ON ASSIGNMENT INC
Form 10-K
March 14, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

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

Commission File Number 0-20540
ON ASSIGNMENT, INC.
(Exact name of registrant as specified in its charter)

Delaware	95-4023433
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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	Name of each exchange on which registered
Common Stock, $0.01 par value	The NASDAQ Stock Market, LLC

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 o No x

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 o No x

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 x No o

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 x   No o

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.   o

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 o   Accelerated filer x   Non-accelerated filer o   Smaller reporting company o

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

As of June 30, 2011, the aggregate market value of our common stock held by non-affiliates of the registrant was approximately $308,131,042.

As of March 9, 2012, the registrant had outstanding 37,400,313 shares of Common Stock, $0.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for the 2012 Annual Meeting of Stockholders, to be filed within 120 days of the close of the registrant's fiscal year 2011, are incorporated by reference into Part III of this Annual Report on Form 10-K.

ON ASSIGNMENT, INC.
ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011
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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. 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 these differences or prove our forward-looking statements, by hindsight, to be overly optimistic or unachievable include, but are not limited to actual demand for our services, our ability to attract, train, and retain qualified staffing consultants (which includes our sales and recruiting staff), our ability to remain competitive in obtaining and retaining temporary staffing clients, the availability of qualified temporary nurses and other qualified contract professionals, our ability to manage our growth efficiently and effectively, continued performance of our information systems and the factors described in Item 1A of this Annual Report on Form 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 Annual Report on Form 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. (NASDAQ: ASGN), is a leading global provider of highly skilled, hard-to-find professionals in the growing life sciences, healthcare, and technology sectors, where quality people are the key to success. The Company goes beyond matching résumés with job descriptions to match people they know into positions they understand, for contract, contract-to-hire, and direct hire assignments. Our business currently consists of four operating segments: Life Sciences, Healthcare, Physician, and IT and Engineering.

We were incorporated on December 30, 1985, and thereafter commenced operation of our Lab Support line of business (now included in our Life Sciences operating segment), our first contract staffing line of business. Expansion within the Life Sciences segment and into other industries has primarily been achieved through acquisitions, and utilizing our experience and unique approach in servicing our clients and contract professionals. Since 1985, we have acquired 13 companies.

On April 16, 2010, we acquired The Cambridge Group Ltd., a Connecticut−based privately−held firm specializing in clinical research, IT, and physician staffing services and accordingly, is included in each of our Life Sciences, IT & Engineering and Physician operating segments. On July 19, 2010, the Company acquired Sharpstream Holdings Limited, a London-based privately−owned provider of executive search services in the life sciences sector and is included in our Life Sciences segment. Sharpstream provides search services across Europe, Asia, and the United States.

On February 28, 2011, we acquired Valesta, a privately-owned provider of specialized clinical research staffing headquartered in Belgium. Valesta is included in the Life Sciences operating segment. On July 31, 2011, we acquired HealthCare Partners (HCP), a privately-owned provider of physician staffing headquartered in Atlanta, Georgia. HCP is included in our Physician segment.

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 Annual Report on Form 10-K.

Our principal executive office is located at 26745 Malibu Hills Road, Calabasas, California 91301 and our telephone number is (818) 878-7900. We have approximately 76 branch offices in 24 states within the United States and in six foreign countries.

Industry and Market Dynamics

The U.S. employment projections published by the U.S. Bureau of Labor Statistics as of February 2012 estimates that total employment for the next decade will grow by 20.5 million jobs, or 14 percent, between 2010 and 2020. By comparison, under the previous estimate for the 2008 to 2018 period, total employment was projected to grow by 10 percent. The increase in projected growth from the prior period is largely due to the relatively lower starting base in 2010, compared to employment levels in 2008. Within the employment industries, the U.S. Bureau of Labor Statistics, according to such projections, estimates that employment growth in the healthcare and social assistance sector will add the most jobs, followed by the professional and business services sector.

The Staffing Industry Analysts: Staffing Industry Insight (dated September 2011), an independent staffing industry publication, estimates that total staffing industry revenues were $114 billion in 2011 and are forecasted to be $122 billion in 2012, in each case, up from $103 billion in 2010. The biggest industry segment, contract labor, is forecasted to grow at an annual rate of 7 percent in 2012 with revenues of $94 billion, while permanent placement is forecasted to grow by 12 percent in 2012 with revenues of $6 billion. Within the contract help segment, professional staffing is expected to grow at an annual rate of 10 percent in 2012 to revenues of $51 billion. The temporary staffing (or contract labor) industry is historically cyclical and typically has a strong correlation to employment and GDP growth. We anticipate that our healthcare, life sciences and IT 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 end users will benefit from cost structure advantages, improved flexibility to fluctuating demand in business and access to greater expertise.

Sales and Fulfillment

Our strategy is to serve the needs of our targeted industries by effectively understanding and matching client 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 healthcare, life science, physician and IT and engineering 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, a tactic favored by many of our competitors. We believe our strategy of using industry professionals to develop professional relationships provides us with a competitive advantage in our industry which is recognized by our clients.

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 staffing consultants, recruiters and support staff, as well as ongoing training, coaching and administrative support. Our corporate offices also select, open and maintain branch offices.

Clients

During the year ended December 31, 2011, we provided contract professionals to approximately 5,347 clients. In 2011, we had no single customer that represented two percent 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 Contract Professional

Contract professionals often work with a number of staffing companies and develop relationships or loyalty 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. Contract professionals seeking traveling positions are also interested in the quality of travel and housing accommodations as well as the quality of the clinical experience while on assignment.

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. Our staffing consultants are our employees or are subcontracted from other affiliated corporate entities. 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, we also provide our contract professional employees with paid holidays and allow participation in our 401(k) Retirement Savings Plan.

Strategy

We remain committed to growing our operations in the life science, healthcare, physician and IT and engineering markets that we currently serve, primarily through supporting our core service offerings and growing our newer service lines of business. We will also continue to look at acquisition opportunities which supplement our internal growth. In 2011 we acquired Valesta, a clinical staffing company headquartered in Belgium, and HealthCare Partners, a physician staffing company headquartered in Georgia.

In 2011, we continued to focus on increasing market share in each of our segments, maintaining or increasing our gross margins, expanding our service offerings and controlling our operating costs. We have increased interaction between our segments so that each can learn best practices from the others.

As part of our initiative to improve our sales capabilities, field operations, and back office processing efficiency, we continue to make strategic investments enhancing our primary business systems. Our front office system (RecruitMax) supports all domestic and European Lab Support locations along with our Allied Healthcare and Nurse Travel operations. Deployment for these platforms began in 2004 and was principally completed in 2008. Currently underway is our next major front-office development initiative supporting the IT and Engineering segment. The RecruitMax application interfaces with the existing enterprise-wide information system, PeopleSoft, used in our Life Sciences, Nurse Travel and Allied Healthcare, Physician and IT and Engineering lines of business and provides additional functionality, including applicant tracking and search tools, customer and candidate contact management and sales management tools.

We continue to extend the use and capabilities of PeopleSoft in domestic and European operations. The Physician staffing segment was migrated to the PeopleSoft platform in 2011. Our ongoing plan is to deploy a common front-office system integrated with the PeopleSoft platform wherever efficiencies can be realized.

We improved our pay-bill processing efficiencies and services by deploying an on-line time collection and customer approval system. This particular extension of PeopleSoft is fully operational in the IT and Engineering unit and the roll-out will continue by business segment. Life Sciences and Allied Healthcare are nearing completion of the on-line time collection and customer approval system deployment as well.

Moderate investments are planned to keep our wide area network and computing platform running with high availability hardware. All primary business operates from a secure data center.

We will continue to invest in leasehold improvements as we expand, relocate, and rationalize our branch facilities and leverage favorable commercial real estate terms for cost savings.

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

During 2011, we 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 23.0 percent. In 2012, we anticipate that the markets we serve will improve with the economy. We have made small investments in enhancing our permanent placement capabilities and we will continue to invest in our existing businesses to support growth. In addition, we will continue to review acquisition opportunities that may enable us to leverage our current infrastructure and capabilities, increase our service offerings and expand our geographic reach.

We will also continue to manage our capitalization over the next four years through the Company’s authorized stock repurchase plan.

Competition

Many of our competitors are larger than us and have substantially greater financial and marketing resources than we do. We also compete with privately-owned temporary staffing companies on a regional and local basis. Frequently, the strongest competition in a particular market is a privately-held local company with established relationships. These companies oftentimes are extremely competitive on pricing. While their pricing strategies are not necessarily sustainable, they can be problematic for us in the short-term.

The principal competitive factors in attracting qualified candidates for temporary employment or engagements are salaries, contract rates and benefits, availability and variety of assignments, 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. 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

Life Sciences

Our Life Sciences segment includes our domestic and international life science staffing businesses, which operate from local branch offices in the United States, United Kingdom, Netherlands, Belgium, Canada, Spain and China. At December 31, 2011, we had 45 Life Sciences segment branch offices, of which 13 share office space with our Healthcare segment. Life Sciences segment revenues for 2011 were $155.3 million and represented 26.0 percent of our total revenues. The Staffing Industry Analysts: Staffing Industry Insight (dated September 2011), states that the life sciences professional staffing market will grow by 10 percent in 2012. Demand for staffing in our Life Sciences segment is driven primarily by clients with research and development projects across a wide array of industries.

We provide 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.

