ON ASSIGNMENT INC
Form 10-K
March 03, 2014

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, 2013
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 000-20540
ON ASSIGNMENT, INC.
(Exact name of registrant as specified in its charter)

Delaware	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	New York Stock Exchange

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 ý

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 ý

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 ý 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 ý 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 x Accelerated filer o 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 ý

As of June 30, 2013, the aggregate market value of our common stock held by non-affiliates of the registrant was approximately $1,236,377,419.

As of January 31, 2014, the registrant had 54,006,430 outstanding shares of Common Stock, $0.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

We are incorporating by reference into Part III of this Annual Report on Form 10-K portions of the registrant's proxy statement for the 2014 Annual Meeting of Stockholders, to be filed within 120 days of the close of the registrant's fiscal year 2013.

ON ASSIGNMENT, INC.
ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
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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 global market and economic developments, actual demand for our services, our ability to attract, and retain qualified contract professionals, our ability to remain competitive in obtaining and retaining temporary staffing clients, the availability of 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. (NYSE: 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: Apex, Oxford, Life Sciences, and Physician.

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 more than 10 companies.

On December 5, 2013, we acquired CyberCoders Holdings, Inc. ("CyberCoders"), a privately-owned provider of permanent placement services headquartered in Irvine, California. CyberCoders is included in the Oxford operating segment, within the Technology sector. See Note 3 for further information.

On December 2, 2013, we acquired Whitaker Medical, LLC ("Whitaker"), a privately-owned provider of physician staffing and services headquartered in Houston, Texas. Whitaker is included in the Physician operating segment. See Note 3 for further information.

On December 2, 2013, we sold our Allied Healthcare division. On February 12, 2013, we sold our Nurse Travel division. Allied Healthcare and Nurse Travel primarily made up the Healthcare segment, which is presented as discontinued operations in our Consolidated Statement of Operations for all periods presented.
On May 15, 2012, we acquired Apex Systems, Inc. ("Apex"), a privately-owned provider of information technology staffing and services headquartered in Richmond, Virginia. Apex is in its own operating segment, within the Technology sector.

On February 28, 2011, we acquired Warphi N.V. ("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, Inc. ("HCP"), a privately-owned provider of physician staffing headquartered in Atlanta, Georgia. HCP is included in the Physician operating 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 150 branch offices within the United States and in seven foreign countries.

Industry and Market Dynamics

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

The Staffing Industry Analysts: Staffing Industry Insight (dated September 2013), an independent staffing industry publication, estimated that total staffing industry revenues were $130 billion in 2013 and are forecast to be $137 billion in 2014, up from $124 billion in 2012. The biggest industry segment, contract labor, is forecast to grow at an annual rate of five percent in 2014 with revenues of $109 billion, while permanent placement is forecasted to grow by eight percent in 2014 with revenues of $16 billion. Within the contract help segment, professional staffing is expected to grow at an annual rate of six percent in 2014 to revenues of $59 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 life sciences and technology clients will increase their use of outsourced labor through professional staffing firms to meet the need for increases in capacity of their workforce. By using outsourced labor, these 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 technology professionals require the people involved in making assignments to have significant knowledge of the client’s industry and the ability to assess the specific needs of the client as well as the contract professionals’ qualifications. We believe that face-to-face selling in many circumstances is significantly more effective than the telephonic solicitation of clients. 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, 2013, we provided contract professionals to approximately 5,470 clients, excluding Allied Healthcare and Nurse Travel. In 2013, we had no single customer that represented six 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 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.

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.

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.

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 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 and medical benefit plans.

Strategy

We remain committed to growing our operations in the technology, healthcare and life sciences sectors that we currently serve, primarily through supporting our core service offerings and growing our newer service lines of business.

In December 2013, we acquired CyberCoders, a leading technology-enabled national permanent placement recruiting firm and Whitaker, a physician staffing business based in Houston, Texas. The CyberCoders acquisition will also allow us to better serve our customers since we will now be able to not only meet their staff augmentation needs, but also provide them with permanent placement services on a contingent basis. As a result, we believe that CyberCoders complements our current service offerings across all the On Assignment divisions. Whitaker’s concentration on the primary care market and geographic locations in the south are complementary to our existing physician staffing business. In addition to their focus on physician staffing, Whitaker possesses strong expertise in advanced practice, including physician assistants, nurse anesthetists and nurse practitioners, which we believe to be one of the fastest growing segments in healthcare staffing. We will continue to look at acquisition opportunities which supplement our internal growth.

