

ON ASSIGNMENT INC
Form DEF 14A
April 17, 2006
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

ON ASSIGNMENT, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
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 - (4) Proposed maximum aggregate value of transaction:
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- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
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 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:

**26651 West Agoura Road
Calabasas, California 91302**

April 14, 2006

Dear Stockholder:

On behalf of your Board of Directors and management, you are cordially invited to attend the 2006 Annual Meeting of Stockholders of On Assignment, Inc. on Monday, May 22, 2006, at 2:00 p.m. local time, at our corporate headquarters located at 26651 West Agoura Road, Calabasas, California 91302.

The Notice of Annual Meeting of Stockholders and Proxy Statement accompanying this letter describe the business to be acted upon.

Your vote is important no matter how many shares you own. In order to ensure that your shares will be represented at the Annual Meeting, we have enclosed a proxy card by which you can direct the voting of your shares. Please sign and promptly return the enclosed proxy card whether or not you plan to attend the Annual Meeting. If you attend the Annual Meeting and desire to vote in person, you may do so even though you have previously submitted your proxy card.

We thank you for your continued interest in On Assignment, Inc. and look forward to seeing you at the Annual Meeting.

Sincerely,

Peter T. Dameris
President and Chief Executive Officer

**26651 West Agoura Road
Calabasas, California 91302**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held Monday, May 22, 2006

The 2006 Annual Meeting of Stockholders of On Assignment, Inc. will be held on Monday, May 22, 2006, at 2:00 p.m. local time, at our corporate headquarters located at 26651 West Agoura Road, Calabasas, California 91302, for the purpose of considering and voting upon:

1. the election of two directors for three-year terms to expire at our 2009 Annual Meeting;
2. the amendment and restatement of On Assignment's Restated 1987 Stock Option Plan;
3. the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2006; and
4. such other business as may properly come before the Annual Meeting or any adjournments thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this notice. Only stockholders of record at the close of business on April 10, 2006, are entitled to notice of and to vote at the Annual Meeting.

All stockholders are cordially invited to attend the Annual Meeting in person. However, to ensure your representation at the Annual Meeting, you are urged to sign and return the enclosed proxy card as promptly as possible in the envelope enclosed for that purpose. Any stockholder of record attending the Annual Meeting may vote in person even if he or she has previously returned a proxy card. If you hold your shares in street name, you must obtain a proxy in your name from your bank, broker or other holder of record in order to vote by ballot at the Annual Meeting.

By Order of the Board of Directors,

Michael J. Holtzman
Secretary

April 14, 2006
Calabasas, California

**2006 PROXY STATEMENT
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On Assignment, Inc.
26651 West Agoura Road
Calabasas, California 91302

PROXY STATEMENT

**For the Annual Meeting of Stockholders to be Held
Monday, May 22, 2006**

We are providing these proxy materials in connection with the solicitation by the Board of Directors of On Assignment, Inc. of proxies to be voted at On Assignment's 2006 Annual Meeting of Stockholders to be held on **Monday, May 22, 2006 at 2:00 p.m. local time**, or at any adjournment thereof. This Proxy Statement, the proxy card and On Assignment, Inc.'s Annual Report to Stockholders will be mailed to each stockholder entitled to vote commencing on or about April 17, 2006.

General Information About the Annual Meeting and Voting

Who is soliciting my vote?

The Board of Directors (the Board) of On Assignment, Inc. is soliciting your vote at the 2006 Annual Meeting of Stockholders.

What proposals will be voted on at the Annual Meeting?

The items scheduled to be voted on at the Annual Meeting are:

- the election of two directors for three-year terms;
- the amendment and restatement of On Assignment's Restated 1987 Stock Option Plan; and
- the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the 2006 fiscal year.

If any other matters are properly submitted for consideration at the Annual Meeting or any adjournment thereof, the persons named as proxies shall vote the shares represented thereby in their discretion.

Who may vote at the Annual Meeting?

The Board has set April 10, 2006, as the record date for the Annual Meeting. If you were the owner of shares of On Assignment, Inc. common stock at the close of business on April 10, 2006, you may vote at the Annual Meeting. You are entitled to one vote for each share of common stock you held on the record date, including shares:

- held directly in your name with our transfer agent as a holder of record; and
- held for you in an account with a broker, bank or other nominee (shares held in street name).

A list of stockholders entitled to vote at the Annual Meeting will be open to the examination of any stockholder, for any purpose germane to the Annual Meeting, during normal business hours for a period of ten days before the Annual Meeting at our corporate offices at 26651 West Agoura Road, Calabasas, California 91302, and at the time and place of the Annual Meeting.

How many shares must be present to hold the meeting?

A majority of On Assignment's outstanding shares of common stock as of the record date must be present at the Annual Meeting in order to hold the meeting and conduct business. This is called a quorum. Abstentions and broker non-votes will be counted for purposes of establishing a quorum at the meeting. On April 10, 2006, there were 26,091,095 shares of On Assignment common stock outstanding. Your shares are counted as present at the Annual Meeting if you:

- are present and vote in person at the Annual Meeting; or
- have properly submitted a proxy card prior to the Annual Meeting.

How many votes are required to approve each item?

Directors are elected by a plurality of the votes cast at the Annual Meeting. This means that the nominees who receive the largest number of FOR votes cast will be elected as directors.

The ratification of the appointment of the independent accountants requires the FOR vote of a majority of the shares present in person or by proxy at the Annual Meeting and entitled to vote on that proposal.

How are votes counted?

You may either vote FOR or WITHHOLD authority to vote for the director nominees. You may vote FOR, AGAINST or ABSTAIN on the amendment and restatement of the On Assignment Restated 1987 Stock Option Plan and the ratification of the appointment of our independent accountants. If you withhold authority to vote with respect to any nominees, your shares will be counted for purposes of establishing a quorum, but will have no effect on the election of those nominees. If you abstain from voting on a proposal, your shares will be counted as present for purposes of establishing a quorum at the Annual Meeting, and the abstention will have the same effect as a vote against that proposal. If you sign and submit your proxy card without voting instructions, your shares will be voted FOR the director nominees put forth by the Board, FOR the amendment and restatement of the On Assignment Restated 1987 Stock Option Plan, and FOR the appointment of Deloitte & Touche LLP as our independent accountants.

Broker non-votes are counted as present for purposes of determining the presence or absence of a quorum for the transaction of business but will not be counted for purposes of determining whether a proposal has been approved.

What is a broker non-vote?

If a broker does not have discretion to vote shares held in street name on a particular proposal and does not receive instructions from the beneficial owner on how to vote those shares, the broker may return the proxy card without voting on that proposal. This is known as a broker non-vote.

How does the Board recommend that I vote?

The Board of Directors recommends that you vote FOR the director nominees named in this Proxy Statement, FOR the amendment and restatement of the On Assignment Restated 1987 Stock Option Plan, and FOR the ratification of the appointment of Deloitte & Touche LLP as our independent accountants.

How do I vote my shares without attending the Annual Meeting?

Whether you hold shares directly or in street name, you may direct your vote without attending the Annual Meeting. If you are a stockholder of record, you may vote by signing and dating your proxy card and mailing it in the postage-paid envelope provided. You should sign your name exactly as it appears on the proxy card. If you are signing in a representative capacity (for example, as guardian, executor, trustee, custodian, attorney or officer of a corporation), you should indicate your name and title or capacity.

For shares held in street name, you should follow the voting directions provided by your broker or nominee. You may complete and mail a voting instruction card to your broker or nominee or, in most cases, submit voting instructions by telephone or the Internet. If you provide specific voting instructions by mail, telephone or the Internet, your shares will be voted by your broker or nominee as you have directed.

How do I vote my shares in person at the Annual Meeting?

Even if you plan to attend the Annual Meeting, we encourage you to vote by signing, dating and returning the enclosed proxy card so your vote will be counted if you later decide not to attend the Annual Meeting.

If you choose to vote in person at the Annual Meeting:

- If you are a stockholder of record, you may vote by the ballot to be provided at the Annual Meeting; or
- If you hold your shares in street name, you must obtain a proxy in your name from your bank, broker or other holder of record in order to vote by ballot at the Annual Meeting.

What happens if my shares are held in more than one account?

If your shares are held in more than one account, you will receive a proxy card for each account. To ensure that all of your shares in each account are voted, you must sign, date and return each proxy card you receive.

May I revoke my proxy and change my vote?

You may revoke your proxy at any time before it is voted by:

- submitting a properly signed proxy card with a later date;
- delivering to the Secretary of On Assignment a written notice of revocation bearing a later date than the proxy card; or
- voting in person at the Annual Meeting.

Will my shares be voted if I don't provide my card and don't attend the Annual Meeting?

If you do not provide a proxy card or vote your shares held in your name, your shares will not be voted.

If you hold your shares in street name, your broker may be able to vote your shares for certain routine matters even if you do not provide the broker with voting instructions. The election of directors and the ratification of Deloitte & Touche LLP as our independent accountants for 2006 are considered routine matters. Please note that brokers cannot vote shares held on behalf of their clients on non-routine matters, such as Proposal Two regarding the amendment and restatement of the On Assignment Restated 1987 Stock Option Plan.

Proposal One Election of Directors

The Bylaws of On Assignment provide that our Board shall be comprised of not less than four nor more than seven directors, with the exact number to be fixed by the Board. The Board has fixed the authorized number of directors at six. The Board is divided into three classes, as equal in number as possible. At each Annual Meeting, one class of directors is elected for a three-year term.

At this year's Annual Meeting, two directors will be elected to serve until our 2009 Annual Meeting or until their successors are elected and qualified. Jeremy M. Jones and Teresa A. Hopp, each of whom currently serves as a director, have been nominated to stand for election. Unless otherwise instructed by stockholders, the persons named as proxies will vote the proxies received by them FOR the election of Mr. Jones and Ms. Hopp. Mr. Jones and Ms. Hopp have consented to serve if elected, but if they are unable or unwilling to serve, the persons named as proxies may exercise their discretion to vote for substitute nominees.

Approval of Proposal One

The nominees receiving the highest number of FOR votes cast will be elected as directors. The Board unanimously recommends that the stockholders vote FOR the election of their nominees.

Nominee for Election with Terms Ending in 2009

Set forth below is certain information regarding On Assignment's director nominees, including the age, term of office as director and business experience of each nominee.

Jeremy M. Jones, 64, has served as a director since May 1995 and was appointed Chairman of the Board in February 2003. Mr. Jones has served as an investor and business development consultant since February 1998. Mr. Jones has also served as Chairman of the Board of Byram Healthcare Centers since February 1999 and Lifecare Solutions, Inc. since July 2003. From 1995 through January 1998, Mr. Jones was Chief Executive Officer and Chairman of the Board of Apria Healthcare Group, Inc., a home healthcare services provider. From 1991 to 1995, Mr. Jones was Chief Executive Officer and Chairman of the Board of Homedco Group, Inc., a home healthcare services company that was merged into Apria Healthcare Group, Inc. in 1995. Mr. Jones was a director of US Labs, from November 2003 through February 2005. Mr. Jones has been chairman of Access Point Medical since June 2005.

Teresa A. Hopp, 46, has served as a director since June 2003. Ms. Hopp served as Chief Financial Officer from 1999 to 2001 and Vice President of Finance from 1998 to 1999 of Western Digital Corporation. From 1981 through 1998 Ms. Hopp was employed by Ernst & Young LLP, where she served as an audit partner.

Continuing Directors

Set forth below is certain information regarding On Assignment's continuing directors including the age, term of office as director and business experience of each director.

Terms Ending in 2007

Senator William E. Brock, 75, has served as a director since April 1996. Senator Brock is the founder and since October 1995 has served as the Chairman of Bridges Learning Systems, a firm specializing in the servicing and delivery of learning development systems to public schools. Senator Brock has also served as Chairman of the Board of Intellectual Development Systems, Inc., a provider of education services from 1996 to 2004. Senator Brock is the founder and from 1994 to 1996 was the Chief Executive Officer of The Brock Offices, a consulting firm specializing in education and trade

issues. From 1988 to 1994, Senator Brock was the Chairman of The Brock Group, a firm specializing in international trade, investment and human resources. From 1988 to 1991, he served as Chairman of the National Endowment for Democracy, an organization he helped found. Senator Brock served in President Reagan's cabinet as Secretary of Labor from 1985 to 1987 and as the United States Trade Representative from 1981 to 1985. From 1977 to 1981, Senator Brock served as National Chairman of the Republican Party. From 1970 to 1976, he was a member of the U.S. Senate, and from 1962 to 1970, he was a member of the U.S. House of Representatives.

Elliott Ettenberg, 59, has served as a director since February 2002. Since 1998 Mr. Ettenberg has served as the Chairman and Chief Executive Officer of Customer Strategies Worldwide, Inc., a marketing consultancy firm operating out of New York. From December 1996 to December 1998, Mr. Ettenberg was the Chairman and Chief Executive Officer of Bozell Retail Worldwide, an advertising company owned by Interpublic Group. From 1977 to 1996, Mr. Ettenberg was Chairman and Executive Officer of Prism Communications Limited, a technology company specializing in implementing high-tech solutions for businesses.

Terms Ending in 2008

Peter T. Dameris, 46, was appointed our Chief Executive Officer and President as of September 28, 2004, and has served on the Board since December 10, 2004. Prior to such appointment, Mr. Dameris had been Executive Vice President and Chief Operating Officer of On Assignment since November 2003. From February 2001 through October 2002, Mr. Dameris served as Executive Vice President and Chief Operating Officer of Quanta Services, Inc., a publicly-held 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., then an international, publicly-traded IT consulting/staffing company. Mr. Dameris's positions at Metamor Worldwide included 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 Worldwide for \$1.9 billion. Mr. Dameris was a member of the Board of Directors of Bindview Corporation (acquired by Symantec Corporation in January 2006) from November 2002 to 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.

Jonathan S. Holman, 60, has served as a director since March 1994. Mr. Holman is the founder and since 1981 has been the President of The Holman Group, Inc., an executive search firm.

Independent Directors

The Board consists of six members, a majority of which are deemed by the Board to be independent directors under the current listing standards of the Nasdaq Stock Market. Our independent directors are Ms. Hopp, Senator Brock and Messrs. Ettenberg, Holman and Jones. The Board has made a subjective determination as to each independent director that no relationships exist which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out his or her responsibilities as a director. In making these determinations, the Board discussed information provided by the directors and management with regard to the business and personal activities of each director as they may relate to On Assignment and members of management. There are no family relationships among our executive officers or directors.

Board Committees and Meetings

The Board held 5 meetings during the fiscal year ended December 31, 2005. The Board has a Compensation Committee, an Audit Committee, a Nominating and Corporate Governance Committee and a Stock Option Committee.

Compensation Committee. The Compensation Committee consists of three directors, Senator Brock, Mr. Jones and Mr. Holman, who serves as chairperson of the committee. The Compensation Committee held 4 meetings during 2005 and acted by written consent on 3 occasions. The Compensation Committee reviews our general compensation policies, sets the compensation levels for our executive officers and administers our Restated 1987 Stock Option Plan and Employee Stock Purchase Plan. The Board has determined that each member of the Compensation Committee is independent within the meaning of the Nasdaq Stock Market rules requiring members of compensation committees to be independent.

Audit Committee. The Audit Committee consists of three directors, Mr. Holman, Mr. Jones and Ms. Hopp, who serves as chairperson of the committee. The Audit Committee held 11 meetings during 2005. The Audit Committee reviews, acts on and reports to the Board with respect to various auditing and accounting matters. The Audit Committee is directly responsible for the appointment, compensation, evaluation, retention and oversight of On Assignment's independent accountants. The primary functions of the Audit Committee are to assist the Board in its responsibility for oversight of (a) the quality and integrity of our financial statements and our financial reporting and disclosure practices; (b) our systems of internal controls regarding finance and accounting compliance; (c) the independence and performance of our outside accountants; and (d) our ethical compliance programs. The Audit Committee also performs the other functions required of audit committees of public companies under applicable laws, rules and regulations and the requirements of the Nasdaq Stock Market.