We have 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 Life Sciences staffing consultants are experienced professionals who work in our branch office network to enable face-to-face meetings with clients and contract professionals. Most of our 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.

Our Life Sciences segment's 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 bachelor's and/or master's degrees and considerable experience to technicians with limited chemistry or biology backgrounds and lab experience. 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 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. Assignments in our Life Sciences segment vary from three to 12 months.

We believe our Life Sciences segment 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, medical billing and collection personnel, 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, Inc., Kelly Services, Inc., Adecco SA, Yoh Company and the Allegis Group.

Healthcare

Our Healthcare segment includes our Nurse Travel and Allied Healthcare lines of business. Nurse Travel operates from our locations in Cincinnati, Ohio, Tupelo, Mississippi and San Diego, California. Allied Healthcare operates from various locations in the United States. At December 31, 2011, we had 24 Allied Healthcare branch offices in the United States, of which 13 share office space with the Life Sciences segment. Healthcare segment revenues for 2011 were $94.6 million and represented 15.8 percent of our total revenues. The Staffing Industry Analysts: Staffing Industry Insight (dated September 2011), estimates that the healthcare staffing market will grow by 9 percent in 2012. Within the healthcare staffing industry, Nurse Travel and Allied Healthcare are anticipated to grow the fastest with estimated 2012 revenue growth of 15 percent and 10 percent, respectively.

In prior years, nursing employment levels were affected by cutbacks in the use of agency workers by hospitals and medical groups and their reluctance to pay market rates. Today, as a result of the economy, hospitals are seeing fewer admissions and procedures and are attempting to minimize expenses, which in turn have impacted the demand for our services. Looking forward, contract nursing employment growth could potentially be driven by various factors including a supply shortage of nurses, impacts of healthcare reform, more favorable nurse-patient ratios and aging demographics.

The combination of healthcare clients facing shortages of operations-critical staff that limit their ability to generate revenues and increased demand for health services and advances in life science and medical technology is expected to create significant demand for workers with specialized science and medical skills. Also influencing the demand for these workers is the departure of mature professionals from the ranks of full-time employment as they retire, reduced hours worked and the pursuit of other career opportunities. This is evidenced by the continued increase in the average age of nurses in the workforce.

Our Healthcare segment provides locally-based and traveling contract professionals to healthcare clients, including hospitals, integrated delivery systems, imaging centers, clinics, physician offices, reference laboratories, universities, managed care organizations, rehabilitation facilities, long-term care facilities and third-party administrators. In doing so, we address occupations that require “high demand and highly-skilled” staff, such as operating room nurses and health information professionals who are essential to the hospital’s ability to care for patients and maintain business and revenues.

Our Nurse Travel sales, account management, and recruiting functions are aligned with traditional nurse travel companies with an added emphasis on rapid response fulfillment. We employ regional sales directors and account managers to identify and sell a variety of nurse staffing solutions to healthcare clients nationally. Our recruiters seek the most experienced, highly skilled nurses and place them on assignments as contract professionals with healthcare providers. The critical nature of these occupations to drive revenue motivates clients to respond to our ability to rapidly fill open positions with experienced nurses.

Our Allied Healthcare line of business has developed a tailored approach to the assignment-making process that utilizes staffing consultants. Staffing consultants are experienced professionals who work in our branch offices and personally meet with clients and contract professionals. Our staffing consultants are typically either focused primarily on sales and business development or on fulfillment. Sales and business development staffing consultants meet with clients to understand their staffing 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.

Our Healthcare segment's contract professionals include nurses, specialty nurses, health information management professionals, dialysis technicians, surgical technicians, imaging technicians, x-ray technicians, medical technologists, medical assistants, pharmacists, pharmacy technicians, respiratory therapists, phlebotomists, coders, billers, claims processors and collections staff, and dental professionals - including dental assistants, hygienists and dentists and rehabilitation therapists. The nurses and contract professionals we assign to our clients are usually our employees, although clients provide on-the-job supervisors for these nurses and professionals. Therefore, clients control and direct the work of nurses and approve hours worked, while we are responsible for many of the activities typically handled by the client's human resources department.

In our Healthcare segment, we serve a diverse collection of healthcare clients, as mentioned above. Assignments in our Healthcare segment typically have a term of two to 13 weeks.

In the Nurse Travel line of business, our competitors include AMN Healthcare Services, Inc., Cross Country, Inc. and several privately-held companies. In the Allied Healthcare line of business, our competitors include Cross Country, Inc., AMN Healthcare Services, Inc., Kforce Inc. and the Allegis Group.

Physician

Our Physician segment consists of VISTA Staffing Solutions, Inc. (VISTA) and HealthCare Partners, Inc. (HCP), the leading providers of physician staffing, known as locum tenens coverage, and permanent physician search services. The majority of our recruiters for Vista are located in Salt Lake City, Utah and for HCP are located in Atlanta, Georgia. The Physician segment revenues for 2011 were $80.6 million and represented 13.5 percent of our total revenues. The Staffing Industry Analysts: Staffing Industry Insight (dated September 2011), states that the physician staffing market will increase 9 percent in 2012. An ongoing shortage of physicians and potential impacts of healthcare reform could fuel future growth.

Our Physician staffing business places physicians 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. We provide 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. Our Physician segment operates out of two primary recruitment centers with several branch offices.

The sales and fulfillment functions at our Physician segment are similar to those of our competitors. Our client sales specialists are organized by geographic territories so that a single individual can handle a client's physician staffing needs for all disciplines. Our 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, we have four branch locations that also carry out recruiting functions.

The physicians in our Physician segment come from 33 different specialties including emergency medicine, psychiatry, anesthesiology, radiology, family practice, surgical specialties, internal medicine, pediatrics, obstetrics and gynecology. The physicians we place at clients are independent contractors. Clients assign shifts and approve hours worked, while we are responsible for issuing payments to the physicians for services rendered to our clients.

Clients in our Physician segment include hospitals, doctors' practice groups, large healthcare systems and government agencies. We are called on to supply temporary and permanent doctors because of the difficulty that healthcare providers have finding qualified practitioners. Assignments in our Physician segment typically have a term of six weeks.

Like our Healthcare segment, our Physician segment 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, Inc. and AMN Healthcare Services, Inc., along with several other privately-held companies providing locum tenens services.

IT and Engineering

Our IT and Engineering segment consists of Oxford Global Resources, Inc. (Oxford), based in Beverly, Massachusetts where all of the segment's back-office activities are located. Oxford combines international reach with local depth, serving clients through a network of recruiting centers in North America and Europe, and branch offices in major metropolitan markets across the United States. IT and Engineering segment revenues for 2011 were $266.7 million and represented 44.7 percent of our total revenues. The Staffing Industry Analysts: Staffing Industry Insight (dated September 2011), estimates that the IT staffing market will increase 12 percent in 2012. Demand in our IT and Engineering business segment 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.

Our IT and Engineering segment places highly qualified professionals in select IT and engineering technical disciplines. Our IT specialties include enterprise resource planning, business intelligence, customer relationship management, supply chain management, database administration, and healthcare applications. Our engineering specialties include hardware, software, mechanical, electrical, validation, network, and telecommunications. Assignments are highly diversified in that we average less than two contract placements per client.

The segment serves the market in two separate operating formats. The first operating format, Oxford International, consists of eight sales and recruiting centers in the U.S. and one in Cork, Ireland that proactively recruit skilled IT and engineering professionals and fulfill client needs for temporary consultants and permanent employees across North America and Europe. The right candidates for these assignments often reside in locations that are remote from the client worksite and will travel away from their homes to perform the assignments. The second operating format, Oxford and Associates, consists of 14 branch offices across the United States that typically receive orders from clients in their local metropolitan market and fulfill those orders with professionals from that local market. In each of these formats, we employ both client-oriented sales people and recruiters. Because our IT and Engineering segment concentrates in select disciplines within the IT and engineering markets, our sales people and recruiters specialize in a given discipline. Our competitive advantage in this segment comes from our ability to respond very quickly with high quality candidates to a client’s request.

Our IT and Engineering segment’s professionals are experts in specific information technology and engineering disciplines. Typically, they have a great deal of knowledge and experience in a fairly narrow field which makes them uniquely qualified to fill a given assignment. Contract professionals assigned to clients are generally our employees. Clients provide on-the-job supervisors for these professionals, control and direct their work, and approve all hours worked. We are responsible for many of the activities typically handled by the client’s human resources department.

In our IT and Engineering segment, we supply services to clients in a wide range of industries. Our 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 a mid-sized medical device manufacturer who needs specialized mechanical engineers. The IT disciplines in which we specialize include enterprise resource planning, business intelligence, application development, IT infrastructure, IT security, and healthcare IT. Our engineering specialties include software, hardware, mechanical, electrical, quality, validation, network, and telecommunication engineering. Assignments in our IT and Engineering segment typically have a term of approximately five months.

Oxford’s competition ranges from local and regional specialty staffing companies to large IT consulting firms like Accenture, Inc. and International Business Machines Corporation (IBM), and international staffing firms such as Aerotek and Robert Half International, Inc.

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, particularly nurses, 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, 2011, we employed approximately 1,281 full-time regular employees, including staffing consultants, regional sales directors, account managers, recruiters and corporate office employees. During 2011, we employed approximately 13,389 contract professionals and 841 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 provide medical malpractice insurance for the non-physician placements through On Assignment Healthcare Staffing. We provide separate medical malpractice insurance coverage for our locum tenens physicians placed through VISTA and HCP. 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 Form 10-K.

