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REMEDYTEMP INC
Form 10-Q
February 13, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES AND EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED DECEMBER 30, 2001

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES AND EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0-5260

REMEDYTEMP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

CALIFORNIA
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

95-2890471
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

101 ENTERPRISE
ALISO VIEJO, CALIFORNIA
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

92656
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (949) 425-7600

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

As of February 8, 2002 there were 7,841,430 shares of Class A Common Stock and 1,479,911 shares of Class B Common Stock outstanding.

REMEDYTEMP, INC.

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REMEDYTEMP, INC.

PART I--FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

ASSETS

| | |
|--------------|---------------|
| DECEMBER 30, | SEPTEMBER 30, |
| 2001 | 2001 |
| ---- | ---- |

Current assets:

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| | | |
|---|------------|-----------|
| Cash and cash equivalents | \$ 42,069 | \$ 37,362 |
| Accounts receivable, net of allowance for doubtful accounts of \$1,978 and \$1,789, respectively | 55,039 | 62,972 |
| Prepaid expenses and other current assets | 5,232 | 4,842 |
| Deferred income taxes | 7,047 | 7,047 |
| | ----- | ----- |
| Total current assets | 109,387 | 112,223 |
| | ----- | ----- |
| Fixed assets, net of accumulated depreciation of \$19,469 and \$18,474, respectively | 17,277 | 17,820 |
| Other assets, net | 2,795 | 2,642 |
| Deferred income taxes | 123 | 123 |
| Goodwill, net of accumulated amortization of \$743 and \$675, respectively | 4,496 | 4,494 |
| | ----- | ----- |
| Total assets | \$ 134,078 | \$137,302 |
| | ===== | ===== |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|--|------------|-----------|
| Current liabilities: | | |
| Accounts payable | \$ 899 | \$ 2,395 |
| Accrued workers' compensation | 13,896 | 11,933 |
| Accrued payroll, benefits and related costs | 9,821 | 12,552 |
| Accrued licensees' share of gross profit | 2,664 | 3,202 |
| Income taxes payable | 873 | 1,748 |
| Other accrued expenses | 5,615 | 5,897 |
| | ----- | ----- |
| Total current liabilities | 33,768 | 37,727 |
| | ----- | ----- |
| Commitments and contingent liabilities | | |
| Shareholders' equity: | | |
| Preferred Stock, \$.01 par value; authorized 5,000 shares; none outstanding | -- | -- |
| Class A Common Stock, \$.01 par value; authorized 50,000 shares; 7,758 and 7,391 issued and outstanding at December 30, 2001 and September 30, 2001, respectively (Note 4) | 78 | 74 |
| Class B Non-Voting Common Stock, \$.01 par value; authorized 4,530 shares; 1,564 and 1,565 issued and outstanding at December 30, 2001 and September 30, 2001, respectively | 16 | 16 |
| Additional paid in capital (Note 4) | 38,950 | 33,889 |
| Unearned compensation (Note 4) | (5,022) | -- |
| Retained earnings | 66,288 | 65,596 |
| | ----- | ----- |
| Total shareholders' equity | 100,310 | 99,575 |
| | ----- | ----- |
| Total liabilities and shareholders' equity | \$ 134,078 | \$137,302 |
| | ===== | ===== |

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

| | THREE MONTHS ENDED | |
|---|------------------------------|------------------------------|
| | DECEMBER 30, 2001 ---- | DECEMBER 31, 2000 ---- |
| Direct sales | \$ 62,787 | \$ 83,387 |
| Licensed sales | 51,504 | 65,129 |
| Franchise royalties | 463 | 965 |
| Initial license and franchise fees . | 6 | -- |
| | ----- | ----- |
| Total revenues | 114,760 | 149,481 |
| Cost of direct sales | 50,550 | 65,885 |
| Cost of licensed sales | 39,793 | 48,935 |
| Licensees' share of gross profit ... | 8,009 | 11,031 |
| Selling and administrative expenses | 14,495 | 18,032 |
| Depreciation and amortization | 1,407 | 1,409 |
| | ----- | ----- |
| Income from operations | 506 | 4,189 |
| Other income: | | |
| Interest income (expense), net | 239 | 72 |
| Other, net | 273 | 210 |
| | ----- | ----- |
| Income before provision for income taxes | 1,018 | 4,471 |
| Provision for income taxes | 326 | 1,609 |
| | ----- | ----- |
| Net income | \$ 692 | \$ 2,862 |
| | ===== | ===== |
| Net income per share, basic (Note 2) | \$ 0.08 | \$ 0.32 |
| | ===== | ===== |
| Weighted-average number of shares, basic | 8,956 | 8,903 |
| | ===== | ===== |
| Net income per share, diluted (Note 2) | \$ 0.08 | \$ 0.32 |
| | ===== | ===== |
| Weighted-average number of shares, diluted | 8,985 | 8,923 |
| | ===== | ===== |