Rules recently adopted by the Nasdaq Stock Market and the Securities and Exchange Commission (the SEC) impose strict independence requirements for all members of the Audit Committee. In addition to meeting the Nasdaq Stock Market's tests for director independence generally, directors on audit committees must meet two additional criteria set forth in the SEC's rules. First, audit committee members are barred from accepting, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or an affiliate of the issuer, other than in the member's capacity as a member of the board of directors and any board committee. Second, an audit committee member may not be an affiliated person of the issuer or any subsidiary of the issuer apart from his or her capacity as a member of the board and any board committee. The Board has determined that each member of the Audit Committee meets these independence requirements, in addition to the independence criteria established by the Nasdaq Stock Market. The Board has determined that Ms. Hopp is an audit committee financial expert, as that term is defined under the SEC rules.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee consists of three directors, Ms. Hopp, Mr. Ettenberg and Mr. Jones, who serves as chairman of the committee. The Nominating and Corporate Governance Committee evaluates director nominee candidates and makes recommendations to the Board of Directors with respect to the nomination of individuals for election to the Board of Directors and to serve as committee members. The Board has determined that each member of the Nominating and Corporate Governance Committee is independent within the meaning of the Nasdaq Stock Market rules requiring members of nominating committees to be independent. The Nominating and Corporate Governance Committee was formed by the Board in February 2004 and held no meetings during 2005. The Nominating and Corporate Governance Committee recommended the nominations of each of the nominees for election at this year's Annual Meeting.

The Nominating and Corporate Governance Committee charter, and the corporate governance guidelines established by the Nominating and Corporate Governance Committee, set forth certain criteria for the committee to consider in evaluating potential director nominees. In considering potential

candidates for director, the Nominating and Corporate Governance Committee considers the entirety of each candidate's credentials. Qualifications considered by the Nominating and Corporate Governance Committee vary according to the particular areas of expertise being sought as a complement to the existing composition of the Board. Qualifications used to evaluate a candidate include personal and professional ethics and integrity, sound judgment, the ability to make independent analytical inquiries, willingness and ability to devote adequate time and resources to diligently perform the duties of a director, and relevant business experience and acumen. When selecting a candidate, the Nominating and Corporate Governance Committee also considers additional factors such as whether the person possesses specific industry expertise, whether the candidate is familiar with general issues affecting our business and whether the person would qualify as an audit committee financial expert or an independent director.

The Nominating and Corporate Governance Committee relies primarily on recommendations from its members, other directors, the Chief Executive Officer or Chairman of the Company and third parties, including professional recruiting firms. In 2005, no professional recruiting firms or consultants were needed and, accordingly, no fees were paid in this regard to professional recruiting firms or consultants in 2005. Existing directors being considered for re-nomination will be evaluated based on their performance as directors to ensure that they continue to meet the qualifications above.

The Nominating and Corporate Governance Committee will also consider timely written suggestions from our stockholders. Stockholders wishing to suggest a candidate for director nomination for the 2007 Annual Meeting should mail their suggestions to On Assignment, Inc., 26651 West Agoura Road, Calabasas, California 91302, Attn: Secretary. Suggestions must be received by the Secretary of On Assignment no later than December 31, 2006. The manner in which director nominee candidates suggested in accordance with this policy are evaluated shall not differ from the manner in which candidates recommended by other sources are evaluated. There were no director candidates put forward by shareholders for consideration at the Annual Meeting.

The written charters governing the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee are posted on the Investor Relations - Corporate Governance page of our website at <http://www.onassignment.com>. You may also obtain a copy of any of these documents without charge by writing to: On Assignment, Inc., 26651 West Agoura Road, Calabasas, California 91302, Attn: Secretary.

Stock Option Committee. The Stock Option Committee consists of one director, Mr. Dameris. The Stock Option Committee acted by written consent on 12 occasions during 2005. The Stock Option Committee has been delegated limited authority to grant stock options to eligible individuals who are not executive officers or directors.

No currently serving director attended fewer than 75% of the aggregate number of meetings of the Board and meetings of the Committees of the Board on which he or she served during 2005. Our independent directors regularly meet as a group in executive session outside of the presence of management. As is the case with all regularly scheduled meetings of the Board and its Committees, all of On Assignment's directors are expected to attend our Annual Meetings of Stockholders in person. All of our current directors who were serving on our Board as of June 9, 2005 attended our 2005 Annual Meeting of Stockholders telephonically.

Communicating with the Board

We invite stockholders and other interested parties to communicate any concerns they may have about On Assignment directly and confidentially with either the Chairman of the Board or the non-management directors as a group by writing to the attention of either the Chairman of the Board of Directors or the Non-Management Directors at On Assignment, Inc., 26651 West Agoura Road,

Calabasas, California 91302. Any such communication will be forwarded unopened to Jeremy Jones, Chairman of the Board.

Ethics

On Assignment has adopted a Code of Business Conduct and Ethics that is applicable to all directors, officers and employees of On Assignment. It complies with the requirements of Section 406(c) of the Sarbanes-Oxley Act. More importantly, it reflects On Assignment's policy of dealing with all persons, including its customers, employees, investors, regulators and vendors, with honesty and integrity. A copy of On Assignment's Code of Business Conduct and Ethics can be found on the Investor Relations - Corporate Governance page of our website at <http://www.onassignment.com>. You may also obtain a copy of any of this document without charge by writing to: On Assignment, Inc., 26651 West Agoura Road, Calabasas, California 91302, Attn: Secretary.

Director Compensation

Each non-officer director receives the following fees for services as a director: an annual cash retainer of \$15,000 payable quarterly in arrears; \$2,000 per regularly scheduled Board meeting attended in person or by telephone; \$500 per special telephonic Board meeting; \$1,000 per committee meeting, if held separately and attended in person or \$500 if attended by telephone. In addition, we reimburse all non-officer directors for their reasonable expenses incurred in attending Board or committee meetings. Mr. Jones receives a \$45,000 annual retainer, payable quarterly in arrears, in connection with his services as Chairman of the Board, and Ms. Hopp receives a \$20,000 annual retainer, payable quarterly in arrears, in connection with her services as Chairperson of the Audit Committee. We paid Senator Brock \$25,500, Mr. Ettenberg \$23,500, Mr. Holman \$29,500, Mr. Jones \$58,000 and Ms. Hopp \$32,500, in addition to expense reimbursement, for services as directors during 2005.

Each new, non-employee director receives an option to purchase 18,000 shares of our common stock upon first joining the Board. We did not have any new non-employee directors join during 2005. Each non-employee director has also received an annual grant of a fully vested stock option to purchase 9,000 shares of our common stock. In 2005, the five non-employee directors serving on the Board as of the date of our 2005 Annual Meeting of Stockholders did not receive any stock options but instead were granted fully paid up stock in an amount of 4,500 shares at a base price of \$5.42 per share in August 2005, the closing price of such shares on the Nasdaq Stock Market on the date prior to the date of grant.

Proposal Two Amendment and Restatement of the Restated 1987 Stock Option Plan

Under our Restated 1987 Stock Option Plan (the Restated Plan), On Assignment may grant employees, contractors and non-employee members of the Board incentive or non-qualified stock options to purchase shares of its common stock and stock appreciation rights. On June 17, 2003, stockholders approved an amendment and restatement of the Restated Plan, which among other things, increased the number of shares of common stock reserved for issuance under the Restated Plan from 10,000,000 shares to 11,000,000 shares. The Restated Plan also provides for additional award features including restricted stock, unrestricted stock, stock units, dividend equivalent rights and cash awards. These modifications approved by stockholders were intended to give the Compensation Committee enhanced flexibility in award grants.

The Board of Directors approved a further amendment and restatement of the Restated Plan subject to approval from our stockholders at the Annual Meeting. Two principal changes are being proposed to be made to the Restated Plan. Prior to this proposed amendment and restatement, the aggregate number of shares of common stock that cumulatively were available for issuance pursuant to awards other than options was not to exceed 200,000 shares; in addition, the maximum number of shares that could be

awarded under the Plan, other than pursuant to an Option to any eligible person was 100,000 per year. The proposed amendment removes the aggregate limitation of 200,000 shares for awards other than options and increases the maximum number of shares that can be awarded other than pursuant to an Option to any person to 200,000 per year. In addition, the term of the Restated Plan is being extended to ten (10) years from the date of shareholder approval of this amendment and restatement and the effect of the approval of the amendment and restatement would be to reapprove the material terms of the performance-based compensation authorized by the Restated Plan. Because participation and the types of awards under the Restated Plan are subject to the discretion of the Compensation Committee, the benefits or amounts that will be received by any participant or group of participants (other than the restricted stock units granted to certain executive officers on August 3, 2005, and disclosed in a Form 8-K) if the amendment and restatement is approved are not currently determinable. As of the date of this Proxy Statement, there were five executive officer employees and five non-employee directors who were eligible to participate in the Restated Plan.

We are asking our stockholders to approve our Restated Plan, as amended and restated, as we believe that removal of the limitation on the number of shares that may be issued for awards other than options and the increase in the maximum number of shares that can be awarded to any person other than pursuant to an option in one year are essential to our continued success. The purpose of the Restated Plan is to attract and encourage the continued employment and service of, and maximum efforts by, officers, key employees and other key individuals by offering those persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of On Assignment. In the judgment of the Board of Directors, the removal of this 200,000 share aggregate limitation and the increase in the maximum number of shares that can be awarded to an individual per year, other than pursuant to an option, provides the Company with more flexibility in terms of the form and amount of awards that may be granted under the Restated Plan and should reduce the number of shares to be issued in future grants.

The amendment and restatement of the Restated Plan is also intended to comply with Section 162(m) of the Internal Revenue Code. Section 162(m) of the Internal Revenue Code limits publicly-held companies to an annual deduction for federal income tax purposes of \$1 million for compensation paid to certain employees. However, performance-based compensation is excluded from this limitation. The amendment and restatement described in this section of the Proxy Statement was approved by our Board of Directors to enable us to grant awards qualifying as performance-based compensation under the Restated Plan. The Restated Plan also establishes performance objectives to be used in granting awards intended to qualify as performance based compensation under Section 162(m) of the Code.

Description of the Restated Plan

A description of the provisions of the Restated Plan is set forth below. This summary is qualified in its entirety by the detailed provisions of the Restated Plan, as amended and restated, a copy of which is attached as *Exhibit A* to this Proxy Statement.

Administration. The Restated Plan is administered by the Compensation Committee of the Board of Directors. Subject to the terms of the Restated Plan, the Compensation Committee may select participants to receive awards, determine the types of awards and terms and conditions of awards and interpret provisions of the Restated Plan. In addition, the Board of Directors has delegated authority to the Stock Option Committee, which currently consists of one director, Peter Dameris, to grant stock options to eligible employees that are not executive officers or directors within pre-approved limits.

Common Stock Reserved for Issuance under the Restated Plan. The common stock issued or to be issued under the Restated Plan consists of authorized but unissued shares and treasury shares. If any shares covered by an award are not purchased or are forfeited, or if an award otherwise terminates without delivery of any common stock, then the number of shares of common stock counted against the aggregate

number of shares available under the Restated Plan with respect to the award will, to the extent of any such forfeiture or termination, again be available for making awards.

Eligibility. Awards may be made under the Restated Plan to employees, officers and directors of or consultants and advisors to On Assignment or any of its affiliates, including any employee who is an officer or director of On Assignment or of any affiliate and to any other individual whose participation in the Restated Plan is determined to be in the best interests of On Assignment.

Amendment or Termination of the Restated Plan. The Board of Directors may terminate or amend the Restated Plan at any time and for any reason. The Restated Plan shall terminate in any event on April 18, 2013. Amendments will be submitted for stockholder approval to the extent required by the Internal Revenue Code or other applicable laws.

Options. The Restated Plan permits the granting of options to purchase shares of common stock intended to qualify as incentive stock options under the Internal Revenue Code and stock options that do not qualify as incentive stock options.

The exercise price of each stock option may not be less than 100% of the fair market value of our common stock on the date of grant. The fair market value is generally determined as the closing price of the common stock on The Nasdaq Stock Market on the trading day before the date of grant. The closing price of our common stock on the Nasdaq Stock Market was \$10.98 as of March 31, 2006. In the case of 10% stockholders who receive incentive stock options, the exercise price may not be less than 110% of the fair market value of the common stock on the date of grant. An exception to these requirements is made for options granted in substitution for options held by employees of companies that On Assignment acquires. In such a case the exercise price is adjusted to preserve the economic value of the employee's stock option from his or her former employer.

The term of each stock option is fixed by the Compensation Committee and may not exceed ten years from the date of grant. The Compensation Committee determines at what time or times each option may be exercised and the period of time, if any, after retirement, death, disability or termination of employment during which options may be exercised. Options may be made exercisable in installments. The Compensation Committee may accelerate the exercisability of options.

In general, an optionee may pay the exercise price of an option by cash, certified check, by tendering shares of common stock (which if acquired from On Assignment have been held by the optionee for at least six months) or by means of a broker-assisted cashless exercise. Executive officers and directors may only use the cashless exercise method of payment if they have obtained the express prior consent of the Compensation Committee of the Board of Directors.

Stock options granted under the Restated Plan may not be sold, transferred, pledged or assigned other than by will or under applicable laws of descent and distribution. However, On Assignment may permit limited transfers of non-qualified options for the benefit of immediate family members of grantees to help with estate planning concerns.

Other Awards. The Compensation Committee may also award:

- shares of restricted stock, which are common stock subject to restrictions;
- shares of unrestricted stock, which are common stock free of restrictions;
- stock units, which are common stock units subject to restrictions;
- dividend equivalent rights, which are rights entitling the recipient to receive credits for dividends that would be paid if the recipient had held a specified number of shares of common stock;

- stock appreciation rights, which are rights to receive a number of shares or, in the discretion of the Compensation Committee, an amount in cash or a combination of shares and cash, based on the increase in the fair market value of the shares underlying the right during a stated period specified by the Compensation Committee; and
- performance and annual incentive awards, ultimately payable in common stock or cash, as determined by the Compensation Committee.

The Compensation Committee may grant multi-year and annual incentive awards subject to achievement of specified goals tied to business criteria as described below. The Compensation Committee may specify the amount of the incentive award as a percentage of these business criteria, a percentage in excess of a threshold amount or as another amount that need not bear a strictly mathematical relationship to these business criteria. The Compensation Committee may modify, amend or adjust the terms of each award and performance goal. Awards to individuals who are covered under Section 162(m) of the Internal Revenue Code (discussed below), or who the Compensation Committee designates as likely to be covered in the future, will comply with the requirement that payments to such employees qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code to the extent that the Compensation Committee so designates. Such employees include our Chief Executive Officer and the four highest compensated executive officers (other than the Chief Executive Officer) determined at the end of each year (the covered employees).

Effect of Certain Corporate Transactions. Certain change of control transactions involving On Assignment, such as a sale transaction, may cause awards granted under the Restated Plan to vest, unless the awards are continued or substituted for in connection with the change of control transaction.

Adjustments for Stock Dividends and Similar Events. The Compensation Committee will make appropriate adjustments in outstanding awards and the number of shares available for issuance under the Restated Plan, including the individual limitations on awards, to reflect common stock dividends, stock splits and other similar events.

Section 162(m) of the Internal Revenue Code. Section 162(m) of the Internal Revenue Code limits publicly held companies to an annual deduction for federal income tax purposes of \$1 million for compensation paid to their covered employees. However, performance-based compensation is excluded from this limitation. The Restated Plan is designed to permit the Compensation Committee to grant awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m).

To qualify as performance-based:

- (i) the compensation must be paid solely on account of the attainment of one or more pre-established, objective performance goals;
- (ii) the performance goal under which compensation is paid must be established by a compensation committee comprised solely of two or more directors who qualify as outside directors (as defined below) for purposes of the exception;
- (iii) the material terms under which the compensation is to be paid must be disclosed to and subsequently approved by stockholders of the corporation before payment is made in a separate vote; and
- (iv) a compensation committee must certify in writing before payment of the compensation that the performance goals and any other material terms were in fact satisfied.

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In the case of compensation attributable to stock options, the performance goal requirement in (i) above is deemed satisfied and the certification requirement in (iv) above is inapplicable, if the grant or award is made by the compensation committee; the plan under which the option is granted states the maximum number of shares with respect to which options may be granted during a specified period to an employee; and under the terms of the option, the amount of compensation is based solely on an increase in the value of the common stock after the date of grant.

Under the Restated Plan, one or more of the following business criteria, on a consolidated basis, and/or with respect to specified subsidiaries or business units (except with respect to the total stockholder return and earnings per share criteria), are used exclusively by the Compensation Committee in establishing performance goals:

- total stockholder return;
- total stockholder return as compared to total return, on a comparable basis, of a publicly-available index, including, but not limited to, the Standard & Poor's 500 Stock Index;
- net income;
- pretax earnings;
- earnings before interest expense, taxes, depreciation and amortization;
- pretax operating earnings after interest expense and before bonuses, service fees and extraordinary or special items;
- operating margin;
- earnings per share;
- return on equity;
- return on capital;
- return on investment;
- operating earnings;
- working capital;
- ratio of debt to stockholders' equity; and
- revenue.