Executive Officers of the Company

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

Name	Age	Position
Peter T. Dameris	52	Chief Executive Officer and President
James L. Brill	60	Senior Vice President, Finance and Chief Financial Officer
Emmett B. McGrath	50	President, Life Sciences and Allied Healthcare
Christian Rutherford	38	President, VISTA Staffing Solutions, Inc.
Mark S. Brouse	58	President, VISTA Staffing Solutions, Inc. (until January 4, 2012)
Michael J. McGowan	58	President, Oxford Global Resources, Inc.
Katie Hoffman-Abby	50	President, Nurse Travel
Christina Gibson	41	Vice President of Finance and Corporate Controller

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 Symatec Corporation in January 2006). Mr. Dameris holds a Juris Doctorate from the University of Texas Law School and a Bachelor's in Business Administration from Southern Methodist University.

James L. Brill joined the Company in January 2007 as Senior Vice President, Finance and Chief Financial Officer. 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.

Emmett B. McGrath joined the Company in September 2004 as President, Life Sciences U.S., and in August 2005, Mr. McGrath was appointed as President of Life Sciences Europe. Mr. McGrath was appointed as President of Allied Healthcare in November 2007. From February 1985 through August 2004, Mr. McGrath worked at Yoh Company, a privately-held IT staffing firm. During his tenure at Yoh, Mr. McGrath held various staffing positions, including Technical Recruiter, Account Manager, Branch and District Management, Vice President and Regional President. As Regional President, Mr. McGrath was responsible for core lines of businesses, including Scientific, Information Technology, Engineering, Healthcare, Telecommunications and Vendor on Premise (VOP) programs. In addition, Mr. McGrath served on Yoh's Executive Committee and the Chairman's Board of the Day & Zimmermann Group, Yoh's parent company. Mr. McGrath received a Bachelor's of Science degree in Business Administration, with an emphasis in Human Resources, from California State University, Northridge in 1991.

Christian Rutherford is President of VISTA Staffing Solutions, On Assignment's physician staffing division. Mr. Rutherford is an 18-year veteran of the U.S. staffing industry. From January 2004 through December 2008, Mr. Rutherford held senior leadership roles at CompHealth, the largest locum tenens company in the nation, including President of Weatherby Locums and President of RN Network. In February 2009, Mr. Rutherford began working for Medfinders, a large, national healthcare staffing company. There, he served as President of Linde Healthcare, Kendall and Davis.In November 2009, Mr. Rutherford was promoted to Chief Operating Officer and Board member of Medfinders and in the fourth quarter of 2010, Medfinders was sold to AMN Healthcare. Prior to joining as President of VISTA, Mr. Rutherford served as a consultant to On Assignment. Mr. Rutherford holds a Bachelor's of Science degree in Business from the University of Utah.

Mark S. Brouse served as President of VISTA since January 2007, when Vista was acquired by On Assignment. From November 1, 2011 to January 4, 2012, Mr. Brouse transitioned responsibilities related to the position of President of VISTA to Mr. Rutherford. Mr. Brouse began his career in pharmaceutical sales in 1980, and in 1986 joined CompHealth, a locum tenens staffing company, where he led specialty teams serving psychiatry and internal medicine clients before co-founding VISTA in 1990. Mr. Brouse holds a Bachelor's of Arts degree in Chemistry from California

State, Dominguez Hills, and is a member of the Boards of Directors of the YMCA of Greater Salt Lake and PEHR Technologies, an electronic medical records company.

Michael J. McGowan is President of Oxford Global Resources, Inc., On Assignment's IT and Engineering segment. He has held this position 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.

Katie Hoffman-Abby is President of Nurse Travel. She has over 25 years of experience in healthcare staffing and is one of the first VISTA executives tapped to lead other areas within the On Assignment family. Ms. Hoffman-Abby joined the Company in January 2007, as a result of the Company's acquisition of VISTA. Prior to joining the Company, Ms. Hoffman-Abby worked as a physician recruiter for CompHealth, a large locum tenens staffing company for more than five years and then co-founded VISTA in 1990. She served as executive vice president for VISTA since March 2010 and in July of 2011 was appointed as President of the Nurse Travel Division. Ms. Hoffman-Abby is an experienced operations manager and contributes to division-wide training, mentoring, and management programs as well. She helped develop the standards for physician recruitment, credentials review, and matching with appropriate practices that shape the entire locum tenens industry to this day. Ms. Hoffman-Abby is on the Board of Directors for Utah Healthcare Institute/St. Mark's Hospital Graduate Medical Education. Ms. Hoffman-Abby is past president of the National Association of Locum Tenens Organizations (NALTO), an association she helped found to establish and enforce standards for ethics and sound business practices within the locum tenens industry. She is a member of the board of directors of International Volunteers in Urology, an organization that provides education and health care worldwide. Ms. Hoffman-Abby holds a Bachelors of Science degree in nutrition and food science from the University of Utah.

Christina Gibson joined the Company in May 2007 as Vice President of Finance and Corporate Controller. Ms. Gibson is responsible for the day-to-day accounting operations of the Company and its subsidiaries, managing Sarbanes-Oxley compliance, and external and internal financial reporting for the Company. Prior to joining the Company, Ms. Gibson was the Vice President and Controller for Digital Insight, an internet banking software company from April 2005 to May 2007. From May 2000 through April 2005, Ms. Gibson worked at Tekelec , a telecommunications equipment provider. During her tenure at Tekelec, Ms. Gibson served as the Director of Finance as well as the Assistant Vice President and Corporate Controller. She holds a Bachelors of Science degree in accounting from the University of Southern California and is a Certified Public Accountant.

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, and all amendments to those reports 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 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:

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

Demand for the contract staffing services that we provide is significantly impacted by global market and economic conditions. As economic activity slows, particularly any negative effect on healthcare, research and development and 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.

While we saw improvements in the economy during 2011, economic conditions remain uncertain. Concerns continue about the systemic impact of a double dip recession, energy costs, geopolitical issues, low consumer confidence, high unemployment and underemployment, and the global housing and mortgage markets. As a result of these market conditions, the cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Continued turbulence in the U.S. and international markets and economies may adversely affect our liquidity and financial condition, as well as the liquidity and financial condition of our lenders and clients. This could impact our ability to draw on all, or a substantial portion, of our credit facilities, refinance maturing liabilities and access the capital markets to meet liquidity needs, as well as expose us to risks in collecting our accounts receivable.

If we are not able to remain competitive in obtaining and retaining temporary staffing clients, our future growth will suffer.

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. Some of our competitors in the Nurse Travel line of business include AMN Healthcare Services, Inc., Cross Country, Inc. and several privately-held companies. Some of our competitors in the Life Sciences segment and Allied Healthcare line of business include Kelly Services, Inc., Kforce Inc., Manpower, Inc., Adecco SA, Yoh Company, and Allegis Group. Competitors for the Physician segment include CHG Healthcare Services, Cross Country, Inc., TeamHealth, Inc. and AMN Healthcare Services, Inc., along with several other privately-held companies specializing in locum tenens services. Competitors of our IT and Engineering segment include Robert Half International, Accenture, and Aerotek. Many of these companies have significantly greater marketing and financial resources than we do. Our ability to attract and retain clients is based on the value of the service we deliver, which in turn depends principally on the speed with which we fill assignments and the appropriateness of the match based on clients' requirements and the skills and experience of our contract professionals. Our ability to attract and retain skilled, experienced contract professionals is based on our ability to pay competitive wages or contract rates, to provide competitive benefits and provide multiple, continuous assignments. 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.

We do not have long-term or exclusive agreements with our temporary staffing clients and growth of our business depends upon our ability to continually secure and fill new orders.

We do not have long-term agreements or exclusive guaranteed order contracts with our temporary staffing clients. Assignments for our Life Sciences segment typically have a term of three to six months. Assignments for our Healthcare segment typically have a term of two to thirteen weeks. Assignments for our Physician segment typically have a term of six weeks. Assignments for our IT and Engineering segment typically have a term of approximately five months. 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. As a result, it is imperative to our business that we maintain positive relationships with our clients. If we fail to maintain positive relationships with these clients, we may be unable to generate new contract staffing orders, and the growth of our business could be adversely affected.

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.

Each contract professional’s employment or independent contractor’s relationship with us is terminable at will. A locum tenens physician may generally terminate his or her contract for non-emergency reasons upon 30 or 60 days notice. The duration of agreements with clients are generally dictated by the contract. Usually, contracts with clients may be terminated with 30 days notice by us or by the clients and, oftentimes, assignments may be terminated with less than one week’s notice. We cannot assure that existing clients will continue to use our services at historical levels, if at all. In addition, we continue to participate in an increasing 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 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, our revenues and results of operations could be adversely affected.

Fluctuation in patient occupancy rates at client facilities could adversely affect demand for services of our Healthcare and Physician segments and our results of operations.

Client demand for our Healthcare and Physician segment services is significantly impacted by changes in patient occupancy rates at our hospital and healthcare clients’ facilities. Increases in occupancy often result in increased client need for contract professionals before full-time employees can be hired. During periods of decreased occupancy, however, hospitals and other healthcare facilities typically reduce their use of contract professionals before laying off their regular, full-time employees. During periods of decreased occupancy, we may experience increased competition to service clients, including pricing pressure. Occupancy at certain healthcare clients’ facilities also fluctuates due to the seasonality of some elective procedures and patients declining elective procedures. Periods of decreased occupancy at client healthcare facilities could materially adversely affect our results of operations.