See accompanying notes to consolidated financial statements.

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| | THREE MONTHS ENDED | |
|---|--------------------|--------------|
| | DECEMBER 30, | DECEMBER 31, |
| | 2001 | 2000 |
| | ---- | ---- |
| Cash flows from operating activities: | | |
| Net income | \$ 692 | \$ 2,862 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,407 | 1,406 |
| Provision for losses on accounts receivable .. | 354 | 2,316 |
| Restricted stock compensation expense | 43 | -- |
| Changes in assets and liabilities: | | |
| Accounts receivable | 7,579 | (10,330) |
| Prepaid expenses and other current assets .. | (390) | 1,319 |
| Prepaid workers' compensation insurance | -- | 3,406 |
| Other assets | (153) | 169 |
| Accounts payable | (1,496) | 427 |
| Accrued workers' compensation | 1,963 | 530 |
| Accrued payroll, benefits and related costs | (2,731) | (1,433) |
| Accrued licensees' share of gross profit ... | (538) | (33) |
| Other accrued expenses | (282) | 210 |
| Income taxes payable | (875) | 248 |
| | ----- | ----- |
| Net cash provided by operating activities | 5,573 | 1,097 |
| | ----- | ----- |
| Cash flows from investing activities: | | |
| Purchase of fixed assets | (796) | (648) |
| Purchase of franchises, net of assets acquired .. | (70) | (45) |
| | ----- | ----- |
| Net cash used in investing activities | (866) | (693) |
| | ----- | ----- |
| Net increase in cash and cash equivalents | 4,707 | 404 |
| Cash and cash equivalents at beginning of period | 37,362 | 1,084 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$ 42,069 | \$ 1,488 |
| | ===== | ===== |
| Other cash flow information: | | |
| Cash paid during the period for interest | \$ 53 | \$ 102 |
| Cash paid during the period for income taxes ... | \$ 1,201 | \$ 121 |

See accompanying notes to consolidated financial statements.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

1. BASIS OF PRESENTATION

The consolidated financial statements include the accounts of RemedyTemp, Inc. and its wholly owned subsidiaries (collectively, the "Company"). All significant intercompany transactions and balances have been eliminated.

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The accompanying consolidated balance sheet at December 30, 2001, and the consolidated statements of income and cash flows are unaudited. These statements have been prepared on the same basis as the Company's audited consolidated financial statements and in the opinion of management reflect all adjustments, which are only of a normal recurring nature, necessary for a fair presentation of the consolidated financial position and results of operations for such periods. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Form 10-K as filed with the Securities and Exchange Commission on December 28, 2001.

2. EARNINGS PER SHARE DISCLOSURE

Earnings per share is calculated as follows:

| | THREE FISCAL MONTHS ENDED | | | | |
|---|---------------------------|-------------------------|----------------------|-----------------------|-------------------------|
| | DECEMBER 30, 2001 | | | DECEMBER 30, 2000 | |
| | INCOME (NUMERATOR) | SHARES (DENOMINATOR) | PER-SHARE AMOUNTS | INCOME (NUMERATOR) | SHARES (DENOMINATOR) |
| BASIC EPS | | | | | |
| Income available to common shareholders . | \$692 | 8,956 | \$ 0.08 ===== | \$2,862 | 8,956 |
| EFFECT OF DILUTIVE SECURITIES | | | | | |
| Stock options and restricted stock..... | \$ -- ---- | 29 ----- | | \$ -- ----- | |
| DILUTED EPS | | | | | |
| Income available to common shareholders plus assumed conversions..... | \$692 ===== | 8,985 ===== | \$ 0.08 ===== | \$2,862 ===== | 8,985 ===== |

3. REPURCHASE OF LICENSED OFFICES

The Company acquired two licensed offices (one in Michigan and one in Illinois) during the first quarter of fiscal 2002. Results of operations for the acquired licensed offices are recorded in accordance with the Company's licensed revenue recognition policy until the acquisition date. Subsequent to the acquisition date, the direct office revenue recognition policy is utilized. Had the results of operations for the licensed offices been shown as of the beginning of the current and prior year fiscal periods, the consolidated results would not be significantly different. These acquisitions are accounted for under the purchase accounting method. The purchase prices were allocated primarily to goodwill and are being amortized over an estimated life of twenty years.

