$1,628,927	\$1,134,614	\$494,313	43.6 %

Revenues increased \$494.3 million, or 43.6 percent, mainly due due to the acquisition of Apex Systems in May of 2012, and 10.1 percent year-over-year growth of our other business segments. On a pro forma basis, which assumes the acquisition of Apex Systems occurred at the beginning of 2011, and the acquisitions of CyberCoders and Whitaker occurred at the beginning of 2012, consolidated revenues were up 15.0 percent year-over-year.

Apex Segment revenues for the year ended December 31, 2013 were \$1.1 billion, or 65.1 percent of total revenues. On a pro forma basis (assuming Apex Systems was acquired at the beginning of 2011), Apex Segment revenues for 2012 were \$900.1 million and revenue growth in 2013 was 17.8 percent.

Oxford Segment revenues increased \$48.5 million, or 12.9 percent, comprised of a 8.8 percent increase in the average number of contract professionals on assignment, a 2.0 percent increase in average bill rate and a \$2.5 million or 37.6 percent increase in conversion and permanent placement revenue. The Oxford Segment includes the results of CyberCoders from December 5, 2013, the date of acquisition, through the end of the year, which accounted for \$3.6 million of revenues in 2013.

Physician Segment revenues increased \$3.1 million or 3.1 percent, due to a 6.9 percent increase in the average number of physicians placed and working and a 3.1 percent increase in average bill rate, slightly offset by a \$0.4 million decrease in direct hire and conversation fee revenues. The Physician Segment includes the results of Whitaker from December 2, 2013, the date of acquisition, through the end of the year, which accounted for \$2.3 million of revenues in 2013.

Life Sciences Europe Segment increased \$0.5 million, or 1.4 percent due to a 0.6 percent increase in the average number of contract professionals, slightly offset by a 0.1 percent decrease in bill rate.

Gross Profit and Gross Margins

	Year Ended December 31,				
	2013		2012		
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	
Gross Profit by segment (in thousands):					
Apex	\$294,611	27.8	% \$174,968	28.3	%
Oxford	147,348	34.8	% 132,034	35.2	%
Physician	30,614	28.9	% 31,455	30.6	%
Life Sciences Europe	12,916	32.8	% 14,252	36.6	%
	\$485,489	29.8	% \$352,709	31.1	%

The year-over-year gross profit increase was primarily due to the inclusion of Apex Systems for the full year in 2013 (compared with only 7.5 months in 2012) and higher revenues from our other segments. Gross margin compressed 1.3 percentage points mainly due to the inclusion of Apex Systems for the full 12 months in 2013, as it has a lower gross margin and a lower mix of direct hire and conversion fee revenues than our other segments.

Oxford Segment gross profit increased \$15.3 million, or 11.6 percent, primarily due to a \$48.5 million, or 12.9 percent increase in revenues, which was partially offset by a 40 basis point contraction in gross margin. The compression in gross margin mainly related to higher growth of lower-margin services and a higher mix of reimbursable expenses, which are billed to customers with no mark-up, partially offset by a \$2.5 million increase in direct hire and conversion fee revenue.

Physician Segment gross profit decreased \$0.8 million, or 2.7 percent, despite revenue growth of \$3.1 million. Gross margin was 28.9 percent, down 1.7 percentage points from prior year. The compression in gross margin was primarily due to (i) a higher mix of revenues from lower-margin specialties, (ii) the decline in call and overtime billing, (iii) a lower mix of permanent placement and conversion fees (3.2 percent of Physician revenue in 2013, down from 3.8 percent in 2012), and (iv) an increase in our medical malpractice expense of \$0.7 million.

Life Sciences Europe Segment gross profit decreased \$1.3 million, or 9.4 percent, despite revenue growth of \$0.5 million. Gross margin was 32.8 percent, down 3.8 percentage points from prior year. The compression in gross margin was primarily due to a 0.3 percent decrease in bill/pay spread due to competitive pricing pressures.