If we cannot attract, develop and retain qualified and skilled sales and recruiting staff, our business growth will suffer.

A key component of our ability to grow our business is our ability to attract, develop and retain qualified and skilled sales and recruiting staff, particularly persons with industry experience. The available pool of qualified staffing consultant candidates is limited, and further constrained by the industry practice of entering into non-compete agreements with these employees, which may restrict their ability to accept employment with other staffing firms, including us. We cannot assure that we will be able to recruit, develop and retain qualified sales and recruiting staff in sufficient numbers, or that our staffing consultants will achieve productivity levels sufficient to enable growth of our business. Failure to attract and retain productive sales and recruiting staff could adversely affect our business, financial condition and results of operations.

If we are unable to attract and retain qualified contract professionals for our Life Sciences, Healthcare, Physician and IT and Engineering segments, 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 healthcare, nursing, life sciences, physician, IT and engineering 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 benefits and wages. The cost of attracting and retaining contract professionals may be higher than we anticipate 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.

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

We consider our locum tenens physicians to be 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. Our classification of locum tenens physicians as independent contractors is consistent with general industry standard, but can nonetheless be challenged by the contractors themselves or by, relevant taxing authorities. If federal or state taxing authorities determine that locums tenens physicians engaged as independent contractors are employees, our business model for that segment would be materially and adversely affected. Although we believe we would qualify for safe harbor under the provisions of Section 530 of the Revenue Act of 1978, Pub. L. No. 95−600, and any similar applicable state laws, we could incur significant liability for past wages, taxes, penalties and other employment benefits if we could not so qualify. In addition, many states have laws that prohibit non−physician owned companies from employing physicians. If our independent contractor physicians are classified as employees, we could be found in violation of such state laws, which could subject us to liability in those states and thereby negatively impact our profitability.

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

If our travel and housing costs, including the costs of airline tickets, rental cars, apartments and rental furniture for our traveling contract professionals exceed the levels we anticipate, and we are unable to pass such increases on to our clients, our margins may decline. To the extent the length of our apartment leases exceed the terms of our staffing contracts, we bear the risk that we will be obligated to pay rent for housing we do not use. If we cannot source a sufficient number of appropriate short-term leases in regional markets, or if, for any reason, we are unable to efficiently utilize the apartments we do lease, we may be required to pay rent for unutilized or underutilized housing. Effective management of travel costs will be necessary to prevent a decrease in gross profit and gross and operating margins.

Future changes in reimbursement trends could hamper our Healthcare and Physician segments clients' ability to pay us, which would harm our financial results.

Many of our Healthcare and Physician segments' 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.

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

The costs related to obtaining and maintaining workers' compensation insurance, medical malpractice insurance, professional and general liability insurance and health insurance for our contract professionals have been increasing. If the cost of carrying this insurance continues to increase significantly, this may reduce our gross and operating margins and affect our financial results.

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.

Improper activities of our contract professionals could result in damage to our business reputation, discontinuation of our client relationships and exposure to liability.

We may be subject to possible claims by our clients related to errors and omissions, misuse of proprietary information, breach of confidentiality, discrimination and harassment, theft and other criminal activity, malpractice and other claims stemming from the improper activities or alleged activities of our contract professionals. We cannot assure that our current liability insurance coverage will be adequate or will continue to be available in sufficient amounts to cover damages or other costs associated with such claims. 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.

Claims against us by our contract professionals for damages resulting from the negligence or mistreatment by our clients could result in significant costs and adversely affect our recruitment and retention efforts.

We may be subject to possible claims by our contract professionals alleging discrimination, sexual harassment, negligence and other similar activities. Our physicians, nurses and healthcare professionals may also be subject to medical malpractice claims. We cannot assure that our current liability insurance coverage will be adequate or will continue to be available in sufficient amounts to cover damages or other costs associated with such claims. Claims raised by 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, any associated negative publicity could adversely affect our ability to attract and retain qualified contract professionals in the future.

If we are subject to material uninsured liabilities under our partially self-insured workers' compensation program and medical malpractice coverage, our financial results could be adversely affected.

We maintain a partially self-insured workers' compensation program and medical malpractice coverage. In connection with these programs, we pay a base premium plus actual losses incurred up to certain levels. We are insured for losses greater than certain levels, both per occurrence and in the aggregate. There can be no assurance that our loss reserves and insurance coverage will be adequate in amount to cover all workers' compensation or medical malpractice claims. If we become subject to substantial uninsured workers' compensation or medical malpractice liabilities or there is a significant change in the circumstances related to claims, our results of operations and financial condition could be adversely affected.

Significant legal actions could subject us to substantial uninsured liabilities.

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

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 is, in part, self-insured 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.

We operate in a regulated industry and changes in regulations or violations of regulations may result in increased costs or sanctions that could reduce our revenues and profitability.

Our organization is subject to extensive and complex federal and state laws and regulations including but not limited to laws and regulations related to professional licensure, payroll tax, conduct of operations, payment for services and payment for referrals. If we fail to comply with the laws and regulations that are directly applicable to our business, we could suffer civil and/or criminal penalties or be subject to injunctions or cease and desist orders.

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.

Recent U.S. healthcare legislation could negatively impact our results of operations.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the Acts) were signed into U.S. law. The Acts represent 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. Although our intent is to bill these 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 Acts will not become effective until 2014, possible future changes to the Acts could significantly impact any estimates we develop during that period. While we are unable at this time to estimate the net impact of the Acts, we believe the net financial impact on our results of operations could be significant.

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.

Impairment of goodwill could materially impact future results of operations.

We have approximately $229.2 million in goodwill at December 31, 2011. As part of the analysis of goodwill impairment, Accounting Standards Codification Topic 350, Intangibles - Goodwill and Other, requires the Company's management to estimate the fair value of the reporting units on at least an annual basis and more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. We determine the fair value based upon discounted cash flows prepared for each reporting unit. 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. There are inherent uncertainties related to the factors, and management's judgment in applying these factors. At December 31, 2011, 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.

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

During 2011, we had international sales in all countries in the European Union, in Canada, the Virgin Islands, New Zealand and Australia. In 2011, our international operations comprised approximately 11.4 percent of total sales compared with 7.0 percent and 5.5 percent in 2010 and 2009, respectively. We have limited experience in marketing, selling and supporting our services outside of North America.

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.

Adverse results in tax examinations could subject us to unforeseen liabilities and impact our financial results.

We are subject to periodic tax audits. Adverse findings or assessments made by taxing authorities as the result of an audit could have an adverse effect on our financial results, if we are unable to sustain our position with the relevant jurisdiction.

If our information systems do not function in a cost effective manner, our business will be harmed.

The operation of our business is dependent on the proper functioning of our information systems. In 2011, we continued to upgrade our information technology systems, including our PeopleSoft and Recruitmax 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. If the systems fail to perform reliably or otherwise do not meet our expectations, or if we fail to successfully complete the implementation of other modules of the systems, we could experience business interruptions that could result in deferred or lost sales. Our information systems are vulnerable to fire, storm, flood, power loss, telecommunications failures, physical or software break-ins and similar events. Our network infrastructure is currently located at our facility in Salt Lake City, Utah. 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 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.

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, our financial results and our business could be materially adversely affected.

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

Our management, including our CEO and CFO, 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.

Failure to comply with restrictive covenants under our debt instruments could trigger prepayment obligations or additional costs.

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. 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 2011, the trading price of our common stock experienced significant fluctuations, ranging from a high of $11.94 to a low of $6.27. The closing price of our common stock on The NASDAQ Global Select Market was $13.55 on March 9, 2012. 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 shareholders;
- 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.

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.

Our results of operations may vary from quarter to quarter as a result of a number of factors, which may make it difficult to evaluate our business and could cause instability in the trading price of our common stock.

Factors that may cause our quarterly results to fluctuate include:

- the level of demand for our temporary staffing services and the efficiency with which we source and assign our contract professionals and support our staffing consultants in the execution of their duties;
- changes in our pricing policies or those of our competitors; and
- our ability to control costs and manage our accounts receivable balances.

Most temporary staffing companies experience seasonal declines in demand during the first and fourth quarters, as a result of fewer business days and the reduced number of contract professionals willing to work during the holidays. Historically, we have experienced variability in the duration and depth of these seasonal declines, which in turn have materially affected our quarterly results of operations and made period-to-period comparisons of our financial and operating performance difficult.

If our operating results are below the expectations of public market analysts or investors in a given quarter, the trading price of our common stock could decline.

Future sales of our common stock and the future exercise of options may cause the market price of our common stock to decline and may result in substantial dilution.

We cannot predict what effect, if any, future sales of our common stock, or the availability of our common stock for sale will have on the market price of our common stock. Sales of substantial amounts of our common stock in the public market by management or us, or the perception that such sales could occur, could adversely affect the market price of our common stock and may make it more difficult for you to sell your common stock at a time and price which you may deem appropriate.

We have adopted anti-takeover measures that could prevent a change in our control.