4. RESTRICTED STOCK AWARD

In December 2001, the Compensation Committee of the Board of Directors authorized and issued 365 shares of restricted Class A Common Stock to certain officers of the Company (the "Restricted Stock") under the Company's 1996 Stock Incentive Plan ("Incentive Plan"). Shares granted are subject to certain restrictions on ownership and transferability. The Restricted Stock cliff vests

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after five years at which point the restrictions lapse; however, the Restricted Stock is subject to accelerated vesting after three years if certain performance goals are achieved. All unvested Restricted Stock shall be forfeited upon voluntary termination or termination for cause. Upon involuntary termination for

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REMEDYTEMP, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

other than cause, 20% vests one year from the grant date with the remaining unvested shares vesting at 1.66% each month thereafter. In connection with this issuance, the Company credited the capital accounts and charged unearned compensation for the market value of the Restricted Stock on the grant date. The unearned compensation is shown as a reduction of shareholders' equity in the accompanying Consolidated Balance Sheets and is being amortized to expense ratably over the restricted period.

In connection with the Restricted Stock grant, the executives were required to forfeit outstanding stock options on a one for one basis, to the extent available. As a result, a total of 311 stock options were forfeited and cancelled in connection with this grant.

5. LITIGATION

In October 2001, the Company and certain of its officers were named as defendants in a complaint purporting to be a class action brought by two individual plaintiffs on behalf of all of the Company's franchisees and licensees. The plaintiffs claim that Remedy wrongfully induced its franchisees and licensees into signing franchise/license agreements and took other action that caused the franchisees damage and seek unspecified damages. The Company has sought to compel arbitration with the plaintiffs in accordance with its franchise/license agreement with each of them and to deny class certification. The Company believes it has meritorious defenses to this complaint and intends to vigorously defend this action. At this time management is unable to give an estimate as to the amount or range of potential loss, if any, which might result to the Company if the outcome in this matter were unfavorable.

On December 10, 2001, Remedy filed a demand for arbitration before the Los Angeles branch of the American Arbitration Association and a complaint in United States District Court, Central District of California, for, among other things, breach of contract, trademark infringement, misappropriation of trade secrets, and unfair competition against Stephen M. Smith, Jody A. Smith and Smith Temporaries, Inc. doing business as CornerStone Staffing and Remedy Intelligent Staffing. The defendants have filed a counterclaim in arbitration alleging, among other things, breach of contract, defamation and trade secret misappropriation. The defendants were licensees of Remedy until their licensing agreement expired on December 30, 2001. Remedy believes that its case is meritorious and will protect its interests to the fullest extent permitted by law.

6. ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board issued Statements on Financial Accounting Standards (SFAS) Nos. 141 "Business Combinations" and 142 "Goodwill and Other Intangible Assets". SFAS 141, among other things,

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eliminates the use of the pooling of interests method of accounting for business combinations. Under the provisions of SFAS No. 142, goodwill will no longer be amortized, but will be subject to a periodic test for impairment based upon fair values. During the three months ended December 30, 2001 and December 31, 2000, the Company reported goodwill amortization of \$68 and \$63, respectively. SFAS No. 141 is effective for all business combinations initiated after June 30, 2001. SFAS No. 142 will be effective for the Company beginning September 30, 2002. Given the recent issuance of these standards, the Company has not yet determined the impact of adoption on the financial statements.