Under the Internal Revenue Code, a director is an "outside director" if he or she is not a current employee; is not a former employee who receives compensation for prior services (other than under a qualified retirement plan); has not been a corporate officer; and does not receive, directly or indirectly, including amounts paid to an entity that employs the director or in which the director has at least a five percent ownership interest, remuneration from On Assignment in any capacity other than as a director.

The maximum number of shares of common stock subject to options that can be awarded under the Restated Plan to any person is 500,000 per year. The maximum number of shares of common stock underlying any award that can be awarded under the Restated Plan to any person, other than pursuant to an option, is 100,000 per year. The maximum amount that may be earned as an annual incentive award or other cash award in any fiscal year by any one person is \$1,000,000, and the maximum amount that may be earned as a performance award or other cash award in respect of a performance period by any one person is \$3,000,000.

Federal Income Tax Consequences

Incentive Stock Options. The grant of an incentive stock option will not be a taxable event for the grantee or On Assignment. A grantee will not recognize taxable income upon exercise of an incentive stock option (except that the alternative minimum tax may apply), and any gain realized upon a disposition of our common stock received pursuant to the exercise of an incentive stock option will be taxed as long-term capital gain if the grantee holds the shares of common stock for at least two years after the date of grant and for one year after the date of exercise (the holding period requirement). We will not be entitled to any business expense deduction with respect to the exercise of an incentive stock option, except as discussed below.

For the exercise of an option to qualify for the foregoing tax treatment, the grantee generally must be our employee or an employee of our subsidiary from the date the option is granted through a date within three months before the date of exercise of the option.

If all of the foregoing requirements are met except the holding period requirement mentioned above, the grantee will recognize ordinary income upon the disposition of the common stock in an amount generally equal to the excess of the fair market value of the common stock at the time the option was exercised over the option exercise price (but not in excess of the gain realized on the sale). The balance of the realized gain, if any, will be a capital gain. We will be allowed a business expense deduction to the extent the grantee recognizes ordinary income, subject to our compliance with Section 162(m) of the Internal Revenue Code and to certain reporting requirements.

Non-Qualified Options. The grant of a non-qualified option will not be a taxable event for the grantee or On Assignment. Upon exercising a non-qualified option, a grantee will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value of the common stock on the date of exercise. Upon a subsequent sale or exchange of shares acquired pursuant to the exercise of a non-qualified option, the grantee will have taxable capital gain or loss, measured by the difference between the amount realized on the disposition and the tax basis of the shares of common stock (generally, the amount paid for the shares plus the amount treated as ordinary income at the time the option was exercised).

If we comply with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, we will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income.

A grantee that has transferred a non-qualified stock option to a family member by gift will realize taxable income at the time the non-qualified stock option is exercised by the family member. The grantee will be subject to withholding of income and employment taxes at that time. The family member's tax basis in the shares of common stock will be the fair market value of the shares of common stock on the date the option is exercised. The transfer of vested non-qualified stock options will be treated as a completed gift for gift and estate tax purposes. Once the gift is completed, neither the transferred options nor the shares acquired on exercise of the transferred options will be includable in the grantee's estate for estate tax purposes.

A grantee that has transferred a non-qualified stock option to an ex-spouse incident to divorce will not recognize any taxable income at the time of the transfer. In general, a transfer is made incident to divorce if the transfer occurs within one year after the marriage ends or if it is related to the end of the marriage. A transfer would be related to the end of the marriage if the transfer is made pursuant to a divorce order or settlement agreement. Upon the subsequent exercise of such option by the grantee's ex-spouse, the ex-spouse will recognize taxable income in an amount equal to the difference between the exercise price and the fair market value of the shares of common stock at the time of exercise. Any

distribution to the grantee's ex-spouse as a result of the exercise of the option will be subject to employment and income tax withholding at the time of distribution.

Restricted Stock. A grantee who is awarded shares of restricted stock will not recognize any taxable income for federal income tax purposes in the year of the award, provided that the shares of common stock are subject to restrictions requiring the restricted stock to be nontransferable and subject to a substantial risk of forfeiture. However, the grantee may elect under Section 83(b) of the Internal Revenue Code to recognize compensation income in the year of the award in an amount equal to the fair market value of the common stock on the date of the award, less the purchase price, if any, determined without regard to the restrictions. If the grantee does not make such a Section 83(b) election, the fair market value of the common stock on the date the restrictions lapse, less the purchase price, if any, will be treated as compensation income to the grantee and will be taxable in the year the restrictions lapse. If we comply with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, we will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income.

Unrestricted Stock. A grantee who is awarded shares of unrestricted stock will recognize ordinary income in an amount equal to the fair market value of the shares of common stock on the date of the award, reduced by the amount, if any, paid for such shares of common stock. We will generally be allowed a business expense deduction in the same amount and at the same time as you recognize ordinary income, subject to our compliance with Section 162(m) of the Internal Revenue Code.

Stock Units. There are no immediate tax consequences of receiving an award of stock units under the Restated Plan. A grantee who is awarded stock units will be required to recognize ordinary income in an amount equal to the fair market value of shares issued to such grantee at the end of the restriction period or, if later, the payment date. If we comply with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, we will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income.

Dividend Equivalent Rights. Participants who receive dividend equivalent rights will be required to recognize ordinary income in an amount distributed to the grantee pursuant to the award. If we comply with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, we will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income.

Stock Appreciation Rights. There are no immediate tax consequences of receiving an award of stock appreciation rights under the Restated Plan. Upon exercising a stock appreciation right, a grantee will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value of the common stock on the date of exercise. If we comply with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, we will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income.

Performance and Annual Incentive Awards. The award of a performance or annual incentive award will have no federal income tax consequences for us or for the grantee. The payment of the award is taxable to a grantee as ordinary income. If we comply with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, we will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income.

Approval of Proposal Two

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The affirmative vote of the holders of a majority of On Assignment's voting shares represented and entitled to vote at the Annual Meeting is required to amend and restate the Restated Plan. The Board of

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Directors unanimously recommends that the stockholders vote FOR the amendment and restatement of the Restated Plan.

Report of the Audit Committee

The Audit Committee of the Board consists of Ms. Hopp, who serves as chairperson, Mr. Holman and Mr. Jones. The Audit Committee members are not professional accountants or auditors, and their role is not intended to duplicate or certify the activities of management and the independent accountants, nor can the Audit Committee certify that the independent accountants are independent under applicable rules. The Audit Committee serves a Board-level oversight role, in which it provides advice, counsel and direction to management and the independent accountants on the basis of the information it receives, discussions with management and the independent accountants and the experience of the Audit Committee's members in business, financial and accounting matters.

Fees Paid To Independent Accountants

The following table sets forth fees for professional services provided by Deloitte & Touche LLP for the audit of On Assignment's financial statements for fiscal years 2005 and 2004 and fees billed for audit-related services, Sarbanes-Oxley services, tax services and all other services rendered by Deloitte & Touche LLP for fiscal years 2005 and 2004:

	2005	2004
Audit Fees(1)	\$ 418,670	\$ 427,475
Sarbanes (2)	\$ 549,369	\$ 579,000
Tax Fees(3)	\$ 8,061	\$ 12,189
All other fees(4)	\$ 15,192	\$ 55,701

- (1) Represents aggregate fees for professional services provided in connection with the audit of our annual financial statements and review of our quarterly financial statements and audit services provided in connection with other statutory or regulatory filings.
- (2) Represents fees paid in connection with the audit of internal controls pursuant to section 404 of the Sarbanes-Oxley Act of 2002.
- (3) Represents fees for services provided in connection with On Assignment's tax returns for Canada and the United Kingdom.
- (4) Represents fees for services provided to On Assignment not otherwise included in the categories seen above. None of these fees were for services related to the design or implementation of financial information systems. In 2005, \$9,945 and in 2004, \$53,001 of these fees were related to a transfer pricing study in Europe.

Pre-approval of Audit and Non-Audit Services

All audit-related services, tax services and other services were pre-approved by the Audit Committee, which concluded that the provision of these services by Deloitte & Touche LLP was compatible with the maintenance of Deloitte's independence in the conduct of its auditing functions. The Audit Committee Charter, amended and adopted on February 12, 2004, provides for pre-approval of policies and procedures with respect to the approval of audit or non-audit services consistent with applicable laws, rules and regulations and the requirements of The NASDAQ Stock Market. Pursuant to such policies and procedures, the Committee may delegate to a Committee member the authority to pre-approve certain auditing services and non-audit services.

Filing of Audited Financial Statements with Annual Report for 2005

The Audit Committee read and discussed On Assignment's audited Consolidated Financial Statements for the fiscal year ended December 31, 2005, with management. The Audit Committee also discussed with Deloitte & Touche LLP, On Assignment's independent accountants, the accountant's responsibilities, any significant issues arising during the audit and other matters required to be discussed by SAS 61. The Audit Committee received the written disclosures and letter from On Assignment's independent accountants required by Independence Standards Board Standard No. 1 and has discussed with On Assignment's accountants its independence. Based on its reading of such documents and the discussions noted above, the Audit Committee recommended to the Board of Directors that On Assignment's Consolidated Financial Statements for the fiscal year ended December 31, 2005, be included in its Annual Report on Form 10-K for that fiscal year for filing with the Securities and Exchange Commission.

Respectfully submitted,

Teresa A. Hopp, Chairperson
Jonathan S. Holman
Jeremy M. Jones

Proposal Three Ratification of Appointment of Independent Accountants

The Audit Committee of the Board has appointed the firm of Deloitte & Touche LLP as independent accountants to audit On Assignment's consolidated financial statements for the fiscal year ending December 31, 2006, and is asking stockholders to ratify this appointment at the Annual Meeting.

Deloitte & Touche LLP has audited our consolidated financial statements annually since 1986. A representative of Deloitte & Touche LLP is expected to be present at the Annual Meeting, will have the opportunity to make a statement if he or she desires to do so, and will be available to respond to appropriate questions. Information regarding fees billed by Deloitte & Touche LLP for the years ended December 31, 2005 and 2004 is set forth in the Report of the Audit Committee.

Our bylaws do not require that stockholders ratify the appointment of our independent accountants. We are seeking ratification because we believe it is a matter of good corporate governance practice. In the event that stockholders fail to ratify the appointment, the Audit Committee will reconsider whether or not to retain Deloitte & Touche LLP, but may ultimately determine to retain Deloitte & Touche LLP as our independent accountants. Even if the appointment is ratified, the Audit Committee, in its sole discretion, may direct the appointment of a different independent accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of On Assignment and its stockholders.

Approval of Proposal Three

The Board unanimously recommends that stockholders vote **FOR** the ratification of the appointment of Deloitte & Touche LLP as independent accountants for the current year. Unless a contrary choice is specified, shares represented by proxies will be voted **FOR** ratification of the appointment.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of March 31, 2006, the beneficial ownership of On Assignment's common stock for the following persons:

- all stockholders known by us to beneficially own more than 5% of our common stock;
- each of our directors;
- each of our Named Executive Officers, as identified; and
- all of our directors and Named Executive Officers as a group.

Certain information in the table concerning stockholders other than our directors and officers is based on information contained in filings made by such beneficial owner with the Securities and Exchange Commission.

Pursuant to Rule 13d-3 of the Securities Exchange Act of 1934, as amended, shares are deemed to be beneficially owned by a person if that person has the right to acquire shares (for example, upon exercise of an option) within sixty (60) days of the date that information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of such acquisition rights. As a result, the percentage of outstanding shares held by any person in the table below does not necessarily reflect the person's actual voting power. As of March 31, 2006, there were 26,089,102 shares of On Assignment common stock outstanding. The address of each person listed is in care of On Assignment, 26651 West Agoura Road, Calabasas, California 91302, unless otherwise set forth below such person's name.

Name	Number of Shares Owned (1)	Right to Acquire (2)	Percent of Outstanding Shares
FMR Corp.(3) 82 Devonshire Street Boston, MA 02109	2,143,471	0	8.2 %
Delta Partners LLP(4) One International Place, Suite 2401 Boston, MA 02110	1,430,232	0	5.5 %
Bear Stearns Asset Management(5) 383 Madison Avenue New York, NY 10179	1,335,766	0	5.1 %
William E. Brock	4,500	91,800	*
Elliott Ettenberg	7,000	45,000	*
Jonathan S. Holman	18,500	42,000	*
Teresa A. Hopp	4,500	21,000	*
Jeremy M. Jones(6)	30,000	96,000	*
Peter T. Dameris(7)	54,909	273,623	*
Michael J. Holtzman	18,954	117,079	*
Emmett McGrath	2,836	50,520	*
Shawn Mohr	31,170	131,594	*
Michael C. Payne	4,801	41,874	*
All directors and executive officers as a group (10 persons)	177,170	910,490	

* Represents less than 1% of the shares outstanding.

(1) Includes shares for which the named person:

- has sole voting and investment power; and/or
- has shared voting and investment power with a spouse or minor child.

Excludes shares that may be acquired through stock option or warrant exercises.

(2) Shares that can be acquired upon the exercise of stock options within sixty (60) days after April 10, 2006.

(3) Pursuant to an amended Schedule 13G/A dated February 14, 2006, FMR Corp. has sole power to dispose of 2,143,471 shares. Beneficial ownership is a result of its acting as investment adviser to various investment companies registered under the Investment Company Act of 1940. The ownership interests of Fidelity Low Priced Stock Fund, a registered investment company, amounted to 1,842,871 shares.

(4) Pursuant to an amended Schedule 13G/A dated February 13, 2006

(5) Pursuant to an amended Schedule 13G dated February 14, 2006

(6) Includes 22,000 shares held by a trust for which Mr. Jones serves as trustee.

(7) Includes 10,000 shares held by a trust for which Mr. Dameris serves as trustee.

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Stock Performance Graph

The following graph compares the performance of On Assignment's common stock price during the period January 1, 2001 to December 31, 2005 with the composite prices of companies listed on the Nasdaq Stock Market and of companies included in the SIC Code No. 736 Personnel Supply Services Companies Index. The companies listed in the SIC Code No. 736 include peer companies in the same industry or line of business as On Assignment.

The graph depicts the results of investing \$100 in On Assignment's common stock, the Nasdaq Stock Market composite index and an index of the companies listed in the SIC Code No. 736 on January 1, 2001, 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.

	Fiscal Year Ending					
	2000	2001	2002	2003	2004	2005
On Assignment, Inc.	\$ 100.00	\$ 80.60	\$ 29.89	\$ 18.28	\$ 18.21	\$ 38.28
SIC Code No. 736 Index Personnel Supply	\$ 100.00	\$ 92.33	\$ 66.73	\$ 104.00	\$ 101.61	\$ 105.13
Nasdaq Stock Market Index	\$ 100.00	\$ 79.71	\$ 55.60	\$ 83.60	\$ 90.63	\$ 92.62

Executive Compensation and Related Information

Report of the Compensation Committee

The Compensation Committee of the Board of Directors is responsible for the establishment, approval and oversight of the total compensation awarded to On Assignment's executive officers. It also administers On Assignment's Amended and Restated 1987 Stock Option Plan and Employee Stock Purchase Plan. The Compensation Committee determines compensation, including base salary and individual bonus programs for executive officers each fiscal year. The Compensation Committee is also responsible for reviewing and approving On Assignment's employment and other compensatory agreements with its executive officers.

The Compensation Committee meets in executive session without management present as part of its regularly scheduled meetings. During 2005, the following individuals served on the Compensation Committee: Senator Brock, Mr. Jones and Mr. Holman, who served as chairperson. None of these individuals is, or has been, an officer or employee of On Assignment.

Compensation Philosophy

The Compensation Committee seeks to attract, motivate and retain key talent needed to enable On Assignment to operate successfully in a competitive environment. Its fundamental policy is to offer On Assignment's executive officers competitive compensation opportunities based upon their personal performance, the financial performance of On Assignment and each executive officer's contributions to On Assignment's performance. One of the Compensation Committee's objectives is to make a substantial portion of each executive officer's compensation contingent upon On Assignment's performance as well as upon his or her own level of performance.

The Compensation Committee also recognizes that, from time to time, it is appropriate to enter into compensatory agreements with key executives to seek to further motivate such individuals or retain their services. On Assignment's agreements with executive officers are described under the heading "Employment Contracts and Change in Control Arrangements" elsewhere in this Proxy Statement.

The Compensation Committee periodically reviews the effectiveness and competitiveness of On Assignment's executive compensation structure with the assistance of independent consultants and by conducting informal salary surveys.