In February 2013, we sold our Nurse Travel business. This decision was based on the relatively small size of the travel nursing market which had contracted significantly more than other healthcare staffing markets during the recession, the fact that its gross margins were significantly lower than the gross margins in our other businesses and the difficulty we believed we would have achieving a reasonable scale. In December 2013, we sold certain operating assets of our Allied Healthcare division. This decision was based on our ability to scale this business for growth as compared with staffing companies that have larger shares of this market. In 2012, we acquired all of the outstanding shares of Apex Systems, Inc., a privately-owned provider of information technology staffing and services headquartered in Richmond, Virginia.

In 2013, 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 they can share best practices.

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. The RecruitMax ™ application interfaces with the existing enterprise-wide information system, PeopleSoft ™, used in all of our domestic lines of business and provides additional functionality, including applicant tracking and search tools, customer and candidate contact management and sales management tools. Our next major front office development initiative supporting the Oxford segment is currently underway. Apex uses Bullhorn ™ for its front office system.

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. In August of 2013 we completed an upgrade and consolidated Oxfords' PeopleSoft™ platform to the Enterprise PeopleSoft ™ platform, which lowers the cost of future maintenance and simplifies our back-office systems footprint.

We improved our pay-bill processing efficiencies by deploying an on-line time collection system. This secure web-based application is a self-service tool that captures time by assignment and allows our customers to provide an electronic approval. This particular extension of PeopleSoft ™ has been fully operational at the Oxford unit for over five years and the roll-out continues for other business segments. Life Sciences largely completed this deployment in 2012. Customer adoption has been very good and we are planning a number of enhancements for meeting unique customer needs throughout 2014.

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 2013, 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, excluding Allied Healthcare and Nurse Travel, increased 20.8 percent primarily related to the acquisition of Apex. In 2014, we anticipate that the markets we serve will improve with the economy. We have made 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.

In late 2012, we engaged a third party to assist and facilitate the development of a new strategic plan. The strategic planning process has been substantially completed and the results will be discussed in the near future. This is similar to the process we completed in 2010. The objectives of that plan were met with the acquisition of Apex.

Competition

We compete with other large publicly-held staffing companies as well as 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.

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

Operating Segments

Apex

Our Apex segment, a leading provider of information technology ("IT") staffing and services, has back-office activities based in Richmond, Virginia with 63 branch offices nationwide supporting our sales, recruiting and field activities. Apex segment revenues for 2013 were $942.5 million and represented 57.7 percent of our total revenues. The Staffing Industry Analysts: Staffing Industry Insight (dated September 2013) report estimated that the IT staffing market will increase seven percent in 2014. Demand 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 Apex segment provides mission-critical IT operations professionals for contract, contract-to-hire and permanent placement positions to Fortune 1000 and mid-market clients across the United States, and offers consulting services for other select project-based needs. Apex provides staffing and services support for companies from all major industries, including financial services, business services, consumer and industrials, technology, healthcare, government services, and communications. Apex's Consulting Services group is growing to meet the increasing demands of the marketplace. The Consulting Services group supplements Apex's technical staffing solutions by providing deliverable-based services to also help organizations drive better business performance. Apex's consulting services offerings include managed processes, such as support service centers and centers of excellence; managed projects, such as software development, mobile applications, migration services, and consulting; and managed implementations, such as Enterprise Resource Planning and Electronic Health Records.

Candidate quality is Apex's priority. Apex's proactive approach and thorough screening process is central to its business. Based upon the customer's requirements, Apex's skill-based recruiters will source candidates utilizing several tools, such as a pipeline of pre-screened candidates, Apex's applicant tracking system with over 2.0 million candidates nationwide, referrals, open houses/networking, social networking, and diversity-based technical communities.

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

Apex's clients range from the large financial services companies and government contractors to local hospitals seeking support for Internal Classification of Diseases conversions. Assignments in our Apex segment typically vary from four to 12 months, although they can be longer.

Apex's largest competitors include TEKsystems Inc., Robert Half International Inc., Kforce Inc., and Insight Global, Inc.

Oxford

Our Oxford segment is based in Beverly, Massachusetts where all of the business'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. Oxford's revenues for 2013 were $412.2 million and represented 25.3 percent of our total revenues. The Staffing Industry Analysts: Staffing Industry Insight (dated September 2013) report estimated that the IT staffing market will increase seven percent in 2014. Demand in our Oxford business segment is driven by a shortage of IT and engineering professionals with specialized skills that organizations need quickly but cannot find on their own. Additionally, the push for adoption of health information technology and compliance with FDA regulations is accelerating demand for Oxford's services.

Oxford assigns highly qualified professionals in select IT and engineering technical disciplines. Oxford's IT specialties include enterprise resource planning, business intelligence, customer relationship management, supply chain management, database administration, application development, IT infrastructure, and healthcare applications. Oxford's engineering specialties include hardware, software, mechanical and electrical, as well as validation, regulatory compliance, and quality assurance. Assignments are highly diversified across the client base, averaging fewer than two contract assignments per client.