Selling, General and Administrative Expenses. Selling, general and administrative (SG&A) expenses include field operating expenses, such as costs associated with our network of staffing consultants and branch offices, including staffing consultant compensation, rent, other office expenses, marketing and recruiting expenses for our contract professionals. SG&A expenses also include our corporate and branch office support expenses, such as the salaries of corporate operations and support personnel, recruiting and training expenses for field staff, marketing staff expenses, expenses related to being a publicly-traded company and other general and administrative expenses.

For the year ended December 31, 2013, SG&A expenses were \$339.4 million, an increase of \$86.8 million year-over-year. SG&A expenses as a percentage of revenues was 20.8 percent for 2013, down from 22.3 percent in 2012. The year-over-year increase in SG&A expenses was due to the inclusion of Apex Systems for the full year, and an increase in incentive compensation related to the growth in gross profit and infrastructure investments to support the growth of the business. SG&A expenses included acquisition and strategic planning costs of \$4.4 million in 2013, (\$10.2 million in 2012), a benefit from reduction in earn-out obligations of \$3.6 million in 2013 (\$1.2 million in

2012), and charges totaling \$2.6 million for certain infrequent adjustments.

Amortization of Intangible Assets. Amortization of intangible assets was \$21.7 million compared with \$17.9 million in 2012. The \$3.8 million increase was due to amortization for a full year of the \$104.8 million in identifiable intangible assets acquired related to the Apex Systems acquisition in May 2012.

Interest Expense. Interest expense was \$15.9 million compared with \$15.8 million in the same period in 2012. The average debt balance during 2013 was higher than in 2012, partially offset by lower interest rates in 2013.

Write-Off of Loan Costs. Write-off of loan costs in 2013 was \$15.0 million related to the refinancing of our credit facility in May 2013. The refinancing in May 2013 was treated as an early extinguishment of debt resulting in a full write-off of the loan costs associated with the previous facility. Write-off of loan costs in 2012 was \$0.8 million related to the refinancing of our credit facility in May 2012.

Provision for Income Taxes. The provision for income taxes was \$38.8 million compared with \$28.5 million for 2012. The annual effective tax rate was 41.5 percent for 2013 and 43.4 percent for 2012. The decrease in the 2013 rate was primarily related to a higher relative increase

in income before income taxes than the increase in non-deductible expenses and the benefit from the reduction of certain earn-out obligations that were not taxable for income tax purposes.

Income from Continuing Operations. Income from continuing operations was \$54.7 million compared with \$37.2 million in 2012. On a pro forma basis, which assumes the acquisitions of Apex Systems, CyberCoders and Whitaker occurred at the beginning of 2012, income from continuing operations increased by \$6.6 million or 12.6 percent.

Discontinued Operations. Our former Nurse Travel and Allied Healthcare divisions, previously included in the Healthcare segment and our European retained search unit, previously included in the Life Sciences Europe Segment, have been presented as discontinued operations in our Consolidated Statements of Operations and Comprehensive Income for all periods presented. Income from discontinued operations, net of income taxes, was \$(1.0) million in 2013, compared with \$5.5 million in 2012.

Net Income. Net income was \$84.5 million, compared with \$42.7 million in 2012. Net income in 2013 included a gain of \$30.8 million from the sale of our Allied Healthcare and Nurse Travel units.

Liquidity and Capital Resources

Our working capital as of December 31, 2014 was \$220.3 million and our cash and cash equivalents were \$31.7 million, of which \$8.8 million was held in foreign countries. Cash held in foreign countries is not available to fund domestic operations unless repatriated, which would require the accrual and payment of taxes. We do not intend to repatriate cash held in foreign countries. Our operating cash flows and borrowings under our credit facilities have been our primary source of liquidity and have been sufficient to fund our working capital and capital expenditure needs. Our working capital requirements consist primarily of the financing of accounts receivable, payroll expenses and debt service payments on our credit facilities. We believe that our working capital as of December 31, 2014, availability under our revolving credit facility and expected operating cash flows will be sufficient to meet our future debt obligations, working capital requirements and capital expenditures for the next 12 months.