Compensation Program

The key elements of executive compensation are base salary, annual performance incentive compensation and long-term equity-based incentive grants. Generally, as an executive officer's level of responsibility increases, the Compensation Committee seeks to have a greater portion of the executive's total compensation depend upon On Assignment's performance and stock price appreciation rather than just base salary. Several of the more important factors that were considered in establishing the components of each executive officer's compensation package for the 2005 fiscal year are summarized below.

Base Salary

On Assignment's executive officers receive base salaries that are determined based on their responsibilities, skills and experience related to their respective positions. Other factors considered in base salary determination are individual performance, the success of the business division in the individual's area of responsibility, competitiveness with salary levels of similarly sized companies, internal compensation comparability standards and On Assignment's ability to pay an appropriate and competitive salary. The amount and timing of an increase in base compensation depends upon, among other things, the individual's performance, and the time interval and any added responsibilities since the last salary increase.

Annual Incentive Compensation

Executive officers are eligible for annual performance-based incentive compensation payable in cash and tied to On Assignment's achievement of performance goals, which typically include components related to revenues and profitability, either at the divisional or corporate levels, or a combination, depending upon the executive's area of responsibility. During the first quarter of each fiscal year, the Compensation Committee establishes corporate performance targets and corresponding incentive compensation, which typically is calculated as a percentage of the individual's base salary, with more senior executives eligible for higher percentages. In recent years, this incentive bonus has consisted of two components: a target bonus for the achievement of the objectives the Compensation Committee established at the beginning of the year and an additional bonus up to a pre-set level if an executive surpasses the set objectives. The Compensation Committee may award additional or substitute incentive compensation at its discretion based on individual performance during the applicable fiscal year.

Long-Term Incentive Compensation

The Compensation Committee periodically approves grants of stock options and restricted stock units to On Assignment's executive officers under the Amended and Restated 1987 Stock Option Plan. These grants are designed to align the interests of each executive officer with those of the stockholders and to provide each individual with a significant incentive to manage On Assignment from the perspective of an owner with an equity stake in the business. Each grant generally allows the executive officer to acquire shares of common stock at a fixed price per share, typically the market price prior to the grant date, over a specified period of time of up to 10 years. As a result, stock option grants provide a return to the executive officer only if the market price of the shares appreciates over the option term. The size of the option grant to each executive officer generally is set to achieve a potential percentage ownership stake that the Compensation Committee deems appropriate in order to create a meaningful opportunity for stock ownership based upon the individual's current position. Stock option grants also take into account the individual's potential for future responsibility over the option term, the individual's personal performance in recent periods and the individual's current holdings of On Assignment's stock and options.

Executive Compensation for 2005

Compensation paid to executive officers for 2005 consisted primarily of base salary, bonuses in connection with performance-based incentive compensation plans and long-term incentive compensation consisting of stock option grants and restricted stock units. Options and restricted stock units were granted to select executive officers in August 2005 consistent with the long-term incentive compensation policy.

Chief Executive Officer Compensation

Mr. Dameris's 2005 compensation was determined based on the same basic factors as described above for other executive officers, including On Assignment's results of operations, as well as the terms of his November 2003 employment agreement, as it had been amended.

Mr. Dameris joined On Assignment in November 3, 2003 as Executive Vice President and Chief Operating Officer and was promoted to be the Chief Executive Officer (CEO) and President effective September 28, 2004. Upon Mr. Dameris's appointment to CEO and President, the Compensation Committee increased his base salary to \$400,000. In August 2005 Mr. Dameris's salary was further increased to \$500,000. His target bonus and additional bonus percentages are 60% of his base salary. Mr. Dameris received an incentive bonus of \$600,000 in 2005 in connection with his performance-based compensation plan as approved by the outside directors comprising the Compensation Committee and a discretionary incentive bonus of \$47,000 for 2004. During August 2005, Mr. Dameris was also granted options to purchase 100,000 shares of common stock which brought the aggregate number of shares subject

to options granted to Mr. Dameris equal to 625,000 shares. In August 2005, Mr. Dameris also received a retention award in the amount of \$1,200,000 contingent upon shareholder approval of Proposal Two, the proposed amendment to the Amended and Restated On Assignment 1987 Stock Option Plan that would remove the current aggregate limitation of 200,000 shares of Common Stock issuable under the Plan as awards other than stock options and increase the limitation of 100,000 shares to 200,000 shares of Common Stock issuable under the Plan per year as awards other than pursuant to options to any eligible person. In December 2004, Mr. Dameris entered into an executive change of control agreement with On Assignment. Mr. Dameris's employment agreement and executive change of control agreement are described under the heading Employment Contracts and Change in Control Arrangements.

Compensation Deductibility Policy

Under Section 162(m) of the Internal Revenue Code and applicable treasury regulations, no tax deduction is allowed for annual compensation in excess of \$1 million paid to our Chief Executive Officer or any of our four most highly compensated executive officers. However, performance-based compensation that has been approved by stockholders is excluded from the \$1 million limit if, among other requirements, the compensation is payable only upon attainment of pre-established, objective performance goals, and the Compensation Committee that establishes such goals consists only of outside directors as defined for purposes of Section 162(m). The Compensation Committee intends to maximize the extent of tax deductibility of executive compensation under the provisions of Section 162(m) so long as doing so is compatible with its determinations as to the most appropriate methods and approaches for the design and delivery of compensation to our executive officers. The Board of Directors and the Compensation Committee reserve the authority to award non-deductible compensation in other circumstances as they deem appropriate. Further, because of ambiguities and uncertainties as to the application and interpretation of Section 162(m) and the regulations issued thereunder, no assurance can be given, notwithstanding the Compensation Committee's efforts, that compensation intended to satisfy the requirements for deductibility under Section 162(m) does in fact do so.

Respectfully submitted,

Jonathan S. Holman, Chairman
William E. Brock
Jeremy M. Jones

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Board during fiscal year 2005 was composed of Senator Brock, Mr. Jones and Mr. Holman. No member of the Compensation Committee was an officer or employee of On Assignment or its subsidiaries during fiscal year 2005. There are no interlock relationships required to be reported under the rules of the Securities and Exchange Commission.

Summary of Cash and Other Compensation

The following table sets forth the compensation earned the five most highly compensated executive officers in 2005 (the Named Executive Officers) for services rendered in all capacities to On Assignment for each of the last three fiscal years.

Summary Compensation Table

Name and Principal Position (1)	Years	Annual Compensation		Other Annual Compensation	Long Term
		Salary	Bonus		Compensation Awards Securities
					Underlying Options (#)
Peter T. Dameris(2) President and Chief Executive Officer	2005	\$ 440,385	\$ 600,000	\$ 54,564	100,000
	2004	\$ 346,000	\$ 47,000	\$ 208,445	325,000
	2003	\$ 50,461			200,000
Michael J. Holtzman(3) Sr. Vice President and Chief Financial Officer	2005	\$ 231,273	\$ 237,000	\$ 5,070	24,712
	2004	\$ 202,769	\$ 38,000	\$ 5,053	130,000
Emmett McGrath(4) President of the Lab Support Division	2005	\$ 225,923	\$ 240,000	\$ 6,030	24,712
	2004	\$ 66,035	\$ 50,000	\$ 1,912	125,000
Shawn Mohr(5) President of the Healthcare Division and Chief Sales Officer	2005	\$ 259,981	\$ 280,000	\$ 5,777	24,712
	2004	\$ 161,923	\$ 42,000	\$ 289,134	310,000
Michael C. Payne(6) Senior Vice President Shared Services Chief Information Officer	2005	\$ 204,754	\$ 94,200	\$ 5,670	21,382
	2004	\$ 200,000	\$ 20,000	\$ 5,578	20,000
	2003	\$ 123,846		\$ 178	50,000

(1) Mr. Dameris became Chief Executive Officer effective as of September 28, 2004. Mr. Holtzman was appointed Chief Financial Officer effective February 1, 2005. Mr. Mohr and Mr. McGrath became executive officers in 2004. Mr. Payne became an executive officer in 2003.

(2) Includes \$48,894 in 2005 and \$202,865 in 2004 for relocation fees and housing lease, \$5,400 auto compensation in both 2005 and 2004 and \$270 in 2005 and \$180 in 2004 for premium payments for group-term life insurance for Mr. Dameris.

(3) Includes \$4,800 in auto compensation in both 2005 and 2004 and \$270 in 2005 and \$253 in 2004 in premium payments for Mr. Holtzman s group-term life insurance.

(4) Includes \$5,850 in 2005 and \$1,912 in 2004 in auto compensation and \$180 in 2005 in premium payments for Mr. McGrath s group-term life insurance.

(5) Includes \$27,263 in 2004 for relocation fees, \$259,708 in 2004 for consulting services prior to the commencement of his employment, \$162 in 2005 and \$917 in 2004 in premium payments for Mr. Mohr s group-term life insurance and \$5,115 in 2005 and \$1,246 in 2004 in auto compensation.

(6) Includes \$5,400 in auto compensation in both 2005 and 2004, \$270 in both 2005 and 2004 and \$178 in 2003 in premium payments for Mr. Payne's group-term life insurance.

Stock Option and Restricted Stock Grants

The following table provides information with respect to the stock option grants made during the 2005 fiscal year under the Restated 1987 Stock Plan to the Named Executive Officers. Options exercisable for 688,750 shares of our common stock were granted to employees in 2005. Each stock option permits the employee, for a period of up to ten years, to purchase one share of common stock from On Assignment at the last closing market price preceding the date of grant.

Grants in Last Fiscal Year

Name	Types of Grant	Number of Securities Underlying Options Granted (#)(1)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (2)	
						5% (\$)	10% (\$)
Peter Dameris	Stock	100,000	14.5 %	\$ 6.68	8/28/2015	\$ 420,102	\$ 1,064,620
Michael J. Holtzman	Option	24,712	3.6 %	\$ 5.42	8/2/2015	\$ 218,173	\$ 347,403
	Restricted						
Emmett McGrath	Stock	24,712	3.6 %	\$ 5.42	8/2/2015	\$ 218,173	\$ 347,403
	Units						
Shawn Mohr	Restricted	24,712	3.6 %	\$ 5.42	8/2/2015	\$ 218,173	\$ 347,403
	Units						
Michael Payne	Restricted	21,382	3.1 %	\$ 5.42	8/2/2015	\$ 188,773	\$ 300,590
	Stock						
	Units						

(1) To the extent not already exercisable, options generally become exercisable upon a change in control unless the option is assumed or replaced with a comparable option by the surviving entity. In the alternative, the Board may elect to cancel all outstanding options and pay to each holder thereof an amount in cash or securities having a value equal to the number of shares subject to such holder's option, multiplied by the amount by which the price per share paid to holders of common stock in the transaction exceeds holder's option exercise price.

(2) The 5% and 10% assumed stock price appreciation rates are assumptions specified by the Securities and Exchange Commission regulations and are not predictions of On Assignment. The potential realizable value is calculated based on the 10-year option term and is calculated for stock options by taking the difference between the

exercise price and the appreciated price on the last day of the option term and for restricted stock, the appreciated price, assuming that the stock price on the date of grant appreciates at the indicated annual rate compounded annually for the entire term of the option and that the option is sold on the last day of its term. The real value of the options in this table will depend on the actual performance of On Assignment's common stock during the applicable period and on the date the options are exercised.

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Option Exercises and Holdings

The table below sets forth information concerning the exercise of options during the 2005 fiscal year and unexercised options held as of the end of such year by the Named Executive Officers. No stock appreciation rights were issued or exercised during the 2005 fiscal year.

**Aggregated Option Exercises in Last Fiscal Year
And Fiscal Year End Option Values**

Name	Shares		Number of Securities		Value of Unexercised	
	Acquired	Value	Underlying Unexercised		In-the-Money Options	
			Options at Fiscal Year-End		at Fiscal Year-End	
	on Exercise	Realized	(#)	Unexercisable	Exercisable	Unexercisable
(#)	(\$)	Exercisable	Unexercisable	(\$)(1)	Unexercisable	
Peter T. Dameris			248,430	376,570	\$ 1,426,664	\$ 2,052,336
Michael J. Holtzman			95,206	114,794	\$ 395,852	\$ 656,148
Emmett McGrath			37,500	87,500	\$ 222,875	\$ 520,125
Shawn Mohr			124,488	185,512	\$ 671,687	\$ 1,045,613
Michael C. Payne			34,583	35,417	\$ 203,635	\$ 207,865

(1) The values are based on a \$10.91 per share closing price of On Assignment's common stock on December 31, 2005, less the exercise price of the option.

Equity Compensation Plan Information

The table below sets forth the following information as of December 31, 2005 for (i) all compensation plans previously approved by stockholders; and (ii) all compensation plans not previously approved by stockholders:

- (1) the number of securities to be issued upon the exercise of outstanding options, warrants and rights;
- (2) the weighted-average exercise price of such outstanding options, warrants and rights; and
- (3) other than securities to be issued upon the exercise of such outstanding options, warrants and rights, the number of securities remaining available for future issuance under the plan.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by stockholders(1)	3,032,452	\$ 7.64	806,121
Equity compensation plans not approved by stockholders(2)	108,032	\$ 7.64	0
Total	3,140,484	\$ 7.64	806,121

(1) Includes shares issuable upon exercise of stock options granted under On Assignment's Restated 1987 Stock Option Plan prior to June 20, 2002 and shares available for issuance subsequent to stockholder approval of the amendment of restatement of such plan on June 17, 2003 and shares issuable for restricted stock grants.

(2) Includes shares issuable upon exercise of stock options granted under On Assignment's Restated 1987 Stock Option Plan on or subsequent to June 20, 2002 and prior to June 17, 2003. The Restated 1987 Stock Option Plan is

treated as a compensation plan not approved by stockholders for the period commencing June 20, 2002 until the amendment and restatement of the Restated 1987 Stock Option Plan approved by stockholders at the June 17, 2003 Annual Meeting of Stockholders.

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Restated 1987 Stock Option Plan

Under its Restated 1987 Stock Option Plan, On Assignment may grant employees, contractors and non-employee members of the Board incentive or non-qualified stock options to purchase shares of its common stock and stock appreciation rights. On June 17, 2003, stockholders approved an amendment and restatement of the Restated Plan, which among other things, increased the number of shares of common stock reserved for issuance under the Restated Plan from 10,000,000 shares to 11,000,000 shares. The amendment and restatement of the Restated Plan also provided for additional award features including stock appreciation rights, restricted stock, unrestricted stock, stock units, dividend equivalent rights and cash awards. These modifications approved by stockholders were intended to give the Compensation Committee enhanced flexibility in award grants.

The Restated Plan is administered by the Compensation Committee of the Board and shall terminate on April 18, 2013. The Compensation Committee may select the participants to receive awards, determine the types of awards and terms and conditions of awards and interpret the provisions of the Restated Plan. With regard to stock options, the Compensation Committee determines grant recipients, option prices, option amounts, grant dates and vesting. The option prices of non-qualified option grants may not be less than 85 percent of the fair market value of the stock at the time the option is granted, and the exercise price of incentive stock options must be set at fair market value. Stock options have a maximum term of ten years measured from the grant date. No person may receive options exercisable for more than 500,000 shares in any calendar year. Incentive options are not transferable other than by will or under the laws of descent and distribution. Non-qualified options, except as otherwise provided in an option grant agreement or in a domestic relations court order, are not transferable other than by will or under the laws of descent and distribution. Options may only be exercised during the holder's lifetime, only by him or her. The Board may terminate or amend the Restated Plan at any time and for any reason. Any amendment shall be contingent upon stockholder approval to the extent stated by the Board, required by law or required by applicable stock exchange listing requirements.

Certain change of control transactions involving On Assignment, such as a sale transaction, may cause awards granted under the Restated Plan to vest, unless the awards are continued or substituted for in connection with the change of control transaction.

Employee Stock Purchase Plan

The Employee Stock Purchase Plan was adopted by the Board on June 22, 1992 and approved by On Assignment's stockholders on September 4, 1992. On June 18, 2002, the Board extended the term of the Employee Stock Purchase Plan until August 31, 2022. The Compensation Committee of the Board serves as administrator of the Employee Stock Purchase Plan. Under the Employee Stock Purchase Plan, 800,000 shares of common stock are reserved for issuance. The Employee Stock Purchase Plan allows eligible employees who have completed the requisite service period to purchase On Assignment common stock through payroll deductions, at 85 percent of the lower of the market price on the first day or the last day of the semi-annual purchase period. Purchase periods begin on the first trading day of March and September and end on the last trading day of August and February. Eligible employees may contribute intervals of one percent of their base earnings toward the purchase of the stock subject to certain IRS limitations. No individual may purchase more than \$25,000 worth of common stock under the Employee Stock Purchase Plan in any calendar year and individual purchases during any purchase period may not exceed 2,000 shares, or such lesser amount set by the administrator. The Employee Stock Purchase Plan will terminate if there are no longer shares available thereunder. On Assignment may also terminate the Employee Stock Purchase Plan at any time, provided such termination will not affect outstanding purchase rights without participant consent.