Oxford serves the market in two operating formats. The first, Oxford International, consists of ten sales and recruiting centers in the U.S. and one in Cork, Ireland that pro-actively 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 remote from the client work-site and will travel away from their homes to perform the assignments. The second operating format, Oxford & Associates, consists of 16 branch offices across the United States that recruit technology professionals local to their metropolitan market to fulfill needs for clients in those cities. In each of these formats, we employ both client-oriented sales people and recruiters who specialize in a given IT or engineering discipline. Our competitive advantage comes from our ability to respond very quickly with high quality candidates to a client's request, thus Oxford's tagline “The Right Talent. Right Now®.”

Oxford’s contract professionals are experts in specific IT and engineering technologies. 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. Oxford is responsible for many of the activities typically handled by the client’s human resources department, as well as billing, payroll, and related financial activities.

Oxford provides 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 small and mid-sized companies, such as a medical device manufacturer who needs a specialized hardware engineer. Assignments at Oxford typically have a term of approximately five months.

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

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, 2013, we had 48 Life Sciences segment branch offices. Life Sciences segment revenues for 2013 were $171.5 million and represented 10.5 percent of our total revenues.

The Staffing Industry Analysts: Staffing Industry Insight (dated September 2013) report states that the life sciences professional staffing market will grow by five percent in 2014. 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 bachelors 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, 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.

Physician

Our Physician segment is the leading provider of physician staffing, known as locum tenens coverage, and permanent physician search services. The majority of our recruiters are located in Salt Lake City, Utah, Atlanta, Georgia, and Houston, Texas. The Physician segment revenues for 2013 were $105.8 million and represented 6.5 percent of our total revenues. The Staffing Industry Analysts: Staffing Industry Insight (dated September 2013), states that the physician staffing market will increase eight percent in 2014. 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 three primary recruitment centers with several branch offices.

The sales and fulfillment functions at our Physician segment are similar to those of our competitors. Client sales specialists for Vista Staffing Solutions, Inc. ("Vista") are organized by geographic territories so that a single individual can handle a client’s physician staffing needs for all disciplines. Vista's 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 over 30 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 two to six weeks.

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 ("CHG"), TeamHealth, Inc., Cross

Country Healthcare, Inc. and AMN Healthcare Services, Inc. ("AMN Healthcare"), along with several other privately-held companies providing locum tenens services.

Seasonality

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

Employees

At December 31, 2013, we employed approximately 2,700 full-time regular employees, including staffing consultants, regional sales directors, account managers, recruiters and corporate office employees. During 2013 we employed approximately 29,800 contract professionals and 1,370 locum tenens physicians, excluding Allied Healthcare and Nurse Travel.

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 separate medical malpractice insurance coverage for our locum tenens physicians placed through Vista and its subsidiaries. These expenses have a direct effect on our cost of services, margins and likelihood of achieving or maintaining profitability.

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

Executive Officers of the Company

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

Name	Age	Position
Peter T. Dameris	54	Chief Executive Officer and President
Edward L. Pierce	57	Executive Vice President and Chief Financial Officer
James L. Brill	62	Senior Vice President and Chief Administrative Officer

Michael J. McGowan	60	Chief Operating Officer of On Assignment and President, Oxford
Randolph C. Blazer	63	President, Apex
Theodore S. Hanson	44	Chief Financial Officer, Apex
Christian L. Rutherford	40	President, Vista
Christina N. Gibson	43	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.

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

James L. Brill joined the Company in January 2007 as Senior Vice President, Finance and Chief Financial Officer and was appointed to Senior Vice President and Chief Administrative Officer in September 2012. Mr. Brill was Vice President, Finance and Chief Financial Officer of Diagnostic Products Corporation, a manufacturer of immuno-diagnostic kits, from July 1999 until it was acquired by Siemens in July 2006. From August 1998 to June 1999, Mr. Brill served as Chief Financial Officer of Jafra Cosmetics International, a marketing and direct-selling company in the skin care and beauty industry, and as Vice President of Finance and Administration and Chief Financial Officer of Vertel Corporation, a provider of middleware for the telecommunications industry, from 1996 to 1998. Mr. Brill also served as Senior Vice President, Finance and Chief Financial Officer of Merisel, Inc., a computer hardware and software distributor, from 1988 to 1996. Mr. Brill has been a member of the Board of Directors of Onvia Inc. since March 2004. He holds a Bachelor’s of Science degree from the United States Naval Academy and a Master’s of Business Administration degree from the University of California Los Angeles.

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

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

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

Christian L. Rutherford is President of Vista, On Assignment’s physician staffing division. Mr. Rutherford is an 18-year veteran of the staffing industry. From January 2004 through December 2008, Mr. Rutherford held senior leadership roles at CHG, the largest locum tenens company in the United States, 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 served in that capacity until the fourth quarter of 2010 when 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.