On October 3, 2001, the Financial Accounting Standards Board issued Statement on Financial Accounting Standards (SFAS) No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supercedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and amends Accounting Principles Board Opinion No. 30 (APB 30) "Reporting Results of Operations Reporting the Effects of Disposal of a Segment of a Business". SFAS No. 144 requires that long-lived assets to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. Also, SFAS No. 144 eliminates APB 30's requirement that discontinued operations be measured at net realizable value or that entities include under "discontinued operations" in the financial statements amounts for operating losses that have not yet occurred. Additionally, SFAS No. 144 expands the scope of discontinued operations to include all components of an entity with operations that (1) can be distinguished from the rest of the entity and (2) will be eliminated from the ongoing operations of the entity in a disposal transaction. SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001 and, generally, its provisions are to be applied prospectively. Management does not believe that the adoption of SFAS No. 144 will have a material impact on the Company's consolidated financial statements.

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REMEDYTEMP, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In addition to historical information, management's discussion and analysis includes certain forward-looking statements made by the Company that involve material risks and uncertainties and are subject to change based on factors beyond the control of the Company (certain of such statements are identified by the use of words such as "anticipate," "believe," "estimate," "intend," "expect," or "future"). Accordingly, the Company's actual results may differ materially from those expressed or implied in any such forward-looking statements as a result of various factors, including, without limitation, the successful launch of RemX(R) Financial Staffing, the ability to open new points of distribution, changes in general or local economic conditions, the availability of sufficient personnel, the Company's ability to attract and retain clients and franchisees/licenseses, implementation and operation of the Company's new IT systems, the outcome of litigation and other factors described in the Company's filings with the Securities and Exchange Commission regarding risks affecting the Company's financial condition and results of operations. The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

RESULTS OF OPERATIONS

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For the Three Fiscal Months Ended December 30, 2001 Compared to the Three Fiscal Months Ended December 31, 2000

Total revenues decreased 23.2% or \$34.7 million to \$114.8 million for the three fiscal months ended December 30, 2001 from \$149.5 million for the three fiscal months ended December 31, 2000. Direct revenues decreased 24.7% to \$62.8 million from \$83.4 million, licensed revenues decreased 20.9% to \$51.5 million from \$65.1 million and franchise royalties decreased 52.0% to \$0.5 million from \$1.0 million for the three fiscal months ended December 30, 2001 and December 31, 2000, respectively. The overall decrease in direct revenues results from the general slowdown in the economy as well as continued pricing pressures. The decrease in licensed revenues was also impacted by current economic conditions. The decrease in franchise royalties resulted from the conversion of five franchised offices to the licensed format and the closure of four additional offices, as well as lower billings at existing offices. There was a slight change in mix between direct, licensed and royalty revenues with direct revenues accounting for 54.7% of total revenues for the three months ended December 30, 2001 as compared to 55.8% for the three months ended December 31, 2000. The Company's ability to increase revenues depends significantly on the Company's ability to continue to attract new clients, retain existing clients, open new offices, find and retain licensees and office managers and manage newly opened offices to maturity. There can be no assurance that the Company's revenues will increase.

Total cost of direct and licensed sales, which consists of wages and other expenses related to the temporary associates, decreased 21.3% or \$24.5 million to \$90.3 million for the three fiscal months ended December 30, 2001 from \$114.8 million for the three fiscal months ended December 31, 2000. This decrease resulted primarily from reduced revenues as described above. Total cost of direct and licensed sales as a percentage of revenues was 78.7% for the three fiscal months ended December 30, 2001 compared to 76.8% for the three fiscal months ended December 31, 2000. This increase results from a shift in business mix, lower markup resulting from pricing pressures, reduced permanent placement business and royalty income, as well as increased workers' compensation costs. Many factors, including increased wage costs or other employment expenses, could adversely affect the Company's cost of direct and licensed sales.

Licensees' share of gross profit represents the net payments to licensees based upon a percentage of gross profit generated by the licensed operation. The percentage of gross profit earned by the licensee is generally based on the number of hours billed. Pursuant to terms of the Company's franchise agreement for licensed offices, the Company's share of gross profit typically cannot be less than 7.5% of the licensed operation sales, with the exception of national accounts on which the Company's fee is reduced. Licensees' share of gross profit decreased 27.4% or \$3.0 million to \$8.0 million for the three fiscal months ended December 30, 2001 from \$11.0 million for the three fiscal months ended December 31, 2000 due to an overall 27.7% decrease in licensed gross profits as well as decreased permanent placement billings. Licensees' share of gross profit as a percentage of licensed gross profit was 68.4% for the three fiscal months ended December 30, 2001 compared to 68.1% for the three fiscal months ended December 31, 2000. This increase resulted from certain licensees earning a larger percentage of gross profit in the current year.