Net cash provided by operating activities was \$96.0 million in 2014 compared with \$110.5 million in 2013. Net cash provided by operating activities in 2014 was comprised of net income of \$77.2 million, non-cash items of \$77.3 million, and an increase of \$58.4 million due to the year-over-year change in net operating assets related to the growth of the business. Net cash provided by operating activities in 2013 was comprised of net income of \$84.5 million, non-cash items of \$33.1 million and an increase of \$7.1 million due to the year-over-year change in net operating assets related to the growth of the business.

Net cash used in investing activities was \$19.6 million in 2014, compared with \$68.4 million in 2013. Net cash used in investing activities in 2014 consisted primarily of cash paid for capital expenditures for information technology projects, leasehold improvements and various property and equipment purchases of \$19.7 million. We estimate that capital expenditures for 2015 will be approximately \$19.0 million. Net cash used in investing activities in 2013 was comprised of cash paid for acquisitions of \$110.7 million, capital expenditures for information technology projects, leasehold improvements and various property and equipment purchases of \$16.5 million, partially offset by \$59.9 million of cash proceeds from the sales of Allied Healthcare and Nurse Travel.

Net cash used in financing activities was \$81.1 million in 2014 compared with \$32.4 million provided by financing activities in 2013. Net cash used in financing activities in 2014 consisted primarily of \$148.7 million in principal payments of long-term debt and \$100.0 million used in stock repurchases, partially offset by proceeds of \$164.0 million from new borrowings on the new credit facility. Net cash provided by financing activities in 2013 consisted primarily of proceeds of \$429.5 million on the credit facility, and \$456.3 million in principal payments of long-term debt.

Under terms of our credit facility, we are required to make quarterly payments of \$4.6 million on the term A loan facility. We are also required to make mandatory prepayments from excess cash flow and with the proceeds of asset sales, debt issuances and specified other events. On January 30, 2015 we amended our credit facility to not require a mandatory prepayment from the sale of our Physician Segment (see "Note 16. Subsequent Events" in Part II, Item 8). The maximum ratio of consolidated funded debt to consolidated EBITDA steps down from 3.50 to 1.00 as of December 31, 2014 to 3.25 to 1.00 as of June 30, 2015. As of December 31, 2014, the leverage ratio was 2.06 to 1.00. Additionally, the credit facility, which is secured by substantially all of our assets, provides for certain limitations on our ability to, among other things, incur additional debt, offer loans, and declare dividends. As of December 31, 2014, we had \$45.8 million of borrowing available under our revolving credit facility.

Our Board of Directors approved a \$100.0 million share repurchase program on July 21, 2014. The authorization was effective August 4, 2014. During 2014, we repurchased 3.4 million shares for \$100.0 million, at an average per share price of \$29.78. On January 16, 2015, our Board of Directors approved a new \$100.0 million share repurchase. The authorization was effective February 23, 2015 and continues for two years thereafter.

We continue to make progress on enhancements to our front-office and back-office information systems. These enhancements include the consolidation of back-office systems across all corporate functions, as well as enhancements to and broader application of our front-office software across all lines of business.

Commitments and Contingencies

We lease space for our corporate and branch offices. Rent expense was \$19.0 million in 2014, \$16.4 million in 2013 and \$12.5 million in 2012.

The following table sets forth, on an aggregate basis including discontinued operations, at December 31, 2014, the amounts of specified contractual cash obligations required to be paid in the periods shown (in thousands):

Contractual Obligations	2015	2016	2017	2018	2019	Thereafter	Total
Long-term debt obligations ¹	\$28,814	\$28,467	\$28,119	\$187,627	\$6,311	\$182,679	\$462,017
Operating lease obligations	16,364	14,046	10,344	8,284	5,818	8,516	63,372
Related party leases	1,066	1,190	1,169	1,302	1,282	6,659	12,668
Total	\$46,244	\$43,703	\$39,632	\$197,213	\$13,411	\$197,854	\$538,057

(1) Long term debt obligations include interest calculated based on the rates in effect at December 31, 2014.