Christina N. 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 Corporation, an internet banking software company from April 2005 to May 2007. From May 2000 through April 2005, Ms. Gibson worked at Tekelec Inc., a telecommunications equipment provider. During her tenure at Tekelec Inc., Ms. Gibson served as the Director of Finance as well as the Assistant Vice President and Corporate Controller. She holds a Bachelor's 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, Proxy Statements and all amendments to those reports and statements with the Securities and Exchange Commission ("SEC"). You may read and copy any of our reports that are filed with the SEC in the following manner:

- At the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330;
- At the SEC's website, http://www.sec.gov;
- At our website, http://www.onassignment.com; or
- By contacting our Investor Relations Department at (818) 878-7900.

Our reports are available through any of the foregoing means and are available free of charge on our website as soon as practicable after such material is electronically filed with or furnished to the SEC. Also available on our website (http://www.onassignment.com), free of charge, are copies of our Code of Ethics for the Principal Executive Officer and Senior Financial Officers, Code of Business Conduct and Ethics and the charters for the committees of our Board of Directors. We intend to disclose any amendment to, or waiver from, a provision of our Code of Ethics for Principal Executive Officer and Senior Financial Officers on our website within five business days following the date of the amendment or waiver.

Item 1A. Risk Factors

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

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

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

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

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

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

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

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

If the Company is unable to sustain its rate of growth, our growth prospects and future results are likely to be adversely affected.

Over the past several years, the Company has undergone revenue and earnings growth. There is no assurance that the Company will be able to continue this pace of growth in the future. Such growth also could be negatively affected by many factors, including future technology industry conditions or macroeconomic events. If the Company's growth rate slows, or if it fails to grow at the pace anticipated, future growth prospects and results are likely to be adversely affected.

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

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

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

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

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

We consider various individuals who provide services in connection with our business, including our locum tenens physicians, as independent contractors rather than employees. As such, we do not withhold or pay income or other employment related taxes, or provide workers' compensation insurance for them. We believe that our classification of those individuals as independent contractors is consistent with general industry standard and applicable guidelines from the U.S. Department of Labor and the Internal Revenue Service, but can nonetheless be challenged by the contractors themselves or by relevant taxing authorities. If federal or state taxing authorities determine that individuals engaged as independent contractors are employees, our business model would be materially and adversely affected. 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. Although we believe we qualify for the 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.

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

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

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

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

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

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, labor and employment, 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.

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

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "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. While the costs associated with the law may have less impact on us than our competitors due to the level and scope of benefits we already offer, and while our intent is to bill additional costs to our customers, there can be no assurance that we will be able to increase client bill rates in a sufficient amount to cover the increased costs. This may reduce our gross and operating margins and negatively impact our financial results. Additionally, since significant provisions of the Acts did not become effective until 2014, and the requirement that we provide healthcare coverage or incur penalties has been delayed until 2015, any future changes to the Acts or their implementation, through regulations or otherwise, could significantly impact any estimates we develop regarding increased costs. As a result of this uncertainty, we are unable at this time to estimate the net impact of the Acts, although we believe the net financial impact on our results of operations could be significant.

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

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

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

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

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

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

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

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

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

We have approximately $574.9 million in goodwill and $288.5 million in identifiable intangible assets at December 31, 2013. As part of the testing of goodwill impairment, Accounting Standards Codification Topic 350, Intangibles - Goodwill and Other, requires the Company to estimate the fair value of its reporting units on at least an annual basis and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The impairment tests consist of comparing the fair value of a reporting unit with its carrying amount including goodwill. We determine the fair value of each reporting unit based upon a weighted average calculation using the fair value derived from a discounted cash flow analysis and a market approach analysis. Discounted cash flows are developed for each reporting unit based on assumptions including revenue growth expectations, gross margins, operating expense projections, working capital, capital expense requirements and tax rates. The multi-year financial forecasts for each reporting unit used in the cash flow models considered several key business drivers such as new product lines, historical performance and industry and economic trends, among other considerations. The market approach considers multiples of financial metrics, primarily EBITDA, based on trading multiples of a group of guideline public companies in the staffing industry, which multiples are then applied to the corresponding financial metrics of our reporting units to derive an indication of fair value. The similar transaction method considers multiples of financial metrics, primarily EBITDA, based on trading multiples of actual transactions that have occurred, which multiples are then applied to the corresponding financial metrics of our reporting units to derive an indication of fair value.There are inherent uncertainties related to the factors, and management's judgment in applying these factors. At October 31, 2013, we performed our annual goodwill impairment test and concluded that there was no impairment. Future declines in our market capitalization or any other impairment indicators subsequent to the balance sheet date could be an early indication that remaining goodwill may become impaired in the future. Although a future impairment of goodwill and indefinite lived identifiable intangible assets would not affect our cash flow, it would negatively impact our operating results.