Deferred Compensation Plan

The Deferred Compensation Plan is a non-qualified plan that provides benefits to key executives and directors. The Deferred Compensation Plan became effective January 1, 1998. On Assignment credits the account of each participant in the Deferred Compensation Plan in the amount elected by the participant. The Deferred Compensation Plan permits employees and directors determined to be eligible by the Compensation Committee to annually elect to defer up to 100 percent of their base salary, annual bonus, stock option gain or director fees on a pre-tax basis and earn tax-deferred income on these amounts. Distributions from the Deferred Compensation Plan are made at retirement, death or termination of employment, in a lump sum or over five, ten or fifteen years.

Employment Contracts and Change in Control Arrangements

Peter T. Dameris

Pursuant to the terms of an October 27, 2003 employment agreement, Mr. Dameris served as Chief Operating Officer and Executive Vice President of On Assignment. Under his agreement, Mr. Dameris was entitled to a minimum annual base salary of \$328,000 and incentive compensation of up to 100% of his annual base salary. As of September 28, 2004, Mr. Dameris was appointed as Chief Executive Officer and President of On Assignment. In connection with this appointment, Mr. Dameris's minimum base salary was increased to \$400,000 with incentive compensation of up to 120% of his annual salary. In 2005, Mr. Dameris's base salary was increased to \$500,000, effective August 1, 2005; all other material terms of his employment agreement remained unchanged. Incentive compensation will be based upon On Assignment attaining certain Compensation Committee approved budgetary metrics and other objectives, including a combination of targets for revenue and EBITDA. Under the agreement, Mr. Dameris was entitled to reimbursement or direct payment of reasonable and customary expenses associated with his relocation, including travel, closing and moving costs. Mr. Dameris's agreement entitled him to receive an option for 200,000 shares of common stock upon the commencement of his employment.

Mr. Dameris is an at will employee and may be terminated by On Assignment at any time for any reason, with or without cause. Upon termination of Mr. Dameris's employment by On Assignment without cause (as such term is defined in the agreement) or by Mr. Dameris with good reason (as such term is defined in the agreement), he will receive regular monthly or bi-weekly salary payments of his annual base salary for a period of eighteen months commencing on the effective date of the termination. In the event of a change of control, this eighteen-month provision would terminate and be replaced by the terms of the Executive Change in Control Agreement described below.

Shawn Mohr

Pursuant to the terms of an April 14, 2004 employment agreement, Mr. Mohr serves as Chief Sales Officer and President of the Healthcare Staffing Division of On Assignment. Under his agreement, Mr. Mohr is entitled to a minimum annual base salary of \$230,000 and incentive compensation of up to 100% of his annual base salary. Mr. Mohr's base salary was increased to \$260,000 effective August 9, 2004, and to \$265,000, effective August 3, 2005.

Mr. Mohr is an at will employee and may be terminated by On Assignment at any time for any reason, with or without cause. Upon termination of Mr. Mohr's employment by On Assignment without cause (as such term is defined in the agreement) or by Mr. Mohr with good reason (as such term is defined in the agreement), he will receive regular monthly or bi-weekly salary payments of his annual base salary for a period of twelve months commencing on the effective date of the termination.

Emmett McGrath

Pursuant to the terms of a July 23, 2004 employment agreement, Mr. McGrath serves as President of the Lab Support Division of On Assignment. Under his agreement, Mr. McGrath is entitled to a minimum annual base salary of \$200,000 and incentive compensation of up to 100% of his annual base salary. Mr. McGrath's base salary was increased to \$220,000 effective February 1, 2005 and to \$240,000 effective August 3, 2005.

Mr. McGrath is an at will employee and may be terminated by On Assignment at any time for any reason, with or without cause. Upon termination of Mr. McGrath's employment by On Assignment without cause (as such term is defined in the agreement) or by Mr. McGrath with good reason (as such term is defined in the agreement), he will receive regular monthly or bi-weekly salary payments of his annual base salary for a period of six months commencing on the effective date of the termination.

Change in Control Severance Plan

In 1998, the Board adopted the On Assignment, Inc. Change in Control Severance Plan (Severance Plan) to provide severance benefits for officers and other eligible employees who were involuntarily terminated within 18 months of a change in control transaction. The Severance Plan was amended on August 8, 2004 with an effective date of February 12, 2004. Upon involuntary termination within 18 months of a change in control transaction, an eligible employee will be entitled to receive a lump sum payment equaling a percentage of their salary and target bonus plus benefits continuation, such amount to be determined based upon title and years of service. Upon a termination of employment following a change in control, our Chief Executive Officer would receive 300 percent of salary and target bonus, our Chief Financial Officer would receive 250 percent of salary and target bonus, senior vice presidents and presidents of a division of the Company would receive 200 percent of salary and target bonus, and other employees would receive lesser amounts. Payments under the Severance Plan are subject to additional Gross-Up payments to cover any excise tax that may be imposed.

Involuntary termination is defined in the Severance Plan to include a termination by On Assignment or a successor entity without cause or a voluntary termination by the employee following (a) a reduction in annual base pay or target bonus; (b) a relocation in the employee's place of employment of more than 35 miles; or (c) in the case of an executive officer or vice president, a change in the employee's position that materially reduces his or her level of responsibility or authority.

Change in control is defined under the Severance Plan to include (a) a merger or consolidation in which On Assignment is not the surviving entity; (b) the sale, transfer or other disposition of all or substantially all of On Assignment's assets; (c) any reverse merger in which On Assignment is the surviving entity, but in which 50% or more of its outstanding voting stock is transferred to holders different from those stockholders immediately prior to such merger; (d) the acquisition by any person directly or indirectly of 50% or more voting power; or (e) a change, during any period of two consecutive years following December 31, 2004, of a majority of the individuals who comprise the Board of On Assignment, subject to specified conditions and exceptions.

Change of Control Agreements

On December 31, 2004, On Assignment entered into an Executive Change of Control Agreement with each of Peter T. Dameris and Michael J. Holtzman. The Executive Change of Control Agreement provides each of these executives with severance payments and certain benefits in the event of his Involuntary Termination following a Change of Control (as such capitalized terms are defined in the Executive Change of Control Agreement).

As a result of entering into the Change of Control Agreements, Messrs. Dameris and Holtzman will not be eligible to participate in the Severance Plan, which is applicable to most of On Assignment's employees. The severance and benefits payable pursuant to the Change of Control Agreements are substantially the same as the severance and benefits that would have been payable to the executives under the Severance Plan. Also pursuant to the Executive Change of Control Agreements, immediately prior to a Change of Control, all stock options and other equity awards then held by the executive will become fully vested and exercisable.

A Change of Control will be deemed to have occurred, consistent with the Severance Plan, upon the consummation of any of the following transactions: (a) a merger or consolidation in which On Assignment is not the surviving entity, except for a transaction the principal purpose of which is to change the state of On Assignment's incorporation or a transaction in which 50% or more of the surviving entity's outstanding voting stock following the transaction is held by holders who held 50% or more of On Assignment's outstanding voting stock prior to such transaction; (b) the sale, transfer or other disposition of all or substantially all of the assets of On Assignment; (c) a reverse merger in which On Assignment is the surviving entity, but in which 50% or more of On Assignment's outstanding voting stock is transferred to holders different from those who held the stock immediately prior to such merger; (d) the acquisition by any person (or entity) directly or indirectly of 50% or more of the combined voting power of the outstanding shares of On Assignment's capital stock; or (e) a change, during any period of two consecutive years following December 31, 2004, of a majority of the individuals who comprise the Board of On Assignment, subject to specified conditions and exceptions.

An Involuntary Termination will be deemed to have occurred, consistent with the Severance Plan, if the executive's employment with On Assignment, or its successor following the Change of Control, is terminated by any of the following, subject to specified conditions: (a) his involuntary discharge or dismissal other than for Cause (as defined in the Executive Change of Control Agreement), (b) his resignation as a result of the company's failure to pay him compensatory amounts owed to him or his involuntary relocation from the corporate headquarters metropolitan area, (c) his resignation following a reduction in his base salary or target bonus or a material reduction in his benefits, or (d) his resignation following a change in his position with the company that materially reduces his level of responsibility or authority. The executive's resignation for any reason or for no reason during the period commencing on the date that is six months after the date of a Change of Control and ending ten business days thereafter also would be deemed to be an Involuntary Termination for purposes of his Executive Change of Control Agreement.

In the event of an Involuntary Termination following a Change of Control, the executive will be entitled to receive (a) all then accrued compensation and a pro-rata portion of his target bonus for the year in which the termination is effected, (b) a multiple of the executive's then current base salary plus target bonus for the year in which the termination is effected, (c) continuation of insurance and other benefits for 18 months following the date of termination, (d) continued contributions to the company's retirement plans for 18 months following the date of termination, and (e) reimbursement, up to \$15,000, for outplacement services. The multiple for subpart (b) above is 3.0 for Mr. Dameris and 2.5 for Mr. Holtzman.

Certain Relationships and Related Transactions

There were no related party transactions or relationships in 2005.

Section 16 Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires each of our directors and officers and each beneficial owner of more than ten percent of a registered class of our equity securities to file with the

Securities and Exchange Commission reports of beneficial ownership and subsequent reports regarding changes in such ownership.

Based on our records and other information, we believe that each person who was subject to Section 16(a) during fiscal year 2005 filed on a timely basis all such reports required for the year except that Jeremy Jones, On Assignment's Chairman of the Board, was late in reporting a purchase transaction occurring on January 31, 2005, which was reported on a Form 4 on February 3, 2005, and that Michael Holtzman, On Assignment's Senior Vice President and Chief Financial Officer and Michael Payne, On Assignment's Senior Vice President and Chief Information Officer were each late in reporting purchase transactions under the Company's Employee Stock Purchase Plan occurring on February 28, 2005 which were each reported on Form 4 filings on March 7, 2005.

Other Matters

As of the date of this Proxy Statement, the Board does not know of any matters to be presented at the Annual Meeting other than those specifically set forth above. If other matters should properly come before the Annual Meeting or any adjournment thereof, the persons named as proxies in the enclosed proxy card intend to vote the shares represented by them in accordance with their best judgment with respect to such matters.

Annual Report to Stockholders and Form 10-K

A copy of On Assignment's Annual Report to Stockholders for the fiscal year ended December 31, 2005, has been mailed concurrently with this Proxy Statement to all stockholders entitled to notice of and to vote at the Annual Meeting. The Annual Report is not incorporated into this Proxy Statement and is not considered proxy-soliciting material.

On Assignment filed its Annual Report on Form 10-K with the Securities and Exchange Commission on March 16, 2006. A copy of this report for the year ended December 31, 2005, is included in On Assignment's Annual Report to Stockholders which has been mailed with this Proxy Statement. Stockholders may obtain an additional copy of this report, without charge, by writing to the Investor Relations Department at On Assignment, Inc., 26651 West Agoura Road, Calabasas, California 91302.

Incorporation by Reference

To the extent that this Proxy Statement is incorporated by reference into any other filing by On Assignment under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, the sections of this Proxy Statement entitled "Report of the Compensation Committee," "Report of the Audit Committee" and "Stock Performance Graph" will not be deemed incorporated, unless specifically provided otherwise in such filing.

Proposals by Stockholders

Proposals that stockholders intend to present at the 2007 Annual Meeting of Stockholders pursuant to Rule 14a-8 of the Exchange Act, must be received at On Assignment's principal executive offices in Calabasas, California no later than December 31, 2006, for inclusion in the proxy material for that meeting. Pursuant to On Assignment's bylaws, proposals submitted other than pursuant to Rule 14a-8, including nominations to the Board, must be received by the Secretary not less than thirty days nor more than sixty days prior to the date of the meeting. Stockholder notices should be delivered to the Secretary at On Assignment, Inc., 26651 West Agoura Road, Calabasas, California 91302.

Miscellaneous

The cost of soliciting proxies on behalf of the Board will be borne by On Assignment. The solicitation will be primarily by mail. In addition to the use of mail, some of the officers, directors, and employees of On Assignment and its subsidiaries may solicit proxies by telephone, electronic mail or personal interview without additional remuneration for such activity. On Assignment intends to reimburse banks, brokerage houses, and other institutions, custodians, nominees and fiduciaries for reasonable expenses in forwarding proxy material to their principals.

Stockholders are urged to sign and date the enclosed proxy card and return it today in the enclosed envelope.

By Order of the Board of Directors,

Michael J. Holtzman
Secretary

April 14, 2006
Calabasas, California

ON ASSIGNMENT, INC.

RESTATED 1987 STOCK OPTION PLAN

(As Amended and Restated April 18, 2003)

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ON ASSIGNMENT, INC.

RESTATED 1987 STOCK OPTION PLAN

(As Amended and Restated April 18, 2003)

On Assignment, Inc., a Delaware corporation (the **Company**), sets forth herein the terms of its Restated 1987 Stock Option Plan, as amended and restated April 18, 2003 (the **Plan**), as follows:

1. PURPOSE

The Plan is intended to enhance the **Company's** and its **Affiliates** (as defined herein) ability to attract and retain highly qualified officers, directors, key employees, and other persons, and to motivate such officers, directors, key employees, and other persons to serve the **Company** and its **Affiliates** and to expend maximum effort to improve the business results and earnings of the **Company**, by providing to such officers, directors, key employees and other persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the **Company**. To this end, the Plan provides for the grant of stock options, stock appreciation rights, restricted stock, unrestricted stock, stock units, dividend equivalent rights and cash awards. Any of these awards may, but need not, be made as performance incentives to reward attainment of annual or long-term performance goals in accordance with the terms hereof. Options granted under the Plan may be non-qualified stock options or incentive stock options, as provided herein.

2. DEFINITIONS

For purposes of interpreting the Plan and related documents (including Award Agreements), the following definitions shall apply:

2.1 **Affiliate** means, with respect to the **Company**, any company or other trade or business that controls, is controlled by or is under common control with the **Company** within the meaning of Rule 405 of Regulation C under the Securities Act, including, without limitation, any **Subsidiary**.

2.2 **Annual Incentive Award** means an Award made subject to attainment of performance goals (as described in **Section 15**) over a performance period of up to one year (the fiscal year, unless otherwise specified by the Committee).

2.3 **Award** means a grant of an Option, Stock Appreciation Right, Restricted Stock, Unrestricted Stock Unit, Dividend Equivalent Right or cash award under the Plan.

2.4 **Award Agreement** means the written agreement between the **Company** and a Grantee that evidences and sets out the terms and conditions of an Award.

2.5 **Benefit Arrangement** shall have the meaning set forth in **Section 16** hereof.

2.6 **Board** means the Board of Directors of the **Company**.

2.7 **Cause** means, as determined by the Board and unless otherwise provided in an applicable agreement with the **Company** or an **Affiliate**, (i) gross negligence or willful misconduct in connection with the performance of duties; (ii) conviction of a criminal offense (other than minor traffic offenses); or (iii) material breach of any term of any employment, consulting or other services, confidentiality, intellectual property or non-competition agreements, if any, between the Service Provider and the **Company** or an **Affiliate**.

2.8 **Code** means the Internal Revenue Code of 1986, as now in effect or as hereafter amended.