For additional information about these contractual cash obligations, see "Note 6. Long-Term Debt" and "Note 8. Commitments and Contingencies" in Item 8.

We have large retention policies for our workers' compensation and medical malpractice exposures. In connection with this program, we pay a base premium plus actual losses incurred up to certain levels and are insured for losses greater than certain levels per occurrence and in the aggregate up to the limits of the policies. The workers' compensation and medical malpractice loss reserves liability is determined based on claims filed and claims incurred but not yet reported. We account for claims incurred but not yet reported based on estimates derived from historical claims experience and current trends of industry data. Changes in estimates, differences in estimates and actual payments for claims are recognized in the period that the estimates changed or payments were made. The workers' compensation and medical malpractice loss reserves were approximately \$10.4 million and \$11.6 million, net of anticipated insurance and indemnification recoveries of \$18.7 million and \$21.2 million, at December 31, 2014 and 2013, respectively. Additionally, we have unused stand-by letters of credit outstanding to secure obligations for workers' compensation claims with various insurance carriers. The unused stand-by letters of credit at December 31, 2014 and 2013 were \$3.2 million and \$2.7 million, respectively.

As of December 31, 2014 and 2013, we have an income tax reserve in other long-term liabilities related to our uncertain tax positions of \$1.6 million. Income tax reserves are not set forth in the table above. The Company is unable to make reasonably reliable estimates of the period of cash settlement since the statute of limitations might expire without examination by the respective tax authority.

We are involved in various other legal proceedings, claims and litigation arising in the ordinary course of business. However, based on the facts currently available, we do not believe that the disposition of matters that are pending or asserted will have a material effect on our consolidated financial statements.

We are subject to earn-out obligations entered into in connection with acquisitions. If the acquired businesses meet predetermined targets, we are obligated to make additional cash payments in accordance with the terms of such earn-out obligations. At December 31, 2014, the Company has potential future earn-out obligations of approximately \$16.0 million through 2015.

Off-Balance Sheet Arrangements

As of December 31, 2014, the Company had no significant off-balance sheet arrangements other than operating leases and unused stand-by letters of credit outstanding.

Accounting Standards Updates

See "Note 2. Accounting Standards Update", in Item 8 for a discussion of new accounting pronouncements.

Critical Accounting Policies

Our accounting policies are described in "Note 1. Summary of Significant Accounting Policies" in Item 8 of this report. We prepare our financial statements in conformity with accounting principles generally accepted in the United States, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. We consider the following policies to be most critical in understanding the judgments that are involved in preparing our financial statements and the uncertainties that could impact our results of operations, financial condition and cash flows.

Allowance for Doubtful Accounts and Billing Adjustments. We estimate an allowance for doubtful accounts, as well as an allowance for billing adjustments related to trade receivables, based on our analysis of historical collection and adjustment experience. We apply bad debt percentages based on experience to the outstanding accounts receivable balances at the end of the period, as well as analyze specific reserves as needed. Impaired receivables, or portions thereof, are charged off when deemed uncollectible. If we experience a significant

change in collections or billing adjustment experience, our estimates of the recoverability of accounts receivable could change by a material amount.

Workers' Compensation and Medical Malpractice Loss Reserves. We carry retention policies for our workers' compensation and medical malpractice exposures. In connection with these programs, we pay a base premium plus actual losses incurred, not to exceed certain stop-loss limits. We are insured for losses above these limits, both per occurrence and in the aggregate. The workers' compensation and medical malpractice loss reserves are based upon an actuarial report obtained from a third party and determined based on claims filed and claims incurred but not reported. We account for claims incurred but not yet reported based on estimates derived from historical claims experience and current trends of industry data. Changes in estimates and differences in estimates and actual payments for claims are recognized in the period that the estimates changed or the payments were made.