Intangible assets with indefinite lives consist of trademarks. We test trademarks for impairment on an annual basis, on October 31. In order to test the trademarks for impairment, we determine the fair value of the trademarks and compare such amount to its carrying value. We determine the fair value of the trademarks using a projected discounted cash flow analysis based on the relief-from-royalty approach. The principal factors used in the discounted cash flow analysis requiring judgment are projected net sales, discount rate, royalty rate and terminal value assumption. The royalty rate used in the analysis is based on transactions that have occurred in our industry. Intangible assets having finite lives are amortized over their useful lives and are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Customer relations are amortized using an accelerated method. Contractor relations and non-compete agreements are amortized using the straight-line method. We did not have any impairment of indefinite lived or finite lived intangibles in 2013.

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

During 2013, we had international sales in all countries in the European Union, Canada, New Zealand and Australia. In 2013, our international operations comprised approximately 5.0 percent of total sales compared with 6.3 percent and 11.4 percent in 2012 and 2011, 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.

An information technology system failure may adversely affect our business.

The operation of our business is dependent on the proper functioning of our information systems. In 2013, 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. We also rely on our information systems in managing our accounting and financial reporting. If the systems fail or are otherwise unable to function in a manner that properly supports our business operations, or if these systems require significant costs to repair, maintain or further develop, we could experience business interruptions or delays that could materially and adversely affect our business and financial results. Our information systems are vulnerable to fire, storm, flood, power loss, telecommunications failures, terrorist attacks, physical or software break-ins, viruses, security breaches and similar events. Our network infrastructure is currently located at our facility in Salt Lake City, Utah. 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.

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.

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

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

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

As of December 31, 2013 and 2012, we had $399.8 million and $426.6 million of total debt, respectively, which could adversely affect our operating flexibility, and the restrictive covenants under our debt instruments could trigger prepayment obligations or additional costs.

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

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

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

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

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

In 2013, the trading price of our common stock experienced significant fluctuations, ranging from a high of $35.71 to a low of $20.41. The closing price of our common stock on the NYSE was $29.68 on January 31, 2014. Our common stock may continue to fluctuate widely as a result of a large number of factors, many of which are beyond our control, including:

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

Our results of operations may vary from quarter to quarter as a result of a number of factors, including, among other things, the level of demand for our temporary staffing services, changes in our pricing policies or those of our competitors, our ability to control costs, and our ability to manage our accounts receivable balances, which may make it difficult to evaluate our business and could cause instability in the trading price of our common stock. In addition, the stock market has experienced extreme price and volume fluctuations that have affected the trading prices of the common stock of many companies involved in the temporary staffing industry. As a result of these fluctuations, we may encounter difficulty should we determine to access the public markets for financing or use our common stock as consideration in a strategic transaction.

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

Cyber incidents can result from deliberate attacks or unintentional events. These incidents can include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. The result of these incidents could include, but are not limited to, disrupted operations, misstated financial data, liability for stolen assets or information, increased cybersecurity protection costs, litigation and reputational damage adversely affecting customer or investor confidence.

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

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

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

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

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

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

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

- Our Board of Directors has the right to elect directors to fill a vacancy created by the expansion of the Board of Directors 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 one million shares of undesignated or "blank check" preferred stock. The ability to issue undesignated or "blank check" preferred stock makes it possible for our Board of Directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt or make it more difficult for a third party to acquire us.

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

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

As of December 31, 2013, we leased approximately 37,200 square feet of office space through November 2021 for our field support and corporate headquarters in Calabasas, California. Additionally, we leased approximately 54,800 square feet of office space through December 2016 at our VISTA headquarters in Salt Lake City, Utah; 48,300 square feet of office space through December 2015 at our Oxford headquarters in Beverly, Massachusetts; and 55,900 square feet of office space through March 2017 at our Apex headquarters in Richmond, Virginia.

In addition, as of December 31, 2013, we lease approximately 584,000 square feet of total office space in approximately 150 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 is listed on the New York Stock Exchange, or NYSE, under the symbol ASGN. Prior to August 31, 2012, our common stock was listed on the NASDAQ Global Select Market, or Nasdaq. The following table sets forth the range of high and low sales prices as reported on the Nasdaq and the NYSE, as applicable for each quarterly period within the two most recent fiscal years. At January 31, 2014 we had approximately 66 holders of record, approximately 10,742 beneficial owners of our common stock and 54,006,430 shares outstanding.