In June 2003, we adopted a shareholder rights plan that has certain anti-takeover effects and will cause substantial dilution to a person or group that attempts to acquire us in a manner or on terms that have not been approved by our board of directors. This plan could delay or impede the removal of incumbent directors and could make more difficult a merger, tender offer or proxy contest involving us, even if such events could be beneficial, in the short-term, to the interests of our shareholders. In addition, such provisions could limit the price that some investors might be willing to pay in the future for shares of our common stock. Our certificate of incorporation and bylaws contain provisions that limit liability and provide for indemnification of our directors and officers, and provide that our stockholders can take action only at a duly called meeting of stockholders. These provisions and others also may have the affect of deterring hostile takeovers or delaying changes in control or management.

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 or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors.
- Our stockholders may not act by written consent. In addition, a holder or holders controlling a majority of our capital stock would not be able to take certain actions without holding a stockholder's meeting, and only stockholders owning at least 50 percent of our entire voting stock must request in writing in order to call a special meeting of stockholders (which is in addition to the authority held by our board of directors to call a special stockholder meeting).
- 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. 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 our company.
- Our board of directors may issue, without stockholder approval, up to 1 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 3 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, 2011, 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 16,600 square feet of office space through February 2016 for our field support offices in Blue Ash, Ohio. As of December 31, 2011, we leased approximately 56,000 square feet of office space through December 2016 at our VISTA headquarters in Salt Lake City, Utah, and 48,300 square feet of office space through December 2015 at our Oxford headquarters in Beverly, Massachusetts.

In addition, as of December 31, 2011, we lease approximately 225,300 square feet of total office space in approximately 76 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.

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 trades on The NASDAQ Global Select Market under the symbol ASGN. The following table sets forth the range of high and low sales prices as reported on The NASDAQ Global Select Market for each quarterly period within the two most recent fiscal years. At March 9, 2012, we had approximately 40 holders of record, approximately 4,600 beneficial owners of our common stock and 37,400,313 shares outstanding.

	Price Range of Common Stock High	Price Range of Common Stock Low
Year Ended December 31, 2011		
First Quarter	$ 10.87	$ 7.77
Second Quarter	$ 11.67	$ 8.06
Third Quarter	$ 11.25	$ 6.27
Fourth Quarter	$ 11.94	$ 6.68
Year Ended December 31, 2010		
First Quarter	$ 7.89	$ 6.47
Second Quarter	$ 7.75	$ 4.17
Third Quarter	$ 5.75	$ 4.18
Fourth Quarter	$ 8.85	$ 5.06

Since inception, we have not declared or paid any cash dividends on our common stock, and we currently plan to retain all earnings to support the development and expansion of our business and we have no present intention of paying any dividends on our common stock in the foreseeable future. However, the 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 of more than $2.0 million per year.

Stock Performance Graph

The following graph compares the performance of On Assignment’s common stock price during the period from December 31, 2006 to December 31, 2011 with the composite prices of companies listed on the NASDAQ Stock Market 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 On Assignment’s common stock, the NASDAQ Stock Market composite index and an index of the companies listed in the SIC Code No. 736 on December 31, 2006 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.

	Year Ended December 31,					
	2011	2010	2009	2008	2007	2006
On Assignment, Inc.	$95.13	$69.35	$60.85	$48.25	$59.66	$100.00
SIC Code No. 736 Index—Personnel Supply Services Company Index	$57.79	$80.50	$63.86	$43.80	$74.51	$100.00
NASDAQ Stock Market Index	$113.16	$114.06	$96.54	$66.41	$110.66	$100.00

Common Stock Repurchases

On Assignment purchases of equity securities during the quarter ended December 31, 2011 were as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publically Announced Plans or Programs	Maximum Number of Shares (or Approximated Dollar Value) of Shares That May Yet be Purchased Under the Plans or Programs
January	-	-	-	$ 18,000,000
February	-	-	-	$ 18,000,000
March	-	-	-	$ 18,000,000
April	-	-	-	$ 18,000,000
May	-	-	-	$ 18,000,000
June	-	-	-	$ 18,000,000
July	-	-	-	$ 18,000,000
August	10,300	$ 6.99	10,300	$ 17,900,000
September	283,853	$ 6.86	283,853	$ 16,000,000
October	29,208	$ 6.97	29,208	$ 15,800,000
November	-	-	-	$ 15,800,000
December	-	-	-	$ 15,800,000
Total	323,361	$ 6.87	323,361	$ 15,800,000

On June 15, 2001, the Company's Board of Directors authorized the repurchase of up to 2,940,939 shares of common stock. As of December 31, 2009, the Company had repurchased and retired the entire amount of the authorized repurchase shares of its common stock at a total cost of $25.0 million for such 2,940,939 shares.

On October 25, 2010, the Board of Directors authorized additional corporate stock repurchases subject to an overall repurchase cost limitation of $20.0 million. Under this program, the Company, through a third party, may repurchase shares in open market purchases or in privately negotiated transactions over a four year period. In 2010, the Company repurchased and retired 291,212 shares of its common stock at a total cost of $2.0 million. In 2011, the Company repurchased and retired 323,361 shares of its common stock at a total cost of $2.2 million. The Company's remaining authorized cost limitation to repurchase its common stock was $15.8 million as of December 31, 2011.

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,				
	2011	2010	2009	2008	2007
	(in thousands, except per share data)				
Revenues	$597,281	$438,065	$416,613	$618,058	$567,180
Cost of services	397,176	288,609	280,245	418,602	387,643
Gross profit	200,105	149,456	136,368	199,456	179,537
Selling, general and administrative expenses	155,706	130,830	121,141	155,942	151,942
Impairment of goodwill	-	15,399	-	-	-
Operating income	44,399	3,227	15,227	43,514	27,595
Interest expense	(2,975)	(8,309)	(6,612)	(9,998)	(12,174)
Interest income	39	141	170	715	1,394
Income (loss) before income taxes	41,463	(4,941)	8,785	34,231	16,815
Provision for income taxes	17,166	4,956	4,078	15,261	7,493
Net income (loss)	$24,297	$(9,897)	$4,707	$18,970	$9,322
Earnings (loss) per share:					
Basic	$0.66	$(0.27)	$0.13	$0.53	$0.27
Diluted	$0.64	$(0.27)	$0.13	$0.53	$0.26
Number of shares and share equivalents used to calculate earnings (loss) per share:					
Basic	36,876	36,429	36,011	35,487	35,138
Diluted	37,758	36,429	36,335	35,858	35,771
Balance Sheet Data (at end of period):					
Cash and cash equivalents	$17,739	$18,409	$25,974	$46,271	$37,764
Working capital	74,705	50,596	62,238	91,192	79,009
Total assets	410,665	341,116	343,462	401,850	384,680
Long-term liabilities	107,513	76,579	84,847	129,805	140,803
Stockholders' equity	246,743	219,487	226,661	218,514	193,034

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 Annual Report on Form 10-K, including Special Note on Forward-looking Statements and Part I, "Item 1A — Risk Factors".

OVERVIEW

On Assignment, Inc. is a leading global provider of highly skilled, hard-to-find professionals in the growing life sciences, healthcare, and technology sectors, where quality people are the key to success. The Company goes beyond matching résumés with job descriptions to match people they know into positions they understand, for contract, contract-to-hire, and direct hire assignments. Our business currently consists of four operating segments: Life Sciences, Healthcare, Physician, and IT and Engineering.

The Life Sciences segment provides 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. Our contract 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.

The Healthcare segment, comprised of our Nurse Travel and Allied Healthcare lines of business provides contract professionals, both locally-based and traveling, from a number of healthcare and allied healthcare occupations. Our contract professionals include nurses, specialty nurses, health information management professionals, dialysis technicians, surgical technicians, imaging technicians, x-ray technicians, medical technologists, medical assistants, pharmacists, pharmacy technicians, respiratory therapists, phlebotomists, coders, billers, claims processors and collections staff, and dental professionals - including dental assistants, hygienists and dentists and rehabilitation therapists.

Our Physician segment includes our physician staffing and permanent physician search services, which provides short and long-term locum tenens coverage and full-service physician search and consulting in the United States with capabilities in Australia and New Zealand. We work with physicians from nearly all medical specialties, placing them in hospitals, community-based practices, and federal, state and local facilities.

Our IT and Engineering segment includes our IT and Engineering line of business, which provides high-end consultants with expertise in specialized information technology and engineering fields. We combine international reach with local depth, serving clients through a network of recruiting centers in North America and Europe, and branch offices in major metropolitan markets across the United States.

Results of Operations

The following table summarizes selected statement of operations data expressed as a percentage of revenues:

	Year Ended December 31,					
	2011		2010		2009	
Revenues	100.0	%	100.0	%	100.0	%
Cost of services	66.5		65.9		67.3	
Gross profit	33.5		34.1		32.7	
Selling, general and administrative expenses	26.1		29.9		29.1	

Impairment of goodwill	-	3.5	-
Operating income	7.4	0.7	3.7
Interest expense	(0.5)	(1.9)	(1.6)
Interest income	-	-	-
Income (loss) before income taxes	6.9	(1.2)	2.1
Provision for income taxes	2.9	1.1	1.0
Net income (loss)	4.1 %	(2.3) %	1.1 %

* Columns may not foot due to rounding.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2011 COMPARED WITH THE YEAR ENDED DECEMBER 31, 2010

Revenues

	Year Ended December 31,				Change			
		2011		2010	$		%	
Revenues by segment (in thousands):								
Life Sciences	$	155,324	$	109,495	$	45,829	41.9	%
Healthcare		94,598		76,287		18,311	24.0	%
Physician		80,617		73,595		7,022	9.5	%
IT and Engineering		266,742		178,688		88,054	49.3	%
Total	$	597,281	$	438,065	$	159,216	36.3	%

Revenues increased $159.2 million, or 36.3 percent, mainly due to growth in all four segments which was partially due to our acquisitions of Cambridge, Sharpstream, Valesta and HCP. Cambridge and Sharpstream were acquired in 2010, Valesta was acquired during the first quarter of 2011 and HCP was acquired on July 31, 2011. Cambridge is reported under the Life Sciences, IT and Engineering and Physician segments; Sharpstream and Valesta are reported under the Life Sciences segment and HCP is reported under the Physician segment. Consolidated revenues for the year ended December 31, 2011 included $48.1 million related to our Cambridge, Sharpstream, Valesta and HCP acquisitions compared with $9.9 million related to the Cambridge and Sharpstream acquisitions in 2010.