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- 2.9 **Committee** means a committee of, and designated from time to time by resolution of, the Board, which shall be constituted as provided in **Section 3.2**.
- 2.10 **Company** means On Assignment, Inc.
- 2.11 **Corporate Transaction** means (i) the dissolution or liquidation of the Company or a merger, consolidation, or reorganization of the Company with one or more other entities in which the Company is not the surviving entity, (ii) a sale of all or substantially all of the assets of the Company to another person or entity, or (iii) any transaction (including without limitation a merger, consolidation or reorganization in which the Company is the surviving entity) which results in any person or entity (other than persons who are shareholders or Affiliates immediately prior to the transaction) owning 50% or more of the combined voting power of all classes of stock of the Company.
- 2.12 **Covered Employee** means a Grantee who is a Covered Employee within the meaning of Section 162(m)(3) of the Code.
- 2.13 **Director** means a member of the Board.
- 2.14 **Disability** means the Grantee is unable to perform each of the essential duties of such Grantee's position by reason of a medically determinable physical or mental impairment which is potentially permanent in character or which can be expected to last for a continuous period of not less than 12 months; provided, however, that, with respect to rules regarding expiration of an Incentive Stock Option following termination of the Grantee's Service, Disability shall mean the Grantee is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.
- 2.15 **Dividend Equivalent Right** means a right, granted to a Grantee under **Section 14** hereof, to receive cash, Stock, other Awards or other property equal in value to dividends paid with respect to a specified number of shares of Stock, or other periodic payments.
- 2.16 **Effective Date** the date the Plan is approved by the Company's stockholders.
- 2.17 **Exchange Act** means the Securities Exchange Act of 1934, as now in effect or as hereafter amended.
- 2.18 **Executive Officer** means an executive officer within the meaning of Rule 3b-7 under the Exchange Act.
- 2.19 **Fair Market Value** means the value of a share of Stock, determined as follows: if on the Grant Date or other determination date the Stock is listed on an established national or regional stock exchange, is admitted to quotation on The Nasdaq Stock Market, Inc. or is publicly traded on an established securities market, the Fair Market Value of a share of Stock shall be the closing price of the Stock on such exchange or in such market (if there is more than one such exchange or market, the Board shall determine the appropriate exchange or market) on the last trading day preceding the Grant Date or such other determination date (or if there is no such reported closing price, the Fair Market Value shall be the mean between the highest bid and lowest asked prices or between the high and low sale prices on such last preceding trading day) or, if no sale of Stock is reported for such trading day, on the next preceding day on which any sale shall have been reported. If the Stock is not listed on such an exchange, quoted on such system or traded on such a market, Fair Market Value shall be the value of the Stock as determined by the Board in good faith.
- 2.20 **Family Member** means a person who is a spouse, former spouse, child, stepchild, grandchild, parent, stepparent, grandparent, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother, sister, brother-in-law, or sister-in-law, including adoptive relationships, of

the Grantee, any person sharing the Grantee's household (other than a tenant or employee), a trust in which any one or more of these persons have more than fifty percent of the beneficial interest, a foundation in which any one or more of these persons (or the Grantee) control the management of assets, and any other entity in which one or more of these persons (or the Grantee) own more than fifty percent of the voting interests.

2.21 **Grant Date** means, as determined by the Board, the latest to occur of (i) the date as of which the Board approves an Award, (ii) the date on which the recipient of an Award first becomes eligible to receive an Award under **Section 6** hereof, or (iii) such other date as may be specified by the Board.

2.22 **Grantee** means a person who receives or holds an Award under the Plan.

2.23 **Incentive Stock Option** means an incentive stock option within the meaning of Section 422 of the Code, or the corresponding provision of any subsequently enacted tax statute, as amended from time to time.

2.24 **Non-qualified Stock Option** means an Option that is not an Incentive Stock Option.

2.25 **Option** means an option to purchase one or more shares of Stock pursuant to the Plan.

2.26 **Option Price** means the exercise price for each share of Stock subject to an Option.

2.27 **Other Agreement** shall have the meaning set forth in **Section 16** hereof.

2.28 **Outside Director** means a member of the Board who is not an officer or employee of the Company.

2.29 **Performance Award** means an Award made subject to the attainment of performance goals (as described in **Section 15**) over a performance period of up to ten (10) years.

2.30 **Plan** means this On Assignment, Inc. Restated 1987 Stock Option Plan, as amended and restated April 18, 2003.

2.31 **Purchase Price** means the purchase price for each share of Stock pursuant to a grant of Restricted or Unrestricted Stock.

2.32 **Reporting Person** means a person who is required to file reports under Section 16(a) of the Exchange Act.

2.33 **Restricted Stock** means shares of Stock, awarded to a Grantee pursuant to **Section 11** hereof.

2.34 **SAR Exercise Price** means the per share exercise price of an SAR granted to a Grantee under **Section 10** hereof.

2.35 **Securities Act** means the Securities Act of 1933, as now in effect or as hereafter amended.

2.36 **Service** means service as a Service Provider to the Company or an Affiliate. Unless otherwise stated in the applicable Award Agreement, a Grantee's change in position or duties shall not result in interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to the Company or an Affiliate. Subject to the preceding sentence, whether a termination of Service shall have occurred for purposes of the Plan shall be determined by the Board, which determination shall be final, binding and conclusive.

2.37 **Service Provider** means an employee, officer or director of the Company or an Affiliate, or a consultant or adviser currently providing services to the Company or an Affiliate.

- 2.38 **Stock** means the common stock, par value \$.01 per share, of the Company.
- 2.39 **Stock Appreciation Right** or **SAR** means a right granted to a Grantee under **Section 10** hereof.
- 2.40 **Stock Unit** means a bookkeeping entry representing the equivalent of shares of Stock, awarded to a Grantee pursuant to **Section 11** hereof.
- 2.41 **Subsidiary** means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.
- 2.42 **Ten Percent Stockholder** means an individual who owns more than ten percent (10%) of the total combined voting power of all classes of outstanding stock of the Company, its parent or any of its Subsidiaries. In determining stock ownership, the attribution rules of Section 424(d) of the Code shall be applied.
- 2.43 **Unrestricted Stock** means shares of Stock awarded to a Grantee pursuant to **Section 12** hereof.

3. ADMINISTRATION OF THE PLAN

3.1. Board

The Board shall have such powers and authorities related to the administration of the Plan as are consistent with the Company's certificate of incorporation and by-laws and applicable law. The Board shall have full power and authority to take all actions and to make all determinations required or provided for under the Plan, any Award or any Award Agreement, and shall have full power and authority to take all such other actions and make all such other determinations not inconsistent with the specific terms and provisions of the Plan that the Board deems to be necessary or appropriate to the administration of the Plan, any Award or any Award Agreement. All such actions and determinations shall be by the affirmative vote of a majority of the members of the Board present at a meeting or by unanimous consent of the Board executed in writing in accordance with the Company's certificate of incorporation and by-laws and applicable law. The interpretation and construction by the Board of any provision of the Plan, any Award or any Award Agreement shall be final, binding and conclusive.

3.2. Committee

The Board from time to time may delegate to the Committee such powers and authorities related to the administration and implementation of the Plan, as set forth in **Section 3.1** above and other applicable provisions, as the Board shall determine, consistent with the certificate of incorporation and by-laws of the Company and applicable law.

(i) Except as provided in Subsection (ii) and except as the Board may otherwise determine, the Committee, if any, appointed by the Board to administer the Plan shall consist of two or more Outside Directors of the Company who: (a) qualify as "outside directors" within the meaning of Section 162(m) of the Code and (b) meet such other requirements as may be established from time to time by the Securities and Exchange Commission for plans intended to qualify for exemption under Rule 16b-3 (or its successor) under the Exchange Act.

(ii) The Board or the Committee may also appoint one or more separate committees of the Board, each composed of one or more directors of the Company who need not be Outside Directors, who may administer the Plan with respect to employees or other Service Providers who are not officers or directors of the Company, may grant Awards under the Plan to such employees or other Service Providers, and may determine all terms of such Awards.

In the event that the Plan, any Award or any Award Agreement entered into hereunder provides for any action to be taken by or determination to be made by the Board, such action may be taken or such determination may be made by the Committee if the power and authority to do so has been delegated to the Committee by the Board as provided for in this Section. All such actions and determinations shall be by the affirmative vote of a majority of the members of the Committee present at a meeting or by unanimous consent of the Committee executed in writing in accordance with the Company's certificate of incorporation and by-laws and applicable law. Unless otherwise expressly determined by the Board, any such action or determination by the Committee shall be final, binding and conclusive.

3.3. Terms of Awards

Subject to the other terms and conditions of the Plan, the Board shall have full and final authority to:

- (i) designate Grantees,
- (ii) determine the type or types of Awards to be made to a Grantee,
- (iii) determine the number of shares of Stock to be subject to an Award,
- (iv) establish the terms and conditions of each Award (including, but not limited to, the exercise price of any Option, the nature and duration of any restriction or condition (or provision for lapse thereof) relating to the vesting, exercise, transfer, or forfeiture of an Award or the shares of Stock subject thereto, and any terms or conditions that may be necessary to qualify Options as Incentive Stock Options),
- (v) prescribe the form of each Award Agreement evidencing an Award, and
- (vi) amend, modify, or supplement the terms of any outstanding Award. Such authority specifically includes the authority, in order to effectuate the purposes of the Plan but without amending the Plan, to modify Awards to eligible individuals who are foreign nationals or are individuals who are employed outside the United States to recognize differences in local law, tax policy, or custom; provided, however, such authority does not include the authority to decrease the Option Price of any Option after the date of grant except for adjustments pursuant to **Section 18**.

Subject to the terms and conditions of the Plan, any such new Award shall be upon such terms and conditions as are specified by the Board at the time the new Award is made. The Board shall have the right, in its discretion, to make Awards in substitution or exchange for any other award under the plan of any business entity to be acquired by the Company or an Affiliate. The Company may retain the right in an Award Agreement to cause a forfeiture of the gain realized by a Grantee on account of actions taken by the Grantee in violation or breach of or in conflict with any employment agreement, non-competition agreement, any agreement prohibiting solicitation of employees or clients of the Company or any Affiliate thereof or any confidentiality obligation with respect to the Company or any Affiliate thereof or otherwise in competition with the Company or any Affiliate thereof, to the extent specified in such Award Agreement applicable to the Grantee. Furthermore, except to the extent otherwise provided in an agreement or contract with a Grantee, the Company may annul an Award if the Grantee is an employee of the Company or an Affiliate thereof and is terminated for Cause as defined in the applicable Award Agreement or the Plan, as applicable. The grant of any Award may be contingent upon the Grantee executing the appropriate Award Agreement.

3.4. Deferral Arrangement

The Board may permit the deferral of any award payment into a deferred compensation arrangement, subject to such rules and procedures as it may establish, which may include provisions for the payment or

crediting of interest or dividend equivalents, including converting such credits into deferred Stock equivalents and restricting deferrals to comply with hardship distribution rules affecting 401(k) plans.

3.5. No Liability

No member of the Board or of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Award or Award Agreement.

4. STOCK SUBJECT TO THE PLAN

Subject to adjustment as provided in **Section 18** hereof, the number of shares of Stock available for issuance under the Plan shall be 11,000,000. Notwithstanding the preceding sentence, the aggregate number of shares of Stock which cumulatively may be available for issuance pursuant to Awards other than Awards of Options shall not exceed 200,000 shares. Stock issued or to be issued under the Plan shall be authorized but unissued shares or treasury shares. If any shares covered by an Award are not purchased or are forfeited, or if an Award otherwise terminates without delivery of any Stock subject thereto, then the number of shares of Stock counted against the aggregate number of shares available under the Plan with respect to such Award shall, to the extent of any such forfeiture or termination, again be available for making Awards under the Plan. If the Option Price of any Option granted under the Plan, or if pursuant to **Section 19.3** the withholding obligation of any Grantee with respect to an Option, is satisfied by tendering shares of Stock to the Company (by either actual delivery or by attestation) or by withholding shares of Stock, only the number of shares of Stock issued net of the shares of Stock tendered or withheld shall be deemed issued for purposes of determining the maximum number of shares of Stock available for issuance under the Plan.

5. EFFECTIVE DATE, DURATION AND AMENDMENTS

5.1. Effective Date

The Plan shall be effective as of the Effective Date. If the stockholders fail to approve the Plan within one year after the adoption of the Plan by the Board, the Plan shall be null and void and of no effect.

Outstanding options granted prior to the Effective Date of this amendment and restatement will be subject to the Plan terms that were in effect as of the date such options were granted.

5.2. Term

The Plan shall terminate automatically ten (10) years after the Effective Date and may be terminated on any earlier date as provided in **Section 5.3**.

5.3. Amendment and Termination of the Plan

The Board may, at any time and from time to time, amend, suspend, or terminate the Plan as to any shares of Stock as to which Awards have not been made. An amendment shall be contingent on approval of the Company's stockholders to the extent stated by the Board, required by law or required by applicable stock exchange listing requirements. No Awards shall be made after termination of the Plan. No amendment, suspension, or termination of the Plan shall, without the consent of the Grantee, impair rights or obligations under any Award theretofore awarded under the Plan.

6. AWARD ELIGIBILITY AND LIMITATIONS

6.1. Company or Subsidiary Employees; Service Providers; Other Persons

Subject to this **Section 6**, Awards may be made under the Plan to: (i) any Service Provider to, the Company or of any Affiliate, including any such Service Provider who is an officer or director of the

Company, or of any Affiliate, as the Board shall determine and designate from time to time, (ii) any Outside Director, and (iii) any other individual whose participation in the Plan is determined to be in the best interests of the Company by the Board.

6.2. Successive Awards

An eligible person as described in **Section 6.1** may receive more than one Award, subject to such restrictions as are provided herein.

6.3. Limitation on Shares of Stock and Cash Subject to Awards

During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act:

- (i) the maximum number of shares of Stock subject to Options that can be awarded under the Plan to any person eligible for an Award under **Section 6** hereof is 500,000 per year;
- (ii) the maximum number of shares that can be awarded under the Plan, other than pursuant to an Option to any person eligible for an Award under **Section 6** hereof is 100,000 per year; and
- (iii) the maximum amount that may be earned as an Annual Incentive Award or other cash Award in any fiscal year by any one Grantee shall be \$1,000,000 and the maximum amount that may be earned as a Performance Award or other cash Award in respect of a performance period by any one Grantee shall be \$3,000,000.

The preceding limitations in this **Section 6.3** are subject to adjustment as provided in **Section 18** hereof.

6.4. Limitations on Incentive Stock Options

An Option shall constitute an Incentive Stock Option only (i) if the Grantee of such Option is an employee of the Company or any Subsidiary of the Company; (ii) to the extent specifically provided in the related Award Agreement; and (iii) to the extent that the aggregate Fair Market Value (determined at the time the Option is granted) of the shares of Stock with respect to which all Incentive Stock Options held by such Grantee become exercisable for the first time during any calendar year (under the Plan and all other plans of the Grantee's employer and its Affiliates) does not exceed \$100,000. This limitation shall be applied by taking Options into account in the order in which they were granted.

6.5. Stand-Alone, Additional, Tandem, and Substitute Awards

Awards granted under the Plan may, in the discretion of the Board, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under the plan of any business entity to be acquired by the Company or an Affiliate, or any other right of a Grantee to receive payment from the Company or any Affiliate. Such additional, tandem, and substitute or exchange Awards may be granted at any time. If an Award is granted in substitution or exchange for another Award, the Board shall require the surrender of such other Award in consideration for the grant of the new Award. Notwithstanding the foregoing, an outstanding Option granted under the Plan may not be surrendered to the Company as consideration for the grant of a new Option with a lower exercise price. In addition, Awards may be granted in lieu of cash compensation, including in lieu of cash amounts payable under other plans of the Company or any Affiliate, in which the value of Stock subject to the Award is equivalent in value to the cash compensation (for example, Stock Units or Restricted Stock), or in which the Option Price, grant price or purchase price of the Award in the nature of a right that may be exercised is equal to the Fair Market Value of the underlying Stock minus the value of the cash compensation surrendered (for example, Options granted with an Option Price discounted by the amount of the cash compensation surrendered).

7. AWARD AGREEMENT

Each Award granted pursuant to the Plan shall be evidenced by an Award Agreement, in such form or forms as the Board shall from time to time determine. Award Agreements granted from time to time or at the same time need not be uniform among all Awards issued pursuant to the Plan, and may reflect distinctions among Awards but shall not be inconsistent with the terms of the Plan. Each Award Agreement evidencing an Award of Options shall specify whether such Options are intended to be Non-qualified Stock Options or Incentive Stock Options, and in the absence of such specification such options shall be deemed Non-qualified Stock Options.

8. TERMS AND CONDITIONS OF OPTIONS

8.1. Option Price

The Option Price of each Option shall be fixed by the Board and stated in the Award Agreement evidencing such Option. The Option Price of each Option shall be at least the Fair Market Value on the Grant Date of a share of Stock; *provided, however*, that in the event that a Grantee is a Ten Percent Stockholder, the Option Price of an Option granted to such Grantee that is intended to be an Incentive Stock Option shall be not less than 110 percent of the Fair Market Value of a share of Stock on the Grant Date. In no case shall the Option Price of any Option be less than the par value of a share of Stock.

8.2. Vesting

Subject to **Sections 8.3 and 18.3** hereof, each Option granted under the Plan shall become exercisable at such times and under such conditions as shall be determined by the Board and stated in the Award Agreement. For purposes of this **Section 8.2**, fractional numbers of shares of Stock subject to an Option shall be rounded down to the next nearest whole number. The Board may provide, for example, in the Award Agreement for (i) accelerated exercisability of some or all of the Option in the event the Grantee's Service terminates on account of death, Disability or another event, (ii) expiration of the Option prior to its term in the event of the termination of the Grantee's Service, or (iii) immediate forfeiture of the Option in the event the Grantee's Service is terminated for Cause subject to the terms of any employment agreement. No Option shall be exercisable in whole or in part prior to the date the Plan is approved by the Stockholders of the Company as provided in **Section 5.1** hereof.