	Price Range of Common Stock	
	High	Low
Year Ended December 31, 2013		
First Quarter	$26.09	$20.41
Second Quarter	$27.63	$22.02
Third Quarter	$33.74	$25.24
Fourth Quarter	$35.71	$30.15
Year Ended December 31, 2012		
First Quarter	$18.25	$10.65
Second Quarter	$19.37	$14.48
Third Quarter	$20.93	$14.50
Fourth Quarter	$20.74	$18.00

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, our Board of Directors periodically reviews our dividend policy to determine whether the declaration of dividends is appropriate. Terms of our senior credit facility restrict our ability to pay dividends; the restriction is variable based upon our leverage ratio and certain other circumstances, as outlined in the agreement.

Stock Performance Graph

The following graph compares the performance of On Assignment’s common stock price during the period from December 31, 2008 to December 31, 2013 with the composite prices of companies listed on the NYSE, and of companies included in the SIC Code No. 736—Personnel Supply Services Companies Index. The companies listed in the SIC Code No. 736 include peer companies in the same industry or line of business as On Assignment.

The graph depicts the results of investing $100 in our common stock, the NYSE market index, and an index of the companies listed in the SIC Code No. 736 on December 31, 2008 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.

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ASSUMES $100 INVESTED ON JANUARY 1, 2008
ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDING DECEMBER 31, 2013

	Year Ended December 31,					
	2013	2012	2011	2010	2009	2008
On Assignment, Inc. (ASGN)	$615.87	$357.67	$197.18	$143.74	$126.10	$100.00
SIC Code No. 736 Index—Personnel Supply Services Company Index	$247.67	$151.38	$131.94	$183.72	$145.87	$100.00
NYSE Stock Market Index	$207.85	$164.45	$141.46	$146.46	$128.95	$100.00

Common Stock Repurchases

There were no purchases of equity securities during the year ended December 31, 2013.

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, 2013.

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,				
	2013	2012	2011	2010	2009
	(in thousands, except per share data)				
Summary Results of Operations:					
Revenues	$1,631,997	$1,137,986	$515,584	$372,599	$329,450
Cost of services	1,143,591	782,093	337,896	242,664	216,744
Gross profit	488,406	355,893	177,688	129,935	112,706
Selling, general and administrative expenses	342,687	256,696	136,709	112,730	97,598
Amortization of intangible assets	21,751	18,016	2,346	2,115	5,991
Operating income	123,968	81,181	38,633	15,090	9,117
Interest expense, net	(15,863)	(15,768)	(2,936)	(5,960)	(6,442)
Write-off of loan costs	(14,958)	(813)	—	(2,208)	—
Income before income taxes	93,147	64,600	35,697	6,922	2,675
Provision for income taxes	38,792	28,141	14,833	3,541	1,242
Income from continuing operations	54,355	36,459	20,864	3,381	1,433
Gain on sale of discontinued operations, net of income taxes	30,840	—	—	—	—
Income (loss) from discontinued operations, net of income taxes	(683)	6,194	3,433	(13,278)	3,274
Net income (loss)	$84,512	$42,653	$24,297	$(9,897)	$4,707
Basic earnings per common share:					
Income from continuing operations	$1.02	$0.78	$0.57	$0.09	$0.04
Income (loss) from discontinued operations	0.56	0.13	0.09	(0.36)	0.09
Net income (loss)	$1.58	$0.91	$0.66	$(0.27)	$0.13
Diluted earnings per common share:					
Income from continuing operations	$1.00	$0.76	$0.55	$0.09	$0.04
Income (loss) from discontinued operations	0.55	0.13	0.09	(0.36)	0.09
Net income (loss)	$1.55	$0.89	$0.64	$(0.27)	$0.13
Number of shares and share equivalents used to calculate earnings (loss) per share:					
Basic	53,481	46,739	36,876	36,429	36,011
Diluted	54,555	47,826	37,758	37,050	36,335
Balance Sheet Data (at end of year):					
Cash and cash equivalents	$37,350	$27,479	$17,739	$18,409	$25,974
Working capital	180,853	177,228	74,705	50,596	62,238
Total assets	1,261,194	1,114,463	427,267	359,116	358,895
Long-term liabilities	452,040	446,571	107,513	76,579	84,847
Stockholders' equity	640,133	532,723	246,743	219,487	226,661

Our working capital at December 31, 2013 was $180.9 million, including $37.4 million in cash and cash equivalents. On May 15, 2012, we acquired Apex. The acquisition was completed by utilizing existing cash, proceeds from the senior secured credit facility and the issuance of 14.3 million shares of common stock. See Note 3 for further information regarding acquisition activity.

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 in-demand, skilled professionals in the growing technology, healthcare, and life sciences sectors. We provide clients with short- and long-term placement of contract, contract-to-hire, and direct hire professionals.