Life Sciences segment revenues increased $45.8 million, or 41.9 percent, comprised of a $42.4 million increase in staffing revenues and a $3.4 million, or 46.7 percent increase in direct hire and conversion fees. The increase in staffing revenues resulted from a 29.1 percent increase in the average number of contract professionals on assignment and a 7.8 percent increase in average bill rate. The year-over-year increase in revenues was primarily attributable to increased demand for our service offerings as our clients' end markets have improved in 2011 with the progressing economic recovery and an increase in revenues of $24.8 million from the business acquired in 2010 and 2011.

Revenues for our Healthcare segment (comprised of our Nurse Travel and Allied Healthcare lines of business) increased $18.3 million, or 24.0 percent. The increase in revenues in the Healthcare segment was attributable to improved economic trends in the healthcare sector, which contributed to the increase in the number of contract professionals on assignment, open orders and average bill rates and supporting customers who were undergoing system conversions. Although the Healthcare segment remains soft, we continue to see signs of improvement in demand. Nurse Travel revenues increased $12.9 million, or 35.1 percent, to $49.6 million, comprised of a 29.5 percent increase in the average number of nurses on assignment and a 2.0 percent increase in the average bill rate. Revenues related to staffing resulting from labor disruptions at customer sites included $7.1 million in 2011 and $5.0 million in 2010. Allied Healthcare revenues increased $5.4 million, or 13.7 percent, to $45.0 million, comprised of a 5.9 percent increase in average number of contract professionals on assignment and a 2.5 percent increase in the average bill rate. The Allied Healthcare operating environment continued to demonstrate signs of improvement as economic trends in our end markets showed signs of stabilization and growth as evidenced by year-over-year growth in the number of contractors and clients on billing, average bill rate, permanent placement activity and billable hours.

Physician segment revenues increased $7.0 million, or 9.5 percent, comprised of a 16.5 percent increase in the average number of physicians on assignment, a 1.9 percent decrease in average bill rate and a $0.3 million, or 8.5 percent decrease in direct hire and conversion fees revenue Physician segment revenues for year ended December 31, 2011 included $11.4 million related to our HCP and Cambridge acquisitions. The legacy physician staffing business decreased year over year. We attribute this to continued uncertainty related to healthcare reform, fewer physicians deciding to retire, current economic conditions and high unemployment which have reduced the number of elective procedures and lowered patient census at client facilities.

IT and Engineering segment revenues increased $88.1 million, or 49.3 percent, comprised of a 41.0 percent increase in the average number of contract professionals on assignment and a 5.8 percent increase in average bill rate. The increase in revenue was also due to a $0.9 million, or 46.4 percent increase in direct hire and conversion fee revenues. IT and Engineering segment revenues for the year ended December 31, 2011 included $4.3 million in revenue from our Cambridge acquisition in April 2010, compared with $2.2 million in 2010. Because many of our placements involve capital projects, we believe that one of the reasons the demand for our services has increased with the progressing economic recovery is that more companies have increased their capital spending.

Gross Profit and Gross Margins

	Year Ended December 31,			
	2011		2010	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin
Gross Profit by segment (in thousands):				
Life Sciences	$52,643	33.9 %	$37,776	34.5 %
Healthcare	26,637	28.2 %	23,058	30.2 %
Physician	25,858	32.1 %	23,847	32.4 %
IT and Engineering	94,967	35.6 %	64,775	36.3 %
Total	$200,105	33.5 %	$149,456	34.1 %

The year-over-year gross profit increase was primarily due to higher revenues, which was partially offset by a 62 basis point contraction in consolidated gross margin. The contraction in gross margin was primarily due to margin contraction in the Healthcare and IT and Engineering segments.

Life Sciences segment gross profit increased $14.9 million, or 39.4 percent. The increase in gross profit was primarily due to a 41.9 percent increase in revenues, offset by a 61 basis point contraction in gross margin. The contraction in gross margin was mainly due to a benefit in 2010 from employment tax credits related to the HIRE Act, which expired on December 31, 2010, higher European payroll tax rates and holiday pay related to Valesta employees and an increase in unemployment insurance expenses. This contraction was partially offset by a $3.4 million increase in direct hire and conversion fee revenues mainly from our Sharpstream acquisition and an 11.4 percent increase in bill/pay spread.

Healthcare segment gross profit increased $3.6 million, or 15.5 percent. The increase in gross profit was due to a 24.0 percent increase in revenues, partially offset by a 207 basis point contraction in gross margin. The contraction in gross margin was mainly due to an abnormally high gross margin in Nurse Travel in 2010, related to supporting a customer with labor disruptions when we did not have to have nurses travel and thus the related costs, a $1.8 million increase in travel related expenses, a $1.9 million increase in other employee expenses, and a $0.7 million increase in unemployment insurance expense. The contraction in gross margin was partially offset by an 8.1 percent increase in bill/pay spread. Within this segment, Allied Healthcare gross profit increased 11.0 percent while gross margin decreased 77 basis points and Nurse Travel gross profit increased 21.3 percent while gross margin decreased 283 basis points.

Physician segment gross profit increased $2.0 million, or 8.4 percent. The increase in gross profit was due to a $7.0 million, or 9.5 percent, increase in revenues, partially offset by a 32 basis point contraction in gross margin. The contraction in gross margin was primarily due to a 7.0 percent decrease in bill/pay spread, in part a result of the acquisition of HCP which has a higher concentration of lower gross margin government business, and a $0.3 million, or 8.5 percent decrease in direct hire revenue and conversion fee revenues, partially offset by a $1.5 million decrease in medical malpractice insurance expense primarily due to favorable claims development.

IT and Engineering segment gross profit increased $30.2 million, or 46.6 percent, primarily due to an $88.1 million, or 49.3 percent, increase in revenues, partially offset by a 65 basis point contraction in gross margin. The contraction in gross margin was in part due to a $4.7 million, or 35.2 percent, increase in other employee expenses, and a benefit in 2010 from employment tax credits related to the HIRE Act, which expired on December 31, 2010, partially offset by a $0.9 million increase in direct hire and conversion fee revenues and a 5.0 percent increase in bill/pay spread.

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 for each of our four segments, 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, 2011, SG&A expenses increased $24.9 million, or 19.0 percent, to $155.7 million in 2011. The increase in SG&A expenses was primarily due to a $20.1 million, or 21.1 percent, increase in compensation and benefits. The increase in compensation and benefits was due to (i) an $11.7 million increase in compensation expenses primarily as a result of increased headcount related to the Cambridge, Sharpstream, Valesta and HCP acquisitions and headcount additions to support anticipated high growth in certain segments, (ii) an $8.4 million increase in bonuses and commissions as a result of increased revenue and the anticipated attainment of incentive compensation targets, and (iii) a $0.5 million increase in acquisition costs primarily related to the recent acquisitions. Additionally, non-compensation and benefits related SG&A expenses increased $2.9 million as a result of the Valesta and HCP acquisitions which were both completed in 2011. This increase in SG&A expenses was partially offset by a $1.9 million gain related to the settlements of the Cambridge earn-out and Sharpstream earn-out. Total SG&A expenses as a percentage of revenues decreased to 26.1 percent for the year ended December 31, 2011 compared with 29.9 percent in the same period in 2010.

Impairment of Goodwill. We recognized a goodwill impairment charge of $15.4 million related to Nurse Travel during 2010. The goodwill impairment charge for Nurse Travel was a result of the decreased fair value of the reporting unit due to lowered growth expectations in the later years because of uncertainty regarding the timing of the recovery of the Nurse Travel industry.

Interest Expense. Interest expense was $3.0 million for the year ended December 31, 2011 compared with $8.3 million in 2010. This decrease was related to the $2.8 million write-off of unamortized capitalized loan costs in 2010, related to the old borrowing facility that was paid in full in December 2010, as well as lower interest rates in 2011.