8.3. Term

Each Option granted under the Plan shall terminate, and all rights to purchase shares of Stock thereunder shall cease, upon the expiration of ten years from the date such Option is granted, or under such circumstances and on such date prior thereto as is set forth in the Plan or as may be fixed by the Board and stated in the Award Agreement relating to such Option (the Termination Date); *provided, however*, that in the event that the Grantee is a Ten Percent Stockholder, an Option granted to such Grantee that is intended to be an Incentive Stock Option shall not be exercisable after the expiration of five years from its Grant Date.

8.4. Termination of Service

Each Award Agreement shall set forth the extent to which the Grantee shall have the right to exercise the Option following termination of the Grantee's Service. Such provisions shall be determined in the sole discretion of the Board.

8.5. Limitations on Exercise of Option

Notwithstanding any other provision of the Plan, in no event may any Option be exercised, in whole or in part, prior to the date the Plan is approved by the stockholders of the Company as provided herein, or

after ten years following the Grant Date, or after the occurrence of an event referred to in **Section 18** hereof which results in termination of the Option.

8.6. Method of Exercise

An Option that is exercisable shall be exercised by the Grantee's delivery to the Company of written notice of exercise on any business day, at the Company's principal office, on the form specified by the Company or as otherwise permitted. Such notice shall specify the number of shares of Stock with respect to which the Option is being exercised and shall be accompanied by payment in full of the Option Price of the shares for which the Option is being exercised. The minimum number of shares of Stock with respect to which an Option may be exercised, in whole or in part, at any time shall be the lesser of (i) 100 shares or such lesser number set forth in the applicable Award Agreement and (ii) the maximum number of shares available for purchase under the Option at the time of exercise.

8.7. Rights of Holders of Options

Unless otherwise stated in the applicable Award Agreement, an individual holding or exercising an Option shall have none of the rights of a stockholder (for example, the right to receive cash or dividend payments or distributions attributable to the subject shares of Stock or to direct the voting of the subject shares of Stock) until the shares of Stock covered thereby are fully paid and issued to him. Except as provided in **Section 18** hereof, no adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date of such issuance.

8.8. Delivery of Stock Certificates

Promptly after the exercise of an Option by a Grantee and the payment in full of the Option Price, such Grantee shall be entitled to the issuance of a stock certificate or certificates evidencing his or her ownership of the shares of Stock subject to the Option.

8.9. Book Entry

Notwithstanding any other provision of the Plan to the contrary, the Company may, in its discretion, use the book entry method for recording stock issuances in lieu of issuing stock certificates.

9. TRANSFERABILITY OF OPTIONS

9.1. Transferability of Options

Except as provided in **Section 9.2**, during the lifetime of a Grantee, only the Grantee (or, in the event of legal incapacity or incompetency, the Grantee's guardian or legal representative) may exercise an Option. Except as provided in **Section 9.2**, no Option shall be assignable or transferable by the Grantee to whom it is granted, other than by will or the laws of descent and distribution.

9.2. Family Transfers

Unless otherwise provided in the applicable Award Agreement, a Grantee may transfer, not for value, all or part of an Option which is not an Incentive Stock Option to any Family Member. For the purpose of this **Section 9.2**, a not for value transfer is a transfer which is (i) a gift, (ii) a transfer under a domestic relations order in settlement of marital property rights; or (iii) a transfer to an entity in which more than fifty percent of the voting interests are owned by Family Members (or the Grantee) in exchange for an interest in that entity. Following a transfer under this **Section 9.2**, any such Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. Subsequent transfers of transferred Options are prohibited except to Family Members of the original Grantee in accordance with this **Section 9.2** or by will or the laws of descent and distribution. The events of

termination of Service of **Section 8.4** hereof shall continue to be applied with respect to the original Grantee, following which the Option shall be exercisable by the transferee only to the extent, and for the periods specified, in **Section 8.4**.

10. Stock Appreciation Rights

10.1. Right to Payment

A SAR shall confer on the Grantee to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise over (B) the grant price of the SAR as determined by the Board. The Award Agreement for an SAR shall specify the grant price of the SAR, which may be fixed at the Fair Market Value of a share of Stock on the date of grant or may vary in accordance with a predetermined formula while the SAR is outstanding.

10.2. Other Terms

The Board shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the time or times at which SARs shall cease to be or become exercisable following termination of Service or upon other conditions, the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Stock will be delivered or deemed to be delivered to Grantees, whether or not a SAR shall be in tandem or in combination with any other Award, and any other terms and conditions of any SAR.

11. RESTRICTED STOCK AND STOCK UNITS

11.1. Grant of Restricted Stock or Stock Units

The Board is authorized to grant Restricted Stock or Stock Units to Grantees, subject to such restrictions, conditions and other terms, if any, as the Board may determine. Awards of Restricted Stock may be made for no consideration (other than par value of the shares which is deemed paid by Services already rendered).

11.2. Restrictions

At the time a grant of Restricted Stock or Stock Units is made, the Board may, in its sole discretion, establish a period of time (a restricted period) applicable to such Restricted Stock or Stock Units. Each Award of Restricted Stock or Stock Units may be subject to a different restricted period. The Board may, in its sole discretion, at the time a grant of Restricted Stock or Stock Units is made, prescribe restrictions in addition to or other than the expiration of the restricted period, including the satisfaction of corporate or individual performance objectives, which may be applicable to all or any portion of the Restricted Stock or Stock Units in accordance with **Section 15.1** and **15.2**. Neither Restricted Stock nor Stock Units may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the restricted period or prior to the satisfaction of any other restrictions prescribed by the Board with respect to such Restricted Stock or Stock Units.

11.3. Restricted Stock Certificates

The Company shall issue, in the name of each Grantee to whom Restricted Stock has been granted, stock certificates representing the total number of shares of Restricted Stock granted to the Grantee, as soon as reasonably practicable after the Grant Date or issue such Restricted Stock by the book entry method. The Board may provide in an Award Agreement that either (i) the Secretary of the Company shall hold such certificates for the Grantee's benefit until such time as the Restricted Stock is forfeited to the Company or the restrictions lapse, or (ii) such certificates shall be delivered to the Grantee, *provided*,

however, that such certificates shall bear a legend or legends that comply with the applicable securities laws and regulations and makes appropriate reference to the restrictions imposed under the Plan and the Award Agreement.

11.4. Rights of Holders of Restricted Stock

Unless the Board otherwise provides in an Award Agreement, holders of Restricted Stock shall have the right to vote such Stock and the right to receive any dividends or other distributions declared or paid with respect to such Stock. The Board may provide that any dividends paid on Restricted Stock must be reinvested in shares of Stock, which may or may not be subject to the same vesting conditions and restrictions applicable to such Restricted Stock. All non-cash distributions, if any, received by a Grantee with respect to Restricted Stock as a result of any stock split, stock dividend, combination of shares, or other similar transaction shall be subject to the restrictions applicable to the original Grant.

11.5. Rights of Holders of Stock Units

11.5.1. Voting and Dividend Rights

Unless the Board otherwise provides in an Award Agreement, holders of Stock Units shall have no rights as stockholders of the Company. The Board may provide in an Award Agreement evidencing a grant of Stock Units that the holder of such Stock Units shall be entitled to receive, upon the Company's payment of a cash dividend on its outstanding Stock, a cash payment for each Stock Unit held equal to the per-share dividend paid on the Stock. Such Award Agreement may also provide that such cash payment will be deemed reinvested in additional Stock Units at a price per unit equal to the Fair Market Value of a share of Stock on the date that such dividend is paid.

11.5.2. Creditor's Rights

A holder of Stock Units shall have no rights other than those of a general creditor of the Company. Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Award Agreement.

11.6. Termination of Service

Unless the Board otherwise provides in an Award Agreement or in writing after the Award Agreement is issued, upon the termination of a Grantee's Service, any Restricted Stock or Stock Units held by such Grantee that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited. Upon forfeiture of Restricted Stock or Stock Units, the Grantee shall have no further rights with respect to such Award, including but not limited to any right to vote Restricted Stock or any right to receive dividends or other distributions with respect to shares of Restricted Stock or Stock Units.

11.7. Purchase of Restricted Stock

The Grantee shall be required, to the extent required by applicable law, to purchase the Restricted Stock from the Company at a Purchase Price equal to the greater of (i) the aggregate par value of the shares of Stock represented by such Restricted Stock or (ii) the Purchase Price, if any, specified in the Award Agreement relating to such Restricted Stock. The Purchase Price shall be payable in a form described in **Section 13** or, in the discretion of the Board, in consideration for past and future Services rendered to the Company or an Affiliate.

11.8. Delivery of Stock

Upon the expiration or termination of any restricted period and the satisfaction of any other conditions prescribed by the Board, the restrictions applicable to shares of Restricted Stock or Stock Units settled in Stock shall lapse, and, unless otherwise provided in the Award Agreement, a stock certificate for such shares shall be delivered, free of all such restrictions, to the Grantee or the Grantee's beneficiary or estate, as the case may be. If the restricted period has not yet expired or terminated as to all of the shares of Restricted Stock covered by a certificate for the Restricted Stock that has previously been delivered to the Grantee, as provided in **Section 11.3**, a new certificate for the remaining shares of Restricted Stock shall be delivered to the Grantee which certificate shall bear a legend or legends that comply with the applicable securities laws and regulations and makes appropriate reference to the restrictions imposed under the Plan and the Award Agreement.

12. UNRESTRICTED STOCK AWARDS

The Board may, in its sole discretion, grant (or sell at par value or such other higher purchase price determined by the Board) an Unrestricted Stock Award to any Grantee pursuant to which such Grantee may receive shares of Stock free of any restrictions (Unrestricted Stock) under the Plan. Unrestricted Stock Awards may be granted or sold as described in the preceding sentence in respect of past services or other valid consideration, or in lieu of, or in addition to, any cash compensation due to such Grantee.

13. FORM OF PAYMENT FOR OPTIONS AND RESTRICTED STOCK

13.1. General Rule

Payment of the Option Price for the shares purchased pursuant to the exercise of an Option or the Purchase Price for Restricted Stock shall be made in cash or in cash equivalents acceptable to the Company.

13.2. Surrender of Stock

To the extent the Award Agreement so provides, payment of the Option Price for shares purchased pursuant to the exercise of an Option or the Purchase Price for Restricted Stock may be made all or in part through the tender to the Company of shares of Stock (by either actual delivery or by attestation), which shares, if acquired from the Company, shall have been held for at least six months at the time of tender and which shall be valued, for purposes of determining the extent to which the Option Price or Purchase Price has been paid thereby, at their Fair Market Value.

13.3. Cashless Exercise

With respect to an Option only (and not with respect to Restricted Stock), to the extent the Award Agreement so provides, and subject to other restrictions the Company may impose on the sale of Stock, payment of the Option Price for shares purchased pursuant to the exercise of an Option may be made all or in part by delivery (on a form acceptable to the Board) of an irrevocable direction to a licensed securities broker acceptable to the Company to sell shares of Stock and to deliver all or part of the sales proceeds to the Company in payment of the Option Price and any withholding taxes described in **Section 19.3**. Executive Officers and Directors will not be permitted to use the cashless method of exercise described in this paragraph without the express prior consent of the Company and only to the extent permitted by law.

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13.4. Other Forms of Payment

To the extent the Award Agreement so provides or as otherwise agreed by the Board, payment of the Option Price for shares purchased pursuant to exercise of an Option or the Purchase Price for Restricted Stock may be made in any other form that is consistent with applicable laws, regulations and rules.

14. DIVIDEND EQUIVALENT RIGHTS

14.1. Dividend Equivalent Rights

A Dividend Equivalent Right is an Award entitling the recipient to receive credits based on cash distributions that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other award to which it relates) if such shares had been issued to and held by the recipient. A Dividend Equivalent Right may be granted hereunder to any Grantee as a component of another Award or as a freestanding award. The terms and conditions of Dividend Equivalent Rights shall be specified in the grant. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional shares of Stock, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment. Dividend Equivalent Rights may be settled in cash or Stock or a combination thereof, in a single installment or installments, all determined in the sole discretion of the Board. A Dividend Equivalent Right granted as a component of another Award may provide that such Dividend Equivalent Right shall be settled upon exercise, settlement, or payment of, or lapse of restrictions on, such other award, and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other award. A Dividend Equivalent Right granted as a component of another Award may also contain terms and conditions different from such other award.

14.2. Termination of Service

Except as may otherwise be provided by the Board either in the Award Agreement or in writing after the Award Agreement is issued, a Grantee's rights in all Dividend Equivalent Rights or interest equivalents shall automatically terminate upon the Grantee's termination of Service for any reason.

15. PERFORMANCE AND ANNUAL INCENTIVE AWARDS

15.1. Performance Conditions

The right of a Grantee to exercise or receive a grant or settlement of any Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Board. The Board may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce the amounts payable under any Award subject to performance conditions, except as limited under **Sections 15.2** hereof in the case of a Performance Award or Annual Incentive Award intended to qualify under Code Section 162(m). If and to the extent required under Code Section 162(m), any power or authority relating to a Performance Award or Annual Incentive Award intended to qualify under Code Section 162(m), shall be exercised by the Committee and not the Board.

15.2. Performance or Annual Incentive Awards Granted to Designated Covered Employees

If and to the extent that the Committee determines that a Performance or Annual Incentive Award to be granted to a Grantee who is designated by the Committee as likely to be a Covered Employee should qualify as performance-based compensation for purposes of Code Section 162(m), the grant, exercise and/or settlement of such Performance or Annual Incentive Award shall be contingent upon achievement of pre-established performance goals and other terms set forth in this **Section 15.2**.

15.2.1. Performance Goals Generally

The performance goals for such Performance or Annual Incentive Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this **Section 15.2**. Performance goals shall be objective and shall otherwise meet the requirements of Code Section 162(m) and regulations thereunder including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being substantially uncertain. The Committee may determine that such Performance or Annual Incentive Awards shall be granted, exercised and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance or Annual Incentive Awards. Performance goals may differ for Performance or Annual Incentive Awards granted to any one Grantee or to different Grantees.

15.2.2. Business Criteria

One or more of the following business criteria for the Company, on a consolidated basis, and/or specified subsidiaries or business units of the Company (except with respect to the total stockholder return and earnings per share criteria), shall be used exclusively by the Committee in establishing performance goals for such Performance or Annual Incentive Awards: (1) total stockholder return; (2) such total stockholder return as compared to total return (on a comparable basis) of a publicly available index such as, but not limited to, the Standard & Poor's 500 Stock Index; (3) net income; (4) pretax earnings; (5) earnings before interest expense, taxes, depreciation and amortization; (6) pretax operating earnings after interest expense and before bonuses and extraordinary or special items; (7) operating margin; (8) earnings per share; (9) return on equity; (10) return on capital; (11) return on investment; (12) operating earnings; (13) working capital; (14) ratio of debt to stockholders' equity and (15) revenue.

15.2.3. Timing For Establishing Performance Goals

Performance goals shall be established not later than 90 days after the beginning of any performance period applicable to such Performance or Annual Incentive Awards, or at such other date as may be required or permitted for performance-based compensation under Code Section 162(m).

15.2.4. Settlement of Performance or Annual Incentive Awards; Other Terms

Settlement of such Performance or Annual Incentive Awards shall be in Stock, other Awards or other property, in the discretion of the Committee. The Committee may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with such Performance or Annual Incentive Awards. The Committee shall specify the circumstances in which such Performance or Annual Incentive Awards shall be paid or forfeited in the event of termination of Service by the Grantee prior to the end of a performance period or settlement of Performance Awards.

15.3. Written Determinations

All determinations by the Committee as to the establishment of performance goals, the amount of any Performance Award pool or potential individual Performance Awards and as to the achievement of performance goals relating to Performance Awards, and the amount of any or potential individual Annual Incentive Awards and the amount of final Annual Incentive Awards, shall be made in writing in the case of any Award intended to qualify under Code Section 162(m). To the extent required to comply with Code Section 162(m), the Committee may delegate any responsibility relating to such Performance Awards or Annual Incentive Awards.