Our Technology service offering consists of two complementary segments uniquely positioned in the marketplace to offer our clients a broad spectrum of information technology, or IT, staffing solutions: Apex and Oxford. Our Apex segment provides mission-critical daily IT operation professionals for contract and contract-to-hire positions to Fortune 1000 and mid-market clients across the United States. Our Oxford segment proactively recruits and delivers high-end information technology, engineering, regulatory, and compliance professionals for consulting assignments and permanent placements across the United States, Canada, and Europe.

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

Our Physician segment is a leading provider of physician staffing, known as locum tenens. This division also provides permanent physician search services and temporary staffing for nurse practitioners, nurse anesthetists and physicians assistants. Our Physician segment provides short- and long-term locum tenens services and full-service physician search and consulting services, primarily in the United States, with some locum tenens placements in Australia and New Zealand. We work with physicians in a wide range of specialties, placing them in hospitals, community-based practices and federal, state and local facilities.

Results of Operations

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

	Year Ended December 31,		Change	
	2013	2012	$	%
Revenues by segment (in thousands):				
Apex	$942,463	$508,743	$433,720	85.3 %
Oxford	412,189	363,765	48,424	13.3 %
Life Sciences	171,518	162,799	8,719	5.4 %
Physician	105,827	102,679	3,148	3.1 %
	$1,631,997	$1,137,986	$494,011	43.4 %

Revenues increased $494.0 million, or 43.4 percent, mainly due to the acquisition of Apex in May of 2012, and 9.6 percent year-over-year growth of our other business segments. On a pro forma basis, which assumes the acquisition of Apex, Whitaker and CyberCoders occurred at the beginning of 2012, consolidated revenues were up 14.9 percent year-over-year.

Apex revenues for the year ended December 31, 2013 were $942.5 million or 57.7 percent of total revenues. Apex was acquired on May 15, 2012. On a pro forma basis (assuming Apex was acquired at the beginning of 2012), Apex revenues for 2012 were $791.0 million and revenue growth in 2013 was 19.1 percent.

Oxford revenues increased $48.4 million, or 13.3 percent, comprised of a 9.3 percent increase in the average number of contract professionals on assignment, a 1.9 percent increase in average bill rate and a $2.8 million or 59.0 percent increase in conversion and permanent placement revenue. Oxford includes the results of CyberCoders, which was acquired on December 5, 2013 and our Healthcare Information Management practice that was formerly included in the Healthcare segment. Results of CyberCoders are included from the date of acquisition through the end of the year and CyberCoders accounted for $3.6 million of revenues in 2013.

Life Sciences revenues increased $8.7 million, or 5.4 percent, due to a 6.9 percent increase in the average number of contract professionals, slightly offset by a 2.7 percent decrease in bill rate.

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

Gross Profit and Gross Margins

	Year Ended December 31,					
	2013			2012		
	Gross Profit	Gross Margin		Gross Profit	Gross Margin	
Gross Profit by segment (in thousands):						
Apex	$258,150	27.4	%	$140,669	27.7	%
Oxford	143,334	34.8	%	127,895	35.2	%
Life Sciences	56,308	32.8	%	55,874	34.3	%
Physician	30,614	28.9	%	31,455	30.6	%
	$488,406	29.9	%	$355,893	31.3	%

The year-over-year gross profit increase was primarily due to the inclusion Apex for the full year in 2013 (compared with only 7.5 months in 2012) and higher revenues from our other segments. Gross margin compressed 135 basis points mainly due to the inclusion of Apex for the full 12 months in 2013, as it has a lower gross margin and a lower mix of direct hire and conversion fee revenues than our other segments.

Oxford gross profit increased $15.4 million, or 12.1 percent, primarily due to a $48.4 million, or 13.3 percent increase in revenues, which was partially offset by an 38 basis point contraction in gross margin. The compression in gross margin mainly related to higher growth of lower-margin services and a higher mix of reimbursable expenses, which are billed to customers with no mark-up, partially offset by a $2.8 million increase in direct hire and conversion fee revenue.

Life Sciences gross profit was flat year-over-year, despite revenue growth of $8.7 million. Gross margin was 32.8 percent, down 149 basis points from prior year. The compression in gross margin was primarily due to a decrease in European retained search fees of $0.3 million and a 4.3 percent decrease in bill/pay spread due to competitive pricing pressures.

Physician gross profit decreased $0.8 million, or 2.7 percent, despite revenue growth of $3.1 million. Gross margin was 28.9 percent, down 171 basis points from prior year. The compression in gross margin was primarily due to (i) a higher mix of revenues from lower-margin specialties, (ii) the decline in call and overtime billing, (iii) a lower mix of permanent placement and conversion fees (3.2 percent of Physician revenue in 2013, down from 3.8 percent in 2012), and (iv) an increase in our medical malpractice expense of $0.7 million.