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Selling and administrative expenses decreased 19.6% or \$3.5 million to \$14.5 million for the three fiscal months ended December 30, 2001 from \$18.0 million for the three fiscal months ended December 31, 2000. This overall decrease results primarily from a continued company-wide cost containment initiative that has resulted in operational and organizational changes designed to increase efficiency in a cost-effective manner, as well as reduced implementation and support costs associated with the Company's information systems. Additionally, in the prior year the Company recorded a \$1.9 million charge to provide for a large client's account receivable deemed uncollectible as a result of sudden financial deterioration. Selling and administrative expenses as a percentage of total revenues were 12.6% for the three fiscal months ended December 30, 2001 as compared to 12.1% for the three fiscal months ended December 31, 2000. There can be no assurance that selling and administrative expenses will not increase in the future, both in absolute terms and as a percentage of total revenues. Increases in these expenses could adversely affect the Company's profitability.

Depreciation and amortization expenses remained consistent at \$1.4 million for the three fiscal months ended December 30, 2001 and December 31, 2000.

Income from operations decreased 87.9% or \$3.7 million to \$0.5 million for the three fiscal months ended December 30, 2001 from \$4.2 million for the three fiscal months ended December 31, 2000 due to the factors described above. Income from operations as a percentage of revenues was 0.4% for the three fiscal months ended December 30, 2001 compared to 2.8% for the three fiscal months ended December 31, 2000.

Net income decreased 75.8% or \$2.2 million to \$0.7 million for the three fiscal months ended December 30, 2001 from \$2.9 million for the three fiscal months ended December 31, 2000 due to the factors described above. Interest income increased from investment of the Company's growing cash balance. Additionally, the Company reduced its effective tax rate as a result of expected Work Opportunity and Welfare to Work Tax Credits. As a percentage of total revenues, net income was 0.6% for the three fiscal months ended December 30, 2001 compared to 1.9% for the three fiscal months ended December 31, 2000.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities was \$5.6 million for the three months ended December 30, 2001 and \$1.1 million for the three fiscal months ended December 31, 2000. Cash from operating activities was impacted by the timing of accounts receivable collection, the Company's reduced operations in the current year, changes in the Company's workers' compensation program and the timing of vendor payments.

Prior to April 1, 2001, the Company utilized a guaranteed cost insurance program for its workers' compensation claims liability and had prepaid insurance premiums in the prior year. Effective April 1, 2001, the Company entered into a contract with Liberty Mutual Insurance Company ("Liberty") for its workers' compensation insurance and claims administration. The Company's deductible under the insurance contract is \$0.25 million per individual claim and Liberty is responsible for costs in excess of the deductible amount. The Company is self-insured for its deductible liability and as such no prepayment was made in the current year. Under the terms of the agreement, the Company is required to maintain a letter of credit to secure repayment to Liberty of the deductible portion of all open claims.

Cash used for purchases of fixed assets was \$0.8 million for the three fiscal months ended December 30, 2001 and \$0.6 million for the three fiscal months ended December 31, 2000. The Company continues to invest in computer-based technologies and direct office openings and anticipates \$5.0 million in related capital expenditures during the next twelve months. In

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connection with the non-renewal of a licensing agreement effective December 30, 2001, the Company opened three replacement offices in the former licensee's territory. The Company continues to service existing clients in this territory and has a sales team in place to further develop the territory. There can be no assurance that capital expenditures will not increase and that revenue and operating income will not be negatively impacted by this transition to direct offices.

In January 2002, the Company launched RemX(R) Financial Staffing, a new direct business unit focused on providing financial personnel on a temporary, temp-to-hire or direct hire basis in major markets nationwide. The Company anticipates opening nine RemX(R) Financial Staffing offices during calendar 2002, while continuing to evaluate possible strategic acquisitions. Such office openings and potential acquisitions may have an impact on future liquidity.

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REMEDYTEMP, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

The Company acquired two licensed offices (one in Michigan and one in Illinois) during the first quarter fiscal 2002 (see Note 3 to the consolidated financial statements) and one licensed office in New Jersey during the comparative prior year quarter. The Company is contemplating the continued selective repurchase of licensed and franchised offices in certain territories with the intent of expanding the Company's market presence in such regions.