Provision for Income Taxes. The provision for income taxes was $17.2 million for the year ended December 31, 2011 compared with $5.0 million in 2010. The annual effective tax rate was 41.4 percent for the year ended December 31, 2011 and 47.4 percent in 2010 excluding the impact of the goodwill impairment charge. The decrease in the tax rate in 2011 was primarily related to the year-over-year increase in income before income taxes for 2011 while permanent differences increased, but not as much as the increase to the income before income taxes, which lowered the annual effective rate. Refer to Note 8 for detailed information reconciling the statutory tax rate to the effective tax rate.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2010 COMPARED WITH THE YEAR ENDED DECEMBER 31, 2009

Revenues

	Year Ended December 31,		Change	
	2010	2009	$	%
Revenues by segment (in thousands):				
Life Sciences	$ 109,495	$ 93,664	$ 15,831	16.9%
Healthcare	76,287	97,137	(20,850)	(21.5%)
Physician	73,595	87,719	(14,124)	(16.1%)
IT and Engineering	178,688	138,093	40,595	29.4%
Total	$ 438,065	$ 416,613	$ 21,452	5.1%

Revenues increased $21.5 million, or 5.1 percent, as a result of improved operating environments in our IT and Engineering and Life Sciences segments and our acquisitions of Cambridge and Sharpstream, offset by continued weak demand for our services in our Healthcare and Physician segments. Consolidated revenues for the year ended December 31, 2010 include $7.3 million related to our Cambridge acquisition in the second quarter of 2010 and $2.6 million related to the Sharpstream acquisition in the third quarter of 2010.

Life Sciences segment revenues increased $15.8 million, or 16.9 percent, primarily due to an 11.3 percent increase in contract professionals on assignment and a $4.4 million, or 156.2 percent increase in direct hire and conversion fees. The increase in revenues was primarily due to the increase in demand for Life Sciences service offerings as our clients' end markets have improved with the economic recovery beginning in the second quarter of 2010 and the Cambridge and Sharpstream acquisitions.

Healthcare segment revenues (comprised of our Nurse Travel and Allied Healthcare lines of business) decreased $20.9 million, or 21.5 percent. Nurse Travel revenues decreased $18.9 million, or 34.0 percent, to $36.7 million, which included $5.0 million of revenue in 2010 generated from supporting customers that experienced labor disruptions. The decrease was primarily due to a 40.6 percent decrease in the average number of nurses on assignment and a 3.6 percent decrease in the average bill rate. Allied Healthcare revenues decreased $2.0 million, or 4.7 percent, to $39.5 million due to an 11.6 percent decrease in the average number of contract professionals on assignment and a $0.5 million decrease in direct hire and conversion fee revenues. These decreases were partially offset by a 2.8 percent increase in the average bill rate. Based on our research and client feedback, we believe the decrease in revenues was attributable to continued adverse economic trends in the healthcare sector, which contributed to the decrease in number of travelers on assignment, open orders, and average bill rates. While the Allied Healthcare operating environment continued to demonstrate signs of improvement, growth was constrained by (i) a continued reduction in demand for elective procedures, (ii) a greater number of patients choosing more cost effective forms of treatment such as self-medication, (iii) hospitals reduced usage of contract professionals in response to declining cash balances and patient admissions and (iv) reduced demand for less critical allied skill modalities and a dramatic decline in demand for flu vaccine as compared to the H1N1 pandemic we faced the prior year.

Physician segment revenues decreased $14.1 million, or 16.1 percent. The decrease in revenues was primarily attributable to a 16.9 percent decrease in the average number of physicians on assignment. These decreases were partially offset by a $0.6 million, or 32.5 percent increase in direct hire revenues. The average bill rate for the Physician segment was flat. Based on industry research and client feedback, we believe the decrease in revenues was primarily due to the economic conditions and high unemployment which have reduced the number of elective procedures and lowered patient census at client facilities.

IT and Engineering segment revenues increased $40.6 million, or 29.4 percent. The increase in revenues was primarily due to a 34.1 percent increase in the average number of contract professionals on assignment and a $1.2 million increase in direct hire and conversion fee revenues. These increases were partially offset by a 4.4 percent decrease in the average bill rate. Because many of our placements involve capital projects, we believe that one of the reasons the demand for our IT and Engineering services has increased with the economic recovery is that more companies have increased their capital spending.

Gross Profit and Gross Margins

	Year Ended December 31,			
	2010		2009	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin
Gross Profit by segment (in thousands):				
Life Sciences	$ 37,776	34.5%	$ 30,470	32.5%
Healthcare	23,058	30.2%	27,329	28.1%
Physician	23,847	32.4%	28,545	32.5%
IT and Engineering	64,775	36.3%	50,024	36.2%
Total	$ 149,456	34.1%	$ 136,368	32.7%

The year-over-year gross profit increase was primarily due to a 139 basis point expansion in consolidated gross margin and a 5.1 percent improvement in total revenue. The increase in gross margin was primarily attributable to an increase in the percent of revenues related to the IT and Engineering reporting unit, which has highest gross margin of all the segments and margin expansion in the Healthcare and Life Sciences segments.

Life Sciences segment gross profit increased $7.3 million, or 24.0 percent. The increase in gross profit was primarily due to a 16.9 percent increase in the segment revenues and a 197 basis point expansion in gross margin. The expansion in gross margin was due to a $4.4 million, or 156.2 percent, increase in direct hire and conversion fee revenues, partially offset by a 2.4 percent decrease in bill/pay spread.

Healthcare segment gross profit decreased $4.3 million, or 15.6 percent. The decrease in gross profit was due to a 21.5 percent decrease in the segment revenues, partially offset by a 210 basis point expansion in gross margin. The expansion in gross margin was primarily due to Nurse Travel revenues of $5.0 million at gross margins of 53.5 percent related to supporting customers with labor disruptions in 2010. The expansion in gross margin was partially offset by a 7.6 percent decrease in the bill/pay spread and an increase in billable expenses and workers' compensation insurance expense. Within this segment, Allied Healthcare gross profit decreased 5.8 percent while gross margin decreased 39 basis points and Nurse Travel gross profit decreased 25.5 percent while gross margin increased 312 basis points which was primarily due to the high gross margins on supporting customers with labor disruptions in 2010 described above.

Physician segment gross profit decreased $4.7 million, or 16.5 percent. The decrease in gross profit was due to a $14.1 million, or 16.1 percent, decrease in the segment revenues as well as a 14 basis point contraction in gross margin. The contraction in gross margin was primarily due to a 3.2 percent decrease in bill/pay spread, partially offset by a $0.6 million increase in direct hire revenues.

IT and Engineering segment gross profit increased $14.8 million, or 29.5 percent. The increase in gross profit was primarily due to a $40.6 million, or 29.4 percent increase in 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 for each of our four segments, 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, 2010, SG&A expenses increased $9.7 million, or 8.0 percent, to $130.8 million from $121.1 million for the same period in 2009. The increase in SG&A expenses was primarily due to a $12.9 million increase in compensation and benefits. The increase in compensation and benefits was due to a $9.4 million increase in bonuses, commissions and stock-based compensation as a result of increased revenue and the attainment of incentive compensation targets as well as a $3.2 million increase in compensation expenses as a result of increased headcount related to the Cambridge and Sharpstream acquisitions. The increase in SG&A expenses was also due to a $0.9 million increase in travel expenses for acquisition-related activities in 2010. The increase in SG&A expenses was partially offset by a $4.0 million decrease in amortization expense as certain intangible assets became fully amortized in the first quarter of 2010. Total SG&A expenses as a percentage of revenues increased to 29.9 percent for the year ended December 31, 2010 from 29.1 percent in the same period in 2009.

Impairment of Goodwill. We recognized a goodwill impairment charge of $15.4 million related to Nurse Travel during 2010. The goodwill impairment charge for Nurse Travel was a result of the decreased fair value of the reporting unit due to lowered growth expectations in the later years because of uncertainty regarding the timing of the recovery of the Nurse Travel industry.

Interest Expense and Interest Income. Interest expense was $8.3 million for the year ended December 31, 2010 compared with $6.6 million in 2009. This increase was primarily due to the write-off of unamortized capitalized loan costs of $2.8 million related to the old borrowing facility that was paid in full in December 2010 as well as a $1.3

million gain in 2009 for the mark-to-market adjustment on our interest rate swap, which expired on June 30, 2009, partially offset by lower average debt balances in 2010.

Interest income decreased to $0.1 million for the year ended December 31, 2010 compared with $0.2 million in 2009 due to lower account balances invested in interest-bearing accounts and lower average interest rates.

Provision for Income Taxes. The provision for income taxes was $5.0 million for the year ended December 31, 2010 compared with $4.1 million in 2009. Excluding the impact of the goodwill impairment charge, the effective tax rate was 47.4 percent in 2010 compared with 46.4 percent in 2009.

Liquidity and Capital Resources

Our working capital at December 31, 2011 was $74.7 million and our cash and cash equivalents were $17.7 million, of which $6.8 million was held in foreign countries. Cash held in foreign countries are 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 have been our primary source of liquidity and historically 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 the periodic payments of principal and interest on our loans.

Net cash provided by operating activities was $23.4 million for 2011 compared with $26.9 million for 2010. Cash provided by operating activities in 2011 were primarily driven by income from operations, an increase in accrued payroll and contract professional pay, offset by an increase in accounts receivable. Cash provided by operating activities in 2010 were primarily driven by income from operations, a decrease in prepaid income taxes and an increase in accrued payroll and contract professional pay, offset by an increase in accounts receivable.

Net cash used in investing activities was $41.1 million during 2011 compared with $16.6 million during 2010. Cash paid for acquisitions was approximately $32.8 million and capital expenditures for information technology projects, leasehold improvements and various property and equipment purchases increased $2.1 million to $8.4 million in 2011. We estimate that capital expenditures for 2012 will be approximately $8 million.