Contingencies. We record an estimated loss from a loss contingency when information available prior to issuance of our financial statements indicates it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. Accounting for contingencies, such as legal settlements, workers' compensation matters and medical malpractice insurance matters, requires us to use our judgment. While we believe that our accruals for these matters are adequate, if the actual loss from a loss contingency is significantly different than the estimated loss, results of operations may be over or understated.

Income taxes. We account for income taxes using the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that a portion of the deferred tax asset will not be realized.

We make a comprehensive review of our uncertain tax positions regularly. In this regard, an uncertain tax position represents our expected treatment of a tax position taken in a filed return, or planned to be taken in a future tax return or claim that has not been reflected in measuring income tax expense for financial reporting purposes. In general, until these positions are sustained by the taxing authorities or statutes expire for the year that the position was taken, we do not recognize the tax benefits resulting from such positions and report the tax effects as a liability for uncertain tax positions in our consolidated balance sheets.

Goodwill and Identifiable Intangible Assets. Goodwill and intangible assets with indefinite lives (consist entirely of trademarks) are tested for impairment on an annual basis as of October 31, and for goodwill whenever an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount and for indefinite lived intangibles, if events or changes in circumstances indicate that it is more likely than not that the asset is impaired.

In order to test the trademarks for impairment, we determine the fair value of the trademarks and compare such amount to their carrying value. We determine the fair value of the trademarks using a projected discounted cash flow analysis based on the relief-from-royalty approach. The principal factors used in the discounted cash flow analysis requiring judgment are projected net sales, discount rate, royalty rate and terminal value assumption. The royalty rate used in the analysis is based on transactions that have occurred in our industry. Intangible assets having finite lives are amortized over their useful lives and are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Customer relations are amortized using an accelerated method. Contractor relations and non-compete agreements are amortized using the straight-line method. Based upon

the annual trademark impairment tests in 2014, 2013 and 2012, there were no trademark impairment charges.

Goodwill is tested for impairment using a two-step process in which the first step compares the fair value of a reporting unit, which is generally an operating segment or one level below the operating segment level which is a business and for which discrete financial information is available and reviewed by segment management, to the reporting unit's carrying value. We determine the fair value of each reporting unit based upon a weighted average calculation using the fair value derived from a discounted cash flow analysis and a market approach analysis. Discounted cash flows are developed for each reporting unit based on assumptions including revenue growth expectations, gross margins, operating expense projections, working capital, capital expense requirements and tax rates. The multi-year financial forecasts for each reporting unit used in the cash flow models considered several key business drivers such as new product lines, historical performance and industry and economic trends, among other considerations. The market approach considers multiples of financial metrics, primarily EBITDA, based on trading multiples of a group of guideline public companies in the staffing industry, which multiples are then applied to the corresponding financial metrics of our reporting units to derive an indication of fair value. The similar transaction method considers multiples of financial metrics, primarily EBITDA, based on trading multiples of actual transactions that have occurred, which multiples are then applied to the corresponding financial metrics of our reporting units to derive an indication of fair value.

If after performing the first step of the goodwill impairment test, the fair value of the reporting unit does not exceed its carrying value, we perform a second step of the goodwill impairment test for that reporting unit. The second step measures the amount of goodwill impairment by comparing the implied fair value of the respective reporting unit goodwill with the carrying value of that goodwill. The implied fair value of goodwill is determined under the same approach utilized to estimate the amount of goodwill recognized in a business combination. This approach requires we allocate the fair value of the respective reporting unit as calculated in the first step of the goodwill impairment test to the reporting unit assets, including identifiable intangible assets, which typically includes trademarks, staffing databases and customer relationships, and reporting unit liabilities, based on the estimated fair values of such assets and liabilities, with any excess reporting unit fair value representing the implied fair value of goodwill for that reporting unit. The reporting unit goodwill impairment loss, if

any, is measured as the amount by which the carrying value of goodwill exceeds the implied fair value of goodwill calculated in the second step of the goodwill impairment test.