The Company has a revolving line of credit agreement with Bank of America providing for aggregate borrowings and letters of credit of \$40.0 million. The Company has no borrowings outstanding as of December 30, 2001 and has a \$17.3 million letter of credit in accordance with the workers' compensation insurance agreement discussed above. The line of credit is unsecured and expires on February 28, 2002. The agreement governing the line of credit requires the Company to maintain certain financial ratios and comply with certain restrictive covenants. The Company is in compliance with these covenants.

The Company believes that its current and expected levels of working capital and line of credit are adequate to support present operations and to fund future growth and business opportunities.

SEASONALITY

The Company's quarterly operating results are affected by the number of billing days in the quarter and the seasonality of its clients' businesses. The first fiscal quarter has historically been relatively strong as a result of manufacturing and retail emphasis on holiday sales. Historically, the second fiscal quarter shows a decline in comparable revenues from the first fiscal quarter. Revenue growth has historically accelerated in each of the third and fourth fiscal quarters as manufacturers, retailers and service businesses increase their level of business activity.

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PART II--OTHER INFORMATION

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Set forth below is a list of the exhibits included as part of this Quarterly Report:

| Number Exhibit ----- | Description ----- |
|----------------------------|--|
| 3.1 | Amended and Restated Articles of Incorporation of the Company (a) |
| 3.2 | Amended and Restated Bylaws of the Company (f) |
| 4.1 | Specimen Stock Certificate (a) |
| 4.2 | Shareholder Rights Agreement (a) |
| 10.1 | Robert E. McDonough, Sr. Amended and Restated Employment Agreement (g) |
| 10.2 | Paul W. Mikos Employment Agreement, as amended (j) |
| 10.5 | Registration Rights Agreement with R. Emmett McDonough and Related Trusts (a) |
| 10.6 | Alan M. Purdy Change in Control Severance Agreement (i) |
| 10.7 | Deferred Compensation Agreement for Alan M. Purdy (a) |
| 10.9 | Form of Indemnification Agreement (a) |
| 10.11 | Amended and restated RemedyTemp, Inc. 1996 Stock Incentive Plan (h) |
| 10.12 | Amended and restated RemedyTemp, Inc. 1996 Employee Stock Purchase Plan (a) |
| 10.13 | Form of Franchising Agreement for Licensed Offices (l) |
| 10.14 | Form of Franchising Agreement for Franchised Offices (a) |
| 10.15 | Form of Licensing Agreement for IntelliSearch(R) (a) |
| 10.18 | Additional Deferred Compensation Agreement for Alan M. Purdy (b) |
| 10.19 | Lease Agreement between RemedyTemp, Inc. and Parker-Summit, LLC (c) |
| 10.22 | RemedyTemp, Inc. Deferred Compensation Plan (d) |
| 10.23 | Amended and Restated Employment Agreement for Greg Palmer |
| 10.24 | 1998 RemedyTemp, Inc. Deferred Compensation and Stock Ownership Plan for Outside Directors (e) |
| 10.25 | Form of Licensing Agreement for i/search2000(TM) (f) |
| 10.26 | Credit Agreement among Bank of America National Trust and Savings Association and RemedyTemp, Inc. (h) |
| 10.27 | Paul W. Mikos Severance Agreement and General Release (k) |

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- 10.28 Gunnar B. Gooding Employment and Severance Letter (m)
- 10.29 Cosmas N. Lykos Employment and Severance Letter (m)
- (a) Incorporated by reference to the exhibit of same number to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-4276), as amended.
- (b) Incorporated by reference to the exhibit of same number to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 29, 1996.
- (c) Incorporated by reference to the exhibit of same number to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 30, 1997.
- (d) Incorporated by reference to the exhibit of same number to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 1997.
- (e) Incorporated by reference to the exhibit of same number to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 29, 1998.
- (f) Incorporated by reference to the exhibit of same number to the Registrant's Annual Report on Form 10-K for the yearly period ended September 27, 1998.
- (g) Incorporated by reference to the exhibit of same number to the Registrant's Quarterly Reports on Form 10-Q for the quarterly period ended December 27, 1998.
- (h) Incorporated by reference to the exhibit of same number to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 28, 1999.
- (i) Incorporated by reference to the exhibit of same number to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 28, 1999.
- (j) Incorporated by reference to the exhibit of same number to the Registrant's Quarterly Reports on Form 10-Q for the quarterly period ended June 28, 1999 (original agreement) and for the quarterly period ended December 31, 2000 (amendment).
- (k) Incorporated by reference to the exhibit of same number to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2001.
- (l) Incorporated by reference to the exhibit of same number to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 1, 2001.
- (m) Incorporated by reference to the exhibit of same number to the Registrant's Annual Report on Form 10-K for the yearly period ended September 30, 2001.