15.4. Status of Section 14.2 Awards Under Code Section 162(m)

It is the intent of the Company that Performance Awards and Annual Incentive Awards under **Section 15.2** hereof granted to persons who are designated by the Committee as likely to be Covered Employees within the meaning of Code Section 162(m) and regulations thereunder shall, if so designated by the Committee, constitute qualified performance-based compensation within the meaning of Code Section 162(m) and regulations thereunder. Accordingly, the terms of **Section 15.2**, including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Code Section 162(m) and regulations thereunder. The foregoing notwithstanding, because the Committee cannot determine with certainty whether a given Grantee will be a Covered Employee with respect to a fiscal year that has not yet been completed, the term Covered Employee as used herein shall mean only a person designated by the Committee, at the time of grant of Performance Awards or an Annual Incentive Award, as likely to be a Covered Employee with respect to that fiscal year. If any provision of the Plan or any agreement relating to such Performance Awards or Annual Incentive Awards does not comply or is inconsistent with the requirements of Code Section 162(m) or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements.

16. PARACHUTE LIMITATIONS

Notwithstanding any other provision of this Plan or of any other agreement, contract, or understanding heretofore or hereafter entered into by a Grantee with the Company or any Affiliate, except an agreement, contract, or understanding hereafter entered into that expressly modifies or excludes application of this paragraph (an Other Agreement), and notwithstanding any formal or informal plan or other arrangement for the direct or indirect provision of compensation to the Grantee (including groups or classes of Grantees or beneficiaries of which the Grantee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Grantee (a Benefit Arrangement), if the Grantee is a disqualified individual, as defined in Section 280G(c) of the Code, any Option, Restricted Stock or Stock Unit held by that Grantee and any right to receive any payment or other benefit under this Plan shall not become exercisable or vested (i) to the extent that such right to exercise, vesting, payment, or benefit, taking into account all other rights, payments, or benefits to or for the Grantee under this Plan, all Other Agreements, and all Benefit Arrangements, would cause any payment or benefit to the Grantee under this Plan to be considered a parachute payment within the meaning of Section 280G(b)(2) of the Code as then in effect (a Parachute Payment) and (ii) if, as a result of receiving a Parachute Payment, the aggregate after-tax amounts received by the Grantee from the Company under this Plan, all Other Agreements, and all Benefit Arrangements would be less than the maximum after-tax amount that could be received by the Grantee without causing any such payment or benefit to be considered a Parachute Payment. In the event that the receipt of any such right to exercise, vesting, payment, or benefit under this Plan, in conjunction with all other rights, payments, or benefits to or for the Grantee under any Other Agreement or any Benefit Arrangement would cause the Grantee to be considered to have received a Parachute Payment under this Plan that would have the effect of decreasing the after-tax amount received by the Grantee as described in clause (ii) of the preceding sentence, then the Grantee shall have the right, in the Grantee's sole discretion, to designate those rights, payments, or benefits under this Plan, any Other Agreements, and any Benefit Arrangements that should be reduced or eliminated so as to avoid having the payment or benefit to the Grantee under this Plan be deemed to be a Parachute Payment.

17. REQUIREMENTS OF LAW

17.1. General

The Company shall not be required to sell or issue any shares of Stock under any Award if the sale or issuance of such shares would constitute a violation by the Grantee, any other individual exercising an

Option, or the Company of any provision of any law or regulation of any governmental authority, including without limitation any federal or state securities laws or regulations. If at any time the Company shall determine, in its discretion, that the listing, registration or qualification of any shares subject to an Award upon any securities exchange or under any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance or purchase of shares hereunder, no shares of Stock may be issued or sold to the Grantee or any other individual exercising an Option pursuant to such Award unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company, and any delay caused thereby shall in no way affect the date of termination of the Award. Specifically, in connection with the Securities Act, upon the exercise of any Option or the delivery of any shares of Stock underlying an Award, unless a registration statement under such Act is in effect with respect to the shares of Stock covered by such Award, the Company shall not be required to sell or issue such shares unless the Board has received evidence satisfactory to it that the Grantee or any other individual exercising an Option may acquire such shares pursuant to an exemption from registration under the Securities Act. Any determination in this connection by the Board shall be final, binding, and conclusive. The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Company shall not be obligated to take any affirmative action in order to cause the exercise of an Option or the issuance of shares of Stock pursuant to the Plan to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that an Option shall not be exercisable until the shares of Stock covered by such Option are registered or are exempt from registration, the exercise of such Option (under circumstances in which the laws of such jurisdiction apply) shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

17.2. Rule 16b-3

During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act, it is the intent of the Company that Awards pursuant to the Plan and the exercise of Options granted hereunder will qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of the Plan or action by the Board does not comply with the requirements of Rule 16b-3, it shall be deemed inoperative to the extent permitted by law and deemed advisable by the Board, and shall not affect the validity of the Plan. In the event that Rule 16b-3 is revised or replaced, the Board may exercise its discretion to modify this Plan in any respect necessary to satisfy the requirements of, or to take advantage of any features of, the revised exemption or its replacement.

18. EFFECT OF CHANGES IN CAPITALIZATION

18.1. Changes in Stock

If the number of outstanding shares of Stock is increased or decreased or the shares of Stock are changed into or exchanged for a different number or kind of shares or other securities of the Company on account of any recapitalization, reclassification, stock split, reverse split, combination of shares, exchange of shares, stock dividend or other distribution payable in capital stock, or other increase or decrease in such shares, effected in all such cases, without receipt of consideration by the Company occurring after the Effective Date, the number and kinds of shares for which grants of Options and other Awards may be made under the Plan shall be adjusted proportionately and accordingly by the Company. In addition, the number and kind of shares for which Awards are outstanding shall be adjusted proportionately and accordingly so that the proportionate interest of the Grantee immediately following such event shall, to the extent practicable, be the same as immediately before such event. Any such adjustment in outstanding Options or SARs shall not change the aggregate Option Price or SAR Exercise Price payable with respect to shares that are subject to the unexercised portion of an outstanding Option or SAR, as applicable, but shall include a corresponding proportionate adjustment in the Option Price or SAR Exercise Price per

share. The conversion of any convertible securities of the Company shall not be treated as an increase in shares effected without receipt of consideration. Notwithstanding the foregoing, in the event of any distribution to the Company's stockholders of securities of any other entity or other assets (other than dividends payable in cash or stock of the Company) without receipt of consideration by the Company, the Company may, in such manner as the Company deems appropriate, adjust (i) the number and kind of shares subject to outstanding Awards and/or (ii) the exercise price of outstanding Options and Stock Appreciation Rights to reflect such distribution.

18.2 Reorganization in Which the Company Is the Surviving Entity Which does not Constitute a Corporate Transaction

Subject to **Section 18.3** hereof, if the Company shall be the surviving entity in any reorganization, merger, or consolidation of the Company with one or more other entities which does not constitute a Corporate Transaction, any Option or SAR theretofore granted pursuant to the Plan shall pertain to and apply to the securities to which a holder of the number of shares of Stock subject to such Option or SAR would have been entitled immediately following such reorganization, merger, or consolidation, with a corresponding proportionate adjustment of the Option Price or SAR Exercise Price per share so that the aggregate Option Price or SAR Exercise Price thereafter shall be the same as the aggregate Option Price or SAR Exercise Price of the shares remaining subject to the Option or SAR immediately prior to such reorganization, merger, or consolidation. Subject to any contrary language in an Award Agreement evidencing an Award, any restrictions applicable to such Award shall apply as well to any replacement shares received by the Grantee as a result of the reorganization, merger or consolidation.

18.3. Corporate Transaction

Subject to the exceptions set forth in the last sentence of this **Section 18.3** and the last sentence of **Section 18.4**:

(i) upon the occurrence of a Corporate Transaction, all outstanding shares of Restricted Stock shall be deemed to have vested, and all restrictions and conditions applicable to such shares of Restricted Stock shall be deemed to have lapsed, immediately prior to the occurrence of such Corporate Transaction, and

(ii) either of the following two actions shall be taken:

(A) prior to the scheduled consummation of a Corporate Transaction, all Options and SARs outstanding hereunder shall become immediately exercisable and shall remain exercisable for such reasonable period of time as the Board determines, or

(B) the Board may elect, in its sole discretion, to cancel any outstanding Awards of Options, Restricted Stock, and/or SARs and pay or deliver, or cause to be paid or delivered, to the holder thereof an amount in cash or securities having a value (as determined by the Board acting in good faith), in the case of Restricted Stock, equal to the formula or fixed price per share paid to holders of shares of Stock and, in the case of Options or SARs, equal to the product of the number of shares of Stock subject to the Option or SAR (the Award Shares) multiplied by the amount, if any, by which (I) the formula or fixed price per share paid to holders of shares of Stock pursuant to such transaction exceeds (II) the Option Price or SAR Exercise Price applicable to such Award Shares.

With respect to the Company's establishment of an exercise window, (i) any exercise of an Option or SAR during such period shall be conditioned upon the consummation of the event and shall be effective only immediately before the consummation of the event, and (ii) upon consummation of any Corporate Transaction the Plan, and all outstanding but unexercised Options and SARs shall terminate. The Board

shall send written notice of an event that will result in such a termination to all individuals who hold Options and SARs not later than the time at which the Company gives notice thereof to its stockholders. This **Section 18.3** shall not apply to any Corporate Transaction to the extent that provision is made in writing in connection with such Corporate Transaction for the assumption or continuation of the Options, SARs and Restricted Stock theretofore granted, or for the substitution for such Options, SARs and Restricted Stock for new common stock options and stock appreciation rights and new common stock restricted stock relating to the stock of a successor entity, or a parent or subsidiary thereof, with appropriate adjustments as to the number of shares and option and stock appreciation right exercise prices, in which event the Plan, Options, SARs and Restricted Stock theretofore granted shall continue in the manner and under the terms so provided.

18.4. Adjustments

Adjustments under this **Section 18** related to shares of Stock or securities of the Company shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. No fractional shares or other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share. The Board shall determine the effect of a Corporate Transaction upon Awards other than Options, SARs, and Restricted Stock, and such effect shall be set forth in the appropriate Award Agreement. The Board may provide in the Award Agreements at the time of grant, or any time thereafter with the consent of the Grantee, for different provisions to apply to an Award in place of those described in **Sections 18.1, 18.2 and 18.3**.

18.5. No Limitations on Company

The making of Awards pursuant to the Plan shall not affect or limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, dissolve, or liquidate, or to sell or transfer all or any part of its business or assets.

19. GENERAL PROVISIONS

19.1. Disclaimer of Rights

No provision in the Plan or in any Award or Award Agreement shall be construed to confer upon any individual the right to remain in the employ or service of the Company or any Affiliate, or to interfere in any way with any contractual or other right or authority of the Company either to increase or decrease the compensation or other payments to any individual at any time, or to terminate any employment or other relationship between any individual and the Company. In addition, notwithstanding anything contained in the Plan to the contrary, unless otherwise stated in the applicable Award Agreement, no Award granted under the Plan shall be affected by any change of duties or position of the Grantee, so long as such Grantee continues to be a director, officer, consultant or employee of the Company or an Affiliate. The obligation of the Company to pay any benefits pursuant to this Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Company to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any Grantee or beneficiary under the terms of the Plan.

19.2. Nonexclusivity of the Plan

Neither the adoption of the Plan nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations upon the right and authority of the Board to

adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or particular individuals) as the Board in its discretion determines desirable, including, without limitation, the granting of stock options otherwise than under the Plan.

19.3. Withholding Taxes

The Company or an Affiliate, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Grantee any Federal, state, or local taxes of any kind required by law to be withheld with respect to the vesting of or other lapse of restrictions applicable to an Award or upon the issuance of any shares of Stock upon the exercise of an Option or pursuant to an Award. At the time of such vesting, lapse, or exercise, the Grantee shall pay to the Company or the Affiliate, as the case may be, any amount that the Company or the Affiliate may reasonably determine to be necessary to satisfy such withholding obligation. Subject to the prior approval of the Company or the Affiliate, which may be withheld by the Company or the Affiliate, as the case may be, in its sole discretion, the Grantee may elect to satisfy such obligations, in whole or in part, (i) by causing the Company or the Affiliate to withhold shares of Stock otherwise issuable to the Grantee or (ii) by delivering to the Company or the Affiliate shares of Stock already owned by the Grantee. The shares of Stock so delivered or withheld shall have an aggregate Fair Market Value equal to such withholding obligations. The Fair Market Value of the shares of Stock used to satisfy such withholding obligation shall be determined by the Company or the Affiliate as of the date that the amount of tax to be withheld is to be determined. A Grantee who has made an election pursuant to this **Section 19.3** may satisfy his or her withholding obligation only with shares of Stock that are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar requirements.

19.4. Captions

The use of captions in this Plan or any Award Agreement is for the convenience of reference only and shall not affect the meaning of any provision of the Plan or such Award Agreement.

19.5. Other Provisions

Each Award granted under the Plan may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Board, in its sole discretion.

19.6. Number And Gender

With respect to words used in this Plan, the singular form shall include the plural form, the masculine gender shall include the feminine gender, etc., as the context requires.

19.7. Severability

If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

19.8. Governing Law

The validity and construction of this Plan and the instruments evidencing the Award hereunder shall be governed by the laws of the State of California, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan and the instruments evidencing the Awards granted hereunder to the substantive laws of any other jurisdiction.

* * *

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To record amendment and restatement of the Plan by the Board as of April 18, 2003, and approval of the Plan by the stockholders on June 17, 2003, the Company has caused its authorized officer to execute the Plan.

ON ASSIGNMENT, INC.

By: /s/ Ronald Rudolph

Title: Executive Vice President Finance
and Chief Financial Officer

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ON ASSIGNMENT, INC.

DETACH PROXY CARD HERE IF YOU ARE NOT VOTING BY THE INTERNET OR TELEPHONE

1. To elect the Board's nominees, Jeremy Jones and Teresa A. Hopp, to serve as directors until the

2009 Annual Meeting of Stockholders or until their successors are elected and qualified:
ELECTION OF DIRECTORS

FOR

WITHHOLD AUTHORITY TO VOTE

Nominees: 01 Jeremy Jones and 02 Teresa A. Hopp

(INSTRUCTIONS: To withhold authority to vote for any individual nominee mark the Withhold Authority to Vote box and write that nominee's name and number on the space provided below.)

EXCEPTIONS

2. The amendment & restatement of On Assignment's Restated 1987 Stock Option Plan.

4. Such other business as may properly come before the Annual Meeting or any adjournments thereof.

FOR

AGAINST

ABSTAIN

3. To ratify the appointment of Deloitte & Touche LLP to serve as independent accountants for the fiscal year ending December 31, 2006.

If you wish to vote in accordance with the recommendation of the Board of Directors, all you need to do is sign and return this proxy card. The proxy holder(s) cannot vote your shares unless you sign and return the proxy card.

FOR

AGAINST

ABSTAIN

Please sign exactly as your name(s) is (are) shown on the stock certificate to which the proxy applies. When shares are held by joint tenants, both should sign. When signing as an attorney, executor, administrator, trustee or guardian, please give full title, as such. If a corporation, please sign in full corporate name by the President or other authorized officer. If a partnership, please sign in the partnership's name by an authorized person.

Please mark, sign, date and return the proxy card promptly using the enclosed envelope.

Dated: _____, 2006

Signature

Signature if held jointly

DETACH PROXY CARD HERE

PROXY

ON ASSIGNMENT, INC.
26651 West Agoura Road, Calabasas, California 91302
This Proxy is Solicited on Behalf of the Board of Directors

Annual Meeting of Stockholders to be held Monday, May 22, 2006

The undersigned revokes all previous proxies, acknowledges receipt of the Notice of the Annual Meeting of Stockholders and the Proxy Statement and appoints Peter T. Dameris and Michael J. Holtzman and each of them, as proxy of the undersigned, with full power of substitution, to vote all shares of common stock of On Assignment, Inc. (the Company) held of record by the undersigned on April 10, 2006, either on his or her own behalf or on behalf of any entity or entities, at the Annual Meeting of Stockholders of the Company to be held on Monday, May 22, 2006, at 2:00 p.m., Pacific Time, and at any adjournments thereof, with the same force and effect as the undersigned might or could do if personally present thereat. This proxy may be revoked at any time before it is voted by delivering to the Company's Corporate Secretary either a written revocation of proxy or a duly executed proxy bearing a later date, or by appearing at the Annual Meeting and voting in person.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED FOR PROPOSALS ONE, TWO AND THREE, UNLESS CONTRARY DIRECTIONS ARE GIVEN, AND IN THE DISCRETION OF THE PROXY HOLDER(S) ON ANY OTHER MATTER THAT MAY PROPERLY COME BEFORE THE ANNUAL MEETING OR ANY ADJOURNMENT THEREOF.

(Continued, and to be marked, dated and signed, on the other side)