The principal factors used in the discounted cash flow analysis requiring judgment are the projected results of operations, discount rate, and terminal value assumptions. The discount rate is determined using the weighted average cost of capital ("WACC"). The WACC takes into account the relative weights of each component of an average market participant's capital structure (equity and debt). It also considers our risk-free rate of return, equity market risk premium, beta and size premium adjustment. A range of discount rates are utilized across the reporting units based on the entity size of each reporting unit. The terminal value assumptions are applied subsequent to the tenth year of the discounted cash flow model. Based upon the annual goodwill impairment tests in 2014, 2013 and 2012, there were no goodwill impairment charges.

The discounted cash flows and the resulting fair value estimates of our reporting units are sensitive to changes in assumptions. An increase of more than six percent in the discount rate of a reporting unit could cause the fair value of certain significant reporting units to be below their carrying value. Changes in the timing of growth and the impact on our operations and costs may also affect the sensitivity of the projections including achieving future cost savings resulting from initiatives which contemplate further synergies from system and operational improvements in infrastructure and field support which were included in our forecasts. Ultimately, future changes in these assumptions may impact the estimated fair value of a reporting unit and cause the fair value of the reporting unit to be below its carrying value, which would require a step two analysis and may result in impairment of goodwill.

Due to the many variables inherent in the estimation of a reporting unit's fair value and the relative size of recorded goodwill, changes in assumptions may have a material effect on the results of our impairment analysis. Downward revisions of our forecasts or a decline of our stock price resulting in market capitalization significantly below book value could lead to an impairment of goodwill or intangible assets with indefinite lives in future periods.

Impairment or Disposal of Long-Lived Assets. We evaluate long-lived assets, other than goodwill and identifiable intangible assets with indefinite lives, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. There was no impairment of long-lived assets as of December 31, 2014, 2013 or 2012.

Business Combinations. The purchase price of an acquisition is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. To the extent the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired and liabilities assumed, such excess is allocated to goodwill. We determine the estimated fair values after review and consideration of relevant information including discounted cash flows, quoted market prices and estimates made by management. Accordingly, these can be affected by contract performance and other factors over time, which may cause final amounts to differ materially from original estimates. We adjust the preliminary purchase price allocation, as necessary, up to one year after the acquisition closing date if we obtain more information regarding asset valuations and liabilities assumed.

Goodwill acquired in business combinations is assigned to the reporting unit(s) expected to benefit from the combination as of the acquisition date. Acquisition related costs are recognized separately from the acquisition and are expensed as incurred.

Stock-Based Compensation. We record compensation expense for restricted stock awards and stock units based on the fair market value of the awards on the date of grant. Compensation expense for performance-based awards is measured based on the amount of shares ultimately expected to vest, estimated at each reporting date based on

management's expectations regarding the relevant performance criteria. We account for stock options granted and employee stock purchase plan shares based on an estimated fair market value using a Black-Scholes option valuation model. This methodology requires the use of subjective assumptions, including expected stock price volatility and the estimated life of each award. The fair value of equity-based compensation awards less the estimated forfeitures is amortized over the service period of the award.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain market risks arising from transactions in the normal course of business, principally risks associated with foreign currency fluctuations and interest rates. We are exposed to foreign currency risk from the translation of foreign operations into U.S. dollars. Based on the relative size and nature of our foreign operations, we do not believe that a ten percent change in the value of foreign currencies relative to the U.S. dollar would have a material impact on our financial statements. Our primary exposure to market risk is interest rate risk associated with our debt instruments. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for further description of our debt instruments.

Effective