(b) Reports on Form 8-K.

No reports on Form 8-K have been filed during the last quarter of the

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period covered by this Report.

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REMEDYTEMP, INC.

SIGNATURES

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

REMEDYTEMP, INC.

February 13, 2002

/s/ GREG PALMER

Greg Palmer, President and Chief
Executive Officer

February 13, 2002

/s/ ALAN M. PURDY

Senior Vice President and Chief Financial
Officer (Principal Financial and Accounting
Officer)

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REMEDYTEMP, INC.

EXHIBIT INDEX

| NUMBER EXHIBIT ----- | DESCRIPTION ----- |
|----------------------------|---|
| 3.1 | Amended and Restated Articles of Incorporation of the Company (a) |
| 3.2 | Amended and Restated Bylaws of the Company (f) |
| 4.1 | Specimen Stock Certificate (a) |
| 4.2 | Shareholder Rights Agreement (a) |
| 10.1 | Robert E. McDonough, Sr. Amended and Restated Employment Agreement (g) |
| 10.2 | Paul W. Mikos Employment Agreement, as amended (j) |
| 10.5 | Registration Rights Agreement with R. Emmett McDonough and Related Trusts (a) |
| 10.6 | Alan M. Purdy Change in Control Severance Agreement (i) |
| 10.7 | Deferred Compensation Agreement for Alan M. Purdy (a) |

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- 10.9 Form of Indemnification Agreement (a)
- 10.11 Amended and restated RemedyTemp, Inc. 1996 Stock Incentive Plan (h)
- 10.12 Amended and restated RemedyTemp, Inc. 1996 Employee Stock Purchase Plan (a)
- 10.13 Form of Franchising Agreement for Licensed Offices (l)
- 10.14 Form of Franchising Agreement for Franchised Offices (a)
- 10.15 Form of Licensing Agreement for IntelliSearch(R) (a)
- 10.18 Additional Deferred Compensation Agreement for Alan M. Purdy (b)
- 10.19 Lease Agreement between RemedyTemp, Inc. and Parker-Summit, LLC (c)
- 10.22 RemedyTemp, Inc. Deferred Compensation Plan (d)
- 10.23 Amended and Restated Employment Agreement for Greg Palmer
- 10.24 1998 RemedyTemp, Inc. Deferred Compensation and Stock Ownership Plan for Outside Directors (e)
- 10.25 Form of Licensing Agreement for i/search 2000(TM) (f)
- 10.26 Credit Agreement among Bank of America National Trust and Savings Association and RemedyTemp, Inc. (h)
- 10.27 Paul W. Mikos Severance Agreement and General Release (k)
- 10.28 Gunnar B. Gooding Employment and Severance Letter (m)
- 10.29 Cosmas N. Lykos Employment and Severance Letter (m)

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REMEDYTEMP, INC.

- (a) Incorporated by reference to the exhibit of same number to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-4276), as amended.
- (b) Incorporated by reference to the exhibit of same number to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 29, 1996.
- (c) Incorporated by reference to the exhibit of same number to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 30, 1997.
- (d) Incorporated by reference to the exhibit of same number to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 1997.
- (e) Incorporated by reference to the exhibit of same number to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 29, 1998.

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- (f) Incorporated by reference to the exhibit of same number to the Registrant's Annual Report on Form 10-K for the yearly period ended September 27, 1998.
- (g) Incorporated by reference to the exhibit of same number to the Registrant's Quarterly Reports on Form 10-Q for the quarterly period ended December 27, 1998.
- (h) Incorporated by reference to the exhibit of same number to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 28, 1999.
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- (m) Incorporated by reference to the exhibit of same number to the Registrant's Annual Report on Form 10-K for the yearly period ended September 30, 2001.