Net cash provided by financing activities was $17.5 million for 2011, compared with $16.6 million used in financing activities in 2010. During 2011, principal payments of long-term debt were $20.5 million, versus $79.2 million paid down during 2010. Proceeds from new borrowings on the term loan and line of credit were $40.5 million and $68.0 million in 2011 and 2010, respectively.

Under terms of the credit facility, the term loan facility is repayable at the minimum rate of $1.3 million per quarter and we are required to reduce the term loan by up to 50 percent of our excess cash flow based on leverage ratios, as defined by the agreement for each year end over the next five years. We are required to maintain certain financial covenants, including a maximum leverage ratio and a minimum fixed charge coverage ratio. As of December 31, 2011, we were in compliance with all such covenants. Additionally, the agreement, 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, declare dividends and incur capital expenditures.

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.

We believe that our working capital as of December 31, 2011, our credit facility and positive operating cash flows expected from future activities will be sufficient to fund future requirements of our debt repayment obligations, accounts payable and related payroll expenses, as well as capital expenditure initiatives for the next twelve months.

Commitments and Contingencies

We lease space for our corporate and branch offices. Rent expense was $8.6 million in 2011, $8.4 million in 2010 and $8.2 million in 2009.

The following table sets forth, on an aggregate basis, at December 31, 2011, the amounts of specified contractual cash obligations required to be paid in the periods shown (in thousands):

Contractual Obligations	2012	2013	2014	2015	2016	Thereafter	Total
Long-term debt obligations	$ 5,000	$ 5,000	$ 5,000	$ 71,750	$	$	$ 86,750
Operating lease obligations	7,028	6,079	5,558	4,955	3,203	5,954	32,777
Total	$ 12,028	$ 11,079	$ 10,558	$ 76,705	$ 3,203	$ 5,954	$ 119,527

For additional information about these contractual cash obligations, see Note 7 to our Consolidated Financial Statements appearing in Part II, Item 8 of this report. Interest payments related to our bank debt are not set forth in the table above.

We are partially self-insured for our workers' compensation liability related to the Life Sciences, Healthcare and IT and Engineering segments as well as the medical malpractice liability related to the Physician segment. 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. The self-insurance claim 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 self-insurance claim liability was approximately $10.4 million and $10.2 million at December 31, 2011 and 2010, 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, 2011 and 2010 were $2.4 million and $2.8 million, respectively.

As of December 31, 2011 and 2010, we have an income tax reserve in other long-term liabilities related to our uncertain tax positions of $0.3 million.

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, 2011, the Company has potential future earn-out obligations of approximately $10.2 million through 2013.

Off-Balance Sheet Arrangements

As of December 31, 2011, 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 1, Summary of Significant Accounting Policies, to the Consolidated Financial Statements in Part II, Item 8 of this report for a discussion of new accounting pronouncements.

Critical Accounting Policies

Our accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements in Part II, 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 actual collection and adjustment percentages to the outstanding accounts receivable balances at the end of the period. 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 are partially self-insured for our workers' compensation liability related to the Life Sciences, Healthcare and IT and Engineering segments as well as our medical malpractice liability related to the Physician segment. 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 self-insurance claim liability is 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 under the asset and 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 other intangible assets having an indefinite useful life are not amortized for financial statement purposes. Goodwill and intangible assets with indefinite lives are reviewed for impairment on an annual basis as of December 31, and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets with indefinite lives consist of trademarks. 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 reviewed to ensure that no conditions exist indicating the recorded amount is not recoverable from future undiscounted cash flows. We did not have any impairment of indefinite-lived intangibles in 2011, 2010, or 2009.

Goodwill is tested for impairment using a two-step process that begins with an estimation of the fair value of a reporting unit, which is generally an operating segment or one level below the operating segment level for which discrete financial information is available and reviewed by segment management. This first step is a screen for impairment and compares the fair value of a reporting unit to its 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.

If after performing the first step of the impairment test, the fair value of the reporting unit does not exceed its carrying value, we perform a second step for that reporting unit. The second step measures the amount of goodwill impairment by comparing the implied fair value of the impacted 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 impacted 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 tradenames, staffing databases and customer relationships, and 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 single discount rate is utilized across each reporting unit since we do not believe that there would be significant differences by reporting unit. Additionally, the selection of the discount rate accounts for any uncertainties in the forecasts. The terminal value assumptions are applied subsequent to the tenth year of the discounted cash flow model.

We performed the step one analyses for each reporting unit as of December 31, 2011 as this is our annual impairment test date. No impairment was noted for any of the reporting units as of December 31, 2011. The fair value of all reporting units exceeded their respective carrying values by approximately 30 percent or more. The discount rate used in the cash flow analysis was 14.6 percent.

We recognized a goodwill impairment charge of $15.4 million in the fourth quarter of 2010. Goodwill for the Company's impaired reporting unit, Nurse Travel, with a carrying amount of $15.4 million was written down to the implied fair value of $0 resulting in an impairment charge of $15.4 million. There was no goodwill impairment as of December 31, 2009, based upon the analysis as of that date.

The discounted cash flows and the resulting fair value estimates of our reporting units are sensitive to changes in other assumptions which includes an increase of less than 10 percent in the discount rate of a reporting unit. Such change could cause the fair value of certain significant reporting units to be below their carrying value. Additionally, we have assumed that there will be an economic recovery at the beginning of 2012 for the Physician reporting unit. Changes in the timing of the recovery 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 business'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, extended delays in the economic recovery, or a sustained 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, 2011, 2010 or 2009.

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. Market-based awards, which are based on achievement of targets indexed to our share price, are valued using a Monte Carlo simulation model. 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 ESPP 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.

On May 2, 2007, we entered into an interest rate swap with a financial institution, which expired on June 30, 2009 in accordance with the terms of the agreement. Prior to the expiration of the interest rate swap on June 30, 2009, the Company entered into a one-year interest rate cap contract effective July 1, 2009, in order to mitigate the interest rate risk as required by the prior credit facility agreement. The interest rate cap contract was for a notional amount of $51.0 million with a one-month LIBOR cap of 3.0 percent. The interest rate cap agreement expired on July 1, 2010. Prior to its expiration, the interest rate cap contract had the effect of capping the effective one month LIBOR rate at 3.0 percent. Following the expiration of the interest rate cap agreement, the fair value of the long-term debt effectively became subject to market interest rate volatility until such time that the credit facility was replaced with a new senior secured credit agreement on December 3, 2010.

On February 18, 2011, we entered into another interest rate swap agreement to hedge a portion of our interest rate exposure on our senior secured credit agreement. The swap has a notional amount of $25.0 million and fixes a portion of our base borrowing rate, which is a floating rate based on a LIBOR swap rate that resets periodically.

As of December 31, 2011, we had $86.8 million of principal outstanding under the senior secured credit agreement, $61.8 million of which bears interest at variable-rates. We have the option to determine the variable interest rate as the Eurodollar rate or the base rate (which is the highest of the bank's prime rate, one-half of 1.0 percent in excess of the overnight federal funds rate, and 1.0 percent in excess of the one-month Eurodollar rate), plus in each case, an applicable margin.

Excluding the effect of our interest rate swap agreement, a hypothetical 1.0 percent change in interest rates on variable rate debt would have resulted in interest expense fluctuating approximately $0.9 million based on $86.8 million of debt outstanding for any twelve month period. Including the effect of our interest rate swap agreement, a 1.0 percent change in interest rates on variable debt would have resulted in interest expense fluctuating approximately $0.6 million based on $86.8 million of debt outstanding for any twelve month period.

We have not entered into any market risk sensitive instruments for trading purposes.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of On Assignment, Inc.
Calabasas, California

We have audited the accompanying consolidated balance sheets of On Assignment, Inc. and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of On Assignment, Inc. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 14, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Los Angeles, California
March 14, 2012

ON ASSIGNMENT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 31, 2011	December 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 17,739	$ 18,409
Accounts receivable, net of allowance for doubtful accounts and billing adjustments of $2,777 and $2,175, respectively	93,925	62,518
Advances and deposits	218	480
Prepaid expenses	3,718	3,555
Prepaid income taxes	2,927	494
Deferred income tax assets	9,271	8,784
Other	3,316	1,406
Total current assets	131,114	95,646
Property and equipment, net	18,057	15,818
Goodwill	229,234	199,720
Identifiable intangible assets, net	30,206	25,170
Other long-term assets	2,054	4,762
Total Assets	$ 410,665	$ 341,116
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 5,000	$ 5,000
Accounts payable	4,112	5,392
Accrued payroll and contract professional pay	24,948	15,727
Deferred compensation	1,896	2,198
Workers' compensation and medical malpractice loss reserves	10,401	10,244
Income taxes payable	—	1,496
Current portion of accrued earn-outs	3,488	800
Other	6,564	4,193
Total current liabilities	56,409	45,050
Deferred income tax liabilities	14,856	10,156
Long-term debt	81,750	61,750
Accrued earn-outs	6,368	2,900
Other long-term liabilities	4,539	1,773
Total liabilities	163,922	121,629
Commitments and Contingencies		
Stockholders' Equity:		
Preferred Stock, $0.01 par value, 1,000,000 shares authorized, no shares issued	—	—
	370	365

Common Stock, $0.01 par value, 75,000,000 shares authorized, 37,012,250 and 36,398,811 issued and outstanding, respectively		
Paid-in capital	229,377	224,139
Retained earnings (accumulated deficit)	19,034	(5,021)
Accumulated other comprehensive income (loss)	(2,038	