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

For the year ended December 31, 2013, SG&A expenses were $342.7 million, an increase of $86.0 million year-over-year. SG&A expenses as a percentage of revenues was 21.0 percent for 2013, down from 22.6 percent in 2012. The year-over-year increase in SG&A expenses was due to the inclusion of Apex for the full year, and an increase in incentive compensation related to the growth in gross profit and infrastructure investments to support the growth of the business. SG&A expenses included acquisition and strategic planning costs of $4.4 million in 2013, ($10.2 million in 2012), a benefit from reduction in earn-out obligations of $3.6 million in 2013 ($1.2 million in 2012), and charges totaling $2.6 million for certain infrequent adjustments.

Amortization of Intangible Assets. Amortization of intangible assets was $21.8 million compared with $18.0 million in 2012. The $3.8 million increase was due to amortization for a full year of the $104.8 million in identifiable intangible assets acquired related to the Apex acquisition in May 2012.

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

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

Provision for Income Taxes. The provision for income taxes was $38.8 million compared with $28.1 million for the same period in the prior year. The annual effective tax rate was 41.6 percent for 2013 and 43.6 percent for 2012. The decrease in the 2013 rate was primarily related to a higher relative increase in income before income taxes than the increase in non-deductible expenses and the benefit from the reduction of certain earn-out obligations that were not taxable for income tax purposes.

Discontinued Operations. During 2013, we sold our Nurse Travel and Allied Healthcare units. These units formerly comprised our Healthcare segment. As a result of these sales, operating results and the gain on sale of these units, net of income tax, are presented as discontinued operations in our Consolidated Statements of Operations and Comprehensive Income for all periods presented. Income (loss) from discontinued operations, net of income taxes, was $(0.7) million in 2013 and $6.2 million in 2012. The decrease is primarily due to timing of the divestitures - Nurse Travel was sold in February 2013, and Allied Healthcare was sold in December 2013. The gain on sale reflects the transfer of net assets and expenses to sell.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2012 COMPARED WITH THE YEAR ENDED
DECEMBER 31, 2011

	Year Ended December 31,		Change		
	2012	2011	$	%	
Revenues by segment (in thousands):					
Apex	$508,743	$—	$508,743	—	%
Oxford	363,765	279,643	84,122	30.1	%
Life Sciences	162,799	155,324	7,475	4.8	%
Physician	102,679	80,617	22,062	27.4	%
	$1,137,986	$515,584	$622,402	120.7	%

Revenues increased $622.4 million, or 120.7 percent, mainly due to the acquisition of Apex and 22.0 percent year-over-year growth of our other business segments. Apex revenues for the year ended December 31, 2012 were $508.7 million, or 44.7 percent of total revenues. Apex was acquired on May 15, 2012 and is reported in the Apex segment.

Oxford segment revenues increased $84.1 million, or 30.1 percent, comprised of a 23.5 percent increase in the average number of contract professionals on assignment, a 4.7 percent increase in average bill rate and a $1.2 million increase in conversion and permanent placement revenue. Revenues for Oxford's Healthcare IT line of business increased by approximately 119 percent, the Engineering - Regulatory and Compliance line of business increased by approximately 39 percent, and the remaining lines of business grew by approximately 19 percent. Due to the limited availability of senior IT and engineering consultants, the demand for our services have increased. We have continued to focus on diversifying this segment across clients and industries and have selectively added staffing consultants necessary for current and future growth.

Life Sciences segment revenues increased $7.5 million, or 4.8 percent, comprised of a 5.0 percent increase in the average number of contract professionals on assignment and a 0.5 percent increase in the average bill rate, which was slightly offset by a $0.8 million decrease in conversion and permanent placement revenue. The increase was achieved despite the termination in early 2012 of a low-margin account that generated approximately $3.1 million in revenue in 2011. The year-over-year increase in revenues was attributable to inclusion of a full year's operating results from Valesta, which was acquired on February 28, 2011 and increased demand from our other service offerings as our clients end markets improved. In 2012, Valesta accounted for $24.5 million in revenues up from $20.4 million in 2011.

Physician segment revenues increased $22.1 million, or 27.4 percent. The increase in Physician segment revenues was attributable to inclusion of a full year's operating results from HCP, which was acquired on July 31, 2011 and a $7.8 million increase in our legacy physician business. HCP accounted for $25.5 million in revenues in 2012 up from $11.2 million in 2011. The increase in legacy physician revenues was due to a 4.3 percent increase in the average number of physicians placed and working, a 4.8 percent increase in average bill rate and a $0.6 million increase in direct hire and conversation fee revenues.

Gross Profit and Gross Margins